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The impact of cultural difference when entering the Chinese market

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By Mona Chung

Chinese market has been a highly preferred market for many organisations worldwide in the past twenty years. However, it is not an easy market to penetrate. Australian companies are among those Europeans and Americans who have been tackling the market with little positive results. One primary reason is that they do not appreciate the important role and impact of Chinese culture.



Cultural differences

Many business people argue that there are many similarities between Westerners and Chinese. After all we are all humans; we all understand if we are in business together we need to make profits. Research does show that there are many similarities between people of different cultures; however research also shows that there are more differences than similarities between people. These differences formed barriers for businesses.

A Chinese friend who lived in Melbourne for many years was caught by the Victorian police speeding. Her licence was suspended for one month. Her mother who was here visiting said: "Can't you find someone you know?" Australians could be baffled by her comment. "This is not China." The friend explained. Indeed, if this had happened in Beijing, where the friend's mother was from, the friend would then look for a friend or a 'Guanxi' 关系 (connection). As long as a credible connection could be found, the licence could be returned.

Cultural differences determine the different ways people behave in business. Relationship in business is extremely important in China. People who knew a little about China are often confused with 'Guanxi' 关系 and relationship, because they are told by those 关系 Guanxi paddlers that 关系 Guanxi is everything. 关系 Guanxi is important but can't be purchased as some firms were led to believe. Chinese build 关系 guanxi because there is more behind the 'connection', once the connection is established, it needs to be nurtured. Without the process of building 关系 guanxi, it will not work for you. Perhaps a more appropriate translation of 关系 guanxi should be 'networking and relationships'. The building of relationships and networks take time. Chinese business culture is built on trust and human relationships rather than a legal system. Law does not have the same meaning to Chinese as to Australians. Friend's mother did not see the act of speeding as an offence, or an act against the law. The concept of unlawful conduct is yet to be built.

In many incidences, MNCs engaged lawyers from their home country to perfect legal documents and contracts. They often manage to slip clauses that would be seen as in favour to the MNC. Few perhaps wondered why their Chinese counter parts did not pick up on that. For instance, an Australian exporter managed to have a contract signed with a Chinese party. With the help of Australian lawyers they had a tight contract from the Australian perspective. The relationship then soured and the exporter was still confident that the deal would be delivered simply because the contract said so. Only when the delivery date was approaching, the exporter realised that the Chinese party had no intention of delivering. Indeed there was a clause in the contract to penalise the parties who would not deliver, but the Chinese party was un-contactable and not to be seen anywhere in Melbourne.

Any experienced lawyers would advise their clients on the difficulty of pursuing international law suits. Even when a designated court or legal system had been specified in a contract, in this case the Australian legal system was to be the legislative jurisdiction; the practical legality of enforcing the physical appearances of the other party is no easy task. The more steps are taken toward the enforcement, the higher the costs will be. In the international business arena, legal enforcement is not the answer to solutions. This is precisely the reason that mediations are normally used in international business activities. This is relevant because the culture underlies the law.

Therefore recognising cultural differences and understanding culture as the first barrier is a step towards a successful market entry.

Foreign v. alien

Having emphasis the differences, it is important to recognise how different we are. China has been trading with foreign countries long before the Opium War. Chinese are experienced and skilled merchants. However, looking back in the history, the trading activities were largely evolved around goods that other countries desired from China. Silk was desired by the Romans long before jets were available to carry them. "China" (瓷器) (both the word and the product) is the best example of Chinese ancient trade relationship with other countries. Only in the most recent times, the trend is changing. As a growing economic power, China requires a large amount of raw material to support its growth. China has consumed 8% of world oil since 2000. In 2003, it accounted for 40% of total global coal consumption, 30% of steel consumption. So how do we see each other?

Chinese have some terms to describe the non-Chinese as well as their behaviours and products. 洋人 (foreign person) which is the most neutral term referring to a 'foreign person'. It does not carry offensiveness. This term was most seen used in literatures before the Opium War. 洋人 (foreign person) was soon became 洋鬼子 (foreign devil) after the Opium War and many other events involving foreigners. Japanese came and they were 东洋鬼子 (eastern foreign devil) or 倭寇 (short devil). 鬼佬 (devil fellow) which is the Cantonese version is more familiar to the Australians due to the Cantonese speaking population. People who deal with foreigners are risking being called 假洋鬼子 (fake foreign devil). The term devil is meant to be offensive. Perhaps, it is not hard to understand that the "humans" don't really make much effort to communicate with the "devils".

Although the Chinese perception towards foreigners was relatively negative, the perception of their styles and behaviour was somewhat different. 洋气 (western style or outlandish ways) has no offensive meaning. To the contrary, a 洋气 (yangqi) person is considered modern and stylish.

Equally, how much do Australians understand Chinese and Chinese culture? Expatriates who worked and lived in China used the term 'alien' to describe their level of understanding and appreciation. Chinese culture has been described to me as an 'alien culture' and Chinese behavioural conduct has been described as an 'alien behaviour'.

It takes two to tango. So far, it is established that both parties admit that they do not understand each other. It is obvious why little profits are made out of investments in China. Regardless of the modes of entry, foreign corporations made little success in the Chinese market.

Cultural differences and profits

To recognise the cultural differences is the first step towards the practice of a successful operation. Secondly, corporations must put into practice by attempting to select the appropriate personnel in order to be in a position to tackle the market. Thirdly, strategies must be set taking the cultural differences into consideration. Otherwise, corporations found themselves in a situation of constantly adjusting the strategies to match the culture. Fourthly, do not assume success in one culture will translate into success in another culture. When you hear 'people are people', you should ring the alarm bells.

Failure in handling cultural differences has seen many businesses fail badly in China. The major difficulty is how to quantify the cultural costs. When KLM failed its joint venture project with Air Italy, Hofstede, a major cross-cultural theorist, put down a figure of cultural costs - 214 million Euros which was the cost of the project. Many other companies will easily put down a figure that they have written down on their China projects. So cultural differences can be the cost of your project or the profit of your project, the costs can be large.

Expert assistance

Do not let the 'guanxi' 关系 paddlers persuade you that 'guanxi' 关系 is all you are buying. What is needed is the knowledge and experience and the ability to deal with new situations in a totally different culture. These can't be generally purchased via books. This is the same analogy as buying "How to become a millionaire?" (The new books should really be a billionaire, because a million is not quite enough to retire on these days.) You and I might have all bought a copy each; after all it is the best seller. Deep down, we both know that very few make enough and retire the next day. What we were looking for is the advice, new ideas and possible solutions to problems.

When considering cross-cultural personnel, do not use language as your only criteria! There are 1.3 billion who speak the language plus all the overseas Chinese. We often hear people say: "if I spoke the language it would all be easy." Perhaps, if they spoke the language it would be easier. To start, learning Chinese is a long process. Secondly, how much do you have to learn before you are comfortable communicating in Chinese? Or how much do you have to learn before you can fully understand Chinese? It could be far too long than your project can wait for. Do not take anyone who can speak the language as an cultural expert. It is not the first time I have witnessed companies with Chinese speaking employees who cannot communicate with other Australians within the company. In that case, how would the company's objectives being understood, carried

out and achieved? If the company's objectives can't be interpreted, how will the Chinese employees be instructed who have no understanding of the Australian culture or the company objectives?

In conclusion, cross-cultural experts aren't easy to come by. They are required to have comprehensive understanding of business operations and administration knowledge and skills of both cultures. Further, they must also be able to identify the gap between the two so that disconnection can be identified and rectified.

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