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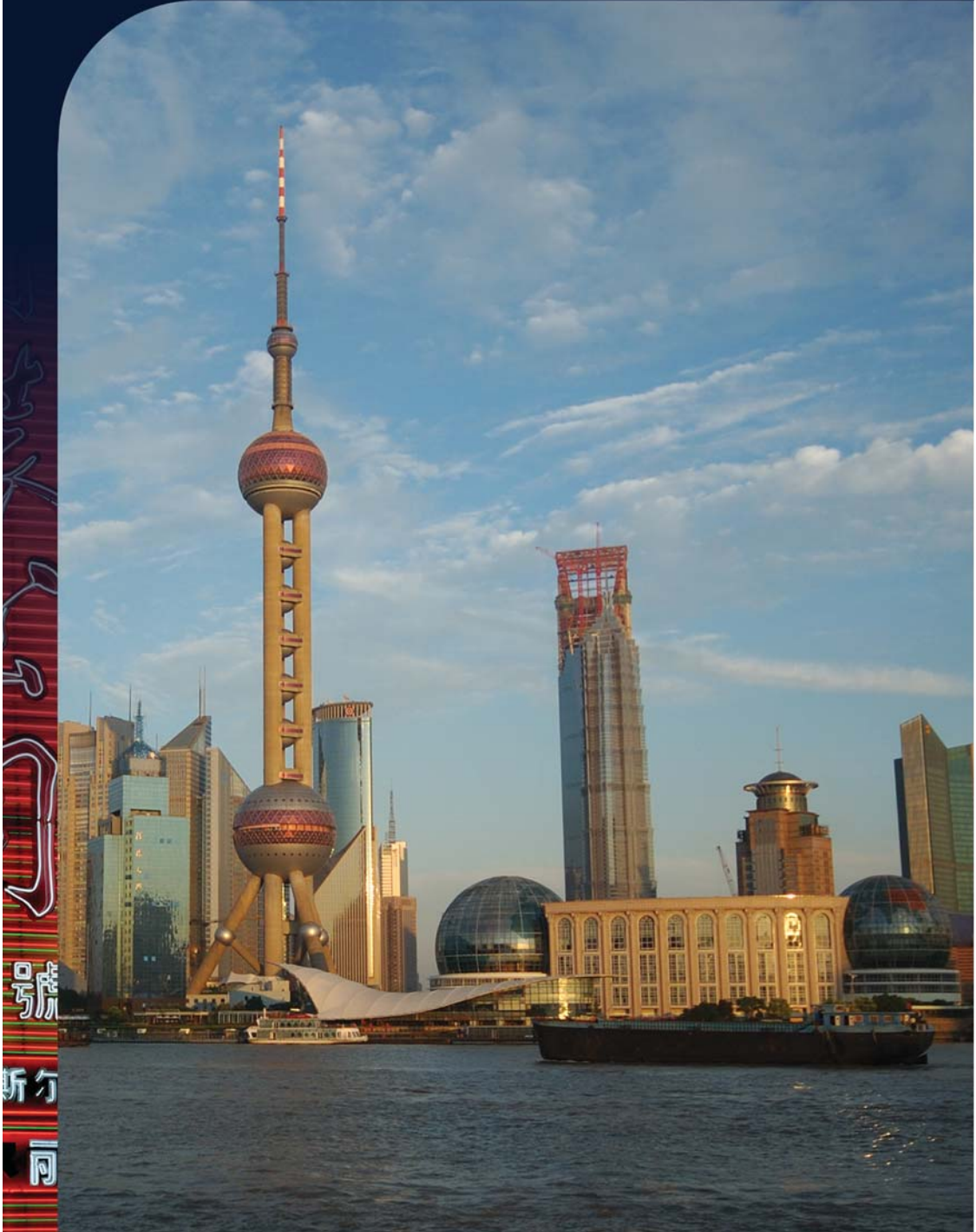
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How to do Business in China

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Key Facts

- **Local Time:** GMT + 8
- **Capital:** Beijing
- **Population:** 1.34 billion (2004)
- **Area:** 3,750,000 square miles
- **Language:** Mandarin + many local dialects (but Mandarin is recognised in all but the most remote rural areas of the country)
- **Local Currency:** The name of the currency is Renminbi (RMB), the unit is the Yuan (CNY) in much the same way as the name of the UK currency is Sterling and the unit is the Pound (GBP). The Yuan is usually referred to as the Kwai (as Pound is referred to as 'quid').
- **Economy:** China (official name People's Republic of China) is one of the world's most rapidly growing economies, with GDP growth figures around 9% per annum since the mid 90's.

Doing business with China can seem daunting for those new to the market, but a strategic approach is essential to making the process manageable and hopefully enjoyable. China is, for many of us, 'alien and difficult' – the language, culture and vastness of the country, together with the culture shock that many Western business visitors face being deadline-driven and unwilling to slow down to the Chinese pace when discussing business.

Preparation is key to success: so read up on the country, seek advice from those who have been there before, conduct market research and ask questions from those in the know. In China, as anywhere else, it is good business practice and common sense to know whom you are meeting and to take an active interest in cultural and social factors that influence thinking and business decisions.

Here are some special considerations that apply to China.

Making Contacts

Whenever possible, obtain an introduction. Connections and relationships, known as *guanxi* (pronounced gwan shee) are very important. Guanxi is probably the most important single asset of any foreign business in China. The right connections can ensure you an attentive audience for your proposal and subsequent interactions. Guanxi also incorporates an element of graft, for those who have the connections will often try to profit from them. Guanxi creates an interdependency between the two parties because favours received must be reciprocated at some future time. If you are representing a well known international company, you can send a letter to the senior most person in a Chinese company in which you state your purpose for contacting him or her. However, for the smaller business *guanxi* will give you the right connections.

When sending an initial letter it is a good idea to have the letter translated into Chinese. It is not necessary to translate everything you send to China. Make sure there is sufficient interest at the other end before you translate your literature, because translation costs can be expensive.

You should hire a local representative or consultant to monitor deals and relationships in your absence and to maintain a constant presence for your company in China. This is particularly important if you are sourcing from or selling to China. Be aware of the expectation, certainly in the past, that there will be a middle-man or broker, and this could even be the hired interpreter. It is important to be comfortable with your "hired" help. When hiring a local representative, be sure to carefully check references and obtain a list of former and current clients.

Once you have decided to visit China, either you, your counterpart, or local representatives should schedule meetings for you at least one to two weeks in advance of your arrival. Before your arrival, make your accommodation requirements known to your business contact. This can be particularly important if you represent a small firm with a limited budget. The Chinese tend to believe that foreigners, particularly Westerners, are wealthy and can afford to pay for all services. Arrangements may be made without consulting you and you may be overwhelmed with hospitality. You should feel comfortable in politely declining any service you do not want.

Foreign visitors can be surprised to discover that their Chinese business contact will make an effort to keep them entertained at all times. In China, a host's responsibility includes fulfilling needs and ensuring comfort, care and protection of their guests. If you wish to spend some time alone, indicate so politely.

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Business Meetings and Business Etiquette

Jackets and ties or equivalent female attire should be worn for meetings, and when invited out for dinner.

Chinese usually greet one another with a slight bow or nod of the head and introductions are usually made in order of seniority. In business and with foreigners, a handshake is common upon greeting and departure.

Business cards, called name cards (ming pian) by the Chinese, are presented when everyone first meets. They should be given and received with both hands as a sign of respect. The business card is considered to represent the person to whom you are being introduced so it is polite to study the card for a while and put it away somewhere safe. Take ample supplies as almost everyone you meet will want to exchange one with you. If possible, your cards should be bilingual even if the people you are meeting read and write English.

Arriving early for a meeting indicates respect for the host. Although the Chinese are not always on time, punctuality is viewed as a positive asset in others.

Chinese pride themselves on holding their feelings inside. Therefore they may not smile at a first greeting or as often as people in other Asian countries.

There are about one hundred widely used family names. The 10 most common Chinese surnames are Zhang, Wang, Li, Zhao, Chen, Yang, Wu, Liu, Huang and Zhou. Although many surnames may have similar pronunciation, the Chinese characters can be different. When addressing people, remember the family name precedes given names. For example, Mr Li Hongjun should be addressed as Mr Li. Avoid calling a Chinese person by their given name alone unless specifically invited to do so. It is currently fashionable to address a younger woman as 'Miss' and an obviously older woman as 'Madame.' Married women rarely take their husband's family name. Many Chinese adopt given names, many of which are Western. Official and occupation related titles, such as Dr., Mayor, Ambassador, are used wherever appropriate.

An increasing number of younger Chinese managers and government officials speak some English but formal meetings and negotiations may require the services of an interpreter, unless you choose to use a service such as chinaONEcall.

Chinese have a high regard for rank and seniority. The Chinese will be impressed and are usually more attentive to senior representatives of foreign firms. Ranking your company can help to impress the Chinese, especially if you are one of the largest or oldest.

It is important to establish a smooth business relationship and friendship. Trust and cooperation are key. Meetings often begin with small talk over tea, with topics including the weather and your recent travels, before moving on to more serious issues. It is important to be patient. The Chinese tend to maintain a level of formality in the early

stages of a relationship. This fosters respect for each side and ensures that contacts will proceed harmoniously. To become informal too quickly or to get down to business too quickly would upset the balance the Chinese require to develop a meaningful business and personal relationship. It is advisable to avoid discussing Chinese politics and human rights issues.

Gifts are not required or expected at initial meetings. You may present a small sample of your company's product or an item with a corporate logo. However, anything more elaborate or expensive will be inappropriate.

Negotiations

Due to the vastness of China, different Chinese have varying business styles. The Cantonese tend to be more westernised due to Hong Kong influences and constant contact with Western traders. They are more accustomed to doing business with foreigners and are more efficient. However, Cantonese business people can often be more adamant about having things their own way and so foreigners should be firm about their position in a negotiation.

Chinese usually conduct business over lunch and dinner, and deals are often concluded over a meal. Entertaining is a critical part of Chinese business culture.

Chinese pay a great deal of attention to detail. Most negotiations are divided into two phases: technical and business issues. The Chinese will utilise their technical experts to focus on the technical phase until they are satisfied with basic issues or quality and usefulness. Make sure to include at least one technical expert in your negotiation team.

Chinese often hesitate to provide information out of concern that someone will use it against them. Use mutual contacts to assist if you are concerned about establishing trust and credibility with your Chinese counterpart, if negotiations stall, or you encounter disagreements.

Government officials who are responsible for negotiating deals often do not have the authority to commit financial resources. Be flexible and creative in your approach, but do not lose sight of your business interests. Even small changes to existing agreements cannot be made without the approval of senior officials. Chinese do not like to say no or to be the bearers of negative news. They will hint indirectly in conversation. Similarly, you will hear a yes response to almost everything. You should be careful of these empty affirmations, as it may not always draw positive conclusions. Verify what has been said to you. If you think the answer to an issue is really no, verify your feeling by asking questions that can be answered positively. It is important that all parties maintain "face".

The concept of "face" is an essential component of the Chinese national psyche. It's a similar concept to "respect" and the Chinese are acutely sensitive to gaining and maintaining face in all aspects of social and business life. If someone makes a mistake or is humiliated, they lose face. If they do something right or get complimented, they gain face,

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so let your Chinese colleague speak English, compliment them, ask after their family, comment on their office or house and DO NOT contradict a Chinese person publicly. It's a good idea to increase your face so take a prospective business associate out to a smart restaurant and pay the bill!

Be prepared for tough negotiations. Adhere to your principles and objectives. Maintain a quiet and dignified manner. Losing your temper can lead to a loss of face for both sides. If problems develop, be firm about your limits and willingness to work with your counterparts to find a mutually agreeable solution.

Business Hours

Most of China's business community slows down considerably during the spring festival in late January and early February. There are further holidays during the first week of May and first week of October. Business visitors would be wise to avoid these holiday periods.

In most cities in China, businesses, state corporations and government offices are usually open Monday to Friday and every other Saturday from 8am to noon and from 1:00/2:00pm to 5:00/6:00 pm. China has a five and a half day working week consisting of 44 hours.

Banks are open Monday to Saturday from 8:00am to 5:00pm. Shops are open everyday.

Further Help

We recommend membership of the **China Britain Business Council (CBBC)**; a very good investment in terms of advice available and networking opportunities.

Web www.cbcc.org

Email enquiries@cbcc.org

The **UKTI**; a government agency dispensing free advice and useful contacts.

Web www.uktradeinvest.gov.uk

Help is obtained in the first instance via CBBC (whether or not you are a member)

ChinaONEcall: an economical telephone interpreter service accessible across all China.

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Email commercial@chinaONEcall.com



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