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Doing business in China

*China is the world's second largest economy and the speed and depth of change in the past 30 years is phenomenal. Simcocks director **Irini Newby** has recently returned and reflects on some of the cultural and language barriers that have to be considered.*

As Europe continues to be caught up in a financial maelstrom businesses see the significant opportunities in China as increasingly attractive.

With a head count of more than 1.3 billion and 270 cities with a population of more than 1 million this complex market has seen a rapid transformation and the emergence of a fast growing consumer market. But competition, business etiquette, culture, protocol and language make it a particularly hard nut to crack.

Simcocks has a number of longstanding clients in China and the good relationship that exists between them has been developed over nearly a decade. A recent trade mission to China which included Simcocks, KPMG, Dandara, IM Gold, Duke Marketing, the International Centre for Technology and members of the government laid out how the Isle of Man can support the global vision of Chinese businesses. It is hoped ties will be further strengthened when Chinese delegations visit the Island in the coming months.

Head of Simcocks Corporate and Commercial department, Irini Newby said: "Getting to really know someone is an essential part of doing business in China. Only through face to face meetings can you build trust which is a vital element to developing work there. The Chinese set great store on building personal relationships before entering into a business partnership. You can expect your first few visits to China to simply be the first period of a long game (football and basketball are their favourites). Introductions via a trusted intermediary can play a valuable role in opening doors but there are no short cuts to relationship building."

Deeply ingrained in Chinese culture is guanxi (pronounced gwan shee) which are incredibly strong social and business connections based on mutual interest and benefit. Guanxi is regarded as a two-way relationship that must be maintained through regular contact and it is custom for Chinese people to cultivate an intricate web of guanxi relationships, which may

expand in a huge number of directions. Reciprocal favors are the key factor to maintaining one's guanxi web, failure to reciprocate is considered an offence.

Face to face meetings in China need planning. In this article, Irini Newby reflects on some interesting customs which are useful if you are embarking on business in China. Appointments must be made in advance and some literature regarding your company should be forwarded to introduce your company. The Chinese approach meetings differently, so rather than beginning with minor or side issues and working your way up to the core issue, reverse this.

Punctuality is vital – late arrivals are seen as insulting. Meetings should begin with some brief small talk and should be kept safe, positive and avoid politics. Meetings start with the shaking of hands and a slight nod of the head. Overly vigorous hand shaking is interpreted as aggressive.

The Chinese are not keen on physical contact - especially when doing business. Be sure not to slap, pat or put your arm around someone's shoulders.

Business cards are exchanged on an initial meeting. One side of the card should be translated and if possible the Chinese letters should be printed using gold or red as these are auspicious colours. When receiving a card place it in a case rather than in a wallet or pocket. Present your card with both hands with the Chinese side face up spend a few seconds examining the cards. Whatever you do don't write on the card as this shows disrespect. When exchanging cards greeting your Chinese counterpart with simple phrases such as "Ni Hao" which mean "Hello" or "Zao Shang Hao" which means Good morning, will help break the ice.

Chinese names appear in a different order than Western names. Each person has, in this order, a family or generational name and then a first name. In the name Chen Wu, Chen is the family name and Wu is the given name and so he should be addressed as Mr Chen. It is traditionally acceptable to call a Chinese person by the surname together with a title such as Director Wang or Chairman Li.

Relationships in China are very formal. During meetings practise your best 'poker face', be patient and never show anger or frustration. You should always be calm, collected and controlled. Body posture should be formal and attentive as this shows you have self-control and are worthy of respect. It is important that you do not make people "lose face" in front of their group. Always respect seniority and do not openly disagree with people. Never insult or openly criticise someone in front of others and strive for diplomacy, consensus and harmony.

The Chinese do not like to say no. Doing so causes embarrassment and loss of face. If a request cannot be met you might be told that it is "inconvenient" or "under consideration". Alternatively you might be told "Yes, but it will be difficult" this might seem like a positive response but in reality it means no or probably not. Gestures in conversation can have different meanings - nodding means "I hear what you are saying" not necessarily I agree with you.

The Chinese are renowned for being tough negotiators. Their primary aim in negotiations is 'concessions'. Always bear this in mind when formulating your own strategy. You must be

willing to show compromise and ensure their negotiators feel they have gained major concessions.

The Chinese like to give gifts which are used to express friendship, the successful conclusion of an endeavour or appreciation for a favour done. Often the symbolic value of the gift is of more importance than the material value. It is appropriate to bring a gift, particularly something representative of your town or region, to a business meeting or social event. A gift should always be wrapped but avoid plain black or white paper because these are the colours of mourning. Eight is considered one of the luckiest numbers in Chinese culture and if you receive eight of any item it should be considered as a gesture of good will. It is not customary to open a present in front of the giver unless particularly encouraged to do so. Giving gifts is influenced by hierarchy and the most senior person should receive the most valuable gift.

Irini Newby said: "Staff at Simcocks have a "can do" attitude and to try and begin to understand how business works in China you need to go and see it for yourself. It is important to meet people face to face, listen to how they are developing their businesses and hear some of their personal aspirations. The Chinese market is evolving rapidly and the opportunities are enormous but an awareness of the cultural differences is essential."

If anyone would like any more information about doing business in China please contact Irini Newby at inewby@simcocks.com