Chinese Cultural Codes and Business Practices

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National University, October 2018

China is an ancient and huge country with many different regional cultures, which has an overlaying country culture, and shares many cultural similarities with other Asian cultures. China has been doing business with other countries for longer than most countries have existed. As such their culture is strongly rooted in the way they do things, and it would behoove anyone doing business there to keep abreast of the cultural nuances that should be observed. The main cultural code and business practice used in Chinese culture is that of *guanxi,* or roughly translated, "maintaining various relationships." *Guanxi* can be literally translated as relationship or its plural. This report will help facilitate creating a Chinese branch culture that effectively melds the overall company culture with that of China. In fact, Chen & Yang (2013) found in their investigation of Chinese business culture, "the more closely employees identified with the organizational culture, the more they would get involved in the organization, and the less likely they would be to quit their current job," (p. 1356). There is another very important code of conduct as well, described by the Japanese as *kyosei,* which translates as "Working together for the common good" (Von Weltzien Hoivik, 2007, p. 467). Neither of these concepts can be ignored when doing business in China.

In order to do business in China, one must understand the Chinese culture and adapt their style to the prevalent Chinese culture. Sometimes this can also be done by looking at the differences. There is definitely a higher power distance and more structured society with emphasis on collectivism and uncertainty avoidance in China when compared to the United States. They also focus on more long-term goals as is common in Asia (Dainton & Zelley, 2015, pp. 97-101). Chinese culture is also more collectivist versus individualist as is the US (Meyer, Data Set, 2015). When combined with the high power distance, the focus is more on community and family hierarchical structures, and keeping these relationships harmonious (Von Weltzien Hoivik, 2007, pp. 466-467).

There are some ethical differences in Chinese culture due to the focus on *guanxi* and *kyosei*. Chinese management is less likely to embrace workers' individual rights or any sort of democratizing

of the workplace (Von Weltzien Hoivik, 2007, p. 458) thus things like sweatshop conditions and unreported accidents could easily occur without any governmental repercussions. While the Chinese managers might not want to implement stricter policies in these matters, they also might not want to implement these conditions either. Since there is a strict Confucian hierarchy in China, the philosophy of paternal protection of employees prevails (Meyer, 2015, pp. 129-132) and implementing westernized corporate codes of conduct could be construed as not trusting the Chinese managers to do their jobs. The following is the hierarchy set out by Confucius according to Meyer (2015, p. 129):

- Emperor (kindness) over Subject (loyalty)

- Father (protection) over Son (respect and obedience)

- Husband (obligation) over Wife (submission)

- Older Brother (care) over Younger Brother (model subject)

- Senior Friends (trust) over Junior Friends (trust)

Trust goes a long way in Chinese culture and is central to *guanxi*. (Meyer, 2015, pp. 165-169) and business especially. This trust is one of the issues when it comes to the independent auditor and how much *guanxi* influences the impartial auditing process, and Law (2017) found that this is problematic mostly in the regional areas, as many ethical values vary somewhat by region. Often *guanxi* has been linked to corruption as they have transitioned to a more market economy. However, Law acknowledges that this qualitative study is limited, and does not usually apply to places like Hong Kong where more study is needed (pp. 564-566).

The power distance of business leaders and their staff is quite evident just in the difference between what is expected in commuting to work. Meyer (2015) relates a client anecdote about an Australian who liked to ride his bicycle to work, and when he took over a team in China, they were embarrassed by this activity, so he started taking the train to work like all the Chinese managers (pp. 123-124). Management by example and being one of the employees, makes most Asians

uncomfortable, and embarrassed by their boss' actions. Western managers and business owners that lead a Chinese team realize quite early that western style of management does not work. This also applies to singling out any employee for good or bad review in front of others, or asking an employee their opinion in front of the group. For that matter, asking for the opinion of any employee and getting a truthful response is problematic in all Asian cultures. Management should consider holding meetings without their presence to encourage brainstorming and honesty, which allows the employees to remain anonymous and not be singled out (pp. 138-142). Also, management should consider taking out employees for dinner and drinks will also encourage honesty in responses to questions. This has a twofold effect, fostering a relationship beyond the workplace creating *guanxi*, but also allow the employees to answer honestly to questions by blaming it on the alcohol (pp. 185-188). The Chinese are at the far end of the "Avoids confrontation" side of the Culture Map and the Americans are more towards the middle of the scale (Meyer, 2015, Data set). The American style of confrontation still needs to move more towards the Chinese while the Chinese move towards the American style of communication to gain an efficient partnership. There might even have to be adjustments on the way the company does incentives, and instead of giving individual incentives, give team based incentives for everyone to achieve (Von Weltzien Hoivik, 2007, p. 467).

There is also a difference between the way Americans and Chinese communicate. With the exception of giving negative feedback, Americans are very blunt and are considered low context communicators, whereas the Chinese are often indirect in the way they talk about things and are considered a high context culture (Meyer, 2015, Data set). However, the Americans are closer to the way Chinese give feedback, but the Americans need to move closer towards the Chinese in that they need to learn to send messages that give negative feedback between the lines, as well as learning to read between the lines whenever speaking with subordinates. Learning to effectively communicate in China for Westerners is tough. This can be as complicated as trying to interpret when an employee's

"yes" means "no" or vice versa. Or as simple as implicitly leaving out the bad and only saying the good, which can take a long time to build up and get around to (Meyer, 2015, pp. 48, 83-86).

The least challenging to the American style of management is the top-down style of decision making, where decisions are made by the head of the company/team/family and the rest of the people follow, trusting that this is the best direction. This is the Cultural Map Dimension that the Chinese and Americans share in proximity (Meyer, 2015, Data Set), if for two different reasons. Chinese are top-down decision makers because of the nature of Confucianism. There are also two reasons Americans are top-down decision makers, one is the American value around being "united", it is even in the title of our country, and two is that Americans are quite adept at switching direction on a decision if it is clear that that direction is undesirable. And if there needs to be a more egalitarian decision making process due to circumstances there are a number of things that can be done to shift the Chinese towards a more collaborative approach to decision making. Give each team head a face-to-face meeting about expecting a proposal from them about alternative objectives, then set a time scale commensurate to the task given. Or management could leave a meeting so the employees can brainstorm ideas and write them anonymously on the white board (Meyer, 2015, pp. 139-142, 144-149).

One of the biggest problems between American culture and many other cultures is the adherence to schedules, agendas, and time in general. Americans are very linear in their approach to time, because the courts, the public transportation systems, businesses, and even the mail system runs on time. Given this luxury, the Americans can be extremely punctual, unless it is a medical setting. This punctuality and consistency seems to be a product of industrialization, mostly. There are also a few reasons why the Chinese have a flexible sense of time. One reason is that there are many rural aspects to life in China, even in the cities. There is much of China that is still not industrialized, so not having a strong industrial history, time was not as relevant, especially when there is a lot of change that happens

in their lives. But mostly, the more relationship based a culture is, the more likely they will put relationships above the clock (Meyer, 2015, pp. 224-227).

It is the relationship versus task based culture on the trust scale that is often toughest to integrate. The United States is the most task based culture there is, and China is nearly at the end of the relationship based culture, so anyone wishing to do business in China should take into account the time it will take to cultivate proper relationships so that the Chinese will not become offended or embarrassed by the abrupt nature and quick to trust a business arrangement that the American is likely to be. As mentioned before, the relationship is put before the clock. This relationship should be cultivated with meals and drinks and parties where everyone can see everyone else in an unguarded state. The global economy is dominated by relationship based cultures and it would behoove the Americans to learn how to navigate this style of developing affective trust (Meyer, 2015, pp. 167-170).

To conclude, the United States and China are almost as culturally different in most of the scales on Meyer's Cultural Map. For success, any business endeavor between these two cultures will have to have both of them come together communication wise. Americans must understand two important Asian principles of conduct, *guanxi* and *kyosei*, "maintaining relationships" and "working for the common good," respectively. If one keeps these in mind, the Westerner can develop and maintain richly rewarding relationships in business. Luckily, there is common ground when it comes to decision making styles, and the Chinese appreciate the top-down decision style that is popular under American leadership as well. If collaborative decision making is required there are a few techniques to accomplish this, but most of them take the management out of the process to allow the subordinates to come to the necessary decisions without having to defer to the boss.

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