

How business is conducted flashcard



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The Chinese culture is distinguished from the Western culture in many ways, including how business is conducted. For example, the Chinese prefer to deal with people they know and trust.

On the surface, this does not seem to be much different from doing business in the Western world. But in reality, the heavy reliance on relationship means that western companies have to make themselves known to the Chinese before any business can take place. Furthermore, this relationship is not simply between companies but also between individuals at a personal level. The relationship is not just before sales take place but it is an ongoing process. AKLLR has to maintain the relationship if it wants to do more business with the Chinese.

How relationship is established: A relationship does not have to be based on money. Treating someone with decency while others treat him/her unfairly could result in a good relationship. It starts with and builds on the trustworthiness of the individual or the company. If a company promised certain things and delivered as promised, the company is showing trustworthiness and the Chinese would be more inclined to deal with them again.

Being dependable and reliable definitely strengthens the relationship. It is like being friends, and friends can count on each other in good and tough times. A good example is related to the 1989 political instability in China. [Companies that stayed found their relationship with the Chinese strengthened as they were viewed by the Chinese as friends who did not abandon the Chinese when they needed friends]. Frequent contacts with

each other foster understanding and emotional bonds and the Chinese often feel obligated to do business with their friends first.” Guanxi” or relationship with high rank officials are still important for doing business in China, though declining to some extent.

Political and administrative interference in business have declined. More and more companies have found themselves on their own surviving without government subsidiaries. If they are not getting any help from the government they are more reluctant to be influenced by government officials. So government “ Guanxi” may have less influence with these companies. Since “ Guanxi” and relationship could function as an information network, companies with wide “ Guanxi” and relationship networks often have much higher performance than companies with little or no relationship with the Chinese.

Final Words on “ Guanxi”：“ Guanxi” can take on many forms. It does not have to be based on money. It is completely legal in their culture and not regarded as bribery in any way. So, there is no need to feel uncomfortable about it. Trustworthiness of both the company and individual is an important component.

Following through on promises is a good indication of this. Treating someone with courtesy while others treat him or her unfairly is another aspect.

Frequent contact fosters friendship as well. The Chinese feel obligated to do business with their friends first. There are risks with this system, as well.

When something goes wrong, the relationships are challenged, and friendships quickly disappear. “ Guanxi” can also be very one-sided. When “

Guanxi” is involved, there is a risk of obtaining an invoice of twice the amount that you bargained for. SWOTT Analysis

In late 1978 the Chinese leadership began moving the economy from a sluggish, inefficient, Soviet-style centrally planned economy to a more market-oriented system. Whereas the system operates within a political framework of strict Communist control, the economic influence of non-state organizations and individual citizens has been steadily increasing. The authorities switched to a system of household and village responsibility in agriculture in place of the old collectivization increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprises in services and light manufacturing, and opened the economy to increased foreign trade and investment.

The result has been a quadrupling of GDP since 1978. Measured on a purchasing power parity (PPP) basis, China in 2003 stood as the second-largest economy in the world after the US, although in per capita terms the country is still poor. Agriculture and industry have posted major gains especially in coastal areas near Hong Kong, opposite Taiwan, and in Shanghai, where foreign investment has helped spur output of both domestic and export goods. The leadership, however, often has experienced – as a result of its hybrid system – the worst results of socialism (bureaucracy and lassitude) and of capitalism (growing income disparities and rising unemployment). China thus has periodically backtracked, retightening central controls at intervals.

The government has struggled to: Sustain adequate jobs growth for tens of millions of workers laid off from state-owned enterprises, migrants, and new

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entrants to the work force. Reduce corruption and other economic crimes. Keep afloat the large state-owned enterprises, many of which had been shielded from competition by subsidies and had been losing the ability to pay full wages and pensions. From 80 to 120 million surplus rural workers are adrift between the villages and the cities, many subsisting through part-time, low-paying jobs.

Popular resistance, changes in central policy and loss of authority by rural cadres have weakened China's population control program, which is essential to maintaining long-term growth in living standards. Another long-term threat to growth is the deterioration in the environment, notably air pollution, soil erosion, and the steady fall of the water table especially in the north. China continues to lose arable land because of erosion and economic development. Beijing says it will intensify efforts to stimulate growth through spending on infrastructure – such as water supply and power grids – and poverty relief and through rural tax reform. Accession to the World Trade Organization helps strengthen its ability to maintain strong growth rates but at the same time puts additional pressure on the hybrid system of strong political controls and growing market influences.

China has benefited from a huge expansion in computer Internet use. Foreign investment remains a strong element in China's remarkable economic growth. Growing shortages of electric power and raw materials will hold back the expansion of industrial output in 2004.