

Understanding Cross-Cultural Issues Increases Profits

By Mia Doucet

We were in a seminar, discussing international trade. Up surfaced the thorny issue of lack of protection in China for a company's proprietary secrets. Without legal means to protect its ideas and technologies, a Western company could find itself out of profits, out of competition, and out of existence.

Then an educated, thoughtful, sophisticated Chinese expatriate murmured: "How can a person own an idea? More important than ownership is that large numbers of people make a living from the idea."

That was my introduction to an entirely different world view of intellectual assets: To the Chinese mind, an idea is not something you can own or sell. In China, ideas are like air.

Would you ask a Westerner to pay for air?

How could a Western company, claiming long-term commitment to China, put a price on technology that could benefit the entire country? How could you refuse to share a document or design that could bring good fortune to many people?

One Bowl of Rice, Five Eaters

A Chinese engineer explained that the overriding sentiment in her home country has always been: "You will not be hungry. You will have enough food." This mindset evolved from centuries of widespread poverty. (Interestingly, Chinese show wealth and status through elaborate banquets. I will feed you. You will not be hungry. That is why eating everything on your plate is an insult to the host. He has not been generous enough, or there would be food left over.)

A survival strategy emerged of individuals linking their fates to an inner circle of friends and family. By sharing scarce resources, the group stood a better chance of survival. Within this circle, there was no question of hoarding. There was no question of individual claim over even the smallest bowl of rice.

That cultural pattern persists today. Now the group wants to share an idea as it once shared a bowl of rice. Technology is the new scarce resource. Those of us who have always had our own bowl of rice cannot comprehend that this way of thinking could so permeate everyday business life in China.

No Stigma

The thinking explains why no stigma attaches to software piracy and intellectual property infringement. In the Chinese engineer's words: "If I have the ability to learn it, it belongs to me now. We don't think it's so serious to copy. Other people won't look down on you if you copy."

Not only is there no stigma, sharing information adds to one's social capital. So people look for opportunities to share. The Vice President and General Manager of a Germany-based automotive firm with a local staff of 1000 Chinese told me, "In China, if the customer asks for something, the local staff will deliver. We say, 'Let's look at this from three or four sides, work out the pros and cons.' But our Asian colleagues are more willing to give the customer anything they want: cost breakdowns, technical content, samples, company secrets."

Pressures and Protection

In joining the World Trade Organization in 2001, China promised to do away with intellectual property theft. So international pressures will force change. Of course, when Chinese themselves begin to innovate, they will seek protection for their ideas. Then change will sprout from within.

But until then, Western companies still have the challenge of protecting their proprietary secrets. Rather than waiting for Beijing policy to trickle down to local government levels for enforcement, there is much that can be done internally.

Certainly, companies need to remove the opportunity for theft at source. Basic lock and key policies help prevent the out-flow of secrets. They need to hire more carefully and train their Chinese staff in American business practices.

Inner Circle Checkmate

But they can also counteract the behavior with policies that build on the profound Asian need for belonging to a close inner circle, where personal connection, mutual trust, and the ability to depend on one another unquestioningly guarantees survival.

The root cause of the piracy dilemma is the very thought process. Once companies understand that the cause and the cure are cultural, they can build a strategy that in one stroke protects their intellectual assets, respects people's dignity, and creates loyalty. In a country where senior management annual turnover exceeds 43 percent, the economic results will be staggering.

Mia Doucet works with companies who are determined to increase profits in the Pacific Rim. She wrote *China In Motion: 17 Secrets to Slashing the Time to Production, to Market, and to Profits in China, Japan and South Korea* (November 2004). Mia can be reached at mia@chinainmotion.com. Her website is www.chinainmotion.com