

TEACHING NOTE: ‘BURNING PLATFORM’ CONSULTANTS: AMERICAN CROSS-CULTURAL MANAGEMENT IN CHINA

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CASE DESCRIPTION

The primary subject matter of this case is cross-cultural management of an American company operating in China. A secondary issue is ethical differences among different cultures. The case has a difficulty level of three; junior level. This case is designed to be taught in one to one and a half hours and is expected to require one hour of outside preparation by students.

CASE SYNOPSIS

A series of critical situations face Quicks, an American fast food restaurant chain, in China. An American country manager, newly appointed, is currently balancing several burning platform issues with local Chinese business partners. “Burning platform” is consulting slang for a critical incident where the platform such as an offshore oil rig is figuratively burning under someone as he or she calls for emergency advice. Corporate headquarters offers an unusual in house service...a cross-cultural management consulting team who respond to burning platform issues sent in remotely from managers around the globe. This team will determine the best course of action for five individual situations just emailed from Shanghai.

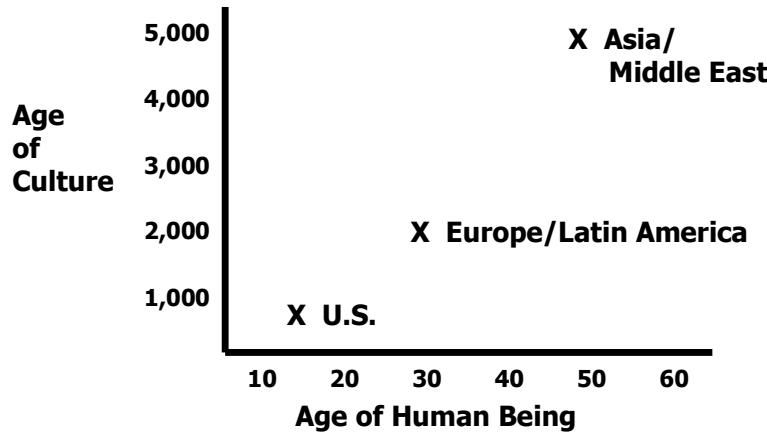
Keywords: Cross-Cultural Management, US/Chinese Intercultural Communication, Cross-Cultural Conflict Resolution, Individualism Authority (“Power Distance”).

RECOMMENDATION FOR TEACHING APPROACH

These series of mini-cases can be effective motivators by providing students with a little bit of both fear and fascination fear, as they deal with a totally opposite culture on the opposite side of the globe and, fascination, as they can follow Michael Todd personally in discovering this new world of Chinese culture.

One of the major objectives of this case is to teach students about cross-cultural management from a broader perspective, with a levels-of-analysis approach. This involves three levels, with the first one being the general historical background of each country. The second level ties national cultural tendencies into the empirical cultural values of cross-cultural models. Cultural values are then related to and help to explain the actual workplace critical incidents that make up the first level.

The first level of this approach begins with “Culture as frozen history” or, beginning to understand cultural differences in the workplace by understanding their roots in the history of each country. The following graph correlates the age of a culture with the age of a human being.



GRAPH 1
CORRELATION BETWEEN THE AGE OF A CULTURE WITH THE AGE OF A HUMAN BEING

Younger cultures are compared to younger human beings and older cultures are compared to older human beings. For instance, Asian cultures go back many thousands of years can be compared to a fifty-year-old human being. European and Latin American cultures can be compared to a human being about thirty years old and American culture would come somewhere in the teenage years, perhaps a fifteen-year-old (Graph 1).

One can use this “culture as frozen history” approach by having students delineate some of the characteristics of America as a teenage culture and China as a more mature adult culture. As an example, what positive characteristics do people anywhere in the world attribute to fifteen-year-olds? Some of them are:

- Youthful, high energy
- Optimists
- Risk-takers, willing to try anything once
- Action-oriented
- Enthusiastic

What are universal negative characteristics of fifteen-year-olds? They might be included in the following:

- Do not take advice
- Do not think before acting (“Dad, I can drive the car. Mom, I can fix your computer”)
- See the world only in black-and-white
- Arrogant, rude, loud
- Naïve
- Think they are invincible, go where “angels fear to tread”

In today's world, what do other countries tend to like and dislike about Americans? Positive stereotypes of Americans abroad are similar to the positive characteristics of teenagers internationals like the American's high drive and energy (currently, out of 207 countries, Americans work longer hours and take less vacations than any other country), their optimism, their willingness to try new things or take on great obstacles and their pragmatic, action-oriented approach to doing business.

One may consider what do other countries tend to dislike about Americans? Negative stereotypes of Americans abroad also parallel negative characteristics of teenagers primarily the way Americans tend to do things unilaterally ("my way or the highway") and not pay attention or listen to others, a certain provincialism or ignorance of the rest of the world that grates on internationals and other characteristics that generally fall under the heading of "arrogance".

This correlation between a culture's age and an individual human's age is not an empirical method of comparison between cultures, but it does have some usefulness as a rough rule of thumb. For instance, elaborate, time-consuming cuisine comes from "older" China while the fast-food industry of McDonald's, Kentucky Fried Chicken and Pizza Hut (Quicks?) originated in the "younger" American culture.

The second level, of this levels-of-analysis approach, is usage of cross-cultural models which assign empirically determined numbers to better compare different cultures. An abbreviated introduction to this second level is included in Appendix A of the Burning Platform Case. The third level, of course, is the actual critical incidents which make up the Burning Platform Case.

TABLE 1
CROSS-CULTURAL INTERMEDIARIES/BROKER TYPES

<p>1. A fellow national of the manager's culture who has lived and worked a significant amount of time in the other culture.</p> <p>2. A national of the other culture who has lived and worked a significant amount of time in the manager's culture.</p>	<p>In the case of the American manager in Chicago, he or she would look for: (1) Another American who has interacted significantly with Chinese, either in China or the US or (2) a local Chinese who has interacted significantly with Americans, either in China or in the US In the same manner, the Chinese manager in the US will look for: (1) An American colleague who has worked as an expatriate manager for several years in Shanghai or (2) a fellow Chinese at his golf club who attended graduate school in Los Angeles and is now working full-time in the US. Either of these persons would tend to be effective cross-cultural intermediaries concerning Chinese/American culture differences at work.</p> <p><i>Several actual quotes from Chinese who are trying to help Westerners understand their culture:</i></p> <ul style="list-style-type: none"> • <i>One word you never want to use when you come to China is "no"</i> • <i>"It is harder for us to work with Americans than Europeans because Americans don't understand the meaning of "yes"</i> • <i>There is an old Chinese saying: "Westerners are very superficial they believe what you say"</i>
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In addition to this levels-of-analysis approach, there are several concepts explained in the case which will be re-emphasized in the following case questions and answers:

- respect cultures (Authority Dimension)
- relationship cultures (Individualism Dimension)
- "Match eagles with eagles" (Authority Dimension, Note)
- shame versus guilt cultures (Low vs. High Individualism)

- saving or losing face (Low Individualism)
- high versus low feedback cultures
- cultural brokers, cultural intermediaries (table)

CASE DISCUSSION QUESTIONS

Learning Objective #1 (Incident A)

First, students will compare and contrast the extreme relationship/group oriented, “shame” culture of the Chinese (Low Individualism) versus the extreme individualistic, task-oriented, “guilt” culture of the Americans. Then, secondly, students will begin their introduction to one of the primary challenges that face Americans and Western Europeans when working with the majority of the world—feedback.

Question 1: How could have Quicks handled the situation more appropriately given the cultural differences between US and Chinese management. Additionally, what can Quicks do to remedy the situation?

Answer 1: Yes, in a straightforward business and completely non-cultural sense, this international business trip could have been planned and carried out in a more professional manner, for example:

- Contacting Mr. Meng’s office ahead.
- Sending introduction and perhaps CV, of American counsel.
- Providing background and agenda beforehand.
- In general, trying to arrange a “no surprises” visit.

Relationship-oriented China vs. Task-oriented US

A major difference here is that China is such an extremely group-oriented culture that all relationships between human beings is so much more important than those same relationships in a more individualistic, task-oriented American culture.

One illustration of this is how a Chinese will arrange to have a lunch first to get to know each other socially and then have the business meeting to follow. Americans, of course, always value at least a minimum level of friendliness necessary for any good business relationship, but, being more task-oriented than the Chinese, they will have the tendency to do business first and then go out to dinner, in order to socialize and build on their personal relationships afterwards.

In this case, Mr. Meng was very disconcerted by the suddenness of the visit, surprised by its previously unknown emissary, had lost much “face” and, in a Chinese cultural context, had felt insulted. What should have happened or, what advice could have been given to Quicks that would have changed this entire international business transaction around?

Moving a problem-solving situation across to an extremely relationship-oriented culture where individual-to-individual loyalty and trust is of utmost importance the VP Tom Boyd should have begun with making initial, solid voice contact with Mr. Meng, since the VP was Meng’s long-term contact and key link to Quicks.

In dealing with a very strong relationship culture like the Chinese, an American can rarely go too far in building a personal relationship. First, VP Boyd could make a person-to-person telephone call to Mr. Meng, taking the first 5-10 minutes to catch up on him and his family and then carefully, respectfully and indirectly turning the conversation around to the current financial situation in Shanghai. Finally, toward the end of the conversation, the American executive could softly introduce and detail the upcoming trip by his corporate counsel.

Maybe a day later, the VP could also send a follow-up email, roughly following the same steps as mentioned above, i.e., beginning with the personal/relational and carefully moving to the actual purpose further into the message primarily, the personal telephone call and follow-up email are important to respectfully show Mr. Meng how much the American VP values Meng's loyalty and trust. Almost as important, though, because of the dramatic language barriers between roman and pictorial alphabet is the vital need to have key aspects of the message in a written format that Mr. Meng can peruse several times, if he needs to, in order to discover exactly what it is that the VP intends for him to understand.

The VP's obligations are not over at this point (particularly if he values the millions of dollars Mr. Meng is worth to the company!) as he still needs to work with his counsel who will be representing him. Following the relationship-maintenance and relationship-building spirit of those first messages from the VP, the lawyer also needs to write a friendly email introducing him, giving some of his own background, explaining why he is travelling to meet with Mr. Meng and being careful to reference the VP and to copy the VP in the address.

Also, because relationship cultures tend to be stronger-than-usual gift-giving cultures, both the Americans the VP and the lawyer will need to prepare and take gifts for Mr. Meng. Because reciprocity is very important to Chinese gift-giving, this is an area where it is important to get advice from a cultural broker or cultural intermediary, e.g. if Mr. Meng gives a \$90 porcelain gift and loves basketball, then a roughly cost-equivalent, official league signed Bull's T-shirt would be more than appropriate it would be highly and particularly appreciated!

Another small but vital issue is one which the much younger "teenage" and "cowboy and pioneer" American culture often sins against (Note) allowing one's international counterpart to take the lead. In this scenario, the lawyer would of course book his own flight but it would be a sign of how important the relationship is if he would ask Mr. Meng what days might be best for him to visit, allow Mr. Meng's office to make the travel arrangements not just from Pudong airport into the city but from the hotel to Meng's office, etc., and definitely to leave all the (required in Chinese culture!) dinners and social events each evening to the Chinese. Again, using a cultural broker and adhering to the basic Chinese principle of reciprocity, the lawyer will want to book one evening where he will host Mr. Meng and the Meng cohorts out to a special dinner/banquet and, of course, it must be equivalent to what Mr. Meng has done for him, i.e., if Meng has been hosting dinners with 7 or 8 course meals, then the lawyer must be careful to do the same.

In conclusion, it can be seen that since the Quicks' VP and counsel did everything the opposite of what was recommended above coming across rather suddenly and brutally, in the Chinese context Mr. Meng perceived the entire episode like a slap in the face and reacted accordingly.

Note: Because they are polite, it is rare to hear continental Europeans (“middle-aged cultures”) say this, but one of their major complaints against Americans in business dealings is that “Americans are like children.”

Hierarchical China vs. Egalitarian US

In addition to the above clash, where task-oriented Americans made a perceived, bruising “raid” within a relationship-oriented Chinese setting, there is also another cross-cultural management dilemma going on here, below the surface and behind the scenes.

This has to do with the very high Authority score of the Chinese High Authority cultures are often called “respect cultures.” Common advice to American’s working in China is to raise their respect levels by 10% or 15% or more, something a more egalitarian “teenage” or “pioneer and cowboy” culture is not particularly used to. As mentioned in Appendix A, there is an ancient Chinese saying, in society and in business, that one must “match eagles with eagles,” because, matching an eagle with a sparrow is an insult to both parties.

In the case of Mr. Meng, the emissary lawyer was “lower” than he was in hierarchical cultures there is a tendency to see everyone you interact with as “higher” or “lower” in standing and then vary one’s behaviour accordingly. Yet, although the lawyer was technically lower “status,” the American not only failed to show the additional respect due to Mr. Meng’s status and position but even behaved downright disrespectfully, e.g. by showing up unannounced, unintroduced and calling Mr. Meng directly from the airport for a ride, exactly like someone might call an equal friend or worse, a lowly subordinate.

The American VP and lawyer would have been showing the proper respect if they would have contacted Mr. Meng as far in advance as possible, tried to allow Mr. Meng to take the lead as much as possible and introduced the entire business trip as deliberately and carefully as possible.

Learning Objective #2 (Incident B)

Students will analyse and critique the (sometimes dramatic) effect when Western business persons cannot receive the critical feedback they require in order to carry out business with Asians (as well as Latin Americans, Arabs, Africans, etc.)

Question 2: How might Quicks management approach the situation of non-committal answers? Is there a way to get the information they need?

Answer 2: Not only within the parameters of cross-cultural management, but, in the wider field of international business, it is common for Anglo-Saxons and Western European (High Individualism cultures) business professionals to say that the single biggest issue for them, in dealing with 85% of the world (Low Individualism/Collectivistic cultures) is feedback. They often refer to the two-pronged major difficulty in receiving the feedback they vitally need to run a multinational organization as well as the additional difficulty in receiving negative feedback, so that they can be flexible in making the constant changes required in international business.

The blue and red diagram in Figure 1 helps to illustrate the reasons for this issue of not receiving feedback. High Authority cultures have more of a top-down communication pattern; this discourages feedback as subordinates are more used to being on the receiving end of

communication from their bosses rather than taking the initiative to give feedback going back up the chain of command.

The top-down communication pattern of High Authority cultures is further exacerbated by the fact that they also are very strongly correlated with Low Individualism or Collectivism. So the natural hesitancy to NOT send feedback up the managerial ladder is also made stronger by the nature hesitancy to not be too direct or too confrontational, in a very relationally/group-oriented culture. If there is a negative issue that needs to be communicated it makes sense that, out of the need for harmony in the group, that negative issue will simply not be mentioned at all.

Relationship-oriented China vs. Task-oriented US

In the case of this top executive from Quicks, the primary cultural reason had to do with the differences in intercultural communication patterns. In a group-oriented culture, communication within the group tends to be more indirect and contextual as this more non-confrontational form contributes better to the overall harmony, e.g. good relationships, of all involved.

What the American executive did not realize was that, in a group setting like his Chinese counterparts were in people were not expected to give direct communication or what we would call “constructive feedback” but would answer in more circuitous and indirect ways. So the American executive’s anxiety levels were justified as he needed straight forward, direct “yes” and “no” type of answers.

What happened in reality was that the American executive humbly called a young expatriate in the office who had been working in China for several years (what would be called a “cultural broker” or a “cultural intermediary.”) That young American answered: “Oh, I’d completely forgotten that dilemma now, but, yes, when I first started working in China though trying to get feedback like this was definitely a serious issue. Because it is a group, face-saving situation you will not tend to get the feedback you need. What we all learned to do and my recommendation to you is to take one or two of the top Chinese executives out to dinner tonight and, in private, one-on-one conversation they should be much more direct and helpful to you.”

The happy conclusion was summed up in the American executive’s description of what happened: “It was a pleasant surprise, we had hardly started to get out of the car at the restaurant and the two Chinese senior executives began to rather enthusiastically tell me how happy all the Chinese management was with this new, possible direction. In fact, they emphasized the whole executive team had been rather excited about it from the time this initiative was first proposed at headquarters!” So his trip ended successfully as he was able to return to the US with what he had been specifically tasked to do.

Hierarchical China vs. Egalitarian US

The second cultural combination has some role to play in this critical case but it is nothing as strong as the collectivism/individualism issue mentioned above. Since the American senior executive was higher in status than the Chinese executives who were in the meeting, they would have more of a tendency—in this top-down communication Chinese setting to expect the American executive to be telling them what is going on and expected from them out of the Quicks headquarters. The Chinese would not feel as comfortable in asking direct questions or

giving direct feedback up the chain of command like that especially in front of a whole group, as has already been mentioned.

Learning Objective #3 (Incident C)

Students will have both a better understanding of and be better prepared for the strong “shame” culture that a Low Individualistic/Collectivistic country like China (and a region like East Asia) will demonstrate even in the more formal workplace.

Question 3: Should the supervisor fire the employee immediately or demand a public apology?

Answer 3: This 3rd mini-case is a particularly good one to have been done in teams:

- A. Ask the team to listen to each individual solution which had written up in their own homework assignment.
- B. Ask the team to come up with a single group solution just like a real consulting team would do.
- C. Tell them you will eventually be going around the room and asking each team to share their single recommendation.

The team answers will tend to fall into one of the following three categories, each of which has a certain amount of justification:

1. Universal management “wisdom”: Check into the situation, ask both sides and generally try to ascertain what the real motives were and where the true fault lies. Yes, this has the validity of thousands of years of leadership experience, e.g. the Jewish/Christian/Islamic book of Proverbs, purported to be compiled by King Solomon and repeatedly advises against and warns about, decision-making before carefully hearing both sides of human conflict situations.
2. Company policy: Immediately fire the supervisor, at least and possibly the accountant, if the latter was found to have initiated physical violence on company grounds. Yes again, what can be more open and shut than universal company policy?
3. Cultural factors: This is the correct recommendation and it will be described in more detail with the background and recommendation following.

Relationship-oriented China vs. Task-oriented US

This is an excellent critical incident to emphasize to students the complexity of cross-cultural management. Sometimes, when making decisions based on one’s own (possibly ethnocentric!) instincts or, even with “black and white” company policy, these decision could be damaging. Ultimately, in every moderate to very important cross-cultural management situation, the most important advice is to check in with a cross-cultural broker or a cross-cultural intermediary.

For example, in this case Michael Todd’s instinct to fire the supervisor would have actually had the potential of damaging Quicks in China. Actually, what happened in real life, is that Michael Todd was a seasoned international manager and he subordinated his professional instincts to first checking in with his cultural brokers a couple of the senior Chinese managers who had completed several years to the US who knew both the Chinese and the American work cultures.

The Chinese managers listened respectfully to Todd (High Authority!) but unanimously and strongly advised against firing the supervisor, even though there was specific language on workplace violence in the company manual. Their point was that firing might not real impact on

the company in society in the individualistic US, but, in the heavily collectivistic Chinese society, firing the supervisor would cause Quicks to lose face before the community around it including Quicks' employees and future employees, suppliers, clients, government officials who certified/regulated them, etc.

At this point it is important for students to recognize that, underneath cross-cultural management differences, there still can exist hard and fast business objectives, such as meeting financial ratios or terminating dysfunctional employees that do not change, even for differing cultural imperatives. For example, the Quick Chinese managers unhesitant agreed that this supervisor should be moved out of the company, they just did not want this to be done by firing, as this method would harm the organization.

What they actually suggested was to call the whole company together and, in front of the entire group, have the supervisor make a public apology for his actions, as well as personally praise the accountant he beat up. These managers knew, that in an extremely group-oriented, shame-based Chinese culture, the supervisor would lose so much face that he would have to resign.

Note: As a “teaser,” the students could be asked if, after being made to give this public apology and lose so much face, the supervisor resigned immediately or after several weeks. Almost always, Anglo Saxon or Western European students will say that he resigned immediately. In actual fact, the supervisor resigned several weeks later if he would have resigned immediately after the public apology, he would have lost more face as both incidents would have been tied together in people’s minds. In resigning several weeks later, he would have had only one “black mark,” the public apology, to his name rather than two.

Learning Objective #4 (Incident D)

Students will primarily compare and contrast the differences between the High Authority/Power Distance of the Chinese and the Western more egalitarian values in a workplace situation as commonplace as teams in negotiation. In addition, students will be able to see how powerfully and almost invisibly cross-cultural management differences can suddenly arise and negatively, suddenly impact international business transactions.

Question 4: Which incident had the biggest impact on the negotiation process?

Answer 4: This is a situation that has happened a number of times in differing forms of cross-cultural negotiations. It can be very subtle because the American or Western team is merely acting as they would on negotiating teams back home and cannot perceive their behaviour as either negative or why it can put up such a drastic “red flag” for their Asian counterparts.

Hierarchical China vs. Egalitarian US

Actually, in this critical incident, the American team was correct that there was only one issue that had brought about the dissolution of the whole process. This had to do with the two American managers, on two different levels of authority/status in the corporation, when they had disagreements in front of the Chinese team.

In hierarchical, “respect” cultures, lower level managers will tend to not openly dispute or disagree with higher level managers, because of the High Authority, top-down communication

culture. This tendency to not openly dispute with a superior as in the blue/red circle correlation is made even stronger because the Collectivistic culture discourages conflict or confrontation in relationships, particularly relationships within a group setting.

So what had happened, unknowingly, to the Americans is that the Chinese team had been quite satisfied with the negotiations progress. The American “big boss” executive had come in briefly at the beginning, to set up the negotiations process and, as normal, was not present for the bulk of the time. Since the executive was not present, the Chinese never saw what they would have perceived as dissonance between subordinate and superior levels of American management.

When the American executive flew in toward the negotiation’s conclusion and had a couple of public disagreements with his American subordinates, this was perceived by the Chinese team as a warning sign that their American counterparts were not as strong as they had thought but that, behind the scenes or under the surface, the American company may have some “cracks” or fundamental control issues. The outward relational fissures between Americans of different rankings were seen as signs of internal organizational fissures and that did not seem to be the kind of company the Chinese wanted to enter into a long term business relationship with.

Learning Objective #5 (Incident E)

This mini-case will re-emphasize for students how understanding the strong, common correlation between High Authority and Low Individualism can be used, proactively and effectively, to solve cross-cultural management dilemmas.

Question 5: How should Quicks handle this bribery situation?

Answer 5: This last mini-case is purposefully different from the first four. The other critical incidents gave students a chance to move from theory (the Hofstede model) to understanding and explaining what was happening from a cross-cultural management point of view.

This case also illustrates how effective cross-cultural management can give one’s company a tremendous competitive advantage. For example, in the real life Thai case mentioned, the American company won three times: First, in not having to enter the murky waters of illegal financial payments, secondly, they saved most of the price of the commission/bribe and, third, they beat out their major competitors in the bidding process.

The Blue-Red Circles Correlation

The recommendation here would be similar to what the American firm did in Thailand. First, use the line of cash to develop a relationship with a general who is higher up in the military structure than the government official demanding a commission.

This can be done in a comfortable, ethical manner with invitations to golf, restaurants with families, outings, etc. After a time, when the relationship is stable, then carefully and indirectly mention to the general that Quicks is having some difficulty with a certain official who is holding up the bidding process. And, as happened in the Thai situation, within a day or two, the government official himself will likely call up and politely mention that, after further consideration, he thinks it would be best to drop the commission he had originally mentioned and continue with the bidding as originally set up.

Of course, by now it should be clear to the students why, from a cross-cultural point of view, the above recommendation would be effective. In a relationship-oriented Chinese culture, the general would want to reciprocate, out of loyalty, to the American. The general, in his context culture, would pick up immediately on the indirect request for help and contact the official who was blocking the transaction. Being in a hierarchical culture, the government official would immediately respond to a top-down request from the general for compliance with Quicks.

Note: It might be interesting to ask students what the ethical thing to do would be in the relationship with the general after he facilitated Quicks full entry into the bidding process. From both a universal and a national cultural vantage point, it would unethical to completely drop all social ties with the general. In China, continuing on the relationship with the general would both be the right thing to do as well an intelligent business decision.