

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

CHINA



## DOING BUSINESS IN CHINA: INTERCULTURAL CHALLENGES

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## “THE BEST THING TO DO IS TO SHOW INTEREST IN A DIFFERENT CULTURE”

### What models are used to describe cultural differences and specifics?

There is a whole range of models that can be used to analyze cultural differences. The most popular one was developed by the Dutch professor of cultural studies Geert Hofstede. His model for assessing national cultures compares different cultural aspects such as hierarchical behavior, perception of space and time, or individualism and collectivism. These parameters form a scale that is used to assess countries based on the extent to which these factors are expressed. In China, the collectivism indicator is higher than in Germany, since in Germany the tendency toward individualism is very clear.

This difference is explained by the historical and socio-cultural backgrounds of both countries. The Hofstede scale assessments are based on multi-faceted and standardized research conducted by IBM employees across different countries. Similar research has also been conducted by Trompenaars, Hall and Schwartz. However, working with these models can be problematic, in particular because they equate “culture” with “nation.” Because of this simplification, a lot of important aspects are left out – the differences in corporate culture and industry specifics, generational and gender differences, as well as differences between cities and villages.

Moreover, knowing the differences between national cultures often doesn’t say much about actual interactions: what would really happen if I meet a German or Chinese person tomorrow and become confused by a particular behavior? Studying these models can help in the beginning but most likely won’t do much in terms of everyday life and extremely complicated corporate life. Here, I would recommend using training models that target interpersonal communication, empathy, overcoming anger and frustration, as well as self-reflection.

### What are some typical problems people encounter when the German culture meets the Chinese culture?

There are distinct differences between the Germans and the Chinese at work, and these differences come up often. In China, attitudes toward deadlines are more lax and business negotiations are based on trust developed through many years of cooperation. Hierarchical differences are more significant.

However, one should keep in mind that differences across industries are a lot more prominent than differences across countries – the experience of a car parts supplier will be radically different from that of an advertising agency. Moreover, these differences do not necessarily result in difficulties or conflict. The emergence of difficulties depends on each individual person, even though cultural differences – which are easier to spot – are often blamed when challenges arise.

For example, one Chinese marketing manager at a German company operating in China knew that the website being developed by the HQ would not attract the target audience. Still, she waited and did not express her concern to management. Instead, she solved the problem directly, by modifying the Chinese website, after it had been developed, in accordance with her vision. ▶



### Dr. Anne Schreiter

works at the international company Common Purpose, which provides leadership seminars. Her book on German-Chinese work settings came out this year.

The marketing specialist thought that she would not accomplish anything by voicing her concerns, since she was used to complicated decision-making processes and lack of support from management.

Her German boss, in turn, explained her "wait-and-see" behavior by „the lack of directness in communication among the Chinese people, who all behave in a similar way." He didn't want to acknowledge that it was the corporate culture, and not national differences, that was the problem.

### What can the Europeans do to prepare for a move to China?

The best thing to do is to show interest in a different culture, a new city, in life and in the Chinese people. It is best to prepare for this before departure – by taking language courses or establishing contacts with the Chinese people who live in your home country. You should move at least 14 days before you start working so that you have time to adjust.

At first, it is important to be open and think about what is making you confused. It helps to evaluate your behavior in stressful situations and internal barriers in order to behave more rationally when conflicts arise.

For companies, I recommend mentorship programs. In such programs, the Europeans who have been working in a certain country for a long time guide newcomers and help them to get used to the new working environment at the beginning stages. The point is not to completely understand a world that is completely foreign to you, to accept and adapt to it completely, but to accept differences for what they are and come to terms with them.

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## "THE BIGGEST CHALLENGE WAS CREATING A RELAXED BUT PRODUCTIVE ATMOSPHERE"

### What is living in China like?

Living in China is great – people are much more optimistic and positive than most people in Europe. Life in Beijing is, of course, a serious challenge, considering the crowds, heavy traffic jams stretching for miles, and bad air quality. On the other hand, Chinese economic and cultural centers such as Beijing, Shanghai, Shenzhen and Guangzhou in many ways combine the best of what the West and Asia have to offer. Those who wish to lead a Western lifestyle are able to do so. There is a big expat diaspora here, international schools, supermarkets that carry almost exclusively imported products, television programs and cinemas that feature films in the original language and so on. You don't have to speak Chinese – all the boards and signs in major cities are written in two languages, mostly in Chinese and English. However, knowing some Chinese certainly makes life easier and opens opportunities for travelling independently to other cities located far away from megacities. The infrastructure is good everywhere, sometimes excellent. Airports and high-speed trains enable you to cover long distances quickly. ►

### INTERVIEW



**Alexander Pollak-Boick** has been living and working in Beijing since 2010. He has been working as CFO at Siemens Mobility with responsibility for Greater China since 2011.

However, you'll only get to see the real China if you travel outside the big cities. Those who want to understand the Chinese people and the way they think definitely need to visit such places.

### **What are the main differences between the work climate in China and Germany?**

The biggest difference between the Chinese and German structures is the distinct hierarchy. Here in China, a boss is a person who is out of reach – people do not criticize or contradict a boss. In return, bosses are expected to execute management and assume responsibility. If employees make mistakes, management punishes them.

Since the most important thing is to find the culprits and publicly punish them for making mistakes as a warning to others, employees frequently try to cover up their mistakes or blame others for them. Besides, employees also try to flatter the boss at every turn because of this.

The Germans are more focused on collective work and try to cooperate with their colleagues. It takes some time to get the Chinese colleagues on board with this model. In order to build relationships based on trust, that is an atmosphere where employees will risk openly discussing mistakes, make critical comments, look for solutions jointly with their colleagues, take responsibility and adopt the principle of freedom to act – in order to do this, several employees have to take the courageous first step so that others can follow once they see that these “pioneers” are not in danger. The tendency toward “Chinesification” in companies – replacing expats with Chinese managers at all levels – is perceived by employees to be more of a setback after they become used to the German style of management. Based on my experience, I think that the combination of the Chinese and German work ethics and management styles is ideal. The German focus on business processes and strict adherence to instructions in combination with Chinese flexibility is often the foundation of successful projects.

### **What is the biggest challenge for you intellectually?**

The biggest challenge was creating a relaxed but productive atmosphere. Teaching employees that they will not be punished if they make a mistake. This process takes three to six months. After this, about half of the staff get used to constructive criticism and work. When the first few people figure out how this works, they encourage others. But you can never get everybody over to your side – about ten per cent of employees never change.

In particular, it seems to me that universities are very distant from practice. I often find a lack of creativity in young employees, as well as the willingness to discuss – to convince, motivate and draw in others by using good arguments. Learning by heart is still a common thread that runs through the entire education system. This starts with the Chinese hieroglyphs in elementary school. When foreign languages are taught in school, the preferred method is to stress grammar and translation, not speaking. You can also see this in other subjects, where memorization is favored over deep understanding. ►

## How is living in Beijing different from living in European capitals?

Like everywhere, living in Beijing has its advantages and disadvantages. There are so many attractions here and places for country walks that you can spend a whole month doing only that. You can find here everything you can think of: great entertainment, restaurants, cultural events – there is something for everyone. The city itself is in a great location. In summer, you can go to the beach and eat seafood. You can walk around nearby mountains and sections of the Great Wall all year round and go skiing in winter – and this is just a short list.

The combination of commerce and modern culture is very interesting and exciting. However, the years of low prices are far behind, and the flea markets Europeans used to like so much are gradually being replaced. You have to learn to feel comfortable with the fact that you are always surrounded by crowds of people – ones that are a lot noisier than the Europeans. There even appeared “pushers” in the underground – people who push people into trains during the rush hour. There are some days when the smog is so thick that you feel like you are suffocating, your eyes turn red, your throat tickles and your mouth tastes like burnt.

## Would you recommend working in China for a couple of years?

Yes, but not without some reservations. In 2010, when I first started working in Beijing, life was a lot more pleasant. Those who come here must realize that their lifestyles will be less healthy than in Europe and that there will also be some risks – with respect to food safety, for example. But Beijing is absolutely safe and comfortable, and I would come here again if I had a choice.

Living and working in Beijing has been a great experience for me. I would even say that the time I spent in China has been the best time in my life career-wise. A lot can be accomplished here because of the positive and optimistic atmosphere. My family has also enjoyed the time they spent here and experience, including cultural one, they have acquired.

INTERVIEW

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## “I UNDERSTAND WELL HOW THE GERMANS WORK”

### You worked for Schaeffler in Germany for six years before starting your job with Schaeffler in China. How are these two organizations different?

It is impossible to describe the cultural differences between the German and Chinese companies in general terms. Sometimes these differences aren't even cultural, but depend on the corporate culture of the company and the types of structures this company wants to establish.

I'd like to give you an example. In China, for instance, people don't express their opinions during big work meetings. Even if your colleagues smile and nod, it doesn't mean they understand what you're talking about. Germans like to voice their opinions and share their thoughts. ▶



**Haoding Wen**

is Vice President of Transmission Systems at Schaeffler Automotive in China.

But I think this has less to do with cultural differences and more to do with the rules of conduct in corporate settings. Based on my experience, I know that corporate culture influences the behavior of employees a lot more than national culture does. Companies that work in China need to establish guidelines for communication. They will be accepted if there is a good company atmosphere. Companies in Germany don't have to establish such guidelines, but we must do it in China. It is difficult to implement communication guidelines for business purposes, but it benefits everyone in the end.

### **How many expatriates work at Schaeffler in China? What is it like working with them?**

We employ over 100 expatriates who like living and working in China. Of course, living in China is a serious challenge for them, and not only because of cultural differences. Expats often occupy more important positions abroad, which means they have a lot more responsibility. Obviously, this is additional stress. I think that, as an expat, it's best to study the country you're in first and get to know people – to set up your personal life. This way, dealing with professional challenges will also be easier. Expats have to be aware of their function as a bridge between local and global business. They have to understand how the local market works – it certainly differs from the European one. It is crucial to take an interest in these issues, since expats have to integrate local specifics into a foreign company.

### **You lived in Germany for twelve years before moving to Shanghai. Did living abroad for a long time help you in your career?**

I think that I have an advantage because of this experience. However, many of my Chinese colleagues have never been to Europe or only spent short periods of time there. They are also successful and adapt quickly to corporate culture. It is important to understand different cultures – what's important to our German colleagues and why they think in certain ways. Thanks to my long stay in Germany, I understand well how the Germans work. A company has to set guidelines and, in doing so, create a unified corporate culture.

### **In your opinion, how attractive are Chinese companies as employers?**

The Chinese companies can be great employers if they work toward growth and set challenging goals. Just look at Alibaba, which created a startup in such a short period of time, and did so with the help of American experts. The Chinese companies are often more flexible than international corporations. They have to stick to the local laws, not necessarily standard global requirements.

### **Would you recommend working at a Chinese company to foreign top managers?**

Yes, if they find the country interesting and if they don't get so consumed with work that they forget about their personal lives – this is very important if you want to truly enjoy your profession. There are already a lot of challenges associated with working here. If everything is ok in your personal life, you can work anywhere. In return for these efforts, you are usually awarded with a position that entails more responsibility and higher compensation than what you would have at home.

## “I DON'T THINK THAT WE SHOULD SPLIT PEOPLE INTO DIFFERENT CULTURAL GROUPS”

### **What are some differences between the German companies and the Chinese companies?**

I had worked in two Chinese companies before I started working at Metro Group. The main difference between the Germans and Chinese people is that the Germans are very organized, polite and open. The German approach to work is based on these qualities. The decision making process is a lot more structured, clear and goal-oriented.

The Chinese people are not particularly direct and the hierarchal structures in companies are a lot stricter. The Chinese are more flexible in terms of making decisions, which often results in confusion.

### **In which sectors are foreign experts most in demand in China?**

Foreign experience is in high demand in some spheres, while some companies don't need support from the Americans and Europeans (internet technologies, for examples). But when it comes to the engineering or chemical industry, the German experts or specialists from other countries play a very important role. Similarly, the combination of the Chinese and European cultures can be very productive in spheres like marketing or consulting.

### **What is your work experience with expatriates in China like?**

At Metro Group, we have a good combination of the German and Chinese employees. Just ten years ago, it was a lot more difficult for foreigners to work in Shanghai than it is now. These days, you don't necessarily have to speak Chinese – English is enough. English is also the language we use at the office. We've had a good experience working with expatriates.

Combining two cultures is the most effective method of running operations for international companies in China. This allows the company to use international standards, but adapt them to the local market conditions.

It is also ideal when a Chinese manager has lived and worked in a Western country and then came back to China. These types of managers are familiar with both cultures and can apply the experience acquired abroad back home.

### **What are the most serious cross-cultural challenges you have encountered while working in the German companies?**

I don't see any serious challenges. Germans are very polite and reasonable. There are, of course, some differences you notice immediately – they eat noodles differently, for example. But this isn't really a challenge and doesn't have any impact on work.

In general, I don't think that we should split people into different cultural groups. Everything always depends on the person. If you are curious and ready to take on challenges, you won't have any problems working with people from a different culture. ▶



**Grace Wang**

is HR Director at METRO Group Buying HK Ltd China in Shanghai.

Still, there are some differences. For example, the Germans and Chinese people go about asking for a promotion in completely different ways. The Chinese will never ask directly, while the Germans will tell you openly: "I am ready for a promotion!"

### **Would you recommend working in China to the Europeans? What advice would you give them?**

Yes, I would recommend working and living in Shanghai. I have spent my whole life here, and can say for sure that a lot has changed for the better in recent years. If you are well-prepared and know how to adapt, you won't have any problems in Shanghai. Living and working in Shanghai is worthwhile and interesting. There are many attractions around the city, and Shanghai is developing rapidly. If you have an open personality and are ready to get out of your comfort zone, you should come to China!

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## "THE CULTURE IS ALWAYS THE BIGGEST CHALLENGE"

### **What is it like to live and work in China?**

It depends where you live. Shanghai for example has changed so much in the last years. It's vibrant, young, dynamic. I live in Hong Kong. Like Shanghai, it's very international with a big expat community, social and fast-paced. People like it here. Many expats have been living here for years. It's the first place, other than England, where I've had so many British friends and been able to speak English!

### **What are the main differences in working in China vs. England?**

I left the UK in 1991 and lived in a number of countries since. Of course, the culture is different. Firstly, it's a collectivist rather than individualistic society, as we are in the West. There's also a different understanding of space and concept of time. Business depends more on building relations than in Europe. Socializing after work is a key part of doing business and traditionally very male-dominated. Building the personal relationship is important. There's also the question of guanxi – based on your inter-personal relationships and networks, the moral obligation this brings and ability to call on favors and gain benefits. Until the recent crack-down, bribery was the norm, gift-giving a business currency. There are rules. It helps to know how the system works so you can work it! And, beyond simply the language barrier, communication itself is more difficult for westerners: implicit (indirect) with a lot of unspoken meaning vs. explicit (direct).

### **What is most challenging about working in such a different cultural surrounding?**

Mainly the cultural differences just mentioned. The language – directly and indirectly. The idea of "face" in China – an important part of business and social culture. Understanding the business etiquette and playing by their rules. I've worked in a number of countries, the culture is always the biggest challenge. It's important to understand it – read up about it, attend a few classes – or things can go badly wrong: unintentionally being rude or misunderstood. ▶

### INTERVIEW



### **Professor Suzanne Godfrey**

is Partner and Business Humanizer at Innate Motion - a brand and marketing consultancy. She also teaches Luxury Brand Management and Marketing Communications to MBA students at The Chinese University of Hong Kong. She has lived in Hong Kong for 10 years.

### **How is living in a city like Hong Kong compared to other metropolitan cities?**

I love living in Hong Kong. It's surprisingly green, lots of trees, hills, mountains; country parks great for wildlife, walking and hiking. Being an island, there are lots of opportunities for sailing and some lovely beaches. It's a small city – relatively speaking. You can walk everywhere because the distances aren't big. Public transport is really good and not expensive. It's an easy place to get around. Shops are open 24/7/365 – except Chinese New Year! It's also centrally located within Asia so good for regional business travel with a convenient airport. There are a lot of new restaurants run by "celebrity" chefs, so a vibrant and diverse restaurant scene and variety of cuisines. Culturally you don't have as much on offer as Singapore for example, but the art scene has developed enormously in recent years. We are seeing more cultural attractions. It's also a key destination for bands and touring shows and increasing number of facilities to host them.

### **Would you recommend the experience of working in China to others and what would be your advice?**

Yes, I would, especially given the role China plays in the world. It's a unique opportunity. China is an exciting place to be right now from a business perspective but also from a personal perspective. A beautiful countryside to explore. Enormous diversity in landscape, cultures, traditions. Fabulous cultural and historic sights to visit. But being an expat doesn't suit everyone. And China, like Russia, is more challenging than other countries for a variety of reasons. You need to be open-minded, ready for a challenge, look at it as an adventure. Be ready to explore and take on all that it offers – including the negatives like traffic, pollution, corruption... Embrace your new home and make the most of the opportunities it offers and the time you have there.

I would recommend wherever you go to study the history beforehand and learn about the culture. History is key to understanding the culture, its people and their traditions. And, learn the language! It helps you get by, is well received in your host country and helps you understand a little more about the place you temporarily call "home".

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