**THE CHINESE WAY IN BUSINESS**

by BOYÉ LAFAYETTE DE MENTE, 2013

*"Do not be in too much of a hurry to get things done. Do not see only petty gains. If a man hurries too much, things will not be done well or thoroughly. If he sees only minor advantages nothing great is accomplished." - Confucius*

(9) Business ethics and practices are strongly influenced by the cultures of the regional divisions. Neither traditional nor modern China can be understood and dealt with effectively without taking into account its huge size and the ethnic, racial, religious, and cultural regions of the country.

(15) Major languages in China, including Mandarin, Cantonese, Shanghaiese, Fukienese, Hokkien, Hakka, and Chin Chow. They are just pronounced differently in the different languages. *This means the Chinese could read the different languages without being able to speak them.*

(19) Mandarin Chinese is "*straightforward*" and less complex than many other languages. Most of the rules of Chinese grammar have to do with word order rather than word changes.

(21)

*USEFUL EXPRESSIONS*

Thank you Xie Xie (shay shay)

Very good Hen hao (hern how)

Tasty Hen hao chi (hern how chee)

Cheers (toast) Ganbei (ghan-bay)

Friendship? Youyi (voe-ece)

How are you? Ni hao ma? (nee how mah?)

(22)

O ling (leng) 17 shi-gi (shur-chee)

1 yi (ece) 18 shi-ba (shur-bah)

2 er (rr) 19 shi-jiu (shur-jee-yu)

3 san (sahn) 20 er-shi (ry-shur)

4 si (suh) 21 er-shi-yi (ry-shur-yee)

5 wu (woo) 25 er-shi-wu (rr-shur-woo)

6 liu (lee-yu) 30 san-shi (sahn-shur)

7 qi (chee) 31 san-shi-yi (san-shur-ece)

8 ba (ba) 38 san-shi-ba (sahn-shur-bah)

9 jiu (jee-yu) 40 si-shi (suh-shur)

10 shi (shur) 50 wu-shi (woo-shur)

11 shi-yi (shur-eee) 100 yi-bai (eec-buy)

12 shi-er (shur-ry) 200 er-bai (rr-buy)

13 shi-san (shur-sahn) 500 wu-bai (woo-buy)

14 shi-si (shur-suh) 1,000 yi-qian (eee-chee-inn)

15 shi-wu (shur-woo) 10,000 wan (wahn)

16 shi-liu (shur-lee-yu)

(23)

Good morning / Jo san Joe sahn)

Good night / Jo tau (Joe tah-un)

Goodbye / Joy geen Joy gheen)

Thank you (for service) / M'goy (Mm-30y)

Thank you (for gift / Doh jay (dor chay)

Yes / Hai (Hie)

No / M'hai (Mm-hie)

(33) The so-called Cultural Revolution did not end until Mao died in 1976. Deng began promoting the reconstruction of China along capitalistic lines after viewing the amazing economic success of Shenzhen near Hong Kong, “to get rich is glorious.”

(35-44) The only road to wealth and power was through education, that emphasized science, math, the English language, and foreign cultures. The education network the Chinese created in less than a decade made it the largest in the world. Traditional Chinese etiquette and ethics is basically incompatible with the Western style business environment that has emerged in China, it has not disappeared and continues to influence virtually all areas of business.

Long term planning and investment and of a particular product or technology to China's national interests. By 2009 homeownership among urban Chinese had soared past 80 percent. In 2010 China's GNP passed that of Japan, making it the second largest economy on the planet.

***THE POWER OF TRADITION***

*THOUGHT-CONTROL*

What is vital to keep in mind is that a harmonious society in its official Chinese government context does not include freedom of speech or opposition to the ruling powers.

*EXODUS OF THE RICH*

Reasons given by the wealthy who moved their families and their assets abroad: distrust of the Chinese government; to escape the law that Chinese couples can have only one child; to send their children to better schools; to escape such laws as the one that returns property you have bought and paid for to the state after 70 years, and the simple but powerful desire to have more freedom to do and say what they want.

*CHINA'S NEW HYBRID ETHICS*

Hybrid of traditional values and behavior, which can be defined as primarily based on human feelings and human relations, and American or Western values and behavior, which are more or less based on facts, logical thinking, and making a profit.

To the Chinese, human interests often come before logic-based efficiency and profits. Business-oriented schools throughout China offer courses on Western style ethics.

The Chinese resent Westerners who come to China and attempt to force them to follow Western ethics in their business relationships. In establishing a code of ethics for a new enterprise in China, Westerners should work closely with the Chinese side of the operation to create rules that account for the primary interests of both sides. Still, the core value systems of business in China today remain the fundamental philosophies of Confucianism (harmony), Taoism (relationships), and the Tao master and author of The Art of War, Sun Tzu (take advantage of the weaknesses of your enemies and attack only when you are assured of victory).

*THE CHANGING SOCIAL PERSPECTIVE*

Another of the key indicators in the new economic and social perspective of the Chinese is their widespread acceptance of shopping on the Internet.

(45) **THE HISTORICAL PERSPECTIVE**

*THE YIN & YANG OF THINGS*

Or the positive and the negative, also referred as the principle of duality.

(47-53) The best-known of China's sages is Confucius.

King Wen, founder of the Chou Dynasty and credited with being the father of Chinese religion and industry, was co-author (with his son) of China's most famous book. *Famous I Ching or Book of Changes.*

Ze Dao is known as the founder of Daoism, which is ranked next to Confucianism and Buddhism in its influence on Chinese thought and behavior. His primary work, the *Dao-te-Ching (The Way and the Power),* is the second most frequently quoted work in history (the first being the Bible). Daoism refers to the way of the universe and all things in the universe, the spirit, the driving power, and the order of all things. Daoism held that by education, reflection, and intuition, one could achieve harmony in one's personal life as well as with the rest of the cosmos. In a Daoist society there would be no classes; all things would be individually or democratically decided; and an all-powerful government would not be needed. It was, therefore, not surprising that Daoism was never embraced by the ruling elite of China, then or now.

The Chinese attitude is to not do anything that might be criticized or cause embarrassment or that hasn't been fully approved in advance by everyone who might be concerned. The harmony that is seen by outsiders is not the result of voluntary behavior deriving from an enlightened level of good-will. It is and always has been enforced by all the sanctions available to a despotic government.

China has a serious problem of corruption. Corruption among government officials is said to be especially serious in Guangdong Province, which adjoins Hong Kong. Bribery remains pervasive throughout Chinese society, but it is generally illegal only when the person receiving the bribe is a government employee. Trademark counterfeiting in China remains a serious threat to both Chinese and foreign companies, resulting in substantial economic losses. In earlier times the concept of the exclusivity of knowledge was not accepted by Chinese culture. When someone who is known or presumed to be guilty of some offense refuses to acknowledge guilt and apologize. Denying an accusation and resisting punishment, individuals caused inconvenience and trouble for the system. When foreigners in China get into any kind of trouble, guilty or not, the best thing to do first is to apologize to everybody for causing a disturbance and then get someone else to present your case for you. Loud protestations and an uncooperative attitude are likely to be taken as arrogance toward China and its laws and customs.

(55-56) ***DOING BUSINESS IN CHINA***

Given the nature of the Chinese system, success in any endeavor is determined more by individual character, personality, and personal situation than by genuine merit of a project or product, justice, or the common good. To succeed, you must learn how to operate within the Chinese system. This includes being patient, using connections, taking advantage of opportunities, and being imaginative and clever.

(58-59) Chinese believe that Americans are more trustworthy and respectful than others.

*THE RACIAL DISCRIMINATION FACTOR*

They cannot just melt into the population and become more or less invisible... like they can in the United States. Foreign managers assigned to China who return to their homelands early simply because their wives and children are unhappy.

(62) *POWER CORRUPTS AND SCANDALS PROLIFERATE*

With a little bit of freedom and a lot of prosperity the people want more.

(64-65) *THE CHINESE ADVANTAGE*

To be aggressively hospitable, to give the best impression possible, and to get the most out of their cultural accomplishments, in particular, their ritualized etiquette. Foreign businesspeople to make their Chinese guests feel welcome and comfortable by fulfilling such expectations.

*USING INTERPRETERS*

Interpreting to and from Chinese is said to be one of the most difficult challenges of all. Good interpreters must be both bilingual and bicultural to a very high degree.

(67- 74) *THE COMPANY-TO-COMPANY WAY*

The bureaucratic administrative system in China is set up to deal only with organizations, not with individuals.

*THE JOINT-VENTURE WAY*

Joint ventures provide the easiest and best way to get into the market. Westerners would be much better off to look at negotiating with the Chinese as a sporting event in which the play can get rough, and while each side does its best to win the end result should be something that both sides can live with. The primary difference between Chinese and Western protocol is the Chinese emphasis on rank, maintaining proper hierarchical order, and depending on one individual to act as spokesperson for the group.

Decisions will take a long time either because there is a lack of urgency, simultaneous negotiations are taking place with competitors, or because the decision makers are not confident enough. Chinese do not like surprises and they are not so ignorant or naive that they expect all foreigners to be skilled in their manners, and they are tolerant. The Chinese do not resolve issues or make decisions at the negotiating table. These are done after and in between meetings.

In China, policy changes are likely to occur overnight, without warning. It is therefore essential that foreign businesspeople keep a very open and flexible mind, and stay light on their feet.

***Social status***

Confucian ethics and etiquette that call for obedience and deference to one's superiors remains strong in China and must be taken into account in the behavior of Chinese negotiators.

***Interpersonal Harmony***

Importance of interpersonal harmony that is, behavior marked by an overt attitude of friendliness and goodwill that is designed to make relationships harmonious.

***Holistic Thinking***

Westerns tend to think as individuals in straight lines for only short time periods into the future. The Chinese, have been conditioned for eons to think as groups in circles in holistic terms.

(76- 80) ***Promises***

All promises made during negotiations should be taken with a grain of salt. It is important to appear confident, take your time on decisions. Laws governing corporate partnerships and joint ventures are weak and unevenly applied, almost always to the disadvantage of the foreign company. Therefore, picking the right Chinese business partner and negotiating the best possible terms are essential to your success.

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| **THE WESTERN WAY** | **THE CHINESE WAY** |
| Individualistic | Group-Oriented |
| Members Equal | Superiors & Inferiors |
| Information Oriented | Relationship Oriented |
| Focusing on Individual Points | Looking at the Whole Picture |
| Taking Things in Order | Going in Circles |
| Emphasizing the Truth | Emphasizing the Way |
| Emphasis on Speed | Emphasis on Bonding |
| Informal Behavior | Formal Behavior |
| Meet Direct with Key Figures | Go through Intermediaries |
| Make Proposals First | Make Explanations First |
| Present All Details Upfront | Ask Questions to Reveal Details |
| Impatient | Patient |
| Get a Good Deal | Begin a Long-Term Relationship |

*THE TIME FACTOR*

Do not automatically equate the passing of minutes or hours with the loss of money or opportunity.

*THE ROLE OF DINING & DRINKING*

Inviting someone to be your guest at a meal is one of the strongest expressions one person can make to another.

Chinese doctors have been using diet to cure many diseases for more than two thousand years.

(82) ***Drinking & Toasting***

Drinking in China has also long been associated with establishing new personal, political, and business relationships, and in celebrating business and political events.

(85-87) Business banquets usually start at 6:30 P.M. and end at 8:30 P.M. At the conclusion of the banquet, the host will again stand and toast, thanking the guests for attending. The Chinese generally do very little if any socializing after a dinner is over. Typical Chinese employees will not do anything they have not specifically been told to do by a higher-up.

(89) *DEALING WITH CHINESE LAWS*

Many of the things that are in the original versions are left out in the translations, and both the nuance and the intent can be quite different.

(91-100) *FIRST CONTACT*

Establishing a personal relationship comes before business in China. Chinese do not make “friends” instantly. Establishing a business relationship to sell products in China can be extraordinarily time-consuming and costly.

*TRANSLATING YOUR AGENDA*

*SENDING AN ADVANCE PARTY*

*SHOULD THE CEO GO?*

The chief executive officer of a major foreign company should not go on the first mission to China unless the mission has been invited by an organization headed by someone of equal rank and it has been made clear that the chief executive of the organization will meet the foreign CEO.

*ASPECTS OF BUSINESS MEETINGS*

In China punctuality is considered a special virtue.

***Business Cards/ Seating Arrangements***

***More on Interpreters***

Always speak directly to the individual or individuals you are addressing; not to the interpreter.

***The Small Talk***

It is normal to spend the first several minutes engaging in small talk with members of the Chinese team.

***The Big Talk***

Speak slowly in short, clear sentences; do not appear agitated at any time; do not present any kind of ultimatum; do not put any member of the Chinese team on the spot in any kind of situation that might cause them to lose face; be respectful and courteous at all times. To suggest “stretch breaks” every two hours or so to accommodate smokers as well as those who need to use the bathroom.

*AFTER THE CONTRACT IS SIGNED*

The real negotiating begins after a contract is signed. Chinese generally do not like to deal with agents.

*THE MINISTRY OF SUPERVISION*

Its function is to check all contracts signed with foreign interests for any indications of "corruption"-from failure to provide for compensation within legal limits to undercover arrangements that amount to bribery.

*THE WORKLOAD*

Business groups invited to China should be prepared for a full, heavy schedule. The Chinese appreciate evening banquets, brief side trips for sightseeing (usually on Sundays) during business trips, and short rest breaks, but they do their best to get as much as possible out of every encounter.

(102-110) *DEALING WITH UNWRITTEN RULES*

The tendency of Chinese officials to apply "unwritten rules", reflect a variety of influences.

*WRITTEN AGREEMENTS*

All job agreements in China must be made in writing, not orally. Workers must be paid compensation which is usually one month's pay for every full year of service. 40 hours a week, overtime pay should not be less than 1.5 times the regular rate.

*PENSIONS & MEDICAL PLANS*

Both employers and employees must contribute to a workers’ pension fund. Employers should keep a close eye on the changes.

*QUALITY-CONTROL PROBLEMS*

China's cultural similarity to Japan often breaks down completely when it comes to quality control by new factories in outlying provinces. Hong Kong trading companies are superior to Mainland Chinese companies in virtually every aspect of business fewer mistakes, less paperwork, faster processing, more accountability, etc.

*ARBITRATION IN DISPUTES*

Chinese dislike litigation even more than most Westerners, most disputes are settled through informal meditation, taking whatever time is necessary to work out acceptable compromises between the parties.

*MERGERS & ACQUISITIONS*

Foreign companies seeking acquisitions in China are usually aware of well-known risks such as questionable business practices, environmental exposure, and the lack of intellectual property protection.

*THE FIVE Ps OF INVESTMENT IN CHINA*

Zhang and Snyder note the following:

1. If the project is compatible with China's planning goals, the chances of it being approved are greatly enhanced, and if it falls into a priority sector of the economy the chances of success are even better.
2. The partner chosen must be authorized to participate in such an investment project; all of the potential partner's strengths and weaknesses must be taken into account, along with whether or not any other official organization has to be involved in the project.
3. The type of investment structure that would be best for the project must be carefully determined.
4. A thorough examination must be made of the project's anticipated market share, what form profits will take, and the various restrictions that apply to the use and repatriation of foreign exchange.
5. The foreign company must determine clearly the type and extent of protection Chinese law affords such an investment, and a process for settling disputes must be worked out in advance.

One of the most demanding tasks is choosing the best partner.

(112-113) *GETTING A CERTIFICATION MARK*

The certification process usually takes 60 to 90 days and includes the following steps:

1. Submission of an application and supporting materials
2. Type Testing. A CNCA-designated test laboratory in China will test product samples
3. Factory Inspection. CQC will send representatives to inspect the manufacturing facilities
4. Evaluation of the results
5. Approval of the CCC Certificate (or failure and retesting)
6. Annual Follow-up Factory Inspections by Chinese officials.

*GIFT-GIVING IN BUSINESS*

Chinese law states clearly that individual gifts from foreigners are not to be accepted, but in actual practice it is illegal only for government officials to accept gifts. In the eyes of the law it is the gesture, not the value.

(115-118) "Festival gifts are simply bribes in disguise, although bribers may not ask for favors immediately.” China's Criminal Law defines bribes as cash or properties officials take in exchange for asked favors abusing their power. Business gifts should be reciprocated. They are seen as debts that must be repaid, and they should be items of some obvious value.

*ECONOMIC CRIMES*

Economic crimes in China range from smuggling, bribery, speculation, swindling, diverting foreign exchange, and trademark counterfeiting to tax evasion. Anyone who is questioned about an alleged infraction and does not fully answer every question is regarded as guilty and is subject to punishment.

*PUBLIC RELATIONS IN CHINA*

The Chinese have an unquenchable thirst for information and are conditioned to put great faith in the printed word and to depend upon third parties, introductions, and connections.

(120) Media relations campaigns need to take the timing of news releases into account to ensure announcements do not clash with major national events.

(122-125) Public relations in China can be an enormous challenge because of geography as well as the media, but with all of developments in business and culture, its future is assured.

***TEN KEY REMINDERS***

For success in China:

1) Never underestimate the importance of connections

2) Protect your intellectual property by using the same approach you would in the West

3) Never pressure your Chinese contacts for a quick decision

4) The negotiation process will be anything but smooth

5) Respect face. Never argue or voice a difference of opinion with anyone. Never say "no" directly

6) Keep in mind that most Chinese understand less spoken English than what they can say in English

7) Manage the way you present written information. Write clearly, using plain English text. Use sketches, charts, and diagrams. Present your ideas in stages

8) Prepare every step with precision and care. Do not count on your ability to wing it. A lack of preparedness can cause loss of face and trust

9) Make sure your facts are 100% accurate in every detail, or you will lose credibility. If you make a mistake, you will lose trust in the eyes of the Chinese

10) Make sure everyone on your team knows how to avoid costly gaffes. It makes sense to teach people the cross-cultural factors that have a direct impact on your profits

(127-153) **KEY CONCEPTS IN CHINESE BUSINESS PRACTICE**

* GUANXI (Gwahn-she)

The Power of Personal Connections

* HOU MEN (Hoe-uu Mun)

Using the Back Door

* BAO (Bah-oh)

"Social Credits" Like Money in the Bank

* LI (Lee)

Etiquette as Morality and Ethics

* LIJIE (Iee-jee-eh)

Rules of Behavior

* HE (Huh)

Harmony in an Upside-down World

Three main concepts to ensure harmony: (1) benevolence, (2) justice in human interactions, concept of putting the common good before the individual, (3) etiquette.

* YI (Eee)

A Sheep & Spear Equals Justice

Because yi requires the promotion of collective welfare to achieve social stability, the Chinese will frequently consider a proposal from the standpoint of how it would affect the whole.

* REN (Run)

Benevolence as a Selective Virtue

Ren may also be translated as "humanity."

* CENGCI (Tsung-tsee)

Hierarchy as the Great Stabilizer

* BI (Bee)

Unity the Chinese Way

The Chinese long ago mastered the art of working together harmoniously and cooperatively.

* BUDAN XIN (Buu-dahn Sheen)

Chinese Style Sincerity

Foreigners dealing with the Chinese must compromise their expectations and behavior to some degree...if they want to do business with them.

* BUHE LUOJI DE (Buu-heh Loo-oh-jee Duh)

Dealing with Fuzzy Logic

There are three kinds of logic in China: traditional, Communist, and Western. It is "holistic" thinking, or thinking in circles.

* NEI-BU (nay-bun)

Need to Know Things

* CHENG (Chuung)

The Power of Personal Loyalty

Some Chinese/foreign relationships between businesspeople have survived time and war and become legendary.

* FALU (Fah-luu)

Virtue vs. the Law

Confucius believed that people should behave because of their inherent virtue; not because of manmade laws.

* KEQI (Keh-chee)

The Key to Success in China

* REN QING (Ruun cheeng)

Human Feelings Come First

In all Chinese relationships human feelings play a vital role, often taking precedence over all other factors.

* MIAN-ZI (Me-inn-jee)

The Importance of Having "Face". *Mian-zi* is a sense of social status; what a person thinks of himself or herself in relation to all other people.

Face can be lost as a result of criticism by others. You gain face by not making mistakes; by being praised by others; by demonstrating wisdom; and by demonstrations of goodwill toward others.

* GONGWEI (Goong-way-ee)

Flattery as a Strategy

* YOUYI (yoh-uu-yee)

Friendship Comes First

The Chinese believe that a foundation of friendship must be established before parties can engage in business with each other.

* SHIJIAN (she-jee-een)

Time as a Strategy

Despite having invented clocks the Chinese never defined or segmented time as was done in the West.

* JITI (Jee-tee)

Collectivism Still Counts

Chinese counterparts request time to discuss a particular point among themselves before offering a response.

* WENHUA YISHI (Wun-whah eee-shur)

Cultural Awareness Vital

This means they must avoid sounding like a foreigner in order to not disconnect with the Chinese side.

* MEIYOU (May-yohh)

Saying No without Saying No

The Chinese naturally understand this kind of behavior and will normally continue the dialogue if they are serious about establishing a relationship.

* SHI (Shur)

Yes, I Heard You

Another aspect of Chinese etiquette is that people generally avoid saying exactly what is on their mind in public.

* ZHENGFU JIECHU (Jung-fuu jay-chuu)

Power Plays

* PENGYOU (Pung-yoh-uu)

Becoming a "Friend" of China

* DIANYUAN (Dee-inn-yuu-inn)

Holding on to Power

Reluctance to delegate authority.

Another aspect of the problem of delegating authority, which must be based on confidence and trust, is the common Chinese practice of giving responsibility to people who have no authority, and vice versa. Why the Chinese traditionally rely on family members and close family friends and tend to form tightly knit family-type organizations in virtually all of their endeavors.

* ZONG HANG (Johng hung)

Dealing with Your Head Office

The Chinese will give older managers more respect and credence.