Title: Marketing management in China

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10 credits

Thesis

Study programme in
Master of Business Administration in
Marketing Management
Master of Business Administration in Marketing Management

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| Abstract                   | This study has been written to increase our knowledge about Sino-Western business relations and to understand how to successfully embark in China. It aims to create a deeper context understanding of the Chinese consumer and the Chinese market – in order to successfully manage your business in China. A qualitative case study methodology is used, involving the abductive method and a hermeneutic approach. Appropriate interviewees have been selected, i.e. those having valid and reliable insights and experiences to this study. The empirical results are portrayed as short stories along with reflections, to enlighten key findings in the research. Results of the investigation show that a willingness to understand and being humble are key in the creation of a successful business relationship with the Chinese. Certainly, the importance of guanxi and trust are tremendous. Thus, learn the rules and play by them – use them to your advantage. Show empathy and patience and trust the universal law of reciprocity. Indeed, as we understand the underlying forces, the cultural values and traditions, we appreciate how to effectively communicate with the Chinese and ultimately how to deliver value to create a healthy business relationship in our marketing efforts. A plethora of stories are presented that illuminate various situations that experienced Western business managers have encountered, and how to manage these. Key findings in this research may benefit not only academics, as new theory is introduced, but also everyone interested in China and aiming to create a healthy Sino-Western relationship. Finally, top managerial implications are presented that are of relevance to readers both intending to and already doing business in China. Some of the most important ones advise us to remain patient, to gather all the information possible and to never underestimate the Chinese. |
| Keywords                   | business, relations, Sino-Western, China, consumer, guanxi, negotiation, culture |
Executive Summary

China, also known as “the workshop of the world” is a country that economically grows faster than any other country. It is rapidly on its way of becoming an economic superpower. Since 2002, it is the world’s largest recipient of foreign direct investment (FDI) and more than 500,000 foreign invested enterprises are operating in the country. The Chinese market is certainly lucrative but also presents many pitfalls. Many business enterprises fail in China, as they do not really understand it. Embedded in the 5000 year old culture are the old values, based on philosophical traditions. These include ancient, underlying forces such as guanxi, face, reciprocity and trust. This study explores not only the characteristics of the Chinese market and how to capitalize upon contemporary trends, but also how to effectively interact in Sino-Western business relationships and how to manage cultural differences, traps and stratagems.

Why is it imperative to nourish personal relationships with the Chinese? To cultivate trust and be able to take the relationship to the next level. Westerners need to get in the loop, into the circle of trustees. Once there, they need to remain there by nurturing long term mutual benefits. This is certainly one of the strongest competitive edges to have in China as a Westerner. Guanxi can indeed be considered as a type of invaluable intangible asset that can provide you with overcoming otherwise “impossible” things. With escalating guanxi comes trust which, along with face-giving is the fuel of any healthy Sino-Western business relationship. As we understand the underlying forces in the market, we appreciate how to effectively communicate with the Chinese and ultimately how to deliver value. Differentiation and individualization are indeed strong trends in China. There are tendencies to move from traditionally deeply rooted collectivism to individualism, particularly among younger generations, which are more receptive and open minded. The Western style and flair is highly sought after. There is an urge for a feeling of independence and there is a need among people to differentiate in order to stand out among the masses. Western business enterprises can and should exploit this by adapting and positioning accordingly - aiming at the self-image and conveying feelings of difference and uniqueness. In this study cultural and marketing lessons are described, guidelines are given to learn the silent language and interpret hidden meanings. Several examples are presented of situations that experienced Western business managers have encountered, along with suggestions on how to manage them. Finally, a list of the most important top managerial implications are presented to illuminate key findings in our research and to enrich your understanding.
Table of Contents

1. Introduction ____________________________________________ 6
   1.1 Academic and practical relevance __________________________ 7
   1.2 Purpose ______________________________________________ 7
   1.3 Research questions ______________________________________ 7
   1.4 Delimitations __________________________________________ 8
   1.5 Layout __________________________________________________ 8

2. Methodology _____________________________________________ 9
   2.1 Research design __________________________________________ 9
   2.2 Choice of research method _________________________________ 10
      2.2.1 Abductive ____________________________________________ 10
      2.2.2 Hermeneutic __________________________________________ 10
      2.2.3 Qualitative case study __________________________________ 10
   2.3 Collection of empirical data ________________________________ 11
      2.3.1 Selection ____________________________________________ 12
      2.3.2 Reliability __________________________________________ 12
      2.3.3 Validity _____________________________________________ 13

3. Theory ___________________________________________________ 14
   3.1 Chinese Culture __________________________________________ 14
      3.1.1 Philosophical traditions __________________________________ 14
      3.1.2 Chinese people _________________________________________ 16
      3.1.3 Guanxi _______________________________________________ 17
      3.1.4 Face __________________________________________________ 18
   3.2 Marketing ______________________________________________ 18
      3.2.1 Business relations ______________________________________ 19
      3.2.2 Positioning ___________________________________________ 19
      3.2.3 Trends ______________________________________________ 20

4. Empirical study ____________________________________________ 22
   4.1 Business relations: guanxi ____________________________ 22
   4.2 Business relations: face ______________________________ 23
   4.3 Cultural differences ______________________________________ 24
   4.4 Potential traps _________________________________________ 25

5. Analysis __________________________________________________ 27
   5.1 Understanding the Chinese _______________________________ 27
   5.2 Cultural lessons _________________________________________ 28
      5.2.1 Guanxi _______________________________________________ 28
      5.2.2 Face __________________________________________________ 29
      5.2.3 Handling traps and stratagems _______________________________ 30
   5.3 Marketing lessons ________________________________________ 31
      5.3.1 Business relations ______________________________________ 31
      5.3.2 Positioning ___________________________________________ 32
   5.4 Trends __________________________________________________ 32
      5.4.1 Opportunities _________________________________________ 33
6. Conclusions

6.1 Managerial implications

6.2 Reflections on the study

References

Appendix

Appendix 1 – MIO model

Appendix 2 - Interviews

Appendix 3 – Chinese stratagems
1. Introduction

In this chapter are presented the academic and practical relevance of the study, purpose, research questions, delimitations and layout.

China, also known as the “workshop of the world” is a country that economically grows faster than any other country. It is rapidly on its way of becoming an economic superpower. Since 2002, China is the world’s largest recipient of foreign direct investment (FDI) and more than 500 000 foreign invested enterprises are operating in the country. Its GNP growth has been close to 10 percent during the last 25 years and in terms of buying power, China is currently the second largest economy in the world. China’s share of world GDP is nearly four times more than it was in 1980 and in terms of purchasing-power parity (PPP), it approaches that of the world's richest countries.

The approval of a market-economy and private ownership was introduced in 2002. Deregulations are certainly making it increasingly easier for foreign companies to establish their businesses in China, e.g. they no longer need to joint venture with local companies to enter the market. More than 400 of the 500 world’s largest enterprises have invested in China already. Moreover, wages for educated workers is increasing while taxes are still relatively low. Hence, the purchasing power of the Chinese people is yet increasing, along with the economic growth. The Chinese marketplace is certainly becoming a force to reckon with in the world. According to Jack Welch "to become world leader you must become leader in the Chinese market". He argues that China has become the ultimate test to prove your companies worth on the global market. Indeed, the Chinese market is an attractive one to enter and international enterprises are all eager to attract Chinese consumers and acquire their share of the giant market. Competition is fierce, not only international, but also domestic. The market is certainly lucrative but also presents many pitfalls. Many companies fail in China. This is often the result of not really understanding China. Certainly, due diligence may help but it is the more important to realize the importance of forming a healthy relationship before starting the business: to get to know your “family”; to treat your Chinese partner as a bride to marry; and to do your homework extensively, before marrying her. Does she trust you and want a lifelong relationship, or is she merely after your money? Hence, yes, Chinese consumers are getting more open to Western brands and values. The Chinese market is full of contrasts.

1 Enter the dragon (2007), April 2, The Economist
2 Fang, 2005, p.12 - Fang, Att göra affärer I dagens Kina
though. Side by side with all modernity is also the old China present. Embedded in the 5000 year old culture are the old values, which are based on philosophical traditions. These include ancient, underlying forces such as guanxi, face, reciprocity and trust.

This study aims to create a deeper context understanding of the Chinese consumer and the Chinese market – in order to avoid such mistakes and be able to successfully manage your business in China.

1.1 Academic and practical relevance

We introduce findings that enhance the understanding about Sino-Western business relations and the underlying forces of the Chinese market. We portray our empirical results by presenting short stories along with reflections to enlighten key findings in our research. Finally, we offer managerial implications that are of relevance to readers either intending to or already doing business in China.

1.2 Purpose

To increase our knowledge about Sino-Western business relations and our understanding on how to successfully embark in China.

1.3 Research questions

- What are the characteristics of the Chinese market and how do we capitalize upon the opportunities thereof?

- How do we effectively interact with the Chinese (B2B and B2C) to create healthy business relations?

- How do we manage cultural differences, traps and stratagems?
1.4 Delimitations

Within the scope of this study, China is treated as a unified whole, although there are vast interregional differences.

The term “Western” is used here in its most general sense, in that Chinese people are likely to view Western people as similar.

In terms of the MIO model (see Appendix 1, page 42), focus is on how we would like to form our business relationships in the long run. How do we interact to create a meaningful relationship? What strategic choices do we have and which ones do we use? How do we position ourselves on selected markets?

1.5 Layout

The methodology chapter is followed by the theoretical part, which introduces the most important aspects of Chinese culture and values along with the underlying forces that shape the Chinese market and trends. In the following empirical part are described several examples of situations that experienced Western business managers have encountered, and how to handle these. At the end of this chapter, the reader should have an idea of how to manage marketing and build healthy business relations in China. We move on by analyzing and reflecting upon the data presented in the theoretical part, which gives an initial grasp of the most influential factors – then the empirical part, which re-enforces these, by describing them within a real-life context. In the analysis chapter are described cultural and marketing lessons, followed by trend analysis. Finally, everything is put together to generate conclusions, recommendations, and managerial implications.
2. Methodology

In this chapter are presented the research design of the study, choice of research method and collection of empirical data.

2.1 Research design

According to Kipling, the common objective of any research is to extend knowledge and to explain the unexpected, to answer questions like: What? Why? When? How? Where? Who? According to Yin³, there is a basic categorizing scheme for four of these questions, namely: “who”, “what”, “where”, and “why”. Depending on the type of questions asked, different research designs will be more or less suitable. The use of case studies e.g. is favored by asking questions such as “how?” and “why?”

There are three types of case study research, namely exploratory, descriptive, and explanatory⁴

- Exploratory is often used when one needs to find knowledge in an area in which there has previously been very little research done
- Descriptive is often used when there is prior knowledge, to research existence and prevalence
- Explanatory is often used when a phenomenon is well known, to research causing factors

In this study is used a combination of descriptive and exploratory case study research.

The primary data, i.e. data which is gathered for the particular purpose in hand, includes interviews. The secondary data includes scientific reports and journals i.e. information that has already been gathered by other researchers, sometimes, for different purposes.

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2.2 Choice of research method

2.2.1 Abductive

We use the *abductive* method, which is a combination of the *inductive* and *deductive* approach. In other words, we move back and forth between empirics and theory in an iterative like process. Thus, we need to use existing theories to guide us in understanding the empirical data. By abduction we can not only, from the empirical data, compare our findings with contemporary theories, but we can also use theory to enrich the context of the empirical data.\(^5\)

2.2.2 Hermeneutic

We also use the *hermeneutic* approach, since we need to interpret our empirical data, which consists of behavioral patterns, norms, values and beliefs.\(^6\) This knowledge is relative approach is a method of interpretation and understanding by the use of language. Starting from our pre-understanding, albeit limited and based on contemporary theory, we formulate research questions. Then, we analyze and reflect upon the results of the empirical research. The results will naturally be influenced by our subjective and relative interpretation of the data. Some data may correlate with our expectations and current literature, while some may not. The latter will be further analyzed and reflected upon, and may either be discarded or implemented – or even form the basis of new theory.

Hence, rather than trying to explain causal relationships by means of objective “facts” and statistical analysis, hermeneutics uses a more personal interpretative process to *understand reality*. Language takes on a central role and qualitative assessments partially replaces quantitative data.\(^7\)

2.2.3 Qualitative case study

A *qualitative case study* has four characteristics.\(^8\) It is:

- Particularistic i.e. it focuses on a particular situation, event or phenomenon

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\(^6\) Ibid.

\(^7\) Gummesson, E. (1991), Qualitative methods in management research, Thousand Oaks: Sage

- Descriptive i.e. it describes the phenomenon, often over time
- Heuristic i.e. it illuminates the reader’s self understanding of the phenomenon under study
- Inductive i.e. generalizations, concepts, or hypotheses emerge from an examination of data

Indeed, qualitative research assumes that there are multiple realities – that the world is not an objective thing out there but a function of personal interaction and perception. It is a highly subjective phenomenon in need of interpreting rather than measuring. In this paradigm, there are no pre-determined hypotheses, no treatments, and no restrictions on the end product. One does observe, intuit and sense what is occurring in a natural setting.9

Naturally, there are some challenges a researcher faces in following qualitative research.10
- Access to reality
- Pre-understanding and understanding
- Quality (construct validity, internal validity, external validity, reliability, the researcher)

In this study, a qualitative case study methodology is used. The approach is certainly valid to use when collecting data to understand.11 Many times, it implies a deeper understanding versus the quantitative approach, which is more relevant in a survey type investigation. Qualitative research is an exploratory methodology. It is often based on few samples and intended to provide insight.

Finally, the case study provides means for analytic generalization. By benefiting from previously developed theory and balance it against the empirical results of this study, we can create new theory.12

### 2.3 Collection of empirical data

We have conducted both face to face and phone interviews. In these interviews we have both used a tape recorder and taken notes, to store the raw empirical data. We give each subject a background of the topic to be discussed and also define various terms in order to verify mutual (pre)understanding. We are interested in the subjects’ personal opinions and feelings

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9 Ibid.
12 Ibid.
regarding an event. Since we not only want the interviewee to feel comfortable and be sincere during the interview, but also respect the interviewee’s integrity, we offer anonymity. Naturally, we are bound to objectify some of the opinions expressed during the interviews in our quest to create understanding.

2.3.1 Selection

We use the convenience selection approach. In other words, those interviewees that have fulfilled our criteria, i.e. business managers having valid and reliable insights and experiences in Sino-Western business relations, and have had the possibility as well as desire to participate, have been chosen. These were eight people (see Appendix 2, page 43), representing different companies, in the age range 32-60+ and with 6-30 years of relevant experience, predominantly males. As a result of this selection approach, we cannot fully claim that our results can be generalized to the entire population.

Since this is a case study, we derive general conclusions from a limited number of cases. And according to theory, there is a good chance to generalize even from very few cases, under the right circumstances.\textsuperscript{13} Hence, we use a type of strategy that can be generalized to theoretical propositions rather than populations. Thus, our aim would be to generalize theories rather than representing a sample to be used in statistical generalization.\textsuperscript{14}

2.3.2 Reliability

Reliability has to do with data being measured correctly and to what extent the results are consistent if repeated measurements are made.\textsuperscript{15}

Since the interviewees describe their subjective opinions which are based on personal experiences as well as pre-understanding, to guarantee high reliability we would optimally have needed to be that person, to have experienced that person’s life.\textsuperscript{16} Indeed, as Mao Tse-
tung once said “if we want to know how a pear tastes, we must change the pear by eating it ourselves”\(^\text{17}\). Thus, we are bound to objectify, albeit to a small extent.

Thus, it is inevitable that different researchers might obtain slightly varying results when repeating the same study. In the quest to achieve perfect reliability, a utopia in itself, one might at least minimize the errors and biases in the study.

### 2.3.3 Validity

*Validity* refers to whether the data collected is relevant to the aim of the study. Validity is also linked to the degree of reliability of the data. A study has high validity when there is absence of systematic measurement error.\(^\text{18}\) To what degree can the results be generalized?

“Validity means in essence that a theory, model, concept or category describes reality with a good fit, just like a good map properly describes Earth…”\(^\text{19}\). Hence: are the stories told by the interviewees real? Of course they will always be subjective but also in some instances limited to memory. The interviewee may e.g. consciously (or unconsciously) paint up a better picture than true for various reasons or even be influenced by imagination and/or faulty memory. This affects both validity and reliability, and within the scope and limitations of this study we cannot verify whether this is the case or not.

* * *

To summarise, in this study a qualitative case study methodology is used, involving the abductive method and a hermeneutic approach. Also, a combination of the descriptive and exploratory case study research is employed. The primary data includes interviews while the secondary data includes scientific reports and journals. Appropriate interviewees to this study were chosen according to the convenience selection approach.

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\(^\text{18}\) Ibid.

3. Theory

In this chapter are introduced the most important aspects of Chinese culture and values along with the underlying forces that shape the Chinese market and trends.

3.1 Chinese Culture

3.1.1 Philosophical traditions

Chinese culture has been molded by three philosophical traditions\textsuperscript{20}:

- Confucianism: dealing with human relationship
- Taoism: dealing with life in harmony with nature
- Buddhism: dealing with people’s immortal world

Chinese business culture consists of three fundamental components:\textsuperscript{21}

1. The PRC (People’s Republic of China) condition, which includes Chinese bureaucracy, central decision making, and internal bargaining
2. Confucianism, which is a moral ethic and practical philosophy that has shaped the Chinese culture for 2500 years
3. Chinese stratagems i.e. the Chinese nation’s wisdom in dealing with enemies and overcoming difficult and dangerous situations

The PRC condition is a changing force, whereas the two latter are enduring forces driving Chinese business behaviors and tactics.

1. The PRC condition \textsuperscript{22}

Politics: Chinese business and politics are well connected and the politics have an influence on day-to-day lives of the Chinese.

Economic planning: There is strong state planning and government control in Chinese enterprises.

\textsuperscript{22} Ibid.
Legal framework: The legal system is still rather young and unstable.

Backwardness: Education and development are unevenly developed and there are a large number of people living under the UN-poverty level.

Chinese bureaucracy: The Chinese are bureaucratic negotiators. They follow the Chinese government policies and plans to do business. 23

2. Confucianism24

Confucianism has shaped Chinese culture for 2500 years. Its influence on the Chinese business style can be studied from the six basic Confucian values:

- Moral cultivation: Confucianism emphasizes self moral cultivation and life-long learning. One should not have to follow laws in order to rule, but govern by means of moral persuasion and rules of propriety. Trust and sincerity are of utmost value.

- Interpersonal relationships: the relationships between the ruler and subject, father and son, husband and wife, elder and younger brothers, and senior and junior friends. Guanxi (relationships, connections and contacts) is also a major mechanism in Chinese social psychology as well as reciprocity. Renquing (favor) and li (etiquette, propriety and rules of conduct) are also major influences on business, organization and interfirm adaptations.

- Family group orientation: family is the most basic and important social unit.

- Respect for age and hierarchy: age means wisdom and must be respected. Hierarchy is honored.

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• Avoidance of conflict and need of harmony: the Confucian ideal says that a gentleman has no squabbles. When a gentleman is forced to compete he will compete as a gentleman.

• The concept of Chinese face (*Mianzi, lian*): behind the Chinese concept of face lies the Confucian notion of shame. From a Confucian perspective, Chinese people are “Confucian gentlemen” who aim to save face and nurture long term relationships. Negotiation is based on mutual respect and trust.

3. Chinese stratagems (*ji*)

The Stratagems represent the wisdom of the Chinese nation in dealing with enemies and overcoming difficult situations. A variety of the Chinese stratagems can be found in the Art of War, written by the most famous Chinese military strategist Sun Tzu. The Chinese assert superiority by using human wisdom rather than engaging in battles to conquer the opponent. The stratagems advocate gaining victory without fighting. The Chinese certainly use the ancient Chinese military stratagems in modern business world because they believe that “the marketplace is like a battlefield”. The thirty-six stratagems (see Appendix 3, page 44) provide a useful guide for Western business people to diagnose Chinese business negotiating techniques.

3.1.2 Chinese people

The Chinese have been described as “tenacious negotiators with endless patience”


- Maoist bureaucrat: follows government’s plans for doing business, gives first priority to China’s national interests and never separates business from politics. They are elusive because of the changing nature of the PRC condition.

- Confucian gentleman: behaves on the basis of mutual trust and benefit and seeks cooperation and win-win solutions. A mere handshake or exchange of business cards can signify a lifelong commitment. He/she associates business with *guanxi*, friendship and trust.

- Sun Tzu-like strategist: sees negotiation as a zero-sum game and the marketplace as a battlefield. He/she has a competitive win-lose orientation.

The Chinese may indeed be torn between competing loyalties. It would be unwise e.g. to underestimate the depth of the feelings of the Chinese toward the Motherland. Questions concerning national pride and their effect on business relations need to be reflected upon. From a Western viewpoint, a general understanding of how the business relationship might fit into national or provincial development plans can be valuable, to better fit into a broad national or regional framework.\(^{29}\)

### 3.1.3 Guanxi

“Without guanxi, one simply cannot get anything done. On the other hand, with guanxi, many things are possible”\(^{30}\). Constituting an informal network based on Confucianism, guanxi is certainly a major factor to consider in Sino-Western business relations. It is the set of personal connections which an individual may draw upon to secure resources and an advantage when doing business or in the course of social life.\(^{31}\) It connects everyone who shares the Chinese tradition and its common values. Guanxi literally means “connection” – denoting the Confucian structure of human relationship and appears to be the lifeblood of the Chinese business community, extending into society and politics.

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High guanxi is of outmost importance to win the Chinese over; regardless of the type of business you are conducting. Certainly, all business enterprises in China, being a low trust society, depend on being part of a strong guanxi network. With guanxi, one can overcome the huge entry barriers and gain a competitive edge towards the competitors outside the circle of trust.

The effect of establishing and improving guanxi is gained trust. Trust is the means by which you go from competition to cooperation, or to cooperation right away. High trust is essential in order to deal with the Chinese within a “Confucian gentleman” working environment. The “game” is so much easier to play, when guanxi and trust are high.

3.1.4 Face

“The concern of face exerts a mutually restrictive, even coercive, power upon each member of the social network”32. Certainly, the concept of face (mianzi) is of utter importance in the Chinese society. Face is not so much what one claims for oneself, but rather the image one wishes to project concerning ones social position, status, and credibility – and what one perceives to be the way others see us as a result. Saving and giving face are certainly questions of prestige, reputation and dignity and are directly linked to self-esteem.

In China, shame has traditionally been used as means of social control. Face is a fragile commodity, and its loss always implies some form of retaliation against those responsible (reciprocity). The concern for face often leads to the avoidance of confrontation, which can have quite undesirable consequences as underlying conflicts are left unsolved.33

3.2 Marketing

“Marketing is one of the terms in academia that does not have one commonly agreed upon definition. Even after a better part of a century the debate continues”34. Indeed, marketing has several meanings – on different levels. According to Gummesson, “marketing is a culture, an organizational function and a set of processes for creating, communicating and delivering

33 There are at least 17 indirect, implicit, non-offensive ways to say no in Chinese
34 wikipedia, http://en.wikipedia.org/wiki/Marketing
value with customers and for interacting in a network of relationships”\(^\text{35}\). Marketing can indeed be as broad as to denote general interactions within a network, and as specific as connoting merely B2C (business to consumer) interactions.

### 3.2.1 Business relations

“Our lives are built around our relationships. We define ourselves by our relationships. In many respects we exist for our relationships […] we consistently undervalue the importance of relationships in our decision-making processes”\(^\text{36}\). With regards to this, Gummesson introduces the concept of many-to-many marketing, which is particularly interesting in a Chinese perspective, as it can be linked to the significance of networks and guanxi. In many-to-many marketing, besides the B2C one, there are several other marketing perspectives, including B2B (business to business) and C2C (consumer to consumer). Gummesson argues that we need to see all these perspectives within the same context, since they are all dependent on one another. There is no final customer. The network is endless in such a way that it constitutes a loop of interactions: B2B2C2C2B2B.

Gummesson distinguishes between three different levels of networks: the mega, market and nano levels.\(^\text{37}\) Mega-network, on a level above the market, refers to relations to politicians, government and media. Akin to lobbying, this level would correlate to the need for Western business managers in China to pull guanxi and get into the circle of trust.

### 3.2.2 Positioning

The term positioning refers to the perception of a product or a service in relation to its competitors.\(^\text{38}\) It is part of the value proposition that is communicated to the consumer.\(^\text{39}\) Positioning is necessary because consumers are harassed with a continuous stream of advertising. Research has shown not only that consumers cope with information overload by oversimplifying, but that they also are likely to shut out anything inconsistent with their

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\(^{35}\) Gummesson, E. (2004), Many-to-Many Marketing, Liber Ekonomi

\(^{36}\) Ibid., p. 25

\(^{37}\) Ibid.


knowledge and experience. Thus, consistency and prior knowledge are two pivotal factors to consider when targeting and affecting consumer minds.

In positioning, optimally, the marketer would affect the self-image of the consumer rather than the reflection. The former refers to consumer’s inner image of the brand while the latter refers to the outer projection of the brand.

3.2.3 Trends
The emerging middle class is on the rise in China. The income of this group steadily increases and so do the spending patterns. According to a recent McKinsey study, “today 77% of urban Chinese households live on less than 25 000 renminbi a year; we estimate that by 2025 that figure will drop to 10%. By then, urban households in China will make up one of the major consumer markets in the world, spending about 20 trillion renminbi annually – almost as much as all Japanese households spend today”. Hence, this segment along with the non-affluent part of the urban households certainly represents an opportunity for the near future.

One of the most interesting segments in China today is generation Y (18-24). Indeed, according to a recent Gallup study, this group appear more adaptive and receptive to Western culture and values. They have good command of the English language; they read Western magazines, watch Western movies and buy Western clothing. They have access to computers and use the internet regularly. Not to mention the fact that they are open minded and have strong purchasing power, which makes the rapidly growing group a highly sought after, potentially lucrative target.

Other segments that may be of interest to Western business enterprises include urban-affluent consumers who command nearly 10% of the urban disposable income and earn more than 100 000 renminbi a year – despite accounting for merely 1% of the total population.

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43 Note that when accounting for PPP, a household income of 100 000 renminbi buys a lifestyle in China similar to that of a household earning $ 40 000 in the US
generation X (25-39) may be of interest depending on what type of consumers a business enterprise is looking for. This group would e.g. suit an enterprise such as IKEA.

When it comes to contemporary trends, the Chinese take functional value for granted (point of parity) nowadays while appreciating emotional value (point of difference) in products. Besides being reliable, products need to be fashionable. This goes hand in hand with the desire for differentiation and the self-image positioning; the urge to feel important, and the desire for perceived status. Design and fashion matter more than ever. Nokia e.g. have capitalized on this and succeeded. Differentiation and individualization are indeed strong trends in China.

* * *

To summarize, embedded in the 5000 year old culture are the old values, based on the philosophical traditions. These include ancient, underlying forces such as guanxi, face, reciprocity and trust. Guanxi can indeed be considered as a type of invaluable intangible asset that can provide you with overcoming otherwise “impossible” things. With escalating guanxi comes trust which, along with face-giving is the fuel of any healthy Sino-Western business relationship.
4. Empirical study

In this chapter are presented quotations from the interviews, which show situations that experienced Western business managers have encountered. The stories are divided in the following subheadings: business relations, cultural differences and potential traps. For extensive comments and reflections to the stories, see the “Analysis” section.

4.1 Business relations: guanxi

One interviewee mentioned how he approaches new business relations (4.1.1):

“I would be very careful in the beginning of the relationship. I use a lot of time to build relations and get the other party to relax”

Another one emphasized the importance of patience in encounters with Chinese people (4.1.2):

“When one wishes to do business in China it is very important to show tolerance and be patient – things take time. Make sure you check out everything they tell you, never believe anything, make background checks, and make sure they understood you correctly. They can easily promise something that is impossible for them to do. Make sure you understand the limitations, if they promise something they can’t keep, it is your problem.”

Yet another interviewee brought up the significance of giving favors and how to honor the Chinese (4.1.3):

“Everything here is about favors, you make some, and you get some. In addition to business related favors, you have favors that are more about the person. The thing is that the Chinese are very family oriented and their biggest concern is usually the well being of their child. So, if you can write a recommendation letter for a student, offer a student internship or similar, just as we do in Europe as well, you will gain guanxi through these actions. Another thing is to invite people to your home, it is an honor to be invited to someone’s home and this shows that you can show them a little bit about your private person”
4.2 Business relations: face

One interviewee pointed out the possible implications of face (4.2.1):

“I would say that face is very important here in China, don’t ever let the Chinese lose face - you will never be forgiven. To work on trust, on your guanxi, is also very important, without a good network nothing ever happens here.”

Another one described his first encounter with a peculiar Chinese dish and how to save face (4.2.2):

“One of the things I did notice straight away in China is that food is a big part of the Chinese life and also at building relations. I have learned very much from their kitchen, I always try everything and have learned that in China you do not say no. Even the first time I was served dog I tried, but I did express first that I was a little bit unhappy about it, since I have had a dog.”

Yet another interviewee remarked on lies (4.2.3):

“The Chinese will never say no directly at your face, there is usually yes – and I have been lied to a lot – because they do not want to lose face. As an example, there have been situations when someone from our manufacturers have lied directly to my face knowing very well that I know he is lying and that he knows I know that he is lying. Very annoying indeed. With time I have developed some sort of gut feeling, when I do know someone is not lying.”

The weight of image was brought up by another interviewee (4.2.4):

“Money seems to have great importance here, and showing it off seems to be even more important. People will buy a fancy car and flaunt it, instead of saving for something more important. Here in Nanjing e.g. there are some Häagen-Dazs ice cream parlors which could be a symbol of wealth. They all have glass walls, so that anyone sitting inside there can be seen through the windows. A small serving of ice-cream, can cost anything from 5 euros and more, which are insane prices. But people want to be seen as rich, successful, so they go to Häagen-
dazs, buy loads of ice-cream and make sure they are seen in order to make a point to which their status in society is.“

4.3 Cultural differences

One interviewee interestingly explained the collectivistic nature of the Chinese (4.3.1):

“In most Western countries such as Sweden, the smallest union of society is the individual. In China, on the other hand, it is the individual with his relationships that make up the smallest union. There is no ‘I’ as an individual i.e. you cannot speak in individual terms only. Thus, a Chinese could e.g. not answer you whether he would feel better sitting on the couch. Instead, he would say something along the lines of ‘we Chinese would like to…’ or ‘like the old Chinese say...’”

One interviewee commented on misunderstandings and brought up a classical example (4.3.2):

“Of course, they are just masters at being courteous and never, ever hurting the feelings of others. Sometimes it can happen with us Westerners because we do not understand, like when they comment on how fat you have become during since you last met. This seems to be a compliment, fat, being a sign of prosperity that you are doing well.”

Another interviewee shared his experience on the same theme (4.3.3):

“In the beginning while working in China, I experienced that the Chinese say yes to everything, even when they mean no. Another thing I noticed is that the Chinese cannot think about problem solving as process oriented. If we asked them to fix a problem, they fixed, just that one problem, not the same problem if it re-occurred. To enlighten the way of Chinese problem solving let me tell you about one of the buildings of our supplier. Since we are a large company we run our code of conduct also for our suppliers. At one of our Chinese suppliers we realized they had no signs for emergency exits at all. We told them to put up an lighted emergency exit sign so in case electricity goes or there is a fire, that people can find the emergency exits. Next time we come there, sure the sign is up, but is has no battery or electricity so in case of fire or other, you can’t see the sign. Why? Because we hade not told
them explicitly that electricity or battery has to be connected to this sign, just asked them to put up it. See my point, here is where I think the Chinese mind works differently than ours, we are used to process thinking and taking responsibility, to ask why and solve problems, without being asked for this. The Chinese management will follow orders, but not think for themselves, why do we really do this.”

One interviewee described the fundamentally different views on contracts (4.3.4):

“The difference to contract agreements is that our European and American suppliers always have long contract negotiations, where lawyers are involved and there is a lot of work around this. We have standard contracts for all our suppliers and only in China do we get the original back signed. They can actually take the bunch of contract, spread it out like a fan and then take one big red stamp over that, which leaves a small part of the stamp on every page.”

Yet another interviewee shared his experience on the same theme (4.3.5):

“When I arrived in Taiwan, my former boss told me I was lucky: I was set for the first year because he had already signed five contracts for five new stores. Then I started talking with one of our Chinese partners who had signed those contracts, and nothing seemed to be happening. Finally, my assistant told me, 'Just because he signed a 20-year contract two years ago with your former boss – a person who is not you – does not mean he will respect the contract.’ That was a big shock to me; the contract was notarized and everything. But we started to renegotiate article by article. Five years later, during the Asian crisis, I invited this same partner to my office and said, "Just because I signed a contract with you does not mean I will respect it. We are in a crisis." So he said, "Fine," and we started to renegotiate, to reduce the rent.”

4.4 Potential traps

Some of the risks of not establishing guanxi and trust with the Chinese were described by one interviewee (4.4.1):

“It is very important to be realistic; I have seen many dreams be crushed here. The people you work with can very soon work against you, so it is very important to have a high trust
relationship with people. What happens is that many foreign investors come here; they establish joint-ventures, build factories and have everything going for them. Then they realize they are not selling anything, even though they have sellers. What is happening? What happens unfortunately a lot is that the business partners steal the idea, build a copy of the factory or copies the product directly and start selling it as a ‘side business’. All in all, they have stolen your business idea before you know it.”

Not understanding and respecting cultural differences may lead to undesirable situations. One interviewee revealed a valid approach in these types of situations (4.4.2):

“When in a deadlock, in most cases the Chinese counterpart will wait for your move. Give them face in the form of just a small adjustment of price or make other adjustments so that it is favorable for them. After this is done, according to custom they will have to, after being given face, make a move or give in, and 9 out of 10 times you come out on top of the deadlock.”

* * *

To summarize, this chapter describes several situations that experienced Western business managers have encountered, which give an idea of how to manage marketing aspects and build healthy business relations in China. This re-enforces the description of the most important aspects of Chinese culture and values presented in the previous section, by describing it within a real-life context that can be related to by readers.
5. Analysis

In this chapter, the data presented in the theoretical and empirical parts is analyzed and reflected upon. Cultural and marketing lessons are described, followed by trend analysis and empirical lessons.

5.1 Understanding the Chinese

In business relations with the Chinese, it is crucial to “read the signs and learn the map”. As we have seen, pre-understanding is crucial. Just as there are 4 P’s in marketing, there are mainly four major aspects, corresponding 4 P’s, to consider when preparing and taking precautions to make the interaction with the Chinese as successful as possible. These are: priority, patience, price and people.

1. **Priority**: foreign companies should always be sensitive to the guiding principles of China’s social and economic development set forth by the Chinese communist party and the Chinese government. They should also make a careful study of the Chinese government’s priorities and implementation policies while planning their business in China.

2. **Patience**: negotiations in China often take time because different Chinese organizations and different departments within one organization tend to be involved in the negotiation processes and decision-making. In addition, Chinese will not rush into meetings with someone they do not know or trust, so making relations is a time consuming task that must be achieved by following the Chinese “rules of conduct”, such as *guanxi* and so forth.

3. **Price**: Foreign parties should calculate prices and bargaining limits carefully and always reserve certain margins to the Chinese in order to allow them to save face.

4. **People**: The Chinese believe in people, not contracts. Indeed, “to do things in China, you must do people first”\(^{47}\). Hence, foreign firms need to take a people oriented approach and try to establish a high level of trust with their Chinese business partners.

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5.2 Cultural lessons

5.2.1 Guanxi

Why is it imperative to nourish personal relationships with the Chinese? To cultivate trust and be able to take the relationship to the next level. Westerners need to get in the loop, into the circle of trustees. Once there, they need to remain there by nurturing long term mutual benefits. This is certainly one of the strongest competitive edges to have in China as a Westerner. Guanxi can indeed be considered as a type of invaluable intangible asset that can provide you with overcoming otherwise “impossible” things.

We saw in the empirics section that the beginning of the relationship matters – it is pivotal to get off with a good start. Give favors early on and the Chinese shall reciprocate. Tread carefully, and be patient – earn your trust. In your interaction with the Chinese, the state of the guanxi and the trust level between you (the Sino-Western parties) are continuously being monitored and evaluated. Your Chinese counterpart adjusts the strategies according to the level and may either act as a Confucian gentleman or a Sun Tzu like strategist, accordingly. Since, it is much easier to get off with a good start than to travel uphill, forego with a good example and your counterpart will reciprocate. The Chinese will feel obliged to return the favor. You can capitalize on this behavior, by forcing your counterpart to reflect your favorable action tenfold back. Keep in mind: “honor me one foot, and I will honor you ten”.

The law of reciprocity also applies to the less desirable situations, e.g. if one manages to make the Chinese lose face – so beware.

As guanxi is increased and issues are overcome, the Chinese will respect you more and more. Emotions are further developed and everything tends to become so much easier. With escalating guanxi comes trust which, along with face-giving is the fuel of any healthy Sino-Western business relationship. As the level of trust increases, the Chinese shifts from the Sun Tzu like behavior to the more desirable Confucian gentleman mode. Even minor faux pas are disregarded. The level of tolerance increases. Anything becomes possible.

5.2.2 Face

Face is a major driving force dictating much of the (sometimes enigmatic) behavior of the Chinese people. They will go to endless lengths in order to save face. One corollary of face is that there are more than 17 (indirect and humble) ways of saying no. A related effect of face is the complaint characteristics of the Chinese consumer. Chinese consumers are generally complaint avert. A Chinese would e.g. not tell the responsible person about the complaint directly, since this would make the responsible lose face. Since consumer complaints are certainly indispensable as indicators of unsatisfactory performance and decisive to most businesses, this can have detrimental effect to your business. Hence, understanding face and its implications can save you plenty of time and money.

From the empirical section we learn how pivotal it is to be able to pull through, particularly in informal settings. You are constantly being put to the test, observed and analyzed in detail. Your general attitude is certainly being evaluated, particularly in the courting phase. Take any opportunity to show respect at this stage, and take any means necessary to avoid making the Chinese lose face. Some tests might seem unreasonable. At the same time, the Chinese sometimes merely want to see your intentions – to see how far you are willing to go in the name of the relationship – rather than forcing you to do something you do not want to do. Should you fail any of these tests, however, things may become tougher. For example, avoid turning down any offers to taste the Chinese kitchen, which they are very proud of (as this would make them lose face). You had better just chew and swallow, for the better of the relationship. Good intentions show that you understand and are willing to respect Chinese values.

As we saw in one story (4.2.3), to save face is so powerful that Chinese might even lie directly in your face, knowing that you know that they are lying. Other aspects and implications of face include the pursue for image and status. There is indeed a strong driving force for Chinese people to show off and – as we saw in the ice-cream story (4.2.4) – they are ready to pay premium to do so. There is a desire to show off ones money and gain status. Thus, capitalize upon this behavior. Indeed, once carefully understood, the concept of face can certainly be exploited by Westerners.
5.2.3 Handling traps and stratagems

Chinese people are collectivistic by nature. Like in a big family, they rely on each other and their network. There is no “I” as an individual (see story 4.3.1). They need to trust each other, as if their lives depended on it. This is why they have developed a “defence system” based on the Chinese stratagems (see Appendix 3, page 44). This is why you will always be tested. This is why it takes (endless) time, effort and patience to become part of the inner loop.

Traps and undesirable strategic behavior can certainly arise when the Westerner does not understand and respect the cultural differences. As one interviewee mentioned, you can start off by giving them face early on – even small adjustments count – to come out on top. Get off to a good start and all else will follow. Use their customs to your advantage. Any opportunity to give face is indeed a great opportunity (see story 4.1.3).

Once you understand their behavior, you can certainly start mirroring this behavior to your advantage. As we saw earlier (4.3.5):

“‘Just because I signed a contract with you does not mean I will respect it. We are in a crisis’ so he said, ‘Fine,’ and we started to renegotiate, to reduce the rent’

Legal contracts can certainly mean less than a handshake for the Chinese. China is indeed a low trust society, with historically little trust in its own government. Rather than trusting legal documents they trust the person behind it and the relationship. Note also, in the story about contracts (4.3.4), how the Chinese in the story indirectly “tells” the Westerner what he thinks about legal contracts, without spelling it out verbally.

Keep in mind that although things may be good and everything feels fine, conflicts may from time to time arise, to stir up emotions as a reality check upon the relationship. The Chinese may strategically induce setbacks to see how you handle them and act under pressure. These stratagem inspired tests, when managed correctly, serve to further re-enforce the level of trust and the strength of the relationship – taking it to the next level.

The thirty-six stratagems (see Appendix 3, page 44) provide a useful guide for Western business people to diagnose Chinese business negotiating techniques. Beware of the three typical personality types. Ultimately, try to negotiate within the Confucian working
environment by nurturing a trusting family-like business relationship with the Chinese –
giving them no reason to employ tactics, ploys and stratagems. Within the Confucian
environment, the Chinese tend to use a problem-solving, cooperation oriented negotiation
strategy. In other words, work proactively, to avoid traps.

5.3 Marketing lessons

5.3.1 Business relations

China, as we have seen, is built on relationships. With guanxi, good reputation and reliability
follows the word of mouth type legitimization process that ensures continual success. Once
you are in the circle of trust, your business life as a Westerner in China becomes easier. This
certainly reminds of the type of network that Gummesson (2004) presents in his many-to-
many marketing theory, which describes the network characteristics of marketing and can be
used to better understand the complex network type of relationships that China is built on.
Indeed, “our network gives us our identity and self-understanding and our image outwards”\textsuperscript{49}. Particul arly, the mega network type, which is on a level above the market, is of great
importance in China. As an example, consider the bambu networks. These are global (mega)
networks that unite Chinese people outside of China with people in China. The former are
families who escaped the Communism in 1948 and spread around the world.\textsuperscript{50} The network is
used to give preferential treatment to family and friends i.e. reliable people, trustees, within
the network. Thus, speaking the language, knowing the silent knowledge and so on are huge
advantages, exclusive for an insider – and all necessary to be able to keep collaborative
business relations. Westerners can and should simulate this behavior. Certainly, marketing
activities such as advertising becomes so much easier, once guanxi has been established.
Reputation, image, and trust all come with guanxi – and offer huge benefits for business
enterprises in China. As we understand the underlying forces – the cultural values and
traditions – we appreciate how to effectively communicate with the Chinese and ultimately
how to deliver value to create a healthy business relationship in our marketing efforts.

\textsuperscript{49} Gummesson, E. (2004), Many-to-Many Marketing, Liber Ekonomi, p. 25
\textsuperscript{50} Ibid., p. 131
5.3.2 Positioning

The importance of self-image in targeting consumers has been highlighted earlier. In order to do this, it is imperative to understand what benefits Chinese people desire and how their purchasing decisions are made. Trend analysis with regards to demographics, geographies and so on may assist in this regard. Also, to be able to understand the political situation over time and how the rule makers influence China and its people might be useful in positioning. Indeed, to target and position effectively, prior knowledge is needed, since consumers shut out anything inconsistent with knowledge and experience. Hence, marketers need to convey a feeling – that can be related to by consumers. For example rather, than stating that a particular product is for young people – which would discriminate potential groups of people, one could say that it makes you feel young and free (regardless of your age).

Thus, in the case of expensive ice-creams for instance (4.2.4), one could position the product as something luxurious that makes the user feel rich and famous. In China, as we have seen, the Western luxurious flair is highly sought after. Both the middle class and the newly rich people in China appear to desire luxury brands in order to show their status and improve their image. There is an urge for a feeling of independence and there is a need among people to differentiate in order to stand out in the crowd. Western business enterprises can and should exploit this. Aim at the self-image and convey feelings of independence and uniqueness.

There are yet some consequences of face to consider when it comes to positioning and branding. As the disposable income of one group rises, so does the status requirements – they can no longer be associated with the brand, due to loss of face in the association to lower end segments. To avoid this, position accordingly and adapt brands with multi-tiered branding strategies such as e.g. Audi, Mercedes and PG have done, as this enables you to follow your customers up the income ladder.51

5.4 Trends

Shifting trends in China include policy changes, new adaptable generations, the many to many network type marketing trends, and fierce competition - international as well as local. How can business enterprises capitalize upon such trends? Take the time to grasp the underlying

forces, the characteristics of new generations and the needs of the Chinese market. Intensified global competition and increased entry of international business enterprises have affected China and distorted some of the ancient cultural values. It is pivotal for Westerners to keep up to date and to quickly adapt to such changes. Rapid change is the norm. Capitalize on growth opportunities. Emotions and emerging attitudes are dynamic and even formable to some extent. Although, cultural traditions are deeply rooted, we observe a shift from collectivism to individualism. Particularly the younger generations, tend to be rebellious and individualistic in this regard. In their quest to differentiate, they look for products to help them feel unique.

5.4.1 Opportunities

As we have seen, there are tendencies to move from traditionally deeply rooted collectivism to individualism, particularly among younger generations. Indeed, new generations generate new forces and trends. International business enterprises can adapt to this and position accordingly. High guanxi is a point of difference to be exploited. To pull guanxi is certainly an effective way to gain a competitive advantage. It can improve your business relations and success in China. With time, however, it will turn into a point of parity, in particular as the concentration of international firms is increasing in China and Westerners are becoming more aware of the cultural forces in China and learn to exploit them.

Chinese consumers are increasingly keen to spend their spare cash in order to improve their quality of life. The overall optimism about the economy and the rising sense of “enjoying life” are stimulating more spending. And because of the size of the Chinese population, this increasing consumer spending means an attractive consumer market opportunity for business enterprises. Indeed, one of the biggest opportunities for businesses selling mass-consumer goods and services will certainly be the newly empowered middle class. In particular generation Y (18-24) is an especially lucrative target for those that wish to target open minded consumers with increasing drives, hopes and demands. In the years to come they will represent the wealthiest consumers in China. These young adults are open to Western ideas and products, while still proudly supportive of their own culture. They have high purchase power and spending patterns.

53 Ibid.
Other opportunities include targeting non-affluent urban households in a long term perspective. By serving them today you gain an opportunity to form a (life) long relationship. You get exposure and experience as their income levels evolve. Thus, give to gain. Rapid urbanization and growth are indeed a future opportunity to capitalize on. Now is the time to conquer China and start forming the early adopters, making them used to your Western brand – to reap the benefits in the future, from the then wealthiest consumer group.

* * *

To summarize, this chapter shows that it is imperative for Westerners to nourish personal relationships with the Chinese, to cultivate trust and to be able to take the relationship to the next level. Westerners need to get in the loop, into the circle of trustees. Once there, they need to remain there by nurturing long term mutual benefits. In terms of trends, differentiation and individualization are indeed strong ones in China. The Western style and flair is highly sought after. There is an urge for a feeling of independence and there is a need among people to differentiate in order to stand out among the masses. Western business enterprises can and should exploit this by adapting and positioning accordingly - aiming at the self-image and conveying feelings of difference and uniqueness.
6. Conclusions

In this chapter, finally everything is integrated to generate conclusions, reflections, and managerial implications. Here follow the answers to the research questions.

How do we effectively interact with the Chinese (B2B and B2C) to create healthy business relations?

A willingness to understand and being humble are key in the creation of a successful business relationship with the Chinese. The importance of guanxi and trust are tremendous. Learn the rules and play by them – use them to your advantage. Show empathy and patience – and trust the universal law of reciprocity. Act in honor and the Chinese shall reciprocate. This goes both ways, as you will be punished accordingly, should you manage to make the Chinese lose face. Sooner or later you will be tested. Have faith in the system. Pass the tests and take the relationship to the next level. Be persistent – it takes time and effort to gain guanxi and become part of the family. With time, the relationship will blossom and you will be rewarded.

What are the characteristics of the Chinese market and how do we capitalize upon the opportunities thereof?

As we understand the underlying forces – the cultural values and traditions – we appreciate how to effectively communicate with the Chinese and ultimately how to deliver value to create a healthy business relationship in our marketing efforts. Word of mouth, image, reputation all come with your network and decides to what degree you and your business enterprise will be accepted. Position yourself as reliable and trustworthy and you may be able to compete on the same terms as domestic ones. To capitalize upon current trends, the value proposition should focus on making the Chinese feel different and unique. As we have seen, Western luxury products e.g. do well in China. The Western style and flair is highly sought after. Positioning that target self-image and convey a feelings of independence work, particularly when targeted to the younger, more receptive and open minded generations.
How do we manage cultural differences, traps and stratagems?

Mistakes and misunderstandings certainly can and will arise. Minimize them and learn to manage the few that arise, and you will prosper. Make sure you understand the intentions; dig deeper, and interpret the hidden meanings. Also, paradoxically sometimes, to gain added trust, sometimes conflicts are necessary. It is as if one needs to be tested and approved before taken to the next level – to see how one manages tricky situations and ultimately whether one is worthy the Chinese’s trust. Embrace setbacks and handle them according to the tricks of the trade. Try to manage the Chinese within the Confucian working environment by nurturing a trusting family-like business relationship – giving them no reason to employ tactics, ploys and stratagems. As we have seen, within the Confucian environment, the Chinese tend to use a problem-solving, cooperation oriented negotiation strategy.

6.1 Managerial implications

In addition to the responses given and presented in the empirical section, all interviewees were asked to give their top tips on what to particularly consider in Sino-Western business relations, which are presented in the list below:

1. Be patient, do not expect any fast results

2. The more information the better, be aware of what you want to achieve and what is possible to achieve. Listen carefully to the customer, what is written on paper is usually not what he/she wants, follow up closely.

3. Never underestimate the Chinese market or the Chinese people. The Chinese are very clever negotiators.

4. Be there, be on location.

5. Read up on how to act according to customs and culture in China, normal Western courtesy does not take you far in China.

6. Anything can be negotiated in China.
7. Don’t get mad, be cool as a cucumber, never show any kind of insecurity from your part.

8. Don’t trust anything until you have seen it with your own eyes.

9. Make sure you find a partner you can trust, find out everything you can about your partner.

10. Do follow up; make sure they have really understood what you ask for

6.2 Reflections on the study

We acknowledge that the results of this study will indicate the opinions and perceived experiences of a selected few. The conclusions of this study will be based on these results as well as our own pre-understanding, which in turn has been influenced by contemporary literature. Moreover, we are bound to objectify some of the opinions expressed during the interviews in our quest to create understanding. The chosen interviewees might also not constitute the optimal selection. Furthermore, are the stories told real? Of course they will always be subjective but also in some instances limited to memory. The interviewees may e.g. consciously (or unconsciously) paint up a better picture than true for various reasons or even be influenced by imagination and/or faulty memory. This naturally affects both the validity and reliability, and within the scope and limitations of this study we cannot verify whether this is the case or not.

In terms of the new knowledge found as a result of this study and its usability to readers – we introduce results that enhance the understanding about Sino-Western business relations and the underlying forces of the Chinese market. A plethora of stories have been presented that illuminate various situations that experienced Western business managers have encountered, and how to manage these. Key findings in this research may benefit not only academics, as new theory is introduced, but also everyone interested in China and aiming to create a healthy Sino-Western relationship. Indeed, recommendations and managerial implications are portrayed, that may be useful to readers both intending to and already doing business in China.
Finally, suggestions for the future include to make similar studies in various, specific parts of China, in order to better take into account interregional differences.
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# Appendix

## Appendix 1 – MIO model

### The MIO Model

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<th>Market</th>
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Appendix 2 - Interviews

Person A, male, 50 +, Kista, 20070328 (Company 1)
Person B, female, 40 +, Stockholm, 20070410 (Company 2)
Person C, female, 30 +, Kista, 20070413 (Company 1)
Person D, male, 40 +, Helsinki, 20070419 (Company 3)
Person E, male, 60 +, Shanghai (by phone), 20070426 (Company 4)
Person F, male, 30 +, Nanjing (by phone), 20070427 (Company 5)
Person G, male, 50 +, Stockholm, 20070510 (Company 2)
Person H, male, 30 +, Shanghai (by phone), 20070515 (Company 4)

All the interviewees are of Swedish nationality.
Appendix 3 – Chinese stratagems

**Ji 1**  Cross the sea without Heaven’s knowledge (*Man Tian Guo Hai*)
Deceive the Emperor (“Heaven”) into sailing across the sea by inviting him into a seaside city which is in reality a huge camouflaged ship. Hide the deepest secrets in the most obvious situations.

**Ji 2**  Besiege Wei to rescue Zhao (*Wei Wei Jiu Zhao*)
Save the state of Zhao by besieging the state of Wei, whose troops are out attacking Zhao. Avoid the strong to attack the weak.

**Ji 3**  Kill with a borrowed knife (*Jie Dao Sha Ren*)
Make use of external resources for one’s own gain.

**Ji 4**  Await leisurely the exhausted enemy (*Yi Yi Dai Lao*)
Relax and preserve your strength while watching the enemy exhaust himself.

**Ji 5**  Loot a burning house (*Chen Huo Da Jie*)
Take advantage of the opponent’s trouble or crisis.

**Ji 6**  Clamor in the east but attack in the west (*Sheng Dong Ji Xi*)
Devise a maneuver eastward but launch an attack westward.

**Ji 7**  Create something out of nothing (*Wu Zhong Sheng You*)
Make the unreal seem real. Gain advantage by conjuring illusion.

**Ji 8**  Openly repair the walkway but secretly march to Chen Cang (*An Du Chen Cang*)
Play overt, predictable, and public manoeuvres (the walkway) against covert, surprising, and secretive ones (*Chen Cang*).

**Ji 9**  Watch the fire burning from across the river (*Ge An Guan Huo*)
Master the art of delay. Wait for favourable conditions to emerge.

**Ji 10**  Hide a knife in a smile (*Xiao Li Cang Dao*)
Hide a strong will under a compliant appearance, win the opponent’s trust and act only after his guard is down.

**Ji 11**  Let the plum tree wither in place of the peach tree (*Li Dai Tao Jiang*)
Make a small sacrifice in order to gain a major profit.

**Ji 12**  Lead away a goat in passing (*Shun Shou Qian Yang*)
Take advantage of opportunities when they appear.

**Ji 13**  Beat the grass to startle the snake (*Da Cao Jing She*)
Use direct or indirect warning and agitation.

**Ji 14**

Borrow a corpse to return the soul (*Jie Shi Huan Hun*)

According to popular Chinese myth, the spirit of a deceased may find reincarnation. Revive something “dead” by decorating or expressing it in a new face.

**Ji 15**

Lure the tiger to leave the mountains (*Diao Hu Li Shan*)

Draw the opponent out of his natural environment from which his source of power comes to make him more vulnerable to attack.

**Ji 16**

In order to capture, first let it go (*Yu Qin Gu Zong*)

The enemy should be given room to retreat so that he is not forced to act out of desperation.

**Ji 17**

Toss out a brick to attract a piece of jade (*Pao Zhuan Yin Yu*)

Trade something of minor value for something of major value in exchange.

**Ji 18**

To capture bandits, first capture the ringleader (*Qin Zei Qin Wang*)

Deal with the most important issues first.

**Ji 19**

Remove the firewood from under the cooking pot (*Fu Di Chou Xin*)

Avoid confronting your opponent’s strong points and remove the source of his strength.

**Ji 20**

Muddle the water to catch the fish (*Hun Shui Mo Yu*)

Take advantage of the opponent’s inability to resist when they are put in a difficult and complicated situation.

**Ji 21**

The golden cicada sheds its shell (*Jin Chan Tuo Qiao*)

Create an illusion by appearing to present the original “shape” to the opponent while secretly withdrawing the real “body” from danger.

**Ji 22**

Shut the door to catch the thief (*Guan Men Zhuo Zei*)

Create a favourable enveloping environment to encircle the opponent and close off all his escape routes.

**Ji 23**

Befriend the distant states while attacking the nearby ones (*Yuan Jiao Jin Gong*)

Deal with the “enemies” one by one. After the neighbouring state is conquered, one can then attack the distant state.

**Ji 24**

Borrow the road to conquer Guo (*Jia Dao Fa Guo*)

Deal with the enemies one by one. Use the nearby state as a springboard to reach the distant state. Then remove the nearby state.

**Ji 25**

Steal the beams and change the pillars (*Tou Liang Huan Zhu*)
In a broader sense the stratagem refers to the use of various replacement tactics to achieve one’s masked purposes.

**Ji 26**  
Point at the mulberry tree but curse the locust tree (*Zhi Sang Ma Huai*)  
Convey one’s intention, opinions in an indirect way.

**Ji 27**  
Play a sober-minded fool (*Jia Chi Bu Dian*)  
Hide one’s ambition in order to win by total surprise.

**Ji 28**  
Lure the enemy onto the roof, then take away the ladder (*Shang Wu Chou Ti*)  
Lure the enemy into a trap and then cut off his escape route.

**Ji 29**  
Flowers bloom in the tree (*Shu Shang Kai Hua*)  
One can decorate a flowerless tree with lifelike yet artificial flowers attached to it, so that it looks like a tree capable of bearing flowers. One who lacks internal strength may resort to external forces to achieve his goal.

**Ji 30**  
The guest becomes the host (*Fan Ke Wei Zhu*)  
Turn one’s defensive and passive position to an offensive and active one.

**Ji 31**  
The beautiful woman stratagem (*Mei Ren Ji*)  
Use women, temptation and espionage to overpower the enemy; Attach importance to espionage, intelligence and information collecting.

**Ji 32**  
The empty city stratagem (*Kong Cheng Ji*)  
If you have absolutely no means of defence for your city and you openly display this vulnerable situation to your suspicious enemy by just opening the city gate, he is likely to assume the opposite. A deliberate display of weakness can conceal the true vulnerability and thus confuse the enemy. The stratagem can also be used to mean something with a grand exterior but a void interior.

**Ji 33**  
The counter-espionage stratagem (*Fan Jian Ji*)  
When the enemy’s spy is detected, do not “beat the grass to startle the snake, but furnish him with false information to sow discord in his camp. Maintain high intelligence and alertness.

**Ji 34**  
The self-torture stratagem (*Ku Rou Ji*)  
Display one’s own suffering in order to win sympathy from others.

**Ji 35**  
The stratagem of interrelated stratagems (*Lian Huan Ji*)  
A stratagem combining various stratagems into one interconnected arrangement. Deliberately planning a series of stratagems.

**Ji 36**  
Running away is the best stratagem (*Zou Wei Shang Ji*)
Run away, when all else fails. Put up with temporary disgrace and losses to win ultimate victory. Running away to gain more bargaining power.