

## CHINESE - AMERICAN - FRENCH COLLISION IN XIAMEN

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*This short international management case study is exemplifying how cultural misunderstandings, looming business issues and sheer personal interests collide, with significant stakes for the company and serious risks for the managers.*

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International Surface Tech. (IST) is a French company making specialty machine tools for surface enhancement of automotive parts. This is a genuine global company (EUR 550 M revenue) with operations worldwide, after merging with a slightly smaller American company in the early 2000's. The headquarter is in France, the R&D center is in Virginia (USA), 12 manufacturing facilities are located in the main industrialized countries. The Chinese plant is in the Xiamen Special Economic Zone (Fujian Province) and mostly serves South East Asia; this is a wholly owned company, created immediately after the French-US merger.

We are in June, IST is considering expanding the Xiamen facility to supply the Chinese market. There is a meeting today in Xiamen between Peter Wang the Vice-GM of IST- Fujian (he speaks excellent French having spent two years at INPG in Grenoble prior to joining IST and he also has a fair command of the English language), John Buchan the Director of Engineering at the US R&D center, and Robert Morane the French Corporate Marketing VP. There is no hierarchical line between them. They form a task force to prepare the business plan to be submitted to the Board at the end of September.

The meeting is in English and starts with Peter making a presentation of the current market and forecast in China, with the following bullet points:

- The market is good and will likely grow at a yearly average of 10/15% per year,
- 70% of the customers know favorably IST and will welcome their technical support team locally based,
- IST will sell at a 15/20% higher price than competition, justified by the superior quality.

At the end of the presentation, John asks the following questions he had prepared on his pad:

- How long will it take to install the assembling equipment, bearing in mind the US engineering team can ship the machines within 20 days' notice?
- Will the ISO 0644 standard be enforced in the Chinese market before the end of the next year?

Robert interrupts John, and says that Peter and him have been spending a lot of time on the technical issues, and share the same views; they even met Professor Li at the Institute of Surface Enhancement in Beijing in April, and Robert insists he liked him very much, a very congenial person ... John thanks him, looks at his pad and ask the next question:

- What is the energy consumption per Kg of parts of Anhui-Tech's machines, their Chinese competitor?

Robert does not let Peter reply and insists they should move on, focusing now on the business plan; he instructs Peter to send John the replies to his questions in July.

Peter carries on, providing good-looking figures, with steady increase of revenue (new machines and spare parts): the project is at break even on year two and in full profit on year four. John asks Peter if he is comfortable with this plan, if he carried out the sensibility analysis according to the investment procedure in the corporate handbook. This patronizing attitude slightly irritates Peter who only replies « yes, I have ». John, satisfied, says “fine, let's roll”. Then Robert tells Peter “Es-tu sûr des prix les années 1 et 2?” wondering if the pricing as exposed in the plan is realistic on years 1 & 2, trying in fact to revisit this part of the business project; when John understands the pricing is questioned, he bluntly declares that customers must pay a fair price for a good product and IST should not even think discounting its superior machines, period!

Peter is very happy with the presentation, he secured John's support and he feels backed by Robert. When they meet at the bar in the evening, John asks Robert, “When do we start?”; Robert asks Peter “Is it flying?” ; Peter asks both “Do you need anything else from me?”.

QUESTIONS:

How do you understand the relationship is between the three executives?  
Describe it in term of hierarchy, seniority, expertise, and personal bond.

Are they on the same wavelength? Why? What are the pending issues?

What are the corporate and personal agendas of each executive?  
Figure out what are the official one and the probable one, along with the practical goals.