

China Business Culture – Guan Xi

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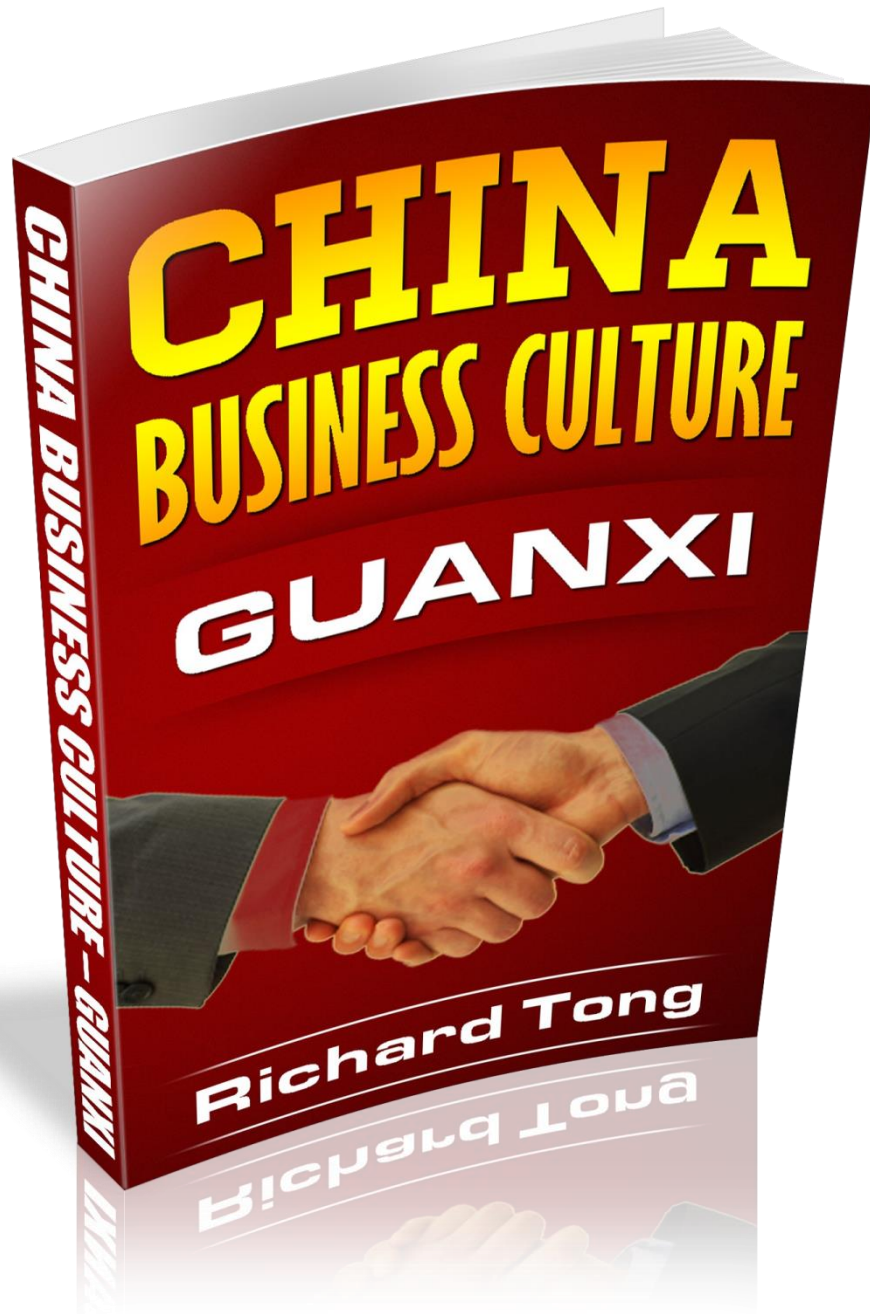


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Part 1

China Business Culture



Chinese Traditional Culture

The Confucian Ethics and the Traditional Chinese Business Culture



Confucianism, the most profound and dynamic thought system in traditional Chinese culture, has for centuries exerted great influences on China's [economy](#), politics, and culture. It is not surprising, then, that the traditional Chinese business culture was deeply associated with Confucianism.

The Confucian idea of profits was double-edged. On the one hand, Confucius' disciple, Mencius, made it abundantly clear that it was immoral of rulers to concentrate on profits for their respective states. On the other hand, merchants were socially useful because their [risk-taking](#) trading activities could supply the people's diverse needs.

In a compromise, ethics was deeply incorporated into business activities. Consequently, it was insisted that merchants' behaviors be governed by the ethical principles, which held that righteousness outweighs profits and that collective benefits and spiritual values outweigh individual benefits and material values respectively.

The ethical principles could provide a set of useful rules and guidelines for the [business activities](#). The central doctrine of Confucianism, Ren, which means goodness, benevolence, humanity, and kind-heartedness, occupied a prominent role in balancing ethics with the pursuit of profits.

Confucian Hans sought to eliminate excessive profits by preventing such activities as cheating, manipulating [supply](#) and demand to bring about higher prices, and corrupting public officials.

In Confucian thought, Li, another virtue literally meaning [propriety](#), also exerted great influences on business activities. One of the virtue's earliest meanings was "ceremonies," in the sense of rituals and structures that people went through at specific times and for specific reasons. From there, the word developed a more general meaning that could mean a set of ethical principles guiding interpersonal [relationship](#) in a hierarchical society.

Li was helpful in keeping the paternal feudal system alive and was also important in directing people to behave ethically and politely. It has played an indispensable role even in modern business [activities](#) where quality services and politeness to customers are priorities.



In addition to Ren and Li, Xin, another virtue literally meaning honesty and trustworthiness, was also important in directing business activities. Only when ethical integrity was highlighted could justice be practiced and **harmony** be achieved in the business community.



The idea that honesty and trustworthiness could lead to a harmonious and benign society found lots of followers among overseas Chinese business people.

Confucianism rose as the main state ideology during the time of Emperor Wudi in the Western Han Dynasty (206B.C.-8A.D.).

In the Qin Dynasty (221B.C.-206B.C.), [Legalism](#) served as the state ideology and at the beginning of the Han Dynasty (206B.C.-220A.D.), Laozi's theory that was more moderate and humane was put into practice. However, Laozi's thoughts did not fit Wudi's political ambition to consolidate his position and strengthen his power when he became the emperor. In 140BC, Confucian scholar Dong Zhongshu admonished the ruler to establish Taixue (an [academy](#)) to educate the crown prince and to produce elite for government offices. He did an excellent job in answering questions raised by Wudi. Wudi was deeply impressed and attached great importance to Confucians and some were even assigned to the high positions of minister.

In Dong Zhongshu's words, the ruler should pay supreme tribute to Confucianism while rejecting all other schools of thought. From then on, all government officials were required to learn and study the Confucian Classics and laws were interpreted accordingly. The orthodox Confucianism



helped to establish the ideological foundation in the feudal society of China. Dong Zhongshu was a Han Dynasty scholar who is traditionally associated with the [promotion](#) of Confucianism as official ideology of the Chinese imperial state.

Dong was born in modern Hengshui, Hebei in 179 BC, he entered the imperial service during the reign of the Emperor Jing of Han and rose to high office under the Emperor Wu of Han. His [relationship](#) with the emperor was uneasy, though. At one point he was thrown into prison and nearly executed for writings that were considered seditious, and he may have cosmologically predicted the overthrow of the Han Dynasty and its replacement by a Confucian sage, the first appearance of a [theme](#) that would later sweep Wang Mang to the imperial throne.

Dong Zhongshu's thought integrated Yin Yang cosmology into a Confucian ethical framework. He emphasised the importance of the Spring and Autumn Annals as a source for both political and metaphysical ideas, following the tradition of the Gongyang Commentary in seeking hidden meanings from its text.

There are two works that are attributed to Dong Zhongshu, the Ju Xianliang Duice in 3 chapters, being preserved under the Book of Han. Another, a major work that has survived to the present, the Luxuriant Dew of the Spring and Autumn Annals in 82 chapters. The Luxuriant Dew of the Spring and Autumn Annals bears many [marks](#) of multiple authorship.



Whether the work was written by Dong himself has been called into question by several scholars including Zhu Xi, Cheng Yanzuo, Dai Junren, Keimatsu Mitsuo, and Tanaka Masami. Scholars now reject as later additions all the passages that discuss five elements theory, and much of the rest of the work is questionable as well. It seems safest to regard it as a [collection](#) of unrelated or loosely related chapters and shorter works, which could be subdivided into five categories. Most more or less connected to the Gongyang Commentary and its school, written by a number of different persons at different times throughout the Han [Dynasty](#).

Other important sources for his life and thought include his poem [The Scholar's Frustration](#), his biography included in the Book of Han, his Yin Yang and stimulus-response theorizing noted at various places in the Book of Han "Treatise on the Five Elements", and the fragments of his legal discussions.

The earliest Li (rites) in ancient China refers to regulations on the articles and ritual formalities for offering sacrifice to god. A sophisticated [system](#) of Li came into being in the Zhou Dynasty, so as to regulate people's conducts, reconcile conflicts, coordinate interpersonal relationship and ensure perfect [management](#) of personnel affairs through implementation of certain regulations and systems. Li makes social order, puts an end to contentions and scourge of war and moderates extravagance and dissipation. Li is the premises of people's happiness about their lives and work.

Li is a desirable [standard](#) and norm of conduct advocated by Confucius. During the Confucius period, people gradually drifted away from the rites of the Zhou, and this is the reason why Confucius began to advocate it once more.



Confucius attached great importance to rites and carried it out personally. He held the [opinion](#) of paying equal attention to benevolence and rites and wished to revive the ideal cultural value contained through the form of "Li". He put a high premium on the spirit of "Li" and managed to be flexible, expedient and apt to change in implementation. For example, in the rite of the Zhou, hemp was used to make hats. Later people changed the material into silk for simpler production. Confucius agreed to do as others did since the change wouldn't hurt the connotations of Li.

As an ancient sage, Confucius is among the earliest and greatest educationists in China. In all his life, he has made a series of excellent comments on study. **The Analects of Confucius** records many of his important remarks in this respect, which demonstrate his outstanding wisdom.

1. With regard to the fun of learning, Confucius said, "Having studied, and then repeatedly applying what you have learned - is this not a source of pleasure? To have friends come from afar - is this not a source of enjoyment? Without grudge even if unacknowledged by others - is this not the mark of a man of honor?"
2. With regard to the [purpose](#) of learning, it is nothing but search for "Way" and "Benevolence". Confucius said, "Learn broadly yet be focused in your purpose; inquire with urgency yet reflect closely on the question at hand - benevolence lies simply in this."
3. With regard to the learning attitude, he encouraged his students to be open-minded, curious, and ready to ask everyone questions on everything. "Study like you are chasing after something, which you dare not miss and lose even if you get it", he said, "In strolling in the company of just two other people, I am bound to find one as my teacher. Identifying their [strengths](#), I follow them, and identifying their weaknesses, I reform myself accordingly."
4. With regard to the learning [methods](#), he encouraged his students to learn from those inferior to them either in knowledge or in status without feeling ashamed and to continue studying without feeling bored. He encouraged teachers to instruct others without growing weary and ponder without feeling tired. Learning without thinking leads to [confusion](#), while thinking without learning ends in problems unsolved.

Confucius held that in order to have a well-ordered society, the most important thing is to carry out what he called the rectification of names. That is, things in actual fact should be made to accord with the implication attached to them by names. In other words, every name contains certain implications which constitute the essence of that class of things to which this name applies. Such things, therefore, should agree with this ideal [essence](#).

The [essence](#) of a ruler is what the ruler ideally ought to be, or what, in Chinese, is called "the way of the ruler". If a ruler acts according to this way of the ruler, he is then truly a ruler, in fact as well as in name. There is an agreement between name and actuality. But if he does not, he is no ruler, even though he may popularly be regarded as such.

Every name in the social relationships implies certain responsibilities and duties. Ruler, minister, father, and son are all the names of such social relationships, and the individuals bearing these



names must fulfill their responsibilities and duties accordingly. Such is the implication of Confucius' theory of the rectification of names. Whether human nature is good or bad has been one of the most controversial problems in Chinese philosophy. Mencius holds that human nature is good, but he doesn't mean that every man is born a sage. He admits, to be sure, that there are also other elements, which are neither good or bad in themselves, but which, if not duly controlled, can lead to evil. According to Mencius, however, these are elements which man shares in common with other living creatures. They represent the "animal" aspect of man's life, and therefore, strictly speaking, should not be considered as part of the "human" nature.

Mencius says: "The feeling of commiseration is the beginning of human-heartedness. The feeling of shame and dislike is the beginning of righteousness. The feeling of modesty and yielding is the beginning of propriety. The sense of right and wrong is the beginning of wisdom." All men in their original nature possess these "four beginnings", which, if fully developed, become the four "constant virtues", so greatly emphasized in Confucianism. These four beginnings differentiate man from the beasts. They should be developed, therefore, because it is only through their development that man is truly a "man".

Xin(Faithfulness) - One of the "Five Constant Virtues" of Confucianism



"Xin" refers to keeping one's word and being faithful. It is one of the "Five Constant Virtues" (namely, benevolence, righteousness, courtesy, wisdom and faithfulness) of Confucianism. Faithfulness, put forward by Confucius and his disciples, requires people to keep their words according to the rules of courtesy with the hope of mitigating the conflicts in the ruling class and between the opposing classes.

Confucius held "faithfulness" to be an indispensable virtue for a human being. Only a man of faithfulness would be appointed to some [task](#); otherwise survival would be hardly possible. Confucius called the man without faith mean person and kept an aloof distance with them.

Faithfulness is regarded by Confucianism as the basis for building and administering a country. The rulers and the state administrators should, first of all, win the faith of the people before calling upon them; otherwise it would be misunderstood as the torture for them. Only when the ruler keeps his word, would the governed people be willing to be honest and faithful.

For Confucianism, faithfulness is of great significance in interpersonal communication and state administration. Confucius was a famous sage and social philosopher of China whose teachings



have deeply influenced East Asia for 2400 years. The relationship between Confucianism and Confucius himself, however, is tenuous. Confucius' ideas were not accepted during his lifetime and he frequently bemoaned the fact that he remained unemployed by any of the feudal lords.

Although we do not have direct access to Confucius' [beliefs](#), we can sketch out Confucius' ideas from the fragments that remain. Confucius (551–479 BCE) was a man of letters who worried about the troubled times he lived in. He went from place to place trying to spread his political ideas and influence to the many kings contending for [supremacy in China](#). He was greatly concerned with how successful societies should work, how rulers should rule and how [relationships](#) should be maintained.



In the Eastern Zhou Dynasty (771-221 BCE), the reigning king of the Zhou gradually became a mere figurehead. In this power vacuum, the rulers of small states began to vie with one another for military and political dominance. Deeply persuaded of the need for his mission- "If right principles prevailed through the empire, there would be no need for me to change its state" Analects XVIII, 6- Confucius tirelessly promoted the virtues of ancient illustrious sages such as the Duke of Zhou. Confucius tried to amass sufficient political power to found a new dynasty, as when he planned to accept an invitation from a rebel to "make a Zhou dynasty in the East" (Analects XV, 5). As the common saying that Confucius was a "king without a crown" indicates, however, he never gained the opportunity to apply his ideas. He was expelled from states many times and eventually returned to his homeland to spend the last part of his life teaching.

The Analects were composed primarily during this period. As with most religious or philosophical texts, there is considerable debate over how to interpret the Analects.





China Business Today

Cultural tips for doing **business** in China

Business dress

Professional business attire – a shirt, tie, trousers and jacket for men and a suit and blouse (not low cut) or business dress for women – should be worn when doing business.

Business 24/7

In the Western world, we value our own personal time. However this is quite different in China where the adage that life is business is very true. People talk about business 24 hours a day. A person's social life revolves around business continuously whether as an employee or business owner. The Chinese enjoy business banquets and personal dinners and lunches. Even karaoke, a favourite pursuit, is usually related to business. In fact, many of these activities are done outside of normal [business](#) hours, occupying a person's evenings and weekends.

Business card etiquette

A business card is also called a name card or ming pian.

A good supply will be required – you will need to give out cards to everyone you meet.

Layout of card is important:

- if your company is prestigious in any way, such as the oldest or largest in the country, the [market](#) leader or the winner of an exclusive award, this should be clearly stated
- emphasise your title or seniority.

Invitations

A Chinese person feels deeply honoured to either receive an invitation or invite a dignitary to a meeting or function. While at times appearing impromptu, ceremony is integral to many of these



events. Signing [deals](#), formalising contracts and the like are frequently carried out in casual surroundings such as restaurants or bars.

The prime reason for this informal style of doing business is that it is imperative in Chinese business culture to establish mutual and long-term trust from your business contact.

Meetings

Show respect by being punctual whether you are a guest or a host. It may be appropriate to arrive a quarter of an hour early, because your Chinese counterpart may do so.

Be patient. The first meeting may appear to be unproductive because of its formality. It will be set up on strict lines and will be hierarchical.

Small talk is considered important at the start of the meeting. There will be a lot of exchange of pleasantries and courtesies but you should avoid trying to move things faster. These formalities and pleasantries are important to building a relationship.

Chinese are very patient and prepared to spend a lot of time in getting to their goal. Impatience on the foreigner's behalf could delay the process even longer.

A good way to establish rapport is to inquire about a Chinese person's family – this is an important topic of conversation.

Other appropriate topics to chat about include the weather, what you have enjoyed about your visit to China, your other [travel](#) experiences etc.

The Chinese regard seniority as being very important. Always determine who is the most senior person and shake hands with that person first. There will be a very strict hierarchy of who greets you first, second etc. and where you will sit.

Similarly it is advised that your most senior representative acts as spokesperson and you refrain from having subordinates play a vocal role in the meeting.

Recognise that certain phrases mean NO. They include "it is inconvenient", "I am not sure" and "maybe".

A common part of a first meeting greeting is for the Chinese to applaud you. This should be reciprocated.

If you are using an interpreter:

- give him/her time to get your message across but maintain eye contact with the person to whom you are speaking
- don't use long or difficult sentences or speak too quickly
- don't direct questions to him/her but rather to the official head or your most senior counterpart. If they feel a question should be redirected to someone else in the group they will do so.



Women in business

Western businesswomen are treated no differently to businessmen, and similarly respect is given to seniority and rank.

Guanxi

In Chinese, the development of long term business relationships is referred to as Guanxi. The concept works in both Western and Eastern cultures, however the difference exists in how it is actually performed. For example businesses in the Western world do not, typically, involve the exchange of gifts. In China it is considered an acceptable practice and sending a gift can only enhance your business relationship.

Reserved nature

Chinese people often keep their thoughts to themselves. This could be explained by:

- Their life philosophy which encourages them to be more reserved and humble in character, not boastful
- Their social and political systems which have more focus on the community's [value](#) and needs rather than individual thinking, rights and ideas. Once a Chinese person says something, it is considered in the public domain and out of their control.
- The [destruction](#) and [oppression](#) which occurred during the Cultural Revolution is only one or two generations away, affecting many people's attitudes and [values](#) in terms of openness and trust of others. Many of today's adult generation were young children during very difficult times of oppression for their parents and related family.



Direct questions

Though many Chinese are now learning to respect the Western idea of privacy some can still be very straight forward with their questioning. It is not considered bad manners for you to be asked questions like "How old are you?" or "How much money do you earn?" or "Are you married?"

Writing dates

Avoid confusion by writing out in full the month of the year in letters. If you do write a date in numbers, list the year first, then the month, then the day, for example: 2011.08.11

Other tips

- You may be applauded when you first meet your Chinese contacts. This is a common part of a Chinese greeting and should be reciprocated.
- If you are asked 'Have you eaten?' you are not being asked if you are hungry, but rather 'How are you?'
- Don't use red ink when writing as this implies you are severing ties.
- The number 8 is considered the luckiest number whilst the number 4 is considered unlucky.

China Introduction

China is believed to have the oldest continuous civilization. China has over 4,000 years of verifiable history. Beijing is the capital of China and is the focal point for the country. The official language is standard Chinese, which is derived from the Mandarin dialect. Most business people speak English. There are many dialects in [China](#) however there is only one written language.

A Communist form of government rules China. The Chinese government promotes atheism although the constitution guarantees freedom of religion. The Chinese [practice](#) a variety of religions, however, Confucianism; despite not being a formal religion is practiced widely throughout the country.

China is the most densely populated county in the world with approximately 1.17 billion people as of 1992. Almost 100 percent of the population are ethnic or Han Chinese. There are strict rules regarding childbirth and each couple is limited to only one child.

China Fun Fact

The tradition of digging up "dragon bones" (tortoise and cattle bones) has long been a part of Chinese culture. These bones are often used to predict the future. The bones were inscribed with questions then heated to reveal the answers. The tradition dates back as far as the Bronze Age (around 2100 BC during the Xia dynasty).



Appearance in China

Conservative suits for men with subtle colors are the norm.

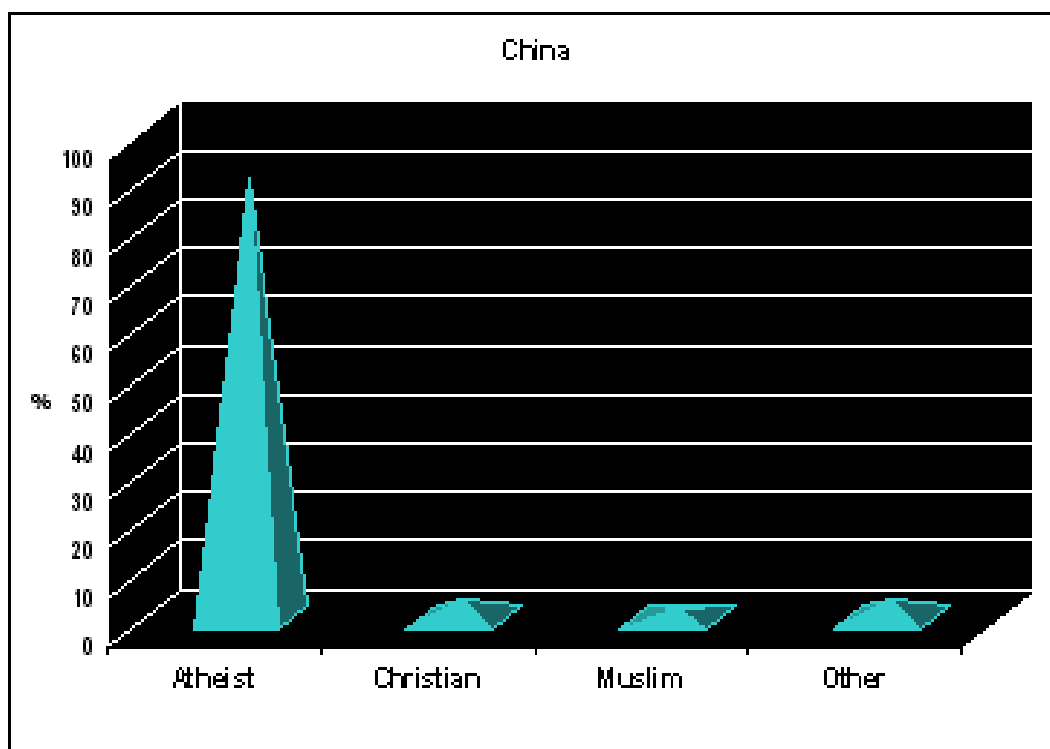
Women should avoid high heels and short sleeved blouses. The Chinese frown on women who display too much.

Subtle, neutral colors should be worn by both men and women.

Casual dress should be conservative as well.

Men and women can wear jeans. However, jeans are not acceptable for business meetings.

Revealing clothing for women is considered offensive to Chinese businessmen.



China's religion is officially designated as Atheist by the State, although the concepts and teachings of the ancient Chinese philosopher Confucius (500BC) are woven into the society at large. Some religious practice is acceptable in China; however, the government sets rigid limits.

Behavior & Manners in China

Do not use large hand movements. The Chinese do not speak with their hands. Your movements may be distracting to your host.



Personal contact must be avoided at all cost. It is highly inappropriate for a man to touch a woman in public.

Do not point when speaking.

To point do not use your index finger, use an open palm.

It is considered improper to put your hand in your mouth.

Avoid acts that involve the mouth.

Gift giving is a very delicate issue in China

It is illegal to give gifts to government official however; it has become more commonplace in the business world.

It is more acceptable to give [gifts](#) either in private or to a group as a whole to avoid [embarrassment](#).

The most acceptable gift is a banquet.

Quality writing pens as considered favored gifts.

The following gifts and/or colors are associated with death and should not be given:

- Clocks
- Straw sandals
- A stork or crane
- Handkerchiefs
- Anything white, blue or black

Always arrive on time or early if you are the guest.

Do not discuss business at meals.

Do not start to eat or drink prior to the host.

As a cultural courtesy, you should taste all the dishes you are offered.

Sample meals only, there may be several courses.

Never place your chopsticks straight up in your bowl. By placing your sticks upright in your bowl you will remind your host of joss sticks which connotes death.



Do not drop the chopsticks it is considered bad luck.

Do not eat all of your meal. If you eat all of your meal, the Chinese will assume you did not receive enough food and are still hungry.

Women do not usually drink at meals.

Tipping is considered insulting, however the practice is becoming more common.

Countries in the world with a Chinese cultural influence, a collectivist attitude, accept gifts with a reserved demeanor. In order not to appear greedy, a gift will not be immediately taken, but refused three times before finally being accepted. Each time it's refused, you as the giver must graciously continue to offer the gift. And once it's taken, tell the person you're happy it's been accepted.

The gift is offered using both hands and must be gift-wrapped; though it won't be opened in front of you. It will be set aside and opened later. This tradition eliminates any concern that the recipient's face might show any disappointment with the [gift](#).

If you're presented a gift, follow the same process of refusing it three times then accept it with both hands. You'll also not open it, but wait until later.

In China, official business policy considers gifts as bribes, which are illegal. Though the policy is softening, there may be times when a gift you offer will absolutely not be accepted. Should you find yourself in this situation, graciously say you understand and withdraw it. Waiting until negotiations have concluded will eliminate the appearance of bribery when a gift is presented.

A good guideline if there's a concern is to offer a gift, saying you're giving it on behalf of your [company](#). It's important to always honor the most senior person, so he will be the individual you actually present with the gift, stating you want him to accept it on behalf of his company. This gesture, company to company, will usually circumvent any problem regarding undue influence. If you have several gifts to present, never give the same item to people of different rank or stature. The more senior the person, the more expensive the gift.

Typically one [person](#) is not singled out to receive a special [gift](#), especially in front of a group. If you've established a good working relationship with someone and want to give a gift, arrange a time when the two of you are alone to present it. Then when you do give it, be sure to say it's being offered as a gesture of your friendship, not [business](#).

A gift's value should be commensurate with the level of the business dealings. This applies both to an individual's gift and a corporate gift. There are times when an expensive gift fits the [occasion](#) and circumstance, but an overly extravagant one could create complications or embarrassment, as the recipient may not be able to reciprocate.



In Chinese culture symbolism is important, with colors and numbers having special meaning. For instance, at Chinese New Year, [Money](#) may be given in a red envelope; it must be even amount, using an even number of new bills.

Red is a lucky color; pink and yellow represent happiness; and the number 8 is the luckiest number. The colors black, white and blue and the #4, or four of anything, are negatively associated with death or [funerals](#). Also included in this category are clocks, handkerchiefs, and straw sandals.

Sharp objects like knives or scissors represent a 'severing of a friendship or relationship'- including a business relationship.

You don't want to inadvertently select a gift that has a negative or unlucky association. And because of the symbolism, it can happen. For instance, a fine writing pen would be a good gift, unless it has red ink.

Early in your business [relationships](#), you may want to make your gift selections from a local store where you'll be given the proper [information](#) and direction. At least it's wise to have items gift wrapped once you've arrived in the country, to eliminate incorrect choices for colors and types of paper.



Communications in China

Bowing or nodding is the common greeting; however, you may be offered a handshake. Wait for the Chinese to offer their hand first.

Applause is common when greeting a crowd; the same is expected in return.

Introductions are formal. Use formal titles.

Often times Chinese will use a nickname to assist Westerners.

Being on time is vital in China.

Appointments are a must for business.

Contacts should be made prior to your trip.

Bring several copies of all written documents for your [meetings](#).

The decision making process is slow. You should not expect to conclude your business swiftly.

Many Chinese will want to consult with the stars or wait for a lucky day before they make a decision.

Present and receive cards with both hands.

Never write on a business card or put it in your wallet or pocket. Carry a small [card](#) case.

The most important member of your company or group should lead important meetings. Chinese value rank and status.

Develop a working knowledge of Chinese culture.

Allow the Chinese to leave a meeting first.

STORY HIGHLIGHTS

- China is home to a growing middle class with a big appetite for consumer goods
- Western firms looking to tap China should be innovative and flexible, analysts say
- They also need to adopt a long-term approach and build a strong local team
- Competition, corruption, business etiquette and language are some of the hurdles

London (CNN) -- As western countries remain mired in financial turmoil, business people are looking to get a foothold in China, hoping to tap its growth and expanding middle class.

Solid economic expansion, coupled with a rapid market [transformation](#) and a series of government reforms, mean China -- the world's second-largest economy -- is no longer just a country for low-cost manufacturing. It is also an increasingly attractive destination to do business.



Several western companies -- including global giants such as Starbucks, Volkswagen, Boeing and Procter & Gamble -- have established a presence in the country.

But despite China's increasing influence, challenges remain for those looking to do business in the country. Intense competition, corruption, business etiquette and language are some of the barriers that can be faced.

Here are five things you should know before doing business in China.

You have to look at China more like a mosaic of cultures.

Martin Roll, business and brand [strategist](#)



A mosaic of markets

China is the world's most populous nation, with its sprawling 1.3 billion people making up a highly diverse market.

"There is no such thing as the Chinese market," says Martin Roll, a business and brand strategist who provides advisory to global and Asian brands on China. "You have to look at China more like a mosaic of cultures," he adds.

There is no single consumer profile, and analysts suggest companies remain flexible and innovative, while understanding how their company would fit in each specific market.

"You need people who've been in the [market](#), you talk to trade associations, you talk to trade promotion bodies, you talk to people and bit by bit you get to understand the dynamics," says



Stephen Perry, president of the 48 Group Club, an independent business network promoting business relations between China and the UK.

"There's no simple [answer](#) in China -- it depends so much upon the specific market and upon the specific characteristic of your own company," he adds.

If you have something they want, they'll do business with you no matter whether you can hold chopsticks or not.

Stephen Perry, 48 Group Club

Business culture and etiquette

Operating in a country with a history of thousands of years -- and ways of doing business that go back as far -- it is valuable to develop insight into China's business culture and social etiquette to avoid misunderstandings that could scuttle deals and harm working relationships.

One key aspect of Chinese culture is the concept of "face." In "China Uncovered: What you need to know to do business in China," professor Jonathan Story describes face as a mix of public perception, social role and self-esteem that has the potential to either destroy or help [build](#) relationships.

Story says that a foreign CEO can give face by attending meetings, accepting invitations, providing suitable expensive gifts and showing sensitivity to Chinese culture.

In contrast, entrepreneurs can lose face by insulting someone in public, refusing invitations and gifts or by behaving inappropriately, like losing their temper or crying -- acts that are seen as lack of self-control and weakness.

Business outsiders can impress with their knowledge of local customs, acknowledging hierarchy, offering gifts, addressing people by their designation -- especially when dealing with state representatives -- and appreciating the food. Such [awareness](#) of cultural nuances illustrate respect and sincere interest, says Roll.

On the flip side, Chinese business people generally respect cultural differences and won't expect westerners to be fully customized to their tradition, analysts say.

"At the end of the day, the Chinese are very pragmatic," says Perry. "If you have something they want, they'll do business with you no matter whether you can hold chopsticks or not."

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Jack Perkowski, [entrepreneur](#)

Jack Perkowski, a Wall Street veteran who's often referred to as "Mr China" for his entrepreneurship in the Asian country since 1993, says developing mutual trust is key to success in doing business in China. "The most important thing is, whoever you're meeting with or whoever you're dealing with, to treat them with respect," he says.



Taking a market-based approach

Western businesses looking to tap the Chinese market should be aware of local preferences, and adapt accordingly.

For example, Starbucks started serving green tea lattes in a bid to get a traditionally tea-drinking nation hooked on coffee; McDonald's adapted its menu to include items like spicy chicken wings and chicken burgers in an effort to appeal to local tastes.

"No matter how good you think your [product](#) is, no matter how well it sells in the UK, the United States or anywhere else, you need to really look at that product in the context of China and say is that the right product, is it too high-priced, do we need to do something different, do we need to adapt?" says Perkowski.

Procedures in China take time, patience and money

Western companies looking to tap China also need to show a long-term approach that will prove that they're in the country to stay, analysts say.

"It's very important when a western company tries to go to China they have to realize that success in China takes time, it requires patience and it costs a lot of [resources](#)," says Roll.

Perry says that people have got to be very open-minded about anticipating what China is going to be in the coming decades.

"(China) is growing in the field of consumer goods and it will grow fast so people have got to find a way to match the future impact of China with the current characteristics of China," he says.

The only way you are going to ultimately be successful is by putting together a good team.

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Build a strong local team

Newcomers wanting to crack China will need to move, get someone from their organization to relocate or find an experienced group to represent them, says Perkowski, who's also the author of "Managing the Dragon: How I'm Building a Billion Dollar Business in China."

"When you're just starting, you've got to recognize there's going to be a limit to what you can do travelling back and forth to China," he adds. "You'll never going to get a deal done [without basing yourself there]."

Surrounding yourself with local [talent](#) can help you break deals, understand the culture and the complexities of the market as well as compensate for the language barrier for those who don't speak Mandarin, analysts say.

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London (CNN) -- As western countries remain mired in financial turmoil, business people are looking to get a foothold in China, hoping to tap its growth and expanding middle class.

Solid economic expansion, coupled with a rapid market transformation and a series of government reforms, mean China -- the world's second-largest economy -- is no longer just a country for low-cost manufacturing. It is also an increasingly attractive destination to do business.

Several western companies -- including global giants such as Starbucks, Volkswagen, Boeing and Procter & Gamble -- have established a presence in the country.

But despite China's increasing [influence](#), challenges remain for those looking to do business in the country. Intense competition, corruption, business etiquette and language are some of the barriers that can be faced.

Here are five things you should know before doing business in China.

You have to look at China more like a mosaic of cultures.

Martin Roll, business and brand strategist

A mosaic of markets

China is the world's most populous nation, with its sprawling 1.3 billion people making up a highly diverse market.

"There is no such thing as the Chinese market," says Martin Roll, a business and brand strategist who provides advisory to global and Asian brands on China. "You have to look at China more like a mosaic of cultures," he adds.

There is no single consumer profile, and analysts suggest companies remain flexible and innovative, while understanding how their company would fit in each specific market.

"You need people who've been in the market, you talk to trade associations, you talk to [trade](#) promotion bodies, you talk to people and bit by bit you get to understand the dynamics," says Stephen Perry, president of the 48 Group Club, an independent business network promoting business relations between China and the UK.

"There's no simple answer in China -- it depends so much upon the specific market and upon the specific characteristic of your own company," he adds.

If you have something they want, they'll do business with you no matter whether you can hold chopsticks or not.

Stephen Perry, 48 Group Club





Business culture and etiquette

Operating in a country with a history of thousands of years -- and ways of doing business that go back as far -- it is valuable to develop insight into China's business culture and social etiquette to avoid misunderstandings that could scuttle deals and harm working relationships.

One key aspect of Chinese culture is the concept of "face." In "China Uncovered: What you need to know to do business in China," professor Jonathan Story describes face as a mix of public perception, social role and self-esteem that has the potential to either destroy or [help](#) build relationships.

Story says that a foreign CEO can give face by attending meetings, accepting invitations, providing suitable expensive gifts and showing sensitivity to Chinese culture.

In contrast, entrepreneurs can lose face by insulting someone in public, refusing invitations and gifts or by behaving inappropriately, like losing their temper or crying -- acts that are seen as lack of [self-control](#) and weakness.

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List of Chinese Characters

雨 (rain)

Yu (雨, rain) is a pictographic character. In oracle bone inscriptions, it consists of a horizontal line with six column bars in three rows underneath. If we say the line signifies clouds, the six bars may be rain falling from the sky. From it we can get the original meaning of “yu”, that is, the rainfall coming from the clouds. The character is also a radical constituting most of the words related to the rain from the sky. Although the character is slightly changed in small seal [script](#) and regular script, we can still find traces of raindrops from the four dots in the character.

Rain has close relationship with agricultural [production](#), hunting and traveling, which is reflected in a Chinese idiom “风调雨顺” (Feng Tiao Yu Shun), which means favorable weather or seasonable weather for crop growing. It also reflects the common [wish](#) of Chinese farmers.

雷 (thunder)

As a pictographic character, Lei (雷, Thunder) in oracle bone script resembles a painting consisting of four “田”-shaped patterns and a sinuous sign signifying clouds in the middle. It's so shaped because the ancient Chinese considered thunder the resounding drumbeat of the God of Thunder. Therefore, the four “田” characters symbolized drums and the original meaning of the character.



刀 (Dao)



"Dao" (刀) is a pictographic character that looks like a long knife in the oracle bone inscriptions. It is thus clear that there was a long [history](#) of using sharp weapons like knives in ancient times. The basic form of the character is little changed from the small seal script to the regular script.

The knife is one of the earliest weapons appeared in China. It was used by the primitive people for cutting, chopping, scratching, scraping or tearing up [animal](#) skins. Later, the knife was used in battles, becoming one of the major non-explosive weapons. In the Shang Dynasty, there appeared bronze knives that originated from the primitive stone knives. And large-sized sabers also appeared at that time. The ring-head long sword of the Zhou Dynasty was still popular in the Han Dynasty. Not only that, it was also introduced to Japan and Korea. Emperors, dukes and high-ranking officials of the Han Dynasty would just wear a knife, without a sword. You can see the important role knives played in the Han Dynasty.



草 (Cao)

“草(Cao, grass)” is a pictographic character in [oracle](#) bone inscriptions. It vividly resembles two blades of grass thrusting out of the earth. The character in the small seal script has basically the same shape as that in oracle bone inscriptions. In the regular script, the character becomes what it looks like now with a character “早 (Zao, early)” attached below its original. The character “草(Cao, grass)” in Chinese language is also a radical written as “艹”. Words carrying this radical are mostly associated with [plants](#), such as “花” (Hua, flower), “菇” (Gu, mushroom), “葱”

(Cong, scallion), “芝” (Zhi, glossy ganoderma), and so on.

The character “草” originally means uncultivated land. It later becomes a general term for herbaceous plants. By extension, it carries the meanings of “manuscript” and “first draft”; it can



also be used to describe something rough and coarse. The character also means “hasty” and “careless”. Hence comes the name of “草书” (Caoshu, cursive script), a [style](#) of Chinese calligraphy with strokes flowing together.

炙 (zhi)

“炙” (zhi, roast) is an associative character in Chinese. In the ancient writings, the upper part of “炙” is the character “肉” (rou, meat) and the lower part the character “火” (huo, fire), suggesting the meat is being roasted on the [fire](#). Therefore, its original meaning is to roast the meat on the fire. Apparently, it demonstrates that human beings had got rid of the barbarian times when they ate raw birds and animals. In the case of small seal script and regular script, no changes are observed in the structure of the character, only the styles differ. “炙” also refers to cooked meat other than the meaning of a [cooking](#) method.

“脊” (ji, literally ridge) is an associative and pictographic character in Chinese. In the oracle bone inscriptions, the lower half of “脊” is the character “肉” (rou, meat) and the upper half resembles the vertebral column. Therefore, the character originally referred to the vertebral column. The shapes of “脊” in the small seal script and regular script are basically consistent with the ancient Chinese writing [system](#).

Located in the highest position of the [body](#) of reptiles, often higher than the back, the backbone links the other bones and supports the whole body. Gradually, the meaning of “脊” has been extended. It is used to refer to a long, narrow, or crested part such as “山脊” (shanji, mountain ridge), “屋脊” (wuji, ridge of a house), “脊梁” (jiliang, back) and “书脊” (shuji, spine of a book). “脊梁” is also used as metaphor of people or things that serve as a support. One of the Chinese sayings “戳脊梁” (chuojiiliang, poking one’s back) is used to refer to attack somebody behind the back.



“梦” (meng)

“梦” (meng, dream) is an associative and pictophonetic character. In the oracle bone inscriptions, the right part of “梦” looks like a standing bed and the left part a man on the bed who is sleeping with his hands on the head. The pose is associated with dreams people have while sleeping.

When the Chinese writing evolved into the form of the small seal script, the character was simplified and added with another character “夕” (xi, night), which was meant to suggest [dreams](#) occurred in the night. In the case of the regular script, no changes are observed in the structure, while in terms of simplified Chinese, it becomes the present easy-to-[write](#) character “梦”.

People are not sober while dreaming, so “做梦” (zuomeng, to dream) is extended to mean “something illusionary”; “梦呓” (mengyi) does not only refer to the act or habit of talking in one's sleep, but also absurd remarks. As early as the ancient times, the Chinese had been studying on dreams. According to the traditional Chinese medicine [theory](#), the occurrence of dreams can be due to the uneasy sleep caused by physical reasons. Psychological reasons can also cause dreaming, therefore there is the saying of “You will dream at night about what you have been mediated over during the daytime”.



“胃” (wei)

In bronze script, the first half of the character “胃” (wei, stomach) looks like a gastric pouch; the second half is the character “肉” (rou, meat); The joint in between suggests the things that have not been digested. Therefore, the original meaning of “胃” is the human or animal organ involved in the digestion and storage of [food](#). Both the shapes of “胃” in small seal script and regular script derives from the structure in the inscriptions on bronze.



Herbalist [doctor](#) always attaches great importance to the important part the stomach plays in the functioning of human body. It emphasizes the significance of the spleen and the stomach in absorbing water, [nutrition](#) and trace elements. The stomach is a machine that works all day long. Besides, it is encouraging that some basic knowledge about the human organ is revealed by the structure of the Chinese characters, now that there were no anatomy-related skills in ancient China.



“肉” (rou)

“肉” (rou, meat) is a pictographic character in Chinese. It is shaped like a slice of meat in oracle bone inscriptions. Slight changes were observed in the case of small seal script : the two lines inside the character looks like the bones in the meat. Thus “肉” originally referred to animal muscle. Noticeably, “肉” in small seal script looks rather similar to another character “月”. In order to distinguish the two characters, it evolved into the present shape “肉” in regular script. In Chinese, “月” also served as a radical. Most of the characters involving “月” are associated with “肉” (muscle or meat) and human body. For example, “肝” (gan) equals to liver, “胃” (wei) stomach and “脏” (zang) viscera.

With the semantic development of the characters, the meaning of “肉” extended from animal muscle to skin, muscle and [fat](#) of the human body, animal meat used as food, as well as the eatable part of vegetables and fruits excluding the skin and the core. In ancient Chinese, high-ranking government officials ate meat more frequently than the ordinary, therefore “肉食者” (rou shi zhe), literally predators or meat-eating beings, is often referred to the officials with a high position and a fabulous [salary](#). Besides, the uncomfortable feelings aroused by frivolous and



hypocritical words and behaviors are called “肉麻” (rou ma) in Chinese, which literally means “the meat is tingling”.



“骨” (gu)

“骨” (gu, bone) is a pictographic character in Chinese. In case of oracle bone inscription form, the four small vertical strokes look like the bulges of bones and the three slanting lines the supports of the skeleton. Therefore, the original meaning of “骨” is bones, namely, the hard tissues that support the body of vertebrates. As the Chinese writing evolved into other forms, “肉” (rou, meat) was added to the bottom of the original character, which was meant to [display](#) the connection between bones and meat. In case of small seal script, such connection was even more apparent in the structure of the character. “骨” in the regular script, which we often use today, is almost the same as that in the small seal script.

The meaning of “骨” later extended to “racks or supports”, “quality” and “loftiness”. For example, when appreciating a vigorous calligraphy, the Chinese often use the word “骨力” (guli), literally as powerful as bones. “骨” is also an important [ingredient](#) in the Chinese cuisine. Bones of pigs and oxen are often used to make soups. Besides, it is typical in China to soak bones of carnivores in the [wine](#).





晶 "Jing"

"Jing" (晶) is an associative character that's made up of three "ri" (日, meaning "the sun") characters in the oracle bone inscriptions. The three-sun structure indicates exceptional brilliance. Some in ancient times regarded it as a [pictographic](#) character, as it looks like the stars in the night sky. The stars are glittery, so the original meaning of this character is "bright, luminous". The form of the character changed little throughout the ages, remaining the same from the small seal script to the regular script.

From the basic meaning of "jing", the character had some extended meanings such as "clear, transparent" and "sparkling" etc. It can also be combined with the [word](#) "shui" to mean "shuijing" or "crystal". In ancient China, crystal was regarded as the essence of water due to its clear and transparent [nature](#). It was believed to be a sacred matter and a symbol for auspiciousness.





蛛 (zhu)

In the bronze inscriptions, “zhu” (“蛛”) is a pictographic character that looks like a small insect spreading its legs; In the small seal script, a archaic phonetic [element](#) “ ” is added, making it a pictophonetic character. The change indicates the separation of this kind of insect from all others; in the regular script, the character is simply written as “蛛”, with the phonetic element “zhu” (“朱”) on the right, and the semantic element “chong” (“虫”, meaning “an insect”) on the left, indicating that the spider was believed to be a kind of insect.

The spider is an arthropod that can produce a sticky liquid from its tail for making a [web](#) to catch insects. It’s characterized by a small body, eight long and thin legs and the ability to produce silk and to make webs. There’s a Chinese idiom “zhusi maji”, literally “a spider's web and a horse's footprints”. It means that by tracing a spider’s web, you can find the location of the spider; and by [tracing](#) the footprints of a horse, you know where the horse is gone. The idiom describes tiny clues of something.





蜂 (Feng)

“Feng” (“蜂”) is a pictophonetic character in the oracle bone inscriptions, with the phonetic element on top and two worms at the bottom. The form is an expression of ancient people’s deep understanding of insects, with all insects making sounds like “feng” being called “feng” (bees). In the small seal script and regular script, the “feng” (“奉”) radical at the top is replaced by its homophone “逢”, with the two worm radicals remained at the bottom. In its simplified version, the original phonetic element is moved from the top to the right.

“Feng” is a character meaning bees, including honeybees, hornets and wasps etc. In most cases, it is especially used to mean “honeybees”. Bees are social insects, so the phrase “fengqi” means “to emerge in large multitudes like bees”.

In the oracle bone inscriptions, “chan” (“蟬”) is a pictographic character, with a cicada’s head on top, its abdomen at the bottom, and wings on both sides, displaying a vivid [picture](#) of a cicada on a [tree](#) in summer. In the small seal script, the shape is simplified, with a “dan” (“单”) radical added to the right, indicating its pronunciation. The character thus becomes a pictophonetic character and basically remains in the shape till now.





In China, the cicada is also known as “zhiliao” (literally “know, understand”), because the songs of the insect sound like the phrase “zhiliao” in Chinese. In ancient China, there was a fabric named “cicada wing silk”, because it was as thin as cicada wings. And fans made of this fabric were called “cicada wing fans”. Ancient Chinese people regarded the cicada as a symbol for noble and unsullied qualities due to its exposure to the nature world. That's why an ancient scholar would express his nobility by comparing himself to a cicada. In the oracle bone inscriptions, the character niu (牛) is like a simple [sketch](#) of an ox head, highlighting its horns and ears. From ancient times to the present, the character basically remains the original form. In Chinese characters, “niu” is not only the name of the animal ox, but also a radical. Characters with the “niu” radical are mostly related to oxen, bovine animals and their movements, such as “mu”(牧, meaning “to herd cattle”), “xi”(犀, meaning “rhinoceros”), “li”(犁, meaning “plough”) and “du”(犊, meaning “calf”) etc.

An ox is a symbol of hard [work](#) in Chinese culture and is something Chinese farmers are deeply attached to. In some areas, the custom of paying tribute to farm cattle is still observed. “Niu” or “ox” is also one of the most commonly-used colloquial expressions, meaning “good or skillful”. It can also be used as a noun to mean an extraordinary [person](#) or thing. The phrase “niu piqi” or “ox temper” means “stubborn or unyielding temper”.

What is Guanxi?





"Guanxi (Traditional Chinese 關係 / Simplified Chinese 关系 / guānxi)" is a general Chinese term used to describe relationships that may result in the [exchanges](#) of favors or "connections" that are beneficial for the parties involved. Sounds like a simple way to [create](#) business right? The truth is this type of relationship can become somewhat time consuming and complex.

The Chinese term "guanxi" can, at times, equal the term "networking." The elements of exchanges based on "guanxi" carry a long tradition in doing business in China and Chinese communities. Good "guanxi" can be the key needed to opening doors otherwise closed. The types of relationship [building](#) are almost unlimited but exclusive. Not creating situations where others may "lose face (丟臉 / 丢脸 diūliǎn)" is an important balancing act that those taking part must be constantly aware of. So good "guanxi" can be created in many ways and should appear to be offered voluntarily. Good "guanxi" can minimize natural or manmade obstacles in doing business in China. Over time it may take some effort to maintain and nurture the needed [amount](#) of "guanxi" to do business at different levels. Remember that good "guanxi" can mean more than just going from the back of the line to the front. Those taking part in the acceptance of "guanxi" are required to return "guanxi" given measured on the amount of previous "guanxi" accepted.

In simple terms "guanxi" appears to carry an element of trust. It's true that a lot of business in China revolves around circles of personal and mutual trust. So for any outsider to do business in



China they must take the time to form relationships or "guanxi." This has been a big obstacle for many western businesses trying to enter the Chinese market. Business connections made through "guanxi" must be maintained to ensure proper positioning for future business. I call this "relationship after [service](#)."

Now that we have a general idea what "guanxi" is, how can good "guanxi" be created and maintained? Most western educated businessmen think that this kind of relationship is only based on direct cash exchanges. Although this is correct on some levels it isn't the [norm](#) today. Often "guanxi" transactions are "hidden" and not made obvious to the casual observer. Although the direct giving of "gifts" is a common form of building "guanxi" it isn't the only way. Inviting or hosting dinners for prospective clients or business [partners](#) can create an environment for "guanxi." Also the exchange of favors or "inside information" may amount to good "guanxi." However, not all "guanxi" is good "guanxi." Relationships built on "guanxi" can quickly fade or disappear if part of the "relationship chain" is put into question for any reason. There is a fine line between "guanxi" and bribery. The [path](#) to good "guanxi" isn't an easy path to follow. Tipping to one side can put relationships made in this way a case for legal action. As China is creating its own terms for capitalism and legal business transactions the distinction many not become any clearer. So creating "guanxi" is like walking into a thick mist where you constantly have to feel your way through.

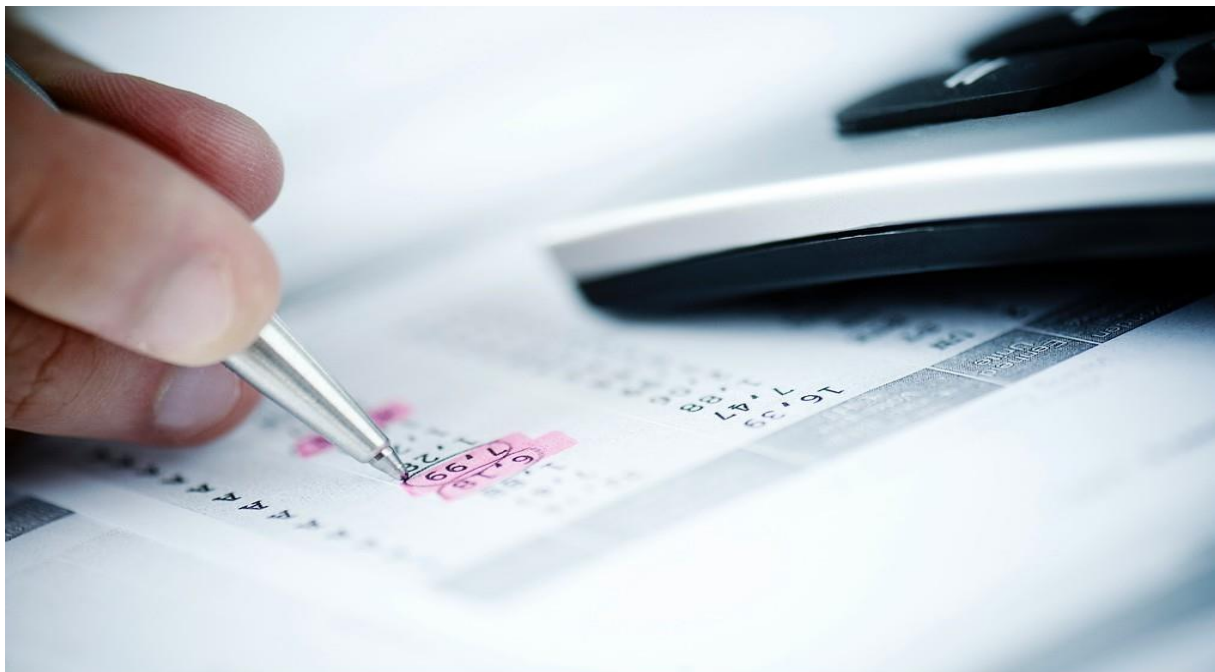
How much guānxi do you have?



Part 2

Guanxi, An Important Chinese Business Element





“Guanxi” literally means "relationships", stands for any type of [relationship](#). In the Chinese business world, however, it is also understood as the network of relationships among various parties that cooperate together and support one another. The Chinese businessmen mentality is very much one of "You scratch my back, I'll scratch yours." In essence, this boils down to exchanging favors, which are expected to be done regularly and voluntarily. Therefore, it is an important concept to understand if one is to [function](#) effectively in Chinese society.

The importance of "Guanxi"

Regardless of business experiences in ones [home](#) country, in China it is the right "Guanxi" that makes all the difference in ensuring that business will be successful. By getting the right "Guanxi", the organization minimizes the risks, frustrations, and disappointments when doing business in China. Often it is acquiring the right "Guanxi" with the relevant authorities that will determine the competitive standing of an organization in the long run in China. And moreover, the inevitable risks, barriers, and set-ups you'll encounter in China will be minimized when you have the right “Guanxi” network working for you. That is why the correct "Guanxi" is so vital to any successful business strategy in China.

Although developing and nurturing the "Guanxi" in China is very demanding on time and resources, the time and [money](#) necessary to establish a strong network is well worth the [investment](#). What your business could get in return from the favors for your partners are often more much more valuable, especially in the long run, and when you're in need. Even domestic businesses in China establish wide networks with their suppliers, retailers, banks, and local government officials. It is very common for individuals of an organization to visit the residence of their acquaintances from other organizations, bringing gifts (such as wine, cigarettes, etc.). While this practice may seem intrusive, as you spend more time learning the Chinese culture, it



will become easier to understand and take part in this practice that is so central to successful Chinese commercial activity.

To start, pay close attention to your immediate Chinese network, and try to establish good "Guanxi" with them. They can indirectly [link](#) you to new acquaintances and information resources, thus helping you to develop other right "Guanxi" you need.



How business is conducted

The Chinese culture is distinguished from the Western culture in many ways, including how [business](#) is conducted. For example, the Chinese prefer to deal with people they know and trust. On the surface, this does not seem to be much different from doing business in the Western world. But in reality, the heavy reliance on relationship means that western companies have to make themselves known to the Chinese before any business can take place. Furthermore, this relationship is not simply between companies but also between individuals at a personal level. The relationship is not just before [sales](#) take place but it is an ongoing process. The company has to maintain the relationship if it wants to do more business with the Chinese.

How relationship is established

First of all, it does not have to be based on money. Treating someone with decency while others treat him/her unfairly could result in a good relationship. Second, it starts with and builds on the trustworthiness of the individual or the [company](#). If a company promised certain things and delivered as promised, the company is showing trustworthiness and the Chinese would be more inclined to deal with them again. Third, being dependable and reliable definitely strengthens the relationship. It is like being friends, and friends can count on each other in good and tough times. A good example is related to the 1989 political instability in China. Companies that stayed found



their relationship with the Chinese strengthened as they were viewed by the Chinese as friends who did not abandon the Chinese when they needed friends. Fourth, frequent contacts with each other foster understanding and emotional bonds and the Chinese often feel obligated to do [business](#) with their friends first.

"Guanxi" or relationship with high rank officials are still important for doing business in China, though declining to some extent. Political and administrative interference in business have declined. More and more companies have found themselves on their own surviving without government subsidiaries. If they are not getting any help from the government they are more reluctant to be influenced by government officials. So government "Guanxi" may have less influence with these companies.

Since "Guanxi" and relationship could function as an information network, companies with wide "Guanxi" and relationship networks often have much higher [performance](#) than companies with little or no relationship with the Chinese.

Final Words on "Guanxi"

Keep in [mind](#) that "Guanxi" can take on many forms. It does not have to be based on money. It is completely legal in their culture and not regarded as bribery in any way. So, there is no need to feel uncomfortable about it. Trustworthiness of both the company and individual is an important component. Following through on promises is a good indication of this. Treating someone with courtesy while others treat him or her unfairly is another aspect. Frequent contact fosters friendship as well. Chinese feel obligated to do business with their friends first. There are risks with this [system](#), as well. When something goes wrong, the relationships are challenged, and friendships quickly disappear. "Guanxi" can also be very one-sided. When "Guanxi" is involved, there is a risk of obtaining an invoice of twice the amount that you bargained for.



Guan xi in China

How does it work?

What is guan xi? How does it work?

Chinese like to say that their style of administration is 'people based' (renzhi 人治), rather than 'legal-based' (fazhi 法治). This does not mean that legal system is absent in the country. In fact, China is one of the earliest civilizations that introduced legal system into the public administration.



They are simply emphasizing the roles social relationships and connections play in getting things work. In this aspect, guanxi plays a very critical role.

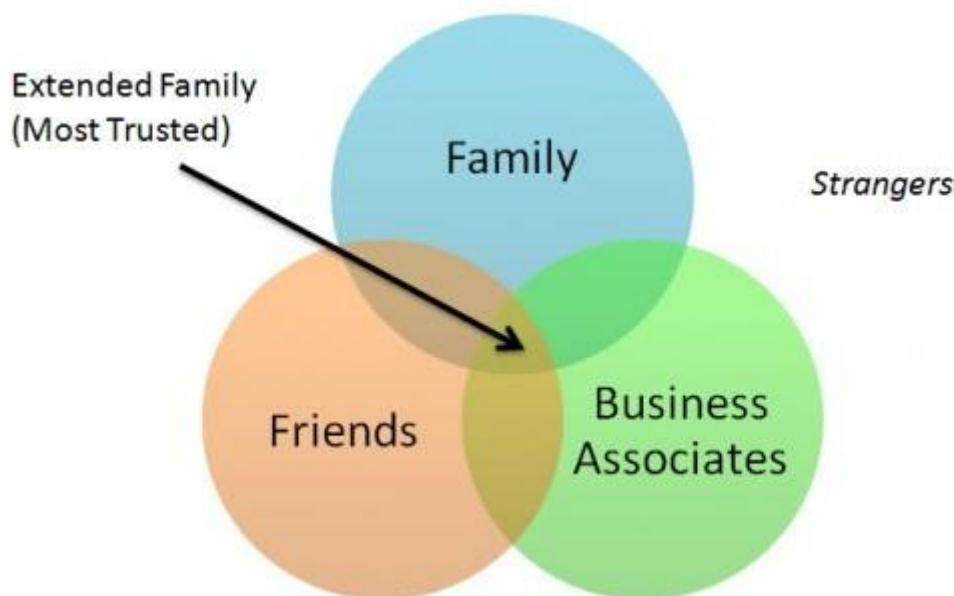
Perhaps nowhere else on the planet does the phrase, “It’s not what you know, it’s who you know” have more relevance than in China.

“Guanxi” (pronounced “gwan-shee”) is usually translated as “social connections” or “relationships”. But these don’t tell the whole picture.

Guanxi is the key to getting anything done in China—the single most important factor for [success](#) in the country. The Chinese widely believe that it trumps intelligence, knowledge, talent, ambition...and even wealth. Because without the right guanxi, it’s hard to get ahead in China—competitors with better guanxi, for instance, can block you at every turn.

To get anything done in China, you need to navigate through China’s vast bureaucracy—dealing with all kinds of public officials, agencies and businesses. Guanxi isn’t just for getting ahead in business and politics. It’s how things get done in China—everything from getting help moving to meeting a potential spouse to [finding](#) a new job or apartment.

For better or worse, guanxi is the oil that keeps wheels of commerce, politics and society in general running in China.



A Mutual Web of Interdependence

Essentially, guanxi is a system of mutual obligation—one that has been described as “relationships based on mutual dependence.” A simpler way of putting it is that it’s based the idea of “You scratch my back and I’ll [scratch](#) yours”.



Deeply imbedded in Chinese culture for millennia, this intricate web usually [consists](#) of family, relatives, former classmates, coworkers, member of organizations, former or present military cohorts, as well as those who you meet through these contacts.

But it's not just about your own influence and contacts. Because relationships are nurtured through reciprocating favors, this means that guanxi also encompasses your personal obligations or "social debts".

In other words, it's not just who you know. It's also how others in your network see their obligations to you. Every Chinese person maintains a kind of ongoing mental abacus that remembers all of the favors that they've provided...as well as all of the [debts](#) that they've accumulated.

Traditionally, these relationships generally considered lifelong. You could lose touch with someone for years—even decades—after gaining your initial favor and that person can still call in a reciprocal favor out of the blue.

In such a system, failing to return a favor is a major moral transgression—almost a mortal sin in the eyes of the Chinese. Those who [gain](#) a bad reputation are quickly voted off the island, so to speak; they can find that whatever guanxi power they've built up has rapidly evaporated.

But It's Not Fair! (I Hear You Whine)

Westerners sometimes have a problem with this idea—complaining that it's unfair and underhanded. The guanxi system seems to go completely against the American mantra of taking personal responsibility for your own actions (as well as success and failure).

Reflecting a strong sense of independence and individualism ("I did it my way"), many feel that seeking and depending on connections is not the "American way".

But in general, you don't hear the Chinese complaining that "life isn't fair." Indeed, since the dawn of ancient China, there was little that was fair in Chinese [society](#). Throughout Chinese history, the prevailing motto has been "might equals right".

"That's what I said, give him the Lack!"

The common man had little personal freedom and lots of rules and [laws](#) to follow. Unlike Western cultures, ordinary people in China had no inalienable rights to protect them from people in power. For thousands of years, bureaucracy was universal and honed to perfection. In short, no one expected to get their way because it was "right" or "fair".

In fact, laws were usually designed to serve those in power. They often arbitrary and ever-changing (depending on whichever dynasty/egomaniac was in power at the time). While Western societies developed to be legally based—with the rule of [law](#) enforced fairly, more or less—Chinese society was controlled by the capricious rules of those in power.



Going Through The Back Door

The [upshot](#) is that the Chinese have always relied on working around the system to get things done. This meant using connections and making deals behind the scenes (using bribes if necessary). The Chinese have a term for it: hou men (literally “back door”).

In such a system, relationships take on a greater importance. In general, the Chinese respect real relationships more than artificial rules.

"Whatever man."

This helps explain why the Chinese tend to flaunt the rules. I've used the example of Chinese men smoking in No Smoking areas many times before because it's the most visible (and annoying) to many Western tourists visiting China.

I've seen men smoking inside the ancient Forbidden City (made up of wood), despite No Smoking signs everywhere. I've seen policemen and other officials [lighting](#) up right next to No Smoking signs.



The Cost of Doing Business in China

In a society where connections take on such an important role, the typical Western way of doing business is usually ineffective (and can even be considered arrogant or rude).

It's no secret that foreign business people in China need to cultivate guanxi as quickly as possible. Western business people usually [learn](#) pretty quickly that going through the “official” channels to navigate the Chinese bureaucracy is an [exercise](#) in futility.

Even something as seemingly easy as getting an application rubber-stamped can be a long and frustrating process without the proper guanxi. In fact, China's vast bureaucracy is virtually un-navigable without the right guanxi.

On the other hand, when dealing with anything requiring government approval, the people with right connections can get around virtually any official regulation. To get things done, you need a



Chinese partner who has the right guanxi (one who you can also trust....a big question mark). For instance, it's common for business people operating in a certain region to hire a relative of a powerful local official to grease the wheels of commerce.

A Word of Caution

Foreign ex-pats and business people shouldn't take this guanxi thing too lightly. The main point is to remember that when someone is doing you a favor, they're not necessarily just "being nice". There may be an implicit agreement that you'll someday scratch their back.

So understand what you're getting yourself into before you get locked into a never-ending [cycle](#) of giving and returning favors. It's important to realize the full implications of accepting a favor, especially a big one. Your Chinese friend may assume that your country operates on a similar guanxi system; they might assume that you have some pull back home to hook them up in the future.

For instance, I've heard of stories where a Chinese friend asked an American friend to use their connections to help get their kid accepted into a [university](#) or help get their travel visas approved. So unless you work for the Admissions Department at Harvard or at the U.S. State Department, you probably want to avoid the look for disappointment when you explain that the best you can do is to secure a "FBI: Female Body Inspector" coffee mug.

Instead, the [goal](#) is for you to stay even—whether in your business or personal life. Be wary about building up bank of obligations. Perhaps a good motto for long-term residents in China to live by is "There's no such thing as a free lunch"

The Drunken Banquet: A Time-Honoured Chinese Tradition

Needless to say, the Chinese spend a lot of time, energy, and money in developing and nurturing connections. Many [invest](#) decades—a lifetime even—in building up their network and extending their influence. And the most common bonding experience in China to cement a new relationship is the banquet dinner.

"Man, I can't wait until someone invents karaoke."

For instance, after a businessman uses his network to get introduced to a local official, he'll typically start the relationship by treating him to a fancy dinner. There'll be a seemingly never-ending procession of dishes coming out of the kitchen (along with plenty of booze). Afterwards, the businessman might even take the official to a karaoke bar, where additional "favors" are doled out. A traditional invite often included the phrase "yan jiu yan jiu" (literally "smoke alcohol smoke [alcohol](#)") indicating that the guest will also leave with parting gifts (expensive cigarettes and liquor).

The banquet dinner is an all-purpose Chinese bonding experience, not just to bribe officials. It's also the primary mode of social interaction among the Chinese, whether bonding with new



friends, repaying a favor, or just keeping up good relationships. Older relatives are supposed to treat younger ones, though friends naturally take turns picking up the bill (*qing ke*, or “being the host”).

Weddings in China are centered on the banquet dinner. Unlike American weddings (church, reception, dinner, dancing, drunken groping, etc), Chinese weddings are almost always held in large banquet halls or restaurants. Guests are assigned seats at circular tables....and sit there for the entire wedding. Dishes are slowly served throughout the event—mixed in with the actual “ceremony” (usually an introduction of the bride, groom, parents, along with some speeches). Later, the bride and groom slowly make their rounds to toast and thank each table for coming....and the whole affair is over in a few hours!

At least this was the way it was for the five weddings that I attended while living in Taiwan (culturally similar to China...but with Taiwanese characteristics). One thing that struck me was how little the guests mingled. In general, the Chinese (and Taiwanese) are reluctant to just introduce themselves out of the blue—they like to wait for a third party to do it (related to this idea of in-out groups, which I discuss in the next section). Instead, guests were assigned to tables according to the bride and groom side, with each side talking amongst themselves.

Since we’re talking about *guanxi*, I should also note that wedding gifts also reflect this mental accounting list (perhaps a bit too transactional for Western tastes). As each guest arrives, they check in by giving their wedding gift (a red envelope stuffed with cash). A relative takes it and records the gift so that everyone is clear on the amount of commensurate *guanxi* that has just been accumulated for future reference.



Nepotism & Corruption



The guanxi system is certainly not without its downsides. The Chinese are not shy about their connections. On the contrary, they're usually proud that they know people in power. One negative consequence is nepotism, which continues to be rampant in China. Pervading all aspects of business and government, many jobs filled based on family ties, not merit—undermining a system based on merit and scholarship.

For instance, it's commonly accepted that you can get your kid accepted into the most prestigious universities with the right guanxi. I recall reading a story about how a certain small high school in Nanjing only had three seniors accepted into university; none of the three was even close to the [top](#) of their [class](#).

Similarly, cronyism and corruption are harder to eradicate in a society that has long operated on the basis of personal relationships and back room dealings.



How To Building & Managing Guanxi As a Foreigner

To manage *guan xi* or social connection in China is challenging.

Salvaging guanxi in jeopardy is an [arts](#).

This refers to not only to you as a foreigner, but to the Chinese as well.



Having basic understanding about what *guanxi* is helpful. But to master the arts, you'd have to go through trials and errors.

There are three stages in the management of relationships:

4. Initiating
5. Building
6. Harvesting

Initiating Guanxi

On the surface, initiating a new *guan xi* is no difference from [making](#) a new friend.

In actual fact, the process involves more than just adding a new social contact.

It is an evaluation process that considers such things as business and other interests, as well as whether the personal chemistry of the new party is right.

If you are new to building *guanxi*, the first thing you should do is to relax and enjoy the new relationship!

Enjoy the connection that you are establishing!

It doesn't matter whether you are doing it with an agenda in mind, or simply reacting passively. Decide on whether you want to continue with the *guanxi* later.

Be sincere and natural. You should not go too far wrong.

Appreciate the Dining Culture

In order to build harmonious and possibly also a lasting *guan xi*, Chinese like to conduct business with you as friend, rather than partner or associate.

For that, taking you to a restaurant is a basic thing to do. If your Chinese friends or associates take you seriously, but do not take you to a restaurant, things do not seem to be 'in order'.

In most cases, you are treated to at least two meals. One as a gesture of welcome, the other as farewell. There could be more in between.

Enjoy them! Take them as [opportunity](#) to build the connection. If appropriate, host a dinner back.

Be Treated Like 'Old Friend'

You may be taken aback! While your friends or associates may have known you for days, they would introduce you to others as their old friend.



Do not be unTo manage *guan xi* or social connection in China is challenging.

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duly alarmed. This is the way Chinese show their hospitality. Simply enjoy the compliment, and appreciate their *guan xi* with you.



Building the Connection

After some time, you'd get to know more and more people. Your own business networks would be formed.

Unless you have unlimited time and resources, you will have to decide on which *guanxi* to keep and build, and which to discreetly discontinue at this stage.

There are two ways to build and strengthening a *guanxi*.

One is social, involving activities like dinning and playing [golf](#). The other is to help one another, either in the personal capacity or business.



When *guanxi* is in jeopardy, look at the following and see whether you are inadequate in any [way](#).

For every set of connections, there would be unique set of [codes](#) of conduct

1. The relationship has to be maintained and cultivated, or it would be short-lived. For the important network, more time and [energy](#) will have to be invested in it to keep it alive.
2. The interactions among members of a network have to be reciprocal. In Chinese, this is known as *lishangwanglai* (礼尚往来). While other members help you, you will have to help them back. Owing a favor is interpreted as a 'social debt' in Chinese, and you'd have to be prudent as if you are managing monetary assets.

It is for this reason that you have to be discernible in the network that you keep and maintain.

At the same time, when you receive gifts of extraordinary variable, do not take it as simply a gift. Try to find out more and see whether the giver is seeking any form of assistance from you.

Many of such requests can be unspoken, as you are expected to know what to do!

Harvesting the Connection

Having built the network, you may 'harvest' it as and when appropriate, and be rewarded for the [devotion](#) you put in.

Be careful not to abuse the connections nevertheless. Use it only when necessary. Bear in mind that *guan xi* is reciprocal, and you'd have to do your share when you are asked upon to help.

As a Foreigner

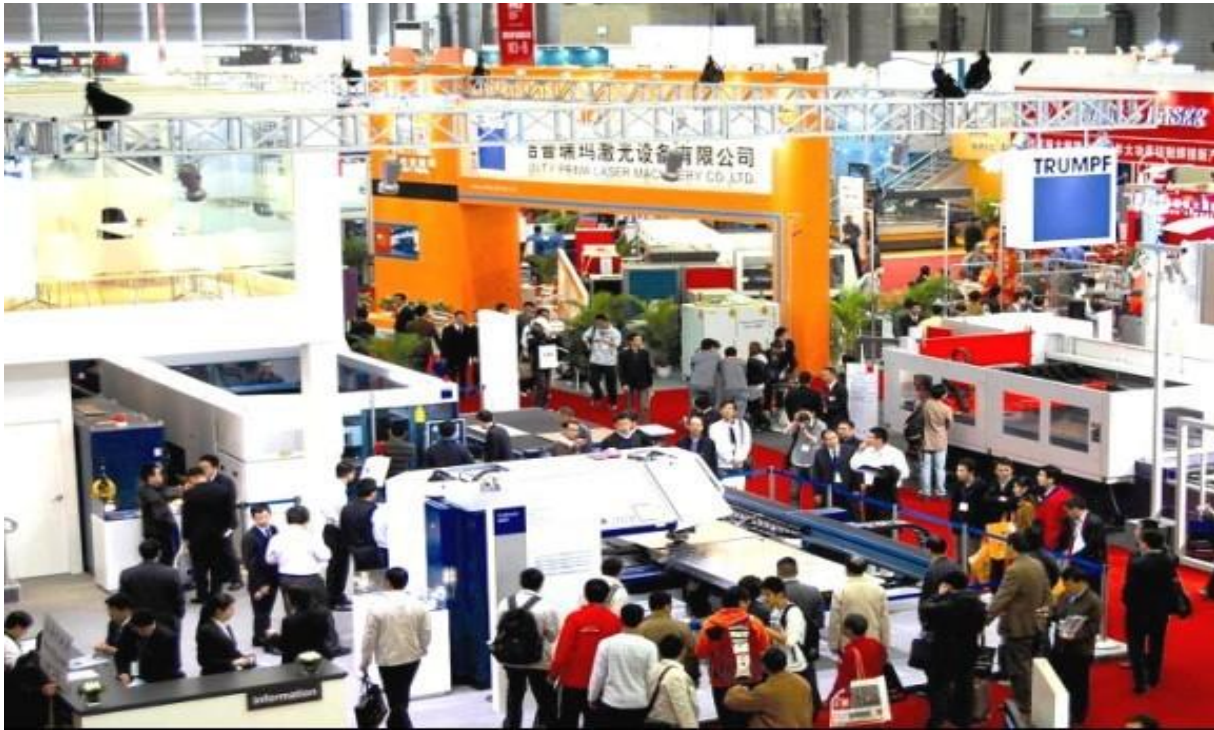
As a foreigners, it's better if you can rely on some trusted Chinese friends to advice you on the management of the relationships. This is especially so in delicate issues like gift [exchange](#).

Caution

A word of caution!

While *guan xi* is useful, losing an important one can adversely affect your business.





It is, therefore, unwise to rely on only one set of *guan xi*, or even purely on it to get things done. For example, the moment when you have established a business relationship through a *guanxi*, it is crucial that you cultivate and maintain the business through quality [products](#) and services, rather than just that alone.

Main Basics from China: Guanxi & Face in Business

For this final post about my study trip in Shanghai “How to do business in china”, I have decided to write about two main concepts to success in China: Guanxi & Face.

“**Guanxi (Simplified Chinese 关系 / guānxi)**” is a general Chinese term used to describe relationships that may result in the exchanges of favors or “connections” that are beneficial for the parties involved. This type of relationship can become somewhat time consuming and complex.

The Chinese term *guanxi* can, at times, equal the term networking. The elements of exchanges based on *guanxi* carry a long tradition in doing business in China and Chinese communities. Good *guanxi* can be the key needed to opening doors otherwise closed. The types of relationship building are almost unlimited but exclusive. Not creating situations where others may “lose face” is an important balancing act that those taking part must be constantly aware of. So it can be created in many ways and should appear to be offered voluntarily. Good *guanxi* can minimize



natural or manmade obstacles in doing business in China. Over time it may take some effort to maintain and nurture the needed amount of guanxi to do business at different levels.

You must remember that those taking part in the acceptance of guanxi are required to return the given measured on the amount of the previously accepted.

In simple terms guanxi appears to carry an element of trust. It's true that a lot of business in China revolves around circles of personal and mutual trust. So for any outsider to do business in China they must take the time to form relationships. This has been a big obstacle for many western businesses trying to enter the Chinese [market](#). Business connections made through guanxi must be maintained to ensure proper positioning for future business.

How can be created and maintained? This kind of relationship isn't only based on direct [cash](#) exchanges. Although this is correct on some levels it isn't the norm today. Often guanxi transactions are "hidden" and not made obvious to the casual observer. Although the direct giving of "gifts" is a common form of building guanxi it isn't the only way. Inviting or hosting dinners for prospective clients or business partners can create an environment for guanxi. Also the exchange of favors or "inside information" may amount to good guanxi.

However, relationships built on guanxi can quickly **fade** or disappear if part of the relationship chain is put into question for any reason. There is a fine line between guanxi and bribery. The path to good guanxi isn't an easy [path](#) to follow.

" **Face (Simplified Chinese 面子 / miànzi)**" is an important aspect of interpersonal communications within Chinese culture and foreigners must understand it if they intend to effectively interact with the Chinese. The traditional saying is that "A person needs face just as a tree needs bark." Some argue that face, along with money and power; comprise the three most important factors that dictate personal behavior in China.

The concept of face is a bit of an abstraction in that it takes many forms and is somewhat hard to concretely define. However, one can view face as a manner of behaviors intended to avert conflict, shame, and general unease and also promote respect and flattery for others in both social and business situations. The essence of face is that the Chinese expect to be treated according to their social [status](#) and position and are sensitive to anything sensed as diminishing their place. It cannot be underestimated how seriously face is viewed in China and how it can impact virtually every [decision](#) made by a Chinese person.

And...What about "losing the face"? It is basically to create a feeling of shame, embarrassment, or general unease in oneself or another. The Chinese will act in a manner to avoid causing such situations. The concept of "losing face" can affect one's decision in a variety of contexts.





Guanxi & Mianzi

Connection and Face

As far as Chinese business etiquette or mindset is concerned, two words often spring to mind:

- *Guanxi* and
- *mianzi*

The first may be translated as 'social connections', and the second, 'face keeping'.

If you are interacting with Chinese, or doing business in China, you must have an understanding what the two words imply, because:

- they are so much part of the culture and code of [conduct](#) that people expect that you appreciate their importance
- they can be quite different from the ways things are done from the international points of view. The implication for 'social connection', for example, can be very different from the notion of social networking that the Western world is familiar with

Of course, as China is getting more and more internationalized, things are [changing](#)! The younger generations especially are being assimilated by the international business culture.



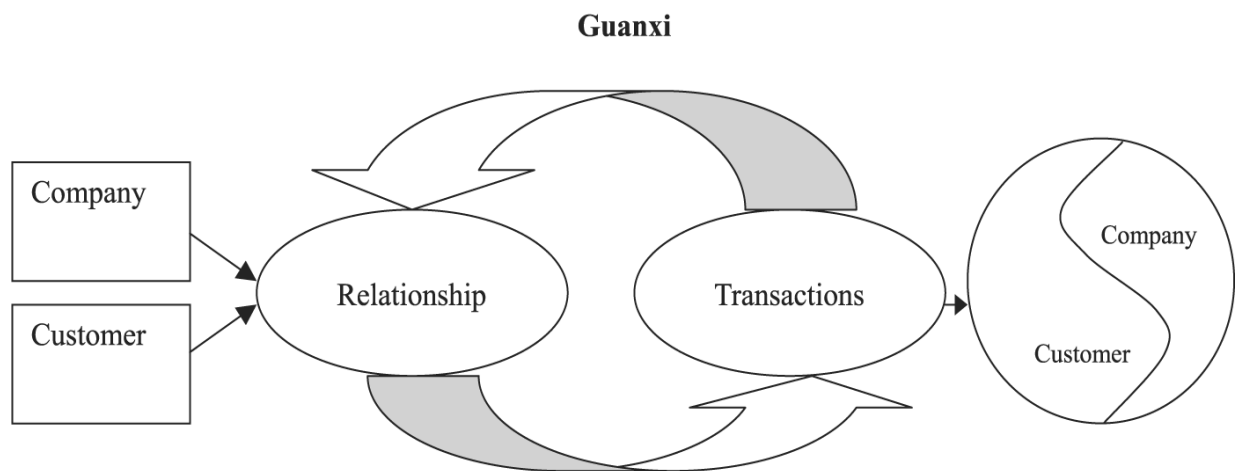
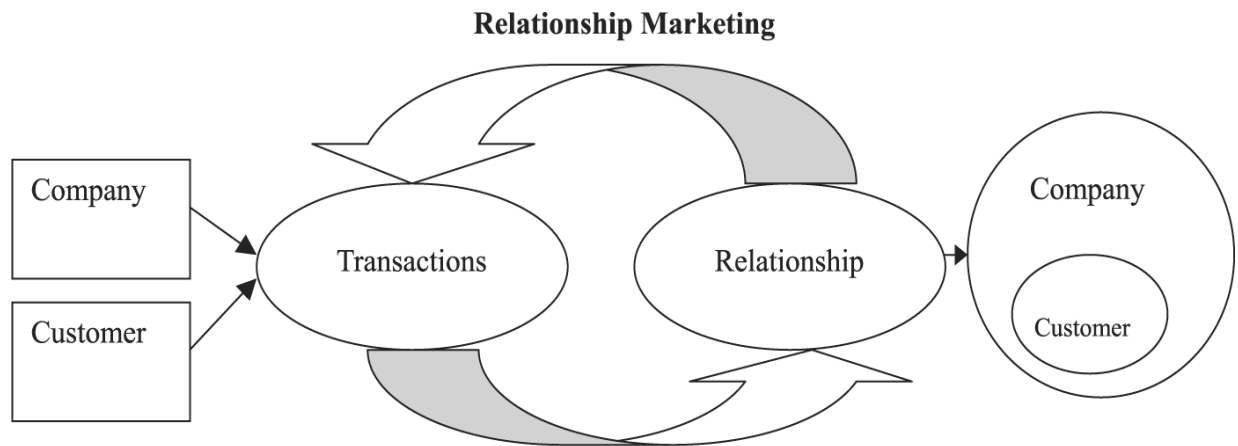
Due to the deep rooted influence of the Chinese traditional thinking --including Confucianism and Taoism -- however, the conventional Chinese mindset is still very much alive.

As a foreigner, although you can be excused for not knowing them, having some [knowledge](#) and showing appreciation of their importance definitely help, and would make you more effective.

It will help you to anticipate expectations, making activities like business negotiation, [entertainment](#) and gift exchange easier to manage.

Mianzi

Keep Face, Keep Relationship



Source: Geddie *et al.* (2002)



Like *guan xi*, *mianzi* or face keeping is an important feature of Chinese etiquette. It is so important that it can sometimes sweep business or relationship aside.

If you are insensitive to the face issue, you may unwittingly lose the support you need. The [price](#) can be heavy if the support is critical. This refers not only to relationships with Chinese in China, but also with Chinese outside the country, such as those in Singapore and Malaysia.

Definition

Mian zi, or face, in this context refers to more than physical face. It is more about the dignity of the person, and to Chinese this is more important than physical appearance.

Due to historical influence, Chinese is a collective community. In such a social environment, how one is being perceived by others is of grave concern. Losing face, when serious enough, can affect one's position in a *guanxi* network -- something many can ill-afford.

See it in perspective, it'd be easy for you to understand why it is important for you to give face to the people you meet.

You'd also understand that when you give face to an individual, you may be giving face to a network of people. For the same token, when you [hurt](#) the dignity of a person, you may be insulting a group.

'Face' management, therefore, is an integral part of daily routine, as it is critical in avoiding unnecessary damage to relationships -- which can be so important to you whether in the personal or business capacity.

How to manage 'face'?

There are many ways to manage face. Do it with care. If the receiving party feels that you are hypocritical, the [outcome](#) can be more harmful than good.

Praising

You may 'give' face to someone by praising him in front of others, especially the people that he [values](#), such as important customers or government officials. It could also be done through presentation of token gifts, or expressing your gratitude for what he has done on occasions where people important to the receiving parties are around.

'Saving' face

You may 'save' someone's face by coming to his rescue by saying something to salvage an embarrassing situation.

'Giving' face



You may 'give' face to someone when he seek favor from you by going out of your way to help.

'Keeping' face

You may 'keep' someone's face by subtly doing something for him. For example, intentionally lose the golf game that you could easily win.

Not hypocritical

Taking [care](#) of *mianzi* is not hypocritical.

It is an integral part of the Chinese culture that demands accountability to collectivity. It is also a means to create and maintain harmonious relationships among people. In a way, it is an enabler of good *guan xi*.

On the other hand, the high value placed on personal dignity is a way to say that one means once words. Although this does not mean that you can trust everybody you meet, since each person is conscious about keeping his face, it does reflect a culture that sees accountability as a virtue.

In fact, this is why for centuries; business in China could be conducted mainly by *guan xi* and gentlemen agreements alone.

Rank & Title

Addressing with Chinese Name



Think before you address someone with his chinese name. Depending on the occasions, [addressing](#) first name can be interpreted as impolite in China. In a culture with strong



Confucianism influence, a person's position and associated roles are first and foremost in an organization.

As the confucius sayings go, “If the title is not right, what a person says carries no [weight](#).”

Chinese are very conscious about the rank and titles they hold. People around them are also consciously accord them with respect based on their titles.

For that reason, you usually do not address a person whom you newly know by his first name.

You may address the person with the generic titles like ‘Mister’ or ‘Madam’. You may also address the person by using official or professional [titles](#).

The bosses

For example, if the person is with the surname Li, and he's heads the company that you are talking to, you may address him as ‘Li Zong’, meaning something like “Boss Li”.

The professionals

If he is a manager, you would address him as ‘Manager’. If his surname is Li, then he would be addressed as 'Manager Li'.

If he is a professional, such as an engineer or business [consultant](#), you can either address him by using his profession, or respectfully addressed him as ‘lao shi’, which means teacher, even when he is not an educator.



Addressing a group



When you are addressing a [group](#) of people by giving public speeches, take care to address the persons in the order of importance.

It is risky to simply address people in alphabetical order!

You must be careful about who to be addressed first, and who later. Usually, the governmental officials are given priority, followed by business bosses. It is, however, difficult to generalize. when in doubt, it is wise to consult your Chinese friends.

Importance of age

Be aware that age plays an important role in the social relationships.

You are expected to show respect to someone who are more senior than you in term of age, even if his official position is below you.

Bear this in mind when you are [planning](#) a business negotiation. The key members of your team should not be too 'young' -- if the other party consists of mainly people who are more senior in age.

Your own rank and position

Even if you care little about rank and title, give yourself appropriate [rank](#) and title when doing business in China. Otherwise, you may not be accorded with the right respect and attention. at the same time, it may put you at a disadvantageous position when you are at the business negotiation table.

Take care of your collaterals, such as name [cards](#). If you are a owner of small and medium-size companies who does not see the importance of rank and title, you will have to take a relook at this when you are doing business in China.

The name card has to reflect the appropriate title you hold. Otherwise, your Chinese counterpart may not take you seriously, causing you to miss business opportunities that you care about.

The carefree generation

There is a [trend](#) among the younger generation of Chinese to adopt English names, such as John or Mary, or unusual names like Lion or Cloudy (usually a translation of their Chinese name).

You can be casual when dealing with them. In this case, addressing a person by first name is acceptable.

When you are dealing with the more conventional Chinese, it is better to err on the right side by addressing with the appropriate titles.



Hierarchy

The emphasis on rank and title may give one an impression that the social system is a hierarchical, unfair system. This is however not exactly the case.

While the hierarchy is clear, one's position in the hierarchy does not need to be fixed.

Quite unlike caste system, for centuries Confucianism recognizes one's value and effort, and gives room to personal [mobility](#) within the system.

The ancient imperial [examination](#) system is a case in point. An ordinary folk with the right ability could become somebody when his capability was recognized. Although the percentages of those who changed their destiny by passing imperial examinations were few and far between, the system was meant to be egalitarian.

The same principle is still observed in the Chinese business organizations today

Guan xi, mianzi and ranks & more

Chinese Mindset explained



Guan xi, mianzi, rank and title ... They are in the Chinese mindset, and each play an important role in the culture.

Whether you are new to the culture or already familiar with it, having knowledge about them is useful. It enables you to appreciate the Chinese etiquette beyond forms and practices, and helps you to find common ground with the people you meet, making communication more effective.

You may also apply the practices in life to your [advantage](#).

Simply put, guanxi refers to social connection, and *mian zi* means face keeping. Rank and titles are by-products of the two factors.

They are so much part of the culture and code of conduct that people expect you appreciate their importance.

It is important to [note](#) that *guan xi* in this context is very different from the social networking that the Western world is familiar with. The implication of *mianzi* is subtler than the ideas of losing or saving face.

Of course, as China is getting more and more internationalized, things are changing! The younger generations in particular are being assimilated by the international business culture. The mindset, nevertheless, is deep-rooted and will remain prevalent at least for quite some time to come.

Other features of the culture that deserve your attention include aspects of Chinese business mindset such as modesty and rank and titles.

Confucius Influence

Guan xi, mianzi and ranks





Due to deep-rooted Confucius influence, individuals among Chinese are often seen as part of a social [organization](#), rather than an individual per se. A sense of collectivism -- in contrast to individualism -- is expected from everyone.

This is especially so when individual and collective interests are in conflict. In this case, individuals are expected to give in for the sake of collectivity.

Knowing this is important, as it helps you to understand why certain behaviors -- such as those outlined below -- are prevalent among Chinese:

People- based management

Due to the deep-rooted beliefs in Confucianism, leaderships are expected to exercise ren and li (compassion and etiquette), and manage with compassion and care, rather than just rules and regulations.

In return, the people under his [leadership](#) would accord him with respect and loyalty.

***Guan xi* (Social Connection)**

The people-based culture that values mutual obligations makes China quite a unique market to work in.

Guanxi in china is often so important that you would not be able to get things done without it.

“To succeed in business, it is not what you know, but who you know”. The wisdom is especially evident in the Chinese business culture.



Mian zi (face keeping)

Similarly is *mianzi*, or face-keeping.

Mianzi, which means 'face' in Chinese, refers to more than physical face. It is the display of dignity and self-respect when interacting with others. Because of the people-based culture, an individual is conscious about one's appearance in the eyes of others.

Mianzi, belongs not only to an individual. It can belong to a group as well. In other words, on many occasions, one has to maintain a 'good face' not only for oneself, but for a group or even nation. Saving of face for one's [leader](#) is saving face for one's organization. For this reason, if you cause a party to lose face, you could be hurting an army of individuals, rather than simply an individual.

If you want to be accepted in China, it is important for you to know the importance of 'face', and ways to maintain it for yourself and others. It is a critical [tool](#) for keeping harmonious *guanxi* that are essential to the development of healthy relationships -- personal or business .

Importance of ranks and titles

With the emphasis on positions as advocated by Confucianism, we can see that China as a society is hierarchical. Rank and title is an important consideration in everyday's life.

For that reason, there are many occasions when you cannot [afford](#) to be too casual. To avoid embarrassment, it is important that you address people's titles appropriately, especially on official occasions. Not only must you be aware of when Mr and Mdm should be used, special attention must also be given to the appropriate titles of government officials and leaders of organizations.

Of course, there is a trend among the younger generation in China to adopt English names, such as John or Mary, or unusual names like Lion or Cloudy. You can be casual with them. When you are dealing with the more conventional Chinese, nevertheless, it is better to err on the right side.





Humility & Modesty

Humility and modesty are virtues extolled by Confucianism and are deep rooted in the Chinese culture. You will have to appreciate them when building guan xi in China.

They explain why Chinese tend to play themselves down.

Do not be surprised when you genuinely praise someone, but the reaction is a denial. It does not mean that the person does not appreciate what you say. It is simply that it is in the culture to stay humble.

For the same reason, do not be surprised when you are treated to the finest cuisine in town, and yet the host keeps apologizing that the [food](#) is crude and rough.

Since humility and modesty are regarded as virtues, if you're from a culture that happens to behave in a different way, it'll be good if you can tone down to avoid misunderstanding, or the guanxi you build may be in jeopardy.



關係 GUANXI
Investing in inleprils



Part 3

Reference Articles





The King of Guanxi

Sep 23rd 2004
From The Economist

Vincent Lo's career shows what it takes for an outsider to succeed in China

SIPPING tea in his penthouse office with sweeping views of Hong Kong harbour, Vincent Lo does not look the sort who spends too much time roughing it in mainland China. The 56-year-old's impeccably cut Mao-collared Blanc de Chine suit and [designer](#) haircut disguise a man who spends three days a week dashing between grimy cement plants and building sites in frantic Chinese cities. Yet over the past two decades, with a relatively modest outlay of \$1.5 billion, the chairman of the Shui On Group has turned his building-materials and [construction](#) firm into one of the most consistently successful foreign investors in China.

When it comes to parlaying social connections into business opportunities few can match Mr Lo. His avowed desire is to contribute to China's success and not just his own [profits](#). This has earned him the trust of many of China's elite—and a nickname: “the king of guanxi [connections].” How he built his empire says much about the realities of doing business in China.

That Mr Lo was the son of a successful Hong Kong property tycoon helped only indirectly. Unwilling to join the family firm, he was something of a black sheep. His mother had to beg her husband to lend their son HK\$100,000 (\$16,700) to start a company. Desperate to prove himself, he took risks: going into Shanghai in 1984 when few others dared. Mr Lo built a hotel with the city's Communist Youth League. It opened as students rioted in Tiananmen Square, occupancy plunged and the league could not repay its construction loan. “I helped out,” says Mr Lo. “They've never forgotten. Relationships are long term here.”

One of those who remembered was Han Zheng, the Youth League secretary and now mayor of Shanghai. Along with Xu Kuangdi, a former Shanghai mayor with whom Mr Lo established some of the first business links between Hong Kong and Shanghai, the pair helped Mr Lo win his biggest coup. This was the right to develop a piece of land surrounding the hallowed hall where the Chinese Communist Party held its first meeting. The \$170m Xintiandi project involved building a two-hectare complex of restaurants, bars and [shops](#) in an elegant low-rise style. Xintiandi is now a prime entertainment spot and one of Shanghai's—and Shui On's—most important marketing tools. Foreign heads of state, such as Russia's president, Vladimir Putin, queue up to dine at the Clubhouse.



Xintiandi has so delighted central government and Shanghai officials (Wen Jiabao, China's prime minister, sometimes drops in for tea) that Mr Lo has won permission to develop an adjoining 50 hectares into luxury townhouses, offices and hotels. Although the project itself has produced pedestrian profits for Mr Lo, its halo-effect has enabled him to sell apartments there at high prices. And Xintiandi is proving a [model](#) for other aspiring cities in China. Mr Lo is building the next one, Xihu Tiandi, in Hangzhou, a city to the south-west of Shanghai.

But there is more to Mr Lo than property. Just as he was an early [investor](#) in China, he was also early to move inland from the prosperous coast. His political antennae told him that the country's leaders would be forced to develop the poor interior to balance explosive growth along the coast. And building needs cement. In 1995, five years before Beijing promulgated its "Go West" campaign, Mr Lo bought his first cement plant in Chongqing, a huge inland city. The timing was perfect; cement consumption has grown fast and Shui On is among the top three producers. Mr Lo believes he is unlikely to fall foul of recent measures to limit suppliers since he tends to buy up existing cement-makers rather than build new plants on greenfield [sites](#). And he keeps local officials happy by promising not to fire workers.

His decision to invest in Chongqing was encouraged by the appointment of an old friend from Shanghai as the city's vice-mayor and later a former central-government minister as its party secretary. Mr Lo well understood that unless the interests of local and central government are aligned, foreign investors can get caught in the crossfire: Chongqing's previous mayor and party secretary had been at loggerheads. Reassured, he is now planning an urban redevelopment in Chongqing twice the size of Xintiandi. Wuhan, another inland city, will be next.



Seek no favours



That Mr Lo seems to have the run of China is partly explained by his extensive connections. An honorary citizen of Shanghai since 1999, he is also a member of one of the top [advisory](#) bodies consulted by central government. But he wears this network of guanxi lightly. Of his old Shanghai friend, Mr Han, Mr Lo says: "I've never asked him for any favours, that's why he is not afraid to see me." And he understands that China expects a lot back. Adrian Ngan, a property analyst at BNP Paribas Peregrine, says: "No head of a Hong Kong company visits China as much as Vincent Lo. When China sees the chairman so often, they believe he is sincere." Such intimacy built over decades can establish trust in an unpredictable business climate. Mr Lo's contract for the huge Xintiandi project was a mere [six](#) pages long. "Contracts in China allow for things to change," he says, smiling at the legalistic mindset of most foreign investors who get bogged down in procedural detail. "Other developers scratch their heads and say 'How can we cope?' I see change as an opportunity, not a threat."

Yet despite these advantages, it is not clear whether Mr Lo can consistently make a good return in China. Cement margins are under pressure and relocating residents to make way for new developments is getting more expensive. And it is likely to take years before investments in [luxury](#) property in dirt-poor places like Wuhan and Chongqing pay off. Meanwhile, Mr Lo would be hurt badly if there were a crash in Shanghai's property prices. But that is the risk he takes. After 20 tireless years he has the ear of some of China's most senior policymakers, and that is something many outsiders will find hard to beat.



Guanxi and Guanxixue: 关系和关系学

The Advantage of Personal Connections in Modern China

What is the difference between *guanxi* 关系 and simple personal ties? What is the difference between *guanxi* and *guanxixue* and is it a myth that the two carry an essential role in both traditional and present Chinese culture?

Guanxi 关系 means 'relation' or 'relationship' but is often used to signify useful personal connections. A person who has *guanxi* is one who is assisted by many people in informal manners, hence one will claim to have *guanxi* in a certain [institute](#), for example, if the staff or managers are familiar with him and could give him a special treatment. To the Western eye *guanxi* may possess a corrupted flavor, though *guanxi* is also about aiding a familiar person, especially if one who comes from the same family, same village, same district, etc.

Most sinologists claim the concept of *guanxi* derives from the Confucianist tradition and the 5 classic ties emphasized by it (emperor-subjects 君, father-son, husband-wife, older brother-younger brother, two friends). Although in common usage *guanxi* doesn't necessarily imply a relationship based on favors, nor does it necessarily refer to an asymmetric tie, *guanxi* carries a hierarchic motif from its origin which is strongly present in 'modern' *guanxi* as well.

Nowadays a person can create *guanxi* with someone seating near him on the train for a short ride, but perhaps the use of *guanxi* is more permanent in situations where dependence or mutual assistance is required. Within a certain *danwei* (work unit) *guanxi* could enable workers to take care of each others' necessities, during the cultural revolution *guanxi* could mean mutual protection and keeping each others' secrets and so on.

It is true that many Chinese strongly object corruption and a reality in which personal ties can promote someone to a job instead of professional [skills](#), can allow someone to avoid a fine by local official, etc. The use of *guanxi* in order to advance oneself through the 'backdoor' is referred as *guanxixue* 关系学 (literally - the 'art' or 'knowledge' of *guanxi*), a term which carries a negative sense in China's popular discourse.

So what's the big deal about *guanxi*, isn't this term parallel to the word 'connections' in English and other words used in different languages, aren't personal connection after all important in every existing culture?!

A [research](#) conducted by Douglas Guthrie, already more than 12 yrs ago, shows that Chinese managers of enterprises and factories strongly object the practice of *guanxixue*, and choose their workers based on skills only. Even if we remain cynic-free, and believe the honesty of the interviewed managers, we can still ask whether the more common use of *guanxi* isn't still quite different than the practice of human ties outside China.

Guanxixue is a relatively new term, while *guanxi* is almost timeless. The former has been brought into public attention to warn against the excessive use of *guanxi*, only because the latter



is so widespread in the Chinese society. While some Chinese scholars consider *guanxixue* as an obstacle in China's progress towards modernity and a symbol of the backwardness of tradition, it is important to mention the [fact](#) that Confucianist value and *guanxi* are nowadays efficiently realized within modernization processes in China, in a manner very distinct from past modernization accomplishments in Western nations.

Stating cross cultural differences should always be done in a subtle manner, still it is quite evident that with less importance given to individual space in China, compared to the West and the long cultural traditions in Chinese communities (outside China as well), the informal practice of *guanxi* should be acknowledged and accepted as an integral part of social customs in China.



When Good Guanxi Turns Bad

by Wilfried R. Vanhonacker

It would be naive to think—as many Western executives do—that the more *guanxi* you have on the front lines in China, the better. *Guanxi*, or personal connection, is powerful [stuff](#), and it can divide the loyalties of the sales and procurement people your company depends on. When relationships come first, as they always do in China, you'd better know who's friends with whom.

In the pharmaceutical industry, for example, it's not unusual for a Chinese [sales](#) rep to sell drugs on the side from local companies that compete with his foreign employer. That's because the rep regards his *guanxi* not as a company asset but as a personal one that must be developed, protected, and leveraged—and needn't be fully revealed to the employer. Selling competitors' products to local hospital buyers is a way to pay back favors, fortify *guanxi*, and bring in extra cash, all at the employer's expense. Similarly, Chinese sales reps often seek favorable credit terms for clients, even when doing so conflicts with company interests, because it enhances the reps' connections.

Guanxi relationships are defined by a strict ethic of reciprocity and obligation. Your employees in procurement and sales will always return favors from *guanxi* relations, whether the people they're paying back are within your company or at competing firms, and they'll do it according to their own timetables. In the same way, a vendor will serve both you and your competitors with complete equanimity because *guanxi* permits conflicting relationships as long as debts (monetary or otherwise) are eventually settled.



Dangerous Liaisons

Because guanxi is so pervasive and powerful, it's crucial to understand and manage frontline employees' personal networks before they turn into liabilities. Companies must bring transparency to existing relationships, prevent conflicts of interest from developing, and align employees' interests with their own. Here's how some companies are doing it. They:

Create competition

Ever since the consolidation of its operations in China, multinational telecommunications provider Alcatel has worked to restructure its supplier network. Some of its suppliers were owned by Alcatel shareholders or partly owned by Alcatel employees; the opportunities for conflict of interest were clear, so Alcatel introduced a competitive bidding process for all procurements. Without discouraging employees from cultivating guanxi, Alcatel reduced the chance that their personal connections would be used against the company.

Rotate the front line

One way to shift the emphasis of business from relationships to transactions is to periodically (and cautiously) reconfigure the sales or procurement staff's client assignments. This disrupts unduly powerful guanxi connections that can lead employees astray. Such rotations must be managed gingerly—they can backfire if they are too frequent or seem arbitrary or punitive. For the U.S. pharmaceutical company Allergan, a postmerger integration provided an opportunity to rotate client assignments without provoking a backlash. If your company plans to restructure or consolidate its China operations, consider reconfiguring frontline relationships at the same time.

Increase points of contact

Another way to temper guanxi's pull on individual employees is to depersonalize the sales and procurement processes by instituting a team-based approach or creating multiple contact points in the organization. Many local and foreign companies have moved to team-based selling in China to avoid having customer contacts revolve around a single individual. New Pioneer, a leading antibiotic manufacturer based in Shanghai, has separate teams focusing on hospitals, local governments, and distributors. BBK, a leading local consumer electronics manufacturer based in Dongguan, uses the multiple-contact-point approach with its 20 first-tier distributors: Besides having sales reps meet with distributors almost daily, BBK has product managers and senior managers meet with people from those 20 firms up to five times a year. Krohne, a German industrial machine manufacturer, has organized its sales force in China around products, not territories as is typically done in the West. For the company's larger, more important accounts, this setup creates multiple contact points. It also forces salespeople handling different product lines to exchange information on key accounts, which in itself enhances transparency.

Build company loyalty



Powerful as guanxi is, in China only family relationships and close, family-like bonds warrant true loyalty (guanxi, remember, is driven by reciprocity and obligation). Thus, companies should capitalize on the unique loyalty-building quality of kinship-type relationships by fostering them among and between senior managers and frontline people. When Jerry Norskog was running Xian-Janssen Pharmaceutical, the highly successful Johnson & Johnson joint venture, he insisted on jogging with his top people every morning to cement these personal relationships. S.C. Liu, the founder and managing director of Pearl River–Hang Cheong, a successful real estate developer that's based in Hong Kong and operates in Guangzhou, builds kinship-like ties by making sure staff members regularly bring their families to visit the company. And at BBK, the procurement and sales staffs are managed by close friends of the founder.



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