

SECRET ASPECTS OF FUTURE ENGINEERING

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ABSTRACT

What can small and mid-size businesses (in particular their engineering staff) do to take the chance of doing business with foreign customers yet reduce the risk?

1. INTRODUCTION

Supplying foreign markets with localized, or even locally manufactured products is regular business for big corporations. They can rely on a large local sales force and use their manpower and financial resources to satisfy foreign customers needs. - Small and mid-size businesses in particular manufacturers of scientific equipment or R&D centers do not have and can't afford this infrastructure. Fortunately the KMUs (SMEs) experience an increasing demand from overseas in particular from Asia. In the past most likely the equipment was purchased "as it is". However nowadays customers do not accept standard solutions, they have special requirements which can't be ignored if you desire to win the business.

2. KEY FACTORS FOR SUCCESS

Based on personal experience (including learning from my own mistakes), continuous exchange with business professionals and studying various resources the author has identified 6 key factors for success. Some may appear as "strange" others as common sense and logic. However even the latter ones can be forgotten if one is away from home in a very different setting, jet-lagged and eager "to get the order for the project".

3. MOST IMPORTANT: YOUR (CUSTOMERS) POINT OF VIEW

Try to put yourself in the shoes of your customer and try to see your project thru the eyes of your customer.

- This will help you to identify, what your customer truly wants.
- Trying to push your customer to accept your idea may be dead ended.

4. YOUR TIME AND YOUR MANPOWER

- Consider the additional time and manpower (your money) needed to clarify, acquire, process, deliver and support your project.
 - Ignoring this fact will surely cause (financial) problems.
 - Plan your cost & your price to be significantly higher compared to a local customer.
- Note: If your foreign customer complains about this price increase, explain your added expenses/his benefits (like an user manual in his language).

5. COMMUNICATION

5.1 (Get to) know your customer!

“It is important to have the opportunity for common activities outside of the business (i.e. going out for sport, sightseeing, dinner etc.) in order to get to know your clients and/or get to close to your client. This may not be that common or appropriate in the Western business world though it is very important component of the business in Asia in general.

This will help to make your general communication with your clients more easy and smooth and especially in any difficult phase of the business, you will truly appreciate that you have done this in advance. “[7]

→ Asian customers do prefer frequent (!) personal visits, most important is the personal presentation of items listed before

→ Consider the exchange of and between people: invite your customers staff to work with your team; either at your facility or even better at your customers site. The latter one has the advantage, that your team gets inside views about your customers needs and daily routines. Include students and interns to do this important job! They are not as experienced as your regular staff however personal motivation and the lower cost will more than compensate this.

5.2 Does the culture of my customer allow him to communicate freely and clearly?

→ “Yes” may only mean, “Yes, I hear you”

→ “No” may be avoided, instead “difficult” may be used.

→ My customer may not want to “lose his face”, so answers may be avoided or unclear.

→ The topic may make my customer feel uncomfortable, so he avoids to give a reply.

→ ” „We will come back to you“ may mean „straight No“ or „they truly have to get consensus in the company and will really come back to you“ .

Therefore, you need to understand which of the above they mean.” [7]

5.3 Language barrier

Even if a translator is present or your customer generally understands English, misunderstandings are happening easily. “Try to use always „closed questions“ rather than „open questions“ at the first meeting! As many of your Japanese clients do not feel comfortable enough to express their opinion in English, so they might rather say nothing in that case. Rather test your clients language skills by using only „closed questions“ first and in case their language skills are good and they seem to be open minded then, use „open questions“ later.” [7]

→ It is important to explain, confirm and get agreements on important matters in writing.

→ Use short sentences, with a well known vocabulary.

→ Support your text with sketches, photos or video sequences.

5.4 Voluntary training

Does my customer really have the (technical) knowledge to understand me clearly?

“Many Japanese Professionals do not have the same level of Engineering education as their German counterparts. But they are very proud of the fact that they graduated from a well known university. Therefore, they tend not to admit that they do not know something. In order to avoid misunderstanding in such situations, use sentences like „you mean that, right?“ This way your client has to say „yes“ or „no“ to the question and they don’t have to lose their face in front of you.” [7]

→ Detailed explanations may be needed (from me!) to avoid misunderstandings.

→ Do not expect, that your customer will get the information by himself.

5.5 Do I/we understand my/our customer?

Fact: We like to hear, what we want or assume to hear!

→ Ask again, if you aren't sure about what you have heard.

→ Listen to your customer carefully until he finishes his talking, the most important statements may be made at the end! (don't interrupt his talking because you come to a conclusion already.)

5.6 Consistency

Technical specifications (and prices) must be repeated the exact same way.

→ If not, the customer may question the various statements and repeatedly (!) ask for detailed proof of the statements.

(Example: Answer 1: Operating temperature is 0..+30 degr. C;

Answer 2: Operating temperature is -10..+40 degr. C)

Now the customer is wondering, which one is correct?

5.7 Chain of command

“Sometimes you may be surprised how much „decision making power“ an „employed“ CEO has in a Japanese company. Many company's (there are always exceptions!) decision making process is very long, formal and complicated and you need to have some patience.” [7]

→ Clarify your customers chain of command early.

→ Identify the person making the final decision.

Note: for Westerners all Asians seem to look (and corporate dress) the same. It sometimes seems difficult to identify the ranks.

→ Include the final decision making person in the final negotiations/confirmation about content, price, terms and conditions. Otherwise this person may ask for another discount after you think everything already has been agreed upon (however in reality with lower ranked persons).

5.8 Feelings

This non-technical reason has killed many projects early on or much later.

→ Your (Asian) customers feelings about the project, your company, your staff is important from the first minute until and beyond the delivery and installation. It is worth checking your customers feelings frequently.

5.9 Conflicts/Emotions

In the Western Business World Emotions are not hidden. One can clearly show & read the others body language. Conflicts and settlements are part of doing business.

→ In Asia try to stay calm! Always! Otherwise you will loose your face (= respect), which may not matter to you, but it surely does for your customer. Worst, in this situation you may make irrational decisions, which only hurts you (financially).

→ No matter how difficult the situation may be, avoid conflicts. This will only lead to waste of (your) time and energy. If you face a request which is (almost) impossible to meet, try to work around it, or request time to discuss the matter with your experts at home.

5.10 Time

What is the understanding of “time/timing” for my customer?

→ Communicate/exchange your project schedule frequently with your customer. They may also experience delays in their part of the project. In this case your delay is not critical.

→ You don't like surprises? (Like being told by your supplier about a delayed delivery *after* the due date?) Well, your customer does not like such kind of surprises either.

6. TECHNICAL STANDARDS

6.1 Technical standards

DIN/ISO is not almighty; there are other standards used on this planet (e.g. JIS)

→ check for applicable standards and necessary approvals in your customers location

6.2 Common (local) practice

To make your product/solution being well accepted by your foreign customer, more than just the local language is needed. Nowadays in particular software is based on symbols and process charts.

→ Try to learn from/with your customer the important rules & symbols.



Japanese signs for OK, REJECT

7. FINANCIAL

7.1 Your Investment

As explained in 4. your money (more money than usually) is needed to finance any project. Are you truly willing to take the risk?

7.2 Exchange rate

Within the EUR zone it is easy to plan, because we use the same currency. Doing business with customers located outside the EURO zone the aspect of varying exchange rates is rather important (for my customer and for me).

→ be careful committing to contracts in a foreign currency; and if so, try to secure your exchange rate up front

→ if your contract is in EUR, consider your customers point of view: In case the exchange rate changes to his disadvantage he may consider to cancel it.

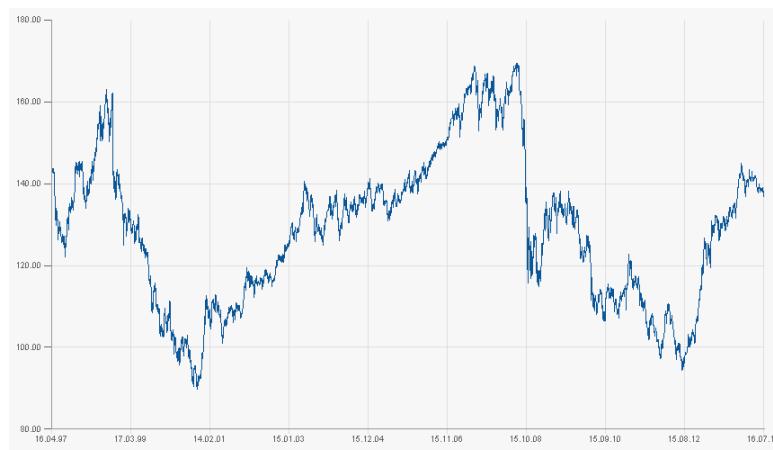


CHART: YEN vs. EURO Peak: 170 Low: 94 Source: finanzen.net

7.3 Export limitations

First identify the (final) destination/country of your product/equipment. Also search for the applicable “harmonized code”, which is used internationally to identify a product/system. Then contact the “Bundesamt für Wirtschaft und Ausfuhrkontrolle (BAFA)” to check for any kind of export limitations (e.g. dual-use). Otherwise you may be stuck with a finished project and no/little chance to get it to your customer.

7.4 Import limitations or fees

Some countries limit or even restrict the import of certain goods e.g. to protect the local industries. Sometimes high import taxes and fees are imposed.

→ Have your customer check for these details up front. Your customer may be surprised, that the price for your project will double because of import taxes and fees.

→ BETTER: If you have no experience with the export/import process then try to agree on EXW terms. It means, that it is your customers responsibility to arrange everything from pick-up & packing at your company, transport and customs (export and import).

8. LEGAL

Contracts consist of legal clauses and a place of legal settlement. Consider the following facts:

8.1 Making a claim

Regardless of the place of settlement the chances of a successful claim at reasonable cost is rather slim (in the end you will likely loose money).

8.2 Trusted relationship

Regardless of the finest details of the contracts, a trusted relationship, which can also work out difficult situations wins hands down.

→ Keep the contract short and simple.

→ Break down your project into “milestones”/project steps: after your delivery & acceptance of each milestone your customer shall make the payment for this milestone. This way, your customer receives the project step-by-step, and you receive your money step-by-step; thus reducing the overall financial risk for both, you and your customer.

8.3 Protect your know-how

Most likely your project includes the transfer of (your) know-how, at least some part of it!

→ So you must plan in advance,

- a) what you are willing to share,
- b) how you are willing to transfer it
- c) about ways to protect certain key solutions.

9. CONCLUSION

Doing business with foreign customers is valuable, profitable and possible even for small and mid-size companies. Specific considerations and preparations help to reduce the risk or avoid failures. Taking this to heart will successfully *Shape the Future by Engineering*.

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