BRING EFFICIENCY TO THE NEXT LEVEL: MOVE YOUR HEAD OFFICE TO CHINA
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China is one of the biggest exporters for the textile industry in the world, including the Netherlands. China’s textile industry is constantly growing. The Ministry of Industry and Information Technology (MIIT) reports that China’s textile industry will maintain this steady growth in 2014 (Fibre 2 Fashion, 2014). Almost all Dutch fashion companies have daily contact with China in order to make the production processes run smoothly. In most cases the companies will have an agent or a Chinese office to have direct contact with their Chinese vendors. This makes the collaboration with China easier because they can take over the work regarding production, orders and quality control in China.

These agents or employees at their Chinese offices have more knowledge on to do business with other Chinese people. They speak the same language, which makes communicating easier. But Dutch employees at fashion companies are still stuck with one problem; they have to make sure that their Chinese colleagues understand them. Their colleagues have to understand what the brand is about and what they want. The Dutch offices has daily contact with Chinese and still cope with problems.

The problems vary from communicational to cultural issues. English is not the first language for both parties. Besides that, cultures, manners and habits also vary a lot. This results in misinterpretations and mistakes. For Chinese employees it can be difficult to understand what the fashion brand is about and what the Dutch managers want from them. There are certain steps that could be taken in order to minimize these problems and increase the efficiency between the two parties in order to save money and time.

INCREASING EFFICIENCY

Examples of steps that could be taken by Dutch fashion companies in order to optimize doing business with their Chinese office or agents and minimize the above mentioned issues are:

- Know about the Chinese culture and take the differences in account;
- Build a relationship and earn their trust;
- Make them understand your brand;
- Be clear about responsibilities and work together.

Learning about Chinese culture will make Dutch fashion managers understand the Chinese better. Culture is an important aspect in China so you would do well to learn the basics about this culture. Also, Dutch culture differs a lot from Chinese culture. These differences should be studied. Implementing this will prevent communicational mistakes and insults. This first step will help to build a relationship.

A good relationship results in a more efficient collaboration. Trusting each other and understanding each others strengths can save up a lot of time, and therefor money.

Another important step to increase efficiency is the intelligibility of the brand and the products from the side of the employees at the Chinese office (or agents). Brand awareness is important. They will have more affection with the brand and the products. Furthermore, the agents or employees at the Chinese office can answer questions from the direct vendors about the products or the brand. This will save up time and it can also prevent a lot of mistakes in the sample processes.

It is also important to remember to be clear and punctual about job responsibilities. Chinese people tend to never say ‘no’ to anything so it is best to leave little room for interpretations. Dutch fashion managers should be careful with this. They have to avoid that the Chinese only do what they have been asked to do. The Dutch fashion managers should make clear that they are allowed to do things beyond their own responsibilities and tasks. This can result in better recommendations for better, cheaper factories. Making this clear can be done best by earning their trust and building a stabilized relationship.

Working together as one efficient team instead of two will also help with increasing the efficiency. Both parties should also be aware of the fact that
they could learn from each other. The Chinese employees might have more knowledge about technical –and textile aspects where Dutch employees might have more knowledge about financials. Also being aware of the market developments and the differences in regulations in China will help. These aspects can affect the cooperation too.

**BRING EFFICIENCY TO THE NEXT LEVEL**

There is just one little problem that cannot be solved with the above-mentioned steps. Despite all possible improvements there will still be a huge gap between China and the Netherlands. There are distance, time –and geographical differences. This cannot be solved easily but needs a more radical decision. There is one option that could overcome these differences. Therefor you should think one step further:

> Move your head office to China.

This makes the gap smaller and allows employees to be directly involved with the production. If you think about it, it can be inefficient if all decision are made in the Netherlands while everything happens in China and other Asian countries. That gap is too big.

Eva de Laat is a Dutch fashion manager, she is working and living in China. In an interview she mentioned the following: “I think a lot of companies could take an example from Nike. They placed all functions that could be moved to Asia to Asia. They call it their centre of excellence. Their buying office moved to Asia. They do as much as possible there, buying, product development and designing. This makes sense. There is no production in the Netherlands so why should you place your office there? There are mainly Western people at their office but there will probably start working more Chinese people too. With their new educational level this will be the next step.”

Agents and Chinese offices should not become a service-hatch. That is not efficient. They should add value to a company. And why not do this by bringing these two offices together?

**NIKE, INC.: NIKE GREATER CHINA HEADQUARTERS**

In January 2012 NIKE, Inc. announced plans for a 600,000 square foot headquarters in Shanghai, China. This centralized campus will be build at The Springs, Tishman Speyer’s newest mixed-use development in Shanghai’s Yangpu District. They will construct a three office buildings and a five-story multi-purpose conference centre, in a campus-type setting. The facilities where supposed to be finished by the first quarter of 2014, but unfortunately there are no updates yet.

Craig Cheek, VP & GM of Nike’s Greater China geography, said, “This announcement is very exciting and a strategic investment in our continued growth in China. This new campus headquarters will allow us to elevate and expand on our facilities and capabilities while bringing all of our Shanghai-based employees together from our portfolio of NIKE, Inc. Brands into one central campus.” In June 2011, Nike reported more than $2 billion in revenue for the first time for this geography and in its second quarter FY12 earnings reported on December 20, Nike reported a 35% increase in its revenue there. (Nike, Inc., 2012).

Centralizing all activities in China to one greater headquarter will allow Nike to increase their efficiency. They will save time when most facilities are based in one centralized location. My forecast is that this will automatically lead to cost-savings too. The reason is that fewer mistakes will be made. When something goes wrong the managers will be on top of the problem; in the factories. It will be easier to solve problems. There is less room for interpretations because all employees will be based in one building.

They will move all their Chinese employees to one centralized office. The office in the Netherlands will not disappear but tasks will be taken over if possible. They will train their employees in the campus, which belongs to the headquarters. The employees will come from different countries all over the world, including Chinese.

**WHY IS THIS INTERESTING FOR OTHER COMPANIES TOO?**

It might cost money and time to invest in such an operation like this (the amount of money and time will differ per company), but you will also get a lot in return. Your company might not be as big as Nike, Inc. but it can still be interesting to move
your facilities to China too. It will pay off in the following areas:

- It will save time.
If your head quarter will be moved to China you are not dealing with time differences and distance any more. Issues that can normally occur, for example waiting on replies of emails will not happen that often any longer.

- The amount of mistakes will be decreased.
There is very little room for false interpretations. Sometimes, emails or even phone calls can be misinterpreted. If all employees work under the same roof they can easily meet up in person. This will make it easier to explain and negotiate. Also relationships will be stronger, this will make managers and the employees at the factories understand each other better.

- The managers will be nearby the factories and workers.
The gap between the managers and the workers at the factories will become smaller. The managers will have more chances to visit the factories. They can do quality controls, audits and they can build a relationship with the workers and the managers in the factories. There can be a partnership between the head office and the factories.

- It will save money.
The result of moving your head office is that there is no need to have an agent in China to do the work in the above-mentioned step for you. This can save money (an agent asks about 12-15% income of a total orders, source: Eva de Laat).

Willem-Pieter, operating manager in China for MS mode (Maracaibo), talks about their decision to move a part of their functions to China and Bangladesh. “It is hard to measure the financial benefits that our offices in Asia have. The biggest advantage lies in communication. You will have people on the spot that keep track on everything for the office in the Netherlands. They are the eyes and ears in China for the Dutch managers. They follow up the production and they take care of the delivery times. Besides this they will assure that the products will be delivered in the right quality. They will be able to inform the Dutch buyers fast if the quality does not meet the requested level. The offices in Asia also take care of other problems with orders”.

For MS mode the most important reason lies in communication, if we assume that Nike the smart goals from Nike are similar to the ones from MS mode a 20% increase in their overall efficiency in collaboration between China and the Netherlands can be expected.

Why? Because of the above mentioned statements. Communication will become better, it will save time and the amount of mistakes will be decreased. 26% of Nike’s factories are allocated in China, the managers will be nearby the factories and the workers.

TO CHINA
If a company decides to take this step as well there are a few things that should be taken in account:

- The location of your new headquarters;
- The expenses that this movement of headquarters will bring;
- The employees;
- China’s capabilities.

The location of the new headquarters in China has to be decided upon the location of the current factories and the infrastructure. It is important to choose a location that is located nearby the factories and is also accessible. This chance will cost money. It is wise to go over the expenses before any decisions are taken.

Also, a decision upon the current employees has to be made. Will you relocate employees from your Dutch office to China or will you hire new
people? They could decide to hire more Chinese people since they know the language and the culture. The knowledge of the Chinese people is constantly growing; many Dutch fashion managers have little knowledge about what the Chinese are capable of. Keeping this in the back of their minds can help them to take this decision.

In the end the decision is not up to me. It has to be realistic for a company to operate these types of movements. This will depend on the financial health and the time and money that a company can put into it. Put advantages and disadvantages next to each other, and decide whether this might be a good choice for your company. You should ask yourself the question; why is my headquarters still based elsewhere?

**SOURCES**


