



Bachelor Thesis In Business Administration

Department of Business Administration

Title: How do we understand the effective ways to do business with China?

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Abstract

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As we know, China is the biggest developing country with a high speed at its economy development. More and more foreign businesspersons have joined in the promising and attractive Chinese market in order to catch some profitable opportunities to do businesses. However, a lot of issues need to be paid attention to in the business operation. Thus, there are some issues to be presented in this thesis regarding what are the effective ways to do business with China? Understanding the China's culture is an important and essential issue for foreign businesspersons. China's entry the WTO opened its door to more foreign investors who have be granted many preferential policies. Meanwhile, it is also a great challenge for the development of China. And Sino-EU business relationship also will be presented in this research to explain how it will take effect on the business doing between the two sides.

This research has been approached through the methods of theoretical studies and interviews. It is quite essential for businesspersons to catch the opportunities to do business in the competitive Chinese market and be familiar with the advantageous factors in order to do business effectively in China.

Key words: *China, businesses, Culture adaptation, China's entry the WTO, Non-tariff barriers, Sino-EU business relationship*

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1. Background

Over the last decade a great changes have taken place in China. Its economy has been growing rapidly with 10% speed per year which would make it on track to be the world's largest economy in the near future.

China's external relationships have been characterized by periods of imperialism and economic invasion. However, since 1979 China had opened its door to western, and attracted more businesspeople all over the world, all of the credit achieved by Chinese premier Deng xiao ping that had launched his "Open Policy" to foreign investment.

Since China entered into the WTO, it has further attracted more and more domestic and foreign investors and China's financial institutions are facing enormously challenges. Thus, the quality and simulated demand have been no doubt improved in the competitive multiple emerging markets. Therefore, it is prospective to expect China's IT society coming soon. There are three different business incorporation vehicles which can be utilized to do business in China: representative office, joint venture, Wholly Foreign Owned Enterprise.

China is a developing country with a large population and large area, but the development is amazing. It is a mutual benefit for both China and foreign countries if you know the effective ways to do business with China. We can say that China's development can affect the whole world's economy situation. There are both advantages and disadvantages when doing business in China. If you can use the advantages you probably gain the market and will make profits; on the contrary, you would fail without any doubt.

Therefore, the author from the perspective of being a Chinese to analyze the effective methods to do business with China, from the perspectives of Chinese cultural adaptation, Nontariff barriers to imports, the relationship consolidation and beyond between China and Europe.

2. Problem

It is essential for both domestic and foreign investors to be familiar with Chinese unique market and different incorporate business vehicles which are competitive and with great challenges. Although In China there are a great number of opportunities waiting for its investors to explore, we should never ignore the fact is that “*there are two sides in a coin*”, which means some businesses traps are existing. Thus, it is necessary to make your eyes brighter.

Therefore, it would be important to do some deep investigations for thorough understanding all the different aspects of market and business operation module which could be some certain help for doing businesses with China effectively in order to gain profits and achieve mutual benefits as a final aim. A research question to be investigated in this thesis, although more aspects are needed to do research in the future study.

3. Purpose

The aim of this thesis is to study on how to understand the ways for doing business effectively with China in order to achieve mutual benefits for both China and foreign countries.

3.1 Research question

- What are the effective ways to do business with China?

4. Limitation

Due to the limited time and resources, there are only limited investigations and interviews which are to be taken in a few certain fields. This research mainly analyzes the effective ways of doing businesses with China. Since China is country with a large area, the research is not easy to be done in all the areas.

5. Methodology

In the part, I will present how the research has been conducted, in which readers will know how the research came from and how all the materials have been collected. Therefore, it will make a strong impression on readers' mind and give a deep understanding to readers as well.

5.1 Research design

In this research I chose the qualitative methods of in depth interviews. By using this method, it is a very effective way to have deeper understanding of the investigations from the real life experience. And therefore, open ended interviewed questions have been used for acquiring the related knowledge needed for the investigation.

5.2 Research approach

In this research inductive-deductive has been employed. Deductive works



from the more general to the more specific. Sometimes this is informally called “top-down” approach. And inductive reasoning works the other way, moving from specific observations to broader generalizations and theories. (Howell, Miller, Park, Sattler, Schack, Sperry, Widhalm, & Mike Palmquist,2005)

5.3 Research participates

In the research, I interviewed a few sales and marketing marketing managers, who work in Swedish and Chinese companies. And I also interviewed a university professor who work in the business administration department of a Chinese university. Those interviewees have fulfilled my criteria since they have abundant experience in doing business with China.

5.4 Data collection method

The study is going to use both primary and secondary sources in order to explore the research question. For the primary sources, I used interviews for collecting data which are to be taken through face to face interviews, long-distance international phone calls. The aims of the interviews are to make the research much more obvious to be understood regarding what are the effective issues for us to know when we do business with China. For the face to face interviews and long-distance phone calls, all the contacts established and the exact time and date was set.(**Interviewed questions See Appendix 1**). And I obtained the secondary sources from the existing information, such as books and newspapers.

During the face to face interviews, I brought my MP3 player with me and made records between the interviewees and me with their permissions. And during the long-distance international phone calls, I took some important notes in my notebook.

And the interview process is presented in the table below:

Full Name(confidential)	Theme of talk	Position	Location	Time taken for each interview
Jonas X	guanxi issue	Marketing manager	ABB, Sweden	About 15 minutes June.6, 2008
Mats X	guanxi issue	Marketing manager	Sandvik, Sweden	About 20 minutes June.7, 2008
Ulf X	Sino-EU business consolidation and beyond	Marketing manager	Volvo, Sweden	About 30 minutes July.5, 2008
Lars X	Sino-EU business consolidation and beyond	Sales manager	Sandvik, Sweden	About 15 minutes July.8, 2008
Zhao X X	guanxi issue; Sino-EU business consolidation and beyond	Sales and Marketing manager	Subsidiary of Sandvik, China	About 15 minutes May.15, 2008
Chen X X	guanxi issue; government procurement	MBA professor	Hunan University	About 30 minutes May.18, 2008
Cai X	Face issue; culture practices	Marketing manager	Messer, China	About 25 minutes May.16, 2008
Zhou X X	Government procurement	President	Xiangtan Steel	About 15 minutes May.20, 2008

5.5 Qualitative Methods

With regards to the way that I conducted the research, my research should be included under interpretivism rather than positivism, because I use qualitative research and qualitative data to attempt to answer to my specific research questions. The range of qualitative research are including as following, observation and interview. (Fisher, 2007)

5.6 Validity

Validity refers to the degree to which a study accurately reflects or assesses the specific concept that the researcher is attempting to measure. While reliability is concerned with the accuracy of the actual measuring instrument or procedure, validity is concerned with the study's success at measuring what the researchers set out to measure.

Face validity is concerned with how a measure or procedure appears. Does it seem like a reasonable way to gain the information the researchers are attempting to obtain? Does it seem well designed? Does it seem as though it will work reliably? Face validity does not depend on established theories for support (Howell, Miller, Park, Sattler, Schack, Sperry, Widhalm, & Mike Palmquist, 2005)

5.7 Reliability

Reliability is the extent to which an experiment, test, or any measuring procedure yields the same result on repeated trials. Without the agreement

of independent observers able to replicate research procedures, or the ability to use research tools and procedures that yield consistent measurements, researchers would be unable to satisfactorily draw conclusions, formulate theories, or make claims about the generalizability of their research. Reliability is such an important concept that it has been defined in terms of its application to a wide range of activities (Howell, Miller, Park, Sattler, Schack, Sperry, Widhalm, & Mike Palmquist, 2005)

6. Theoretical framework

Theories which are used to focus on the specific research fields and help me to do analyses on empirical findings in the later chapter will be brought up in this chapter.

6.1 Culture imperatives

Hofstede (1980a,13) state culture as the “collective programming of the mind”. His main argument shapes thinking and action.” People carry mental programs which are developed in the family in early childhood and reinforced in schools and organizations and...these mental programs contain a component of national culture(1980a:11) Since people from different nationalities have different values and perceive things in different ways, designing and managing an organization that spans different countries.(Sumantra & D. Eleandor, 2005)

Culture imperatives are the business customs and expectations that must be met and conformed to or avoided if relationships are to be successful.

We adopt Fang's (1997) Chinese business culture framework to understand the Chinese business negotiation process and negotiating style. Understand the Chinese business negotiation process and negotiating style. Fang's framework draws on previous works on environmental analysis of international business, Chinese culture, philosophy, social psychology and strategic Chinese thinking from Chinese folklore literature. The frame work consists of three distinctive and interrelated dimensions: PRC condition, Confucianism and Chinese Stratagems (Fang, 1997)

6.1.1 Culture adaptation

Adaptation is a key concept in the international marketing, and willingness to adapt is a crucial attitude. There is a need for affirmative acceptance, that is, open tolerance of the concept "different but equal". Through such affirmative acceptance, adaptation becomes easier because empathy for another's point of view naturally lead to ideas for meeting cultural differences (Caterora & Craham, 2005)

Fang (1999) concludes that regardless of perspective culture and behavior are closely linked to one another, but it is important to not only look for cultural values but also examine other distinctively cultural phenomena. According to Fang (1999), the Chinese business culture and style is shaped by three fundamental underlying socio- cultural traits or forces: 1) the PRC condition (basic political and social characteristics of the PRC), 2) Confucianism (values and norms of Confucian traditions), and 3) Chinese stratagems (ancient Chinese wisdom used to explain Chinese negotiating strategies and tactics). These forces are interrelated and influence the way Chinese business and negotiation is conducted. The PRC Conditions represent the changing element of Chinese business

culture as opposed to the enduring traditional elements, such as Confucianism and Chinese stratagems. According to Fang (1999) the traditional Chinese culture offers a Chinese negotiation theory. Confucianism provides the Chinese with a cooperation-oriented strategy, and the Chinese stratagems provide a competition-oriented strategy. The Chinese stratagems shape the strategic pattern of Chinese business negotiating style. According to Fang (1999) trust is the prime indicator showing which role the Chinese will play. When the closeness between the parties is high, the Chinese will negotiate as “gentlemen”; when it is low they, will negotiate as strategists. The PRC condition influence negotiators to negotiate as “bureaucrats” when the environment requires that behavior. (ibid)

6.2 Cultural differences

Hofstede & Hofstede (2005) states that cultural differences are manifested in the concepts: symbols, heroes, rituals, and values . Values are defined as the most evident of the four whereas symbols are the most superficial. Notice that practices are demonstrated by symbols heroes, and rituals which means they can be observed by out-group members (ibid). Symbols can be categorized into words, gestures, pictures, or objects that carry a particular meaning only recognized as such by those who share the same culture (Hofstede & Hofstede, 2005). Symbols are often taken by new ones and are easily imitated by members of other cultures (ibid). Heroes in a culture are more manifested than symbols (Hofstede & Hofstede, 2005). Heroes can be alive or dead, real or imaginary and possess characteristics that are cherished in a culture. Further, heroes can stand as role models for how to act (ibid). Rituals are considered to be collective activities; they contain ways of greeting,

paying respect to others, and social and religious ceremonies in a disguised culture (Hofstede & Hofstede, 2005).

6.2.1 Guanxi

The Chinese words guanxi is made up by two different characters, one is Guan, and the other is Xi. Meanwhile, the separate word Guan also has another meaning which means a gate or a hurdle, and Xi means a tie a relationship with the other people, or a connection. Thus, literally meaning, “passing the gate and get connected” (Lee and Dawes, 2005). The actually conception of guanxi is related to interpersonal relationships or connection in almost every realm of life in the distinguished Chinese culture, from its kinship to a friendship and from it politics to domestic or international businesses. Technically speaking, the distinguished Chinese phrase guanxi is different from the concept of the Western networking which is basically impersonal and mainly at the organizational level. However, guanxi is not solely commercial but also social involved the interference of “renqing” and the ways of giving “mianzi”. (Luo, 1997).

Yang (1992) has separated the Chinese relationship into three groups: First is Jiaren which means family members. The Second is Shouren which means relatives outside of the family, are its friends, neighbors, classmates, colleagues, and the other similar familiars). The third is Shengren which means strangers for them. These three separated different groups are consistent with Hwang (1987) conception of the three main guanxi categories in the distinguished Chinese society. The three distinguished types relationship divided by Hwang (1987) are corresponded with the types of guanxi found by Yang (1992): Expressive

ties are common within the jiaren(family members) relationship which involves exchanges based preliminarily on needs. With in the shengren (strangers) relationships, it is common that the instrumental ties are mainly focused on the equal principles. And the mixed ties are commonly existed and influenced in the shouren relationship (relatives outside of the family, friends, neighbors, classmates, and colleagues)(Huwang,1987; Yang,1992)

Successful businesspeople should know the Chinese word guanxi which is related to friendship, human relations, or attaining a level of trust, and they also know there is no substitute for establishing friendship in the culture before effective business negotiations can start (Caterora & Craham,2005). guanxi is the ways of mutual friend, contact, discussions entertaining, spending with others, and other trusting relationships are developed. Thus, this culture where friendships are a key to success, motivate local agents, to make more sales and help establish the right relationship with end users that leads to more sales over a longer period. So, businesspeople should not slight the time required for their development. Naturally, the products must be competitive after sales service, but the marketer who has established guanxi has edge. It is imperative for businesspeople establish guanxi in the Chinese culture. Without guanxi, the marketer risks not earning trust an acceptance. Hence guanxi is the basic culture prerequisites for developing and retaining effective business relationships. Chinese cultures are high on low power distance (PDI) and low on low-context individualistic (IDV) and the strong reciprocity implied by the notion of guanxi fits the profile well. (Pugel, 2005)

6.2.2 Face

As when there is an argument that the behavior of the face is universal and the meaning of the face in Chinese origin is literally translated as mianzi or lian (HO,1976; Goffman,1995). Lian is a sanction for both the enforcement of moral standards and internalization. (Hu,1944). Hu (1944) had indicated the concept of face in Western is related to the Chinese mianzi, but fundamentally speaking; it does not contain the connotation of lian.

The simple meaning in the concept of losing face is that a person does not deserve some certain kind of honor or glory. However, a sense of self-blame or shame is related to the loss of lian as a result of doing something wrong regardless of the presence of an audience (Bond and Hwang,1986) A person's demeanor is more critical in some cultures as compared with the others. In China, not matter how frustrating the situation it seems, it is probably never acceptable to raise your voice, lose your patience, or correct someone in public. In public, to raise your voice, to shout at a Chinese person in public, or correct them in front of their peers causes them to lose face. All these behaviors would only cast you as boorish, seriously could end a business deal. Therefore, it is imperative to avoid causing your business counterpart to lose face. (Caterora&Craham, 2005) As Hu(1994)put it, "A person with a feeling for face can be trusted implicitly, for face is worth more than a fortune to those who value it." Redding and Ng(1982) have found that the fear of losing face formed the basis for the informal system of contracts and agreements which is commonly existed in the Chinese businesses, while face entered much more into everyday transactions as form of social currency.

Trust:In Chinese culture, trust is high within but low outside family and kinship borders. The Chinese constantly find themselves being put in

such a quandary: business can only be done between people who have a high level of mutual respect and trust; however, business partners cannot always be immediate or extended family members

6.2.3 Cultural practices of China

- **Confucian influence**

In Chinese business, Confucianism has had a great influence on organizational behavior, human's relationship and management system. Companies are managed by the same principals as those applied to private lives, and reflect the basic ideology and values of society; seeking for harmony, unity, cooperation, stability, devotion, and diligence. It is reflected in the loyalty and collectivist feelings of employees, and the acceptance of high power distance relationships. Confucius was not a founder of any religion whose mission was one of a philosophical content. Confucianism is a 2500- year-old Chinese philosophical tradition which has strongly influenced the ways of people's thinking and behaviors. There are six basic Confucian values relevant fields can be identified. (1) Moral cultivation. Confucianism, a form of moral ethic, emphasizes moral cultivation and lifelong learning. Sincerity, trust and righteousness are important qualities for a person to be human. Legal power does not feature at all in Confucianism. (2) Importance of interpersonal relationships and conducts. It defines the Five Cardinal Relationships in human society, i.e., the relationship between ruler and subject, father and son, husband and wife, elder and younger brothers, and younger friends. These relationships are essentially hierarchical, reciprocal, and family-centered. (3) Family and group orientation. In Chinese culture, family is the most basic and important social unit. The Confucian philosophy sees a direct transition from family to state. Consider that the Chinese equivalent of "country" is guojia, meaning

state and family always staying side by side. A Confucian aphorism goes:” If you want to rule the state, first put your family in order” (4) Respect for age and hierarchy. One important hallmark of Confucianism is respect for age and hierarchy. In the Confucian tradition, age is wisdom and must be respected. Hierarchy is honored through ordering relationships in which every person does his/her duty to achieve social harmony and stability. (5) Avoidance of conflict and need for harmony. Confucianism stresses the need to achieve harmony in society through moral conduct in all kinds of relationships. Confucius says that a true gentleman does not quarrel and lose his temper. (6) The concept of Chinese face. Although face is a universal human concern, it is particularly salient for the Chinese culture. Behind the Chinese concept of face lies the Confucian notion of shame. Face functions as a “self-regulating” mechanism for mobilizing people in a society and has a pervasive bearing on all aspects of Chinese life. Negotiation is based on mutual respect, trust and benefit and is marked by a considerable Chinese attention to etiquette. (Fang, 1997)The Confucianism originates from Confucius who lived in China during the Han Dynasty, 2006 B.C to A.D 220. This is the belief that the strong influence formed in the Chinese mind and their attitude towards to their individual life. (Knutsson, 1986)

- **Communication guide**

If you don't catch someone's name you can check it later from the business card you have received. It is important to remember that, don't say “*sorry I didn't catch your name*”. It would affect the relationship if you do that. A few points are given to avoid offending people in such traditional society. First, do not touch or pat a Chinese, although you notice two women or two men may arm in arm or hand in hand as they walk in the street. Second, Personal space seems to be limited in the

public and you will be disconcerted by the closeness of others in trains, subways, buses, supermarkets, restaurants, streets etc. Third, you should extend the arm, palm down and make a scratching motion to beckon a Chinese instead of waving the palm towards the face which is used to call dogs in Chinese' minds. Fourth, it is seemed to be impolite if you walk behind someone.

- **Nonverbal exchanges**

You should stand up if one enters the room especially elderly people are quite respected in China. Always sit erect with well-behaved posture. It is a lack of respect if slouching, feet on table, wearing sunglasses and hands in pockets at any forms of meeting.

6.3 Nontariff barriers to imports

A nontariff barrier to imports is any policy used by the government to reduce imports, other than a simple tariff on imports, Non tariff barriers can take many forms, including imports quotas, discriminatory product standards, buy – at home rules for government purchases, and administrative red tape to harass importers of foreign products.(Pugel, 2005)

6.3.1 Government procurement

Governments are the major purchaser of services and goods. One estimate is that government purchases of products that could be traded internationally amounts to close one-tenth of all product sales in the industrialized countries. Government procurement practices can be a nontariff barrier to imports, if the purchasing processes are biased against

foreign products, as they often are. In many countries, the governments buy relatively few imported products and instead buy mostly locally produced products. (Pugel, 2005)

6.3.2 Striking the Spirit of the WTO

China has joined the WTO, but it had to show good faith in reducing tariffs and other restrictions on trade before to be accepted. Thus, China has reduced tariffs on 5,000 product lines and eliminated a range of traditional non-tariff barriers to trade which includes quotas, licenses, and foreign exchange controls. China has applied security and quality supervision requirements on some appropriate beginning imported goods as Jigsaw. Under the WTO rules, foreign companies have to request a review before the WTO will do some investigations. (Caterora & Craham, 2005)

6.4 Sino-EU Business Relationship

EU has confirmed itself as China's largest trading partner. The consolidation of commercial relations is meanwhile being paralleled by an increasingly significant role played by the European Union Chamber of Commerce in China (Chamber President, Serge Janssens de Varebek). China also takes EU as a supportive and strong counterpart, and welcomes a sound cooperation. In the past decades of diplomatic relationships, dialogues continue between Sino-EU and there has been a great achievement. More challenges are ahead. Cultural exchanges have multiplied and political cooperation has consolidated and embraced every promising endeavor. It is obvious to notice that the relationship between China and EU move closer and closer as year goes by, and more and

more challengeable business opportunities are coming constantly. The obvious evidence of this positive trend is that the larger participation of the EU Chamber in major Chinese events. EU takes a significant part in the development of current China both as a receiver and as a contributor which is also continuously offering a great number of challengeable possibilities that are appealing to European investors and operators. Through mutual cooperation, China has been in a position to draw on European history and expertise as it strives for sound and sustainable development. Meanwhile, Europe also plays a role in shaping the development pattern itself. ("Sino-EU", 2006)

6.4.1 Sino-EU business consolidation and beyond

European Chamber has a clear interest in the Chinese business climate for European operators and the resulting improvement of Sino-European relations which implies a bilateral process where by Europe supports China's participation in the WTO and the global economy at large. Therefore, long-time established relationship has been consolidated. The European Chamber has made its efforts to build up some new relations in other fields. ("Sino-EU", 2006)

7. Empirical Findings

This chapter will present the empirical data collected by the interviews, books, and newspapers. Background will be described at the beginning, then following the significant result of guanxi, face, government procurement, and Sino-EU business consolidation and beyond will be presented separately in details. Some of the interviewed questions can be seen in the appendix 1.

7.1 Background

The empirical findings were conducted by interviews, which were taken separately through the methods of face to face interviews, long-distance phone calls.

I have chosen a few Swedish business managers who have ever done business with China to be interviewed since they have abundant experiences in the Chinese market. And a few selected interviewed Chinese sales and marketing managers and a MBA professor who are the most responsible people to express what the ideal foreign business partners would be in business cooperation which can be a direct way for foreigners to know what related Chinese business person's thoughts are.

7.2 Result of guanxi

In the theoretical part, we have known that guanxi means friendship, connection, sphere of influence. The interviewed think the Chinese guanxi is the most important aspect for doing business with China, which is a decisive factor for the success of your business conducted. The outsider is , at best, in fifth place in order of importance when deciding

with whom to conduct business, The family is first, then the extended family, then neighbors from one's hometown , then former classmates, and only then, reluctantly, strangers - and the last only after a trusting relationship has been established.(Fang, 1997)

An interviewed Swedish marketing manager Jonas explained, *“You should never underestimate the important of establishing guanxi when you do business with the Chinese businesspersons, it is imperative for you to understand the Chinese culture adaptation if you would like to have your business effectively conducted.”* An interviewed Chinese business manager Mr Zhao said, *“China is a society with guanxi, which must be conducted in all different businesses. If you do not have any guanxi, then it is doomed that you have to take ten times efforts to fulfill your business as compared with the people who have guanxi, the worse thing is that you may lose the profitable opportunity”.* Another Chinese university MBA professor Mr chen explained, *“When you have the same conditions and been in the same level as your business competitor, if you do not have any guanxi, you will absolutely fail in the business without any doubt.”* Another interviewed Swedish manager Mats claimed, *“I lost some good business opportunities at the beginning in China since I did not know how important guanxi would take effect in the Chinese business culture.*

7.3Result of face

All of the interviewed both Chinese and foreigners have claimed that how to respect your business partners decides how much face you have given them. It is a sign for showing whether your Chinese business partners have been respected, for example, your behavior in the face to face

business negotiation. An interviewed Chinese marketing manager Mr Cai said, *“It is impolite to point out your Chinese business partner’s mistakes in public, you can do it in private in order to avoid the embarrassing situation of “losing face”*. When doing business with Chinese in China, it is imperative to adapt to the Chinese culture. If you do not adapt to the Chinese cultural practice, you make your Chinese business partner lose face in public, you can never expect to establish the business relationship with him/her; on the other hand, if you have already established the business relationship, you can never expect you could continuously maintain the business relationship with him/her in the future.

7.4 Result of cultural practices of China

The result of cultural practices is one of the important steps in the business. Most of the interviewed think it is necessary for all the business people to be familiar with Chinese cultural for establishing business relationship at the first business step.

The interviewed marketing manager Mr Cai expressed, *“I think it would be very important to bear your Chinese business partner’s name in heart since Chinese people take it as an important factor to judge whether his partner has made an impression on him. And I had worked in an import and export department of a Chinese company, and then I had a lot of businesses to contact my foreign business customers. According to my feelings, if my foreign business customers remember my name even if I just told him once, it would be a great pleasure for me, because I guess my customer should mind our future business relationship and our company and he probably would like to establish a business relationship with our company soon; on the contrary, if I have told him my name*

once, but he did not follow and was not willing to remember it, I would guess he might not be interest in our company."

In China, elderly people would like to be respected. All western interviewed has the same opinion, *"if you do business with an elderly Chinese partner, you should call him Mr. X (Chinese surname) or Mrs. X (Chinese surname) or his or her business title with surname and when you have a face to face business negotiation you should be well behaved since what you have exhibited to your Chinese business negotiator not only stands for your own image but also the image of your company which you have delegated"*.

7.5 Result of government procurement

In all sectors that have so far been opened to foreigners, non-Chinese suppliers enjoy the same opportunities as local firms when they compete for government projects.

China has started the negotiations about joining a global organization that will allow its enterprises bid for government contracts around the world, and China has joined the Government Procurement Agreement (GPA). China has promised to initiate negotiations for membership in the GPA as soon as possible. The GPA allows companies from any member economies to bid for government procurement contracts in other member economies. As one of the interviewed Chinese president Mr Zhou put it, *"China has carried out a series of measures to do the preparation for joining the GPA. China has issued the Government Procurement Law and relevant regulations as the basis of the country's procurement system. Mr Zhou said: "Government has been trying to improve transparency in*



government procurement”. It has started a series of technical cooperation activities with the EU in a bid to provide both sides with a better understanding of each other’s procurement policies. The Interviewed Swedish marketing manager Jonas said, *“It would be a natural extension for opening up our government procurement markets to each other’s suppliers and also be a benefits for the developments between EU and China since China has become our second largest supplier. Chinese legal framework is not good enough, and the sector lacks specialists and complete operational mechanism. An interviewed MBA professor Chen said, “It would be necessary for China to open the government procurement market step by step, and it is imperative for the government paying attention to protect its domestic enterprises during the same time as opening up the market.*

Therefore, government procurement has a significant part of a national economy, referring to a range of sectors, such as commodity trade, service trade and public works.

7.6 Result of Sino- EU Business consolidation and beyond

In the beginning of 2006, EU Chamber was invited to co-sponsor the Expro 2010 corporate participation information session. Dr Xavier Chen spoke as chairman of the European Chamber’s Energy and Utility Policy Working Group during the EU-China Energy Conference. Douglas Clark, chairman of the Shanghai Intellectual Property Rights (IPR) Working Group, took part in the 2006 China Forum on Criminal IP Protection. The Chamber was also invited to the roundtable for the 2007 Special Olympics. ("Business", 2006)



An interviewed Swedish marketing manager Ulf said, “*Europe has acquired a lot of fruits through the jointly cooperation partnership with China*”. And an interviewed Chinese Sales and marketing manager Mr Zhao said, “*China has made a lot of profits through the cooperation with EU- our main business partner*”.

All the Chinese interviewees claimed that it is noteworthy indeed that European Chamber consistently reaches out to the Chinese authorities. Long-established Sino-EU relationships are being consolidated, with the China Council for Promotion of International Trade, the Ministry of Commerce, the State Administration of Foreign Exchange, the State Intellectual Property Office and the Ministry of Information and Industry.

High-level meetings regularly take place where the two parties exchange views on current issues, discuss new challengeable opportunities. An interviewed Swedish sales manager Lars said, “*It is important for us to approach for a long-time partnership with China since China is a large and promising market*”.

Europe through the ways of consolidating and developing the relationship with China is an effective approach for business procedures well developed between the two sides as a whole.

7.7 China's entry the WTO

China has become a member of the WTO since late 2001. China had to obtain acceptance from all WTO member to be a member. Thus, China had experienced a series of complicated and difficult period in negotiating with other countries, including the United States and the

European Union.

There are four major commitments that Chinese government has made to obtain membership in WTO.

Tariff reductions: the average tariff will fall from 25 percent to 9 percent. (The tariff on auto imports will fall from 80-100 percent to 25 percent)

Services: Limits on foreign direct investment in banking, financial securities, fund management, law, telecommunication services and insure will be liberalized.

Production distribution and transport: Limits on foreign companies performing transport and distribution services will be removed

All these liberations would be a disruptive signal for China, although it is attractive concern for foreign companies. But, why would China make all these commitments?

One part of the answers is that at least China has gained the general benefits of WTO membership, which include participation in multilateral trade negotiations, MFN treatment, and access to the dispute settlement procedures. The other is Chinese government leadership can use the WTO commitments to solidify and expand reforms in order to attract more foreign direct investment pursue the long-run economic gains of better resource allocation. Therefore, it would be a mutual benefit for



China and foreign investors. It is a wise decision for China to make these commitments.

However, if these attractive commitments can be effectively processed by foreign investors, it would be the significant advantages for doing business with China effectively." (Pugel, 2005, p.85)

8. Analysis

In the chapter the analyses of the collected empirical data will be presented in the chapter which are based on the theories presented in the theoretical chapter and the chosen analytical strategy. The presented theories will be used to analyze the collected data.

8.1 Face and guanxi

The most articulate description of how culture influences managers' thinking about business strategy. Both Chinese culture practices and cultural adaptation has been presented in the theory part. Thus, it is the basic things for foreign businessperson to learn before any forms of business start. In this research, cultural adaptation includes "face", "guanxi" aspects which can be taken as an important factors for doing business with Chinese, just as stated from Jonas and Mats. Different country has different culture, when you are doing business with Chinese, As the statement from Mr Zhao, Mr chen, Jonas and Mats, it is very important to learn how to respect your business partner, and how to establish and maintain guanxi in all steps of business process. Culture differences can never been underestimated in doing business which is a decisive factor for business establishment and business relationship consolidation. It is necessary for every businessperson who would like to do business effectively in China, and achieve success in the end.

As Mr Cai concluded that, "Bear in mind that you should never make your Chinese business partner loose "face" in any business sections; on the contrary, if you have any ideas to give more face to him/her in public, you probably gain respect, and then make your business conducted more smoothly." For example, if you highly speak of his opinion or methods regarding an issue discussion in a certain way.

You should remember that China is called a society of guanxi. So, creating a guanxi means a great deal for your business conducted. Many ways can be used to create guanxi. There are different forms of entertainments in China, you just treat your Chinese business partner as your private friend. For instance, you can invite him for dinner or singing Karaoke which is the most favorite entertainment Chinese people like. Anyhow, it depends on which way you guess it would be the most effective way to create and maintain the guanxi in order to make your business operate well. Chinese cultures are high on power distance index (PDI) and low on low-context individualistic (IDV) and the strong reciprocity implied by the notion of guanxi fit the profile well. (Caterora & Craham, 2005)

In one word, just do as the old proverb, “when in Rome, do as the Romans do”. It will make your business effectively conducted if your Chinese business partners’ “face” to be earned and the unique business “guanxi” to be established.

8.2 Government procurement and China's entry the WTO

Foreign enterprises should pay attention to a lot of issues in the full of vitality competitive Chinese market. China’s economy is developing in an amazing speed. Some people like applying the same business strategies in China as used in Japan and the other Asian countries. As far as I am concerned, all these strategies can be taken as a reference and help you expect the future development. However, at present China is at an advanced stage of economic, scientific, and technological development. So, its potentiality is immeasurable.



Since China joined the WTO, there are many favorable open-door policies for foreign businesspersons. In these cases, many Chinese state enterprises will probably go belly up or be acquired by foreign companies. And the acquirement trend will be developing into other business fields, e.g. retail, logistics, Media, and culture and entertainment. As a whole, there is a large acquired opportunities in Chinese market. Then you should catch every opportunities related to the business fields you have been doing before in order to make your business more effective since you are familiar with the businesses you have ever operated and the situation would be similar partly more or less. In this case, it can be much easier for you to handle the business effectively and make profits in the end. However, my advice is you should never underestimate the complexity in doing business in the competitive Chinese market. (Caterora & Craham, 2005)

Following large numbers of Chinese workers will become unemployed. However, the unemployed Chinese workers can be re-employed by the foreign companies, as a cheaper labor. Thus, these are the comparative advantages for foreign enterprises to make profits in China.

According to the government procurement, at present non-Chinese suppliers can also enjoy the same opportunities as Chinese firms when they compete for local government projects. No doubt, this is also an advantage for foreign investors.

Therefore, China's commitments for its entry the WTO, a large number of cheaper unemployed labors, and non-Chinese suppliers enjoy the same opportunities as local firms when they compete for government projects, all of which are favorable advantages for foreign businesspersons

8.3 Sino-EU relationship consolidation

Marketing manager Ulf said, “*Europe has acquired a lot of fruits through the jointly cooperation partnership with China*”. European Chamber is interested in the Chinese business climate, which is a good sign for the business consolidation between Sino-EU. It is noteworthy indeed that the European Chamber consistently reaches out to the Chinese authorities, for example, it supports China’s entry to the WTO and China’s global economy at large. The long-established business relationship with China Council for Promotion of International Trade, the Ministry of Commerce, the State Administration of Foreign Exchange and the State Intellectual Property Office, all of which has separately consolidated the business relationship in the fields of international trade, commerce, foreign exchange and intellectual property between Sino-EU. In addition to traditional contacts, the European Chamber has been building a new relation with the Ministry of Information and Industry in order to consolidate the relationship with China. (“Sino-EU friendship”, 2006)

And an interviewed Chinese manager of Import and Export department said, “*China has made a lot of profits through the cooperation with EU-our main business partner*”. Through the Sino-EU business relationship consolidation, it is a mutual benefit for the economic development of both Europe and China which will promote the business progress more effectively between the two countries. As we know, *guanxi* means a great deal for your business, no matter the *guanxi* between enterprises, government, or even countries. In my opinion, as a whole if the *guanxi* can be long-time established and consolidated between countries, it would be an advantage and challenge for any scaled-business in any

fields. Therefore, it virtually promotes the progress effectively for both sides if the guanxi can be long-time established and consolidated.

9. Conclusion

In the chapter everything will be concluded as a whole, and the research question will be answered in the end.

What are the effective ways to do business with China?

With the fast development in China and China's entry the WTO, more and more business people have started to do business with China. But what are the effective ways to do business with China?

First of all, it is initial for us to understand the Chinese business culture context in which some of the most important issues have been given such as, "guanxi " and " face". China is a country with Confucianism philosophy which have embedded in Chinese people's mind. Thus, understanding the Chinese guanxi and face issue are the effective ways for narrowing the culture differences between China and foreign countries when doing business with China. Respecting Chinese culture is a decisive factor for the success of your business. Failure in understanding the culture would probably end your profitable business in the end. “Face” means a great deal for Chinese, and guanxi is also a significant network which needs to be understood by foreign businesspersons.

To understand the government procurements are also the effective way in doing business with China since Governments are the major purchaser of services and goods and government procurement has a significant part of



a national economy, referring to a range of sectors, such as commodity trade, service trade and public works. We know the foreigners can enjoy the same opportunities as Chinese supplies, which is an attractive and effective way for foreigners to do business with China.

Under the WTO rules, foreign companies have to request a review before the WTO will do some investigations and There are four major commitments that Chinese government has made to obtain membership in WTO, tariff reductions, services, Production distribution and transport. China's entry the WTO had made some commitments which have given more attractive opportunities for foreign investors to do business effectively in China; in the meanwhile, China also enjoys a lot of favorable profits. As from a Chinese perspective of view, the ultimate aim is to achieve the win-win for both China and foreign countries. So, it is necessary and would be an advantage for foreign business people to know all these issues before starting to do business with China.

China is one of the largest markets for EU. Therefore, For EU, it is very important to understand the effective way is to consolidate and maintain the business relationship with China. Business relationship consolidation between China and Europe has been strengthened which can be effective way for business goes smoothly between the two sides.

Therefore, it is necessary for us to understand all the effective issues presented above in order to achieve mutual success for both China and foreign countries in the end.

9.1 Recommendations for further research

- What kind of role do Chinese local governments play during the process of foreign investment business, and how to deal with the guanxi with them?
- Which aspects do multinational companies need to do investigations in details when doing business projects in China?
- How do we manage the business with China from the perspective of brand management strategy?
- How do we negotiate with Chinese customers?

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APPENDIX 1 - Interviewed questions

- **Have you done any business with China?**
 1. When?
 2. Where?
 3. If you had done business with China ten years ago and you still have done business with China recently, can you compare any differences between the two periods?

- **What are the characteristics of the Chinese market as far as you concerned?**
- **How do you expect the development of doing business in China in the future?**

- **Which kind of businesses have you done with China?**
 1. Why is Chinese market so attractive to you?
 2. What are the most important factors to do business with Chinese in order to make your business effectively conducted?

- **Can you describe the Chinese culture as much as you know?**
 1. Do you think culture diversity can affect your business?
 2. What are the characteristics of Chinese culture?
 3. What do you think of Chinese “face” issue? Have you ever experienced the situation in which you unconsciously made your Chinese business partner lost face, or earned face? And what happened in your business conducted as compared with the two situations?
 4. Do you understand the Chinese word “guanxi”? Do you think “guanxi” play an important role in the business conducted; if you do,

can you describe in brief how you deal with “guanxi” when you have done business with China?

5. Do you think Chinese local governments play an important role in the business you have experienced? How did you deal with the “guanxi” with them?
- **Regarding China’s entry the WTO, do you think it is a mutual benefit for both China and foreign countries? Can you give me a few example referring to the benefits that you have enjoyed since China has joined the WTO?**
 - **What do you think of the Sino-EU relationship development in recent years? From a Chinese or EU businessperson point of view, do you think it would make businesses more effectively done when the Sino-EU relationship has been consolidated and beyond?**
 - **Do you think you can do business more effectively if the suitable region has been selected? If you do not think it is a big deal according to your experience, can you explain the reasons? Or if you think so, can you tell me what the advantages are?**

APPENDIX-2 Map of China

