

## General Observations on Chinese Business Culture

Ever since the “Opening-up” process began three decades ago, China has made earnest efforts to establish and reform business laws with the aim of attracting new investment and employment. Realizing that foreign companies are reluctant to invest here if they sense that they will be victimized by opaque rules and inequitable treatment, laws on a variety of business issues such as arbitration, intellectual property and so on are slowly but surely becoming more and more harmonized with those of the West. This trend of course is good news for companies venturing into China.

Legal reform notwithstanding, resorting to legal recourse in the event of dispute is a tedious and potentially costly process no matter where it occurs. The best strategy is to reduce the risk of dispute by “doing your homework” *before* committing to a venture, and using qualified help to negotiate effectively on your behalf. In order to negotiate effectively in China, one needs to understand Chinese culture and Chinese business culture, ***because it is culture – and not regulations – that set the tone and thrust of negotiations.***

Here are some generalized personal observations on Chinese culture that we have made over the course of our long history here. Being generalizations, there will always of course be exceptions. We share these insights and impressions not to disparage, but because we believe that often as not, they substantially shape the way Chinese companies approach business.

First, one must understand that the Opening-up process in China created seemingly out of nowhere a passion - some may call it an obsession - for wealth, material goods, and status. The relentless pursuit of this passion is frequently so strong that it over-rides all other considerations. Thus, “winning at any cost” is the mantra of the day, with the unfortunate consequence that deception and hidden agendas are all-too-common elements of negotiations and business relationships. From a Chinese perspective, win-win situations are fine, provided they win more than you do.

Note that this mind-set is not reserved for Chinese companies doing business with foreign companies; indeed it is very much a feature of business between Chinese companies, and between Chinese companies and their local consumers as well. To be sure, it is not just foreign consumers who suffer the consequences of the tainted or toxic merchandise produced by profit-hungry scoundrels - Chinese consumers suffer them as well, if not more so.

The problem for foreign companies in particular is that by nature they are more trusting not only in relationships but also in due process, which makes them much more vulnerable. In addition, there is a sense among many Chinese that they are *entitled* to bend rules because after such an arduous and protracted period of poverty, they have a lot of catching up to do. This sense of entitlement translates into the notion that affluent foreign companies not only *owe* them the right to pirate software, copy ideas, copy products, and so on, but moreover, can well afford the loss.

Of course through the media we have all become aware of the most publicized and most egregious examples of duplicity in Chinese business. But in fact, the currently prevailing business culture of China is something to fear only if you venture into China unprepared, and many thousands of foreign companies, large and small, have enjoyed great success here.

Availing yourself of qualified legal and business advice that is China-savvy is your best safeguard against dispute and disappointment, along with employing qualified representatives on the ground to continuously audit quality and compliance. Using a sports analogy, you are more likely to win if you have studied the other team's plays before the match. IPO PANG has been in the game long enough to have seen every play, and welcomes the opportunity to coach your Chinese venture to maximum reward and minimum risk.

**© IPO PANG P.C. 1995-2011 ALL RIGHTS RESERVED**