

4. Data Collection

As already indicated in the above section, I was able to observe certain problematic issues during my stay at CBMIE's purchase department. This chapter is dedicated to narrowing-down the problematic issues, as to allow focusing on one specific problem. Once I defined the problem, the fishbone diagram will facilitate the definition of the root causes of the same in order to propose for the next chapter the possible solutions to propose to CBMIE.

4.1 The Problem Identification

To define a problem was not as easy as I thought before. When I initiated the analysis, my first question to answer was: What is the problem in this enterprise? I started thinking and many ideas arose.

I wanted to reduce the ambiguity and confusion that sometimes I felt during my internship. I was not sure how my supervisor could stand the lack of control over the operations. And I was not sure either if she could feel it. Nobody seemed to worry and in some moment I considered the option of "going with the flow" and stop thinking of the problems that for some reason were not *problems* for them. Maybe things were going well. A careful analysis of the situation, however, revealed that indeed, CBMIE was facing significant challenges.

During my analysis, I read a quote from Eleanor Roosevelt: "**Great minds discuss ideas; average minds discuss events; small minds discuss people**". The issue with this quote was that I had the interest on talking about the **people** as the main subject, **events** as

the experienced and **ideas** as the understanding of the Chinese culture and behavior in the business environment.

I summarize the situation in the purchase department of CBMIE as follows:

First stage: In January 2010, fifteen Chinese employees were working in the operational support of the purchase department; most of them were people around 25 to 30 years old who most of the times were chatting and did not have any relationship with the rest of the employees. Since the opening of the branch, every six months a new intern joined the enterprise. However, none of them left a mark excepting one Indian intern that just joined the company as an employee. Two persons were in charge of selling the material imported: iron ore. Two young Chinese who had studies in Ireland and USA were in charge of negotiating prices with potential suppliers. One expatriate¹ Chinese girl called Stella was in charge of investigating the Australian market, due to her stay in Australia since she was girl.

Second stage: From March 2010 my supervisor and the general manager (both Chinese) started hiring foreign people and expatriates to be in charge of the new supply markets. Their general profile information was:

Yifei Zou: Purchase Manager. Chinese. 32 years old. Studied abroad in Munich, Germany.

Maggy Chen: Purchase Manager. Chinese. 34 years old. Studied abroad in Munich, Germany.

Kang Shi: Purchase Manager. Expat. 29 years old. Studied and lived in Australia.

¹ I refer to this term in the paper as the Chinese people who were residing in a foreign country and came back to Shanghai for personal reasons

Rahul Malhotra: Purchase Manager. Indian. 25 years old. University studies in St Louis, USA.

Liz Chaparro: Colombian. 29 years old. Master degree at the University of Fudan, Shanghai.

This second stage is where I focused to **identify the problem**. Even when the enterprise had new people with good level of business education and diversification of cultures, the purchase department continued with the same ambiguity and same processes from stage one. No one had defined roles or knew anything about the iron ore market. And the enterprise did not take any action to change it.

The problem identified is the **substandard performance of the purchase department**. The first objective of the purchase department according to chapter two is the supply continuity and I take this objective also for CBMIE, considering that objectives were not defined. As for the organizational goals, one of them was shared with me and was to purchase more than 15 million tons of Iron Ore for 2010.

Considering that until October of this year, the total purchase quantity was about 6 million tons and the total quantity of iron ore imported into China was still growing at a percentage of 23% yearly, the most likely explanation was that the purchase department was experiencing delays in its organization. The area was not accomplishing its principal goal.

4.2 Causes

The fishbone is divided into four spine causes and one head problem which was defined as: the underperformance of the purchase department.

The first cause is an **external** factor: **global production and its suppliers**. I divided the main category into two sub-categories: **superficial buyer-seller relationship** and **decrease of global quantity offered**.

From my point of view it is understandable that if the purchase department in a period of five years has explored the global market and as a result had thirty suppliers from India, fifteen in Australia, five in Ukraine and some other twenty distributed between other countries and still this year did not reach their goals, it may be a result from relationship problems and communication with the existing suppliers or contracting.

One of the problems that I identified at CBMIE during my analysis was that they delayed in the search of contract's renewals. This situation is a result from the problem, as until 2012 there will not be any offer from them. A global decrease of iron ore offered is expected to diminish between the end of 2010 and 2012 for this enterprise.

The second cause that I identified was **political and social, external** factors. It included **language communication** and **cross cultural differences** with suppliers. Chinese managers generally have a foreign university education. This makes their relationship fluent with suppliers. Still, they cannot be in charge of every supplier. I realized some misunderstandings between my colleagues with their clients because of those differences.

Culture also played an important role for negotiations, and considering that Chinese people have no cultural training before or during their stay in the enterprise, they negotiate using the way they know, through bargaining.

Illegal mining conditions in potential supply countries also play an important role for the purchase objectives. Even when some countries like India or Mexico have large mining resources, the enterprises should avoid risks, to avoid problems that may affect their position in the market. Even when CBMIE had offers from India or Mexico, they decided

not to get involved with new suppliers. One example is the last notice published in *CNNExpansión* the last October 14th, where Mexican drug traffickers were involved in the selling of iron ore to China. Other example is the constant scandals in India of Reddy Brothers' illegal mining which provoked low interest in some Indian mines. Those events lower the choices for potential suppliers.

Third and fourth causes are **internal** factors that affect the performance of the department. **Operational process** including **buying procedures and roles** are not defined at CBMIE. Furthermore they **lack sharing goals and objectives**. Due to the lack of buying norms, things are empirical and every new intern or employee has no idea about what to do, what to buy, in which quantity or how to make the phone calls.

I experienced it when I started working to find suppliers from Latin American and I had to contact them, the phone calls were meant to be at midnight, due to the time differences. So, I only had my Mexican mobile to call and nothing more. I proposed working at the office at night or buying phone cards to use in my mobile. They just said *do it, you will have your reimbursement later*. I did it and I did receive my reimbursement.

As for the organizational goals and objectives as I mentioned before, were not defined.

At last, the fourth cause refers to **people and team organization**. I would like to highlight this cause and considerate it to evaluate and propose possible solutions due to its viability to solve and my involvement in the organization.

4.2.1 People and Team Organization.

Considering the two stages of the situation in the purchase department mentioned before, I would like to focus on the management issues related to the group of seven persons (managers included) identified in the second stage mentioned.

During my stay in the enterprise, no one was in charge of explaining the scope and purpose of the work to do. The Chinese expat girl that I first mentioned was living in Spain for one year and her Spanish was very fluent. She did not mention it until one of my colleagues commented it to me. Many people that I met in the enterprise did not know that my native language was Spanish but she certainly did.

A lot of things were diffuse even if I consider that I became an employee by mid May and I could say that, since that moment I was treated different: people were friendlier with me. I believe that the reason was because they felt I was becoming part of them.

In order to further explain the results of this study, people and team organization cause is divided as follows:

- **Attitude:** No one had a precisely role defined. Some of them only had impressive titles as: “International purchase manager”, but in their attitude they lacked initiative. They were hard workers and also had disposition to complete their task but sometimes they did not share information or they were not very communicative. If one told them what to do, they did it, they followed the rules and liked to obey, but not to take responsibilities or think.

The enterprise had received many foreigners since its establishment.

However, it was not easy for my colleagues to get used to us.

- **Knowledge and skills:** One of the characteristics that I realized in Chinese people is that when they have skills, they do not like to show them, as the Chinese girl who had a fluent Spanish. The seven persons in charge of researching, evaluating, contacting and negotiating with international firms had knowledge and experienced cultural shocks before. Also, the majority had interaction with western people

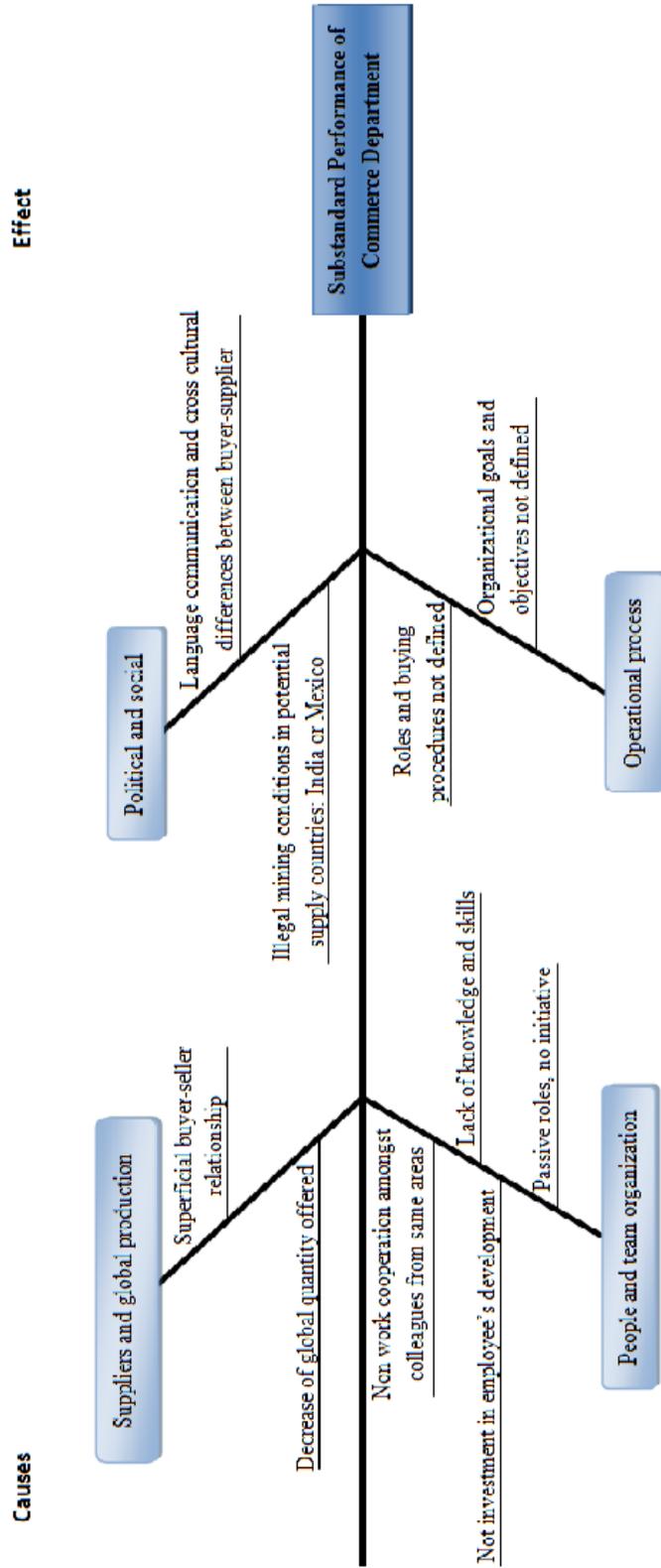
before. However, they did not like to share their knowledge or their information collected if, for example, we were working in the Venezuelan market.

- **Employee's development:** The enterprise did not take care to invest in people's development but it did not seem that the employees worry about that situation. It seemed to me that they preferred stability and they did not like to argue.

In EUA a manager is a coach, a facilitator (Weldon, 2004). In China what I experienced was different. My supervisor was not my guide. She only approved my tasks. From her, I did not feel that she worried about my development.

- **Cooperation or communication:** Cooperation and communication was lackluster amongst colleagues even when they were from same departments. Contrary to what theory says about the high collectivism that characterizes Chinese people, I realized that on the contrary, they were very individualistic, but still considering the importance of face and the avoidance of confrontations. They take more personal decisions than in group. It is important to mention that, **from my experience**, I consider that this behavior was different at work and at home. At work, people demonstrate more individualism behavior, they were ambitious and pride and each person focused on their own tasks and achievements. At home, they still have collectivist thoughts, as the strong feeling of belonging to a family or being a **communitarianism** culture as Trompenaar's theory explains. This behavior searches the common wealth of the people. They regard themselves as part of a group and they also refer decisions to committees and achieve things in groups and jointly assume responsibility (Trompenaars and Hampden-Turner, 2010).

Figure 4.1 Cause-Effect Diagram.



Source: Own elaboration

4.3 Consequences

- Low commitment from employees.
- High Turn-over of staff (most of all foreigners or expats).
- Negative impact e.g. low efficiency in supply chain.

Most of the time, I realized that people were not aware of their colleague's tasks; they did not even know why I was in the enterprise. Surprisingly, men and women were separated by gender to have lunch. There was only one table that was made by a "team work": People that were in charge of looking for potential.

4.4 Practical Examples

Example 1

The objective: Buy iron ore from Australia, Brazil, Argentina, India, Mexico, Chile, Venezuela, Ukraine and Iran.

The situation: When the new employees joined CBMIE, a complete research investigation was delivered by me to my supervisor. According to the results, each person selected a country and proved the veracity of the information and then they start calling (again) to the contact numbers. Only one meeting was planned and it was in Chinese.

The result: After one month, the Colombian girl left saying that the cultural shock at CBMIE was not as impacting for her as now since her arrival to China 5 years ago; Maggy Chen begun her Portuguese classes but she did not contact any company in Brazil. No coordination, no communication, no positive results came from the *spontaneous organization*.

Example 2

The objective: To open a branch in India.

The situation: In June the Indian “team” traveled to Kolkota, West Bengal, India. Two of them had background in operational and sales domestically in China and the Indian employee in purchasing from India. The Chinese were not used to the business style in India and the Indian did not feel the responsibility of helping them, instead he went back to Shanghai after the first month. Before they left, I asked questions about planning, goals or more simply as where they would live. They only said: *Good question. I don't know. We will see. We always do things this way. It will work.*

The result: Since October 2009 to June 2010, only .5 million tons were imported from existing shippers and new shippers in their list. They had opportunities because the shippers had cargos one time or the other. After one month they were back.

Example 3:

The objective: To visit the Shanghai World Expo² to have appointments with the potential suppliers country pavilions.

The situation: At the World Expo, some conferences offered by Latin American countries were in Spanish. Presidents, Secretaries and personalities involved in the mine industry visited the pavilions. It was the opportunity to meet the producers of iron ore in each country but we only visited Venezuela, Chile and Mexico.

The result: Teams never discussed the objective of the visit. Two Chinese girls wanted to focus only on iron ore while the Chinese guy wanted to make a complete introduction of CNBM and discuss about all the range of products that we were involved in. Contradictions were visible and we did not get the desired results.

²International fair which held around 200 nations and international organizations to expose proposals for environmental care. It also promoted the industry-leaders of each country in order to develop new business relations and cross-cultural dialogs. May 1 to Oct 31, 2010

4.5 General Conclusion

Working with Chinese people has two sides, whether we look at it as an obstacle or as a resource. The reality is that they are very individualistic. In my experience, they do not like responsibility or leadership.

The examples above were easy tasks but organization was missed. We were only supposed to be divided into groups to investigate, contact and negotiate.

Example number two is a problem that does not enhance for competitive advantages, as Dewald and Self (2008) highlight: *For international companies to have a competitive edge it is important for them to ensure the success of their expatriates working in a foreign country. (p.2)*

The problem lies in a particular aspect: Non-organization/unification of team works and how to make them work together in a way that does not affect their reputation.

In order to synthesize the solutions for the problem identified in this section, Chapter 5 contains the relevant theory on how to tackle the issue described above. The concepts are the tools that I applied in order to propose the solutions in the purchase department to make it more efficient.