

CHINESE BUSINESS ETIQUETTE AND CULTURE

(EXTRACT)

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PREFACE

This book is intended to make you and your organisation, whether it is a business company or a government department, more successful when dealing with Chinese institutions and people. Most of us learn about basic good manners and standard acceptable behaviour when very young and are taught by our parents, especially our mother. Other good manners are picked up by observation and, for a few, by reading magazine articles or books on approved etiquette. The problem is that good manners and the business etiquette we learn rarely apply in other countries.

When you commit a social gaffe abroad, virtually everyone is too embarrassed to tell you about it, so you cannot improve your behaviour. Left to yourself, if observant you may notice and learn a few polite ways of behaving -- but there is no way that you can notice the things that people avoid doing. Consequently, it is easy to visit a foreign country, or even spend many years living there, and unknowingly give offence. Your normal polite behaviour can lose you a sale, or prevent the signing of an agreement, and you may never understand why. There are many possible ways of offending someone or making them feel uneasy: even the colour of the clothing you wear or how you stand and sit can adversely affect your prospects.

You might question why it is necessary to bother to learn about another nation's customs and manners, and feel that your normal business etiquette is sufficient. This sounds reasonable, but the proposition can cost you time and money. If you agree with any of the following statements, then you might be undermining your abilities and endangering your success rate. It would be a good idea to rethink your position.

"It is unnecessary to bother to learn about another nation's habits, customs and manners; they should behave as I do".

"What worked successfully for me in the past in my country will also work well abroad".

"My good manners at home will take me anywhere".

"Why should I change a winning formula and alter my ways?"

Bear in mind that you do not negate or reject your own culture by learning about someone else's. Nor is it obsequious or fawning to learn about someone else's values and avoid violating them. True, it would be easier for you if foreigners learned your values and followed them. But it's not going to happen!

Globalisation helps to raise living standards, but it involves more contact between those of different cultures; rather than leading to more tolerance, this increases the opportunity for people to annoy each other. Some individuals may already have a vague grievance against people of your nationality, perhaps for historical reasons. Their country might once have been at war with yours or been invaded by it; or at the individual level, possibly they or a friend of theirs was once insulted by one of your compatriots. Others may hold a grudge simply because your country is richer than theirs. Such attitudes make it easy for them to take offence at totally innocent actions or

statements by you. Clearly, the more you behave in ways that they deem appropriate, the less you annoy people, the better you fit in, and the quicker you can succeed.

By following the advice below you should be able to make friends more easily, negotiate better, sell more goods or services, sign more agreements, achieve higher profits, and generally achieve whatever you want more quickly. At the very least, you will give yourself an edge over your competitors. You need not memorise all the points of advice at once, nor need you follow all of them scrupulously. You can learn some, then add to them over time as you gain experience. Nonetheless, the more you can use, the better you will be able to function.

Many existing books on doing business with people from other cultures fall into one of two groups. The first kind is written by a business person who has learned some practical things about doing business in a particular country, sometimes laboriously over several years, and is passing on the fruits of his or her wisdom, usually with anecdotes. While intrinsically interesting, such books are limited by the kind of business done, the anecdotes are often only of use when the circumstances you will face are similar, and one person's experience can rarely if ever produce a full coverage of what might go wrong or what you should do.

The second kind of book is academic and designed for use in courses such as a Masters of Business Administration. Much space may be devoted to case studies, but rarely does the author supply a complete explanation of what went wrong. In some cases, no "answers" are supplied because the learning approach is based upon group discussion to ferret out solutions to the problems and then come up with suggestions for doing better. The main value of such books is to sensitise the reader to problems of cross-cultural communication, but they may not be of great practical assistance, especially to the individual facing practical problems out in the field.

This book is different from both the above types. How you can improve your behaviour to achieve greater success is explained in the context of Chinese culture. For ease of use, the information is practical and provided in a simple and direct way. Chapter One explains some of the basics of Chinese culture, then Chapter Two considers how you might modify your behaviour to do better in China. Chapter Three deals with ways of initiating contact and Chapter Four introduces the generalities of meetings. This is followed by a discussion of common Chinese approaches and negotiating tactics in Chapter Five. Chapter Six turns to your behaviour in meetings and deals with some possible responses you can make to their tactics. The important issue of socialising in China is covered in Chapter Seven and the rather neglected area of how to receive Chinese visitors to your city and company is dealt with in Chapter Eight. The last two chapters discuss practical problems of living and working in China. An appendix describes the history of China and recent changes in the political, economic, and social scene.

Two points of caution are necessary. First, you should beware of treating all Chinese as stereotypes who will always behave as described below. People are individuals and should be seen as such, even though they operate within the confines of their culture. You will find that not everyone you meet in China conforms exactly to the prevailing culture, just as not all people do in your hometown. Some people do not know how to behave and others simply do not care. This can be particularly true of relatively young, self-made entrepreneurs, and there are a lot of these in China. However, one tends to find relatively few successful people who regularly behave in ways considered to be

grossly offensive in their own country. If you see behaviour in China that appears to conflict with the cultural norms described here, you can flatter yourself that you are able to recognise this fact.

Second, being adept at cross-cultural communication is valuable but it is not enough to solve all your problems. It is a supplement to other skills, not a replacement. You still need to be an experienced skilful manager, used to negotiating and relating to people, seeing opportunities, making good decisions, putting together deals and devising profitable alternatives.

While I believe that the information provided here is the best currently available, you should be aware that societies change, although culture does this more slowly than some facets of a nation, such as which are the best restaurants in town. Social change may mean that a piece of advice can slowly become less useful, especially when dealing with the younger generation. In recent years, many of the countries of East and South East Asia have undergone rapid economic growth that is placing pressure on traditional values and practices. I would be delighted to hear from you if you find any advice that may be going out of date, or your experience reveals new points that can be added. You can email me with any suggestions at: kevinbucknall42@hotmail.com

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ABBREVIATIONS

- CAAC China Administration of Civil Aviation; originally the state airline, now the department in charge of civil aviation in China.
- CCP The Chinese Communist Party.
- CCPIT The Chinese Council for the Promotion of International Trade, a non-government organisation that promotes foreign relations and trade.
- CEO Chief Executive Officer.
- Chaebols* Large groupings of companies in Korea, similar to the Japanese *keiretsu* or the old *zaibatsu*.
- CIECCO China International Enterprises Cooperative Corporation, a state operated enterprise (SOE) that engages in international economic co-operation, consulting services, and other activities. Also supplies labour to foreign firms.
- COFTEC The Commission of Foreign Trade and Economic Cooperation, which is the regional branch of MOFTEC.
- FEC Foreign Exchange Certificates.
- FESCO Foreign Enterprise Service Company.
- Ganbei* "Bottoms up!"; the signal to empty one's glass when drinking.
- GATT General Agreement on Tariffs and Trade; precursor of the WTO.
- Guanxi The use of contacts and favours to achieve what one wants.
- Hukou* The Chinese household registration system, introduced in 1958 to prevent migration to the cities; people had to stay where they were registered and could not move without permission.
- ITICs International Trust and Investment Corporations, semi-official bodies, often set up in the 1980s, to make commercial investments and develop a private sector. Frequently the investment arm of a provincial government. Many were financially strained in 1998.
- Maotai* An extremely strong, not very pleasant-tasting alcoholic drink, sold in white ceramic bottles and often used for toasting at dinners.
- MOFTEC The Ministry of Foreign Trade and Economic Cooperation.
- NPC National Peoples' Congress.
- OECD The Organisation for Economic Co-operation and Development.
- PLA The People's Liberation Army.
- ROI Return on investment.
- SEZ Special Economic Zone.
- SETC The State Economic and Trade Commission.
- Shaoxing A sherry-like rice wine, usually served warm, and less strong than Maotai.
- SOE State operated enterprise.
- Suiyi "Let's please ourselves"; used when drinking toasts.
- WTO The World Trade organisation, the successor to GATT.
- Yin-yang* An old Chinese idea that there are two opposite elements to everything, such as male-female, or light-dark; a tiny element of one is mixed with the other. *Yang* is male, *yin* is female.

CHAPTER 1. CHINESE BEHAVIOR PATTERNS

The influence of tradition and Confucius

Confucius reigns

The ideas and values regarded as Confucian are still of paramount importance when trying to understand Chinese behaviour. Confucius (sixth to fifth century BC) wanted a political system where the emphasis was on properly ordered social relationships in society. Society was seen as pyramid shaped, with a paramount ruler at the top (the Emperor), a variety of officials administering the country in the middle, and families at the bottom. If everyone behaved properly one to another, then government would be stable, society would be well run, general harmony would prevail, and the nation would be prosperous and at peace.

In this Confucian system, the family played a central role. The male head of the family was responsible for the behaviour of the entire family and he, or in extreme cases the entire family, could be punished if a member of it committed a crime. Within the family, each person had a clearly defined relationship to the others and a person's identity was in part established by his or her role within the group. Members were addressed as "Elder Daughter", or "Younger Brother" rather than by name, reinforcing the relationships. Anyone totally alone and without a family was generally pitied, while the state regarded them carefully and cautiously, as did people in general.

The values of the Confucian system are still strong, although the training under communism and the modernisation now occurring has weakened them a little.

Superiors really are superior -- Confucius

This principle applied both outside the family and within it. Lower classes respected those above them. Listing from the top down, the classes were scholars, officials, farmers, artisans, and merchants. Scholars and officials made up the respected "Gentry". Despite these official values, there was, and still is, a tendency for urban Chinese to despise rural dwellers as yokels. At the very bottom of traditional society were the outcast groups, such as actors (!), prostitutes, boat people and slaves.

In the workplace, one's superiors merited automatic respect by virtue of rank. People still automatically defer to those above them in their work place, as well as in society in general.

Respect your family elders -- Confucius

Within the family, the rule was "filial piety", which is the household equivalent of having to respect those who are superior in society. The family head had to be obeyed by all, but younger brothers had to respect and obey elder brothers, as younger sisters did elder sisters. Females generally deferred to males, although the chief wife of the head of the family had much power and in the worst cases could be a mean domestic tyrant. The widespread Chinese respect for age and seniority comes from Confucian values; an older person is often seen as more experienced, wiser, and in some not clearly defined way, superior to those younger.

The family comes first, but the group matters

It often helps if you think of a Chinese person as being part of his or her family and group, rather than as a single individual. The family has long been the basic building block of the state and the natural centre of an individual's attention. Major personal decisions, such as a suitable career, that in the West would be made by the individual are often made on a family basis. The group tradition was reinforced by their experience of communism, where people were forced to participate in group discussions and any individual who stood out might later be punished. The group is seen as a source of strength and comfort, and business decisions are generally made on a consensus basis, within the framework dictated by the top person, be it a highly placed politician or public servant, the owner of the firm, or the chief executive officer (CEO).

This submergence in family and work-group means that many adult Chinese are reluctant to take decisions on their own. A seemingly one-person problem in a factory may eventually be solved by a decision taken only after

extended discussion by the group; otherwise it might not be solved at all. If you find that a Chinese person's attitude to a topic seems vague, it is often the result of the person knowing that the final decision must be made by a group or by some process higher up and out of sight. The views of this particular individual must be in line with that decision.

The work unit commands a strong loyalty for two main reasons. First, it was intrinsic to the job-for-life approach adopted by the communist government, as well as being the means of delivering limited social welfare, such as rudimentary health care or a little unemployment pay. This facet of the work unit is being rapidly eroded. Second, it is part of the Confucian deferential attitude towards authority that the unit represents.

The importance of belonging to and identifying with a group has a strong impact on the tolerance of humour and criticism. The Chinese do not find jokes about their country's political leaders or policy funny; indeed such irreverence shocks them. You should make a point of not making jokes about these things, or even about your own government or its policies, which in Chinese eyes would demean you.

Until very recently, the group attitude dominated job allocation. Personal preferences counted for little and the needs of the country (the largest group of all) over-rode individual wishes, so that people were simply told what they would study at college, what job they would do, and where in China they would be sent. This has changed, and many can now choose where to seek employment.

"Keep us in our proper stations"

In both Confucian China and Nineteenth century England, people were educated and trained to know their place and to be content with it; deviations, criticisms and rebellious behaviour were not tolerated. One practical consequence is that in China you might find it hard to get someone to give you his or her personal opinion. The views of higher authority will automatically be followed and presented as not only correct but also the actual views of the speakers themselves. Dissent from the opinions of those above is uncommon.

Rank is beautiful

Chinese society is strongly hierarchical and a person's rank counts for much. Every individual is slotted into a complex system of superior and subordinate beings. The person's place is not fixed and he or she can rise or fall within the ranks, but the ranks themselves continue unchanged. For a foreign business person, this means that someone who provided valuable help a few years ago may by now be of little use -- or might possibly even more valuable! If they have gone up, it also means that you should treat them with more respect, as befits their new position.

The movement of others up and down the hierarchy can easily cause resentment and hurt feelings, so that office politics loom large in China. Most enterprises contain a variety of fluid factions. Because everyone lives within a rigid hierarchy and harmony must prevail in society, specific rules of conduct are laid down and strictly taught to all children. In contrast with a person's position in society, within the family a person's place is immutably fixed, so that the elder brother is always the elder brother, and treated accordingly.

Bureaucracy is an ancient Chinese art-form and the bureaucracy, like Chinese society, is strictly hierarchical in rank. The privileges of every level, and person, are clearly defined or recognised. The Chinese approach foreign visitors and residents in the same vein. Your particular status will be determined after careful scrutiny of your company and its national or international standing, and your position within the company. That is worked out by your ranking on any lists you may have sent them, your job title, and any letters appearing after your name on your business card. In China, like meets with like, consequently the higher your status, the higher the officials you can meet. In your company's first approach, it should send someone with the greatest credentials, in order to gain entry as high as possible, and thereby meet more important people. They can ensure that more will be done for you by those lower down.

Despite being a communist country with an ideology that supposedly should emphasise egalitarianism and the workers, the demands of Confucian hierarchy easily dominate. Members of a foreign aristocracy are revered and this was true even in the extreme days of the Maoist left-wing period. Ex-heads of state are particularly well

respected and treated because of their old position, irrespective of their current status, past behaviour, or even criminal record. Ex-President Nixon was always treated royally on his visits to China.

Learn your lessons well -- Confucius

"Memorise lessons" was an important value in traditional education and this still prevails in China as well as in the Diaspora of Overseas Chinese families. A common criticism of the students produced by the education system in China, as well as in Taiwan, Japan and Korea, is that they merely learn by heart to the detriment of understanding and being able to apply the lesson to a practical problem.

Practise makes perfect -- Confucius

"Practise skills" was another old rule which is still current -- indeed some believe that it is even more strictly observed these days than it was in older times.

Guanxi, the secret of being successful in China

The Chinese tendency of dividing people into insiders and outsiders, together with the Marxist habit of controlling social institutions from the top down and preventing lateral contact between them, has always been a major barrier to communications. To get around this, people develop a network of contacts and personal relationships for whom they do favours and from whom they ask favours in return. This is called *guanxi* (pronounced "go-an-see" with stress on the "an") which means possessing influence, or "pull", that you can use with the contacts you have developed in the right places. Without *guanxi* it is difficult or even impossible to accomplish much, with it you can open doors and achieve a surprising number of things. You need to work on developing *guanxi* from the moment you arrive in China.

Guanxi is a powerful asset, something like a valuable bank account of favours owed and owing, and those with bigger networks tend to do better. However, the bank account is not unlimited so after receiving, say, two or three favours in a row, a person definitely must repay when approached for something, even if it might not be to their personal best advantage.

An example of the power of *guanxi*, is provided by Tang Jinsheng, who is the president of the Zhonghua Company which produces motor vehicles. *Asiaweek* pointed out that "the cars have an iffy reputation. Doors fly open, wheels go rolling off, and engines catch fire". About ten cars a day are made by hand without modern technology, they are of low quality and "are widely detested". Despite these obvious drawbacks, the firm has not gone bankrupt as one might expect. Mr. Tang happens to be the 45 year old son of a high-ranking officer in the People's Liberation Army! This gives him immense status and contacts which he is able to use to stay in business. At one stage, he even managed to persuade the official Taxi Management Office in Beijing to encourage taxi operators to buy his product to use as their fleet car.

It can pay to hire someone to work for you purely for the contacts they have. The person may in fact do little work but can add immense value to your company by the sheer amount of their *guanxi*. Powerful family members can provide *guanxi* possibilities to weaker ones. The Wall Street investment bank Credit Suisse First Boston Company took on Dennis Zhu, in the days when his father Zhu Rongji was a rising star in the economic area but before he became Premier. The company gained from this at the time but it is understood that Dennis became an even more valuable asset as his father rose to the top.

Getting along with harmony

Harmony is an important part of the Confucian heritage. It is believed that if everyone in society plays his or her proper role, then overall harmony will be preserved. For this reason, self-discipline and moderation are essential components of human behaviour, for without them harmony cannot prevail. For most foreigners, harmony is best preserved by avoiding confrontations, maintaining temper, not raising the voice, and smiling rather than looking angry. Not causing anyone to lose face is also an important part of preserving harmony.

The preference for harmony does not preclude the Chinese from suddenly becoming forthright and even turning downright rude in their dealings with you, but such a switch is almost always tactical and a part of their negotiating strategy. They may be searching for weakness to see if you can be easily dominated, or may already have decided you can be, and are now going for the jugular.

Superstitious -- me?

Most Chinese are superstitious and even well educated, apparently totally westernised people may cling to traditional beliefs. Most, perhaps all, important decisions may be deferred until what is seen as the optimal time. This might be quietly determined by fortune tellers or by the individual referring to traditional books that are readily available in China. Unexplained delays in negotiations may be due to such factors, as well as to the better-known bureaucratic ones.

Many superstitions exist, and they vary in different parts of China, so that it is not easy to know what a particular person will believe in. Homonyms abound in the Chinese language, which is essentially monosyllabic, so that one sound may stand for many different things and even a simple beginner's Chinese-English dictionary will have perhaps fifty different meanings for the word "li". The large number of homonyms means that some words are regarded as lucky or unlucky simply because they happen to sound like a completely different word that possesses a good or bad meaning. Some people, for example, believe it is good to see a deer as it has a homonym which means "prosperous". With local variations in pronunciation and several different, if related, languages in China, there can be a huge number of words that have lucky or unlucky connotations to someone somewhere.

Some superstitious beliefs are geared to the old lunar calendar. The seventh lunar month is one that is particularly concerned with the dead. The Hungry Ghost Festival involves being kind to those spirits who lack descendants to make offerings to them, or who died a violent death. These ghosts are ill-natured and some people choose to leave out food, as well as to burn joss sticks and paper money, to propitiate them. It is regarded as a bad month for celebrations, so that weddings and birthday parties are best avoided. It might not be the most opportune time for you to conclude negotiations for a business deal and then hold the necessary celebration dinner. During this festival, trips to the countryside are best avoided, as many spirits are thought to lurk there.

The number superstitions

Numbers have a special significance to Chinese. Most Cantonese believe that numbers 4, 44, 444 and so on are very bad, as they are a homonym for death; they would not buy a motor car with such a licence plate or stay in a hotel room with such a number. Eight is however seen as good and the more eights the better. A good recent example is provided by Yaohan, a Japanese department store that opened in Beijing in 1992. More or less as a joke, the person in charge of the pens labelled a rather splendid 14-carat gold pen for sale at 88,888 *yuan* (approximately \$11,000). The lucky numbers worked – he not only got that amount, but it was the first pen sold!

In traditional China, the odd numbers were traditionally seen as masculine and the even ones as feminine, which meant in a society with a strong preference for boys, odd numbers were generally preferred. Three is a good lucky number as is five, which is probably connected with an old belief in five elements, five grains and five tastes as well as the old Imperial ranking system of officials. Seven is also often seen as a lucky number, as are multiples of it such as 14, 21, or 35. Nine was an extremely lucky number, and 81, the square of nine particularly so; on your travels you might notice that almost all ancient gates in China have eighty-one stud heads on them. At weddings in some parts of China, as part of social custom the groom was forced to pay sums of money to the bridesmaids in order to get to see his bride. He handed it over in multiples of nine.

The meaning of colours

Colours play an important part in superstitions and can influence what you decide to wear. White is the colour of death and plain white, e.g., as a dress, a suit, or shirt and trousers, tends to give the appearance of traditional mourning garments and so is best avoided. Would you respond quickly and warmly to someone dressed in the sombre garb or a traditional undertaker? It is quite acceptable to wear a white shirt or blouse, but it is best to team it with a suit or skirt of a different colour. Red is considered a very "happy" colour, so that a red tie with a white shirt, or red buttons on a white dress, offsets the death image.

image. Writing in red ink however is a bad idea as it suggests the friendship is in danger.

Death might also be suggested in China by blue and white or blue and yellow together. At a traditional funeral, the gift of money would often be placed in a yellow envelope with a blue stripe, so this combination of colours is best avoided. Blue trousers and white shirt should be fine, but you might choose to avoid a heavy blue and white, or blue and yellow, striped tie for example.

Yellow on its own can be connected with death, although a darkish yellow was also associated with the emperors of history (only they were allowed to have yellow roofs on buildings) and also with some monks. Because of the different traditions, there is no real problem with wearing yellow, and it might give you a useful talking point.

A green hat should definitely be avoided, as in some parts of China it suggests a cuckolded person. There is a story that one senior foreign negotiator presented a green baseball cap with the company logo on it to each member of the team with which he had negotiated – and then wondered why no one was actually prepared to wear it!

Red is a particularly good or happy colour in much of Asia, including Japan and Korea as well as China. In certain areas, such as in the city of Chengdu, white bread loaves always have a splash of edible red dye on them to make them look more attractive. At first glance, it rather looks to a Westerner as if the baker must have cut himself! Wearing too much red can look a bit silly however. For foreign women, it might look excessive to wear a totally bright red dress with matching shoes and handbag. This is the sort of thing that little girls wear for very special celebrations, when they are adorned with heavy adult makeup.

[END OF EXTRACT FROM CHAPTER 1 OF *CHINESE BUSINESS ETIQUETTE AND CULTURE*, Kevin Bucknall, C & M Online, 2002. The book is available from Amazon.]