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MCC'S 19 YEARS OPERATION IN BALOCHISTAN  
A CASE STUDY ON DEVELOPING SOCIAL PERFORMANCE IN  
THE CONTEXT OF CROSS CULTURAL MANAGEMENT CHAL-  
LENGES

中冶集团在俾路支省深耕19年  
跨文化管理挑战背景下发展社会绩效的案例研究

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ABSTRACT

China Metallurgical Group Corporation(MCC) ran the Saindak Copper-Gold Mine for 19 years after it completed its contract for the mines' construction in 1990. MCC later won the bidding for operating the mine, and started the first 10-year lease contract in 2002, which was renewed twice in 2012 and 2015 for two 5 year periods until 2022. In this case study we will investigate MCC's successful social performance experience, and explore what the core factors are in helping to develop the local community. We hope to show how this company managed to work with local people, successfully enough to be rewarded with the contract renewals for operating the mine.

Key words: social performance, cross culture management, developing local community

## Seeing

China Metallurgical Group Corporation (MCC) completed the construction of Saindak Copper-Gold Project (SCGP) in 1995, and handed it over in 1996 to a Pakistani national company, The Saindak Metals Limited (SML), which focuses on exploration and development of non-ferrous minerals, and extraction of base metals in Pakistan. However, the project remained closed from 1996-2001 because of financial and technical constraints after a successful trial operation producing 150,000 tons of blister copper. The Pakistani government sustained a loss of Rs.300 million annually on the payment of employee salary and maintenance costs for the equipment and facilities. In 1999, a committee of Pakistan's Federal Cabinet proposed to lease the project in order to restart it, and through bidding, MCC won the leasing contract in 2001 and started operations in 2002.

In the leasing contract, along with other default economic clauses, corporate social responsibility (CSR) was listed clearly as an objective, as MCC had to pay a portion of its profits to the Government of Balochistan annually to develop the community and improve the local economy.

Through March 2019, significant progress has been made in uplifting the local communities near the Saindak project, such as the villages of Alamof and Taftan.

CSR related activities can be summarized as the following:

- Jobs offered to locals and training: Of the 1,800 employees of the Saindak project, 80% are Balochistanis. On-the-job training is provided year round, including basic skills for foremen, safety training, management training for workshop chiefs, technology skills training, etc.

- A hospital with 20 beds was built and locals enjoy free medical service.

- MCC built a water plant which offers water to neighboring villages for free.

- Free electricity became available for villagers.

- MCC built the Saindak Model School of mixed genders where local children can get educated and make the best of limited investment as well as following the mode of Chinese educational institutes. Scholarship is also provided to talented students for further study in reputed schools.

- The road was repaired from Taftan to the Saindak project.

- Total spending on CSR since 2002 is more than Rs1,033.00 million Pakistani rupees. (Pakistan Government Working Paper, 2019)

In this case study we will investigate MCC's successful social performance experience, and explore what the core factors are in helping to develop the local community. We hope to show how this company managed to work with local people, successfully enough to be rewarded with contract renewals for operating the mine.

In addition to the above mentioned activities, to better manage the cross-cultural integration for the Chinese employees working abroad in Pakistan and the local Balochistanis working with Chinese colleagues, MCC has made a great effort in appointing candidates suitable for overseas work, offering them background seminars on the cultures of Pakistan

and China, training workshops focused on skills and safety, creating programs to strengthen people-to-people relationships among the employees of two countries, organizing festival events collaboratively to introduce employees themselves to the different cultures, thus anchoring the sustainability of the programs in a deepening mutual understanding.

In selecting Chinese candidates to be dispatched to the Saindak project, MCC established criteria for the candidates to be linguistically competent, open-minded with previous overseas working experience, and able to work in harsh environments like unfriendly weather and unstable societies. All the Chinese employees of the Saindak project can communicate in English professionally and in daily life, which has made it easier for conversations to happen, a realistic strategy for developing personal relationships. In the HR (Human Resources) department, there is a local language translator from the Chinese side helping with training for frontline workers as some of them are not well-educated in English. Before any newcomers are sent to the project, MCC has a one-week orientation program for them to learn the basics of Muslim culture, the history of the Pakistan-China relationship, the environment of Saindak naturally, geologically and politically, and safety training for female employees, considering their minority status compared to the all-male pool of Pakistani employees and significantly a very large ratio of their Chinese colleagues.

To help Pakistani employees understanding Chinese cultures, management staffs are invited to attend celebrations on occasions like Chinese traditional holidays, National Day activities, and New Year's Eve. What's more, to motivate participation of all employees from both sides, games and competitions are created including physical games like tugging, football, and basketball. Programs like voluntary

tidying-up after workshops open to all employees, are meant to create a more pleasant environment and strengthen shared values. (MCCT Wechat Official Account)

With the efforts in helping local communities to develop, and plausible programs to manage culture differences, MCC has maintained its role in running the Saindak project for about two decades, extending its stay from an initial 10 year contract to 15 years and another 5 years till 2022. The latest news is that MCC has won another 15 years leasing agreement with the Government of Balochistan for the exploration of the East Ore Bay. Long before the Belt and Road Initiative, MCC has already made its mark in Pakistan.

However, still there are negative attitudes toward the Chinese within the Saindak project. For example, as yet there is no girls school in Saindak, neither government nor private. Muslim communities may have different expectations regarding how girls are to be educated, if at all, that may conflict with Chinese assumptions about CSR objectives: first as to whether girls should be educated; second, as to how girls should be educated, i.e. in a school exclusively for girls or in a coeducational school.<sup>1</sup> Some have alleged that the Chinese are developing a new form of colonialism through cultural penetration extending their political influence, for example, requiring their Pakistani management colleagues to watch their National Day celebrations streamed online. Despite the promises of the MCC, local people are still suffering. They only get basic necessities after organizing protests and still some of them live without water, electricity, etc. (Notezai, 2021)

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<sup>1</sup> Because of the deeply rooted patriarchal culture in Pakistan, girls' or women's education is not valued the same as males. Out of the 22.5 million children denied education aged 5 to 16, 44% are boys and 56% are girls, according to the data available in 2019. As majority schools in Pakistan are same-sex, co-education is seen as a rarity especially in rural areas like Saindak.

Such complaints raise the larger question why a company operating overseas must develop a strategy for managing its impact on different cultures? Is there a standard or limit on how cross-cultural management should be conducted? What is the relationship between managing cultural conflict and developing local communities?

### Judging

Imagine these scenarios:

Scenario 1: You, a Chinese employee, recently joined MCC, and arrived at the Saindak project safe and sound with heavily armored forces and vehicles guarding you and your colleagues all the way from a tiny airport to the Chinese staff residence for the project. Along the way, you saw nothing but mountains and desert with no human traces. You felt terrified considering the fact that the project is adjacent to Afghanistan and Iran. Is it really safe working here? You couldn't stop yourself wondering.

Scenario 2: A Balochi employee was told he had to be at his post always during working hours. However, as a devout Muslim, he must practice the ritual of prayer five times every day which is part of his basic identity. He felt he was being humiliated by the workplace policies, so he decided to quit.

Scenario 3: As the workshop chief, a Chinese supervisor was giving instructions on how the work should be done to his Pakistani subordinates. When asked whether he had made himself clear, the workers shook their heads unanimously while saying yes. The supervisor was in perplexity: do they really understand what I said? Why did they shake their heads indicating yes? Is that because my English is not accurate and contributed to their confusion?

Scenario 4: A Balochi denied his wrongdoing even after being caught on the spot

by his Chinese supervisor who pointed out the misdemeanor in front of other co-workers. The supervisor got very upset with the subordinate because of his dishonesty. However, to his surprise, later the same person knocked on his door when he was alone in the office and acknowledged his error while apologizing for the previous encounter. The Chinese supervisor felt confused about this flip-flop and hesitated whether he should give that Balochi another chance.

Cross-cultural management happens when a manager supervises employees from a culture other than his or her own or when employees on a team are from different countries, as well. To be effective in managing the differences, the manager must identify and acknowledge the differences in cultures, practices and preferences of the team members.

What are your reflections on the aforementioned scenarios? Do you think these incidents would have occurred, if not in the context of different cultures? If your answer is no, then you know why we are focused on the challenges of cross-cultural management. Nevertheless, this is just the tip of the iceberg of what is involved in managing a diverse team. There is more than the etiquette, or rituals to be considered but the core values behind them, for example, how people view honor and shame, what the decision making processes of various nationals are, what the business structures are, etc.

Cross-cultural management in business terms means a company is making efforts to help its people interact effectively with professionals from other backgrounds. It indicates the company recognizes the differences in national, regional, and ethnic levels in manners and methods and seeks to integrate them. (Kopp C., 2021)

Cross-cultural management happens when a manager supervises employees from a culture other than his or her own or when employees on a team are from different countries, as well. To be effective in managing the differences, the manager must identify and acknowledge the differences in cultures, practices and preferences of the team members. They should modify or adapt certain business processes or systems, like the communication system or the decision-making process, so as to make sure the diverse team members work with efficiency (Ahmed A., 2018).

MCC was successful in recognizing the differences between the two different cultures, such as the language, religious beliefs, and customs; furthermore, they made corresponding changes to accommodate the new reality of operating within the host culture, for example, by accommodating working schedules for Balochis, including Pakistani managers in the decision making process, and creating programs and systems to integrate employees from two countries professionally and in their understanding of each other's lives. With those achievements, they have spent more than a decade to identify the subtle variations, making changes gradually until they could make policies or regulations to converge toward shared values. Yet, to change people's views or practices, it takes time and great effort. What's more, the company has to be especially cautious not to fall into the trap of cultural

colonialism when managing cultural differences, in particular when the foreign culture, such as China's, represents a more advanced status compared to the host ones.

The same goes for developing the local community as part of a corporation's social responsibility (CSR) in terms of the long time it takes as well as the way local people view the more dominant culture. To help the locals to develop economically, in MCC's case, to help alleviate poverty, it is important and critical they identify and respect the local culture, and make accommodations when handling certain issues, whether it is to offer them jobs, helping locals with medical services or building a school so the children could enjoy their right to be educated. MCC started involving some local people first until they could proudly declare that in every household there is at least one man employed at the Saindak project; they built a school open to both boys and girls, at first, to accommodate the needs of all children for an education; later they hoped to go further toward opening a school exclusively for girls, tailored to the local Muslim culture; and, consistent with local expectations, they made sure that the doctors or nurses there are mostly males. However, behind the fears of some people that they are not doing enough, there are cultural differences and the realities of a lengthy process of developing mutual understanding. There is also the challenge of setting CSR policies not simply to polish the firm's corporate image, but to create programs which truly benefit locals, whose outcomes can be measured.

## Acting

MCC is entering its third decade successfully running the Saindak project, while also addressing the criticisms and calls for improvements. As China and Pakistan deepen their connections, particularly within the CPEC (China and Pakistan Economic Corridor) projects proposed for the Belt and Road Initiative (BRI), more and more Chinese firms are going overseas to invest in large projects to gain profits, expanding the influence of Chinese culture and helping the locals to develop at the same time. In the post-pandemic era of globalization with its new challenges, MCC and similar Chinese companies still have a long way to go and a hard battle to fight.

To avoid being tagged as cultural imperialists, the Chinese company (that is, a foreign culture) going overseas has to abide by the rule of equalization, respect, and most importantly, transparency.

Equalization requires the company come up with systems for selecting candidates impartially, without prejudice based on their own background or attitudes toward other cultures, especially for management roles. Equalization means that the payment should be equal among employees of different cultures, which generally raises questions; as most of the time, locals are more often hired to carry out lower level positions with lower wages. The HR department should work with their Pakistani counterparts to develop relevant systems to reflect the core value of equalization among the team members.

Confucius' teaching has been quite adamant about the importance of mutual respect. "A youth, when at home, should be filial, and,

abroad, respectful to his elders. He should be earnest and truthful. He should overflow in love to all, and cultivate the friendship of the good. When he has time and opportunity, after the performance of these things, he should employ them in polite studies." (*Analects*, Book I, Chapter 6) In Book VII of the *Analects*, the Master is depicted as "mild and yet dignified; majestic and yet not fierce; respectful and yet easy." (*Analects*, Book VII, Chapter 37) With regard to our concern with cross-cultural management, the ancient sage described respect as the core virtue for winning trust and friendship: "Let the superior man never fail reverentially to order his own conduct, and let him be respectful to others and observant of propriety:-- then all within the four seas will be his brothers. What has the superior man to do with being distressed because he has no brothers?" (*Analects*, Book XII, Chapter 5) Respect other cultures, the traditions, the practices, the rituals, and the people, only then can mutual understanding being achieved before creating shared values and building an integrated team.

Transparency as the foundation of all business conduct requires the company to keep the locals abreast of developments impacting their communities, especially on the environmental, economic and political bases. Exploration of natural resources raises environmental concerns like pollution, over-exploitation and sustainability. On financial terms, the locals should share in the benefit of the project economically and data should be shared with local partners and related parties.

## Conclusion

MCC has made a great success in Balochistan in running an overseas project and managing across cultures in spite of criticism from various sources. Cross-cultural management is not completed in a day or two, neither is fulfilling a company's CSR mission. MCC needs to further improve its practices and strategies to make it more transparent for international inspection and for other Chinese companies to learn and perfect.

## Discussion Questions

1. How do you define cross-cultural management?
2. Have you ever encountered another culture professionally? And how did you respond to it? How much guidance did you receive from your company's policies?
3. Do you think China is on the verge of cultural imperialism particularly in the CPEC and BRI projects? Why and why not?



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