HOW TO OPTIMIZE DOING BUSINESS BETWEEN DUTCH FASHION COMPANIES AND THEIR CHINESE OFFICES OR AGENTS

如何優化荷蘭時裝公司和其中國辦事處或代理商之間的生意往來
China is playing an important role in the Dutch fashion industry. Most Dutch fashion companies have an agent or an office in China to take care of business with their vendors. This agent or office is getting information from all the different departments in the Netherlands. They pass the information to the vendors, place orders and report back to the office in the Netherlands. Therefore almost everyone at the Dutch offices will have daily contact with China; they deal with cultural and language differences every day. No matter how big, small or organized a company is, there are still things that can go wrong in the daily contact with China. It is a fact that both countries differ so much that this can cause certain difficulties. The efficiency between the two parties can be improved; this could lead to money –and time saving.

My interest in Chinese culture and China as a production country has grown over the years. I was introduced to Chinese vendors during my internship at Just Brands in 2012. I soon noticed a lot of differences in culture and learned how to deal with situations such as time difference and language barriers. In February 2013 I went to Hong Kong for my specialization. I worked at a small office for Maracaibo and ‘Bundelen bij de bron’. This is where my interest in China grew further. During my stay I went to different factories, this is where communication and culture differences became visible for me.

This report is written for Dutch fashion companies that would like to know how to optimize their partnership with their Chinese office or agent. The goal of this report is to explain how to improve the relationship between Dutch fashion companies and Chinese offices or agents in order to save money and time.

I would like to take the opportunity to thank everyone that helped me during this semester. I want to thank the people I interviewed for their help and time. I would like to thank my parents and my boyfriend for their support and feedback.

Many thanks to Ligia Hera, for coaching me during this process. I would like to thank Eva de Laat for the time and effort she put in answering my questions and helping me with my final product.
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EXECUTIVE SUMMARY

In this report the question ‘How can Dutch fashion companies make doing business with their Chinese offices more efficient?’ is answered. During the research phase different subjects have been approached: The general situation, culture, communication, regulations and market developments. The relevant differences, current situations, advantages and challenges of working with a Chinese office (or an agent) have been discussed per subject. The examination of these aspects should all lead to one goal: finding out how the two parties can work together in a more efficient way.

A more efficient cooperation should lead to time and money saving. It is important that connections between the two parties are running smooth. China is still a big player in the fashion industry. A lot of companies have an office or an agent in China to do business with their vendors. Right now money and time is wasted by companies because of mistakes and misunderstandings in these processes.

DIFFERENCES

There are a lot of differences between China and the Netherlands that affect the efficiency of doing business. To begin with there are some general differences such as the time difference, the distance and the climate. These differences can affect business in China when they are not taken into account.

Also, the Chinese and the Dutch culture differ a lot. They have opposite values in almost all cultural aspects (due to Geert Hofstede’s values). This is partly the result of differences between religions. The Confucianism is the most important religion in China. The biggest part of the Netherlands is not religious. These cultural differences lead to different habits and manners in communication. Not only language differs but also there are also many differences in non-verbal communication.

Different regulations can affect the cooperation too. Both countries operate with different political systems; a communist party runs China while they have a democracy in the Netherlands.

THE CURRENT SITUATION

Despite of the rising wages China is still a popular production country. Reasons vary from their flexibility to their background in manufacturing. The tasks of both parties fluctuate from sourcing, to quality control, to delivering the right documents. There is some cultural knowledge on both sides but both parties agree on the fact that more knowledge could be effective for the cooperation.

Different types of channels to communicate are being used. Emailing is most popular but calling and Skyping are also being used frequently. Relationship building is an important factor. Visiting each other does affect this, during business meetings but also after the working hours.

The working hours and working conditions affect the situation in China. The Chinese make long hours and the conditions in factories and offices or not always good. Fortunately there are also a lot of promising developments going on in China. Their capabilities are growing.

CHALLENGES

There are difficulties in working together with a Chinese office or an agent. Distance and differences in geography are one example. This should always be taken in account to prevent delays.

The earlier mentioned differences in cultures can cause problems. Things are often misinterpreted due to different manners and habits. An example is that Chinese say ‘yes’, even when they do not mean this. It takes time to understand each other and to build a relationship.

Verbal communication, as well as non-verbal communication, can cause difficulties too. For both parties English is not the first language, mistakes are easily made. Differences in small gestures can be confusing and misleading.
Regulations can cause problems as well. A communist party runs China and corruption and other problems still occur often. The rising costs in China are also a blocking the efficiency. It is getting harder to get low prices due to rising labor and production costs. Other defects are found in the working hours of the Chinese and the rules regarding sending packages.

ADVANTAGES

But it is not all bad news. There are also a lot of benefits in working with a Chinese office or a Chinese agent. Dutch companies will have lower travel expenses, the workload is less heavy and their agents are close by the factories. Also, they have the same cultural background as their vendors, which makes it easier to understand each other. The language becomes less of a barrier because they speak the same language as the Chinese vendors too.

Having an agent or Chinese office can also help Dutch fashion companies to have more grip on the factory conditions and managing of packages. The fact that China is developing rapidly can be very beneficial for the future.

There are several steps that could be taken to make the cooperation between Dutch fashion companies and their Chinese offices (or agents) more beneficial. Implementing these steps can increase the efficiency and can save time and money. This report includes 22 recommendations that Dutch fashion companies could implement. Some of them are easy and might already happen, other will take more time and effort. The implementations of these recommendations depend on the situation that the company in matter is dealing with. These recommendations vary from ‘Learning about the basics of Chinese culture’ to ‘Planning in videoconferences’.

I would recommend all Dutch fashion companies that are aiming to have a more efficient relationship with their Chinese offices or agents (that will lead to time and money saving) to implement these recommendations.
CHAPTER 1: INTRODUCTION

1.1 RATIONALE
It is a fact that China is getting more expensive. One reason for this are the rising wages. Where in 2000 a Chinese worker would earn $59 dollar per month they already earned $166 dollar in 2011. Despite this China is still very popular as a production country. China exported garment and textile products worth $42.3 billion in the first two months of 2013. 31.6% more than last year, according to China National Textile and Apparel Council statistics (China daily, 4 March 2014). Most fashion companies have an office or an agent in China (or Hong Kong) to have direct communication with their vendors. Most of the time these people are high-educated Chinese that speak (or/and write) English and Chinese. This seems easier because they know more about the Chinese culture and their language. This office does not solve all problems completely. There is still direct contact with China and Europe, and they still cope with difficulties, for example: time zone -and culture differences.

In this report I aimed to find out if money and time can be saved when you, as a company, increase the efficiency with your Chinese office. What is desired by a lot of companies is a long trusted relationship with their Chinese partner; if they trust you, you will be able to get more out of the situation. However in the end, decisions are generally made only on money and profit arguments. For my final thesis I tried to find out if building a relationship with the Chinese is really beneficial when it comes to saving money and time and how two offices in two different worlds can work together in the most efficient way possible.

In order to do this I looked at differences, difficulties and advantages in culture, communication and regulation. I described the market developments as well. The current situation on how these two parties work together is also be described.

1.2 RELEVANCE
The relevance is that both parties should be able to work together as one efficient team. These findings will be useful for Dutch companies that are aiming to work with China in a way that is as effective as possible.

1.3 AIM
The practical goal and target of my final thesis is to find out how Dutch fashion companies can work together with their Chinese offices (or agents) in a more efficient way. In this case ‘more’ will mean that they will be able to get ‘more’ out of the situation; this should save money and time. I tried to find out how Dutch fashion companies can earn the trust of their Chinese office and how they could build a long trusted relationship with this office.

1.4 PRODUCT
The product will be an article about how to take efficiency to a whole new level. Also, in the end of this report an estimated budget and amount of efficiency will be forecasted.

1.5 QUESTIONS
In order to come to a conclusion I answered the following questions:

MAIN QUESTION
How can Dutch fashion companies make doing business with their Chinese offices more efficient?

SUB-QUESTIONS
1. What are relevant differences between the Netherlands and China?
2. How does the current situation between Dutch fashion companies and their Chinese offices look

1. More efficient =It should save time and money. See 1.3 Aim for further explanations
3. What kind of difficulties occurs for Dutch fashion companies while working together with a Chinese office?

4. What are the advantages for Dutch fashion companies to work together with a Chinese office?

1.6 METHODOLOGY

In order to give an answer to my sub-questions I have done different types of research. For each sub-question I will describe what kind of information I needed and how I came to my conclusion.

1. WHAT ARE DIFFERENCES BETWEEN THE NETHERLANDS AND CHINA?

To answer this question I looked at the Netherlands and China on a macro level. I described the differences in geographies, language and communication. Also culture, politics, religion and law are described. I got this information from books and the Internet. I also used my own –and other people’s experiences.

2. HOW DOES THE CURRENT SITUATION BETWEEN DUTCH FASHION COMPANIES AND THEIR CHINESE OFFICES LOOK LIKE?

To figure out what the current situation between Dutch fashion companies and their Chinese offices is like I will have to examine different companies to come to a conclusion. To start I will use information I got during my internships. I will also have interviews with employees from different companies in the Netherlands and in China. In this chapter I will describe what the daily tasks of the Chinese and the Dutch offices are.

3. WHAT KIND OF DIFFICULTIES OCCURS FOR DUTCH FASHION COMPANIES WHILE WORKING TOGETHER WITH A CHINESE OFFICE?

From the interviews that where held for sub-question two different answers came to surface. These have been further examined/described in this chapter. Next to this I did more secondary research in books and on the Internet on disabilities between contact with Dutch and Chinese people. I looked into subjects like: language, religion, communication, education, relationships and working conditions.

4. WHAT ARE THE ADVANTAGES FOR DUTCH FASHION COMPANIES TO WORK TOGETHER WITH A CHINESE OFFICE?

The answer to this chapter did depend on the answers found in chapter two. The advantages of working with a Chinese office are described here. I got this information from interviews. I also used my own experiences.

5. CONCLUSION: HOW SHOULD A COMPANY USE THESE ADVANTAGES, DISADVANTAGES AND DIFFERENCES?

This last chapter counts as my conclusion. The main question is answered here. I advised on how to make use of these advantages, disadvantages and differences and how and Dutch fashion companies can associate with their Chinese office. I also described what they can do to optimize their contacts. To finalize I described how the aim can be met. Is it really possible for these two offices to improve their collaboration?

1.7 STRUCTURE

Every sub-question has a secondary chapter. The first chapter is an introduction, this will be an extended version of this research proposal. The second chapter gives an answer to my first sub-question: ‘what are relevant differences between the Netherlands and China?’ I described what the differences between the Netherlands and China are on a macro level. And I also discussed differences in culture, law and communication. The third chapter will consist of my second
sub-question ‘How does the current situation between Dutch fashion companies and their Chinese offices look like? a’ the current situation of the daily contacts between this two parties is described in this chapter. In chapter four and chapter five the advantages and disadvantages are described. I started with the challenges in chapter four and continued with the advantages in chapter five. The main question is answered in chapter six. The same subjects come to surface in each chapter (General intro, culture, communication, regulations and market developments). Besides this I also wrote an article for Dutch fashion companies on extra steps that they could take. This is my end product.

1.8 LIMITATIONS
During my research I focussed mainly on Chinese agents/offices while in reality it could also be that an agent or office employee is not Chinese. Also the outcome may be different if I would focus on other countries beside the Netherlands and China. The fashion industry is international. Many Dutch offices have employees from different countries. I did not take this into account.

In this report efficiency can be defined as followed: Acting or producing effectively with a minimum of waste, expense, or unnecessary effort in order to save time, and therefor money.
CHAPTER 2: DIFFERENCES BETWEEN THE NETHERLANDS AND CHINA

Most people think about two completely different worlds when they think about China in comparison with the Netherlands. But how big are these differences in reality? These two worlds do business daily to fill thousands of closets with clothes all around the world. This chapter will answer my first sub question: What are relevant differences between the Netherlands and China?

2.1 GENERAL DIFFERENCES

Below the differences in geography, time zones, distance and climate are described.

2.1.1 GEOGRAPHY

The Netherlands and China are miles away from each other. The distance, different time zones and climate can have an influence on the commerce trade that is being handled between these two parties.

CHINA

China has a surface area that is 9.6 million km² wide. China belongs to the top three of biggest countries on planet earth (after Russia and Canada). China has over 1.300 million inhabitants.

The biggest part of the southwest is covered in mountains. This area takes up about 20% of China. China has many rivers such as the Ganges. On the coast of China a lot of harbours are positioned.

There are different important cities in China. Peking is the capital. Shanghai is the biggest city of China with 17 million inhabitants. Hong Kong is a special region from China since 1997. It was a colony from England before that time.

THE NETHERLANDS

The Netherlands is a constituent country of the Kingdom of the Netherlands located in West-Europe. This country has a surface of van 37.354 km. With approximately 16 million inhabitants the density of population is relatively high. The capital of the Netherlands is Amsterdam. The country is divided in 12 provinces.

Over 18% of the Netherlands consists of water. A part of the country is below the sea level. It is protected against the water with a system of dikes and water networks.

2.1.2 TIME ZONES

The time difference between UTC and China is +0800. The time difference between UTC and the Netherlands is +0100. In Europe they deal with summer and wintertime. This means that the difference in time will be one hour less when summer starts (for 2014 this will be on the night of the 29th of March). The time difference between China and the Netherlands is six hours in summertime, and seven hours during wintertime.

2.1.3 DISTANCE

The distance between China and the Netherlands is approximately 9000 km. When goods are being shipped by water transport it can take up to 4-5 weeks until the goods arrive in the harbour in the Netherlands. By airfreight, this can take two to five days, depending on the courier. Sending goods by air is faster, but also much more expensive than shipping the goods by ship.

2.1.4 CLIMATE

China has a wide diversity in climates. The country is well known for extreme weather circumstances. Weather disasters such as floods, hurricanes, sandstorms, heavy rain, extreme heat and frost
could happen several times in one year. The consequences are that cities and villages flow over and traffic stops. The contrasts are big; in some areas summers are dry while other areas deal with heavy rain at the exact same time.

The Netherlands has a mild sea climate with mild winters and light summers. The temperature is influenced by the North Sea.

2.2 DIFFERENCES IN CULTURE

Cultural differences can influence collaboration on different levels. These differences are relevant for managers to manage across cultures.

2.2.1 WHAT IS CULTURE?

Culture is seen as the behaviour or characteristics from a particular group of people defined by everything; from music, to social habits, cuisine, language and religion. (Kim Ann Zimmerman, 2012)

Culture can be defined as: It is the collective programming of the mind, which distinguishes the members of one group or category of people from another (Geert Hofstede, 1991).

A company culture is influenced by the cultural behaviour of a group of people within a country. A company culture takes part of a bigger social context and is related to common norms and values within a country.

2.2.2 CULTURAL DIFFERENCES BETWEEN CHINA AND THE NETHERLANDS

In order to verify the relevant cultural differences between China and the Netherlands the dimensions of differences from Geert Hofstede have been used.

Geert Hofstede, an eminent Dutch management researcher came up with a cultural model based on by him identified dimensions that serve as an indicator for cultural differences between countries. These dimensions are; individualism versus collectivism, power distance, masculinity and uncertainty avoidance, pragmatism and indulgence. Every country gets a number between 0 and 100. The higher the number, the higher the country scores in the category. This model brings perception to cultural differences. Below, China and the Netherlands will be compared.

In each dimension, differences among countries manifest themselves at different levels: child/family – school – workplace – citizen/state – ideas/philosophy.

CHINA IN COMPARISON WITH THE NETHERLANDS

![Comparison chart](http://geert-hofstede.com/china.html)
I used different studies from researchers and books to ground these statements. Also, experiences by professionals in the industry have been added to explain these differences further.

The differences between uncertainty avoidance and pragmatism are small. (Uncertainty avoidance; China 30, the Netherlands 53 and pragmatism; China 87 and the Netherlands 67) this is why these dimensions will not be further discussed.

**POWER DISTANCE**

Power distance is defined as the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally.

In Geert Hofstede’s theory China scores high with 80. The score of the Netherlands is low on this dimension with 38.

Chinese society believes that inequalities amongst people are acceptable. People should never have aspirations to fulfil tasks beyond their rank. A person will always ask the manager or person that is in a higher rank than him/her for permission before they make any decisions.

In the Netherlands employees are more independent. There is a hierarchy, but this is for convenience only. They believe in equal rights, they count on the experience of their team members. Communication is direct. Attitude towards managers is usually informal. Employees are free to say what they think. The picture on the next page characterizes the difference between the Netherlands (left) and China (right):

![Diagram of social hierarchy in China vs. the Netherlands](http://www.theatlantic.com/china/archive/2013/09/six-brilliant-illustrations-of-chinese-and-western-cultural-differences/280037/)

In the book ‘When cultures collide’ by Richard D. Lewis is described where the unequal relationships between people in China are coming from. He grounds that this comes from the Confucian religions. There are five relationship basics to ethical behavior:

![Relationship hierarchy in Confucian ethics](http://example.com/confucian-relationships)

The Chinese never doubt these relationships. Non-appreciation of these relationships causes disorder, crime and lack of social responsibilities (in their opinion).
I did two internships in my school carrier. One in the Netherlands, and one in Hong Kong. At the Dutch company I was allowed to give my opinion on everything, I participated in the meetings and had an active role when it came to making decisions. In Hong Kong this was different, the manager told me that I always had to wait several hours before a replied to a Chinese person. In China you are supposed to ask for approval from your manager for everything as an intern, you are not allowed to make decisions on your own.

INDIVIDUALISM
Individualism is described as; the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”. In individual societies people only tend to take care after themselves and their direct family. Collectivist societies belong in ‘groups’ and take care of them in exchange for loyalty. In Geert Hofstede’s theory China scores low with 20, the Netherlands score high with 80. This makes China a collectivist culture and the Netherlands and individualistic culture.

Chinese see themselves in groups. In-group consideration affects hiring people. If someone is from the same group (for example: family) they are getting the preference. Personal relationships (guanxi 关系) are more important than tasks.

Dutch people are individualistic. They are expected to take care after themselves and their immediate families only. Individuals in a collectivist culture frequently fear to bring shame to their family or group for behaviour that deviates from the norm.

Stephanie Henze (Fashion & Management student) described her experiences about her internship in Hong Kong with me. About group behaviour and collectivism she stated the following: “In our office in China it was super hard to show what you where capable of. It was impossible to integrate in the group, especially in the beginning. You really have to fight for it, we tried to show that we where interested in their work and their culture. This helped a bit.”

This is caused by collectivism and the fact that Chinese think in in –and out groups. They are loyal to the people within their groups but they do not trust out-groups. It takes time for a new person to get integrated in a group. What helps is trying to become friends. Show them that you are interested. In the example above language and cultural differences are playing a role as well.

MASCULARINE VERSUS FEMININE SOCIETIES
This dimension is about what motivates people, wanting to be the best (masculine) or liking what you do (feminine).

With a score of 66 China is masculine society. They are success and oriented driven. They are driven by competition, achievement and success. This starts in school and continues throughout organizational behaviour. Chinese even sacrifice family priorities to work.

The Netherlands has a score of 14 on this dimension. The dominant values in Dutch society are caring for others and quality of life. This is a feminine society. Managers are supportive and decision-making is achieved trough involvement.

Willem A. Arrindell (1998) went more in depth on this dimension of Geert Hofstede. Together they wrote the book ‘Masculinity and femininity – the taboo dimension of national cultures’. They state that religion is the most influential variable. In China’s case the Confucianism (further explained in subchapter 2.2.3 Religion). He explains that compared to masculine societies, the feminine societies would offer both sexes better opportunities for social roles. For example in job offers.
Another dimension by Geert Hofstede is indulgence. This is the extent to which people try to control their desires and impulses, based on the way they were raised. Relatively weak control is called "indulgence" and relatively strong control is called "restrained". China is a restrained society with a low score of 24 in this dimension. They have a tendency to cynicism and pessimism. Their actions are restrained with social norms.

With a high score of 68, the culture of the Netherlands is one of indulgence. They are not afraid to realise their impulses and desires with regard to enjoying life. They possess a positive attitude and have a tendency towards optimism.

This can resolve into difficulties in business meetings. Jacco van Soest (Buyer at Just brands) explained this to me as followed: “Dutch people are direct. We are extrovert. We want to talk about business directly. This can really scare the Chinese managers. There are much more silent and also use more silence in between sentences. I have the feeling that we are more impulsive, they take longer to make a decision.”

### 2.2.3 Religion
Both countries have a different cultural background when it comes to religion. Where religion in China still has a strong position the importance of religion in the Netherlands is decreasing.

#### Religion in China
China knows five official religions: Buddhism, Taoism, Islam, Catholicism and Protestantism. The law allows a freedom of religion, but in fact this is not supported. The Confucianism is the most important 'religion' in China. Officially this is not a religion, it has been seen as a way of life and a philosophy. It has a strong influence on the daily live in China. The basic teaching of the Confucius can be summarized as (Richard D. Lewis, 1997):

- The observance of unequal relationships.
- The family is the prototype of all social organisations. We are members of a group, not individuals.
- One must behave in a virtuous manner towards others. Everybody’s 'face' must be maintained.
- Education and hard work must be prized- One should be moderate in all things. Save, stay calm, avoid extremes, and shun indulgence.

#### Religion in the Netherlands
The Dutch culture knows a various amount of religions. The biggest group of religious people are Catholic, followed by Protestants and Muslims, followed by a few other smaller religion groups. The biggest group of Dutch civilization is not religious.

### Holidays
China and the Netherlands both have different holidays due to differences in religions. This means that the offices are closed different days. If this is not taken in account this can cause delays in the production cycle.

Chinese New Year is the most important holiday in China. It is celebrated on the 1st until the 15th day of the first month of the Chinese calendar. All factories and offices are closed. Chinese do not celebrate Christmas. Dutch people do. This is a period when Dutch offices close down for several days.

### 2.3 Differences in Communication
Communication is playing an important role when it comes to doing business. There is daily contact between the two different countries in order to keep the production running. There are several
2.3.1 WHAT IS COMMUNICATION?

The term ‘communication’ is explained as ‘the imparting or exchanging of information by speaking, writing, or using some other medium’ by the English Oxford dictionary (2013). Three types of communication can be distinguished:

1. VERBAL COMMUNICATION
   This is spoken communication. This can be face-to-face but also through telephone, Skype, television, radio or other media.

2. NON-VERBAL COMMUNICATION
   Non-verbal communication is communication without words. Think about body language, facial gestures and how we dress.

3. WRITTEN COMMUNICATION
   This is communication by words such as e-mail, books, papers, magazines or the Internet.

Every time you communicate with someone the information you pass on goes through different channels before the receiver(s) receives the message. Wilbur Schramm (1954) came up with a communication process that points out which steps the message needs to pass before the message arrives to the receiver.

THE COMMUNICATION PROCESS

The source is the sender of the message. The person will bring a message with a by him/her chosen medium. He encodes the message. Encoding is the message and how this message is brought. The channel is the format of the message (e.g. internet, spoken, newspaper). The receiver has to decode the message. The way that a message is interpreted depends on several factors such as their cultural background, knowledge or mood. Barriers also can affect the way that a receiver understands a message. Receivers are most likely to give feedback on how they understood the message in a verbal or a non-verbal reaction. The chain starts over (depending on the source of the message).

There are a lot of reasons for communications to fail. In some communication processes the message is not received as the sender/source of the message intended.

2.3.2 SPOKEN LANGUAGE (VERBAL COMMUNICATION)

Spoken language (or verbal communication) is communication with words. The most common language on earth is Mandarin. In 2010 there were 935 million native mandarin speakers. This is 14.1% of the world population. Spanish is the second most spoken language with 5.85% (387 million). English comes third with 5.52% (365 million native speakers) (Wikipedia, 2014).

SPOKEN LANGUAGE IN CHINA
Chinese people do not just speak ‘Chinese’. There are varieties in dialects and languages in this country. The most common language is Mandarin; this is the official Chinese language. Mandarin is
also the spoken language in most Chinese offices. But there are many other spoken languages in
China, including Wu, Hunanese, Jiangxinese, Hakka, Shaojiang, and Min. These different languages
are also known as dialects, the writing is common (Chinese characters) but two people with two
different dialects will not be able to understand each other. In Hong Kong for example, most people
do not speak Mandarin but Yue (Cantonese).

SPOKEN LANGUAGE IN THE NETHERLANDS
They speak Dutch in the Netherlands. There are some dialects (e.g. Fries) but these are barely
being used. In multicultural offices in the Netherlands the common language is English.

The amount of Dutch people speaking Chinese is really small. It is very hard for them to learn this
language because of different tones and different alphabet. Even if a Dutch person speaks Chinese
there is a chance that they cannot communicate with a Chinese person because of all the different
dialects.

2.3.3 BODY LANGUAGE (NON-VERBAL COMMUNICATION)
Apart from verbal communication people also make use of non-verbal communication. This is
communication through body language and gestures. Non-verbal communication can help a story to
come across stronger, but it can also be confusing. The meaning of certain types of body language,
habits or facial gestures can vary across countries and cultures.

There are various gestures that are different from European gestures. A Chinese saying is: “此时无声胜有声” (silence is louder than words now). Body language is very important for them.

GREETING PEOPLE
When Dutch people greet someone they meet for the first time they often give them a firm handshake.
If the grip is too loose it gives the impression that the person might be insecure. When they meet up
with people they do know they might also hug them and/or kiss them on the cheek. This is something
that happens more amongst women than amongst men.

In China the manner of greeting someone depends on the age and the relationship that you have
with that person. If you greet someone that is older, or in a higher position than you, you greet them
with a slight nod of your head. If you greet someone of the same age, or someone in the same
position as you, you greet them with a gentle handshake.

When two managers from the different countries meet each other they often shake hands. Nodding
heads is unknown by Dutch managers, so they will shake the hand of the Chinese manager before
they have the chance to do differently.

SMALL GESTURES (THORNHILL CAPITAL, 2014):
POINTING: While Dutch people point with one finger to make something clear, this is considered as
rude in China. Chinese people rather use their entire hand to point.

PRESENTING AND RECEIVING: In Dutch culture there are no strict rules on giving and receiving
gifts. In China however, when you present or receive something it is important to do this with both
hands (e.g. gifts and business cards) The present or cards should be opened or checked after the
guest left. Before that time the receiver will let the subject rest in sight.

HUGS: While Westerns view a hug as a sign of affection, Chinese people are not that familiar with
these gestures and might confuse them.

FEET: Feet are considered as dirty in China. It is rude to put your feet on the table or point with your
feet. Even crossing legs can be rude, especially if the feet are pointing to another person.
Europeans do this a lot. It is smart to keep both feet firmly on the floor during business meetings with Chinese.

2.3.4 WRITTEN COMMUNICATION
Written communication is communication via written words, this could be by books, emails, letters, postcards, websites, posters and so on. In the business industry email is the most common type of written communication.

2.3.5 FONS TROMPENAARS: SPECIFIC VERSUS DIFFUSE
Cultural expert Fons Trompenaars makes a difference between specific and diffuse cultures. This difference between these cultures will lead to different communication patterns.

Within specific cultures, behaviour puts official before personal concerns. A person’s job is the most important, if any relationships result from that, it is a bonus.

Within diffuse cultures time is being spent on the relationship as much as it is being spent on business. People from diffuse culture often spend time with their colleagues outside work as well. Building relationships with working partners is important.

China has a diffuse culture. In this culture they first talk about different (small) things before they come to the core of a meeting. The communication pattern is illustrated in the left picture. The Dutch have a specific culture. They immediately start talking about the core subject rather than having ‘small talk’ first. The communication pattern is illustrated in the picture on the right. In Chinese business meetings the real decision will be made outside the meeting.

![Diagram of diffuse and specific patterns]


2.4 DIFFERENCES IN REGULATIONS
The regulations of each country differ. The differences in law, working hours, wages and working conditions are the cause of the different political systems.

2.4.1 POLITICS: DEMOCRACY VERSUS THE COMMUNISM
In the Netherlands there is a democracy. All Dutch people have equal rights and decisions are made on acquiescence of the nation. China handles another structure; the communism. All power is in hands of one party (the CCP). The party uses the earlier described Confucius methods to connect the Chinese inhabitants with the communism.

2.4.2 LAW
The Dutch law gives employees more freedom than most Chinese employees have. The Chinese make longer hours for a lower wage. Also working conditions are not similar to the European standard. This is a problem that most factory workers are facing. In general the conditions for Chinese managers are much better than those of the workers in the factories.
WORKING HOURS
Standard Chinese working hours used to be between 10-12 hours or even 15-16 hours a day. They were facing a lot of overtime. Since a few years the government started to check on these aspects. Factories and offices can expect a huge fine if they let their workers work longer than 50 hours a week (this is inclusive 10 hours overtime per week). This causes problems (see 3.4 Regulations). Dutch employees normally make hours from 9 to 6 they work 40 hours a week.

These working hours are a resolution of their cultural behaviour. The Chinese grow up with the knowledge that working hard is one of the most important things in life. They do this to maintain their families and their own social status.

WAGES
The minimum wages in China differ per province and also per class area within certain provinces. For Guangdong, an important province for the textile industry, the minimum wages are the following:

<table>
<thead>
<tr>
<th>CLASS</th>
<th>MONTHLY MIN. WAGE (€)</th>
<th>HOURLY MIN. WAGE (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1ST CLASS AREA</td>
<td>182.12</td>
<td>1.76</td>
</tr>
<tr>
<td>2ND CLASS AREA</td>
<td>152.92</td>
<td>1.47</td>
</tr>
<tr>
<td>3RD CLASS AREA</td>
<td>118.67</td>
<td>1.17</td>
</tr>
</tbody>
</table>

For the Dutch industry the minimum wage of someone in the age of 23 or older is the following:

<table>
<thead>
<tr>
<th>AGE</th>
<th>MONTHLY MIN. WAGE (€)</th>
<th>HOURLY MIN. WAGE (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1485.60</td>
<td></td>
<td>8.75*</td>
</tr>
</tbody>
</table>

* Based on a 40-hour workweek.

Wages in the Chinese garment sector are lower than in other manufacturing industries. There is a huge difference between the incomes of Chinese managers and Chinese workers. The wages in China are increasing. They used to be much lower. This is also a reason why China is becoming more expensive (see explanation in 1.1 Rationale).

WORKING CONDITIONS
In China, immigrants and employees move all around the country in order to pay for a living. They leave their families to work for a few years and return back to their villages after their contract has ended. According to the Chinese National Textile Industry, 15 million people are employed in the industry. Many of them are young women under the age of 25 (Ruth Domoney, 2007). Many migrant workers live in dormitories. They are often small and have limited facilities.

Health and safety conditions are often bad in the Chinese factories. Employees are exposed to toxic chemicals and have high risk of industrial accidents. They do not always where helmets or caps when needed. They sit on small wooden chairs without any back support. Most migrant workers are not covered, or partly covered for sick pay or work injuries.

This does not mean that it is all misery. Since the 1990 the ACFTU (All-China Federation of Trade Unions) has been promoting the use of collective contracts as a mean to improve working conditions. Also, organizations like the Fairwair foundation fight for improved working conditions for the Chinese workers in the fashion industry.

For Dutch employees these circumstances might seem unreal. They are used to good working conditions and fair rights. The circumstances in the Chinese head offices are better but they still do not live up to the standards of Dutch offices.
2.5 DIFFERENCES IN MARKET DEVELOPMENTS

There are differences in the Chinese and the Dutch market developments. Both parties affect each other’s situations.

2.5.1 LABOUR SHORTAGES AND JOB SHORTAGES

An article in the Financial times (March 20, 2013) claims that ‘Chinese factories struggle to keep their staff’ Chinese factories are promoting their vacancies to keep their workers. They start to offer pensions, childcare and family dormitories in order to keep their workers.

Due to the one-child-policy the average age of the workers exaggerated. In combination with fast rising wages and workers activism the amount of workers in the textile industry decreased. The Chinese are becoming more educated; they choose different jobs in other sectors. The can earn the same amount of money, or even more, with a better and easier job.

Where they deal with labor shortage in China, the Netherlands has an opposite problem; job shortages. The unemployment in the Netherlands rises with 700 people a day (Werkloosheidmeter, 2014).

2.5.2 SUSTAINABILITY

In Europe, sustainability is an important part of the economy. Sustainability is a trend. Consumers are becoming more aware of ecological factors and brands respond by adding sustainable products in their collections. They source for organic fabrics, try to limit CO2 emissions and think about the environment when it comes to shipping and packaging. Organisations like Made-by bundle sources to improve environmental and social conditions in the fashion industry.

Chinese areas suffer from smog and pollution. A quote from the Chinese premier, Li Keqiang in the Guardian noted that he "declared war" on pollution, saying it was "nature's red-light warning against the model of inefficient and blind development. (The Guardian, March 12, 2014) This means that things are changing.

Eva de Laat, living and working in China, said; ‘they are the most sustainable people I have ever seen. They are more set up as a re-using society.’ You can already find lot of technological sustainably techniques in the factories in China. The political system is supporting sustainability.

2.5.3 POLITICAL INFLUENCES

The Dutch political system pushes money in to the economy in areas where needed. They plan ahead and make decisions as a democracy.

China’s government made a five-year plan (this is number 12, from 2011-2015). The focus in this plan is on things like sustainability and innovation. They push money and labour in by them chosen domestic markets.

Apparel is not an innovative production, so it is not priority. One summer they closed all the apparel factories to save energy for the Apple factories. China has a government is really pushing certain areas.

2.6 SUMMARY

There are a lot of differences between China and the Netherlands that can affect the collaboration of two offices:

2. Read the full article here: http://www.ft.com/intl/cms/s/0/b56ab068-8954-11e2-ad3f-00144feabdc0.html#axzz2yNk2Wkjr
4. Read the full article here: http://www.theguardian.com/environment/2014/mar/12/china-smog-pollution-beijing
• The geography is different.
• There is a time difference from 6-7 hours (depending on the season).
• There is a distance of approximately 9000 km.
• China’s climate differs from the Dutch climate.
• Cultural aspects and behaviour differ.
• Chinese people believe in inequalities between people while Dutch people see each other more equal.
• China has a collectivist environment, while the Dutch are individual.
• The Chinese culture is masculine. The Dutch culture is feminine.
• China has a restrained culture, while the Dutch have an indulged culture.
• Religion in China is important.
• Religion is less important in the Netherlands.
• Offices are closed on different days due to differences in holidays.
• Communications can go wrong due to difference in spoken language and body language (small gestures).
• China has a specific culture and the Netherlands have a diffuse culture (within communication patterns).
• In the Netherlands they have a democracy, in China they have the communism (CCP).
• Working hours, wages and working conditions are different in both countries.
• There is a labour shortage in China, while the Dutch are coping with a job shortage.
• Sustainability is getting more important for both parties, but on different levels.
• Politics influences the industry in both parties in different ways.
CHAPTER 3: THE CURRENT SITUATION

In this chapter the current situation between Dutch companies and Chinese offices will be described. It will give an answer to the following question; How does the current situation between Dutch fashion companies and their Chinese offices look like? Although this might be different for every company, it will be similar in general.

3.1 IN GENERAL
Why is China still such a popular production country? And what are the tasks towards the Dutch companies?

3.1.1 REASON FOR COOPERATION
With more than 100.000 manufacturers, China's garment industry is of the biggest in the world. This industry employs over 10 million people. China is getting more expensive as a production country but there are still some good reasons for choosing China over countries such as Bangladesh and India.

The first reason is that the history of the Chinese garment industry goes far back. Chinese manufactures know what their European clients want. New and uprising production countries such as Bangladesh need much more guidance than the Chinese factories. The European companies have a longer relationship with them.

China has a flexible manufacturing system that reacts fast to market demands. They have a ‘yes-saying’ culture. Chinese people do not like to disappoint others. They do not want to lose face. Even if the Chinese not able to do something, they would never say ‘no’ directly. Chinese people see themselves as hard working nation. They will do whatever it takes to precede orders in time. It does not matter what they have to do and how long they have to work for it.

China is relatively save in comparison with uprising production country Bangladesh. There are, for example, very few strikes. The right to strike is not in the Chinese law but the government allows strikes and collective bargaining. But this does not happen often.

3.1.2 DAILY TASKS
In order to make sure that the cooperation between Dutch companies and their Chinese offices or agents are running smooth certain tasks need to be done. For a Dutch company this means that they have fewer tasks to do in the field. But they are, in most cases, the ones that give the orders. The tasks might differ per company and per relationship. This is a general overview of tasks that Chinese offices and Dutch companies could have while cooperating.

DAILY TASKS OF CHINESE OFFICES
The most important and relevant tasks of the Chinese offices or agents are described as following:

SOURCING: The employees at the Chinese offices go to fairs and fabric suppliers to source fabrics and trims for the garments that need to be produced. They get requests from the Dutch office and go to a specific fair or factory according to the requested fabric. They come back to the Dutch offices with lab dips (these will be send by post). If the lab dip is not approved they have to look for an alternative.

PRICING: The Chinese office consults about the price of the products with the vendors. The Dutch office provides a target price. They give this to the vendors. After making the first samples, the vendor will come back with a CBD (Cost break down). The Dutch employees decide whether this price is too high. If this is the case the Chinese office has to come back to the vendor and tell them what needs to change (the fabric or the product might change in order to save cost).
The Chinese office is only operating as a contact person here. They do not make any decisions.

**ORDERS:** In some cases, especially with agents, the Chinese employees take care of the orders completely. They get the orders from the Dutch employees and place them at a certain factories. It is their full responsibility to make sure that the goods have the right qualities, the lowest prices and the right lead times.

**QUALITY CONTROL:** The employees in the Chinese offices (or the agents) go to the factories to do quality control on the products. They check if the garments are made as instructed. They might also check ethical aspects (for example; child labour, health care). This can be done during production but also right before shipment.

**COMMUNICATING AND REPORTING:** The Chinese office is the contact person between the (Dutch) company and their Chinese vendors. They report all the information they get from the vendors to the company and the other way around. In this case, they are also translators. The vendors often do not speak English that well while the Dutch employees cannot write Chinese.

**BUILDING RELATIONSHIPS:** In some cases, the Dutch companies do not go to their direct vendors at all. The people at the Chinese offices have contact with them and are also the ones that have to maintain relationships and solve problems.

**DAILY TASKS OF DUTCH COMPANIES**
The most important and relevant tasks of the Dutch companies towards the Chinese offices or agents are described as following:

**COMMUNICATING/REPORTING:** All communication about changes, questions or updates will go directly to the Chinese office. This communication will be done in English. As a Dutch employee you have to be sure that you are very clear. It is best to not make things too complicated to avoid that the Chinese office and the vendors might not understand.

**DELIVERING DOCUMENTS:** The Dutch companies deliver all their documents (e.g. style changes and comments) directly to the Chinese office. They do this in English. This can be done by email but also within a PLM system. In both cases it is important to be clear about the instructions as Chinese do exactly as they have been asked to. If you make a design mistake over and over Chinese people tend to copy your mistake every single time.

**QUALITY CONTROL:** In some companies the buyers go to the factories to do quality control on their products but in most cases the Chinese agents or employees from their Chinese office will do this for them. If this is the case the task of the Dutch company is to provide a quality manual with all information about the requested quality and the demands for the factory.

### 3.2 What is happening in culture?

You cannot do business with each other without being affected by each other’s culture and the differences. How much to the Chinese and the Dutch know about each other’s culture? And how does this affect their relationship?

#### 3.2.1 Knowledge about cultures

Because of the partnership of people from different cultures both parties will gain knowledge about each other’s culture. This could be on purpose or by accident. The importance and the amount of knowledge are different per person. It depends on many factors, but how much do they know in general?

5. A PLM system is a product lifecycle management system. In this system all data about the product is collected. From fabric information to technical drawings to order data.
It depends on the rank or the function of the person. In general all people I have interviewed (from design assistants to Chinese managers) claim to have some knowledge about the culture of the opposite party. This knowledge comes from their working experience and from visits. Also, everyone agreed that it would be beneficial if they would understand each other’s culture more.

This is important because work behaviour and communicating processes can vary a lot across cultures. Whether people from different cultures work together in one company or work with each other as two companies. Cross-cultural management will have beneficial factors on both sides. Cross-cultural management describes organizational behaviour within countries and cultures; and, most important, seeks to understand and improve the interaction of co-workers, managers, executives, clients, suppliers and alliance partners from countries and cultures around the world (Nancy J. Adler, 2008).

3.2.2 TRUST (LONG TERM VS. SHORT TERM ORIENTATION)
Professor Micheal Bond did research on the differences between cultures. He came up with a difference between long-term orientation and short-term orientation. These outcomes where later taken as one of Geert Hofstede’s dimensions, who applied this to other countries. China has the highest score of all countries with 118 points. The Netherlands scores average with 44 points.

Countries with a long-term orientation (such as China) have different ways in building relationships than countries with a short-term orientation. They have persistence. They are willing to loose things, as long as it is beneficial for future solutions. For countries with a short term orientation relationships are created on personal values. They have respect for other tradition and reciprocation greetings. They always protect their face but they are not ashamed to make mistakes.

3.3 HOW DO THEY COMMUNICATE?
Communication between these two parties is very crucial for a good co-operation. In chapter two the general communicational processes between this two parties have already been explained.

3.3.1 TYPES OF COMMUNICATION
In this subchapter I will go more in depth on the types of communication between the Dutch companies and their Chinese offices.

EMAILING
Email is the most frequent used type of contact. We live in a world where digital communication is getting more important. In 2013, the majority email traffic comes from business email; over 100 billion emails are sent and received per day (Radicati, 2013).

In the international business industry English is the most common language of communication. Chinese people prefer email as a form of communication. Their spoken English is not so good, most Chinese people are able to write and understand decent English.

CALLS
Besides emailing, calling can also be used to communicate. In this case, the subject can already be set. It might be too complicated to explain by email.

A phone call is often used in urgent situations. For faster replies calling another works better than sending an email. Also, when the person in question is being called there is no way to avoid talking.

Skype meetings or videoconferences can be held if visuals are needed but also as a weekly recap on current occupations. This is also seen as something good to maintain the relationship because you can actually see each other.
POST AND PACKAGES
Sending packages is needed in case of sending out samples and lab dips. Depending on the courier this can be done in two days (airfreight). If it is not urgent it can take up to two weeks. This is cheaper. The communication about the packages is done by email. This concerns the AWB-number and response on the lab dip or packages.

CONTACT WITH DIRECT VENDORS
The amount of contact with vendors will differ per company but in general this is rare. The Dutch companies only contact their direct vendors when they are short on time or when it is really urgent.

A disadvantage in this case is that the direct vendors do not, or barely, know the person that emailed or called the Dutch employee. They might not understand the urgency. They do not have a relationship with this person, but with the Chinese contact person.

3.3.2 RELATIONSHIP BETWEEN THE TWO OFFICES
Because of daily contact a relationship between the two parties has been built automatically. For Chinese people building relationships is an important part in the daily business life. They life in a collectivist culture, friendship, family and relationships are important. They like to think in groups rather than individuals. Chinese people tend to only trust their guanxi (关系). These are their in-groups (family and friends). They do not trust out-groups. On the other hand the Dutch are more practical, they think more about their task than relationships. A relation between the two parties is always built whether it is seen as something practical or something with deeper meanings.

VISITING EACH OTHER
Sometimes it is necessary for the two parties to visit each other. Depending on the situation the Dutch employees travel to China, or the other way around. A lot can be done by email, pictures and (video) calls but sometimes it is needed to travel. For example: during production the Dutch employees could travel to China to discuss the samples with the Chinese team.

BUSINESS MEETINGS
In these week(s) the workload is often heavy, as much as possible should be discussed in a relatively short time. Therefore, a lot of business meetings will be arranged (sometimes even on Saturdays and Sundays). The Dutch employees have the overhand in most cases. They decide what happens.

In Chinese culture it is common to first talk around the subject and come to business in a later stage, for Dutch people this is the other way around (see chapter 2.2.5 Specific versus diffuse). For this reason the Chinese might think that Dutch people are too direct.

OUTSIDE BUSINESS HOURS
Besides business it is also common to take your visitor out for lunch and/or dinner. For both parties these occasions are seen as a matter of respect and to show appreciation. Chinese people like to go out for lunch first and discuss business afterwards. They take the Dutch employees to typical Chinese restaurants. They have many rules for dining. They appreciate it if the other party has knowledge about these table manners. They already highly appreciate if a Dutch person knows how to eat with chopsticks.

When the Chinese come to the Netherlands it is different Dutch people find these happenings less important. In some companies (e.g. Nike) they do not allow dinners into the budget, so the employees do not take their guests out every day. Other companies do find this important (e.g. PVH) they take their guests out every day. The restaurants can differ from formal to regular. Most Dutch people do not specific choose to go to a Dutch restaurant.
3.4 REGULATIONS
The current situations about regulations that are relevant for doing business in China are described below.

3.4.1 WORKING HOURS
As mentioned in the previous chapter the labour shortage is lengthening the working pressure and the working hours in China (2.5 Differences in market developments: Labour shortages and job shortages). The government tightened the law regarding to these hours.

This puts more pressure on the factory managers because they will need more workers. Not only the managers are unhappy about this. Most workers in the factories come from other areas and move to other cities to earn money. They do not have anything there besides this. They have more free time due to shortened working hours. They rather work in this time to earn more money, but the government does not allow this.

3.4.2 WORKING CONDITIONS
As discussed earlier working conditions in China have been an ethical issue for quite some time now (this does not only count for China, but for all production countries in the textile industry). Besides sustainability, the Western world became more aware of ethical issues. As a reaction companies are trying to improve their factory choices. Brands like H&M, Zara and Tommy Hilfiger signed factory safety pacts. Also, many companies perform audits before they start working with a new factory.

Sabine Schokkenbroek (Merchandiser at Tommy Hilfiger) mentioned the following about working conditions in China: “The first time I visited a factory I was shocked. I heard to stories and I saw the pictures but it is different if you see it with your own eyes. It really hit me hard. Now I got used to this, it is how it is. I do have to say that there are huge differences between the factories. All our factories are certified and there have been audits but it is still not ideal. Everybody should work together to improve these conditions. The problem is that this industry is not transparent. You are never sure about what the factories are hiding. It is not possible to check on them all the time. We, PVH, are members of a bond that try to improve the circumstances in factories. It is a good start.”

3.5 THE CURRENT MARKET DEVELOPMENTS
The Chinese market is changing. Relevant aspects from the market developments in China and in the Netherlands are described below.

3.5.1 FROM A MADE-IN-CHINA TO A CREATE-IN-CHINA
‘Made in China’ is a well-known term by most people. Unfortunately this still has a negative touch. ZARA for example knows that their sale will be lower with products from China. Their customers see ‘made-in-China’ as something negative. But things are changing rapidly. China is working hard to become a more creative production country. The knowledge of the Chinese is growing rapidly. They invest in education. The new Chinese generation is willing to learn, they study abroad to gain more knowledge. You can find marketers, buyers and visual merchandisers.

They are also trying to achieve manufacturing excellence. They implement new techniques such as 3D printing. A downside to this is that they only implement but they do not innovate.

Sarah Trevisan, product development manager at Calvin Klein mentioned: “I think the biggest difference is that they lack in creativity. For them it is really hard to see something from a design perception, they just don’t understand. They simply have no idea what we like. With the first company I worked in we had an agent in Hong Kong. He was very powerful 70 years old man. Once I asked him to give a suggestion, his reply was ‘I should only do what you ask me to do’ I was really shocked. I just started this job and I just needed his help. Now I never ask for suggestion, I just tell them exactly what to do.”
The problem in this matter is that as a company you always have to tell the Chinese exactly what to do, you cannot leave any suggestions open. This might change in the future because changes in the educational system.

### 3.5.2 COMPLEXITY

The textile industry is getting more complex. Different products within one garment come from different countries. In one product a zipper can come from Korea, the fabric from China and the dye from Germany. This complexity can cause longer lead times and higher prices.

### 3.5.3 CHINA’S MANUFACTURING COMPETITIVENESS

A lot of production is moving away from China, the main reason for this are the high development costs. The wages in other countries are lower. They can offer lower prices. Still a lot of production stays in China. They are specialized in many areas (woollen coats, down jackets). Complex products are their core business. They are able to offer a competitive price in these types of products.

Countries like Bangladesh are not save. After this came up a lot of companies moved their production back to China. They have better facilities and better road systems. This makes distribution easier. Most brands have a long lasting relationship with Chinese factories. They trust them.

#### SAM’S

SAM or ‘standard allowed minute’ is used to measure work content of a garment. In the table below is shown that all total costs per SAM for Asian countries are rising (in comparison with the total costs per SAM in 2010). Producing in Hong Kong is most expensive. A lot of production moved from Hong Kong to China already, it is getting too expensive. China is €0,02 cheaper than Bangladesh and €0,01 more expensive than the other Asian countries. But the average productivity is higher (except for Vietnam), this is another reason for China’s popularity as a production country.

<table>
<thead>
<tr>
<th>COSTS</th>
<th>TOTAL COSTS PER SAM IN 2013</th>
<th>TOTAL COSTS PER SAM IN 2010</th>
<th>AVERAGE PRODUCTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>€0,37</td>
<td>€0,28</td>
<td>90%</td>
</tr>
<tr>
<td>China</td>
<td>€0,17</td>
<td>€0,13</td>
<td>60%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>€0,16</td>
<td>€0,13</td>
<td>50%</td>
</tr>
<tr>
<td>India</td>
<td>€0,16</td>
<td>€0,12</td>
<td>50%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>€0,16</td>
<td>€0,12</td>
<td>65%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>€0,16</td>
<td>€0,12</td>
<td>50%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>€0,19</td>
<td>€0,14</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Carolina van Gerven

Please note that these figures do not apply for all factories. This table shows average numbers.

### 3.6 SUMMARY

The current situation between Dutch fashion companies and their Chinese offices can be summarized as followed:

- China is getting more expensive, but it is still very popular as a production country.
- Daily tasks of the Chinese offices are; sourcing, pricing, quality control, taking orders, communicating and reporting and building relationships.
- Tasks of the Dutch companies are; communicating/reporting, delivering documents and quality control.
- There is knowledge about each other’s culture, but this could be increased.
- Chinese people have a long-term orientation, Dutch people think more in short terms.
• Different types of communications are being used. Emailing is the most common one.
• Besides emailing calling and post are two other communication types.
• There is very little contact between Dutch companies and direct vendors.
• Relationships are important.
• The regulations about working hours and working conditions in China are improving slowly.
• China starts to ‘create’ more. They become more than just a production country.
• The industry becomes more complex.
• China gets more specialized in certain areas due to manufacturing competitiveness with other countries.
CHAPTER 4: CHALLENGES

In this chapter the following question will be answered: What kind of difficulties occurs for Dutch fashion companies while working together with a Chinese office?

4.1 IN GENERAL

The collaboration of Dutch companies and their Chinese offices/agents brings some difficulties with them. The reasons vary. Sometimes it is because the relationship still needs to be built, other times reasons could be more complex, cultural reasons for example.

4.1.1 DISTANCE

As discussed in chapter 2.1.3 there is a large distance between China and the Netherlands. This distance is forcing Dutch companies to plan far ahead. Timing is an important factor in the textile industry. It can influence the sales if goods or samples are not being delivered on time. If Chinese factories cannot meet the set deadlines it is an option to ship the goods by airfreight. This is more expensive but can save a lot of time.

This distance also creates extra links in the process. All decisions are being made in the Netherlands, while everything is happening in China.

4.1.2 CHINESE GEOGRAPHY

The Chinese climate varies a lot in different areas. Where it can be extremely cold in the North of China, Beijing can cope with unreasonable heat at the same time. Also smog is an issue.

Factories move up North, besides the lower temperature there is also less access to water. This is a problem because water is needed for production (e.g. dying). The solution is that they transport their goods to ‘cheaper’ factories first and after that move the goods to factories with water facilities to get them dyed (or the other way around). On the other side, the more humid the climate get the harder it will get to make woollen coats, the fabrics could mould.

Extreme heat can also force the factories to shut down their power. In chapter 2.5 I discussed that the manufacturers had to close down their factories to save energy for the Apple factories, because the government told them so. These unusual incidents can cause serious delays in the production.

4.2 CHALLENGES IN CULTURE

The differences between Chinese and Dutch culture have already been discussed in chapter two, but how does this influences their cooperation? Both parties have a different background and different ways of thinking. This can influence their relationship and how it is build.

4.2.1 BUILDING RELATIONSHIPS AND TRUST

Building a relationship with a Chinese office or agent takes time. The Chinese employees will have to understand the Dutch company. Their values and manners differ a lot from the Western habits. It takes time for them to understand the meaning behind a brand or the value of a product.

TIME TO BUILD A RELATIONSHIP

Chinese attach more value to relationships (guanxi 关系). It takes time before they trust the Dutch companies. The Dutch companies have to earn this trust by giving them ‘good’ orders and fair prices. They should try to keep their word. As soon as they earned their trust the Chinese are willing to do a lot for the companies, but this takes time.

Just Brands for example is working with the same agent for 10 years now. Their agent knows exactly what they want and which quality is acceptable for their product. But when they start with new manufactures (with help of their agent) it can take up to two years before the relationship is
4.2.2 CHINA: A ‘YES-SAYING’ CULTURE

Dutch people are direct. The Chinese on the other are much more careful with what they say on how they say it. Many Dutch buyers and other professionals in the textile industry cope with the issue that the Chinese always say ‘yes’ to everything. These lies can cause trouble when in the end it seems that the agent or manufacturer actually meant; ‘No, I cannot do this’. This can cause delays. It also costs the company money because a lot of trials (samples) have to be made. The order of the product has to be placed with another factory.

Jurriaan Beijer (operating manager at VIM) mentioned: “They always say yes. They really mean this but they do not understand you. They are afraid to tell you this. You need someone that recognizes this to explain them again. You really need someone to manage this. This is your fundament. They always say ‘méi yǒu (没有)’ that means ‘don’t have’. If you hear them saying this you know that something is wrong.”

4.2.3 GEERT HOFSTEDE: THE DIFFICULTIES IN THE DIFFERENCES

In chapter 2.2.2 the cultural differences are explained with Geert Hofstede’s theory as a reference point. These differences can cause the following consequences:

- China has a high power distance. The Chinese have no aspirations to fulfil tasks beyond their rank. They will only do what they are asked to do.
- Decision-making in China takes longer because of 1) High power distance and 2) group orientation.
- The Netherlands has a low power-distance score. Their attitudes towards people from higher ranks are unusual and shocking for the Chinese.
- China is a collectivist society, they think in groups. They give preference to in-groups (family and friends) this can cause corruption and can be unfair in the eyes of Western people.
- Chinese are introvert. They not how their emotions easily; it is hard to read their faces.
- Dutch people are extravert. They show a lot of facial expression, this can scare or confuse a Chinese.

4.2.4 GETTING INVOLVED

In order to build a relationship certain knowledge about the culture of the person in matter needs to be gained. As mentioned earlier building relationships take time. Of course this depends of the background of the person in matter. It can be easier for one person than for another. A Dutch manager often forgets that the Chinese are not aware of European habits. It is important that both parties learn about the culture of another.

Almost all interviewed people mention that they have knowledge about the culture of the other party. The also agree that more knowledge would be beneficial for the relationship.

4.2.5 CONDITIONS IN THE CHINESE FACTORIES

Besides looking at factory conditions from an ethical aspect you can also look at the conditions from an intelligible aspect. A common problem is that the employees in the factories have no insight in the products or in the brand that they are making the products for. They have a different image and their fashion level is different than that from the Dutch market.

They have absolutely no idea who would wear that jeans in size 36/36. They also might not understand what is wrong with a different coloured pocket or a slightly arched artwork. You, as a company, have to make them understand this.
4.3 CHALLENGES IN COMMUNICATION

Communication is important when it comes to collaboration of both parties. Unfortunately things do not run smoothly sometimes. The types of communication and how both parties communicate have already been explained in a previous chapter. The difficulties in communication will be explained below.

4.3.1 LANGUAGE

In most cases the spoken language between the two parties will be English. This language is not the first language for the Dutch as well for the Chinese. Where Dutch people are generally known for their well-spoken English it is much harder for the Chinese to learn this language. Their language looks nothing like English. They have different characters and different tones.

The fact that it is not the first language for both parties can cause ‘noise’ in the communicating process. Words might differ from meaning in a country. Also, things can come across rude or wrong simply because the vocabulary is much smaller in English than in the mother language.

4.3.2 DELAYS DUE TO TIME DIFFERENCE

The time difference is an important factor. If a person does not reply on time a day is wasted easily. In China it is six or seven hours later (depending whether it is summer or wintertime in the Netherlands) than in the Netherlands. By the time a Dutch person starts working the working day of a Chinese employee is almost finished.

In most cases there are no problems. Dutch employees are aware of the fact that they always should start with requesting and answering emails from China. Replies are given within one day. Unfortunately not all delays can be prevented. If a buyer requests something (for example a lab dip or a change in a style) from a Chinese factory on Friday afternoon they can only start working on it by Monday. The buyer will read the reply by the time that the working day of the Chinese is almost finished, which can cause up to three days of delay.

4.3.3 MANNERS AND HABITS

In chapter 2.3.3 the differences in small gestures and the effect that it can have on people have been discussed. The differences in body posture and greeting can become a difficulty when another person is not aware of the habits of someone else’s culture.

In this case, the differences in manners and habits will become a difficulty when for example a Chinese manager has no knowledge about Dutch culture and habits. He could be spitting on the floor and burping in another’s face because he might think this is normal and accepted.

To repeat: this difficulty will only occur when someone has little knowledge about one others culture. These things could happen when someone is new to the business.

4.3.4 TASKS

The fact that language is a barrier is mentioned before. Miscommunications are easily made because both parties have average knowledge in the English language. Also, the ‘yes-saying culture’ of China is earlier described. These two factors can cause obscurities when it comes to tasks. A Dutch buyer might think that something has been explained clear. The Chinese person in matter will always agree to this, even though it might not be clear yet. These situations can cost a company an unnecessary amount of money and time.

An example has already been given on page 30, Chinese will not say no but might try to give a hint indirectly. It is up to the Dutch buyer to recognize this.

6. Noise in communication processes can be caused by many things. Examples are: type mistakes or different interpretations.
4.3.5 LEARNING CHINESE

There are not a lot of Dutch managers that have any experience in Chinese language. In the book ‘When cultures collide’ by Richard D. Lewis the following is mentioned: “The Chinese see their language not only as a cultural tool which has historically influenced Japan, Korea, Indo-China and other areas, but as a repository for transmitting cultural values. The undisputed link between language and culture gives them a strong motive to increase the currency of the Chinese language, at least on regional basis. You would do well to have one or two individuals in your company or organisation develop reasonable fluency in Chinese.”

A company might do good to invest in learning to speak the Chinese language. On the other hand this could be dangerous as well. It takes long for a Dutch person to completely understand the language. There is a chance that the Chinese employees will only speak Chinese to them, while they might not understand everything yet.

4.4 REGULATIONS

The regulations of each country differ. These can contradict with each other in trade and collaborations. These differences can cause delays or misunderstandings in communication and rules.

4.4.1 THE COMMUNISM

A communist party (CPC) rules China. They are the biggest political party in the world. This party oversees many aspects in the life of the Chinese. A few examples are what they see on TV, what they can read in the newspapers and what they should learn in school. This means that the government controls what their inhabitants should know and also what they should not know.

This keeps the Chinese away from being a 100% free. The government decides what types of information should not be published; this keeps the Chinese away from some parts of European media. As a consequence they lack knowledge about the Western world. There is no freedom.

This is a difficulty for the textile industry because it is harder for Chinese partners to have full understanding about Western culture. Things are slowly changing. The government allows more access to papers from different countries. It is also easier to get access to certain Internet pages (Facebook for example) with certain tricks. But there is no complete freedom yet.

4.4.2 CORRUPTION

Another aspect that brings a lot of incomprehension is the corruption in China. It is not unusual for Chinese to turn a blind eye on something for money. Their mind-set is influenced by years of communism, they do not see this as corruption, and it is in their culture.

Jacco van Soest (buyer at Just Brands) mentioned; “As a buyer you can never be sure if a CQ might take money from a vendor so he will approve the lot. We trust our agent and we believe that he would never do this. Another Chinese manager blamed him for doing this once, we tried to figure out if this was true but we were not able to prove this, I do not believe him.” In this case it is all about having trust in an agent(s) and about building a relationship. As mentioned earlier this will take time.

Premier Li Keqiang is trying to do something about the corruption in China. “When the government controls too much, directly intervenes in micro-economic activities, it not only influences the ability of the market to play a decisive role in the allocation of resources, it also increases transaction costs and makes it easy for corruption to breed,” Li said (South China Morning Post, 24 February 2014). This will mean that corruption in China might be decreased in the future. For know it is still an issue.

4.4.3 WORKING HOURS

The time difference between China and the Netherlands can cause overwork for the employees at the offices. The merchandisers at the Chinese office from PVH are still replying on emails when it is 11 P.M. at their time just to prevent delays.
Ting (agent for Just Brands) mentioned: “The law on working hours became more strict. This only has been like this for a few years. There is a 40 hours workweek. The workers in the factories are allowed to do 10 hours overtime. This needs to be paid. It is different per province and city. It used to be different, the law exists for a long time but no one controlled it. Since two years they are controlling these kinds of things. The workers are not happy with this. They want to work. They come from the countryside (the province) and go to the factories for one thing: to work. They want to work every day if it is possible. They want to make money. They live in the factories. Now they have to fill their time with playing cards in the evening. This only costs them money. They rather work 80 hours than 40. For Dutch people it is hard to understand that they really want to work this hard.”

The fact that the law on overwork is starting to get stricter is a difficulty for the future. They need more people for the same amount of work. Also, if Chinese agents stop replying on their emails in the evening hours more delays will arise.

4.4.4 SENDING PACKAGES

Many packages are being sent out—and from China. These packages contain samples, hardware, lab dips and colour dips. It is crucial that these packages will not get delayed to prevent further delays in the buying process.

Also, if an invoice does not contain the right information and the package gets stuck in custom there is a chance that the sender or the receiver has to pay (the prices can get up to €500, -) to release the package at customs.

During a meeting with PVH product developers the following was mentioned about this: “Customs in China will check everything below 40 dollars and over 60 dollars. You have to make sure that your invoice is correct. If a package has a high value but is small they will check it as well. We had a lot of problems with this. Samples did arrive too late. We are on a blacklist, if we make more mistakes we will be in problems. We make sure that all packages have the right invoices and the right values now.”

This kind of incidents can be prevented if there are clear rules set about sending and receiving packages. Unfortunately this is not happening in every company yet. Chasing missing or delayed packages takes up an unnecessary amount of time.

4.5 MARKET DEVELOPMENTS

In earlier chapter the current market developments and their differences have already been described. These developments can have negative and positive effects on the collaboration of China and the Netherlands. The negatives will be described below.

4.5.1 RISING COSTS

The costs in China are rising. The wages have gone up quickly. In 2012, a total of 25 provinces increased their minimum wage by an average of 20.2 percent according to the Ministry of Human Resources and Social Security (China Labour Bulletin, 2013). 70% of all costs come from the fabrics and from sewing. Therefor rising wages have a huge impact on the final buying price.

Factories are struggling to survive, one-third of factories closed their doors due to lack of employees. Big factories (innovation) and really small factories (small quantities) are staying. All this puts pressure on the agents and on the factories because they are still trying to keep to prices as low as possible.

An agent asks about 12-15% income of a total orders. If they handle right they can keep 6% of this money as profit. An agent is expensive. This is a reason why goods from China are getting more expensive. Some companies reject agents and contact persons in China to save money and to make the process more transparent (you know where your money is going). But this can also
cause problems. The workload gets heavy and you will have to travel to China often. Also, you do not have anyone that knows and understands the culture in the working field anymore.

4.5.2 CAPABILITIES OF CHINA

The Dutch do not know what the Chinese are capable of. The see a ‘made-in-China’ not ‘create-in-China’ (as explained in chapter 3.5). Not being aware of the capabilities of another is not necessary a difficulty. But being aware of their capabilities would definitely be more beneficial. A Chinese office or agent becomes more useful when they can do more work for the Dutch companies. In that case they will be more than just a service-hatch, they will already some of the think for the Dutch employees.

4.6 SUMMARY

There are difficulties in doing business between Dutch fashion companies and Chinese offices. These difficulties can affect they efficiency of the cooperation.

- Distance forces Dutch companies to plan far ahead.
- The Chinese weather affects the factory circumstances.
- Building relationships is very important in China. Unfortunately this takes up a lot of time.
- Chinese people are afraid to say ‘no’.
- The cultural differences between China and the Netherlands can affect the cooperation.
- There is knowledge about each other’s cultures, but this could be increased more.
- Language is a problem because English is not the main language for both parties.
- Misinterpretations are made due to language differences.
- Time difference should always be taken in account.
- Manners and habits differ in both countries. If there is no knowledge about these differences insults and mistakes could be made.
- Sometimes it is unclear what the tasks for both parties are.
- The Chinese see their language as something very important, but it is hard for Dutch people to learn Chinese.
- If a Dutch manager can speak Chinese a little this can cause troubles.
- A communist party rules China.
- Corruption is an issue in China.
- Employees are forced to work longer to prevent delays.
- There are issues in sending packages.
- The Dutch managers do not always know what Chinese employees are capable of.
CHAPTER 5: ADVANTAGES

Besides all the difficulties there are also advantages in doing business with China. These advantages will be described here. The sub-question “What are the advantages for Dutch fashion companies to work together with a Chinese office?” will be answered in this chapter.

5.1 IN GENERAL

Chinese agents or offices might bring some complications into the buying process. But there are also a lot of benefits in having a contact person in China. Chinese office or agent can be beneficial for a few reasons:

1. TRAVEL EXPENSES
Without an agent a Dutch company will have to travel to China often to do quality checks, source and visit new factories. Travel expenses can go up to thousands of euros. Having an agent or office in China does not take away all travel expenses. In most cases it is still necessary to travel to China. These trips could be needed for things like explanations to the employees in the Chinese offices or for meetings with new vendors.

2. WORKLOAD
As soon as an agent starts to become familiar with a brand and their brand values they can take over some of the work of the Dutch office. They can explain certain aspects to the factories immediately. Examples could be; further explanation of the product manual, branding and the quality level. They can also already discuss the prices. The buyer will not have to do this anymore (this does depend on the needs of the Dutch company).

3. TIME DIFFERENCES
Problems in the factories can be solved with the agents in China instead of the Dutch companies. The Chinese agents will be on top of the product. Discussing issues will go faster. If there are problems that need to be discussed with the Dutch office it can take up more time. Replying is usually slower due to time differences.

There are also advantages when it comes to culture, communication, regulations and market developments. These will be described below.

5.2 ADVANTAGES IN CULTURE
It is safe to say that the cultural differences between China and the Netherlands are big. It takes time for both parties to understand each other’s culture and needs. Even though a Dutch buyer tries to become an expert in Chinese culture and behaviour they are still different.

A Chinese contact person will have the same (or similar) culture background. In chapter 2.2.2 the value of Chinese in –and out-groups have been described. Chinese give preference to someone of his or her own group, in this case, another Chinese. Chinese people will know how to negotiate with other Chinese best. Dutch people can be too direct sometimes.

Also the other cultural differences bring issues (as explained in 4.2.3). These differences become an even bigger issue when a company does not have an office or an agent in China.

5.3 ADVANTAGES IN COMMUNICATION
In chapter 4.3.1 the fact that English is not the first language for both parties is discussed. Having a Chinese agent or office that has direct contact with the vendors is easier because they speak the same (first) language. They can negotiate and explain in their own language. The message will be better received better because there is less space for false interpretations.
Having a Chinese-speaking agent can also be beneficial in the factories. The workers often do not speak English.

5.4 ADVANTAGES IN REGULATIONS

Even though the regulations differ, the cooperation with China and Chinese agents can give a Dutch company some advantages in this area.

5.4.1 SENDING PACKAGES

There are certain rules when it comes to sending packages to China. Unfortunately things go wrong sometimes and packages get stuck in custom (chapter 4.4.4 Sending packages). A lot of agents are based in Hong Kong. Sending packages is easier there. From there on they can take care of the shipping to the Chinese factories.

There is a downside to this; it can take one day longer. The packages will need to be prepared again and a new courier needs to be arranged.

5.4.2 GRIP ON FACTORIES

With the help of a Chinese contact person a Dutch company can have more grip on the conditions in the factories. They can do audits for the Dutch companies. They are also capable to visit the factories more often, planned and unplanned.

5.4.3 FACTORY CONDITIONS

The conditions for the workers in the factories are an issue. But, in comparison with other countries (for example Cambodia) the conditions in China are relatively good.

A lot of production moved to different countries, such as Bangladesh, but due to safety issues (remember that about collapsing buildings in Bangladesh?) a lot of production moved back to China.

5.5 ADVANTAGES IN MARKET DEVELOPMENTS

In previous chapters the rapidly changing Chinese market have been described. The advantages are explained below.

5.5.1 INFRASTRUCTURE

The Chinese government has been working on improving the infrastructure in China. Because of these improvements it is easier to move goods to other factories (for example; dyed woven fabrics to shirt-making factories). A good infrastructure makes the logistic process easier.

5.5.2 SPECIALIZATIONS OF CHINA

Because most mass production is moving to other countries China starts to get more specialized in certain areas. They develop themselves in difficult techniques. Lingerie or woollen coats cannot be made in Bangladesh. They are simply unable to make complicated garments; China is much further in these techniques.

It is important for a Dutch company to realize this. In the future China will develop and specialize further. The prices might rise but they will become better in certain areas.

5.5.3 TRUST

In general it can be said that a Dutch company is able to trust on China’s timing of deliveries. China is a very stable production country. The deliver a constant, good, quality.

7. Read an article about this happening here: http://www.theguardian.com/world/2013/may/23/bangladesh-factory-collapse-ra-na-plaza
Barbarelle van Bennekom (buyer at Just Brands) mentions: “China is very constant in their delivery of quality, this is important for our brand. Indian suppliers do not keep their word; also, when you explain something they’ve forgotten the next time they have to do it. India is interesting because of the low wages, but China keeps their word where India fails. We loose money and time in India because they do not keep their word. As long as you pay them they will be loyal.”

5.5.4 CREATE-IN–CHINA
China is developing rapidly. They innovate and they are getting smarter. Chinese agents start to take more initiative. The also start to develop new innovations, this where to government is interested in. This is beneficial for the collaboration because it can increase the efficiency. China will become faster and better in certain techniques.

Schooling is become better. In the future there is an option to move all product development to China. It will depend on the needs of the Dutch company though.

5.6 SUMMARY
The benefits in partnering up with a Chinese office or agents for a Dutch company are:

- Travel expenses are lower.
- The workload will be less heavy.
- Time difference will become less of an issue.
- A Chinese employee will have the same cultural background. They will understand the vendors better.
- The Chinese employees have the same first language as the vendors.
- Sending packages will become easier when the office is based in Hong Kong.
- The Chinese employees are able to visit the factories often. The Dutch company can have more grips on the factories.
- Infrastructure in China is relatively good.
- China is getting more specialized, this is beneficial for the future.
- Chinese people can be trusted.
- China is developing; this is beneficial for the future as well.
CHAPTER 6: CONCLUSION

The differences, current situation, advantages and disadvantages all affect the efficiency of doing business between Dutch fashion companies and their Chinese offices. In this chapter the main-question will be answered: How can Dutch fashion companies make doing business with their Chinese offices more efficient?

There are a lot of things that a Dutch fashion company could do in order to increase the efficiency between them and their Chinese offices (or agents). Below the steps that could be taken will be discussed.

Some of the steps described below seem logic and simple, while others might be more complicated. But not all these ‘simple’ steps are executed in every company. Following these simple steps will lead to increased efficiency without too much effort.

The outcomes from some of these recommendations are not surprising, but not all companies proceed accordingly yet. The reason for this is that time pressure and budget take the overhand in most situations. The Dutch managers simply think that there is no time for the recommendations below or they do not even realize that it is not happening in their companies yet. Because of time pressure they often forget to take a step back to see what they can do to improve their relationship with the Chinese employees. Also it might not be clear what the urgency is, they do not know that they can improve their current situation.

A company should decide whether to implement these recommendations or not. The urgency of these steps might differ per company. It depends on the size of the company, the goals and the financial situations. It will even differ per individual. Personality also plays an important role in this. The end goal for the company in matter should be saving time and therefore money.

6.1 IN GENERAL

Most managers in the fashion industry are pleased about the collaboration with their Chinese offices or agents. Nevertheless, most of these managers agree on the fact that there is room for improvement. Below recommendations that can increase efficiency are described:

1. ACKNOWLEDGE THE DIFFERENCES
   One important thing is to always take the differences between cultures in account. They should understand the differences in behaviour, language and culture. Being aware of these differences can prevent insults and miscommunications. This can save time and will help to build a stronger relationship. This cultural awareness will automatically be obtained after years of experience but it will help if managers inform new employees on beforehand.

2. TAKE THE DISTANCE IN ACCOUNT
   Employees on both sides should always take the distance factor in account. Because of this large distance it will take a while for goods to arrive. A correct planning can avoid mistakes and delays. Also keeping the location of their factories in the back of their minds is helpful, some areas are harder to reach than others.

3. MAKE SURE THAT YOUR AGENT/OFFICE IS PRO-ACTIVE
   The agent(s) or the employees at the Chinese office should be pro-active. Make use of their knowledge, give clear tasks and let them take orders. The Chinese should be more than only a service-hatch. If a Dutch company does this they will have to travel less. This can save up a lot of money and time.

4. WORKING TOGETHER AS ONE EFFICIENT TEAM
   It is important for both parties to work together as one efficient team and not as two different
companies (especially when the company in matter has a office in China). They should keep in mind that they are working for the same company. It is important to always be transparent about tasks, regulations and money issues.

Remember that you can learn from each other. The employees at the Chinese office might have more knowledge about technical aspects while the Dutch employees might have more knowledge about financial aspects.

### 6.2 CULTURAL IMPROVEMENTS

Most improvements according to cultural aspects that could increase the efficiency between two offices are concerning knowledge. But it also takes time, these steps cannot be reached in one day.

#### 5. LEARN ABOUT THE BASICS OF CHINESE CULTURE

Culture is very an important aspect in China. A Dutch fashion manager would do well to study the basics in Chinese culture (for example; Geert Hofstede). More knowledge about Chinese culture could be beneficial because the Dutch manager will be able to understand them better and less mistakes will be made. This also works the other way around. This cultural awareness will grow over the years, but it can also help if a company offers courses to enlighten their employees.

#### 6. TAKE THE DIFFERENCES IN ACCOUNT

Knowing about Chinese culture is step one. The second step is to take these differences into account. Recognizing the differences and considering them when they do business with their Chinese office or agent is important. An example is the fact that China is a 'yes' -saying culture. In this situation a Dutch employee should explain to the Chinese employee that he/she can be totally honest. Trust is an important factor in this regard, this topic will be explained later on. They could also try to make sure that there is no room for interpretations.

#### 7. TRY TO BUILD A RELATIONSHIP

Building a relationship takes time. It can take up to two years before the relationship has been build. This effort can lead to more efficiency because the agent/office will understand the Dutch company. They will trust them and they are willing to make more effort for them. The better the relationship, the more efficient the team will be.

#### 8. TRY TO EARN THEIR TRUST

Earning the trust of the Chinese employees is important for the same reasons as why building relationships is important. If Dutch employees can earn the trust of a Chinese the Chinese are willing to do (almost) everything for the Dutch company. The Dutch fashion managers should take and they also should give. Give the Chinese fair prices and tasks and they will try to do the same thing in return (e.g. they will try harder to arrange lower prices for orders).

#### 9. GIVE EMPLOYEES IN CHINA INSIGHT IN YOUR BRAND AND PRODUCT

Giving employees in the factories and in the Chinese office insight in the brand and the products can lead to more efficiency. They will understand what the Dutch fashion company wants and how their products should look like resulting fewer mistakes. Sending them flyers and pictures with the end consumer wearing the products can result in more affinity in the brand. They could also lecture them about your brand and the products.

### 6.3 COMMUNICATIONAL IMPROVEMENTS

Communication is crucial when it comes to collaboration of Dutch fashion companies and their Chinese offices or agents. Clear communication is important to prevent mistakes and delays. Most fashion companies do have an idea on how to communicate with their Chinese colleagues.
They start with answering their emails (because of the time difference) and they try to leave no room for interpretations. To make communication patterns with their Chinese office even more efficient they could take the following steps:

10. DO NOT LEARN THE CHINESE LANGUAGE
It might seem logic to learn the Chinese language to improve communication, but it is not. Language is a very important factor for the Chinese, but if someone starts talking Chinese to them they will think the person will fully understand in their language. Even if a Dutch manager has full understanding about the Chinese language they might not be able to understand them due to different dialects. Also, it is very hard to keep up with their speed. Learning their handwriting is also hard.

It takes up a lot of time and practice to learn Chinese, it is best to save money and time for other things and continue communicating in English.

11. OR MAKE SURE THAT YOU SPEAK CHINESE FLUENTLY
This does not mean that the plans of learning Chinese should be thrown away. The Chinese will appreciate a Chinese speaking Dutch person. In this case they should make sure that they speak Chinese fluently. It is best to learn Mandarin, the official Chinese language.

12. MAKE SURE YOU DO NOT INSULT THEM
This comes down to the same points as step five and six. Knowing about their culture and about their behaviour will be profitable because there will be fewer chances in insulting the Chinese. The Dutch employees should make the Chinese to trust them. Learning the basics about their manners and habits will prevent the Chinese from being shocked when the Dutch employees visit them. This can lead to more efficiency because they will build a stronger relationship.

13. PLAN IN VIDEOCONFERENCES
A videoconference via Skype can increase efficiency for the following reasons:

1. It saves time
Sometimes it is really hard to explain issues or problems by email. Explaining these issues or problems during video conferences can save a lot of email traffic, and therefore time.

2. Good for teambuilding
It is good to know whom you are talking to. Being able to see each other often will create better relationships.

3. Weekly recaps
Videoconferences can be used for discussing what needs to happen in a week. This is especially profitable when a team is bigger. If everyone is clear about who is doing what and when, time can be saved.

14. TAKE THE TIME DIFFERENCE IN ACCOUNT
Although this is probably already happening I would like to state it again; employees at the Dutch company should start with replying emails from China as their first task in the morning. The time differences can cause delays if employees do not do this strictly.

15. MAKE SURE THAT TASKS ARE CLEAR
Be clear about tasks. Chinese tend to always say that they understand, even though they do not. Also, it is in their culture to do what someone tells them to do, but no more than that. If tasks and responsibilities are described clear it can lead to more efficient work from the side of the Chinese. It should be clear that the Chinese employees are allowed to do more than their job description describes. Making this clear can be done best by earning their trust and building a stabilized relationship.
Dutch companies should agree on one tone of voice within their company. Using the same mediums to transfer documents and set a standard document for comments and for design forms makes it easier for the Chinese to understand.

Integrating a PLM system will also help with defining tasks. In these systems (for example; SAP, Quest) a agent or Chinese employee can only fill in what they need to fill in. Also, operating with a system like this will prevent tasks from being done twice.

16. HIRE A CHINESE NATIVE SPEAKING DUTCH PERSON
If possible it would be ideal to hire a Chinese native speaking Dutch person to manage all operation in the Chinese office (or to work with a native speaking Chinese with a Dutch background). These persons have knowledge of both languages and both cultures, which makes it easier for them to understand both parties.

6.4 IMPROVEMENTS IN REGULATIONS
The fashion managers I have been interviewing claimed that they do not, or have little knowledge about regulations in China. They see these kinds of aspects (e.g. sending packages) as a task of their Chinese colleagues. Still it can prevent mistakes, and therefore delays, if they would take some responsibility when it comes to regulations.

17. TAKE RESPONSIBILITY FOR THE WORKING HOURS AND WORKING CONDITIONS
As described in earlier chapters working hours are an issue in China. They make long days, but they are also willing to do this, it is part of their culture. As a Dutch manager you could take responsibility for these working hours. A Chinese would never tell you that they are not pleased with the amount of workload/hours that they have. Show them you appreciate it (by simply telling them). This is an easy way to build the relationship (which indirect will lead to more efficiency, as described earlier).

The Dutch companies should also take responsibility for fair conditions in the factories. By producing in good factories they do not only take ethical responsibility but it also will bring a more stable and long relationship with the factory managers.

18. REMEMBER THAT A COMMUNIST PARTY RULES CHINA
Remembering this will not change much. But it is still good for a Dutch fashion manager to keep the communism in the back of your mind. It is different compared to Dutch regulations. Because of this, the Chinese work and think in a different way.

19. SET UP RULES FOR SENDING PACKAGES
As logic as it might sound, this is not happening at every office yet. Setting up rules for sending packages can prevent delays. If a package gets stuck in customs due to incorrect invoices it can cost a lot of money and time.

If it is possible to send packages to Hong Kong instead of China they should always do this. The rules regarding packages in Hong Kong are not as strict as in China.

20. TRY TO PREVENT CORRUPTION
The Chinese government is currently trying to fight corruption in their country. A Dutch company could do well to have a Dutch person in their office as a general manager to check on the Chinese employees. This is not always possible due to costs. If an office in China is small, or if a company just has one agent they will have to trust on them. Relationship building can help as well as fighting corruption will help getting fair products for a fair price.

6.5 IMPROVEMENTS IN MARKET DEVELOPMENTS
Being aware of what is going on in China can be beneficial for a company. Below is explained
where Dutch fashion managers should be aware of and why:

21. BE AWARE OF DEVELOPMENTS IN CHINA
China is developing rapidly. A company should make sure that they are aware of these developments so they can use and implement them if needed.

22. BE AWARE OF THE CAPABILITIES OF YOUR CHINESE EMPLOYEES
Dutch fashion companies should be aware of the skills from the employees at their Chinese office (or their agent). They should make use of their knowledge. The Chinese employees are much closer to the factories, where it all happens. If they can already do work, let them do it. This is much more efficient than doing it yourself, it will save you a lot of time. Producing in China is getting more expensive. This is why empowerment becomes even more important for a Dutch company to make use of their capabilities.

HOW CAN THIS LEAD TO TIME AND MONEY SAVING?
Implementing these steps can improve the relationship between the two parties. More understanding about the culture and how to communicate can prevent mistakes. Setting up certain rules for tasks can prevent this too. Also, the importance of setting up tasks should not be underestimated. This saves time and money.

6.6 JUST BRANDS
Now we have come down to the point that fashion managers will be most interested in; how much money and time will it save? To begin I would like to state that this will differ per company and per situation. Below the current company situation between Dutch fashion company Just Brands and Chinese trading office Wentrade will be described. After this the areas of improvement will be described, linked to the recommendations that are mentioned earlier in this chapter. A master budget will be stated as well. To conclude the amount of increased efficiency as well as the fact if this is realistic for Just Brands will be discussed.

JUST BRANDS AND WENTRADE
Just Brands is a Dutch fashion company that is producing clothing for the brands Cast Iron, PME Legend, Vanguard and Tripper. They are operating in China for over 20 years and have a database of different agents, traders and contact persons in China.

Wentrade is an independent Chinese company with offices based in Hong Kong and Shenzhen. The manager of the company, Ting, is a Chinese who grew up in the Netherlands, he is able to speak and understand both languages. The team of Wentrade exists out of 12 people. They are the spokespersons for Just Brands in China. Their main task is to do QC (quality control) but in some cases they will also guide the entire processes. In that case the Chinese employees also take care of the samples and the orders, they have a lot of control in this tasks. Wentrade has been working with Just Brands for over 10 years.

The employees at Wentrade are capable to take decisions for Just Brands in China. The Dutch fashion managers trust the Chinese employees that they know what their customers want. This is not applicable in all situation, the managers in the Netherlands always make the final decisions.

The Chinese employees also translate for the Chinese factories if needed. They do not do this on a percentage base but on a given tariff, but only when necessary. This is cheaper for Just Brands. In most cases this only happen in the beginning. After a while the vendors start to understand the language of Just brands. They will do everything in English or have direct contact with the Dutch buyers. The buyers and designers of Just Brands try to have one clear language, so everyone can understand. They work with systems Quest and Pebblestone to make sure that all information is filled in.
When Wentrade guides all tasks in China (financial aspects, orders and quality control) the costs for Just Brands are 15-20% of the total order costs. The costs are one thing, but what it yields is another point. Of course companies such as Just Brands have several reasons to cooperate with Chinese agents or offices, as explained earlier. It costs a lot of money but often ends in a good product. The relationship between Just Brands and Wentrade is good, both parties are satisfied with the relationship but there is always room for improvement.

The first point of improvement is the fact that not all Chinese employees from Wentrade speak proper English. As well the Dutch buyers as Ting agree that language is a barrier, and that it would be beneficial if the English of the employees in China and in the Netherlands would be improved. A second point is the lacking of in depth knowledge about culture. There is some knowledge about Chinese culture, but there is room for improvement. This also works the other way around; the knowledge from the Chinese employees in Dutch culture could also be improved.

The employees from Just Brands want to work on their relationship with the employees from Wentrade and with the factory managers. They want their vendors to be more honest and they want them to be straightforward if standards cannot be met. The Dutch managers try to always keep the ‘yes-saying’ cultural background in the back of their minds, but it would be easier if the Chinese would be fair about these situations.

Barbarelle van Bennekom, buyer at Just Brands, mentions that it could be beneficial if all employees at the factories and the employees at Wentrade could have more understanding of, and empathy for, their products. The buyers are working on this by showing them images and explaining the products (during visits).

“We sell really big sizes; they really do not understand that if a regular person wears an L who in the world would wear a 3XL. That is why I am bringing pictures, they are amazed about how big the people are.” It is all about understanding the brand and the product, from the perspective of the Chinese employees but also of the Chinese vendors. It takes Wentrade and Just Brands around 1 to 2 years until they have built a relationship with a new vendor. The managers at Just Brands and the employees of Wentrade always try to involve new vendors and explain them about their product and brand.

Another point of improvement is consistency in written communication. There should be created one tone of voice to prevent mistakes and misinterpretations. The buyers are already doing this but the designers sometimes still have some troubles with this. A manual about sending packages is also still missing.

Yanto Busaki, designers at Just Brands states the following about their relationship with Wentrade; “it is all about understanding each other. I think we should try to understand the managers at the factories as well, this is hard.. We want them to understand us, but do we understand them? We never look at something from their point of view.”

Point of improvements in short:
- Improvement of English;
- More knowledge about cultures, from both sides;
- Improvement of the relationship, especially with vendors;
- More knowledge and empathy about and for the products from the Chinese perspective;
- They want to plan in video conferences;
- Consistency in tone of voice.

8. Source information: Edwin van Laer, buying manager at Just Brands.
BUDGET
Just Brands will use the recommendations mentioned in chapters 6.1 until 6.5 in order to build a better relationship with Wentrade. They could invest in the follow things:

1. **LECTURES IN ENGLISH FOR EMPLOYEES WENTRADE**
   To improve the communication process, all 12 employees at Wentrade could follow a workshop in written and spoken business English. In the current situation Ting is the only mediator. In some situations this can cause delays because he has to translate for the other employees when they do not understand.

   This will cost the company €900,- per person. In case they can come to an agreement with Wentrade to split the costs (because it will be beneficial for them too) the costs might halve. This will not be beneficial immediately. I expect that it will become profitable after approximately six months.

   **COSTS:** Price: €10800, - (€900 x 12 employees)
   
   Price if costs are being split: €5400, -
   
   Time: approx. 6 months

2. **LECTURES ON CHINESE CULTURE AND CULTURAL DIFFERENCES**
   In order to gain more knowledge about China and how to do business with China workshops could be followed. An example is a workshop ‘China for experts’ from Guanxi.nu in Utrecht, costs are €75,- per person. If more knowledge needs to be gained Just Brands can decide to follow more workshops later.

   **COSTS:** Price: €1500 (€75, - x 20 employees)

   Time: 1 working day

3. **A BUDGET FOR DINNERS AND TRAVEL COSTS**
   This could be done in order to build a relationship with the employees from Wentrade and the managers from the factories. Besides a budget a time frame should be taken in account as well. Even though Wentrade and Just Brands have been working together for ten years the relationship is build with Ting and the Dutch managers mainly, the other employees from Wentrade are not being involved right now. The employees from Just Brands are already travelling to China a few times per year so travel costs are not taken in account. The budget is for an extra trip to China and dinners and other occasions. I expect that it will take 1 – 2 years until a well trusted relationship with the employees from Wentrade and the factory managers has been build.

   **COSTS:** Price: €10000, -

   Time: 1 – 2 years

4. **TEAM-MEETINGS**
   Team meetings in the Netherlands could be organized to agree on tone of voice and discuss how relationships can be further improved.

   **COSTS:** Time: 30 minutes, every 2 weeks

5. **A SYSTEM FOR VIDEOCONFERENCES**
   A system for videoconferences could be bought as an alternative for Skype. The benefits of this system are that you can easily held group discussions. Weekly meetings could be set up to discuss the tasks. This is also beneficial for team building. The price for this systems cost approximately €7500, - (without screen).

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6. RULES FOR SENDING PACKAGES
This could be done by one of the interns of Just Brands. Doing this will prevent delays in the sampling process and keeps costs lower. I expect that it will take 2-3 months to implement.

COSTS: Time to implement: approx. 2-3 months

Estimated budget: €31900, -
Estimated timeframe: 1 to 2 years

Note: these figures are an estimated budget for Just Brands. Numbers might be different per company situation.

IS THIS REALISTIC FOR JUST BRANDS?
Unfortunately these plans are not realistic for Just Brands at this moment. They are incapable of saving up a €31900, - budget to increase efficiency with Wentrade right now. They are making profit but their net profit in 2012 and 2011 was ten less as it was in 2010 (€11,192,542, - in 2010 against €11,590,000, - in 2011 and €10,090, - in 2012) (Kamer van koophandel, 2012). I would advise Just Brands to implement these steps when profit has been increased further. They could also find another source of finance. They could look for an investor or try to lend money from the bank.

WHAT WILL THEY WIN?
If Just Brands decides to implement these steps in the future their efficiency in collaboration with Wentrade will increase. Below, the increased amount of efficiency and an estimation of the saved costs and time will be described.

I estimate that Just Brands and Wentrade have a 75% efficient collaboration right now. I predict that they can increase their efficiency to 90% in one year if they follow the above-described steps.

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<th>CURRENT EFFICIENCY</th>
<th>75%</th>
<th>FUTURE EFFICIENCY</th>
<th>90%</th>
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EXPLANATION
The relationship between the two parties is good already. But there is room for improvement. Right now the buyers and designers from Just Brands are mainly having contact with Ting. If they build a relationship with the other employees from Wentrade too it will become easier to contact and to trust them. They will become able to speak (better) English. The videoconferences and team meetings will take up time but will result in fewer mistakes and less email traffic.

The extra time that they have to put in the increased efficiency will be roughly one hour each week. I predict that after one year they will be able to save 3 hours each week. They will have to put less time in emailing and calling. The employees of Wentrade will understand them better and will also take more initiative. Also, trips to China can be minimalized (the buyers travel approx. 4 times to China, they could decrease this to 2-3 times).

They put in money, but in the end it will result in saving money. They will save time, and will automatically lead to money-saving as well (in working hours). They can focus on their work in the
Netherlands and have to put less effort in time in explaining and negotiating with the Chinese.

Because less samples will have to be produced an average of €100-200 euros can be saved on one order. (Assumed that the average price for one sample is €30, - and another €120, - for shipping with DHL express). If they have 50 orders in China, and 25% of these orders can be shipped without an extra pre-production sample €1250, - to €2500, - per order lot can already be saved (every season, every 2 months).

The macro environment will also affect the efficiency. China is changing rapidly (see chapter 4.5.2) this will also affect the collaboration with Just Brands and Wentrade. The wages in China are rising but on the other hand they will also start to become more innovative. China will change from a made-in-China to a create-in-China. This is especially beneficial for companies like Just Brands who are always trying to achieve the best quality. Where the SAM's in China might rise the average productivity will rise too. I expect that the average will rise with 10% (from 60% to 70%).

6.7 SUMMARY

There are certain steps that could be taken that will lead to more an efficient collaboration between Dutch fashion companies and their Chinese offices (or agents):

1. Acknowledge the differences
2. Take the distance in account
3. Make sure that your agent/office is pro-active
4. Work together as one efficient team
5. Learn the basics of Chinese culture
6. Take the cultural differences in account
7. Try to build a relationship
8. Try to earn their trust
9. Give employees in China insight in your brand and product
10. Do not learn the Chinese language
11. ..Or make sure that you speak Chinese fluently
12. Make sure you do not insult them
13. Plan in videoconferences
14. Take the time difference in account
15. Make sure that tasks are clear
16. Hire a Chinese native speaking Dutch person
17. Take responsibility for the working hours
18. Remember that a Communist party rules China
19. Set up rules for sending packages
20. Try to prevent corruption
21. Be aware of developments in China
22. Be aware of the capabilities of your Chinese employees.

Implementing these steps will increase the efficiency between these two offices. Time and money will be saved. The impact of certain steps will differ per company.


APPENDICES

for the appendices please visit: HTTP://FINALTHESISTIRSADIJKSTRA.TUMBLR.COM