

Working with Your Chinese Customers, Partners and Staff

***‘Guanxi’* and what it means for your business**

**Min Rose, China Business Advisor
East Midlands China Business Bureau**

Outline

- What does the Chinese New Year tell us about its core culture?
- What is '*guanxi*'
- How to build your own *guanxi*
- Test your understanding so far
- Summary

The Chinese New Year

**...and what it tells us about the core
Chinese culture**

How do the Chinese Celebrate New Year



OPPORTUNITIES IN CHINA



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The biggest yearly migration in the world

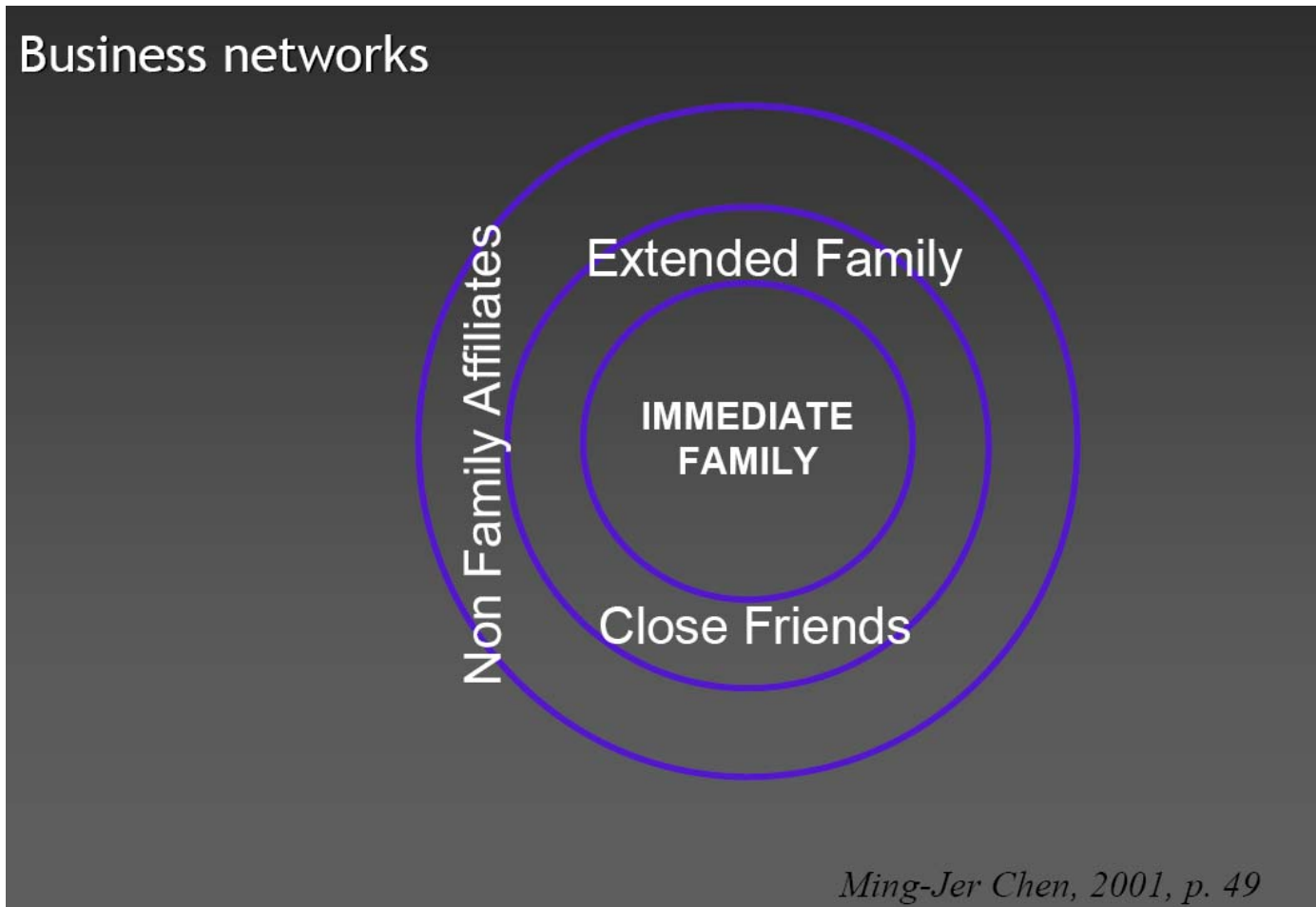


OPPORTUNITIES IN CHINA

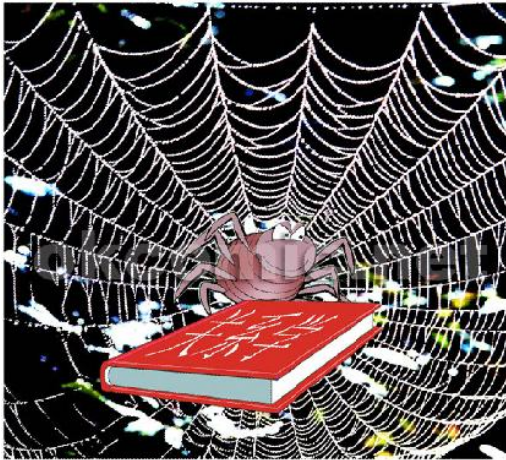


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Family business and business family



The Art of '*Guanxi*'



- 'Connections with mutual obligation, goodwill and personal affection with emphasis on family and shared experience'
- Valuable source of information where official channels are inadequate
- Often result in favours that are expected to return but by no specific date

Cultivate Your Own Guanxi

- Finding commonalities at first meeting
- Individuals, not companies/organisations
- A failed business does not mean the end of *guanxi*
- Business cards
- Gifts
- Frequent communication and visits to show commitments
- Compare the use of mobile phones, landline, fax and emails

How to build and manage relationships

- With whom
- At what level
- Invest in your partner, customer and staff (but protect your investment too)
- ‘Face’
- Appoint people with the right skills as your China manager
- Use support from UK business support organisations

Some of our own examples

mr1 Family-like behaviour

- Making an effort



Guanxi ≠ Bribery!



Shanghai Environmental Protection
Bureau: Shun Jun Yan

- Bribery deep-rooted in political and commercial systems
- A ruling party that is sometimes above the law and poorly paid civil servants
- Crackdown and severe punishment

Maintain your business integrity

- Good HR practice and strict internal policy
- Don't give lavish gifts and only accept expensive ones:
 - on special occasions where gift-giving is norm
 - not regarded as directly linked to exchange of favour
 - don't give or take cash however small
- Avoid being take advantage of by claims of 'cultural difference'



Contract in China: A Cultural Perspective

OPPORTUNITIES IN CHINA



The West

The Chinese

Basic Principles	<ul style="list-style-type: none"> • Freedom of contract • Binding force 	<ul style="list-style-type: none"> • Emphasis on fairness and good faith
How Contract is Perceived	Substitute relationship for written agreement	written agreement secondary to guanxi
Conflict Resolution	Trial or confrontation, use of lawyers and courts	More mediation through trusted third parties
Thinking Orientation	<ul style="list-style-type: none"> • More rule based application of abstract principles such as regulations or laws • Set in stone 	Tends to take context and the specific situation into account in rule interpretation
Conflict results	Win or lose	<ul style="list-style-type: none"> • Win-Win • To lose is to win • Lose in order to win



Test Your Understanding

2 real business cases

Finding commonalities

An American businessman went to Taiwan to close a deal with the president of a large paper company.

Since they were meeting for the first time, they started out with the normal pleasantries such as "How was your trip?" etc.

It turned out the American businessman happened to be from Columbus, Ohio, the home of Ohio State University.

When the president of the Taiwanese company mentioned that his son was going to this University, the business person then said, "Yes, it's a very good university. Now let's talk business."

(Source: Legacee)

mr2



mr2

Legacee

min rose, 09/02/2010

Guanxi is about individuals

An American dotcom company had sent their business development person to meet with Chinese counterparts.

Meeting followed meeting and at the end of the week things looked very promising. Both sides were very pleased at the progress and the potential.

Then, two weeks after coming back to the U.S., the contact person was promoted to a VP position and a new person took over.

(Source: Legacee)



Summary

- Building relationships will take a while but the execution will be speedy and benefits long-term
- Changing values: younger generation do not necessarily share or respect such values and concepts
- Put the whole cultural difference into perspective and proportion: good business sense prevails

Questions?

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