

China paradoxes

In Innovation, Quality and Acceptance

by Frans van Gunsteren

The lunch with Tim MacDonald on 23rd Dec 2013 triggered again to reflect and write about the **paradoxes in China**. Tim has started in China in 2012 in Nanjing for consulting on operational excellence, talent management, innovation and coactive coaching.

Many competitors but also big need in China.

Why so big need in China?

My assumption in my book (reference 1) and in general is that:

- China values are very strong and interlinked and do not change in time
- China “copy mindset” is everywhere, in history and in daily life behavior
- Copy is cheaper and risk free and avoids being strange according to other Chinese
- Copy gives stable society which Chinese government wants
- Copy mindset prevents creative pioneering environment
- Schooling in China is repeating and less creative than in the West
- Family education* is on behavior driven by punishment. The 80/20 rule applies in my experience in China: 80% correction and 20 % appreciation. *I and my wife want 80% encouragement, and less than 20 % correction in educating our 2 year old child.*

So innovation in business in China is a problem

That is why Chinese Government spends millions on stimulation to get best scientists back from abroad (Turtles) and give them all facilities they need to produce sooner or later a Nobel Prize winner. Many turtles are disappointed after returning because they find the Chinese working environment repressive and old fashioned, not open to risks and pioneering and fully Government controlled.

China needs foreigners for innovation, for which USA and Europe are best suited.

Smaller European countries in North Europe fit well, since they are no political threat and need to be globally best without their home markets.

Swiss are not good partners because they optimize their own interests without much partnering and sharing mindset.

Scandinavia and Benelux are good partners, and perhaps again some smaller companies in UK , France and Italy. Experience with 20 interns in Wison in 2012 is that the Swiss, German, Austrian, Canadian, Australian ones did well, and Spanish ,Italian, Brazilian, Columbian , Mexican ones were marginal. Compared to their Chinese peers, they did very well with openness, self management and initiative.

In 2012 there has been a very good report by the Dutch Council for Scientific and technology strategy in Holland on the relation between China and The Netherlands in innovation and technology. Marcel Kleijn can be contacted to get it (Dutch). See reference 4.

INNOVATION

The paradox on innovation and pioneering is that **in business one sees**, especially in Wenzhou area, **business men who venture with risk and success all over the world.**

In business and making money there is a lot of creativity. In both the poor and the rich. The poor to survive by cost cutting and cheating on quality. The rich by "never enough money", leading to schemes with kick-backs and poncy schemes. Bo Xi Lai 's wife went too far in her greediness and caused the trouble for her husband. Just greediness of the rich. Poor have justification in their survival with creativity. There is no social safety net ,except in the family. Livelihood is a must and any means are allowed with buyer liability leading to cheating on quality and never spend money on repairs or maintenance unless paid by Government or company.

Some like to gamble, which is a national sport, make leapfrog steps in technology and are successful by copying and improving like Japan did in the past.

Haier, TCL, Huawei , ZTE, and Zoom Lion are examples of such successes. Japan made the innovation step, Koreans are following, so why not China with their abundant resources in people, money and natural resources?

That is one paradox in China.

Innovation in "all china policy:" so doing everything creative by themselves without help of foreigners, or needing permanently foreign interaction, cross learning , coaching, training and FDI(foreign direct investment) and partnering in technology?

My view is that they need permanently the challenge and interaction with foreigners, both in China and outside China. So there is permanently a need for coaches for both.

This fits the strategy of people like Ton Voogt, my dear friend, and newcomers like Tim MacDonald.

But easy?

No.

VERY difficult to find the ones who accept this, which is not Government supported view, and dare to admit it and act on it by sharing and engaging foreigners.

Without the CEO engaged nothing will move, HR directors in China both for FDI and Chinese companies, suffer from empowerment to become the change agent and strategy supporting function in the company.

Many blocks.

Retention is one of them.

Why train people, when there is a risk of them leaving the company.

My view is that retention is a must and needs many measures to be effective, and thereafter make them open to improvements cross learning and serving the strategy and purpose of the company with a certain manner and company culture fitting the purpose. I have advised Wison, a large private engineering company in China, to do so ,but the Wison Way, fully developed based on Wison Differentiation, has not be embraced by the leadership. Mainly because of too much turnover of younger staff.

Innovation and operational excellence to reap the benefit of those innovative initiatives, is not going to happen without help from outside the Chinese community and mindset. That is my conclusion after being in China for more than 12 years and being part of a Chinese family.

QUALITY

The second paradox is on QUALITY.

There are showpieces of quality in China. The 2008 Olympics. Rocket space developments. Development of submarines, helicopters and airplanes with much attention to quality to save-guard the Chinese reputation.

But accidents, like with the high speed train in Wenzhou, still happen, because there is not good whistle-blowing system and practice and **individuals are not feeling responsible for quality and reliability of the whole**. They see their own role only in mostly complying to requirements and serving the boss. The top down culture, and silo thinking lead to a-social and non-quality at lower levels of work. That is why there are so many supervising authorities. For instance in construction, by law a supervision company is involved. Based on the fact that construction companies are expected to cheat on quality.

In daily life we see a lot of short cuts in quality.

Will this change in time, as many tell me, because for export the Chinese reputation on quality need to follow Japan and Korea.?

My view is: **NO**.

Why?

Japan has no natural resources except people, so need export and being part of the global economy, especially with the USA. Korea has a culture of their own, historically invaded by many and proud of their own culture and language and history. Combined with USA orientation, because their existence was protected by the USA, and Japanese copy, they have achieved remarkable results. Also a country with limited natural resources.

China has many people, natural resources and land. So mindset is not on scarcity and survival by being competitive on global scale. Government has made manufacturing one of the "three Representatives" (JiangZimin), and has achieved to become the manufacturing base for the world.

Starting with low cost labor, then higher up in the value chain, with ambitions for services as well.

HongKong is a good vehicle for that ambition with transfer (copy) to Shenzhen and Shanghai.

But the mindset is not on quality in products, quality and reliability by good maintenance, quality by continuous improvements (TQM=Total Quality Management) and pride in personal quality in work and adding value to company quality. One works for their own income, family and department, but not for the common good. With so many Chinese still being poor, it will not change easily, because daily life in the street, markets and homes is dominated by the poor. The main worry for the Government. East and coastal regions being developed well and the West is still poor. Government tries to manage this difference but is not effective to counteract the

market forces. Coastal manufacturing depends heavily on low cost labor from the hometown in the non-coastal provinces. Also construction is completely depending on them. The rich are so because of the poor. So this will not change easily. Economic growth has priority over environmental (air/water) quality. The difference between rich and poor is growing and is a concern for the Government. The Gini coefficient reaches levels where stability is threatened. But that will only be managed by taxes and not by raising wages or income/social measures for the poor. Government has already a law that children have to take care of their parents. So no old age money can be expected from the Government.

In general this is a Chinese special and justified policy. Keep cost low, so employment stays, and income stays and spending increases. International competitiveness is essential for stability. So low cost is a must in living. Medicine and medical treatment is very cheap compared to West. Social cost is low. Efficiency with family units, where lesser gifted are productive, is working. Working hours are long. Despite low productivity the costs are still low in manufacturing. It is based on focus on cost rather than on quality.

On 22nd Dec we, my wife and I lunched with a Taiwanese USA educated couple, in a Japanese restaurant. All focus is on quality. Nothing to improve. Clean, well maintained, toilets perfect. Service perfect. Food good. I wondered why? It is managed by a Taiwanese manager. On the way back I see a worker painting the road barrier between road and pedestrian walkway. He painted on rusted areas. No wire brushing. One can expect the rust to come within a year again. No problem, because he has then work and will do it again.

Those, and many more examples in daily life, give me the idea Quality will not be achieved in China like in Japan and Korea. Many disagree with me, like Jeroen Lamers of the Dutch embassy in China, who has lived in Korea and Japan.

Time will tell.

Probably for export related business, quality will start to be a key selling point like it is now for FDI related manufacturing in China by foreign companies like ABB, FLOWserve, and many more big and small companies.

I have been in contact with the FDI community in Suzhou and they can only manage their manufacturing by foreign independent quality guys and financial control.

Damen Shipyards in Changde produces same quality tugs as in Gorinchem, but only thanks to a very experienced and empowered quality supervisor from Gorinchem.

Trust in Chinese financial managers and manufacturing has led to bankruptcy of some Dutch companies in Guangdong, where I was part of the development of the Chamber of Commerce.

"Better to be safe than sorrow" and send at least three levels expats to China. Quality in the middle. Top guy or financial person. Young learner to be at working level for feedback at low cost.

In short, "you get what you check". Only pay after having seen the end product.

Quality can not be taken for granted in China (yet).

Both INNOVATION and QUALITY are issues to manage when dealing with China.

Cross learning and communication are in the interests of both Chinese and foreigners.

Ton Voogt and Tim Mac Donald and others in coaching and training fulfill a need, at least short term (10years) by both China and Holland. (Northern Europe)

ACCEPTANCE

Chinese do not accept views of foreigners on China, even when their views are correct.

That is my experience at the launch of my book in 2011/12 with Chinese partners of Dutchmen in China and also in Wison.

There is a strong national feeling that China is different from the rest of the world and historically superior to others and not needing the rest of the world. Both triggered by colonial experience, intrusions in China by Japanese and western powers as well as by being big and not needing outside help. Those who want to go outside China, went already long time ago, and those staying are much more narrow minded. My experience in my Chinese family confirms this. No interest in what I do, what my country is, what the West is, and very satisfied with food, simple life, and very proud of China, believing that even technology and military is better than the USA.

Brainwashed by TV and papers. It creates a stable culture and satisfaction with China life, which in itself is very good. No stress from idealistic and sometimes hypocritical views and practices.

The problem is that rich and Government people send their children abroad and invest abroad.

That is a sign of less trust in the future of China.

So, even if my view is correct, I do not expect any confirmation by the Chinese, except by actions.

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