

Hans Jakob Roth: «Outsiders Are Exploited Shamelessly»

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Many company bosses underestimate the cultural differences in business life, despite the force of globalization. A fact that may hurt their business quickly, according to former Swiss Ambassador Hans Jakob Roth, writing exclusively for *finews.first*.

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Globalization is affecting the financial market ever more strongly. Today, financial services are being developed in non-Western regions too. And at the same time, non-Western companies are trying to establish themselves here and in the U.S.

Banks and insurers in both regions are faced with big cultural challenges across their entire companies. As these often aren't particularly explicit, they are frequently underestimated or even ignored, something that quickly can return to haunt the companies.

Here's an example for how easy misunderstandings between people from diverse backgrounds occur. The European general manager of a large foreign branch of a European financial services company in the region of Shanghai wasn't happy with the expenses form used locally and told his Chinese finance manager to create a new one.

«This is a classic example for how cultural issues are easily overlooked in the daily business»

More than two weeks later he saw a member of staff again use the old form and asked his finance manager whether the new form hadn't been circulated yet. The manager answered that he had distributed the new form, whereupon the GM wanted to know why in this case the old one was still being used.

The head of finance then told him that he had distributed the form in the finance division only and not in other units. This is a classic example of a lack of intercultural sensitivity – and a classic example for how cultural issues are easily overlooked in the daily business of a company.

In a management seminar, the manager would have been told that his orders hadn't been clear enough. But this holds only true in one's own cultural environment. It overlooks the aspect that

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differences between the group close to you and those outside are more pronounced in Asia than in Europe.

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The Chinese head of finance therefore is carrying out his boss' instruction for his own group of people. He doesn't take other company units into account. But the general manager can't give a more precise order as he doesn't know the different cultural emphasis. He doesn't even know that he might be misunderstood to such a degree.

Cultural influences are background factors which often aren't apparent on an operative level. For a globally active business it is therefore important to know the biggest cultural differences, such as the one about your own group and others. Every society is making a difference between the two, but Asian societies are emphasizing the own group to a much greater extent.

In your own group, there is usually a mutual consideration with a sense of harmony and consensus-seeking. In a meeting, nobody will offer an opinion that will set him strongly apart from others. There's hardly any criticism, apart from carefully worded questions.

«Measured by our Western standards, the behavior displayed vis-a-vis others is really brutal»

A Western manager will have to listen extremely carefully to grasp what a member of staff will have meant with the partial sentence uttered at the meeting.

The flipside of the medal is the high degree of attention this need for harmony and consensus requires, an effort that in turn is lacking in respect to others. The people outside your own group are being exploited shamelessly.

Measured by our Western standards, the behavior displayed vis-a-vis others is really brutal. The harmonious behavior in your own group goes hand-in-hand with a manifestly harsh attitude towards others. This can lead to serious problems at the counters if a local member of staff

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doesn't perceive the local customer as being a member of his own group.

The social proximity within the group also means that business leadership in Asia first and foremost requires the attention to members of staff. The pronouncement of goals won't lead anywhere if it isn't accompanied by coaching and caring.

The general manager is the father of the company and has to live up to this role. Coaching of employees in Europe easily is being misunderstood. It is often seen as a lack of trust by the boss in one's own competence.

If however coaching and caring isn't the main focus, Chinese members of staff will take their own core family's values as main moral guidelines and they won't have any scruples to take from the company in favor of the family.

«Western companies in Asia are well advised to work on the social proximity»

I remember a discussion I had with a young Japanese woman on a flight to Beijing from Tokyo. She had been married to a Chinese man for a year and was on her way to China for the first time.

She was supposed to be met by her mother-in-law at the airport, a medical doctor in a managerial position in one of the city's large hospitals. The mother-in-law asked her whether she minded being picked up by an ambulance. The Japanese woman didn't understand the question. I had to laugh, because the doctor in a very Chinese way had pragmatically considered her options, given the traffic jams to and from the airport. Using the flash lights, the trip would take her only half the usual time, there would definitely be no problem finding parking at the airport and a swift return would be guaranteed as well.

Western companies in Asia are well advised to work on the social proximity, which will bring them closer to their members of staff. And they also are well advised to listen to the local staff on an operative level. But equally, they have to make sure that the strategic aspects are being taken into account sufficiently and that moral aspects are understood according to the criteria of the owners, if they don't want to land any problems with compliance.

*After a diplomatic career that brought **Hans Jakob Roth** to Japan for six years and to China for*

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14, which he rounded up as an ambassador for the cross-border cooperation with neighboring countries, he started [EurAsia Competence](#) together with three partners. The company specializes in cultural due diligence and helps globally active firms to work efficiently in other cultural environments. Roth has written numerous books about the topic. He is fluent in German, French, English and Chinese and has a good understanding of Italian and Japanese. He lives in Bangkok and is about to learn Thai.

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