

University of St.Gallen

CONTEXTUAL INTELLIGENCE: CHINA

Employee Management in China

Prof. Dr. Roger Moser

*Assistant-Professor of International Management &
Director, ASIA CONNECT Center, University of St.Gallen*

Introduction (1/2)

- China is a highly dynamic market that offers a lot of uncertainty and ambiguity to anybody operating there.
- For Western executives, it is very difficult to understand which rules really apply in China. Draft & Weick (1984, p. 287) explain this situation in China with the following story:

Let's imagine a game with 20 questions («20 Questions»), where one person/group leaves the room while the others who stay in the room choose a word that the person/group needs to find when he/she/they return. The only hint given is whether the word describes an animal, mineral or vegetable. The questions the person/group asks can only be answered with YES or NO. In this game, each question should be well chosen to provide new information.

Draft & Weick link this concept to how companies operate. Executives have limited time and a lot of questions but only limited resources to find answers.

If we now take another situation where the people left in the room change the rules of the game and decide that they will not choose any word. Instead, they will just answer with YES or NO as it pleases them; provided that the answers don't contradict with each other. In such a situation, the person/group that comes back into the room is trying to identify a word that actually has never been chosen. E.g. if the person/group finally believes the chosen word is «A» then the group will simply confirm that it actually is «A». The person/group then thinks they actually won the game but actually they never played the same game as the group providing the answers.

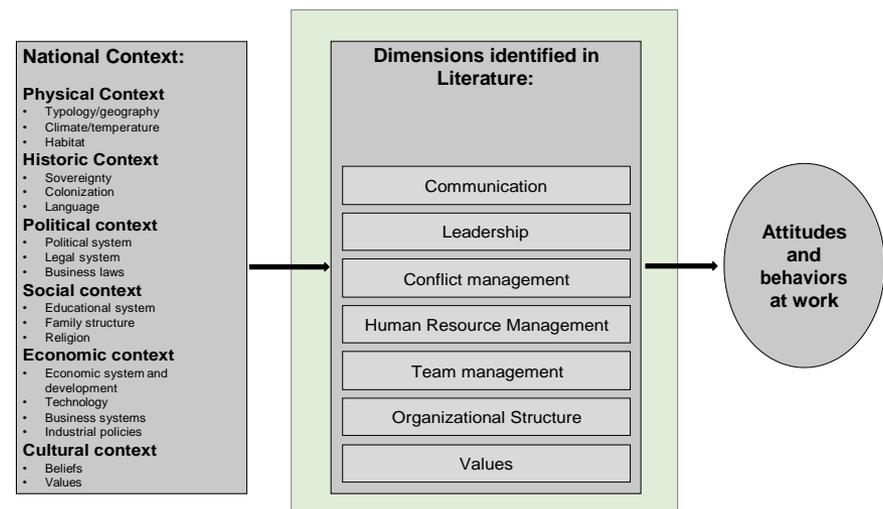
This story often mirrors the reality in China when Western companies believe they are playing a game with a set of rules while they actually do not even know the rules.

- Western companies need to consider the following if they consider to operate in China:
 - Individuals in China need to give priority and loyalty to families and close friends first because the pressure from parents, spouses and the extended family is much stronger than in Western countries.
 - This implies that a supervisor's decision is mostly interpreted according to an employee's personal priorities – whether it is to provide better financial stability to parents or his/her personal status in order to give face to the family.
 - ...next page...

CHINESE EMPLOYEE MANAGEMENT

Introduction

- It might also happen that an employee supports a manager whose goals differ from a company's priorities – for example, if the manager is a close friend of the family or if the employee has some sort of social or professional debt.
- In most cases, the loyalty of a Chinese employee can be associated with the direct supervisor – not with a more senior executive or the company as a whole.
- In order to better deal with such challenges, Yael Nessi has written a MT about this topic. Based in practice input, she has identified 7 key management dimensions when dealing with Chinese employees in China. For each of the dimensions, she has collected the input of dozens of executives operating in the Sino-Western context and has collected practical advice on how to deal with critical incidents that represent these 7 key management dimensions.
- The following presentation provides with you essential insights along these 7 dimensions.
- There is also an expert-panel based exercise that you can take to further train your understanding of real management challenges in China.



CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#1: Corporate Culture

Best practice recommendations for intercultural challenges linked to *Communication with Chinese Employees*

- Always take each individual's social and educational background into consideration (Boden, 2008)
- Get cultural knowledge about Chinese way of communicating (He & Liu, 2010)
- Do not impose the communication style of the parent company but reach mutual understanding between the parent company and the subsidiary by allowing mutual teaching (He & Liu, 2010)
- Adapt the way of communicating: "think globally, act locally, *but* act appropriately" (Alon, 2003, p. 249)
- Repeat relevant points of discussion, cut complicated information into small fragments (Lang, 1998)
- Avoid open criticism and jokes with subordinates (Lang, 1998)
- Get the meaning of a message, not just the words (Adler, 2008)
- Do not underestimate the importance of qualitative translators (Boden, 2008)
- Stand back from yourself, become aware of what you don't know as a manager (Adler, 2008)

CHINESE EMPLOYEE MANAGEMENT

#1: Corporate Culture

Like in many other intercultural settings, problems linked to communication are some of the most important issues encountered by managers in China. Indeed, sometimes described as the “organization’s lifeblood” (Goldhaber, 1990, p.5), communication is linked to any other management function.

As expressed in section 2.2.5., Chinese culture radically differs in the way people manage interpersonal relationships. Because of the importance of harmony, Chinese people usually avoid open debates in the fear that such discussions could lead to conflicts (Lang, 1998). In order to circumvent confrontation, they use a more indirect way of communication. Even the Chinese language has an indirect grammatical structure (Boden, 2008). As a result, face-saving tactics, the use of middlemen and a pragmatic approach to communication are a common way for Chinese employees to express themselves. Such communication way was described as “facework” (Oetzel & Ting-Toomey, 2003, p.600) and involves compliance strategies aiming at maintaining self-face and other people’s face. In general, Westerners are not used to such a level of interpersonal sensitivity, and reports have shown that the way some Western managers make crude jokes or frank remarks and express open criticism and impatient behavior can be felt as rude by Chinese people (Lang, 1998).

In order to reach harmonious cooperation, consensus is seen as a key element of effective communication by Chinese people. In an earlier study, Chinese employees have been reported to generally avoid stating their point of view in debates and to moderate any difficulties or confrontation (Lang, 1998). Rather than using affirmative or negative statements, they prefer using responses such as “we will look into it” (研究研究, yánjiū yánjiū), “we will reflect on it” (考虑考虑, kǎolù kǎolù), “not convenient” (不方便, bù fāngbiàn), or “a bit difficult” (有点困难, yǒudiǎn kùnnán) (Boden, 2008, p. 135).

The Chinese way of communication has multiple layers and what is seen on the surface is not always reflecting the underlying message. Symbols and the use of non-verbal communication are often considered as misleading and confusing by Westerners. Body language, such as keeping distance between people or lacking of eye-contact to respect hierarchy as well as avoiding smiling in certain situations to hide anger is often negatively interpreted by Westerners (Boden, 2008).

In addition, language difficulties also represent one of the biggest barriers to communication between Chinese employees and Western managers (Munter, 1995, p. 74). As culture is immersed in its language, the use of a foreign language influences the way people both express themselves and interpret messages. Often, due to the tremendous language diversity between Chinese and Romanic, translations from Chinese to English and vice-versa are not accurate (He & Liu, 2010).

It is evident that in such a big country as China, communication patterns vary from regions to regions. Likewise, in the same way than some Westerners may be less direct than others, the regional and personal background of the people involved in intercultural communication vary and have to be taken in consideration in order to analyze a situation of communication misunderstanding accurately (Boden, 2008).

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#2: Leading Chinese Employees

Best practice recommendations for intercultural challenges linked to *Leadership of Chinese Employees*

- Establish an environment of trust with the employees (Casimir et al., 2006)
- Provide praise and goal setting in order to raise confidence level (Jackson & Bak, 1998)
- Provide equality and harmony in teams (King & Zhang, 2014)
- Be a leader who models the way, encourages the heart, cares about employees and empowers them (Alon, 2003)
- Keep in mind that Chinese employees do not expect you to be a Chinese leader but want to be inspired by new inputs: avoid stereotyping (Alon, 2003)
- Still pay attention to traditional virtues such as respect, esteem and paternalism (Lang, 1998)
- Define a clear company identity that employees can rely on in order to foster a common goal (Adler, 2008)
- Push on training and self-development (Ren et al., 2015)
- Make sure you have a good level of emotional intelligence (Adler, 2008)
- Do not only be a task-oriented leader but also a person-oriented leader (Littrell, 2002)

CHINESE EMPLOYEE MANAGEMENT

#2: Leading Chinese Employees

Providing leadership in such an ever-changing and competitive environment like China is one of the most challenging issues encountered by foreign managers. Some of the major intercultural issues in China, such as employee loyalty, job-hopping and employee motivation (Boden, 2008) are related to cultural differences in leadership style. As analyzed previously, the perception of leadership is determined by culture and social context (Ren, Wood & Zhu, 2015). Traditionally, Chinese employees do not have the same expectations from a leader as

Western employees. Regarding ethical concerns above the achievement of profit (King & Zhang, 2014), the Chinese perception of leadership is much focused on virtuous behavior. Besides, a leader in China will be followed by others thanks to his or her inspirational personality and by promoting equality and harmony with others. Therefore, using Western leadership principles such as profit generation, long-term future planning, prioritizing achievement of objectives and maintenance of strategy (King & Zhang, 2014) are not always efficient with a Chinese team. This cultural clash can result in lack of commitment and mistrust.

As trust in the leader has been reported as a crucial element of successful leadership in China (Casimir, Waldman, Bartram & Yang, 2006), it goes without saying that a lack of trust results in an ineffective leadership practice.

In a study on cross-cultural leadership, Chen and Tjosvold (2005) found that Chinese employees commit more to Asian managers and look forward to collaborate with Asian managers more than with Americans. This suggests that such lack of commitment and loyalty directly relates to cultural difference, since Chinese people are collectivists and find it generally easier to work cooperatively and productively with Asian managers with whom they share the same culture (Ohbuchi, Suzuki & Hayasi, 2001).

Another leadership issue reported is one related to the cultural dimension of power distance. Chinese employees – as coming from a high power distance culture – are defined to generally accept autocratic leadership practices much easier than Western employees. However, such acceptance is often misinterpreted by Western managers who translate it right away into trust (Doney, Cannon, & Mullen, 1998), and base their leadership style on such assumptions. In the contrary, Western managers should recall that people from high power distance actually consider others as threats and are therefore less inclined to trust them (Casimir et al., 2006).

As Chinese culture is evolving together with the growing presence of foreign managers in China as well as the growing number of Chinese students studying abroad, the Chinese workplace has been increasingly integrating methods of Western management approaches. The openness towards a more “scientific” approach of management is therefore being more and more accepted (King & Zhang, 2014, p.10). Also, with China’s economic reform, the principle of rewarding performance and enhancing open competition have lead to more individualistic approaches of leadership. The shift towards materialism is also shaping new leadership styles.

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#3: Conflict Management with Chinese Employees

Best practice recommendations for intercultural challenges linked to *Conflict Management with Chinese Employees*

- Be culturally sensitive to the way Chinese people solve conflicts, but avoid amplifying cultural differences (Yuan, 2010)
- Remain consistent between both cultures, impose mutual respect between Chinese and Western employees (Peng, 2003)
- Avoid too confrontational ways of communication, respect a minimum degree of social harmony (Boden, 2008)
- Make compromise where possible, emphasize on constructive communication (Yuan, 2010)
- Respect “face”: Never put employees into an embarrassing situation, avoid comparing your home country against China, always keep awareness of status (Alon, 2003)
- Avoid emotional responses (Alon, 2003)
- Adopt cooperative conflict management style, i.e. emphasize toward mutual goal achievement (Chen, Liu & Tjosvold, 2005)
- Tolerate stress, uncertainty and avoid being too strict (Meriläinen, 2008)
- Develop proactive problem-solving skills, (Alon, 2003)

CHINESE EMPLOYEE MANAGEMENT

#3: Conflict Management with Chinese Employees *Background Info*

Conflict management being a culture-specific notion, Chinese and Western understanding of conflict can vary significantly (as shown e.g. in Jehn & Weldon's study, 1997). In line with their indirect communication style, Chinese people are likely to be non-confrontational and avoid conflicts, while Westerners tend to deal with conflicts in a direct and more confrontational way (Boden, 2008). The major elements influencing the way conflict is solved in China are "guanxi, face, interpersonal harmony and favor" (Peng, 2003, p.65). Likewise, Mao's one-way, top-down ideology and his belief that personal interests should be given up for the good of society also influenced the way Chinese people deal with conflict today (Peng, 2003).

Various cross-cultural studies have reported the differences between Chinese and Western conflict management styles. It has been shown for instance that Chinese employees prefer handling conflicts passively (Jehn & Weldon, 1997) and since they are mainly concerned about maintaining interpersonal relationships (Tse, Francis & Walls, 1994) they generally use an avoiding and obliging style (Ting-Toomey, Gao, Trubisky, Yang, Kim, Lin & Nishida, 1991). This is often misinterpreted by foreign managers who criticize the passiveness of such reactions. Likewise, other studies have shown that Chinese employees prefer using intermediaries to resolve disputes, and keeping the conflicting parties in separate rooms (Bond, Wan, Leung & Giacalone, 1985).

While people from individualist cultures generally consider conflict as instrumental, members of collectivist cultures see conflicts as expressive, i.e. they cannot distinct the conflict from the individual implicated in it (Boden, 2008). Due to this difficulty to separate the person from the conflict, confrontational management style is perceived as personal offense. Therefore, when Western managers directly confront their employees in an open conflict, the employees may be embarrassed or even hurt in their personal feelings. On the other hand, Western managers are often confused by the circuitous way the Chinese employees use to deal with simple issues (Pan & Zhang, 2004). This also results in managers not knowing how to react and possibly intensifying the level of conflict.

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#4: Human Resources Management in China

Best practice recommendations for intercultural challenges linked to *Human Resource Management in China*

- Get some knowledge about China: HR systems have to be understood in the context of China's business, political, social and cultural realities (CAHRS, 2010)
- Try to hire applicants who have experience working within culturally diverse teams (Dong & Liu, 2010)
- Develop efficient training programs reflecting the company culture (Jackson & Bak, 1998)
- Integrate Confucian tradition of learning when doing training: base technical and managerial training on theoretical learning and memorizing (Lang, 1998)
- Create a caring and family approach to the employees as well as pleasing and equal conditions of employment (Davies & Liang, 2011)
- Offer clear options for career development as a motivator (Jackson & Bak, 1998)
- Set clear and achievable goals for employees, introduce a mentor program (Alon & Ferreira, 2008)
- Offer opportunities for career development, and adopt an inclusive work culture to enhance employee's satisfaction (Alon & Ferreira, 2008)
- Be aware that salary increase is not sufficient rewards (Cooke, 2012)
- Offer incentives such as education and travel benefits, improved status within the company, and financial rewards (Alon, 2003)

CHINESE EMPLOYEE MANAGEMENT

#4: Human Resources Management in China

With the opening of the market to multinational organizations and the privatization of SOEs, the role of human resource management in China has been radically transformed. From the “iron-rice bowl” policy to the introduction of performance management systems in the public sector in the last decades, the HRM discipline has moved from a functional to a strategic one (Davies, & Wei, 2011). Today, staff retention, motivation, performance and career development are the main concerns of HRM for multinationals in China.

Foreign companies in China encounter multiple difficulties associated with HRM. According to a recent study, human resources are considered as the biggest challenge for foreign companies in China today (Musy et al., 2016). Issues linked to recruitment, development and retaining of professional talents in China have been widely studied (e.g. Zhu, Cooper, De Cieri & Dowling, 2005;; Tung, 2007;; Dickel & Watkins, 2008).

As a first challenge, the important talent shortage in China brings about huge difficulties to companies. Many firms are seeing their growth endangered by such lack of well-trained and experienced professional (Cooke, 2012). A main reason for the dramatic talent shortage in China is the so-called “talent paradox” (Arkless, 2007): the higher education boom of the last decades has created a huge pressure on the graduate employment while at the same time, older managers are not sufficiently trained and educated to serve as senior executives, resulting in a shortage of skilled labor, especially at senior management level (as shown e.g. by Arkless, 2007 or Farrell & Grant, 2005). More importantly, a significant amount of well-trained students left China to work overseas (Cooke, 2012), worsening thus the talent-shortage issue.

Managers do not only encounter difficulties in hiring talents, but also in retaining them. Many employees tend to leave their employers as soon as they found a better option somewhere else (Xu, 2009). Reasons for such difficulties are multiple, but generally, lack of personal growth and development opportunities, the possibility of a better career (Cooke, 2012) or higher salary elsewhere as well as the opportunity to join a more famous company (Boden, 2008) rank amongst the top motives of job-hopping. From an intercultural point of view, tensions can arise from the way that resignation is communicated. Often, Chinese workers change to another employer without any prior notice, which can lead to frustration of the Western manager (Boden, 2008). As loyalty is firstly focused on family and friends (Boden, 2008), employees are rather pragmatic in their relationships with their employer. Although they may have a good relationship with their supervisor and even developed an affective attachment, this does not mean they will commit to the company as an organization (as found in Hui, Au & Fock, 2004).

In line with the problem of job-hopping, low employee motivation is another management headache. Closely related to leadership style, some Western motivation techniques have been proven to be inadequate in China (Jackson & Bak, 1998). While pay levels were reported to have great impact on employee motivation (Cooke, 2012), material incentives are not enough to motivate workforce on the long-term. Although many companies have found creative ways to incentivize their staff, such as bonus systems, career development or coaching, these methods have not yet proven to be effective.

As a result of talent shortage, some Chinese workers with insufficient skills are hired. Training is therefore an important HRM measure taken by managers. Training aims to improve the worker’s skills and behavior (Shen & Darby, 2005). It has been proven in a research (Bartlett, 2001) that employees’ perception of training is directly linked with organizational commitment. Therefore, training is a crucial factor of employees’ loyalty to their organizations and to company’s performance.

A last important HRM issue in China is related to expatriate management. As most of Western managers in China are expatriates coming from a totally different culture, some may experience culture shock as a result of the acculturation stress deriving from the intercultural communication with Chinese people (Hofstede, 2001). Since such stress can strongly impact their relation to the environment, intercultural adjustment is often required in order for expatriates to adapt to this culturally and linguistically distant country (Meriläinen, 2008).

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#5: Team Management in China

Best practice recommendations for intercultural challenges linked to *Team Management in China*

- Accept a higher degree of consensus and don't be too pushy with decisions (Alon, 2003)
- Have a very clear delineation of roles and status between and within teams (Alon, 2003)
- Foster goal interdependence as an important condition for innovation and performance (Chen, Tjosvold & Su, 2005)
- Adopt a more controlling/nurturing approach (Alon, 2003)
- Individual feedbacks should be given strictly privately, group feedbacks should never single out one person (Alon, 2003)
- Give clear and detailed work instructions and closely monitor the employees (Lang, 1998)
- Embrace flexibility when it comes to time management and include considerable time margins in any management processes (Boden, 2008)
- After a few years of operations, transfer managerial know-how to Chinese managers via a "discover-and-learn process" (Lang, 1998, p.248)
- Fix management processes in a clear corporate culture in order to secure predictability and to foster a common identity (Jackson & Bak, 1998)

Another important reason for staff turnover in China is management style of the organization (Davies & Liang, 2011). Western managers often have difficulties finding the right way to coordinate, plan and organize their Chinese team. The strong influence of Chinese work values such as paternalistic management style as well as the importance of interpersonal relationships and hierarchy in the workplace impact the process of decision making, cooperation and responsibility taking. Implications of such cultural legacy towards employee behavior include initiative, diligent application of new skills and a reluctance of providing information (Sergeant & Frenkel, 1998). Besides, problems of absenteeism, lack of productivity and a reluctance to take on responsibility and make decision without guidance have been reported (Jackson & Bak, 1998).

Often, partly due to a lack of coordination between people, Chinese employees seem not to take the responsibility for their work (Davies & Liang, 2011). Since Chinese society is very hierarchical, with each rank having a particular role, a professional position within the company also relates to a particular task and a well-defined responsibility. Once one climbs up the company ladder, he or she will not take care of “lower level” tasks (Boden, 2008), or might lose face by accepting to fulfill certain degrading missions. Such situation may lead to confusion and irritation in multinational companies with less hierarchical structures, where people from upper level are occasionally involved in lower-level tasks.

Likewise, misunderstandings often arise from the way Chinese employees execute tasks. Usually very dedicated to well-described tasks, Chinese employees rarely take initiative to surpass what has been asked from their superior (Boden, 2008). This tendency not to take things in the hands in some situations lead to frustration especially in organizations with a flat hierarchy where independent thinking is encouraged. However, such behavior has nothing to do with the inability of Chinese employees to innovate or to work independently. Research has demonstrated that Chinese people are able to create innovative solutions (Deutsch, 1973; Chen, Tjosvold & Su, 2005) and to speak up their mind (Durand, 2010) even in intercultural contexts. Nevertheless, managers often have difficulties understanding how much can be tolerated and when they should step in. Finding the right balance between respect of culture and guarantee of performance is therefore delicate.

Although Chinese culture is traditionally reported as collectivist and therefore promoting task interdependence, common purpose and group orientation, teamwork is not always easy to build in China (Li, Tsui & Weldon, 2000). Fear of retaliation and fear of embarrassment often affect teamwork. Likewise, the growing tendency towards individualism and self-achievement has created new competitive environment in the workplace, where employees do not hesitate to “falsely report someone in retaliation for something” (Cox, 2015, p.5). Group cohesiveness is therefore sometimes difficult to achieve. Western managers also get frustrated due to time management issues in their team. As tending towards a polychronic thinking, Chinese people usually prefer juggling many tasks at the same time, rather than using priority-lists. Dealing with time in China is focused on the process much more than on the result (Boden, 2008), which means that attitude and efforts are often seen as more important than the outcomes (Cooke, 2003). Western management concepts are much more result oriented and structures are chronological, which sometimes poses difficulties to Chinese employees.

Nevertheless, the increasing contact with foreign managers in the last decades has facilitated the assimilation of certain Western management practices and provided new opportunities for the development of effective team management. Especially younger generations who are more open-minded towards international cooperation and whose English is often much better than the generation born before the economic opening, tend to be open to learn about foreign management styles (Boden 2008).

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#6: Organizational Structures in China

Best practice recommendations for intercultural challenges linked to *Organizational Structures in China*

- Adopt a clear hierarchy with well defined decision-making processes (Lang, 1998)
- Remember that flat structures are not working well in China: adopt a minimum level of top-down decision making processes (Alon, 2003)
- Train the team to accept individual responsibility (Alon, 2003)
- Strategic business planning should be done by expatriates and not by Chinese managers due to the lack of Western managerial know-how of the latter (Worm, 1997)
- Decision-making processes should be allowed to happen quickly, as the Chinese environment is evolving rapidly (Lieberthal, 2011)
- Decision-making processes must be made clear to each employee (Alon, 2003)
- Adopt an organic structure: the more organic the organizational structure is the more motivated the organization members tend to be in knowledge transfer (Zhang et al., 2009)
- Never base corporate strategy on a single key personal relationship, divide the tasks (Lieberthal, 2011)
- Make sure social status, age and social position are consistent in the organizational chart (Gao & Prime, 2010)
- Adopt corporate culture to Chinese culture (Jackson & Bak, 1998)

CHINESE EMPLOYEE MANAGEMENT

#6: Organizational Structures in China

Distribution of power and coordination of flows of resources are crucial to a successful organization planning. In China, Western managers often struggle finding the right organization structure to improve company performance. As shown by Chen and Wang (2007), many foreign companies in China fail to emphasize sufficiently on organization planning, which leads to inconsistency in their organizational structure and affects the companies' overall development (Davies & Liang, 2011). Companies often do not manage to get approval of organizational charts quickly enough. Due to cultural variation with regards to organizational structure, cooperation and communication between the different departments are often a major issue for Western managers. It is not rare to see disagreements between the different management ranks as to what strategies should be implemented due to the different viewpoints of staff of different nationalities (Davies & Liang, 2011).

Since Chinese employees prefer hierarchical decision-making processes, with low cooperation between the different levels, they may feel insecure with participative decision making that are often promoted in multinational companies. Such unease leads to lower performance. In fact, it has been shown in a study of Chinese enterprises (Zhu & Wang, 2009) that in insecure environments, the structure becomes less formal and automatically more efforts are needed in order to guarantee the company's performance. Another important cultural factor impacting organizational structure is the way Chinese people differ from Western people in their decision-making process. As scoring high in uncertainty avoidance, Chinese people generally "lack the adventurous spirit and the sense of risk" (Pan & Zhang, 2004, p.84).

Greatly influenced by guanxi systems, decision-making processes within Chinese teams can be accelerated or slowed down (Dong & Liu, 2010) depending on the relationships of the employees with each other and with other stakeholders. This way of getting to a decision can sometimes irritate Western managers who are used to more logical and linear processes.

Liu & He (2010) add that differences in emotional distance towards headquarters-subordinate relationships as well as the different abilities to deal with accidents are also strongly influencing organizational structure and strategies.

CHINESE EMPLOYEE MANAGEMENT

Best practice recommendations based on a literature review filtered by practical experience.

#7: Value/Ethics Management in China

Best practice recommendations for intercultural challenges linked to *Values in China*

- Organize induction trainings to teach company values to the staff (Lang, 1998)
- Establish a clear general corporate vision combining strategic goals and social commitment as well as quality consciousness (Lang, 1998)
- Be aware and accept that Chinese people have “paradoxical values” (Faure & Fang, 2008, p.195)
- Enhance trust with employees by creating a common implicit company spirit (Lang, 1998)
- Determine your ethical limits, e.g. what degree of corruption can be endured (Stratfor, 2009)
- Assimilate basic concept of Chinese values such as the importance of *guanxi* (Stratfor, 2009)
- Understand that recognition is a fundamental element of Chinese work-culture, because recognition goes hand in hand with giving and receiving of face (Davies & Liang, 2011)
- Control the application of company’s values by combining effective processes and judicious use of human intelligence such as using foreign-educated Chinese managers as intermediaries (Stratfor, 2009)
- Do not view the notion of lying as a black and white concept but distinguish much more various kinds of untruths and (re)act accordingly (Chen et al., 2013)

CHINESE EMPLOYEE MANAGEMENT

#7: Value/Ethics Management in China

Managing a multicultural team in China confronts leaders with profound ethical dilemmas. As the question of what is believed to be right and wrong is culturally determined (Adler, 2008), Western managers are constantly torn between the desire to follow the highest standards of integrity while making culturally pertinent decisions.

Western business is built on the idea that the interests of the company come first, and hence personal interests should come as a second priority. On the contrary, Chinese business ethics is built on the moral obligations flowing from guanxi relations (Stratfor, 2009). Some of the key ethical challenges faced by foreign-owned companies in China are associated with the way people deal with their interpersonal relationships. Guanxi does not only determine how Chinese people do business but also how they consider ethics.

Often, misunderstandings arise from the way Chinese people build their guanxi network, this including gift-giving, kick-backing and banqueting, which can be interpreted as bribery by Western managers (Davies, Leung, Luk & Wong, 2003), while it is seen as normal and ethical for Chinese people. Since Western business is first of all about optimizing costs and increasing organizational performance, Western managers often do not accept the idea of facilitation payments (Stratfor, 2009).

CHINESE EMPLOYEE MANAGEMENT

Results from a Critical Incident Study for Executives to apply and test their current understanding and experience.

- As part of her MT, Yael Nessi has conducted a CIT (Critical Incident Technique) study that evaluates the practical experience from executives operating in China based on 7 critical incidents along our 7 dimensions:
 1. Corporate Culture in China
 2. Leading Chinese Employees
 3. Conflict Management with
 4. Human Resources in China
 5. Team Management in China
 6. Organizational Structures in China
 7. Values & Ethics in China
- Executives interested in testing how they would react compared to more than 30 experts with significant China experience can register for a Delphi (Expert Panel) exercise:
http://www.expert-survey.org/index.php?p=2006&key__s=3cbb6019c250f318b9fe91958dac6cf6a4676843
- For those executives that have less time and passion to do a deep-dive, the key results are summarized on subsequent pages.

CHINESE EMPLOYEE MANAGEMENT

#1: Corporate Culture

Critical Incident:

In the China subsidiary of a Swiss company active in linear technology, the managers have established the culture to celebrate both Christmas and Chinese New Year by offering a one-day activity or a dinner to the whole team. The managers believe it is a good way to motivate their employees and create teamwork. For this year's Christmas dinner, the managers decided to bring the whole team to a newly opened Swiss Restaurant located in one of the most luxurious hotels in town and sent an invitation e-mail to everyone in the company. Mr. Li, the production manager, replied politely that he was busy on that date, but that he wouldn't mind not coming, and that it would probably be easier if he would receive the money that the managers would spend for his dinner in cash rather than letting everyone struggle to find another date. The manager couldn't believe his eyes and got very upset.

What is the issue in this situation from your perspective?

- Different understanding of rewards, incentives and gifts.
- Different goals and values: pragmatism / materialism versus emotionalism / teambuilding.
- Problems of communication: difficulty of the Chinese to say "No".
- Mistake of the manager who did not adapt the company culture to the Chinese culture.

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Adopt the company culture and organize a different kind of event and combine it with financial rewards.
- Speak with the employee and try to understand his motivations and explain him the goals of such event.
- Dismiss the employee.

CHINESE EMPLOYEE MANAGEMENT

#2: Leading Chinese Employees

Critical Incident:

A Swiss Law Firm has been employing Mr. Xu, a 32 years old PRC lawyer, for about one year. Despite a few minor issues, Mr. Xu did a very good job in his first year of assignment and the manager of the Law firm is highly satisfied with his performance. Willing to make sure that his employees are feeling at ease in the company, the manager usually asks for employee feedbacks once a year. On a Thursday morning, the Swiss manager asked Mr. Xu to come to his office for a one-to-one meeting. After hearing the questions: "How are you feeling at our firm after one year? Is everything all right for you?" Mr. Xu remained silent. After a few minutes that the manager was paraphrasing his questions, Mr. Xu got upset and exploded: "If this an indirect way to fire me, I am leaving right now!"

What is the issue in this situation from your perspective?

- Differences in way of communicating and in mastery of language
- Lack of formality when giving feedbacks
- Arrogance and lack of sensitivity of the Western manager
- Problem of differences of values

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Take the time to talk with the employee to understand his feelings and explain the meaning of the meeting
- Implement an official yearly performance review and announce it clearly in advance to employees
- Use an intermediary in the communication process
- Ask oneself what else could have been wrong in the relationship with this employee

CHINESE EMPLOYEE MANAGEMENT

#3: Conflict Management with Chinese Employees

Critical Incident:

The China subsidiary of a Swiss company producing machines for the construction industry has been employing Mr. Zhu since 10 years. The Swiss manager was always satisfied with his performance. However, in the last year, Mr. Zhu started to behave badly. His lack of motivation and negativity impacted the other employees, so that one day, the Swiss manager decided to have a serious talk with Mr. Zhu, telling him that he would have to dismiss him if he would not change his attitude. Mr. Zhu did not accept this threat and replied that according to Chinese labor law, he could not be dismissed anyway, as there was no severe misconduct or gross underperformance. Attitude only would not be a valid termination ground. Helpless, the Swiss manager sought advice from his lawyer. The conflict ended up in a long legal dispute, while Mr. Zhu kept staying in the office and on the payroll.

What is the issue in this situation from your perspective?

- Problem of Chinese labor law which strongly protects employees
- Wrong problem solving style
- Miscalculation of the manager who started being confrontational right away / wrong attitude
- Lack of respect of the employee towards his manager and lack of commitment to the team, wrong attitude
- Problem of bad temper and attitude

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Identify the origin of the conflict and talk directly to the employee
- Do not handle the case alone, get a good lawyer, try mediation or involve the HR manager
- Isolate the problematic employee
- Adopt a suitable attitude, with a little- by-little approach and avoid threats

CHINESE EMPLOYEE MANAGEMENT

#4: Human Resources Management in China

Critical Incident:

Ms. Wang has been marketing and sales manager for almost four years at the Shanghai subsidiary of a Swiss SME producing luxury goods. A devoted and highly qualified employee, she is much appreciated by her co-workers and managers of this still family-owned company which doesn't hesitate to send her premiums and offer her French classes on the company's costs. After four years at this company, Ms. Wang asks for a salary increase of 30%. Willing to keep her and knowing that she had become a key person in all distribution channels, the China manager accepts the salary increase. Furthermore, he offers her 2 weeks of technical training in Switzerland. A few months later, Ms. Wang is sent to an international trade fair in Shanghai. There, she gets in contact with the CEO of a Chinese competitor company who makes her an attractive job offer. On the Monday after the fair, Ms. Wang sends her resignation letter to the Swiss CEO.

What is the issue in this situation from your perspective?

- Different values: loyalty to the company vs. importance of a career that leads to growth in society
- Competitive Chinese market: pressure from local companies on Western companies and pressure on the employees to grow in society
- Unsuitable company culture leading to employee unhappiness
- Lack of skills and knowledge of the manager, especially with regards to incentives

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Try to find other rewards, such as yearly bonuses, further education but never salary increase
- Let the employee go and do everything to create a climate that retains the other employees with fair conditions
- Adopt new HRM strategies
- Communicate with the employee

CHINESE EMPLOYEE MANAGEMENT

#5: Team Management in China

Critical Incident:

Mr. Frei is a 31 years old Swiss architect working for a large Swiss architecture firm. His excellent technical abilities and reputation as a great team leader in Switzerland earned him the chance to be sent to China as General Manager of the Beijing subsidiary. He is now leading a team of 20 people, most of whom are around the same age as him. A committed and hardworking person, Mr. Frei often takes time to listen to his employees and doesn't hesitate to take his lunch break to help them. He feels it is important to show his team that he is there for them, and respects each of them on an equal basis, chatting and joking with managers as well as with interns. The employees seem to appreciate his dedication and don't hesitate to ask him for any kind of support: finding an internship for a relative, financial support for non-work related activities, etc. However, after a while Mr. Frei got overwhelmed by non-work related help requests. He also noticed that little by little, the staff motivation and performance level started to decrease. Work became sloppy. Little by little, projects got delayed, and clients complained.

What is the issue in this situation from your perspective?

- Not the right power distance between employees and managers
- Wrong leadership: confusion between leadership and friendship
- Wrong level of communication
- Too young age of the manager

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Keep the right distance to the team and adapt the leadership style
- Hire a coach or a consultant to get out of the situation and define the right strategy
- Discuss with the team
- Focus on the company's results and requests to keep the quality and project timelines and train the team accordingly

CHINESE EMPLOYEE MANAGEMENT

#6: Organizational Structures in China

Critical Incident:

Mr. Müller, the Head of Asia Market of a Swiss company, has been sent to manage the newly founded Shanghai subsidiary. The company is used to work on a lean organizational structure, where every management level makes its own decision and implementation steps according to the general company strategy. After 6 months working with the same structure model as used in Switzerland, Mr. Müller became overwhelmed by the amount of internal requests and issues to be solved. In fact, every single questions of the other business units ends up on his desk. One day, Mr. Gu, the Chinese marketing manager, came to his office and asked him a question related to a detail of the organization of an event. Mr. Müller became angry: "This is a decision that belongs to you and your team. I cannot always double check your operational tasks!" Mr. Gu left the room, and Mr. Müller remained perplexed.

What is the issue in this situation from your perspective?

- Different perception of leadership and management: Chinese top-down structure vs. Western lean structure
- Lack of skills of the manager: patience, organization skills, interpersonal skills
- Lack of skills of the employees: no initiative, no sense of responsibility
- Problem of communication: freedom of responsibility was not expressed properly

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Gradually build an empowerment culture and take the time to train the employees
- Change the structure and adopt a clear hierarchy / pyramid
- Get some more knowledge about Chinese culture
- Create an environment of trust
- Introduce more guidelines, targets and instructions
- Spend more time in the selection of employees in order to make sure they are capable of doing the expected tasks

CHINESE EMPLOYEE MANAGEMENT

#7: Value/Ethics Management in China

Critical Incident:

Mr. Lin is a Chinese engineer with 5 years of working experience in a major Swiss environmental technology company and has also obtained his engineering degree from the ETH in Zurich. In 2005, the Swiss company X, an SME active in the mechanical engineering industry, hires Mr. Lin as production manager of the newly opened manufacture in Jiangsu province. Mr. Lin did an excellent job and was well trusted by the management who considered him as part of the family. A few years later, however, the China business could not attain the projected sales and had to be continuously funded from the parent company in Switzerland. Mr. Lin gave the « competitors' pricing » and the general market environment as excuses. One day, the Swiss parent company decides to have a quick internal audit of its China subsidiary and discovers shortly after that the well trusted Mr. Lin had established a mirror company, with a similar Chinese name to the international brand and had been diverting all orders to that business instead of the Swiss company.

What is the issue in this situation from your perspective?

- Lack of alertness due to lack of controlling and supervision mechanism
- Lack of devotion and loyalty of the employee
- Difference of perspective on “stealing”, “copying” and “owning”
- Growing materialism and individualism in China, lack of commitment

How would you (re)act as the manager of the China subsidiary of a Swiss enterprise?

- Fire the employee and take legal actions against him to try to get compensation for loss suffered
- Pay regular visits to customers in the market and monitor projects with them
- Reduce access to complete data and establish a tool to closely monitor the subsidiary activities
- Talk openly to the other employees and explain them the consequences of such behavior