

Engaging the Dragon: the Need for Cultural Intelligence

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Introduction

Thank you for your warm welcome and invitation to address the Institute on a topic of great interest.

I would like to begin by acknowledging the Wurundjeri people of the Kulin nation, the traditional owners of this land on which this facility now stands, and pay my respects to their elders (both past and present).

The Honourable Michael Mackellar, council members, members and friends of the Institute, distinguished guests, ladies and gentlemen.

It is my great privilege this evening to talk to you about “*Engaging the Dragon: the Need for Cultural Intelligence*” particularly from a Chinese Malaysian Australian perspective.¹

Australia’s proximate geographical location to South East Asia gives it a unique advantage over other Western countries. For example, China was Australia’s largest two-way trading partner in 2007 for imports and exports of both goods and services.² More recently, the Australia-New Zealand free trade agreement was signed with ASEAN.³ While China has dominated the media and India is a close second, it is now considered that ASEAN is Australia’s largest trading partner.⁴

Without a doubt, the rise of the South East Asian and Chinese economies is transforming the way in which the West and East engage in trade and commerce. Yet, there are remarkable differences in attitudes, behaviours, gestures, and philosophy which are often misunderstood. There is also much trepidation in doing business in certain Asian economies including a lack of confidence in the legal system to resolve disputes. Rightly or wrongly, such perceptions do not help if Australia is to take the relationship with our Asian neighbours to another level.

In order to develop and maintain effective ties in South East Asia, having “cultural intelligence” is essential in sustaining a longer term relationship with the “Asian dragon”. The challenge, however, of mutual understanding is vast but unless it is embraced, we will lose ground.

The Asian Dragon

Whenever I travel to South East Asia and meet with Asian colleagues or business counterparts who discover that I live in Australia, I am often asked the question: “*How does it feel like (being an Asian) living in Australia? Are Australians racist?*” My answer is always: “Australia is a great place to live. Rice and noodles are now a common staple amongst Australians. And: No! Australians are not racist.” If there are racist elements, they are no more racist than the Asians who are also likely to be racist.

But “*prejudice*” is another thing; it is what makes the difference in attitudes. So, the first thing to understand from an Asian perspective is that “Race” is a constant topic of discussion and Asians are quite sensitive to it.

The other common thing which I also encounter (looking Chinese) is that people start to speak to me in a dialect. They naturally assume that I speak the language. Most Asians speak several languages and dialects. Compared to Asians, our language pool is limited to English, French, German, Latin, perhaps. The landscape is, however, changing. We have a Prime Minister who speaks Mandarin. It is a compulsory language in a large number of private schools. Yet, I cannot get my two boys to learn Mandarin properly!

I like to think, however, that not speaking the language is not in itself a barrier. For example, if you understand how important food is to the Asians then “food”

becomes the common language! Observe how Asians greet each other, when instead of asking: “*How are you?*”; they ask: “*Have you eaten?*”

Most of us would also understand that travel overseas allows us to experience diversity of cultures, way of life and food which in turn enriches our view of the world. Is it, however, enough just to understand that there are differences but do little to engage?

When we speak about engaging the “dragon”, we think about China. We think of “Chinatown”. We experience Chinese New Year celebrations, which are marked by the explosion of fire crackers and the traditional sound of the “gong” and dance of the lion, which symbolises the dragon. To the Chinese, the dragon is a benevolent creature. Powerful, strong and considered lucky. The “Asian dragon” embraces all things mystical and good. It touches upon concepts such as “personal connections” and “social standing”. In Western folklore, dragons are usually considered as evil.

The “Asian dragon” is also about exerting “control” and directing its own destiny with an insatiable desire to increase wealth and fortune.

Having now lived in Australia for over 28 years, a decade longer than I have lived in Malaysia, I have also learnt to embrace the Australian culture and understand that when I walk into the MCG to watch Carlton play against Collingwood, I am attending the largest “church” in Australia!

A Chinese Malaysian Australian view on cultural intelligence

Most of us would understand multiculturalism especially in Melbourne with the significant increase in migration of people from South East Asia and more recently in the last decade from mainland China, India and Africa. ⁵

In Australia, the Chinese arrived in Melbourne and Sydney in the 1850s. By 1861 there were 38,300 Chinese males in Australia and 11 Chinese females. Most of them came to Australia during the gold rush. Some historians suggest that there were some Chinese in Australia from late 1700s and early 1800s. Certainly, by 1901, there were 32,700 Chinese males and 474 Chinese females. ⁶ According to Fong (1997), when he arrived in Sydney in 1946, there were only 12,000 Chinese males and about 2,500 Chinese females in Australia. ⁷

60 years later, in the 2006 Australian Census, 669,890 Australian residents identified themselves as having Chinese ancestry and China (including Hong Kong and Macau) made up the third major source of permanent migrants to Australia in 2005-2006. ⁸

When I arrived in Melbourne in 1982, Chinatown consisted mainly of Chinese who had settled from Hong Kong. Cantonese was the predominant Chinese dialect. They were involved in restaurants, laundry services, sundry shops, markets and farming. Then there were the next generations of Australian born Chinese who continue to be deeply rooted in Chinese culture and traditions.

While the ancestry roots of the Chinese Australians remain strong, are we necessarily imbued with “cultural intelligence” to engage with the “Asian dragon”? Can we learn how to engage with the “Asian dragon”?

There are quite a few books and articles written about East meets West in the business context.⁹ Most of these books are written by Western authors. Much fewer are written by Eastern or Asian authors.

So, **what is “cultural intelligence”?** I like to think that it is:

“the awareness of another person’s cultural sensitivities, gestures and philosophy, and the ability to interpret them appropriately with a considered response”.

Perception of culture

We generally view multiculturalism in the context of race, appearance, and food. Consider the lowly grasshopper. In Australia, it is a pest. In China, it is a pet. In Thailand, it is an appetiser!¹⁰

In this simple example, we can see differences in the way in which the lowly grasshopper is viewed by different people. So, how we perceive something is often affected by our *external* understanding and experience of a culture.

Consider another scenario: Three Chinese men walk towards a pond – a Hong Kong Chinese; Malaysian Chinese; and Singaporean Chinese. An Australian man was holding an old bag full of “gold coins”. He tips the contents of the bag into the pond. Immediately, the Hong Kong Chinese man jumps into the pond. He reaches out for as many “gold coins” which were sinking towards the bottom of the pond. The Malaysian Chinese man takes out his mobile phone and rings his friend: “Hey Wong, there is a deal going down here, do you want to participate?”. The Singaporean Chinese man stands there thinking: “I had better do a feasibility study!”

Of course, a mainland Chinese man walks pass and sees an incredible opportunity to replicate a story about the “Three Chinese men fishing for gold!”.

The Australian man has everyone fooled – it wasn’t “gold coins”, it was chocolate wrapped in gold foil!

I often tell this story to illustrate a point about *internal* perception. If you know something about the Chinese, you will know that the Hong Kong Chinese are very quick off the mark. They can see an opportunity and seize upon it very quickly. The Malaysian Chinese likes to get others involved. It’s all about knowing “who’s who” in a deal. Of course, the Singaporean Chinese are well trained to analyse and consider opportunities carefully and systematically.

And finally, the mainland Chinese are often perceived as great copiers of anything which could make them a “quid”. What about the Australian? Well, he never throws away anything of value which he had just dug up !

If you understand these nuances, you might begin to break through to a different level of engagement.

Divergence of culture in a convergent race

But here is the next important thing to understand: “Not all Chinese are Chinese”. Similarly, “not all Asians are Chinese”. The West often pigeon-holes the Chinese as being part of a culture but being Chinese is part of a race, and the culture of the Chinese depends very much on where he or she comes from. Sometimes, the culture is mixed with other cultures and a deeper understanding of the whole is required. For example, when dealing with the Chinese, there are groups of Chinese comprising of Malaysian Chinese, Singaporean Chinese, Hong

Kong Chinese, Mainland Chinese, Taiwanese Chinese, Indonesian Chinese, etc.

How does each culture differ in business styles or approach?

Consider Malaysia – the country where I lived for 18 years prior to coming to Australia. When I was born (1963), Malaysia had a population of just fewer than 9 million people. Australia had just fewer than 11 million people.¹¹ Today, Malaysia has over 28 million people. Contrast with Australia's 22 million people. Malaysia has a diverse group of people from different races and cultures.¹² So, when dealing with Malaysians, one always needs to have the four Rs in mind. They are:

1. Royalty
2. Ruling Party
3. Religion
4. Race

Understanding these four Rs would enable one to deal with Malaysians in a way which goes beyond merely understanding different gestures, likes and dislikes and protocols.

Of course, it is important to know that when you enter an Asian house, you remove your shoes unless your host tells you otherwise; it is important to hand out your business card with two hands and your particulars facing the recipient; it is important to take a moment to read the person's business card and then keep it in a safe place (and not in your wallet and in the rear pocket).

Understanding the roots of each culture is therefore not only necessary but essential for effective relationships to be successful. The failure to understand the broad context of culture and values is more likely to leave parties unable to resolve their differences, obtain a favourable result or develop a deeper relationship.

Some of these differences could be learnt easily and others are acquired over many years of fostering deep relationships. For the West, however, it is important to understand that when engaging with the East, not everything is seen from the Western eye. For example, negotiation strategies are taught using Western concepts of “win – win”.¹³ To the Asians, a “lose – lose” concept is not unheard of in a long term relationship between Asians because of a deep rooted understanding of the history between the parties.

Western values and culture obviously differ markedly from the Asian culture.¹⁴ It is often the case that Western negotiators see Chinese negotiators as inefficient, indirect and even dishonest, while the Chinese see Western, particularly American, negotiators as aggressive, impersonal and excitable.¹⁵

Chinese culture is rooted in agrarianism, morality, pictorial language and a wariness of foreigners.¹⁶ These threads of culture might help explain the importance of a communal or collective approach adopted by the Chinese and the hierarchical importance of the rank and file amongst the Chinese. The “Chinese are more concerned with the means than the end, with the process more than the goal.”¹⁷

The Chinese also place great importance on personal connections and social status. It is not just about “*who you know*” but it converges to “*who knows who*”. Underpinning this approach is the appearance of “keeping a distance” through the use of nominees or facilitators thereby allowing the parties to build trust slowly but at the same time providing an avenue for saving face as a means of escape.

Communication is also another hurdle as the Chinese language is a pictorial language and tends to convey “layered messages” rather than straight talking. While Mandarin might be the main spoken and written language in China, there are

hundreds of dialects. Reading and interpreting these subtleties and hidden meanings are essential.

Clearly, cultural differences and language have an impact on how one conducts a business negotiation or build a relationship. These differences arrive at truth in different ways.¹⁸ It is important therefore to work out the differences, and then to find ways to benefit from that understanding.

For example, I have found that in the Western culture, the person who speaks most is often perceived by the East as the leader or the boss. In the East, it is not the case. This is where the West often underestimate the real person wielding the power. That person is likely to be the one who has kept silent. The younger Asian person might be the one talking but the older Asian person is actually listening, watching and assessing the situation.

Another very common mistake is to underestimate or ignore the power of the Asian woman. It is a fatal mistake to ignore the wives. The Asian kinship ties are very strong and this allows women – as mothers, sisters, daughters and even mistresses of those in power – to exercise “unofficial power” behind the scenes.¹⁹

As Australia begins to move into a new era of dependency on trade and commerce with its Asian neighbours, it will need to appreciate that there is no longer a Western way of doing things in the East.

That is not to say that there is an Eastern way of doing things but in my view there is a better way of doing things which is founded on having an understanding of culture and the intelligence to permeate into the deeper workings of society, government and business.

The need for “cultural intelligence” of the sort which I have addressed you tonight is not only important but essential to Australia’s position as a powerful and strategically in the region. Our role is unique like “yin and yang”.

We could be both Western (by our history) and Eastern (in our outlook). We could be firm and strong in our messages when it comes to maintaining high standards of human rights, good corporate governance and the upholding the rule of law.

But we could also be the trusted and accepting friend when dealing with matters like race, custom and religion.

Casting the stone

In the most recent case of international diplomacy, our Prime Minister said that the world was watching the trial of Stern Hu which had been widely seen as a test of the rule of law in China. Much was said about the implications for business, particularly about whether the verdict would make business more cautious about engaging in sensitive negotiations in China.

Despite the outcome of the trial and certain admissions made, at the Annual General Meeting of Rio Tinto in London last month, shareholders accused the company “of being so in awe of China that it was prepared to sacrifice Stern Hu and his three Chinese colleagues to harsh jail terms”.²⁰ The Chinese court sentenced Stern Hu to 10 years in prison for corruption and industrial espionage. When the news first broke about this, many people were indeed sceptical about the “truth” or otherwise of the accusations. But we ought not forget that Stern Hu pleaded guilty to bribery charges. Whether we think the penalty handed down was “tough”, it was, nevertheless, bribery.

Yet, there is a belief that there must be something corrupt about the legal system in an Asian country. Inevitably, it boils down to casting a judgment about the accuser given that this all occurred in an Asian country. Why does the West often have this preconceived view about the legal system in the East? Is our sense of human rights much better or sophisticated than the East?

Whatever the West might think about China's legal system, the fact is that China is a significant global power.

What is more intriguing to me is the lack of any news about the Chinese who provided the bribes.

Conclusion

Asia Pacific, in particular China, is leading the world recovery from recession. In the near future, we will see more of the shift in the economic dominance of China. Australia, however, is well placed to contribute and play an important and strategic role in building important strong linkages in this region.

We need, however, to increase our level of understanding of the Asian culture and its history. While I do not think we are quite there yet as we have a lot more to learn but through an Institute like this, much debate and thinking could be encouraged.

In order to engage the "Asian dragon", in my view there is a need for "cultural intelligence" which will enable Australians to be an effective bridge between the West and East.

First, we need to be acutely aware of the racial and cultural make-up and sensitivities of Asians. Secondly, when dealing with Asians we need to readjust the

way how we perceive things from a Western perspective and adopt a tailored response.

Finally, I believe we can engage the “Asian dragon” by adopting a “whole being” approach, ie with the Mind, Body and Heart. The *mind* can learn the customs and protocols required to engage effectively. The *body* can outwardly express what is learnt. The *heart* can respond to the layers of unspoken rules of engagement.

What do we (as Australians) see our future in this region to be? How can we play a role in educating the next generation of Australians to engage with the “Asian dragon”?

References

- ¹ A Chinese Malaysian Australian is an Australian of Chinese ancestry with ties to Malaysia.
- ² See <http://www.abc.net.au/news/stories/2007/08/31/2020938.htm>
- ³ See <http://www.dfat.gov.au/trade/fta/asean/aanzfta/>
- ⁴ See <http://business.theage.com.au/business/our-biggest-asian-trading-partner-its-not-china-20090304-8okb.html>
- ⁵ At the 2006 Census, 92,335 Australian residents stated that they were born in Malaysia. 64, 855 declared having Chinese ancestry. 29,174 reside in Melbourne with 21,211 in Sydney and 18,993 in Perth. See 20680-Ancestry (full classification) by Sex – Australia, 2006 Census. Australian Bureau of Statistics.
- ⁶ Fong, K 1997, Chinese people and political change in Australia, A White Australia to a multicultural society, See http://www.teachingheritage.nsw.edu.au/d_reshaping/images_meta1.html
- ⁷ The White Australia Policy and enactment of the *Immigration Restriction Act 1901* curtailed the growth of the Chinese community in Australia.
- ⁸ See “Migration: permanent additions to Australia’s population”, 4102.0 - Australian Social Trends, 2007, Australian Bureau Statistics.
- ⁹ Yuan, F & Liu, M 2009, *Anatomy of the Chinese Business Mind. An Insider’s Perspective*, Cengage Learning, Singapore; Morrison, T & Conaway, WA 2007, *Kiss, Bow or Shake Hands: Asia*, Adam Media, Avon, MA; Bosrock, MM 2007, *Asian Business Customs & Manners*, Meadowbrook Press, New York; Earley, PC, Ang, S & Tan, JS 2006, *Developing Cultural Intelligence at Work*, Stanford University Press, USA; Burns, R 1998, *Doing Business in Asia. A cultural perspective*, Longman, Australia; Bucknall, KB 1994, *Cultural Guide to Doing Business in China*, Butterworth-Heinemann, Oxford; Engholm, C 1991, *When Business East Meets Business West. The Guide to Practice and Protocol in the Pacific Rim*, John Wiley & Sons, Inc, USA; Burns, R 1998, *Doing Business in Asia. A cultural perspective*, Longman, Australia; Earley, PC & Mosakowski, E 2004, Cultural Intelligence, *Harvard Business Review*, October, pp 139-146; Graham, JL & Lam, NM 2003, The Chinese Negotiation, *Harvard Business Review*, October, pp 82-91.
- ¹⁰ The lowly grasshopper example in Earley and Mosakowski (2004).
- ¹¹ See http://www.google.com/publicdata?ds=wb-wdi&met=sp_pop_totl&idim=country:MYS&dl=en&hl=en&q=population+of+malaysia#met=sp_pop_totl&idim=country:MYS:AUS. In 1963, China had approximately 683 million people. Today, it is over 1.4 billion people.
- ¹² Ethnic groups comprised of: 50.4% Malays; 23.7% Chinese; 11% Indigenous; 7.1% Indian; and 7.8% Others. See <http://www.malaysia-my-second-home.com/>
- ¹³ Lax, DA and Sebenius, JK, 2006, *3-D Negotiation: Powerful Tools to Change the Game in Your Most Important Deals*, Harvard Business School Publishing, Boston, MA; Fisher, R, and Shapiro, D, 2005, *Beyond Reason: Using Emotions as You Negotiate*, Viking Penguin, New York; Bazerman, MH and Neale, MA, 1992, *Negotiating Rationally*, The Free Press, New York; Ury, W, 1991, *Getting Past No*, Bantam Books, New York; Lax, DA and Sebenius, JK, 1986, *The Manager as Negotiator*, The Free Press, New York; Raifa, H, 1985, *Art and Science of Negotiation*, Harvard University Press, Cambridge, Massachusetts; Fisher, R and Ury, W, 1981, *Getting to Yes: Negotiating Without Giving In*, Boston, Houghton Mifflin Company.
- ¹⁴ See illustrations of cultural differences between the West and East in Liu, Y 2007, *Ost trifft West*, Schmidt Hermann Verlag. See also <http://www.yangliudesign.com>.

¹⁵ Graham, JL, and Lam, NM, *loc. cit.*

¹⁶ Graham, JL & Lam, NM, *op. cit.*, pp. 84-85

¹⁷ Graham, JL & Lam, NM, *op. cit.*, p. 84

¹⁸ Morrison, T and Conaway, WA, *loc. cit.*

¹⁹ See <http://chnm.gmu.edu/wwh/modules/lesson12/lesson12.php?s=0>

²⁰ Alberici, E 2010, Rio accused of abandoning Stern Hu, <http://www.abc.net.au/news/stories/2010/04/16/2874320.htm>

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