

A practical approach to Director's cultural challenges in Asia



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Part 1: Before the Board: the negotiation and preparing the future

It takes on average five years to be able to communicate in Japanese, ten years for Mandarin and 15 years for Korean. It takes longer to be able to write and read these languages properly, let alone to be able to be active at a board meeting.

"As in every country, once an agreement is concluded and the business commences, challenges and unforeseen events occur. The best way to approach these is to refer to the Confucius eight virtues of the 'Superior Man'."

The publication of the Asian Century White Paper in October 2012 triggered strong reactions from company directors, as the report fell short of recommending that directors of companies expanding to Asia should master a new language.

A simpler approach – and certainly less time consuming – consists in trying to understand the cultures of Asian countries, which all have vastly different

roots, habits and values from our Western world. One of the most significant cultures in Asia finds its source in the Confucian philosophy which spans across countries like China, Japan, Korea, Singapore and Indonesia (with each of these countries having a set of distinctive local values and nuances).

Confucius referred frequently to the Superior Man who has a set of eight virtues: harmony, justice, loyalty, love, trust, benevolence, peace and piety. The Western values of equality and the search for happiness are notably absent from the Confucian list, which should be the base of understanding business attitudes in Asia.

In dealing with people in Asia, two other key dynamic concepts should be remembered: guanxi (relationship and the importance to refer to it) and mianzi (the face and the importance to save it). Relationships and connections are important in every country of course, but they take a specific dimension in the Confucian culture with a complex interconnection of obligations more than favours. However, it is sometimes difficult to verify the real influence of these networks and the visitor should never relinquish his or her good common sense in doing business. George Green, Hearst International President, the worldwide media group, used to tell me: "if I had received \$10 for every time I met a so-called influential Chinese who knew Mao Zedong's daughter and could open for me all the doors in Beijing, I would have a nice amount of capital by now".

Saving face (including yours) is also an essential part of the relationships in Asia. Any remark or behaviour which tends to slightly devalue the status of a person will destabilise the social order and most often trigger hostile reactions. The

concept goes both ways and the "face" of the foreigner must be equally respected. These values will become paramount in any business transaction and especially during a negotiation. It is essential to remember that in Asia, business is not done with strangers, but only with friends. Therefore, it is important to develop a personal guanxi and build trust before discussing a business deal. I have seen too often the disappointment of a business executive who lands in Shanghai on Tuesday morning and expects to return to the airport on Friday evening with an agreement in his brief case. The formality of several banquets or dinners is necessary before one can expect to sit at the negotiation table.

Once a negotiation has started, unchallenging patience is another key to a successful outcome. The concept of time is fluid in Asia. And it certainly does not equal to money. Joël Hakim, who used to run the aluminium group, Pechiney in Japan, used to say to his expat executives: "you are making progress when you feel you are losing time". Hence, the notion that every item in a deal can be revisited must be accepted. I have seen negotiations abruptly cancelled by the Western party on the basis that a previously agreed clause was being reopened by the Chinese party. The approach should always be based on the respect of the other party with efforts to reach a "win win" situation, with no losers.

In this sense, a contract is not always viewed as the same strictly binding and enforceable law of the parties, as we know it. In most cases it is, but "things can change". Access to the courts is not frequent and is seriously more unpredictable than our system of common law and independent judges. I negotiated an agreement with the largest newspaper in Xian (with a daily

circulation of three million) on behalf of an Italian client to publish the Chinese edition of the fashion magazine GRAZIA. About one month after the full execution of the licensing agreement, the Chinese partner appointed a new chief executive (a very rare event in China) who decided to renegotiate the agreement with excessive demands. The Chinese edition of GRAZIA was launched two years later by a Beijing based company.

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As in every country, once an agreement is concluded and the business commences, challenges and unforeseen events occur. The best way to approach these is to refer to the Confucius eight virtues of the "Superior Man" with a special consideration to preserve the harmony of the group. Preparing and managing expectations at board meetings in companies in Asia requires an even deeper understanding of these values in dealing with people. We will discuss this in a new article in the next issue of INTDirector. ®

Didier Guérin has launched about 35 consumer magazines and websites in over 10 countries in Asia over the last 20 years and has been a director of several local companies. He has experienced the diversity of doing business in several different cultures.