CROSS-CULTURAL ENCOUNTERS WHEN MANAGING PROJECTS IN CHINA

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ABSTRACT

With China’s high economic growth, more foreign architectural, engineering and construction (AEC) firms are expected to venture into this huge and attractive market. Unfortunately, foreign AEC firms may not have experience in managing Chinese workers, contractors and subcontractors, due to differing cultural backgrounds between the Chinese and foreigners.

The aim of this paper is to identify cross cultural differences between foreign AEC practitioners and Chinese when executing projects in China. Cross cultural differences investigated include communication, working practices, attitudes and dispute management. The case study approach is adopted and data collection is via face-to-face interviews. The case studies are based on American, Japanese and Singaporean AEC firms operating in China.

The findings reveal that foreigners can work effectively with the Chinese in construction projects in China when cross cultural differences are properly managed. These include improving communication, adjusting certain working practices and accepting the habits of the indigenous. Recommendations, in the form of guidelines with which AEC practitioners from non-Chinese cultures can work more effectively with the Chinese, are made. The findings will help to foster an awareness and appreciation of cultural differences in the international arena, with specific reference to China.

Keywords: China, Communication, Cross-cultural management, Culture.

1. INTRODUCTION

With its fast growing construction industry, many foreign architectural, engineering and construction (AEC) firms are expected to export their services to China. The aim of this paper is to identify cross-cultural differences between Chinese and foreigners with specific focus on executing construction projects in China. Ways to overcome the cultural differences are also investigated.

2. RESEARCH METHOD

The research design was based on case study. Three in depth case studies of foreign AEC firms operating in China were conducted. Based on convenience sampling,
firms A, J and S, with headquarters in the US, Japan and Singapore respectively, and having foreign owned subsidiaries in Shanghai, were selected for study.

Based on the literature review, a questionnaire was designed to collect data. For each case study, at least three experts from the foreign firm were interviewed in order to get a varied and wide range of perspective. Data were collected in China via face to face interviews with each of the respondents. Interviewees were chosen based on their availability as well as appropriate experience working in foreign AEC firms in China. A tape-recording of each of the interviews was done to ensure that important information would not be overlooked.

3. PROFILE OF FIRMS AND INTERVIEWEES

The three firms (S = Singapore; A = US; and J = Japanese) studied are all privately owned firms that had subsidiaries in China. The profiles of the interviewees are shown in Table 1.

<table>
<thead>
<tr>
<th>Code</th>
<th>Designation</th>
<th>Years in industry</th>
<th>Years in China</th>
<th>Services provided in China</th>
</tr>
</thead>
<tbody>
<tr>
<td>S-PM1</td>
<td>Vice President</td>
<td>17</td>
<td>2</td>
<td>Project Management</td>
</tr>
<tr>
<td>S-QS1</td>
<td>Senior Manager</td>
<td>18</td>
<td>17</td>
<td>Consultancy (QS)</td>
</tr>
<tr>
<td>S-QS2</td>
<td>QS Manager</td>
<td>9</td>
<td>5</td>
<td>Consultancy (QS)</td>
</tr>
<tr>
<td>S-AR1</td>
<td>Senior Manager</td>
<td>20</td>
<td>3</td>
<td>Consultancy (Architecture)</td>
</tr>
<tr>
<td>A-PM1</td>
<td>Director</td>
<td>25</td>
<td>8</td>
<td>Project Management</td>
</tr>
<tr>
<td>A-PM2</td>
<td>PM</td>
<td>9</td>
<td>3</td>
<td>Consultancy (PM)</td>
</tr>
<tr>
<td>A-CN1</td>
<td>Vice President</td>
<td>27</td>
<td>19</td>
<td>Business Development</td>
</tr>
<tr>
<td>J-PM1</td>
<td>Deputy MD</td>
<td>16</td>
<td>3</td>
<td>Project Management</td>
</tr>
<tr>
<td>J-AR1</td>
<td>Vice President</td>
<td>24</td>
<td>8</td>
<td>Consultancy (Architecture)</td>
</tr>
<tr>
<td>J-CN1</td>
<td>Senior Manager</td>
<td>15</td>
<td>9</td>
<td>Construction</td>
</tr>
</tbody>
</table>

All the interviewees were in senior management positions with at least nine years experience in construction industry. The interviewees had worked in China’s construction industry from two years to 19 years, with an average of about eight years.

Company S from Singapore had an average estimated turnover of US$143 million world wide and US$20 million in China alone. The company provided building and infrastructure development services such as master planning, architectural and engineering design and consultancy, project management, construction management and facilities management for building and infrastructure projects. Company A from the US specialized in planning, engineering design, program management, construction management, and operations and maintenance for all types of infrastructure and building facilities. Its average estimated turnover was US$1.4 billion world wide and US$0.3 billion in China alone. Company J from Japan was a leading architectural, engineering and general contracting firm. It offered integrated planning, design and build solutions for a broad range of construction and engineering
projects. One of the top five contractors in Japan, J had more than 30 offices in cities all over the world- Europe, Africa, North America, Middle East and Asia and had a staff strength of more than 11,000. Its sales in 2005 was US$14 billion worldwide and US$0.1 billion in China.

4. RESULTS AND DISCUSSIONS

From the interviews with the respondents, the characteristics of Chinese firms and their workmen are summarized in Table 2. These are now discussed.

Table 2 Culture of Chinese firms and workmen

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Singapore firm (S)</th>
<th>US firm (A)</th>
<th>Japanese firm (J)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of technical competency</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Level of cooperation</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Need detailed procedures</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Need for micro-management</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Level of initiative</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Willingness of mid-management to take additional responsibility</td>
<td>Low</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>Willingness to work overtime</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Competency in English</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Level of trust for project managers</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Need for close supervision</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Bureaucratic culture</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Compliance with written contract</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Propensity to make claims</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Ease of settling disputes</td>
<td>Easy</td>
<td>Difficult</td>
<td>Easy</td>
</tr>
<tr>
<td>Safety awareness</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Quality performance</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Prevalence of networking</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Team-spirit

In construction projects, the presence of team spirit leads to higher collective professional effort and more effective performance (Thamhain and Wilemon, 1987). One of the difficulties faced by foreign AEC firms is developing the team’s esprit de corps. A-PM1 commented that the local Chinese staff had high technical competency but they could be calculative and uncooperative. For instance, during meetings, they were encouraged to give their views and opinions. It was common for team members to have differing opinions. The usual practice for foreign firms was for the team to discuss and then come up with a general consensus. However, in some cases, after the meeting, Chinese staff might still hold on to their views and would be reluctant to implement what the team had decided. Firm A had experiences when the Chinese staff, upon leaving the meeting room, chose to totally ignore what was agreed upon in the meeting and went ahead to carry out what they wanted. This is one of the reasons why Firm A had to station expatriate staff (about 15% of total staff strength) in its China office to monitor the locals.
The foreign firms also realized that loyalty to the company was strongly linked to remuneration. The first local practice is the frequency of bonuses being paid out to staff. Initially, the foreign firms paid Chinese staff a basic salary plus a year end bonus. They found staff turnover was high. Firm S switched to basic pay plus regular monthly or quarterly bonuses. The second local cultural practice is to share project profits with staff. To keep good staff, the foreign firms had to follow this practice. The third local practice relates to the size of annual increments. By following the percentage increment set by the head office, foreign firms in China found that they were losing staff. The percentage increment for China staff had to be set higher because of their low basic salary. Foreign firms had to adopt these local practices in order not to lose competent staff because the market in China is growing very quickly and there is a shortage of trained local staff.

**Micro-management**

The interviewees revealed that Chinese workmen and supervisors need to be monitored closely. It is not possible to give them the master program and leave them to do the work alone. Project management on a micro level is required to monitor their progress closely, if not the deadline would not be met. A-PM2 explained that it is not enough to have weekly meetings. His firm conducted daily meetings, sometimes twice a day, once in the mornings and once in the evenings to identify the works for each day. The workers appeared to have no sense of urgency in completing the work. They have to be pushed continuously. A-CN1 stated that:

“You have to watch them closely if not they won’t do their job. This kind of behavior has not changed in all the eighteen years that I have been in China.”

Besides close monitoring, the foreign firms found that their Chinese staff were procedure driven. This has to do with the history of China, the old system where people lived in a very controlled environment. There were many rules, regulations and procedures that they had to obey. So the general mentality among locals is that it would be very risky to deviate slightly from rules and regulations. As the Chinese are used to complying with procedures, they do not question them. They would prefer to be given clear procedures so that they could follow, rather than being given a performance indicator to achieve. The system is very procedure driven and not result orientated. S-QS1 remarked:

“The (local) Chinese staff are very obedient and are mostly the ‘instruction taking employees’. On the working level, staff are always expecting procedures to be given to them so the management cannot give them too much free play in the ways of working. If detailed procedures are not given, most of the staff will be lost, and cannot perform effectively.”

**Initiative**

Initiative is volunteering to carry out tasks that are not formally part of one’s own job (Borman and Motowidlo, 1993). Individuals with initiative make suggestions regarding organizational improvements, take on extra responsibilities, volunteer for assignments, anticipate problems, take actions to prevent them, and perform extra necessary tasks without explicit orders. Initiative may be evaluated as the extent to which the individual seeks out and accepts responsibilities and takes appropriate action without waiting for directions from supervisors (Putti, 1985).
The cases showed that Chinese staff lacked initiative in solving problems. S-QS2 gave an example that in the service sector, a mid management staff would be expected to be proactive whereas in China, the local Chinese staff still expected instructions to be given by higher management on the next step to take. They were not used to taking initiative and coming up with their own working method.

Consistent with their lack of initiative, Chinese staff were found to be unwilling to work overtime. It was almost impossible to expect Chinese staff to willingly work late to meet deadlines, unless they were give overtime pay. The Japanese firm paid out large sums of money to entice local workers to work overtime.

On the point of working overtime, besides their lack of initiative, it was found that some Chinese staff had genuine difficulty in getting home later in the night. These staff stayed in the outskirts of Shanghai and traveling home by public transport would take up to 2 hours. Some of the public buses in China stopped service rather early, at around 8pm. To combat this problem, overtime pay was made and taxi fares were reimbursed.

Communication with Chinese Staff
Communication is the ability to interact effectively with others at all levels within and outside the organization (Gushgari et al., 1997). Effective communication enables projects to be completed faster (Walker, 1998). One of the cultural problems faced is that Chinese employees are not proficient in English and foreigners are not proficient in Mandarin. J-AR1 reported definite communication problems when working with the local Chinese. The firm overcame this by hiring more Chinese staff who spoke Japanese. As of January 2006, approximately 30% of firm J’s Chinese staff were able to converse in Japanese.

S-PM1 observed that Chinese use very little English in their everyday life. Although they were taught in school, they were not comfortable speaking and reading English. On the other hand, foreigners were more proficient and comfortable speaking and reading English instead of Mandarin. One of the ways to overcome communication problem is for staff (foreign and Chinese) to be positive about the language issues and be proactive in learning whichever language they are less proficient in.

Cross cultural encounters need to be managed properly so that projects can be successfully completed. Foreign firms coming from their own home countries have the additional burden of overcoming cultural differences between their staff from home countries and people they need to work with in China (host country). One recommendation is that the foreign firm should engage either a person from the home country who has studied in the host country (China), or a person from China who had studied in the home country. Firm J said that it engaged people who had studied or worked in Japan and thus were familiar with the Japanese working systems and mentality. In engaging subcontractors, Firm J chose those who had worked with other Japanese contractors in the past and were familiar with the Japanese working culture.

Culture of Distrust
A greater degree of trust leads to greater team spirit and higher quality of information exchange among team members, and this gives rise to more effective decision-making and higher productivity (Thamhain and Wilemon, 1987). J-PM1 shared that in Japan,
project managers are given full authority and responsibility all matters relating to the project. J-AR1 added, “In Japan, everything is based on mutual trust.”

This study found that in China, project managers are not fully trusted by the firms that engaged them while the head office controlled many other matters such as budget and quality. Between contractors, clients and the government, there was no culture of trust. This is attested by the need to engage a government approved supervisory brigade to check the quality of the works. The supervisory brigade is an independent quality control firm. The client has to pay them to inspect the project, and at the same time they are also accountable to the government’s quality control bureau. J-CN1 felt that is may be because the Chinese government could not trust the industry to self regulate.

**Bureaucratic culture**

The case studies revealed that managing projects in China involves dealing with the bureaucracy as there is government intervention in every stage of the project. One reason for the bureaucratic culture is the government’s zest in protecting the local construction industry. One example is the need to engage a supervisory brigade, as discussed earlier. J-AR1 felt that the construction industry is still very protected by the government, and that even if the central government opened up, the local government might not.

When applying for construction permits bureaucratic culture is also evident. According to A-PM1:

“If you knew somebody in the government, you could get it settled in a day, if not, the firm could wait for one month and it might still not be done. Construction wise, the local contractors could start work even before they obtained the construction permit. But it is especially different for foreign firms as the government likes to keep a close eye on them. Hence foreign firms have to make sure they wait for one month and receive the permit before they start construction.”

**Culture of ignoring written contracts**

The cases revealed that parties that signed the contract did not always honour it. Firm A felt that is was pointless to enforce the contract through arbitration or the courts. Even if a foreign firm commenced legal proceedings, the chance of winning the case on the grounds of breach of contract was not high. To overcome this, A-PM2 revealed that it required contractors to read and stamp on every page of the contract. He did this because he found that some Chinese sign contracts without paying attention to all their legal obligations and responsibilities. Sometimes he even sat down with the contractors and went through every page of the contract documents with them, explaining to them the contents in detail. This was to ensure that there was no misunderstanding of the specifications.

One example A-CN1 gave was that of insulated glass, which consisted of two layers of glass with a vacuum/cavity in between. The local contractors quoted the price of laminated glass instead of insulated glass. A-CN1 had to explain what insulated glass was to the local Chinese contractor and asked the firm to check the pricing again. A lot of work had to be done in educating and training contractors and even clients because some clients do not understand why there was a need to insulate their walls.
Claims culture
The cases revealed a strong claims culture in China. Even though all requirements had been specified in the bid documents, A-PM2 warned that it is necessary to keep on emphasizing to the contractors what was in the contract documents. Some local contractors did not read the specifications and based on their experience, offered a price that they thought would help them win the job. Therefore firm A had to be careful in analyzing the bid prices as Chinese contractors’ usual practice is to bid low and later claim for variations.

While Chinese contractors were found to be claims conscious, many were not able to adopt the correct and professional ways to claim for variations. They generally did not keep a proper record which could help them build up a good documentation. Some of them did not fully understand the clauses in the contract. A-PM2 mentioned that there was a contractor who tried to claim for additional payment on the ground that it had under priced in the beginning!

Dispute settlement
When a dispute arises, foreign contractors would look into the contract details to find out exactly how much they could claim for. Negotiating with foreign contractors means going through the whole tedious contractual process and long meetings, after which the final decision will be made by the top management.

A-PM1 felt that it is easier to resolve a dispute with Chinese contractors because they are not caught up with contractual procedures and legal requirements. He felt that it is easier to negotiate with a local Chinese contractor than a foreign contractor. Local Chinese contractors disliked scouring through thick contract documents to find clauses to support their position in the dispute. A-PM1 commented:

“When dealing with local Chinese contractors, the first step is to identify what their final goal is, that is how much money they really want. For example, a contractor would start his claim at RMB10 million when actually it would be satisfied with RMB2 million. The aim was to lead the negotiation towards RMB2 million. There is no need to go through the whole tiresome contractual process. We usually go through the meeting, quarrel and after that meet up with a few key people to settle it over the dining table.”

Safety culture
The cases revealed low consciousness towards safety at construction sites. The main problem is the mentality of workers towards safety issues. Firm A said that while it provided safety equipment for its workers in China, many did not bother to use such equipment. They had poor attitude towards safety. Firm A had to constantly remind construction workers to use the safety equipment provided. “It is as though they do not care about their lives”, A-PM1 commented. Therefore exercising the implementation of safety practices in China is a very difficult task.

Quality culture
The cases revealed that local Chinese firms had poor quality control and quality performance. Much training had to be given to Chinese workers to educate them on what satisfactory level of quality was. Firm A had to train Chinese contractors to detect mistakes and low quality workmanship and do the necessary rework. For
example they were not able to see if a wall was straight, and could not understand the fuss when the paint on the wall stained the door frame.

Firm A also tried to increase quality awareness by organizing tours for successful bidders. The project managers were brought to visit buildings where work done had met firm A’s expectations. Sometimes, firm A’s staff physically demonstrated what was required of contractors. They would also take photographs of satisfactory works and requested contractors to sign off after viewing the photos, to acknowledge that they had seen the requirements and would do likewise.

A-PM2 warned against leaving workers to do the work all by themselves. Firm A had to place more inspectors on site, not so much as to resolve technical issues but more as observers, keeping an eye on what workers did minute by minute. This was done so as to ensure a high level of workmanship quality.

J-PM1 said: “The clients can accept substandard work from the local (Chinese) contractors but not from us (Japanese).” There was one project where firm J did interior fitting out works for an existing factory. The original local contractors did not construct according to specifications. For example, the slab was thinner than the local specifications. They managed to get away with it, until firm J hacked off the architectural finishes to do some embedment and realized the error.

Networking culture
China’s unique working culture is renowned throughout the world. Having the right ‘guanxi’ (relationship) with the right people is critical in ensuring the success of the firm. When two parties form guanxi, they establish a connection between two independent units to enable a bilateral flow of personal or social transactions from which both parties derive benefit (Yeung and Tung, 1996). S-AR1 noted: “In China, business is settled over the dining table.” Firm S allocated a huge budget for entertaining clients in an effort to impress and please them, in order to foster better future working relationships.

The cases showed that there was low emphasis on meritocracy and high emphasis on networking when conducting business in China. Networking was conducted at several levels. The first level was to be invited to bid. S-PM1 felt that building an extensive network of contacts helped the firm win projects in China. Staff were trained to be proactive in identifying project opportunities and lobbying hard to win projects.

The second level of networking was after bids were submitted. The case studies showed that in China, the culture is bidders must contact clients after bids are submitted. Firm A found that to ensure a higher chance of winning a contract, it had to practice this local culture. A-PM1 noted: “The local Chinese like bidders to talk to them and pacify them after the bid is submitted.”

Initially Firm A thought it was not necessary to interact with China-based foreign clients after bids were submitted. The firm found that it lost a few jobs when it did not interact actively with foreign clients in China. Its competitors won the jobs because they called and this put them in a more favourable position. The main reason is that foreign clients had engaged local Chinese to handle their operations. Firm A
found that it was not because the foreign clients’ culture had changed drastically, but because they had engaged Chinese staff, who had localized their operations.

5. SUMMARY AND CONCLUSION

The study revealed that foreign firms would have to deal with cultural differences when managing Chinese workers and managers. Local Chinese staff were found to prefer following detailed instructions. They were seen as less proactive because of their ‘instruction taking’ mindset which does not encourage initiative and responsibility taking. Some firms experienced problems with uncooperative local Chinese staff. Foreign firms found a lack of mutual trust among project team members. They also experienced Chinese firms that do not honour the contract. While they were claims conscious, it was not difficult to settle disputes. The firms generally encountered low safety and quality consciousness, and a disproportional emphasis on networking.

To succeed in China, foreign firms should localize operations and be quick to respond to cross-cultural encounters. To be successful, S-AR1 said:

“Because of the cultural difference, both sides (the local Chinese as well as the foreigners) have to develop a more forgiving attitude. Many of the problems are due to expectations of the foreign management staff. As time passes, they lowered their expectations and the locals picked up some of the foreigners’ working styles and a balance is achieved.”

6. REFERENCES


