

Working with Chinese Manufacturers

*How to get the most out of China by understanding yourself
and the Chinese*

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Summary

You have probably heard about how Asian culture is different from western culture and how this can affect the way business is done. The people who often tell us this are also trying to make money as cross cultural consultants. Or they are journalists trying to write a sensationalist story.

So what is the reality?

The truth is that we are both similar and different. If you look for differences you will find them, but if you look for similarities you will find even more. You have probably met someone from another culture that you got along with. So they can't be too different.

So if we are so similar, why all this talk of differences? Well the truth about this topic centers around one key point.

It only requires one difference in perspective to cause a disagreement on an issue. If neither party can see the other's perspective, then it is unlikely that an agreement can be made.

You can see how only a small number of differences could be the cause of so many problems. But this is the good news. By understating only a few key differences you can improve your ability to work with Chinese suppliers.

Introduction

You have probably heard various stories about the difficulties westerners have working in China, or any other Asian country. From the authors' experience working with both westerners and Chinese, we believe that these are the result of three key things:

- Language
- Cultural heritage
- Establishes business practices (which can be related to cultural heritage)

Not much can be done about the language in one document, but the other two can be considered. At the end of this e-book you will understand the key cause of differences between Asia and the West. Hopefully, you will also be able to use this understanding to improve your success when you are working in China or working with Chinese partners.

This e-book will cover three key issues.

The first is the difference in heritage between Western and Chinese cultures. You will find it easier to understand not only Chinese culture, and why Chinese suppliers act the way they do. You will also find it easier to understand yourself, and why you act the way you do (along with your western cohort).

Second is the differences in behaviour when working with Chinese in China. But be warned, it is not simply about how Chinese seem different to you. It is also about how you seem different to the Chinese.

The final issue is the reputation of foreigners in China. You need to understand more than just how you seem different. You also need to realise what reputation you have in China simply because you are a foreigner. You will be surprised at how the Chinese can categorise and who they might categorise you with. You might be even more surprised at what some of your fellow countrymen have done: some people change completely when in another country!

Cultural heritage

Chinese - Confucius say...

Chinese culture can be described as 'Confucian'. This means that the majority of the implicit values of Chinese society have come from the attitudes and teachings of Confucius. Certainly communism, and many other historical events, has had its influence. However, for the sake of this consideration you will see that Confucius gives enough insight into how Chinese culture differs from that of the west.

We have all heard the name, although no in China calls him Confucius, but who was Confucius? He lived about 2500 years ago. He was a public servant and philosopher who pondered things such as government, individual behaviour, relationships between people and morality. His teachings were collected into a set of rules called Confucianism and later neo-Confucianism. While these later systems might not be exactly what Confucius had originally thought, the basic tenants were still there. And they still influence Chinese culture today. Therefore, by understanding Confucianism one can better understand Chinese culture.

So what did Confucius teach? Confucius thought about many things: ritual, loyalty, humanity etc. However, one of the themes that is very strong throughout his teachings is relationships. This includes how you

should behave towards another. This depended upon the relationship you had with the other. The teachings also focused on what kind of a person one should be in a relationship with. Another strong theme is that of virtue and setting an example as a leader. It was more important for a leader to set a moral standard for behaviour than it was to be an expert on the everyday details of operations.

So in summary, a person should:

- choose the right people to be in a relationship with,
- ensure they meet their obligations in this relationship and
- place most emphasis on the moral example

If everyone were to adhere to these principles, then there would be social harmony, and all would be well. Just take a moment to think about this. You can see how it could work, but some thing seems to be missing; something western.

Western - Our man, Aristotle

If history had been a little different then the most influential person in western history might have been Socrates. However, Socrates did not write anything down; it was only his student Plato who did. However, much of Plato's writing was lost for some time. The one who is remembered most is Aristotle, the student of Plato. He was also the teacher of Alexander the great. While Aristotle was the biggest influence, it is easiest to understand his contribution by also looking at what Socrates and Plato did.

Socrates also lived around 2500 years ago. However, it seems he had no job. As best can be gauged, he thought most about ethics and logic. He did this by taking a problem and then asking a series of questions, each deeper than the previous, until the fundamental issue or cause or answer was found. These questions could be asked of

anyone to help them resolve any problem. This implicitly meant that knowledge was not held in a divine individual or wise man, but that it was out there for the taking through proper thought by anyone. This method is still referred to as the Socratic Method. However, some suggest that Socrates had a reputation for taking this to extremes, and leaving people more confused than enlightened. He believed he was the wisest because he accepted his ignorance whereas wise men were not wise because they did not realise their own ignorance. In the end Socrates was executed for the crime of corrupting the minds of the youth. But he left his mark.

Plato was the one who told us most about Socrates. It is Plato that contributed most to logic. He also contributed to metaphysics, where the material world is viewed as a shadow of the 'real' world. He argued that the world perceived by the senses is not the real world, and those who rely upon their senses cannot perceive reality. Plato also wrote about governance, the nature of knowledge and art, but his contribution to logic is probably most important in the context of what makes western culture 'western'. It was probably 'logic' that you felt was missing from the confusion approach.

Aristotle is the most well known because his writings were not lost in the West. Aristotle introduced the concept 'natural philosophy'. Today we call this science. While this is at odds with Plato's notion that reality cannot be found in what we sense, Aristotle still took advantage of the logic that had been developed by those before him. It is this attitude of logic and the scientific principle that guides the thinking of most westerners.

As westerner you probably think to yourself:

There is one single, right and logical answer to any question or problem. It is logical, independent of humans and based on an underlying fundamental principle that cannot be questioned. That answer just needs to be found.

This is a commonly held belief by most westerners. It can be hard to accept that some other cultures have not worried so much about such things. However, you need to realise that this conviction is a product of your Aristotelian heritage and not the source of ultimate truth that all should accept. Many others have managed to build very successful societies in the past with different ideas.

This is not to dismiss logic, it is very powerful. Just don't expect it to always convince others or to be as highly regarded as you might think it should be.

So are we similar or different?

Before answering this question, consider this summary of what has been covered.

1. Chinese cultural heritage places an emphasis on being in a good relationship with good people who set a good moral example
2. Westerners believe that to all questions there is a logical answer that is based on a fundamental principle that cannot be questioned by anyone.

Certainly this is not a complete description of western and Chinese cultures. However, the authors believe it is a summary of the most significant aspect of each culture that is most likely to cause issues in cross cultural interactions.

Given that there are really only two differences you might think that there really shouldn't be any troubles. On the whole there are more similarities than differences. Certainly the issues that we all face, raising children, trying to get a better job, getting along with our husband or wife and their family, and wanting to live a good life with plenty of friends are fairly universal. Also most people want to help others and most of people are friendly. Therefore, one can easily say that we are more similar than different.

However, there remains a question: just how big do the differences have to be before problems start?

First try this small exercise. Think back to a relationship that you had in past but broke down due to a difference. Chances are that difference was only a single difference. However, that difference was still enough to cause the kind of problems that can, and do, end a relationship.

There it is: even when mostly the same, only a small difference can cause serious problems and end a relationship between people.

Differences in action

Now if it is clear that a single difference can cause such a large problem, then it would make sense to know how to deal with it.

But first an intuitive feel for these differences in action is required.

Consider some typical scenarios that the authors have encountered while working in China that demonstrate some of these differences in action.

Can you do it?

This was a subtle but interesting case. One of the authors was trying to get only indicative pricing for an assembled plastic housing on behalf of a client. All that was had was some photos. This was not something that the Chinese suppliers wanted to quote on. They did not feel confident enough in their ability to quote a price that they could meet until they saw detailed drawings. This was making it hard to help the client.

Eventually, one of the suppliers, with whom we had a good relationship, quoted. We all (one of the authors, the supplier, and the client) met to discuss the job. We decided that it was a good time to talk up our supplier.

We pointed out that we had gone to a number of suppliers and that this supplier was the only one who was able to quote based on the limited information. By able we meant that the supplier was skilful and better than the rest. Logically, that is what one would want: a skilful and experienced supplier who has developed the ability to quote accurately on limited information so that commercial decisions on new product ideas can be made quickly. Surely you would agree that this is the kind of person they would want to work with? Well we thought so, but the supplier saw things differently.

Our supplier noted the value in demonstrating that he was the best choice and that we had indeed found the best supplier for our client. Therefore, he proceeded to say that he was prepared to take the risk because he had a good relationship with us. In short he was doing us a favour by taking a risk on the quotation. 'What was he thinking?' you might well ask. He was thinking 'Surely you want to work with people

who will be faithful in their relationship with you. People who will take a risk for you. People who you will happily take a risk for'.

So which would you prefer? At first, if you are a Westerner, you would probably rather the explanation that relies on competence. However, when you give it some thought, you can see how a relationship where each party is prepared to help the other when things go wrong can work. It is this latter explanation for working with someone that the Chinese will often naturally tend toward. Keep this in mind while reading the other scenarios.

Is it a business or a relationship?

This is quite a common issue when foreigners interact with Chinese suppliers. In the west, 'Business is Business'. It is not personal; it is about getting things done efficiently; and there are logical rules and principles that must be followed, 'The customer is always right' for example. But in a Confucian culture one works with good people with whom one has had a good relationship. How do you separate business from a relationship in such a system?

This does not mean that every Chinese supplier wants to be invited to your wedding, your child's christening and to your summer holiday house. However, it does mean they might act in a manner that suggests a relationship. Also, they might expect the same from you. The danger here is when they do this for you, but you assume that they are just trying to run a 'good' business.

An example will help. Say that you have had your product designed and it should be perfectly easy to manufacture. However, some changes were made after quotation and the manufacturing equipment needs to be altered. This increases the cost of producing the manufacturing equipment, but the supplier says that they can

make the change without the need to charge you extra. Are they just running a good business by keeping their customer happy or are they doing you a favour in the spirit of Confucianism? If it is the former, then it's a win for the customer; if it is the latter, then keep in mind that you might need to return the favour (see the reciprocity section). Chances are it is actually a bit of both.

Tyre-kicker or fussy factory?

This focus upon reputation has another affect upon the interaction between western clients and Chinese manufacturers. In the West it is standard practice to submit a request for quotation and expect a response without any obligation. It is a logical solution to ensuring the efficiency of the capitalist system. If a factory receives a number of requests for quotation but few jobs, then they should look at the prices they charge and the services they offer. However, in the confusion context, where relationships play a more important role, you are doing more than simply acquiring information. You are actually in the early stages of forming a relationship. It is appreciated that a quote is first required and that another supplier might be chosen. However, if you ask for too many quotes and offer no work, then you are not suitable for a relationship. You will find that the cooperativeness of the suppliers will start to reduce.

So what to do?

If you need a quote then you need a quote. All you can do is be as certain as possible when you ask for a quote and try to choose a single supplier to work with as soon as you can.

Do we ensure 'reputation' or what's 'right'?

To Westerners the answer to this question is obvious. Indeed, how could you maintain your reputation if you did not do what was right, even if

that means saying you were wrong? This once again comes from western Aristotelian heritage, and the belief that there is indeed a single right answer.

However, the answer is a bit more complicated from a Confucian perspective. For example, in the Confucian world the leader must set the example. This means that the leader needs to be right. What to do if they make a mistake? No one wants to have a leader that is wrong. Therefore, it would be best to put forward a perspective on events that explains what has happened with enough accuracy to be acceptable, but still demonstrates proper behavior on the part of the leader and others. This is what some would call a face saving exercise. In the West it is likely thought that this would be for the individual leader, but it can in fact be for the group. They will be happier knowing that they have a good leader who sets a good example. The Western authors have noted how emotional Chinese can be when their government is criticised by others, even when they don't like the governmental system.

But don't go thinking that a Chinese leader can just do as he wishes and then just make an excuse to justify it. Chinese history has its fair share of revolutions lead by people who have had enough of poor leadership. Confucius himself left the employ of a king who he did not approve of.

Nevertheless, in a Confucian culture it would be much better if the leader was good enough that there was no reason for revolution in the first place. Also, if a leader must be changed, then it is best to be done in a civilised manner. When Confucius left the king, he waited for the right time and for the right official reason. He did not want to damage

the reputation of the king and thus the society and its people.

Remember social harmony from earlier?

So what does one take from this? If something does go wrong, it is usually best not to play the blame game. Instead, try to understand the facts without passing judgement first. Then look for a solution that will demonstrate a good character of all parties involved. This will require some creativity and an open mind. It might also require that you take a small hit. Don't worry, reciprocity will be discussed later. You will see that this could be an advantage in the long run.

Risk taking

This is more of a side note, but it is worth consideration because sometimes it causes a different perspective, which can then cause problems.

Western culture places much emphasis upon logic and the search for a single correct answer. Therefore, it is small wonder that Westerners can demonstrate high risk avoidance when compared to Chinese. They simply aren't accustomed to accepting that sometimes a decision has to be made without a full understanding of the situation.

But what about a confusion approach? When one is in a good relationship with good people one is able to take risks. This is something that can help Chinese take actions that Westerners might consider risky. They have people to back them up.

Does this mean that Chinese are better risk takers than Westerners? Imagine this situation. A Chinese supplier has been asked by a new Western client to fill a clear bottle with two liquids and then seal it with an ultrasonically welded cap. The product will be a cheaper version of

a lava lamp for novelty stores. The supplier has done ultrasonic welding before, but not for sealing. How might this play out?

Let's look at the facts from a mixed Aristotelian and Confucian perspective. The facts are:

- The client is new to the supplier so there is no real established relationship
- Ultrasonic welding can be problematic for sealing, but it can work with some tuning and good quality control.

To a Westerner, this is a fairly low risk issue: Logically, all that is needed is a design and a process that ensures the weld is complete. That will provide a seal. One just needs to charge for the extra development time.

To the Chinese it might go something like this: This has not been done before, and the sealing might not work. We do not know these people; if we have troubles getting this to work then they might simply walk away after we have put all this work in.

So in this case, the Confucian culture would result in a lower risk tolerance. There is less emphasis on the logic and greater emphasis upon the relationship.

So what can be concluded?

If a project involves some risk, then a good relationship with partners is probably required. Ideally a low risk project should be developed, and this issue never comes up.

Reciprocity

Remember earlier when we creative solutions and maybe taking a hit can be of benefit in the long run were mentioned? This will now be considered in more detail.

Chinese have quite an ability to remember favours that they have done and favours that they owe. This is a natural ability that one develops when living in a culture that places an emphasis upon good relationships with good people. The author's have seen some Chinese hold quite a grudge and be openly appreciates depending upon what has happened.

So what does this mean for you?

Two things.

First, if a supplier has done something that is above and beyond. Then you will probably need to be expected to return the favour in some way. Second, if the you help the supplier out in some way, then you can expect the extra effort in the future.

But be warned. Sometimes it is not known how much effort something requires. This is not so much a difference in culture, but more a misunderstanding of the situation in each other's location. For example, many Westerners will have trouble understanding just how big China is and the kinds of orders that are required to keep many factories busy. Also, many Chinese don't fully understand the cost of labour in the West, and how high living expenses are when compared to the average income. These are not the only differences, but the authors have seen just these two alone can cause misunderstandings.

Summary on the key differences and what we should do

So when working with a Chinese supplier, keep in mind the following points:

- While one might feel one are being logical, and thus convincing, this will not necessarily work.
- If a supplier provides an extra service then just remember that it might be viewed as a favour and not simply as good customer service.
- Sometimes you might need to take a hit, but remember you will be owed a favour for it.
- If you can help find a face saving solution, then you will be appreciated for helping to maintain 'social harmony'.

Reputation of foreigners

There is something else that should be discussed before concluding. And that is the reputation of foreigners in China. This is just so you know what ideas some suppliers might have about you when you first make contact with a them.

If you're foreign, then you're a foreigner

It can be odd sometimes to be identified not by one's country, but simply by the country that one is not from.

You are no longer American, Canadian, and English etc. You are simply not Chinese, and you are a foreigner. You are now in the same category as Koreans, Namibians, Italians and Australians.

The actions of people from these countries as well as those of people from your own country will have an affect upon how you are perceived.

Therefore, you should approach your venture into China not as a member of their country, but as an individual.

Your country of origin is less important to the suppliers than it is to you and you just don't know who you might be associated with. This is not to say that you should hide your country of origin. It just means that you should rely upon yourself and your ability to work with your suppliers to get the job done.

Media

So if one is in the same category as Namibians, Americans, Koreans and the French, what is your reputation in China?

Well it is worth considering the portrayal of the business practices of foreigners who make it into the mainstream media here in China. This certainly isn't an accurate representation, it is what the media chooses to show, but it is what most Chinese will see.

The typical story that makes it to the media is little like this.

- Foreign business man comes to China to start business
- Foreign business man employs hard working low paid Chinese workers
- Business man has some troubles and says that pay will be delayed
- Business man leaves for home country with pay and is never seen again

On the whole this is rare. Obviously if it were the norm then the Chinese government would see no value in opening up to the rest of the world. However, as said before it is the image that the media sends to the people.

Stories

Along with the media stories are the events that transpire and that get shared around the local community. Here are a couple that the authors can verify from our own experience.

Story 1

A customer had a part made by a local Chinese injection moulding factory. The sample was fine, according to the customer, so a few thousand were made and shipped to the customer's home country. At this time the customer had only paid for the commencement of the production equipment. Therefore, he still owed the balance on the equipment and the cost of the first few thousand. However, the customer said that the first order was faulty. The factory requested that the original order be sent back and said that they would redo the job. The customer was of the opinion that he was he was the customer, and that he should not have to do anything. The factory agreed to send the second batch. These too were said to be faulty. Once again no payment was made. This is despite the fact that the tooling was completed and two batches were produced and delivered with no clear evidence of any fault.

At the time of writing the customer was still trying to have their product made, but the factory refused to cooperate with him or anyone who was working with him. The customer was not viewed as a person that one should form a relationship with.

What is worth pointing out at this time is that the Chinese factory has no legal recourse. How would they go about taking this person to court to get their money? One can now see that working for foreigners can be a risk for locals in China.

Story 2

A client had an assembled product made in China. When the first batch arrived one of the parts was found to have been made from the wrong material. The low compliance of the material meant that the part did not function as was intended. Everything else was fine. It was not possible to determine how the mistake occurred. The factory offered to reproduce the parts and sent them to the client free of charge. However, the cost of replacing them in the destination country was prohibitive (recall the earlier comment about Chinese not realising the high cost of labor in the West). In the end the original shipment was not paid for and the relationship ended.

In this case, the risk simply came from the fact that it was international and not necessarily the individuals. The foreign aspect itself is what made it risky to the local supplier. In times like this, the only solution is to ensure that your client has made it completely clear what they want so that the final product can be checked prior to shipment.

Summary of foreigners' reputation in China

The above makes it seem pretty harsh. But, as was said before, this is just the extreme examples that get the attention. In short though, there is a risk dealing with foreigners. This means Chinese factories might want to get to know you and trust you before they can happily work with. This is especially the case for large jobs. All you can do is be patient and as clear as you can about what you want. If you push things too hard without being precise about what you want then you will probably just drive local suppliers away.

Communication

Recall the statement about there not being much one can do about language? This is not completely true. Manufacturing has its own

language. This language is symbolic, relying on few words. Therefore, you can easily communicate with Chinese suppliers.

Communicating what you want made

Use drawings and a BOM. If you have not had much experience, then take a look at some example engineering drawings. You will see that a complex system can be completely defined with few words.

Getting what you want

Advances in information technology allow unprecedented control over the production process. Ask for a photo or a video to be emailed to you at each major step. If you are satisfied, then the factory can proceed (you might be asked to pay a portion of the final payment). If there are any problems, then it is very easy to circle the corresponding section of a photo and send it back to the factory. You might use these key situations to gain external support, and only pay for middle men when they are genuinely needed.

So what to do now

Hopefully you can see why things work differently in China. However, we also hope that you now feel that you can successfully work with Chinese suppliers with minimal assistance from anyone else by using use a combination of the following:

- Your newfound sensitivity to Chinese culture,
- Your creativity in working out solutions to satisfy all parties,
- Modern communication technology that is at your disposal.

Thanks for taking the time to read this. We hope you find is useful and we wish all the best for your ventures into China.

For more information please visit us at:

www.getyourstuffmadeinchina.com