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## **Doing Business in China**

### **Navigating the Complexities of Cultural Differences between East and West**

*This article has been written with the intention of providing readers with a richer understanding and analysis of Chinese mentality by learning some unique philosophical and intellectual perspectives about China. Furthermore, the distinctions made on cultural differences will help the practitioners in the business setting in interacting with Chinese professionals more effectively.*

I was interpreting for a group of German engineers when they were in China to discuss the feasibility of a project with their Chinese counterparts. In the meeting, the German managers took the lead, shared their thoughts, and raised a few questions. In contrast, the Chinese engineers were rather quiet and seemed reluctant to voice themselves proactively. The German engineers were irritated and assumed that the Chinese engineers were not well-prepared. During the break, I talked to the Chinese engineers casually and found out that they had sharp intellects and mentioned a myriad of valuable suggestions. But why did the Chinese engineers seem so passive and apathetic?

It turned out that they were waiting for what they felt was the right moment to speak. In general, Chinese people feel more comfortable to discuss matters in a harmonious way and disagreements are often expressed between the lines. Consequently, the German engineers were perceived as being aggressive and impolite by their Chinese colleagues.

Culture is one man's medium, there is not one aspect of life which is not touched by our national culture. We devote the first 12 years of our lives to learning the world around us, to observe what is accepted and what is forbidden in a society. Even after having lived in a foreign country for a long time, this socialization process experienced at the early age is so powerful that the values are etched into our nervous system.

#### **High and Low Context Communication**

Anthropologist Edward Hall proposed that everything in the communication fields is about context and coined the terms of high context (HC) and low context (LC)

cultures. A HC communication focuses on the explicit and feeling-focused communication, people in HC are sensitive to situational data, and their priority is to maintain harmony.

A LC emphasizes on linear and thinking-focus communication. Communicators in LC are highly responsive to standardized data and the mass of the information is vested in the explicit code.

In HC systems it is very seldom that you will be corrected when you are making an obvious mistake — people would hardly explain things to you. High-context individuals draw greater distinctions between insiders and outsiders. There is a constant information flow within the insider group.

Two years ago, I accompanied a Chinese investor who visited a relatively small German chemical company near Frankfurt. The German CEO was very enthusiastic about his company. He took us to the laboratory and explained how everything works in great detail. The Chinese investor nodded from time to time. Everything seemed fine and the Chinese investor went back to China and never contacted this chemical company again.

Afterwards I flew back to China to meet the Chinese investor and learned that he had graduated from a prestigious Chinese university with a PhD in Chemistry and felt insulted by the detailed explanation from the German CEO. Individuals from HC culture tend to hide their emotions. It is more difficult to foresee confrontations or problems in HC cultures than in LC cultures. Conflicts are likely to emerge without warning in the LC individual's eyes.

### **Philosophical Origins**

More than 1 billion people worldwide claim to be intellectually influenced by ancient Greece and more than 2 billion say they are the products of ancient Chinese traditional thought. It is important to learn the differences between the origins of East and West to truly understand the contemporary cultural differences in the business context.

Ancient Greece was the coastal trading center in the eastern Mediterranean. The Greek culture was in constant contact with foreign cultures. Individuality, personal efforts to establish effective communications, and the power of persuasion were valued highly. Truth and logical reasoning were the fundamental principles of Greek philosophy.

On the other end of the world, the ancient Chinese civilization were living in a land-bound area near the Yellow River without any contacts to other cultures.

Devastating floods frequently affected the harvest and threatened people's life. The harsh conditions forced a more collective rather than individual effort for their survival. They perceived the ever-changing world as being full of contradictions and

interconnections.

### **Daoism and Confucianism**

Daoism and Confucianism have had a great impact on Chinese mentality. This influence is still very powerful in China today. Most prominently, both Daoism and Confucianism see preserving harmony as the ultimate goal.

Laozi believed that the universe is fluid and operating in a formless and holistic way and advocates simplicity and abolishment of self-interest to reach a higher level thus creating a peaceful and harmonious coexistence between people and nature. The concept of yin and yang suggests that nature, society and the individual are operating within a constantly changing state of being. Meanwhile, Confucius emphasizes on the importance of family. Everyone has to fulfill their given roles in thus creating and maintaining a harmonious society. The roles deemed inferior — including wife, son, younger brother/sister and younger friend — should respect and obey the superior, namely husband, father, older brother/sister and older friend. In return, the superior should love and care for the inferior.

“It is never possible to understand completely any other human being and no individual will ever really understand himself.

This is the beginning of wisdom in human relations.”

Edward T. Hall, anthropologist

### **Mianzi (Face)**

Recently, I was involved in a consulting project between German and Chinese companies. The sales manager from a Chinese pharmaceutical company showed great interest in the equipment produced by the German company. They had worked together before and had established a respectful relationship.

The German company sent a sales proposal to the Chinese client and decided to ring the Chinese client since they had received no response. The Chinese client confirmed their interest again on the phone, but the details were not mentioned. The Germans prepared everything, and the equipment was ready to dispatch. The Chinese client learned about this and told them that it was not convenient for them to purchase the equipment now, while asserting they would benefit from this equipment in the future.

The Germans were really annoyed and frustrated — after all the order would be worth €3 million. Later they learned that the Chinese client had a liquidity problem and could not afford it in the first place. The German company started to doubt the credibility of the Chinese client.

A clear and straightforward message here from the Chinese side would have been much appreciated by the German producers. On the other side, the Chinese clients had no intention to mislead the German producer in any way. What they were

trying to do was to give Mianzi to the German producer.

Mianzi refers to one's positive image recognized by people within their social circle. Giving Mianzi to others in China plays a paramount role in the social interaction. "Yes" in China has four meanings: Yes, No, Maybe or I am listening. People who are familiar with Chinese culture can grasp the meaning through non-verbal cues.

### **Guanxi**

Guanxi is often mistaken for networks, i.e. purely social connections. According to a recent survey, 80% of jobs are found through personal networks in western countries. Chinese Guanxi can be seen as a system which keeps people in a reciprocal relationship and mutual obligations. Chinese Guanxi is much more complicated than a western network. In the business world, there are personal, cooperative and governmental Guanxi needed to be built, developed and maintained. To do business in China successfully does not only need Guanxi, but your own great capacity and unique competitive advantages are equally important.

### **Measuring Chinese Culture Using Hofstede's Dimensions**

Geerte Hofstede, a Dutch social scientist, generated cultural profiles using "Power Distance", "individualism-collectivism", "uncertainty avoidance" and "masculinity-femininity".

Hofstede defines power distance as "the extent to which the less powerful members of institutions and organizations within a country expect and accept the power is distributed unequally." Compared with Germany, China has a high power distance index (PDI). In China, inequality between the superior and the subordinate is expected and accepted. The social structure is rather hierarchical. The older and more powerful people are respected by the younger and less powerful ones. In the workplace, the countries with large power distance tend to have a centralized organizational system. The employees feel more comfortable taking orders from their managers. Germans in the workplace have more autonomy and are also expected to take their own initiatives.

### **Individualism versus Collectivism**

Individualistic societies emphasize on self-actualization. Personal achievement prevails over loyalty. In contrast, in the collectivist cultures, individuals belong to a "we" society, where the group interest is more important than individual interest. A harmonious environment is desired, and people are more relationship-oriented. According to Hofstede's cultural comparison, China scores 20 on the individualism dimension while the USA scores 91.

### **Masculinity and Uncertainty Avoidance**

Masculinity denotes the distribution of roles between two genders in a society.

Germany and China both score 66 on this dimension, compared with Finland with a score of 26. Competition, achievement and success are valued in masculine societies. It is very important to realize that the masculinity dimension influences conflict resolution style. In a low masculine culture, conflicts are resolved by compromise and negotiation and in a high masculine culture, the strongest always win.

Uncertainty avoidance refers to a society's tolerance for uncertainty and ambiguity. There is a widely spread saying: "In England, every-thing is permitted except what is forbidden. In Germany, everything is forbidden except what is permitted. In France, everything is allowed, even what is prohibited".

China, Japan and Germany score 30, 92, 65, respectively. The countries with low uncertainty avoidance are more open to innovation and are willing to switch product/service brands. People are relatively flexible, and it is easier for them to accept changes within a short period.

In China, it is difficult to imagine living without using electronic online payment on the smartphone. You need to give away your personal details including your bank account and ID number to register to use Wechat payment and Alipay. Many shops in China do not accept cash anymore. In supermarkets, you can also use facial payment. In contrast, in small towns in Germany you cannot even pay with credit cards.

### **Putting It All Together**

There is no list of Dos and Don'ts regarding doing business in a foreign culture. Intercultural competence is a dynamic give-and-take. If you wish to understand your Chinese partners' behavior and build trust with them, you will benefit greatly by conducting research on topics like common types of personalities in China, how family functions, how children are brought up, how the school system works, how the government and political systems are structured, what the dominating religions and philosophies are etc. That knowledge will help you see yourself from a different perspective with a frame of reference for your own values and norms.

Consequently, you will be able to react appropriately in difficult situations in China. Furthermore, if you determine to do business in China as a for-eigner, it is paramount for you to learn the Chinese language to truly understand Chinese mentality. The vocabulary and grammar available in our language affect the mental constructs fundamentally. Speaking Mandarin to a point of fluency is of great help for you to embody the perceptions shared in Chinese culture.

### **Autor(en)**

Tina Li, intercultural consultant and lecturer, Westtrifftost, Alzey, Germany

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