Understanding Asian Cultural Diversity for Medtech Companies

Presented by Ames Gross, President, Pacific Bridge Medical
“To be part of the Asian dynamism, Westerners do not need to become Asians in culture, in values or in habits...but it is necessary for Westerners to understand Asians, to feel at ease with Asians and to make Asians feel at ease with them.”

Lee Kuan Yew
Former Prime Minister, Singapore
Topics

• Diversity between Asian cultures
• Key Asian cultural concepts
• Understanding and Managing Asians
• Common challenges and solutions
Asia Facts

• The combined income of Asia exceeds that of the U.S. and Europe.

• Asia accounts for more than half of global population growth.

• Asians are young
  – Of the 3.3 billion Asians, 1.8 billion (55%) are under 25, compared with 36% of Americans.
Key Asian Country Facts

• China
  – World’s largest population (1.3 billion)
  – World’s 2\textsuperscript{nd} largest GDP in terms of purchasing power ($7 trillion)
• Japan
  – 3\textsuperscript{rd} largest economy in the world
  – 20\% of the population is 65 or older
• Korea
  – GDP over $1 trillion – GDP per capita on par with smaller European economies like Italy and France
• India
  – World’s 2\textsuperscript{nd} most populated country (1.1 billion)
  – Purchasing power GDP of $3 trillion
• Singapore
  – Highly developed market economy
  – Per capita GDP on par with France and the UK
## Asia Economic Statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP (PPP)</th>
<th>Per capita GDP (PPP)</th>
<th>Real GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$7.043 trillion</td>
<td>$5,300</td>
<td>11.4%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$293.4 billion</td>
<td>$42,000</td>
<td>5.8%</td>
</tr>
<tr>
<td>India</td>
<td>$2.965 trillion</td>
<td>$2,700</td>
<td>8.5%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$845.6 billion</td>
<td>$3,400</td>
<td>6.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>$4.346 trillion</td>
<td>$33,800</td>
<td>1.9%</td>
</tr>
<tr>
<td>Korea</td>
<td>$1.206 trillion</td>
<td>$24,600</td>
<td>4.9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>$357.9 billion</td>
<td>$14,400</td>
<td>5.7%</td>
</tr>
<tr>
<td>Philippines</td>
<td>$298.9 billion</td>
<td>$3,300</td>
<td>7.3%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$222.7 billion</td>
<td>$48,900</td>
<td>7.5%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>$690.1 billion</td>
<td>$29,800</td>
<td>5.5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>$519.9 billion</td>
<td>$8,000</td>
<td>4.5%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>$222.5 billion</td>
<td>$2,600</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

Source: CIA World Factbook.
## Asia Demographic Statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>Population Growth Rate</th>
<th>Life Expectancy at Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,321,851,888</td>
<td>0.61%</td>
<td>73</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6,980,412</td>
<td>0.56%</td>
<td>82</td>
</tr>
<tr>
<td>India</td>
<td>1,129,866,154</td>
<td>1.61%</td>
<td>69</td>
</tr>
<tr>
<td>Indonesia</td>
<td>234,693,997</td>
<td>1.21%</td>
<td>70</td>
</tr>
<tr>
<td>Japan</td>
<td>127,433,494</td>
<td>-.09%</td>
<td>82</td>
</tr>
<tr>
<td>Korea</td>
<td>49,044,790</td>
<td>0.39%</td>
<td>77</td>
</tr>
<tr>
<td>Malaysia</td>
<td>24,821,286</td>
<td>1.76%</td>
<td>73</td>
</tr>
<tr>
<td>Philippines</td>
<td>91,077,287</td>
<td>1.76%</td>
<td>71</td>
</tr>
<tr>
<td>Singapore</td>
<td>4,553,009</td>
<td>1.26%</td>
<td>82</td>
</tr>
<tr>
<td>Taiwan</td>
<td>22,858,872</td>
<td>0.30%</td>
<td>78</td>
</tr>
<tr>
<td>Thailand</td>
<td>65,068,149</td>
<td>0.66%</td>
<td>73</td>
</tr>
<tr>
<td>Vietnam</td>
<td>85,262,356</td>
<td>1.01%</td>
<td>71</td>
</tr>
</tbody>
</table>

Source: CIA World Factbook.
Diversity of Asian Cultures

• Historical diversity
  – Asia was most “unified” under the Mongol Empire (13th century)

• Countries and Regions
  – “Asia” is a broad geographical term; cultures differ vastly from India to Indonesia to Korea

• Generational Differences
  – Globalization has begun to lead a trend away from collectivism and toward individualism in many Asian cultures.

• Religion
  – Many native religions and philosophies, including Buddhism, Hinduism, Taoism and Confucianism.

• Languages
Asian Ethnic Diversity

- China: 95% Han, Over 50 National Minority Groups
- India: 3 major groups
  - 74% Indo-Aryan, 23% Dravidian, 3% Mongoloid and other
- Indonesia: 45% Javanese, over 300 ethnic groups
- Japan and Korea: very homogenous; small minority populations
- Malaysia: 50% Malay, 30% Chinese, 9% Indian
- Philippines: Very diverse population in terms of language, religion and ancestry
  - Tagalog 28%, Cebuano 14%, Ilocano 8%, Bisaya/Binisaya 8%, Hiligaynon Illonggo 8%.
- Singapore: 79% Chinese, 13% Malay, 7% Indian
- Thailand: Majority Thai, 14% Chinese
- Vietnam: over 50 ethnic groups
  - Almost 90% Vietnamese
  - Chinese (Hoa) around 1%
Asian Religion & Philosophy

China and Japan

• Buddhism
  – Begun by Siddhartha Gautama (the “Buddha”) around the 5th century BCE in India.
  – Mahayana Buddhism spread and grew in China (1st to 10th centuries CE)
  – Vajrayana Buddhism spread into Tibet (9th to 11th century CE)
  – All forms of Buddhism emphasize nonviolence and suffering as a path to enlightenment.

• Confucianism
  – Based on the teachings of Confucius (551–479 BCE).
  – Provides moral, social, political and philosophical backbone for Chinese society.
  – Emphasizes duty & hierarchy.

• Shintoism:
  – Traditional Japanese religion
  – Multiple gods

• Taoism
  – A traditional Chinese philosophy based in part on the teachings of the Tao Te Ching, written around 600 BCE.
  – Emphasizes balance and unity
Asian Religion & Philosophy
Southeast Asia and India

• Hinduism:
  – Began to develop around the 15th Century BCE in modern-day Pakistan
  – Emphasis on reincarnation

• Islam:
  – Began in 622 CE in Saudi Arabia
  – Submission to God

• Sikhism:
  – Began 15th Century in India
  – Emphasis on equality, individualism
Religious Diversity of Asia

- China: Taoist, Buddhist (officially Atheist)
- Indonesia: 89% Muslim, 7% Christian
- India: 82% Hindu, 13% Muslim
- Japan: 85% Shinto and Buddhist
- Korea: 30% Buddhist, 25% Christian
- Malaysia: Muslim, Hindu, Buddhist
- Philippines: 82% Catholic, some Muslims
- Singapore: 43% Buddhist, 15% Muslim
- Thailand: 95% Buddhist, some Muslims
- Vietnam: 81% Atheist, 10% Buddhist, 7% Catholic

Source: CIA World Factbook
Latest Asian Megatrends

• “Bamboo Networks”
  – Extensive networks of Chinese people throughout Asia

• Individualism and individual rights

• New Family Values

• Traditional culture being replaced
  – Recent surveys show that many people in Asia are changing their views on marriage and home life
Latest Asian Megatrends (contd.)

• Balancing work and home life
  – Asians traditionally tend to be hard-working and work-oriented.
  – Many Asians now seeking quality of life.

• Capitalism

• Consumer-oriented business

• Cultural Waves
  – India
    • India leads the world in number of films produced annually
  – China
    • Chinese, Taiwanese, and Hong Kong pop stars, movies and TV dramas are extremely popular throughout Asia and among overseas Asians around the world.
  – Korean Wave (known as hallyu)
    • Korean popular culture (pop music and TV dramas) has spread throughout Asia.

• Local companies going hi-tech – beginning to compete on a global scale
# U.S. vs. Asian Cultural Tendencies

<table>
<thead>
<tr>
<th>U.S.</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualistic</td>
<td>Focus on the group</td>
</tr>
<tr>
<td>Egalitarianism</td>
<td>Authoritarianism</td>
</tr>
<tr>
<td>Role is important</td>
<td>Status is important</td>
</tr>
<tr>
<td>Take problems head-on</td>
<td>Avoid Conflict</td>
</tr>
<tr>
<td>Family oriented/time</td>
<td>Family-oriented/Money</td>
</tr>
<tr>
<td>Task completion is most important</td>
<td>Relationship-building is most important</td>
</tr>
</tbody>
</table>
Understanding the Japanese

Conducting Effective Business

- Personal relationships
  - Cultural insensitivity and “business first” attitude are the greatest handicaps for foreign businesspeople in Japan
  - Trust and interpersonal communication are essential
- Introductions
  - Rank determines order of introductions
- Direct vs. indirect communication
  - Avoid concentrating on English-speaking Japanese delegation members; their rank may or may not “deserve” the attention.
- Negotiating
  - Americans tend to charge ahead, focusing on clear goals and objectives; the Japanese remain flexible, constantly reassessing how to take the fullest advantage of their current position
  - Americans TALK; Japanese LISTEN – Following a presentation, don’t let their seemingly uncomfortable silence induce you to ramble.
Understanding the Japanese

Holding a Meeting

- Planning/agenda
- Seating Arrangements
- Attitude and Direct Communication
- Interpreters
Understanding the Japanese

*Little Things That Mean a Lot*

• Bowing
  – Handshaking is becoming more common, but you may also be bowed to in traditional Japanese fashion
  – The depth of the bow indicates the level of respect given

• Gifts
  – Honored guests are customarily presented with some kind of gift. If you are not able to reciprocate the gift, be sure to express your gratitude.
Understanding the Chinese
Guanxi

• **Guanxi** = Personal Connections

• **Guanxi** in the Management Context
  – Having *guanxi* with a manager may lead a Chinese employee to ask for personal favors such as helping a friend find an internship or obtaining a personal loan for a relative. Although there are limits, in the Chinese context, this sort of interaction should not be considered “bribery” or “cronyism.”

• **Guanxi and Retention**
  – Inside connections can strengthen the bond between new employees and the company.
Understanding the Chinese

*Saving Face*

• Concept of “Face”
  – The Chinese are particularly sensitive to preserving trust and authority. In business relationships, it is essential to do nothing to openly offend or unnecessarily criticize a Chinese business partner, especially in front of his colleagues.

• “Face” and Management in China – how to avoid internal tension:
  – Don’t pit employees against one another
  – Simultaneous promotions
Understanding the Chinese
Conducting Effective Business

• Introductions:
  – Business Cards
  – Appropriate Attire

• Americans value straightforward dialogue; Chinese are masters of the oblique.

• Be willing to cut your losses and go home.

• Negotiations start once the contract has been signed.
Understanding the Chinese Boss-Employee Relationships

• Boss-Employee relationships go deeper in China.

• Family: an important value in China

• The company as “family.”

• Family responsibility in the corporate setting
Understanding the Chinese
Boss-Employee Relationships – Relating to a Foreign Boss

• An awkward beginning

• The “curiosity stage”

• Acceptance into the family – a landmark step in increasing staff loyalty
Effective Communication
China Office → US Headquarters

China is a priority at Microsoft. Everybody understands that this is a country we cannot lose.”
   - Jun Tang, President, Microsoft China

• Make China a priority
  – Make sure that headquarters is committed to making things work in China.
  – Get the top people involved.

• Find a GM/President with solid international/China experience
  – Must have the ability to work effectively with both the local Chinese workforce and corporate office.
  – Give them control of the local operation:
    • Hard to control things in China from headquarters.
    • Best decisions are often made locally.
  – Must have the ability to adapt plans to fit the local environment.
  – Must have strategic as well as operational ability.
Effective Communication

China Office → US Headquarters

“In our case, we are lucky because the president himself makes an effort to know and understand China.”

-Paolo Gasparini, Managing Director, L’Oreal China

• Cross-cultural education
  – Make sure people at headquarters understand China.
    • Educational seminars
  – Arrange VIP trips to China
    • Microsoft: Bill Gates visits China operations every few years.
    • BP China: Offers a course to foreign executive visitors through Tsinghua University – “China through Chinese Eyes.”
  – Send Chinese staff to work at headquarters
    • 3M: Sends top performing Chinese staff on work rotations in the US.
Effective Communication
China Office → US Headquarters

There are a lot of difficulties getting fast information about China. It is very important for headquarters representatives to be close to the market. They have to know exactly what is going on in China.”

-Dr. Elmar Stachels, China CEO, Bayer.

• Shift Decision-making to China
  – Saves time and money in the decision making process.
  – Examples:
    • BP: China CEO is also a Corporate Group VP.
    • 3M: China Director is also Asia Regional Director.
    • Alcatel: China CEO is also a member of the corporate executive committee.
  – There are now more than 100 regional headquarters of MNCs in Shanghai.
  – More than 600 MNCs have established major R&D Centers in China.
Performance Reviews in the Chinese Context

- Performance reviews are not found in traditional Chinese companies; be careful when checking references.
- The new generation of Chinese professionals has responded positively to Western style performance reviews.
- Localizing performance reviews
  - Similar format, different content
    - Evaluating risk taking
    - Evaluating problem solving
- Reprimands and praise
  - Careful attention should be paid to making reprimands in private.
  - Even jokingly reprimanding or criticizing an employee in front of his or her colleagues can cause loss of face.
  - Care should also be taken when praising an employee publicly. Make sure that this does not cause other employees to lose face.
Unionization in China

• Labor Unions are rapidly gaining strength in China.
  – All China Federation of Trade Unions (ACFTU):
  – ACFTU plans to unionize all FIEs in China by 2008.

• March 2007 – US Fast Food corporations targeted in Guangdong Province.
Understanding Korean Culture

• Korean mentality
  – Group consensus
  – Yeon-Go (Relationships)
  – Kibun

• Conversation and Meetings
  – Don’t use first names or nicknames. Koreans tend to be much more formal when addressing one another in the business environment.
  – Shaking hands is a common greeting; a slight bow or nod often accompanies a hand shake.
  – Gifts should be given if a business relationship has been established; the gift for the most senior person in the group should be more expensive than the others.
Understanding Indian Culture

• Totally different culture than East and South East Asia
• Hardworking
  • Used to extra hours and working on holidays
• Analytical, but written communication still needs improvement
• Business relationships include socialization with colleagues and bosses periodically.
Understanding Indian Culture (2)

- Hierarchy (caste system) plays a large role in Indian society.

- Negotiations:
  - Can be very confrontational

- Handshakes are appropriate between men, but men should only accept handshakes from women if the woman initiates first.

- Gifts generally exchanged after meetings.

- Keep in mind that some Indians do not take alcohol or meat for religious, traditional or personal reasons.
Understanding Southeast Asians

• Intercultural communication
  – Do not point – Southeast Asians find this extremely threatening
  – Dress conservatively – less formal than the West, but neat, fully covered, and conservative is the best way to go (especially in Muslim countries)

• Conducting effective business
  – Personal connections
  – Third party intervention
  – Negotiating
    • Bargaining is a way of life to people in Southeast Asia – it has also become an automatic response to bargain and negotiate for more favorable terms in the business world

• Cultural business values
  – Status
    • Names and titles are strongly emphasized and are used in most contexts.
  – Time
    • People are often not time conscious and demonstrate a laid-back approach.
Summary of Cultural Issues in Asia

• For each Asian country you must know the local traditions and unique cultural factors.
• Not all Asian countries share the same Asian attitudes, values and mindset.
• Try and get to know about these countries’ histories, culture, religion, the types of people there, etc.
• Our government has alienated many governments and people overseas over the last 5 years; don’t be an ugly American. Treat Asians like you want to be treated – mutual respect.
• How do you write your emails to Asians?
Cultural Impact on Doing Business in Asia

- Product Design
- Relationships with partners and customers
- Quality Control
- Advertising and Marketing
- Sales
- Innovation
Intellectual Property Rights

“You cut off one counterfeiter and two spring up in his place. Sometimes they may close their factory, give the equipment to their brothers-in-law, and open a new facility in the village down the road.”

- Norman Givant, Office Managing Partner, China Practice Group, Freshfields Bruckhaus Deringer

- IPR infringement has a long history in Asia – still a huge problem in many parts of Asia!
- After joining the WTO, China established basic copyright, trademark, and patent laws.
- Enforcement is the biggest issue – despite progressive laws, piracy is rampant throughout China and some other Asian countries.
The Chery/Volkswagen/GM Example

- In 1984, VW formed a 50/50 JV with Shanghai Automotive Industry Corporation (SAIC).
- A perfect match:
  - SAIC = 3rd largest automaker in China
  - VW = 2nd largest foreign automaker in China
- SAIC is also 20% owner of Chery (a Chinese auto manufacturer).
- In 2002, VW discovered that its original parts were being used illegally in production of Chery cars.
- In 2004, Chery was sued by GM Daewoo for copying the design of several models.
- Ultimately, despite clear IPR infringement, all cases against Chery were dropped in Chinese court.

*Which is which? – GM’s Matiz and Chery’s QQ*
Managing Asian Employees

• Find a balance between micromanagement and delegation of authority
  – Asians tend to be averse to micromanagement

• Decision-making
  • Example: Japan and Korea are known for consensus decision-making

• Hesitancy to share information
Challenges to Doing Medtech Business in Asia

- Global Collaboration
  - Collaboration with HQ and between offices within Asia can be challenging.
  - Solutions:
    - Provide opportunities for joint ownership

- Retention
  - Asia is growing quickly: talent war
  - Solutions:
    - Respect your employees
    - Career Path – make opportunities for advancement clear
Case Study - China

When Employees Abruptly Say Goodbye

• A local employee at a JV property management firm resigns and wants to begin her new job in less than one week.
• Hot job market
• Why did the employee leave?
  • Chinese New Year
  • Higher salary
  • Advancement too slow

• Prevention
  – Legally, little can be done
  – Include punitive clauses in employment contracts
  – Most importantly: retain employees through good training programs and legitimate promises for career advancement.
Case Study - Korea
The “I-Can-Do-Better-Than-You Syndrome”

• American software company in Korea since 1995.
  – 1 expatriate manager: 20 local Korean staff members
  – Most expat managers have stayed only one or two years each.

• Deputy manager is a local Korean
  – Strong interpersonal skills, big brother figure in the office.
  – Understands Korean bureaucracy.
  – Over the years, he has had to “baby sit” each new expatriate manager who arrives.

• Tension arises between deputy manager and expatriate manager

• Solutions
  – Hire expatriates with prior international experience and a commitment to spend time learning about Korea.
  – Hire returnees
  – Offer local employees opportunities for international training and career advancement.
Career Advancement in the Asian Context

“One of my frustrations is that when you hire smart people who graduated from Tsinghua University or Jiaotong University, they come to your desk and say, ‘In three years, I want your job.’ It took me 25 years to get here.”

-Philip Murtaugh, GM China Chairman and CEO

- Career Advancement is crucial to retention

- Job titles play a role in retention in Asia
  - Some FIEs have the practice of assigning a standard title in English and a more important-sounding title in the local language. This allows for adherence to global HR policy while allowing the employee to feel accomplished.

- Fierce headhunting reduces retention

- Boss-employee relationships are crucial; more like “family.”
More Challenges

• Intercultural Communication
  – Language and cultural barriers are strong
  – Solutions:
    • Language training
    • Cultural diversity training
    • Make sure employees know that their opinions count.
    • Provide channels for negative feedback
In Summary...

“If rule number one in international negotiation is to know the culture of the other side, rule number two is to avoid over-reliance on that knowledge.”

Jeswald Salacuse,  
Making Global Deals
Online Resources

- www.asiasource.org/events/asiaholidays.cfm: Asia public holidays
- www.culturegrams.com/country/asia.htm
- www.mckinseyquarterly.com (regional report)
- www.economist.com
- www.ft.com (Financial Times)
- www.wsj.com (Wall Street Journal)
- www.taipei.org
- www.us-taiwan.org
- www.executiveplanet.com
- www.japan-guide.com
- www.korea.net
Thank you for your consideration!

Pacific Bridge Medical
www.pacificbridgemedical.com
contact@pacificbridgemedical.com

Thank you for viewing our Understanding Asian Cultural Diversity for Medtech Companies Presentation.
To view more free resources, please visit our Resource Center at www.pacificbridgemedical.com/resource-center/