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Harmonizing Expectations: NSF International's Experience in Shanghai

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1 Possible answers

1.1 Which of the LESCANT model's factors play a role in this case and how?

LESCANT factors	Chinese culture	US culture	NSF International's culture
Language			
Environment and technology conception	Need for presence in China	Competition from other players	Initial reluctance to set up laboratory in China
Social organizational frame of reference	Significance of Chinese New Year and need for a bonus at that time		Unacceptability of performance rewards
Contexting and face-saving	Dongjing Liu's high-context communication style	Kneen's low-context communication style	

Authority conception	Dongjing Liu's communication style is influenced by the high power distance view of the expected behaviour of leaders and followers	Kneen's management and leadership style is influenced by his valuing of low power distance	
Non-verbal behaviour			
Time perception			Rigidity of the budget timing procedure

Table 1. LESCANT factors

1.2 What were the effects of the way in which the Chinese site manager handled the situation?

From the beginning, it was clear that Liu was aware of the situation's cultural importance. As is appropriate in her culture, at first Liu was silent, hoping that Kneen would understand the situation on his own. Next, she subtly tried to point out the importance of the Chinese New Year bonus by making hints – she brought up the excitement about the impending celebration. Since neither of these approaches worked, she next tried to indirectly bring the issue to the surface, with the intent of allowing Kneen to save face. Still, there was no recognition of the holiday. Trying a different strategy, she pushed the situation as far as she thought a subordinate should, in her high-context culture, by openly reminding Kneen that new employees had given up their bonuses to come to NSF International. On the other hand, Kneen came from a low-context culture where issues needed to be articulated directly, and a culture where New Year bonuses were not the norm. Liu's final effort was to spell out strong concerns about possible morale issues, with the hope that Kneen would see the connection.

Due to the subtle nature of Liu's communication, Kneen continued to compare the Chinese New Year to what he knew about New Year celebrations in North America: mostly casual, with a low-key toast and a wish of good luck.

1.3 What other cultural factors had an impact on the decision-making process, communication issues and other features of this case?

NSF International's status as a not-for-profit organization prevented it from giving bonuses to laboratory staff. Length of time on the job, too, governed the opportunity to apply an alternative, gain share, since participation in that option required a minimum of one year on the job. The application of these types of compensation is typically uniform, in order to achieve consistency. This is further distorted by the Chinese inclination to change jobs frequently. Kneen was caught between the rule of abiding by NSF International policies and the cultural expectations of his new Chinese employees whose loyalty he was trying to cultivate. Despite numerous re-approaches to headquarters' leadership it remained firm, and Kneen was bound to abide by the headquarters' policies.

1.4 What synergistic options are open to Kneen?

Kneen noted:

It seemed increasingly important, to do something – anything – to harmonize the cultural expectations of some kind of bonus from the new employees. It was especially important since these were outstanding employees who had to forgo bonuses at other companies to come to work for NSF.

Kneen and Liu discussed many options. Nevertheless, they could not envisage an option which would meet the cultural expectations of the Chinese employees and which would also be acceptable to headquarters. After much consideration, Kneen and Liu came up with the idea of what they came to call a "signing" bonus. This would be something that would be acceptable to the new employees, and it would provide them with something in the form of a monetary reward.

Kneen thought about how to present the idea to headquarters. Before now, headquarters had not thought about the specific Chinese pay practice of giving money at the Chinese New Year. It had never needed to think about it. There were no other operations with equivalent issues.

Time was marching on relentlessly. By now, it was early February 2011. The urgency of the situation became understood. After much consideration, the signing bonus was a concept that headquarters could approve, and it did.

Due to the late timing, Kneen could not arrange for the signing bonus money to be available before the Chinese New Year. He did, however, call the employees together and explain that they would be getting some type of signing bonus. He explained that they would receive this bonus about one or two weeks after the Chinese New Year, and that they could count on it coming. The employees accepted this as a positive event, and Kneen felt that the situation was resolved. Kneen was relieved that this signing bonus enabled him to accommodate the Chinese cultural expectation.

Kneen, as Director of Chemistry, learned an additional valuable lesson: he needed to play multiple roles outside of his traditional work related to chemistry. He knew he would be building a laboratory. He had already done that at the US headquarters. Kneen indicated, "The exciting – and challenging – part is that this time, I would be building a laboratory in Shanghai." Kneen had no idea of the demands that would be placed on him. He had to carry out multiple roles, such as recruiting, interviewing, compensation planning, and developing other business activities.

As Kneen pointed out:

I came to realize that I was not just building a laboratory, but I was creating a business. I had to assume HR and accounting roles in addition to my technical role. I knew I was not an expert in many areas I had to address, but I knew I would have to learn to do these activities quickly – and successfully – in order to build the business.

Kneen was aware that there was a joint venture in the region, and when he had originally started thinking about this project, he had expected to transfer over to the Shanghai Laboratory those joint venture business practices essentially without adjustments. What he did not know was that the joint venture did things its way, not the NSF International way. He expected to do personnel recruiting at that laboratory. He never expected, for example, to spend time developing a benefits and compensation package. Instead, Kneen found himself involved in doing many other things, in addition to developing the laboratory.

Kneen summarized the results of the harmonized expectations with a simple story. He discussed being approached separately by two different individuals from the original team of ten. These two people explained that they had been offered jobs by another company at twice the salary that NSF International was paying them. They both elected to stay at NSF International. This was phenomenal, since others had told Kneen that Chinese workers move between jobs purposefully, each time increasing their salary extensively. For these two workers to choose to stay speaks significantly about the adaptive cross-cultural environment Kneen helped to develop at the NSF International Shanghai Laboratory.

2 Further reading for the lecturer

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(Note: the panel consisted of: R. Babcock, C. Babanoury, R. Conaway, B. Du-Babcock, H. Habil, D. Jameson, N. Kameda, O. Kelm, L. Louhiala-Salminen, B. Mishra, P. Rogers, S. Sasser, A. Usluata, J. S. Tan, B. Thatcher, I. Varner, and S. P. Verluysen.)