

Management in a different culture

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When Mr Müller, General Manager of a Swiss Global subsidiary¹ in Suzhou, asked his chief financial officer (CFO) for a meeting to discuss a new expenses form, he had no idea that this would represent a breakthrough in his own intercultural understanding. Essentially, Mr Müller's aim was to create a new expenses form that would be used internally within the company. The Chinese CFO agreed to handle this task.

Two weeks later, the General Manager saw by chance that his employees were still filling in the old form, leading him to ask his CFO if the new forms were not yet ready. His response was that they had been prepared for a while and were in fact already in use. Mr Müller failed to hide his surprise and told of the employee he had seen using the old form only the previous day. The CFO asked for this employee's name and, on learning this, pointed out that he did not work in the accounting department. Was the new form to be introduced across the whole company?

This example is a classic case of intercultural knowledge lacking. At the same time, it also effectively illustrates how difficult it is to distinguish such knowledge from general management expertise. At first glance, this misunderstanding can be traced back to a simple management error – unclear instructions. However, without knowledge of cultural differences between your own team and others, it is in fact impossible to even give a clear order. The distinction between the two groups is considerably greater when looking at a densely-populated society such as China and Europe. Müller's CFO accepted the order from his boss, but his culture meant he understood it to only be applicable for his own team. The company as a whole was not his main consideration, while for the General Manager this aspect had been a given.

Many companies continue to maintain the conviction that management is the same all over the world. Others have opened their eyes, but without really understanding how cultural differences specifically impact business and processes. The uncertainties and misjudgements that inevitably ensue are ultimately because we have not taken the time to fully understand the basics of comparative culture theory.

If thought and action already vary from person to person, then it is of course only to be expected when dealing with a geographically different cultural sphere. In a denser social environment, the differentiation from other groups is considerably more important than in a society that values space. Belonging is more closely defined. In China, family is of paramount importance. This has extensive consequences for everyday working life. If General Manager Müller were not successfully able to represent and build a strong foundation for Swiss Global in Suzhou as a family at a higher level, then the entire business process would be affected. For example, it will then go without saying that company property can be used for private matters, the true family, without this giving rise to any ethical or moral dilemmas.

¹ Both personal and company name are changed

I remember a flight from Tokyo to Beijing. The person next to me was a young Japanese lady who had been married to a Chinese man for a year and was flying to China for the first time. She had many questions when she discovered that I lived in China. One has stayed with me to this day and I often tell it as an example for issues around the use of company property. She asked me what I thought of the fact that her mother-in-law, who was evidently a relatively senior doctor in a city hospital, wanted to pick her up from the airport in an ambulance. She couldn't understand it, but I had to smile.

To understand the context, it is worth knowing that the motorway which now connects the airport and the city had not been built at the time of the story, in 1992. The route involved a simple road with two lanes, which I personally used for the first time as a student in 1978. By the start of the 90s, it was totally overloaded – it took three hours to get to the airport and then another three to return to the city. The Chinese mother-in-law was simply thinking practically and in the interest of her own family when she suggested picking her up in the ambulance. By switching on the siren, she would have reduced the journey time by half, as well as not having any parking issues once at the airport. For both the young Japanese lady and myself as a European, this type of problem-solving was unacceptable. She had refused the offer and never fully comprehended why it was suggested in the first place.

Addressing the concerns of employees is therefore of core importance when aiming to establish familial understanding. The objective cannot be achieved without proceeding in an employee-oriented way. This change in the management role is perhaps understandable for a western company, though bigger companies are usually managed by objectives rather than by motivating employees. But many well-managed medium-sized companies still regard their employees as their most important company asset. However, what companies themselves still underestimate is the effort that is required to achieve this family spirit in a non-European environment. It quite commonly means involving employees' families, be it in weekend activities or at evening events. The time that an employee orientation takes far exceeds that which we would expect to invest in Europe. The way things are done in China would be regarded as a restriction on the private sphere or even an infringement on privacy here in Europe.

Correct management in a different cultural environment therefore demands a good understanding of local culture and its background. The easiest way to solve this problem might appear to be employing a local person instead of seconding a manager from a different culture. This individual would then be familiar with the local culture. At the same time, they would also be dependent on it, which in turn creates other problems. For this reason, it is ultimately always the manager themselves who must be assessed, rather than just the parameters of a theoretical model. This can help ensure that no fundamental errors are made that would perhaps not even be comprehended as the respective decision is being taken. Proceeding in a disoriented way can only be prevented through the implementation of a model that incorporates the cultural idiosyncrasies, such as the importance of my/the other group, and is able to present their strategic and operational impact.

Global management must be based on intercultural knowledge that has been gained through socialisation. It is a social competency for a specific community. For this reason, intercultural management and cultural due diligence can also be taught and learned, as they are based on experiences in a new culture. The first application in a culture that is totally foreign to your own should therefore always be coupled with intensive cultural preparation. The same applies for corporate takeovers. If M&As are already difficult in the own cultural environment, then further problems should naturally be expected when completing acquisitions in other cultural spheres. The importance of a cultural due diligence continues to be greatly underestimated or even overlooked entirely. The consequences subsequently become apparent quickly and force a different viewpoint to be adapted for these difficult to comprehend challenges in global management.

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