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# Intercultural communication in the forest products business in China: a case study

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## Abstract

The growing forest products business in China has attracted foreign companies to the Chinese market. This study examines the unique characteristics of intercultural communication in the forest products business in China, using an exploratory case study approach. In-depth interviews were conducted with executives of a multinational forest industry company. The qualitative data analysis identified ten topics concerning business communication in China: bureaucracy, negotiation, business protocols, personal connections, distribution channel, employee recruitment, employee retention, language, publicity, and donations. The results illustrate the characteristics of business communication and how Western expatriates deal with communication issues in relation to the Chinese. Finally, this study generates keys to success in intercultural business communication in China.

**Key words:** intercultural business communication, forest products industry, China, case study

## Introduction

The Chinese forest products market has been growing rapidly since the 1980s (Center for International Trade in Forest Products, 1999). This trend has attracted more foreign companies to the Chinese market. As organizations become more internationalized, intercultural communication becomes increasingly relevant to organization members (Krone *et al.*, 1992). Intercultural business communication refers to communication among individuals or groups from different cultural backgrounds, in a business environment (Varner, 2000). Effective business communication, as a key strategic advantage for today's successful companies, should be researched (Tucker *et al.*, 1995). Within Asian cultures, Oblander and Daniels (1997) have investigated intercultural communication in the U.S.-Japan lumber trade. However, little is known about how foreign forest industry companies conduct business communication with Chinese stakeholders.

This study examined the unique characteristics of intercultural communication in the forest products business in China. The qualitative information generated gave rise to an in-depth picture of how Western expatriates can deal with communication issues. This study attempts to generate ways of conducting effective intercultural communication with the Chinese.

## Methods

Since there has been scant research in this area, a qualitative, case-study approach (Yin, 1994), exploratory in nature, has been adopted. A case study is a research strategy that focuses on understanding the dynamics present within a single setting (Eisenhardt, 1989). Communication researchers are encouraged to use qualitative methods, including case studies, for business communication research (Tucker *et al.*, 1995). They are appropriate for exploring phenomena about which little is known (Ulaga, 2003).

A multinational forest industry company, one of a few successful businesses, was selected for this study. The company has operated a fine paper mill in China since the late 1990s. The company also has two converting units, five sales offices, and a representative office in China.

In-depth interviews with two company executives were conducted in June 2003. Both participants have substantial work experience as expatriate managers. The first participant, hereafter referred to as John, is the Senior Vice President of Investment Co-ordination and Technology. He was in charge of the paper mill project for 14 months in 1998-1999. The second participant, Linda, is head of the representative office in China. Her job is to explore potential business for the company and to maintain contacts with higher authorities. She started her career in China in 1996 and can speak Mandarin Chinese fluently.

Interviews took place in the participants' office. The interviews were open-ended and discovery oriented. John was asked about his experiences with local authorities and the employees working for the paper mill. Linda was asked about her perception of how effective their business communication was with their Chinese partners, including higher authorities, customers, and employees. Each interview lasted approximately one hour and was audio-recorded.

The qualitative data generated during the interviews were reviewed carefully and organized thematically around the substantive characteristics of business communication. Feedback from the co-investigator (the company secretary) was gathered and adjustments were made.

## **Results**

The qualitative data analysis identified ten topics related to business communication in China: bureaucracy, negotiation, business protocols, personal connections, distribution channel, employee recruitment, employee retention, language, publicity, and donations. The characteristics of business communication in each area are reported below.

### **1. Bureaucracy**

John suggested that the nature of the relationship that is established with the authorities is extremely important when a company sets out to establish a business in China; this is because investment and operations require the approval of many people, as well as many permits. When a company starts up a business, it has to contact different bureaucrats, such as customs, sanitation, and navigation officials. Each interaction is very time consuming. Chinese authorities tend to be relatively bureaucratic and, traditionally, the customs office has been difficult to deal with. A foreign company must know how to work with the bureaucracy. Each office needs its own contacts and skills. However, once a company gets a stable position and its business is up and running, management becomes less difficult. Starting a new business, however, is very difficult indeed.

Linda's job is to maintain high-level contacts with the authorities. She works on maintaining these contacts on a full-time basis. She has a staff of four or five people in Beijing, all of whom have a working background or good connections, in addition to relatives in various ministries and the Beijing bureaucracy. One person in the paper mill is responsible for maintaining good contacts, and for sustaining the information flow with local and provincial authorities. The Managing Director of the paper mill pays a good deal of attention to local contacts, and visits the local authorities frequently.

The company recently received approval to expand the paper mill from the Chinese authorities. Conversely, investments by many other paper mills have proved impossible so far. John's opinion is that this has occurred because Linda has done a better job than her counterparts in other companies, given that all these companies have very similar technology. Of course, companies have to be prepared for years of negotiations. In this respect, it is vital for a company to have personnel who have been in China for a long time. Otherwise, a foreign company has to find good consultants or good contacts that can help it move forward in China.

### **2. Negotiation**

Linda reported that negotiations take a very long time in China. She has negotiated with Chinese stakeholders to develop new businesses. The negotiations deal with permission for investments, agreements with the Chinese party involved, understanding what each party wants, accepting each other's positions, and so forth. The expectations and targets are often so different that it takes a long time to achieve common ground.

Initially, according to Linda, real issues are hidden, and it requires time and patience to understand and to arrive at the real issues. Sometimes it can be a very tedious and time-consuming process determining why the Chinese may be insisting on a certain point, and refusing to give it up. In the end, she often discovers that they have a very logical reason for their stance; foreigners, however, often cannot understand such reasons because they may have a very long historical and structural background. Once she has identified the reason for their position, and starts discussing it with them, it becomes clear to her why she might have to change her position in order to break the deadlock.

Moreover, communication can be entirely misunderstood, not only because of language and translation difficulties, but also because the context has been misunderstood. Although individuals often understand each other on a one-to-one basis, problems can arise because discussions are not just between two people. A discussion might involve say, twenty Chinese, and often the majority of these people, including perhaps the most important negotiator, will not understand the issue.

Linda reported that negotiations that would be finished in six months in her native country could take years in China. Westerners are generally more oriented towards the result of a negotiation. They want to find out whether it is possible to do something quickly. Therefore, they openly bring up all the possible problems from both sides. By contrast, the real issues do not come up in Chinese style negotiations at all. Often, she does not know what the real issues are, and it takes a very long time to discover them. Even when she thinks that everything is clear, new issues arise.

### **3. Business Protocols**

Linda reported that there is a clear protocol for negotiations on the Chinese side. From the Chinese perspective, only the chief negotiator represents the company's point of view, and the other people let him speak on the company's behalf. Often a person who knows the issue better than the chief negotiator, but lacks the authority to speak in the negotiations, appears obviously upset in the course of discussions. Nevertheless, if he speaks, he is ignored. The chief negotiator is not allowed to decide on the major issues and has to go back to the company to get approval and instructions. The Chinese also want to understand the protocol on the foreigners' side, such as the nature of the relationships among the delegates, and who the leader is.

In addition, the Chinese are very skillful, and politically astute, when it comes to negotiation. Their target may be very clear, but they will often use tactics adopted from warfare in negotiations, and simply observe the other side. They think of negotiations in a very political, game theory kind of way, including when and how they should present this or that, what they can achieve, how they should organize themselves, and so on. It is an absolute mistake for foreigners to lose their temper in negotiations with the Chinese.

With regard to legislation, Linda reports that, quite often, the wording of a law may be vague, or the definitions may be unclear. Without being strictly illegal, she can often interpret a particular case in several ways. This method is employed when a particular issue is very important for the high authorities. The basic laws and regulations are the same in all Chinese provinces, but some authorities are stricter than others. They look at the law and regulations and demand that every detail be met. In other cases, the authorities are not so rigorous. Although the individual characters of people in authority in different provinces vary, the law itself does not.

Linda also reports that there is a lot of emphasis on documentation in China. Certain

documents are needed for certain things. For example, in the government procedure for approving an investment, the letter of intent has an essential role. All the documents issued by the government are very important. Documents have symbolic importance in China. However, these documents cannot be obtained without having numerous contacts. Moreover, a number of protocols, like the ceremonies required for the formal signing of contracts, are also significant for the Chinese.

#### **4. Personal Connections**

Linda indicated that business contacts are very personalized in China, and that they are based on family or on other connections. This creates a problem because a project may disappear when a contact moves away. If her contact in a customer company moves to another company, he takes his contacts with him. Although Linda can now sell to the new customer, she might have problems selling to the old customer. The new person taking the job with the old customer may not know her, or may not want to know about the company's relationship with her. He will have his own connections, his cousins and uncles perhaps, and will always have bought from them.

How does Linda maintain personal connections with the Chinese individuals she conducts business with? Golf is popular in China, but it is more popular among upper class people, who are either private entrepreneurs or high-level government officials. Paper buyers do not have such expensive pastimes. Drink and entertainment constitute a typical approach, but the customers of the case company are unlikely candidates for this kind of approach; they are too busy to indulge in this kind of pastime.

Bribes or large gifts are not useful either, Linda says. She maintains her contacts by maintaining communications with them, or just by helping them in some immaterial way. For example, she might help their children attend a particular school, or give her contact information about the teaching at a school. Similarly, she can make other practical arrangements in their personal lives.

Nevertheless, there is a clear line to maintain. She can develop cordial, mutual relationships, because she can help her contacts who, in turn, take an interest in her concerns, but this is kept separate from personal friendship. A foreigner should not think a contact is her friend in an emotional sense. The person is just a casual or business acquaintance. In China, as in other countries, actual friendships or a strong inner circle of personal relationships are formed at a very early stage in life, in the family, at school, and at university.

#### **5. Distribution Channel**

John reported that the company had to create its own transportation, sales, and distribution organization in China. Now, it has sales offices that maintain local stores and sell the paper it produces. There are no merchants or distributors who could sell the paper that the company produces in large volumes. Hence, the company had to establish its own sales office network in China. It was difficult to find sales personnel. It is also known to be difficult to collect money from Chinese customers. The company lost some money initially, before they learned the right method of collection and rejected bad customers, and were finally able to turn things around.

The company was able to organize its logistics because road development in China has been rapid. The employee in charge of the logistics is quite skilled. He is ethnic Chinese from Malaysia, and can speak Mandarin Chinese. He has performed his job well, and the company has not suffered any major transport or distribution problems.

It is difficult to get sales licenses in China. A company needs approval for what it sells, and it has to find a local agent or representative. The company is applying for permission to import paper from other mills to sell in China. This has to be done through a local agent. In practice, the company has imported paper through a formal local agent, whom the company has had to employ to meet bureaucratic requirements. Officially, therefore, it goes through a

local agent. This means limitations and restrictions and additional expenses. Therefore, it is highly preferable to have the authorization to sell directly through a company's own system.

## **6. Employee Recruitment**

John said that the company has a policy of recruiting young, well-educated local Chinese people to run the mill. A large number of their employees have a university background, although they do not necessarily have experience in the paper industry. A good technical background is what is required.

It was not difficult to find employees, because there were plenty of young people available, although they lacked experience in the paper industry. Many educated young people were eager to come to work in a foreign-owned company. They were mainly local. The company was able to select suitable people, although they had to be trained, as they lacked knowledge of paper production. The company was happy to train them, and they were very eager and motivated to learn. They were eager for the opportunity to work for the company. Linda says that it is significant in this respect that Chinese have an inner need for self-improvement and learning. They are always keen to learn more.

John reported that foreign companies have the opportunity to create a company culture in China. The company in question was able to apply its own system and the Chinese happily accepted the system. Now, the management system and practices are the same as in the other mills. One critical reason behind this success is that the managing director of the mill is skilled at running the mill. He saw that many companies were not performing well, and were having problems with product quality. In China, quality can be a big problem if employees are not trained to maintain it. To counteract this, companies have the opportunity to select and train their employees. If a company is willing to hire and train young people, it will find that they are very eager to learn, and are motivated to earn money. Indeed, money is very important for motivating employees.

## **7. Employee Retention**

Linda's opinion was that Chinese employees seek to be loyal, in some way. There is a tradition in Chinese culture of creating emotional loyalty. Loyalty to the community is a key tradition in Chinese society. The Communist Party, as well as companies, still use this impulse for their own benefit.

Nevertheless, employees are becoming increasingly independent. People are seeking a better future through experience and education, and looking for more opportunities to achieve this. In a fast-growing economy, it should be possible for any capable person to find a better job. In this sense, employees are less loyal to a company. They are ready to jump-ship, to new opportunities, to see what they offer. It is difficult to say that the employees are self-centered, because such opportunities are all around them.

Employers find it difficult to keep good people and to get rid of unproductive people. Good employees require many incentives, in terms of emotional support, money, and career development. Chinese people expect extra activities to be organized by the company, such as pleasure trips and excursions to the theatre and public shows, as well as awards for accomplishments, and competitions between offices, as well as other activities.

John said that the mill has had no difficulty retaining skilled employees, because it is a modern paper mill and there are no similar mills in China. If an employee were to move to another paper mill, the working conditions would be very different.

## **8. Language**

John pointed out that language is one of the biggest problems, especially during the early stages of setting up a business. The local employees lacked English skills, even if they were well educated. Transferring information was another big problem. There has been a lot of confusion and many mistakes on both sides, which has limited progress.

Linda reported that language is very important in China, although foreigners can work without knowing Chinese. There are many people working in China who do not speak Chinese. However, the only way they can manage this situation is to have an assistant who is one hundred percent reliable, very intelligent, and very capable in both Chinese and the foreign language. She emphasized that speaking English is not sufficient for conducting business, even if the Chinese partner can speak English. In addition, both study participants agreed that the English language skills of the Chinese have been improving, and that the Chinese themselves realize that they have to improve yet further.

## **9. Publicity**

Linda stressed the importance of public relations for business development in China. She maintained that sufficient investment, not simply in monetary terms, but also in terms of thinking and observing, and modifying Western ways of doing things, are required in China. It takes time and effort to modify ways of presenting things and materials. Moreover, China is such a big, complex country that a great deal of effort in this respect is needed. Foreign companies can only achieve a developed awareness in relation to a very small area at any one time.

Traditionally, companies are not used to making any more effort for their investors than publishing an annual report. There is no need to spend money on public display. All the publicity material produced is for a known number of people, who either buy the paper or are shareholders. In China, however, the company is relatively unknown. The country is huge, and there are many stakeholders who are entirely unimpressed by foreigners in China. Everyone in the customs office or tax office asks questions as to who these people are, and why are they here. They do not take an interest in the company's issues or listen to what it has to say. Indeed, business does not involve simply selling the product. In China, there is a genuine need for publicity leading to awareness, and understanding of the company on the part of the general public.

## **10. Donations**

Linda reported that donations constitute a typical way of operating in China, as companies must show a sense of responsibility toward society. A company has to be noteworthy, and it has to actively develop various social activities in an appropriate way.

Both local and foreign companies are expected to participate in supporting society voluntarily. For example, many companies provided strong support during the SARS epidemic.

Obviously, with their donations, companies expect to make a good impression with Chinese stakeholders such as the government, decision makers, and the general public. This will bring benefits and a positive image. It is an important way to draw positive attention to a company. Linda is of the opinion that nothing would happen for this company in China if the company did not make voluntary donations.

With respect to the company, its donations in China have included money and paper during catastrophes, like the big flood in 1998. Other things have been considered, like a tree planting campaign. The company is presently concentrating on two projects. One is a tree-planting program, because deforestation is an environmental problem in China that has a direct connection with its business. The second is schooling for children, because financing education is a problem in rural areas in inland China.

Companies are always very eager to donate their own products, which means paper in this company's case. Paper is needed in poor inland schools, but the paper that the company produces is actually of far too high a quality for their needs. Schools are not happy to receive it, and would rather sell it. What they need are simple, little notebooks, made of very low quality paper.

## Conclusions

Based on the results of this study, the author has formulated ten keys to success in intercultural business communication with the Chinese (Table 1). The number of each key statement corresponds to a feature of business communication discussed in the results. Chinese stakeholder groups can be classified into four categories: authorities, customers, employees, and the general public. By way of a conclusion, the main features of communication with each stakeholder have been summarized.

Table 1

The keys to success in intercultural business communication with the Chinese

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1.	Only a capable trailblazer can open a new business
2.	Be patient when negotiating
3.	Bear the Chinese protocol in mind
4.	Maintain personal contacts
5.	Create your own distribution channel
6.	Create your own corporate culture
7.	Hire and retain good employees
8.	Knowledge of the host country language helps your business
9.	Show your face to the public
10.	Make donations; show responsibility toward society

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Relationships with authorities are crucial when a company is setting up a business in China. Real issues on the Chinese side are often hidden during negotiations, and communication is often full of misunderstandings. It takes a very long time to get approval from the authorities. Foreign companies need to be prepared for this. The case company employed capable personnel who had been in China for a long time, and maintained contacts with the authorities; this was the key to its success.

Business contacts with customers are strongly personalized. It is vital to establish, develop, and maintain personal connections with Chinese customers. Personal contacts can be maintained through continuous communication with them or just by helping them in some way. Foreign companies may have to establish their own distribution channels.

Employees are easy to obtain. Foreign companies may apply their own corporate culture in China, by recruiting, training, and selecting young, well-educated people at an early stage. Such people are very eager to earn more money. In this respect, they are less loyal to the company. Companies need to use incentives to retain skilled employees. Language and information transfer can be the biggest problems in communicating with employees. Knowledge of Chinese can therefore help business management.

Foreign companies are relatively unknown to the general public. To facilitate business development, publicity leading to awareness and understanding of the company on the part of the general public are needed. Effort expended on public relations is critical in China, and donations are one way to approach this.

Note that these conclusions are based on a specific company. In order to increase the external validity of these conclusions, replication through a multiple-case study design is recommended. The reader is advised to keep the limited and exploratory nature of this study in mind when considering its results. The author hopes that this article is a step toward increasing interest in, and understanding of, intercultural communication with the Chinese.

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