

# German companies and their Chinese employees

## Experiences – Background – Suggestions

**Ulrich Kausch**, M.S. Stanford University  
Consultancy: China for small and medium enterprises

Rhine Academic Forum  
Bonn, November 25, 2006

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### Ulrich Kausch and the German book „China-Pioniere [Pioneers]“

#### Ulrich Kausch

- Three years as manager in China with two JVs and one Chinese company, conversant in Mandarin
- M.S. Stanford University, Operations Research and Engineering Economic Systems
- Self-employed consultant supporting small and medium size German enterprises in the preparation, setting-up and management of their China business activities

#### Book „China-Pioniere [Pioneers]“

- Based on 30 Interviews with managing directors of German SMEs
- from August 2005 until March 2006, in Germany and China
- Business, social and cultural topics
- Publishing date: March 2007, Campus publishing house

Goal of the presentation

Provide background information  
for the successful integration of Chinese employees  
into German SMEs in China.

Some perceptions of Chinese employees ... and the consequences for top mgt.

Positive

- Self-starter
- Improvise easily and well
- Diligent
- Smart
- Hard-working
- Very polite
- Listen well

■ You cannot do without local  
top-management

Negative

- Easily get lost in details
- Fail to recognize the value of processes  
in the company.
- Have trouble to prepare and implement things  
in an organized and structured manner.
- Have trouble delegating and managing
- Study-abroad Chinese think they have to  
immediately start as top-manager in China

■ Expats are more expensive but better in the  
long-term

**Three key results**

- 1 Help you partner to unfold his potential.
- 2 Study his way without losing yourself.
- 3 Have fun.

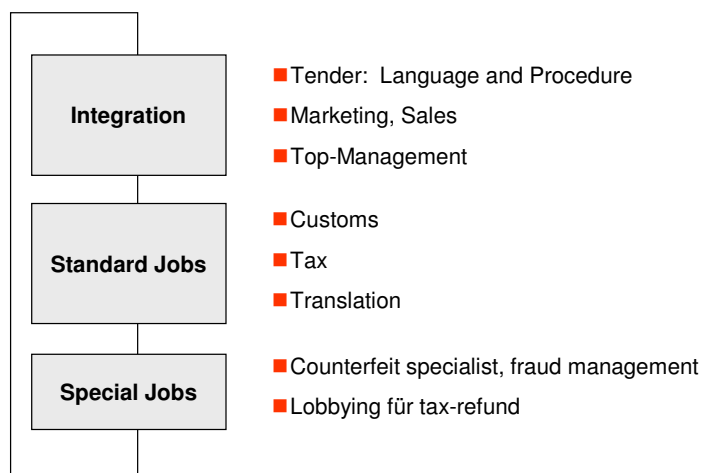
**Agenda**

1. **Description of experiences**
2. Analysis of experiences
3. Suggestions for efficient cooperation

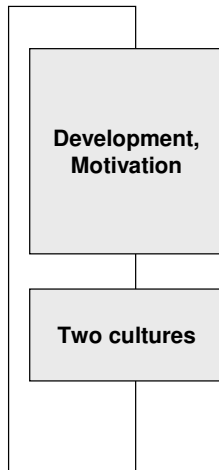
Examples of wide range of experiences using six main points

1. Needs of German companies in China
2. Training and development of Chinese employees
3. Western management
4. Values
5. Results from Employee Retention Study
6. Case Studies
  - Open up and grow up
  - Open up and blow up
  - Open up, grow up, and now grow others

Some needs of German companies in China

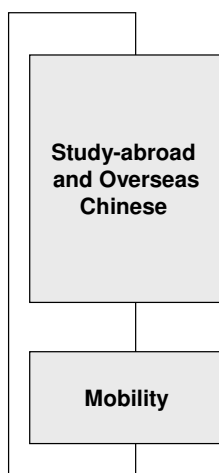


Training and development of Chinese employees (1 / 2)



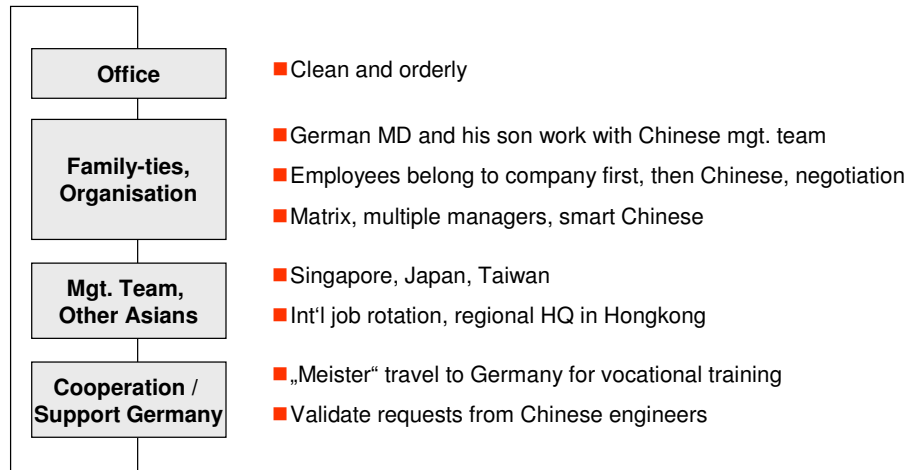
- Visual organization of production and administration
- Cooperation with CEIBS, Insead, training during holidays
- Company training academy
- Bonussystem
- Mentoring, coaching by managing director himself
  
- Information from private sphere, photo competition
- No German culture but mixed one

Training and development of Chinese employees (2 / 2)

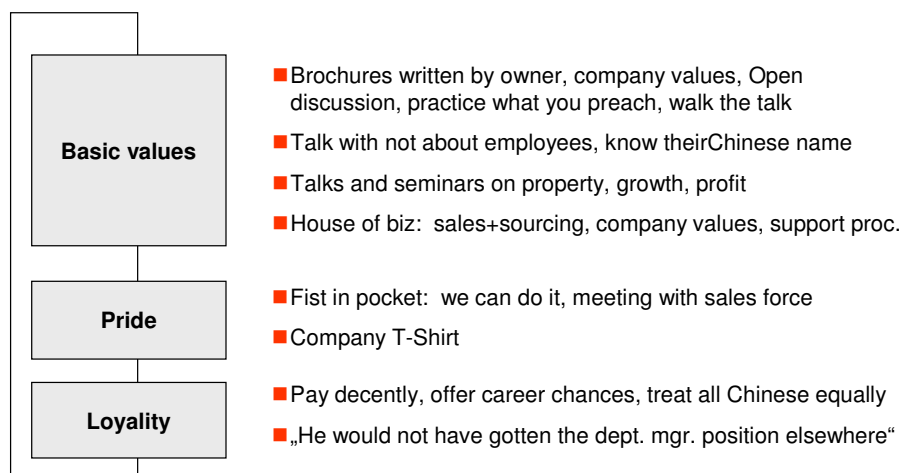


- Competing with all other international candidates
- Has to be firmly integrated in company first
- In China: fallback into Chinese mentality
- Lack of sensitivity for China and Chinese colleagues
- Banana
- Remoteness, divergence, lack of language skill
  
- Husband to German HQ, wife and family home, take care of old parents

Western management



Personal and company values



Employee Retention Study (Prof. Groenewald, Univ. Siegen, 2005)

**Study goal**

- Measure the impact of 20 factors in six categories that influence the retention of employees

**Study Setup**

- Answers by 200 experts in 63 German, Swiss, Austrian companies in China
- Grade 1 = factor seems to have no impact on retention
- Grade 4 = factor seems to strongly influence retention

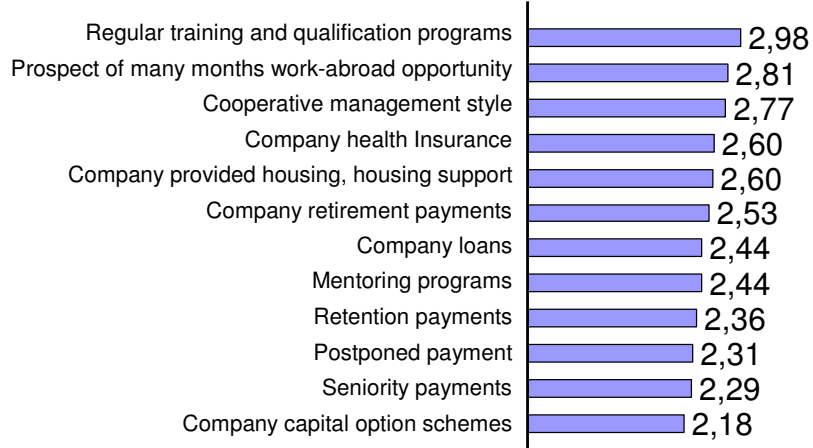
**Categories**

- Company perspective
- Voluntary social benefits
- Personnel development
- Personnel management
- Pay
- Features in employment contract

Top 5 and bottom 3 retention methods



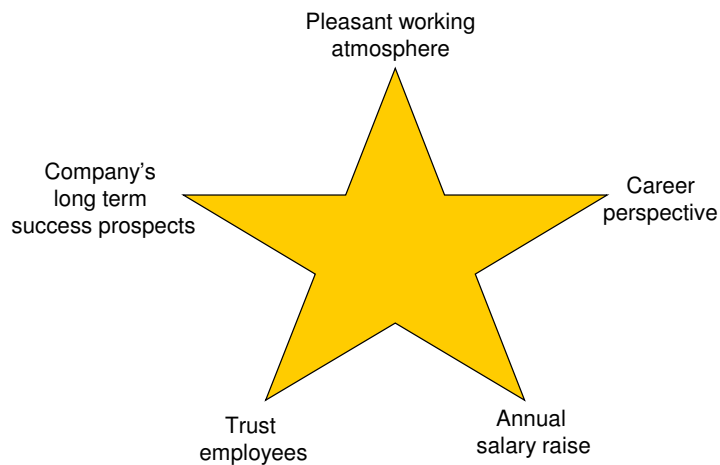
12 other reasons that impact retention



Source: Professor Horst Groenewald, University Siegen, 2006

Ulrich Kausch, Rhine Academic Forum, Bonn, Nov. 25, 2006

Top 5 retention methods

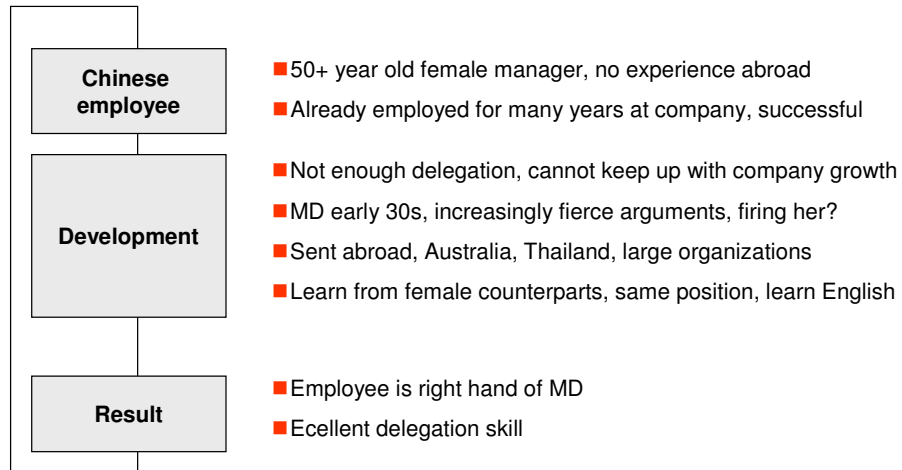


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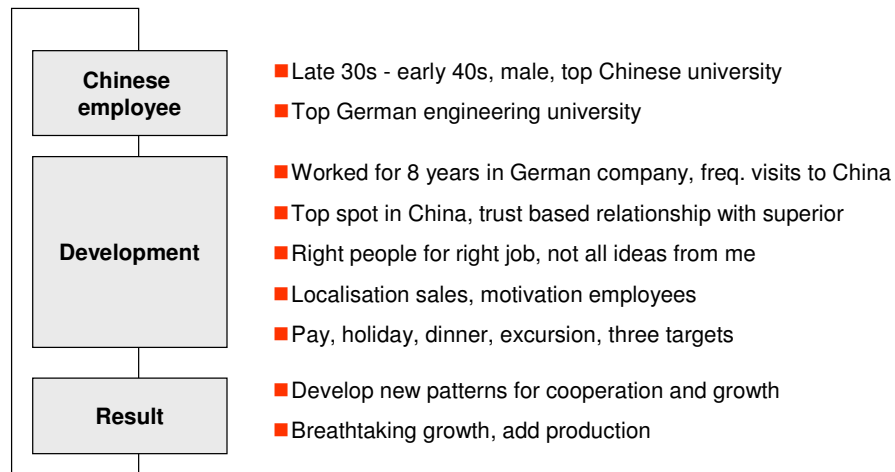
Case Study 1: Open Up and Grow Up



Case Study 2: Open Up and Blow Up



Case Study 3: Open up, grow up and now grow others



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The analysis looks at two main points

1. Chinese view: Key-points from case studies, three phase model
2. German view: where do the employers come from?

Keypoints from case studies

- **Background:** age (maturity - rigidity), socio-cultural, vocational, education
- **Expectation** management and speed/direction along growth path
- **Trust** based relationships
- In touch with **China:** business, culture, language
- Ability to **synthesize experiences** without losing oneself

**Oil: Three phase model for considering technical and cultural change**



- |  |  |  |
|--|--|--|
| ■ Rational analysis of status quo vis-a-vis challenges ahead     | ■ Try out new customs / technology, feel (dis)advantages | ■ Create new version based on actual needs at home |
| ■ Willingness to ponder personal change in view of new situation | ■ Danger or losing oneself, Addition vs. replacement     | ■ Apply merged version in a bigger solution space  |
| ■ Courage  | ■ Character strength                                     | ■ Creativity                                       |

**Historical examples about opening up**



**Fear / Inability to open up (1976)**

- Hua Guofeng, „What ever ...“, follow Mao's instructions
- Deng Xiaoping, truth in facts, actual effect of change sole criterion of truth

**Superiority complex (1793)**

- Qianlong emperor declines Macarthy's trade offer
- China's GNP about 33% of world total

**Barring foreign influence (1435)**

- 1405 Zheng He leaves China with 317 vessels, over 60 treasure ships, exploration
- 1492 Columbus, 1498 Vasco da Gama

Historical examples of integration



**Success**

**World cultural center**

- Tang Dynastie (618 – 906)
- In Changan: 100.000 foreign merchants

**High-tech transfer**

- Qing Emperor Kangxi (1661 – 1722) invites Jesuits
- Astro- / mathematical expertise, fix Chinese calendar
- Germans became Mandarins

**Failure**

**Lost oneself**

- Taiping Revolution (1851 - 64)
- Establish radically new values
- Hong Xiuqian, 30m dead

**Misguided effort**

- Great Leap Forward (1958 - 61)
- Exceed output of UK's heavy industry within 15 years
- Mao Zedong, 30 - 40m dead
- Cultural Revolution (1966 – 76)
- Loss of values & mgt. generation

Historical examples of leveraging integration



**Deng Xiaoping (1978 – 1997)**

- Age 16 study abroad in France, car factory, meets Zhou Enlai, studies Marxism
- Long March (1934), stumbled twice before succeeding (1966, 1976)
- Liberalize country side business, special economic zones
- Black / white cat, „Socialism with Chinese characteristics“

**Jiang Zemin (1989 – 2004)**

- „Socialist market economy“
- Appointment of Zhu Rongji
- Incorporation of capitalist business class in party

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2. German view: where do the employers come from?

Facts of commonly as SMEs perceived companies, founded before and after WW2

Company	Founded	Turnover Million €	Employees	
■ Linde	1879	> 9.000	> 46.000	
■ Heraeus	1935	> 8.000	> 8.000	
■ Osram	1919	> 4.000	> 38.000	
■ Hella	1899	> 3.000	> 24.000	
<hr/>				
■ Homag	1960	> 625	> 4.400	World War II
■ Einhell	1964	> 380	> 950	
■ Ziehl	1910	> 220	> 1.850	
■ Georg	1948	> 50	> 300	
■ EWM	1957	> 25	> 270	

**German SMEs have experienced turbulent times**

**Management team**

- Founded before WW2: aged 50 – 70
- Founded after WW2: 2nd generation, aged 40 – 60, 3rd generation starting
- Smaller companies: family members

**External events**

- Political instability, 4 governments in 70 years (1871 to 1945)
- Two wars, foreign occupation
- Economic boom and bust cycles

**Personal experiences**

- Hard-work, ingenuity in practical matters, rational investment choices recreate German industry
- „Wirtschaftswunder“ (Economic Miracle), 1948 - 1961

**Some basic needs of German SMEs when entering Chinese market**

**Preparation**

- Devise market entry strategy
- Devise start up organisation, have / train key personell, (hardware store example)

**Setup / Operation**

- Negotiate and manage with partner, government, sub-contractors
- Build and grow network
- Create business organization (adminstration, production, sales, sourcing)

**All along**

- Trust in people, sales example from logistics provider

Three things that employees and employers often expect of each other

**Employee should do**

- Think management thoughts
- Speak up right away when you see that something will not work
- Actively approach management with structured suggestions for areas of improvement

**Employer should do**

- Think employee thoughts
- Ask why things are they way they are
- Promote empowerment

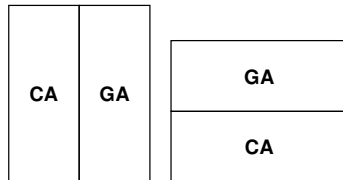
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How to best arrange Chinese and German ability for the result to be maximum?

side by side



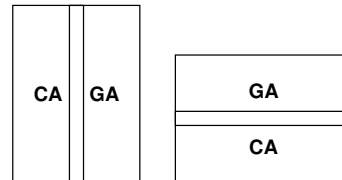
Instable since no connection



$$\sum CAGA = \sum \text{parts}$$



with overlap



Stable since connection

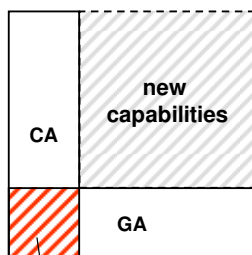


$$\sum CAGA < \sum \text{parts}$$



Arrange Chinese and German ability to create new capabilities

span new space



common set of values

■ Bolted together on a common set of values

■ New capabilities

$$\sum \text{square} \gg \sum \text{parts}$$

Examples of elements in the new capability space



Three key results

- 1 Help you partner to unfold his potential.
- 2 Study his way without losing yourself.
- 3 Have fun.

Thank you

谢谢

## 德国中小企业的 中国商务咨询顾问

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