

## Successful business in China (part II)

Although modern times are catching up quickly within the cities of China, understanding the roots of this ancient and complex culture is essential when doing business there. In part II of 'doing business in China' Nannette Ripmeester takes a closer look at some of the cultural nuances your expats in China need to be aware of.



When Dutch Jenny van Baden visited China for a holiday from her expat location in Taiwan she was struck by the fascinating developments in the country. "When you are out of Shanghai for one week, a new building or highway might have popped up in front of your window when you return," she says.



**Understanding China's history is essential to comprehend the Chinese**

Although modern times are catching up quickly within the cities of China, "understanding their history is essential to comprehend the Chinese and the way they respond to things." says van Baden, who works for ASML in Shanghai.

### Hierarchy in management culture

Take for instance hierarchy. Due to Confucianism, Chinese have a strong devotion to their hierarchical system. Everyone has a social rank in the Chinese "management" culture, and all are expected to know where they fit into the hierarchy and to behave accordingly.

There are diverse manners in which hierarchy is continually reaffirmed in Chinese management culture. For example, hierarchy is very clear when entering a business meeting with a group. The highest-ranking person should lead the group, and the most senior member of the Chinese and foreign team should head the discussion. If other members of the group interfere, the Chinese people present might be shocked.

Furthermore hierarchy also determines introductions in meetings and seating arrangements, which makes it very important for you to find out where your counterparts fit into his or her hierarchy.

Likewise you need to understand your position within your hierarchy and your status relative to your Chinese counterparts. If you are in a lower status in relationship to the person you are meeting, keep in mind that you will be expected to show respect to the person of higher status. If you are in a higher position than those around you, you are expected to live up to your status by being more reserved.

#### **Key values in the Chinese culture**

Respect, Relationship, Trust, Reciprocity, Face, Time, Harmony, Hierarchy, Power distance, Long-term orientation.

### Giving and saving 'face'

Another important aspect in Chinese business life is people's image, or "face". A person's reputation and social standing rests on this concept. Giving face is important. It is a way of elevating a person in the eyes of others. Protocol rituals often exist not only to save face, but also to give face to the other party.

Causing embarrassment or loss of composure, even unintentionally, can be disastrous for business negotiations. There is an Asian saying: "Losing face is like dropping something down a well – the only way you can get it back is to go down after it."

That is why Chinese people spend an incredible amount of time and effort making certain no one loses face. So be careful to avoid causing someone to "lose face" by insulting, criticising or embarrassing him or her in front of others, or by treating the person with less than the proper respect due his status in the organisation.

To refuse anything (such as an invitation for a dinner, or something that is requested in business) from a person in a higher or equal position is very sensitive too, in this way people also feel they are losing face.

### Trust

Doing business with the Chinese might sound like a social minefield, but rest assured, "The Chinese are more direct and straightforward than one might think at first," says Jenny van Baden.

Corine Tap, another Dutch expat working for Unilever in Peking adds, "People are surprisingly frank in their discussions and this offers you a great insight into the history of the country. But nothing happens before a certain level of trust is established: understanding and trusting one another is essential for the Chinese."

And because business relationships in China are based on trust, obligation and dependency the Chinese usually feel that single contracts are simply one component of a larger relationship. Investing time in personal contacts is key. Therefore, you should never try and force a deal because of 'deadlines'. Take your time, never lose your temper, and keep paying attention, even after a contract has been signed.

### Negotiation

To gain advantage, the Chinese tend to extend negotiations well beyond the official deadline. They will continue to renegotiate until the actual day of your visit and even when you have returned home.

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**In the beginning of a meeting, 'small talk' is very important**

Stay calm and be patient. Open display of emotions, both positive and negative, is not appreciated. Just accept the delay and do not mention deadlines. It might work well to involve several levels of authority in the negotiations.

As the Chinese do not like pressing their 'decision-making power' upon others, they involve everyone in the process. Likewise be prepared to involve the local, regional or even national government in the negotiations.

Written contacts are not as important as personal commitments between associates. Chinese people would rather say what they think you would like to hear, than tell you the truth. They therefore do not like to say 'no' in a business meeting or admit that they do not understand something. Be aware "maybe" or "I'll think about it" usually means "no".

## Meetings

Meetings are conducted in a formal manner. You will be led into a room in which the Chinese are already present. In the case of official trade missions' people are expected to enter the meeting room in hierarchical order. For example, the first Chinese to enter is head of the delegation.

In the beginning of a meeting, 'small talk' is very important. Talk about the weather, family life, travel, art, or of your positive experiences in China and of its people. Business is addressed once people feel comfortable with each other.

When talking, always address the senior Chinese representative.

A word of advice: Be careful when using colour in your PowerPoint presentations. Colours may be attributed with special meanings in Chinese culture. To be on the safe side, presentation materials of any kind should be in black and white. But if you prefer colour, you should feel free. The Chinese people expect foreigners to be different and have their own habits. And they are keen to learn from other people and other cultures.

## Gifts

The Chinese like to maintain their business relationships through mutual exchange of gifts, favours, and promotions. Gifts and gift-giving play an important part in Chinese social life.

However, be responsive to the many directives that come with it. For instance only present gifts on special occasions, as bribes are certainly 'not done'.

Give someone gifts at birthdays, festivals, weddings, or when visiting but only after all business negotiations are concluded.

Small gifts, like wine, tea, candies, cigarettes, fruit or flowers are good to give as presents. Imported goods have prestige, but do not give anything of too much value, as this will be seen as a bribe.

It is better to refrain from giving cheese or Western-style table wines, (however anything you will give will be appreciated - just explain the reason why you choose to give this) and do not present fruit or food items until a friendship is established.

### **Presentation**

There are a few things to be aware of: Odd numbers bring bad luck, and 'good things always come in pairs'. Black, white, and four are connected with death and sorrow, so do not present these. Wrap the gift in plain red paper, as red is considered a lucky colour. Pink and yellow are also acceptable colours for gift-wrapping.

The Chinese usually decline a gift three times before accepting. Keep insisting, as the Chinese do not want to seem greedy. When you are offered a gift, also decline at first.

Present a gift to everyone in the group, or to the group as a whole, never to just one person. It is impolite to open a gift in front of the person who gives it to you. Chinese are brought up with the idea that gifts should be unwrapped after the guests have left.

However, most Chinese business people are aware of the different customs of gift giving in other countries, so if you can sense they are waiting for you to unwrap the present - just ask if you are allowed to open it. Curiosity is a borderless sense!

If you want to find out more about the Chinese management culture, Expertise in Labour Mobility has published a guide called "Looking for work in China" (ISBN 90-5896-052-8) that might answer all your initial questions about cultural habits during the recruitment process as well as cultural differences in management culture.

October 2004

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**Small gifts are appreciated after business negotiations are concluded**

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Source: Successful business in China, article written by Nannette Ripmeester (Expertise in Labour Mobility) for the EXPATICA website, [www.expatica.com](http://www.expatica.com), October 2004