

## Doing Business in China| Chinese Social and Business Culture

### A Chinese Overview

#### Fact file

- **Official name** – The People’s Republic of China
- **Population** – 1.3 billion/1, 298, 847, 624\* (July 2004 est.) **Official Language** – 7 main Chinese languages including standard Chinese or Mandarin, Cantonese, and Wu.
- **Currency** – Yuan (CNY) also referred to as the Renminbi (RMB)
- **Capital city** – Beijing
- **GDP** – purchasing power parity \$6.449 trillion\* (2003 est.).  
**GDP per capita** – purchasing power parity \$5,000\* (2003 est.).



#### Overview

The most populous country in the world, The People’s Republic of China is today emerging as one of the major global economies. China is infamously known as a country of etiquette and ceremonies. The unique character of the Chinese is built on a strong sense of pride in their ancient history and culture. Understanding the basic Chinese cultural, ethical and business values is paramount to any organisation wanting to conduct business in today’s rapidly progressing China.

#### Chinese culture – Key concepts and values

**Guanxi** – In literal terms, this central concept in Chinese culture means ‘relationships’ or ‘connections’. Guanxi is a network of elaborate relationships promoting trust and co-operation and for centuries was the main way of accomplishing everyday tasks. Establishing a sincere, supportive relationship based on mutual respect is a fundamental aspect of Chinese culture. In the world of business, possessing the right guanxi is crucial for ensuring the minimization of difficulties and frustrations that are often encountered.

**Mianxi** – An important issue that should be considered throughout business interactions with the Chinese is the concept of ‘mianxi’ or ‘face’. Face is a mark of personal pride and forms the basis of an individual’s reputation and social status. In Chinese business culture ‘saving face’, ‘loosing face’ and ‘giving face’ are vital for successful business. Causing someone to loose face through public humiliation or inappropriate allocation of respect to individuals within the organization can seriously damage business discussions. On the other hand, praising someone in moderation before their colleagues is a form of ‘giving face’ and can earn respect, loyalty and aid negotiations.

**Keqi** – The notion of keqi is based on the amalgamation of two Chinese words, ‘ke’ meaning ‘guest’ and ‘qi’ signifying ‘behaviour’. Together, this cultural concept advocates thoughtful, courteous and refined behaviour. In business terms, it is important to demonstrate humility and modesty as exaggerated claims of ability are viewed with suspicion and are likely to be looked into.

*Confucianism* – The recognized ethical belief system of Confucianism is based on the teachings and writings of the 6<sup>th</sup> century BCE philosopher Confucius. Emphasis is placed on the concept of relationships and the elements of responsibility and obligation. This Chinese philosophy remains a vital cultural factor in the development of Chinese society and is still effective in Chinese business culture today in the preservation of surface harmony and collective good.

China has witnessed a history that spans over approximately 5000 years and has experienced periods of communism and Maoism, civil war, invasion and even bankruptcy. Since China first opened its doors to foreign investment and trade in 1978, the country has undergone immense political and economical change. Today, following her 2001 entry into the World Trade Organisation, China offers a huge potential market for investment and sales with her main industry generated from iron, steel, coal, textiles, and petroleum. Those organisations venturing into business with China, however, will also need to consider the aspects of Chinese business culture and etiquette in order to fully succeed.

### **China business culture Part 1\_ - Working in China (Pre-departure)**

- **Working practices in China**
  - When doing business in China, punctuality is considered extremely important. Your Chinese counterparts will not keep you waiting; being on time is essential
  - It is rare that the Chinese will deal with people they don't know or trust. Establishing a proper introduction with your counterparts is vital before entering into business.
- **Structure and hierarchy in Chinese companies**
  - The hierarchical structures of Chinese society and business organizations are based on a strict observation of rank where the individual is subordinate to the organisation.
  - People will enter the meeting room in hierarchical order, as the Chinese are very status conscious. Senior members generally lead the negotiations and will direct the discussion.
- **Working relationships in China**
  - Long-term relationships are considered more valuable than hurried transactions.
  - In Chinese business culture, the warm, hospitable character of your counterpart does not necessarily equal a positive outcome. Trust, based on a beneficial relationship is more important.
  - The collectivist way of thinking is still important in Chinese business today and will influence many negotiations.

## China business culture Part 2 – Doing business in China

- **Business practices in China**
  - The exchanging of business cards is customary in Chinese business culture. One side should be printed in English and one in Chinese. You should present your card with both hands and with the Chinese side facing up. When accepting your colleague's card study it carefully before placing it on the table, *never* in the back pocket, as this is extremely disrespectful.
  - During negotiations, humbleness and patience is the key to success. The Chinese sense of time means that they use it knowingly and there is always enough.
  - In most cases, initial meetings may be more of a social opportunity as opposed to a negotiation discussion.
  - An important element before commencing a business meeting in China is to engage in small talk. Be prepared, as this may include quite personal questions.
- **Chinese business etiquette (Do's and Don'ts)**
  - ✓ DO maintain eye contact with your interlocutor, avoiding eye contact is considered untrustworthy.
  - ✓ DO address your Chinese counterparts with a title and their last name. If the person does not have a title, use 'Mr' or 'Madam'.
  - ✓ DO wait for your Chinese counterpart to initiate formal greetings. Handshakes are the most popular gesture.
  - X DON'T assume that a nod is a sign of agreement. More often than not, it signifies that the person is simply listening.
  - X DON'T show excessive emotion whilst conducting business, as it may seem unfriendly
  - X DON'T use direct negative replies, as they are considered impolite. Instead of saying 'no', answer 'maybe' or 'I'll think about it.'

### Chinese Culture Quiz – True or false

1. When a Chinese friend says to you "Have you eaten yet?" he wants to invite you out for dinner.
2. When eating a Chinese meal it is customary to place your chopsticks standing up in the rice before starting.
3. In China white is the colour associated with death.
4. The word for clock in Chinese sounds similar to the expression 'the end of life' and should never be given as a gift.
5. At the end of a meeting, you are expected to leave after your Chinese counterparts.

Answers

1. False. He is simply asking you how you are and enquiring after your health.
2. False. This is a symbol of death used at funerals and should never be done.
3. True.
4. True.
5. False. You are expected to leave before them.

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