

Teaching Note

SHANDONG SENSORS CHINESE SUPPLIER – FRENCH CLIENT SOURCING RELATIONSHIP

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SYNOPSIS

This short international purchasing case study is exemplifying how a commercial relationship between a Chinese supplier and a French client can go sour, largely because of cultural misunderstanding.

TEACHING THE CASE

Go step-by-step, paragraph-by-paragraph.

Ask the students to explain what is going on, while identifying the features of each business culture: bond, group, face saving etc.

Point out when and why the misunderstanding is starting and how it is unfolding.

Make the students take a step back and wonder how they would have reacted in such a situation.

Make the students formulate practical recommendations.

Situation and objectives

This is a basic B2B supplier-customer relation and interaction. The supplier aims at selling his range of products, developed and manufactured in Qingdao, Shandong province in China. The customer aims at sourcing the products he will then resell (this is a distributing company) at favorable conditions. The particular goal of Mr. Lombard is to find a special sensor meeting the nanotechnologies specifications. This is normal B2B marketing & purchasing behavior, adapting the features of the product to match each other's needs.

Each manager dutifully carries his job: Mr. Lombard tries his best to create a good atmosphere, making his supplier comfortable, providing thorough information with all necessary background for the new sensor.

Mr. Chen, records precisely what his customer is requesting, he reports immediately to his company if something important has to be signaled etc. Both managers remain however stuck in their own cultural zone.

Cultural angle

Mr. Lombard is French and his business culture is Latin. What is paramount for him is to build a personal relationship with the people he works with. He is looking for a bond with Mr. Chen and keeps searching: Food, sports, hobbies, family life etc. He expects that his caring attitude (sight seeing, good restaurants) will translate into a close relationship, which in turn will mean better deals, larger discounts, priority for product adjustment or development, faster shipments etc. He considers that Mr.

Chen, as an export manager travelling such a long way to meet with him in France, works in a senior position, enjoying a fair margin of initiative and decision, as any Western manager would.

Mr. Lombard is not bothered when he does not receive any written confirmation on his discussion with Mr. Chen: A verbal agreements, with somebody he thinks he can trust, is good enough in his Latin business culture.

Mr. Chen is Chinese and his business culture is Asian. Before all he belongs to a group: His company, his department and his colleagues. He is the one delegated by the group to sell in France (and probably in Europe). He has no margin or initiative or decision, he is the mere representative of that group, its spoke-person. What he likes or dislikes is irrelevant in performing his job.

Furthermore Mr. Chen is increasingly cornered into a face-losing situation. He realizes too late that Mr. Lombard firmly believes that the new sensor will be ready; then unveiling the truth would make all lose face.

Communication

Mr. Lombard is expressing clearly and repeatedly what he needs. But he fails to decipher and understand all signals sent by Mr. Chen: no clear and loud commitment, acquiescing only after being pushed (almost bullied) to do so, no written confirmation, invitation to China to discuss the matter with the group, headache etc.

Mr. Chen is communicating well inside his group. He immediately calls his office when a new sensor is requested. But he fails to convey to his customer the news that developing the new sensor is not a priority for Shandong Sensors. He keeps pressing the many buttons he knows: Hinting it takes time, mentioning that they keep working on the matter meaning this is far from being completed, suggesting the best would be for Mr. Lombard to come to China and see by himself. He cannot find the right button!

Action

There are several missed opportunities. Mr. Lombard should have persistently requested writing confirmations of the development and supply of the new sensor. As this project is very important, flying to China and checking directly its status should have been necessary too.

Back in China, Mr. Chen should have figured out a way to signal the new sensor was not a priority without losing face. For instance circulating to his customer in France a planning made by the engineering department.

Conclusion

Mr. Lombard was complacent; taking a shy “yes, I will do my best” for a firm “yes, you can count on me” was wishful thinking. He was also casual, not following up the matter in writing or demanding a black on white confirmation.

Mr. Chen was ill prepared for the job, not realizing the potential risks and damages of miscommunication. The management structure in China is probably notional and diluted into a group with unclear responsibilities between members.

After the misunderstanding had happened, no safety barrier was there to correct the situation. Mr. Lombard misread all signals and did not make a proper check. Mr. Chen did not know how to solve the problem without his customer and him losing face.

Shandong sensor will probably lose this big account

Mr. Lombard's company will fail entering as planned the nanotech field of business

A proper awareness of business cultures, on both sides, could have prevented what was at first a minor misunderstanding, which eventually spiraled down into a serious business failure

REFERENCES

BUSINESS CULTURES ACROSS THE WORLD, a practical guide.

Erwan Henry, 2019, Presses universitaires de Grenoble,

Prior reading of the Latin, Asian chapters, and French, Chinese business cultures, is mandatory