

## TRADING WITH CULTURAL AWARENESS IN CHINA

An appreciation of language and culture will help build good business relationships when trading in China. Thomas Clouse reports from Beijing.

China, with its consistently strong economic growth, has climbed in recent years to the top of board meeting agendas and priority lists worldwide. Most international business leaders have considered buying from, producing in and/or selling to China. The facts are difficult to ignore. China's GDP grew by an estimated 9.5 percent, year on year, in the second quarter of 2005. Since 1978, China has more than quadrupled its GDP, more than doubling it in the last 10 years alone. This economic success has created a consumer culture hungry for the products of the developed world.

New Zealand is one of many countries that have benefited from China's growth. China is New Zealand's fourth largest export market, behind only Australia, the United States and Japan. More impressively, New Zealand's exports to China grew in 2004 by 27 percent, a rate easily placing it as the fastest growing of New Zealand's top 10 export markets. This growth is likely to increase even further if the ongoing negotiations for

a free trade agreement are successful. A feasibility study jointly conducted by China and New Zealand predicts that New Zealand's exports to China will increase by an average of NZ\$260-400 million per year between 2007 and 2027 if the free trade agreement is completed.

Based on the past trade record and tremendous potential ahead, many of New Zealand's companies are preparing their strategies for the Chinese market. But even the most successful of trade negotiations cannot remove all the barriers to the Chinese market. China's complex market is a reflection of its complex society, and those who plan to do business there must face significant cultural as well as economic challenges.

The most obvious, and often most intimidating, of those cultural challenges is the Chinese language. But its importance may not be as strong as many expect. Foreigners who can speak well will undoubtedly impress their Chinese associates. At the same time, few of China's business people expect their foreign counterparts to

speak Chinese and are rarely offended by those who cannot.

These low expectations do, however, offer opportunities for those willing to invest some time learning some basic phrases and proper pronunciation. The Chinese are very patient with foreigners who speak Chinese and are quick to praise even the most basic phrases. They respect those who try to learn. For this reason, devoting some time to study the language will strengthen one's image, and thus the image of one's company.

### Suitable names

Another very important element in forming the proper image is a suitable Chinese name. Chinese characters have developed complex meanings over centuries of evolution. At the same time, they are pronounced differently in the various regions of China, and those pronunciations can carry meanings of their own. The number four, for example, has the exact same pronunciation as the word for death and is thus considered to be an unlucky number. This comes

not from its original meaning, but from its pronunciation. Because of the complexity of meaning and varied pronunciations in the Chinese language, choosing a Chinese name can be a challenging but potentially rewarding task. A good name can have a strong effect. Unfortunately for many foreign businesses, so can a bad one.

Alistair Nicholas, managing director of AC Capital Strategic Public Relations, a Beijing-based public relations consultancy, says that companies often make the mistake of choosing names based on their pronunciation, rather than their meanings. He gives the example of a recent client. The company, eager to enter the Chinese market, asked a translation company in the United States to give names to the company and to the company's executives. The Chinese people, however, responded awkwardly to introductions of the company and the company's executives after their arrival. They eventually realised the problem lay in their names, which had strange or in some cases negative meanings. They

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have since, with AC Capital PR's help, given themselves and the company more appropriate Chinese names. Thus, while it is not important to be an expert in Chinese, it is important in some cases to consult one.

Basic Chinese and well-chosen names will leave strong impressions with Chinese associates. Language is not the only way to impress, however. An awareness of some basic customs, while once again not expected, will be recognised and appreciated by Chinese associates. Examples include taking business cards with both hands, keeping the lip of one's glass lower than one's counterpart when giving a toast, tapping the table to express gratitude when busy either talking or eating, and walking out together after business meetings. These practices, while simple, demonstrate respect.

### Gifts

Another situation in which cultural communication is important concerns the exchange of gifts. Gift-giving is common in China, even in business settings. These gifts range greatly in size, shape and fashion, and may

include beautiful Chinese paintings or tacky company plaques. Generally, though, they are given to express appreciation.

But some gifts, especially when expensive, can be interpreted as efforts to exert improper influence – in other words, bribes. Those who find themselves in uncomfortable situations should, according to Alistair Nicholas, politely refuse the gift, citing company policies. Company policies are generally respected and such a refusal will minimise any embarrassment for the guest or the host. Once again, the emphasis should be on showing respect, even when refusing.

Foreigners who spend any significant amount of time in China will probably also want to offer gifts to some Chinese business associates. In such cases, suitable gifts would reflect cultural value rather than high price tags. New Zealand greenstone, books of photography, handicrafts from New Zealand, and even postage stamps are examples of gifts that will likely be appreciated. They demonstrate thoughtfulness and an interest in sharing one's culture.

The importance of language and culture, then, lies not in business-related communication, but instead in the development of relationships with Chinese associates. The problems that many foreign firms face are not due to technical miscommunication but instead result from cultural differences in priorities. In China, demonstrations of respect are important for building relationships, and those relationships are important for building business. Thus, simple displays of interest, awareness, and respect will contribute to the success of any firm operating in China.

One common mistake that foreign business people make illustrates this point well. Every foreigner doing business in China will occasionally be faced with a situation in which an interpreter is needed. In such cases, many foreigners focus on the interpreter rather than on the person with whom they are negotiating. While this does not affect the linguistic content of the conversation, it is considered to be impolite. The focus should instead be placed on the decision-makers. The problem, then, is not linguistic, but cultural.

### Relationships

All of these cultural elements point to one undeniable fact: relationships are important when doing business in China. Foreigners must not only consider the communication of their message, but also the impression that they make. International businessman Constant Cheng, who lived in China during the 1980s and continues to do business there today, explains that, "The Chinese want to like you in order to do business together. They initially focus on getting to know you rather than the specifics of your business plan."

Because of the importance of relationships, investment in China is not just an investment of capital, but an investment of time and energy developing relationships. These relationships evolve during business meetings and around dinner tables, and being culturally considerate can contribute to their growth. William Baker, representative of Mahon China Investment Management, a funds management company registered in New Zealand, describes investment in China as "labour intensive". He explains that, "Investing money alone does not work. Investment is viewed

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REFLECTING BUSINESS BRILLIANCE

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Shoppers in the popular Wang Fu Jing Street in Beijing.



An informal business meeting at Starbucks.

as a partnership. Chinese partners expect you to be able and willing to listen and give ideas. Meetings do not have to be formal; you can usually just meet for dinner and talk about business. Being a good partner greatly increases your chances of success."

Building strong relationships takes time and, for this reason, cultural sensitivity must be complemented with patience. Those who come to China with strict timelines will likely be disappointed. William Baker explains, "If you arrive on Tuesday, expect to sign a contract on Thursday, and then be back home for the weekend, you will not get a good deal. It's better to go home and come back in six months." He recommends that foreign firms take an active but flexible approach and dedicate the time, money and human resources to properly understand the market and to develop relationships through trade fairs, conferences and Chinese-based organisations.

Relationship building plays a strong role not just in China's business community but in its foreign business community as well. In many cases, these relationships do not face the

same cultural barriers and can be equally valuable for companies trying to establish themselves in China. Trade organisations, government sponsored trade groups and chambers of commerce can all act as useful vehicles for learning about the market and establishing useful contacts. These networks are particularly valuable when negotiating with government entities. As Patrick English, New Zealand's trade commissioner to China explains, "Foreign companies often have to cooperate to compete".

Relationships can significantly contribute to a company's success, but they cannot support the company alone. Like any other market, successful business ventures must find themselves upon basic business principles. Some foreign firms, overwhelmed by China's economic opportunities and cultural differences, have relied too strongly on their relationships. Patrick English gives this advice, "Ask yourself, 'Are relationships the basis of your business or a sound business strategy?' If you have a good business strategy, then strong relationships can really benefit your company. But if relationships are

at the base, then it can all fall apart very quickly." He gives the example of a New Zealand based media company which planned to enter China's market with licences obtained through a Chinese contact. The relationship soured, however, due to differing expectations, and the company had to abandon its plan.

But not all stories are bad. New Zealand-based Comtest Instruments is one company that has benefited greatly from its relationships in China. The company, which produces equipment to test machinery vibrations, issued its first distribution licence in China in 2002 to Tim Chang, an engineer and former employee of its competitor, after some e-mail correspondence. Though sceptical at first, the company took an active role, corresponding regularly with him and travelling to China several times a year to meet in person. Three years later, Tim Chang is one of the firm's top distributors, and sales in China continue to increase.

Comtest is one of many New Zealand companies to share the NZ\$1.7 billion in exports to China last year. China is already the fastest

growing of New Zealand's leading export markets, and the pace will likely pick up with the completion of a free trade agreement. The increasingly strong trade relationship will present many opportunities for New Zealand's companies, and those that are willing to invest the time, money and effort to understand China's business environment and the people who comprise it will share in the economic success of China, as well as its cultural richness.

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