

Endangered Species: Chinese Middle Managers



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Poor Best

Friday, 16 September 2011 02:47

by David Dayton in 'Silk Road International'

I've been telling people for years that China doesn't have enough mid-level managers. Most factories have the one or two guys that started the company with 10 years of experience and then a bunch of line workers and college grads all with either no education or training and/or only a couple years of practical work experience.

This phenomenon means that there are limited numbers of people that have both actual production-floor experience AND managerial experience (problem solving/scheduling/QC'ing/forecasting). Most people have not been trained in anything other than specific jobs/processes. The two guys at the top are running the factory, counting money, managing relationships with govt officials, trying to find employees and being dragged into solving problems (since no one else can).

And now the problem is becoming acute.

In the last couple of years so many people have left the east coast factory cities to work closer to home in the inland provinces that factories are losing what little management they had in the first place. Entire QC staff (anyone other than complete novices) at multiple factories have just left or not returned after CNY. There is now such demand for people with experience in the new inland factories (and jobs that are "good enough" closer to home) that not only are the newbies not coming but the guys with experience are leaving too.

This means three things, first, prices are rising quickly to entice workers to come and/or stay. Second, factories are having more problems meeting deadlines (with fewer people). Third, they are also having a harder time meeting quality standards (with fewer experienced QC). To compensate for these problems they are becoming defensive about buyer participation—they just don't have the time/resources that are being demanded by increasingly connected buyers.

More and more factories are telling us that they don't want to accept 3PQ. They are using the "3PQC are all corrupt" line to refuse to follow QC reports (doesn't this mean that someone in their factory is paying the QC?). We're being told, "QC will just find as many problems as possible so they can come back." Or, "Every QC is corrupt, you just have to offer them something to pass."

Now I'm not going to try to defend QC because we've fired more QC people than all other people in our company. We know that this is a real issue. But you can fire QC and/or hire a replacement fairly quickly. If you're using 3PQ and you're wondering about their honesty you can get a second day of testing with a different QC engineer or an entirely new 3PC company in 24 hours. Much easier than finding a new factory half way into production.

The reality at many small and medium sized factories is that they actually may not even have the people necessary to resolve the concerns that are identified by 3PQ. Of course they can't tell you that. And if you've ordered from them before they don't want to tell you that they can't even do what they'd done for you in the past.

Another result of the new economy is that more and more guys with some experience in a particular industry are starting up their own "trading companies." Often times this means that they "borrow" a few photos of products they recognize from other websites and set up an Alibaba "store." There are a few guys that know what they are doing and have valuable experience—these are the guys that should be middle managers but their factory went out of business and they don't have the guanxi to get an appropriate position in another factory. But you need to be checking out these guys BEFORE you hire one/use one just like you would a factory (because you may be paying him directly and/or relying on him to assure product quality for you).

So what can you do to compensate for a lack of managers?

First, you've got to be very clear about requirements before you start (pay) for anything. This is not just confirming with a sales person that they understand what you're talking about and can show you similar products. Ideally, you should visit (or have someone visit for you) the site and confirm that they really can do what you want (with the equipment and to the standards you want too). You will never know that they can do what you expect just by talking with a sales guy (that is fresh out of college and was hired for her English skills not her understanding of manufacturing).

You can buy professional audit services to confirm capacity and/or social compliance too. These services are affordable (\$800) and can be scheduled easily online.

Second, once you're convinced that they can do what you want, you need to be painstakingly clear about the standards and requirements that you're expecting. Typically this means that you send them testing standards for your product and request confirmations that they've both meet these standards before and have the facilities and personnel to meet them again.

Third, confirm with them that 3rd party testing and QC services will not only be allowed into the facility but that the factory will agree to follow the reports/results. This may seem like a no brainer but we've had multiple factories that, like I mentioned above, that do not want to live by the standards that are returned by these third parties. The most common thing we hear is "QC is corrupt. If we paid them these would have passed." We'll yea, maybe the report would have said "passed" but the product is still sub-standard and it will come out in subsequent tests (off site) or if different QC personnel.

Fourth, pull samples yourself to send to testing facilities. There is no reason to believe that your factory will not send "golden" samples to be tested.

Fifth, when you have problems, and you will have problems with no managers and inexperienced line workers, you will need to participate in the solutions. And by participate I mean visit the factory and devise a solution that works for both you AND the factory. Remember, the factory mostly likely doesn't want you involved and since you're asking for things that are going to cost them money, they really don't want you to be proposing the solutions too. Here's what works for us. 1. Let them propose solutions and then accept or tweak to get done what you need. If they are the ones that are taking responsibility for the problem and offering the solutions there is more onus on them to get it done right. 2. Have someone from your company working with managers/owners of their company that understand Chinese culture and the face that is associated with mistakes/lack of managers/paying for rework/having clients propose solutions. 3. Don't wait for the entire thing to be redone. If you wait, and the solution doesn't work or is completed incorrectly you've now got to fight with them to do it a third time (more money, more time, more loss of face for them) and even if it's their fault you will likely lose this fight. So follow up on each step, each milestone in the rework procedures.

Sixth, since you've visited the factory already you've hopefully developed some sort of rapport with people other than the English speaking sales rep. You now need to call on those folks to help you out. Sure their loyalties are to the factory, but having someone that is at least willing to listen to your issues is helpful. Also, if you have someone on your team that knows how to work relationships in China they now have a contact point to work with. Don't underestimate the importance of having someone fluent in Chinese culture working for you.

Seventh, track everything. This is where your MBA can be very valuable. As amazing as it may sound, you may know before your factory if you're going to be missing dates or short on product. Sure each department may have better numbers than you do and certainly more experience in their own factory, but you'll be able to extrapolate more quickly, be able to combine data from various departments and project much earlier than they will. We can almost always tell long before our factories if they're going to meet qty's and deadlines. We always know if they're going to have to do an extra run or if they'll have extras.

This data can only come from being on site. And this is very helpful not just for rework but for any project where colors or pieces must be consistent (fit, match, testing, etc) across an entire production runs. Often (way more often than you'd know unless you are here) factories will have a larger number than expected rejects and so need to add additional qty's to the

order to meet the order totals. This means that they're literally doing another run without any of your QC or oversight and adding the product into your existing (already tested) order qty's. As you can imagine there are tons of problems with this happening—quality may not be as good, product is not tested, raw materials are likely not from the same (tested) batches, colors and other features are not the same, chances are larger qty's than were needed for your order were made to save money and so (fully functional) extras will be sold by the factory to someone else.

Basically, you're going to become a defacto manager—but one without any defined position. People will defer to you because you're foreign (and they are polite). You'll be allowed to watch and comment, but likely not given much information. You'll have no seniority but access to the higher ups that no one else has (since you're a paying customer). Don't abuse, but use your foreignness to your advantage. Don't step on toes, but definitely go up to the owners/admin people that have the authority to make decisions. Don't cut responsible parties out of the loop on the production/QC lines, you need these people on your side (if for no other reason than to give them a slight reason to care about your product). But step in and offer suggestions/make changes/point out issues and mistakes.

China is risky. China is changing. China is a lot of opportunity but it's also fraught with pitfalls—mostly stemming from a combination of lack of oversight and corruption in the factory and the client both not being in the factory and assuming that "business is business." It's not. And now there are fewer and fewer managers to help you make a successful transition to the Chinese style of doing business.

David Dayton is the owner of Silk Road International and currently lives full-time in Shenzhen, China. He speaks English, Thai and Mandarin and has worked in Asia for more than 15 years. You can contact him at david@silkroadintl.net or at www.silkroadintl.net.