



KNOW CHINA **BUSINESS**

***The Insider's Guide
To Doing Business
Successfully In China***

Joshua Campbell
Matthew Jones

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Author: Joshua Campbell

Joshua Campbell focuses in this ebook on Chinese historical and philosophical influences that greatly impact on business dealings, as well as specific cultural traits that one must be aware of in order to operate successfully in the “Middle Kingdom.” Josh also emphasizes the importance of “knowing yourself,” as well as detailing the problems that many expatriates working in China encounter. His perspective comes from working for multinational public relations and advertising agencies in both client service and strategic planning roles. He has dealt extensively with the politics that pervade multinational businesses operating in China. Josh’s day-to-day work has involved meeting with multinational clients from a variety of industries, doing extensive research through media analysis, conducting interviews and focus groups in order to gain Chinese consumer insights, developing marketing strategies, writing new business proposals and pitching them to clients.

Joshua Campbell has been fascinated by China since he was a small child, beginning when his parents took him to China Town in San Francisco and New York. He began studying Mandarin in high school and was an East Asian Languages and Civilizations major at the University of Chicago, with a focus on China. He received a full scholarship and stipend to attend National Taiwan Normal University, where he studied Mandarin for a year. Josh has worked his way up through the ranks of several multinational public relations and advertising agencies, servicing clients from a wide variety of industries.



Author: Matthew “Jon” Jones

Jon has spent more than a decade doing business in Asia completely immersed in interpersonal cultural interactions with Chinese people. In this ebook he focuses on useful practical tips and specific key knowledge required for successful business, particularly in direct day-to-day dealings in China. Jon has primarily worked in sales and marketing, business consulting and relationship management with Chinese people. Therefore, he has a thorough understanding of the “must-know” fundamentals of effective social interactions with Chinese people, ranging from the most basic principles to the critical elements for positive maneuvering in Chinese culture.

Matthew “Jon” Jones is an Asian banking and finance specialist who currently acts as managing director of his own registered financial advisory firm. He works on developing business relationships and international networks throughout Taiwan and China.

Jon was educated at the University of Hawaii and attended law school at Louisiana State University. He also graduated from Nanjing University in China where he was able to master reading, writing and fluent speaking in Mandarin Chinese. Recently, Jon has been engaged in investment banking and finance projects in Asia with a focus on the Chinese and Taiwanese markets.

Jon has completed mergers, financings and public listings with many small and mid-sized Chinese corporations and has successfully negotiated lucrative and long-standing cooperative joint-ventures with large securities and investment consulting companies as well. Jon’s specialty is effective cross culture leadership and precise communication with multinational groups particularly in corporate finance, securities brokerage, marketing and business consulting areas. Jon has also held NASD series 7, 63 securities licenses in the past.



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“We have shown respect to our Chinese business partners. But it is also important not to change yourself. You cannot be a Chinese. You were not born as a Chinese and you cannot behave as a Chinese.”

— Dr. Michael Portoff, Chairman, Bayer (China) Limited
(The New Silk Road, p.49)

INTRODUCTION

Many books written for Westerners on doing business in China balance precariously between advising a total indoctrination in Chinese culture, to the point of changing one's own personality, or assuring us that just simply maintaining good business sense learned in the West will be enough for success. Examination of the implications of these two divergent modes of thinking is needed. Recent studies suggest that there is a high burnout rate among foreigners working in China. In fact, in China, the failure rate of senior expatriates with twenty years of experience in their home countries is twice the global average. (*The New Silk Road*, p.17) Some reevaluation of what it takes to be successful in the "Middle Kingdom" is therefore necessary.

China is a very ethnocentric society. This is due in part to its 5,000 year history, where it was often at the forefront of global civilization. Foreigners are expected to do everything in the "Chinese way." This expectation extends to everything from simple social exchanges to the justification by Chinese managers, even of multinational companies (MNCs), for why best global business practices are inapplicable in the Middle Kingdom. Many Chinese, even those educated in the West or working for global companies, honestly believe that China is a completely unique market where all the learning and business experience an expatriate brings to the table are useless. China in many respects is unlike any other place in the world; however, mindless adherence to doing things in the Chinese way is often not the best advice.

It is absolutely true that the expatriate must maintain good business sense at all times and utilize best global practices. However, the desire to abide by China's cultural norms is understandable for many reasons. At the end of the day, the expatriate is doing business in China. It is the Chinese people's home country, so of course one must conform to "house rules." Thus, at the bare minimum an extremely strong understanding of the culture is necessary. But that is not to say that global business practices or one's professional learning cannot be effectively utilized when playing by the "house rules." In Taoism, a belief system that is still very prevalent in Chinese society, opposite modes of thinking are believed to be simultaneously true and one must

find the correct balance or compromise; translated from the Tao as “the way.” Learning to balance a strong understanding of Chinese culture with Western business practices is of utmost importance to being successful in China.

Speaking fluent Chinese is truly a key skill for the successful expatriate. Westerners working in China acknowledge that knowing the language is important and realize that it would improve their business operations; however, many still do not bother to learn. According to a recent survey, 77 percent of Australian executives operating in China responded that knowing Chinese was of medium to great importance, although only 3 percent could speak the language (*Negotiating China*, p. 63). Given that Australians are among the most numerous Westerners working in China, this truly is a startling statistic and unfortunately it cannot be said that expatriates from other countries are any more fluent in Chinese. Kent Watson, chairman and country senior partner for PricewaterhouseCoopers China Limited, who previously had experience as a Mormon missionary in Taiwan, was quoted as saying that “...the ability to speak Mandarin is a key success factor. He does not believe that expatriates can be effective in developing the right relationships unless they can relate to Chinese staff in their own language.” (*The New Silk Road*, p.89)

Without speaking fluent Chinese one may be missing more than half of what is going on within one’s own business or in a negotiation. Watson went on to say: “I recall a debate years ago at college between two professors, one of whom understood the Chinese language very well, while the other had no foreign language skills. They were walking through a bookstore when one commented to the other, ‘Look, to prove my point, there’s *The Dream of the Red Chamber* in English. So why do I have to get a Ph.D. in the Chinese language just to read it? It’s there.’ His Chinese-speaking colleague replied, ‘That’s true, but the English version of *The Dream of the Red Chamber* includes only about 40 percent of the novel.’ It’s the same with language in a factory. You can get by using English, but you may be missing 60 percent of what is going on. And that can’t help but have an impact on productivity and the bottom line.” (*The New Silk Road*, p.122)

Westerners with fluent Chinese gain instant credibility with Chinese colleagues above and beyond having successfully operated for years in a Western country, or having an MBA from an Ivy League school. The Chinese recognize their own language as being extremely difficult to learn; thus the Westerner who has mastered their language must be intelligent in their view. Additionally, Chinese people respect the Westerner who has actually gone to the extreme trouble of learning their difficult language, and they view it as a show of esteem for their culture. If Chinese feel that it is vital for expatriates to speak fluent Chinese in order to be successful in their country, what other criteria are necessary?

Admittedly, for the foreign executive who is going to China to negotiate a business deal the personal need for fluent Chinese is greatly diminished and impractical. This is particularly true for busy CEOs. However, the need for having a trusted, high ranking team member who is fluent in Chinese is essential, and personal possession of a high degree of understanding of the Chinese culture remains just as vital. It can mean the difference between success and failure. Maintaining your good business sense, however, is just as key to the success of any business deal. While you are operating by the “house rules” and respect the need to demonstrate understanding for Chinese culture, the belief that all things must be done in a Chinese way is a fallacy.

I am not arguing that an expatriate cannot be successful in China without Chinese language skills. However, given the previously cited extremely high failure rate of expatriates operating in China, some reevaluation of the root causes is necessary. I believe that a primary reason is a lack of language skills and/or cultural understanding. Other books for Westerners on how to successfully conduct business in China emphasize the importance of having a trusted translator, utilizing an overseas Chinese as a bridge, or having a “trusted lieutenant,” who is a native Chinese. While these might be good temporary solutions, they are not viable over the long-term. This ebook will not endeavor to teach the reader how to speak fluent Mandarin, but it will focus on the other key for success among expatriates in China: Chinese cultural understanding.

Sun-Tzu, the preeminent military commander from Chinese history said:

*“He who knows the enemy and himself
Will never in a hundred battles be at risk;
He who does not know the enemy but knows himself
Will sometimes win and sometimes lose;
He who knows neither the enemy nor himself
Will be at risk in every battle.”*

— Sun-Tzu, *The Art of Warfare*, p.113

This is not to say that I advise an adversarial, war-like relationship to develop with Chinese business partners. Quite the contrary. However, since Sun-Tzu’s book on warfare continues to be widely read by businesspeople in China, its central maxims remain essential for the Westerner conducting business there to understand. The keys to success in China are to know yourself, know the language and know the culture.



Know Yourself

01



Know Yourself

Sun Tzu understood that to be successful in battle, it was of primary importance to have a thorough understanding of the self. Prior to embarking on a career in China it is essential to first engage in some reflection about what type of person you are and whether your personality is suitable for the “Middle Kingdom.” Questions one must ask oneself include how adaptable and patient am I? Am I good at diplomacy and able to compromise when I have to? Do I embrace change and am I open to new cultures and experiences? Am I able to ask questions in a way that will put the other person at ease, so they are able to give me an honest answer? Do I know how to phrase questions in a tactful way? When confronted by people that don’t speak their minds easily, am I skilled at still getting the answers I need and bringing out the best in these people? How good am I at managing bureaucracy? Do I have a sense of cultural superiority and if so, will I be able to rein that in?

This is by no means an exhaustive list of questions one must ask oneself, but is simply to give a frame of reference. If your answers to many of these questions are negative, it is possible that China is not right for you. I would also not advise changing your personality to suit the market, because this is almost impossible to accomplish. The most important quality mentioned previously is the ability to adapt, so if you are willing to use this skill to its fullest, then the Middle Kingdom might be the right place for you.

Knowing yourself is essential to being successful in China. This includes being confident, without being arrogant, that you have something different to offer, that your unique upbringing in a foreign country, your Western education and knowledge of global best practices will add value to your organization. However, you must also be adaptable and a good listener. You must demonstrate respect for local colleagues and be willing to consider their useful suggestions, even if they tell you that certain global best practices are not applicable in China. You must then have the ability to use good business sense to determine

if these protests are legitimate because the culture is too different or whether you are being opposed simply because an idea has never been tried before.

A problem that often arises is that many expatriates go to China with an arrogant attitude; they believe that they are some sort of saviors being sent to educate people living in a backward country. These executives lack an understanding of themselves, the language, and the culture, and are almost inevitably destined to fail, like so many before them. Conceit and an attitude of “you’re either with us or against us” must be avoided at all costs. A real understanding of yourself and the unique skills you bring to the table must be achieved.

Although in many instances ideas from the expatriate will be dismissed as too foreign, a threat that is just as great is that many Chinese colleagues will be unwilling to contradict their foreign boss. It must be possible to foster questioning of authority and to ensure that the best ideas are expressed and nurtured to fruition. The successful executive must be highly adaptable and able to compromise. But this is not to suggest that one should allow quality to slip or be “wishy-washy.” A culture of speaking one’s mind must be slowly developed, even though this is a very difficult ideal to achieve, since it contradicts many aspects of Chinese culture. When asked about the challenges of melding two divergent cultures, where Chinese often don’t express their opinions directly, Bill Amelio, CEO of Lenovo, China’s largest PC-maker and new owner of IBM’s global PC operation, was recently quoted by *CNN* as saying: “Probably, as you pointed out they (the Chinese) are less apt to give their opinions unless they are asked...we are setting a culture where straight talk becomes an important part of who we are.” Amelio also stated that success in China comes down to three things: trust, respect and compromise. (*CNN.com*, October 3, 2006)