

# Commentaries to Emerson Suzhou<sup>1</sup>

## Commentary 1

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### The Basic Problem

The experience of Eddie and his team at Emerson Suzhou clearly illustrates one of the classic problems facing all Foreign Invested Enterprises in China – to what degree do we need to change our culture to adapt to the Chinese situation? It is the eternal debate over globalization versus localization. The Americans want to run the business in the American way and the Chinese want to run it in Chinese way. This led to a situation of two cultures in Suzhou:

*“Whatever behaviour was most comfortable to them was the best way to do business.”*

Sadly what is most comfortable to us is not necessarily “the best way.” Unfortunately this type of situation often leads to a debate over the superiority of one national culture over another. This is the least intelligent way to tackle this problem. Experience of such problems in China and elsewhere leads me to believe that the only effective way forward is to avoid debates over national cultures and base discussions on Business Culture. The basic problem facing Eddie and his team is therefore ***how to build a single strong Emerson Suzhou culture which will help the company to achieve its business goals in China.***

This single culture is rarely the result of a compromise. We are often confronted in China with the statement – “you can’t do this in China.” My answer to this is always – “which China are we talking about, the old China of the Centrally Planned Economy (CPE) or the new China of the Market Oriented Economy (MOE)?” Many of the practices perceived as unacceptable by FIEs stem from the CPE “Tie Fan Wan” culture - though it is also true that others stem from the older Chinese culture based largely on Confucian values. Many of the older generation of Chinese employees have experience of working in only State Owned Enterprises with their Tie Fan Wan Culture and so interpret values of efficiency, quality and service in very different ways compared to employees used to working in market oriented enterprise.

As Carlos Ghosn rightly said when he began the challenge of turning round Nissan in 1999, “I am not trying to change the Japanese culture, only Nissan culture.” This then is the challenge facing Eddie and his team: how to create a

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<sup>1</sup> The Emerson Case and commentaries will appear in the forthcoming book *China CEO: A Field Guide*, John Wiley & Sons (2007). Authors: Juan A. Fernandez and Shengjun Liu

culture which is acceptable for his Chinese workforce and will enable them at the same time to give a satisfactory return to the Emerson Board in the US on their investment in the Suzhou operation.

## **ESTABLISHING A SINGLE COHERENT CULTURE FOR EMERSON SUZHOU**

### *Step 1: LEAD FROM THE FRONT*

This challenge will be a vital test of Eddie's leadership qualities. In times of change, leadership is all you have. He will need to establish the new direction, guide and inspire the employees and maintain a policy of open communication throughout the whole change process. One thing that will help him is that there is little need to create a awareness of the need for change. Pretty much everyone is aware that the company is facing a crisis: the GM has left, the clients are making new demands and there is low morale amongst most employees. The time is ripe for Eddie to step up to the plate and show the way forward. The Chinese above all respect strong leaders with a clear vision.

### *STEP 2: ESTABLISH MISSION, VISION AND VALUES FOR EMERSON SUZHOU.*

The basis of an appropriate business culture for Emerson Suzhou, as for any organization, is a set of norms and values which bind the organization together towards the achievement of the business goal. It begins then with an agreement over the business goal and the establishment of a set of behaviours and code of conduct which will help to achieve this goal. Eddie already has a pretty clear vision in his own mind of Emerson Suzhou being an organization which has twin goals of people development and business growth.

### *STEP 3: AGREE NEW MANAGEMENT BEHAVIOURS FOR EMERSON SUZHOU.*

No matter how strong a leader you are, it is very difficult to bring about change of this magnitude. If you don't have a core of people who share your vision and values, it is difficult to implement change - but you don't need many. Eddie needs to sit down immediately with his top team to develop the new mission, vision and values (MVV).

Agreement with Chinese partners over MVV is often not a difficult process. What is problematic is how to translate the Mission and Vision into clear strategic goals for the short term. Even more problematic is how to translate the core values into behavioural norms. Values have no value unless all employees understand the behaviours associated with the values and are made fully aware of disciplinary procedures to be taken against those who do not follow "The Emerson Suzhou Way"

For example what do the following values mean to Chinese and the US managers?

- we care for our employees
- we believe in open communication
- we believe in team working

How as a Chinese/US manager do you expect me to behave? These are the sort of questions that will create a lively debate amongst Chinese and US managers but agreement needs to be made and equally critically, Performance Management Systems should be set up to measure and reward the new behaviours.

#### *STEP 4: SET UP PROFESSIONAL HR SERVICE*

Many of the problems have arisen due to the fact that there has not been an effective HR Department with appropriate policies related to recruitment, development, training, pay and disciplinary procedures. It is essential for Eddie and his team to recruit a professional HR Manager - preferably of Chinese nationality - to replace the existing HR manager. It would be his/her responsibility to set up the new HR procedures and oversee the communication policy outlined below.

One of the key features of any successful change strategy is to develop reward systems that benefit the employees who change and penalize those who don't change. If you want people to change their behaviour and you leave the reward systems the same then nothing happens.

#### *STEP 5: DEVELOP A COMMUNICATION STRATEGY TO SUPPORT THE CHANGE.*

Unless employees feel they are involved in the process of change, unless they are kept informed of the implementation process it will very likely fail. Eddie together with his new HR Department will therefore need to set up new communication systems to inform employees of how and why changes are being made – intranet, regular briefings and company policy manual.

### **CONCLUSION**

The key success factors in developing a coherent single culture for Emerson Suzhou are

- Eddie's leadership skills enabling him to provide an attractive vision and demonstrate the new management style for the organization in the future.
- The setting up of change agent teams to formulate and implement the change strategy.

- The appointment of an effective HR professional who can develop the new HR policies.

In this situation Eddie is not trying to change an already long established culture but to build a new culture for his company. To do this he will have to reconcile three different cultures, the Emerson US culture, the Tie Fan Wan Culture of the older Chinese employees and the more open-minded culture of younger Chinese managers.

Over the past 25 years, the Chinese have demonstrated that with the right leadership and an appropriate change strategy they are capable of enormous change.

As Eddie quite rightly states on page 8 of the case,

*“If we fail in China, it will not be because of the Chinese. It will be because I have not been able to create the right environment (culture) for people to co-operate, whether Chinese or American.”*

## Commentary 2

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Emerson Suzhou is a very typical example of how a poor organization can look if there isn't an integrated company culture in which all the people can work effectively. As we know, a company culture is formed by the common behaviors and underlying assumptions shared by the whole organization. It is the way we conduct our business and deal with people. The diversity of working styles in a company should not be in conflict with its company culture.

I would say the problems that Emerson is undergoing are the consequence of a vaguely defined company culture. That is the main challenge Eddie is facing: to create a company culture based on trust and understanding amongst all employees. Since the culture should be linked to the external environment, Eddie should start by a good understanding of the business, its competitive advantage in the market, and therefore get a clear picture on what kind of culture they need promote in the organization.

I would recommend the following to Eddie:

1. Facilitate a communication forum with the senior management of the division to develop an action plan. This initial team should incorporate both Americans and Chinese managers. The senior team must be united when it is time to implement the necessary changes. Eddie should be open minded and promote free communication during the forum. He has to show visible leadership and support to this process. The team should avoid getting caught into the old issues/problems and direct their attention to solving the problems in a positive way.

2. Once the senior team has reached consensus on the business vision, strategy and objectives, it is time to set up a number of integration teams to work out the specific business objectives for each department, review and optimize business process, and simultaneously share information and create bonds among the members of the organization. During this period, teams should agree on a common working style. Each team should combine Chinese and American employees and managers to foster mutual understanding.

Eddie should regularly check each team's progress and commitment to provide any necessary help and support. He also should ensure the proper working style is developing in each team.

Some training should be made available to the teams in order to develop common working styles as project planning, respect others' opinions, mutual responsibility, etc. These guidelines should promote the integration of the team.

Eddie should identify some small wins that can serve as an example to other teams. He must show visible support to the change effort and to encourage the involvement of the whole organization. Change management process need be well looked after.

3. Once all integration teams have worked out the business targets for the different functional departments, they should communicate those targets to the rest of the organization. They should make sure all individuals understand their role in the business and that they feel being part of the organization. Balance scorecard is a helpful tool at this stage. They should establish the proper performance measurement. Making everybody understand the connection among business, department and individual objectives will help to create the necessary team spirit at organizational level. Routine review on the performance of business and individuals should be mandatory to address any issues and take corrective actions if necessary.

4. Eddie also needs to establish leadership development programs to identify talented people. One of the objectives is to bring more native Chinese to the senior management team. At the moment, only the HR manager is from mainland China. Developing more local leaders will send a powerful signal to the organization. Managing people is always most important issue in any GM's agenda.

5. An important issue is; what to do with the HR manager? Eddie should seriously think of replacing him with a HR manager with experience working in multinationals. This person could be hired outside or from inside the Emerson group. He should look for the support of his head office on this issue. This new HR manager must play a key role in establishing modern HR systems within Emerson Suzhou.

6. Finally, Eddie should organize some social activities, team building training and setting up a company staff club to enhance mutual understanding

among Americans and the Chinese employees and managers. This will help to build up personal relationship among them and promote team spirit.

Eddie could hire a qualified external consultant to help him on this process. This consultant can provide him with the tools and objective perspectives on the situation, and could be very helpful to facilitate the process.

No doubt, Eddie's actions and example are critical for the success of the transformation of Emerson Suzhou. To a great extent, his leadership skills will determine whether the organization can succeed or not. It is very important that Eddie is well aware of this fact. However, it is the people at Emerson Suzhou that must take the ownership of the process. As the Tao Te Ching says:

The leader doesn't talk but acts.

When the work is done, the people say,

"We did it all by ourselves!"