

Global business cultural analysis in china sociology essay



**ASSIGN
BUSTER**

China, located in the region of Asia, and with a population of over one billion people and counting, is the most rapidly growing economy in the world. In 2008, China's economic engine, based on purchasing power parity (PPP) metrics, was determined to be the next largest economy in the world, in position behind the United States (Coleman, 2009). Beginning in the early 1990's, China culturally and economically shifted in the direction of reform by allowing businesses, both government level and privately owned, to maximize the monetary benefits of trading beyond its borders. China's economic gross domestic product (GDP) prowess has remained a consistent ten percent over the past twenty years. Since 2004, it appears to have shifted into hyper-drive, cresting at 13 percent in 2007 (Coleman), only to slow due to the global financial crisis that occurred in 2008.

In just a matter of years, China is poised to supersede the United States in terms of overall global trade economy, and given its current pace, emerge within the next twenty as the world's largest (Congressional Research Service [CRS], 2007). Multitudes of economic sectors in the U. S., particularly manufacturing, will feel a significant impact as the unregulated low-wage Chinese labor force begins to hyper-produce low cost goods to the well-informed American consumer. Analyst report the U. S. trade deficit with China has surged to an estimated \$232 billion in 2006 (CRS). China's economic policies appears to favor unfair trade practices that fuel an ever-increasing trade imbalance and can potentially undermine the ability of U. S. companies to compete competitively in the global market and domestically (CRS). Therefore, For Americans businesses who want to successfully complete or do business directly with China, it is imperative to have a keen

understanding of the culture from a variety of angles. This paper will attempt to analyze the fundamental social and economic forces behind this Asian powerhouse and will concentrate on the following areas of discussion:

The fundamentals and scope of the culture in this region

How fundamentals and scope affect the culture in the process of conducting business

A comparison of the American and Chinese culture

The ramifications for U. S. businesses willing to conduct business in this region of the world

The Fundamental Elements and Scope of Chinese Culture

Threads of Commonality

For a business to be successful in China, it must first take the time to understand the fiber that threads hundreds of generations into a single weave. Chinese cultural history covers a span that encompasses over four thousand years. Like most cultures, the Chinese have unique features of commonality that connect society. Some of the most dominant include the concept of collectivism (orientation toward the group), the importance of saving face (embarrassment), hierarchical respect for age and leadership, and the emphasis of relationships (Wong, 2001). Realizing the significance of these individual components and adjusting to these concepts gives foreign businesses a unique advantage in business practice.

Collectivism. Based on Geert Hofstede's research of cultural dimensions, China has the lowest individualism (the opposite of collectivism) ranking of any Asian country. Low individualism creates a converse emphasis on strong integration toward in-groups (insiders) versus out-groups (outsiders) (Hofstede, 2009). Chinese children from a very early age are acclimated into a type of group membership retained throughout life. Unlike individualistic societies, such as the United States, the term "we" is the predominate factor that is engrained in the mindset of the masses from the onset (Wong, 2001). Therefore, as a nation, the idea of groupthink takes on the dimension of a collectivist society. Collectivist cultures, like China, inherit perceptions that take on unique characteristics. For instance, in a conversation, collectivists tend to listen to the tone of the conversation rather than rely on the message itself. Furthermore, collectivists believe that one's behavior is primarily a factor that based on societal norms or positions rather than individual attributes or personality (Triandis, 2004). In addition, as one might suspect, collectivist cultures emphasize the importance of maintaining loyalty to associated groups rather than to the concerns of self.

Nothing is absolute. There are individualist thinkers in China that have broken away from the social norms and behave independently. These modern day Chinese liberalist who express themselves in manner similar to the individualist who are termed idiocentric (Triandis). Idiocentrics are termed to be self-centered, focused, aggressive, and argumentative. Within individualistic societies, idiocentrics comprise a percentage of 0-35 range. Surprisingly, idiocentrics within collectivist societies comprise a higher percentage of 30-100 range (Triandis). Largely, however, collectivist

societies are comprised of individuals who termed allocentric. This group is usually made of people who have very little education, low social status, financially dependent on others, religious, and most likely to accept social norm (Triandis).

Saving Face. Another critical dimension of the Chinese culture that is prevalent within society and essential to understanding when conducting business is the concept of saving face (Face). Face encompasses the intellection of credibility, respect, honor, and reputation (Oetzel & Ting-Toomey, 2003). Beginning in the early years of development, Chinese school age children learn, usually through their immediate social group, that mistakes are highly discouraged. Often, when mistakes do occur, harsh disciplinary actions follow that result in strong feelings of shame (Tromby & Yu, 2006). Eventually, this rigid unwavering mindset evolves into an extremely competitive attitude as students fiercely compete for highly sought admittance in top universities and institutions, and continues to prevail though the life of the individual, despite occupation, rank, or social status. Research indicates face in Chinese societies has a direct correlation to social standing. The higher the rank one has achieved, the greater the perceived loss of respect, especially within the hierarchical framework of superior to subordinate roles (Francis & David, 2004). On the other hand, the lesser the rank, the less face one has to lose.

The basis for such a strong infinity for face is found in the deeply held religious values of Confucianism, a philosophy that continues to serve as a foundational belief system (Gao & Handley-Schachler, 2003). Five pillars or cardinal virtues comprise the framework for which society is to operate as a <https://assignbuster.com/global-business-cultural-analysis-in-china-sociology-essay/>

harmonious unit and include, righteousness (Yi), benevolent humanity (Ren), propriety (Li), trustworthiness (Xin), and wisdom (Zhi) (Gao & Handley-Schachler, 2003). The essence of Confucianism is concerned with the role of the individual being part of a greater whole who is obligated to apply these foundational truths to maintain balance, which in-turn helps stabilize society as a whole. The individuals' contribution to the greater good takes on a sense of paramount importance because of the heightened sense of responsibility one has in support of the group. Face, within this context, is hyper-exaggerated as an individual feels an overwhelming sense of loyalty far greater than one's personal desire. For Asian cultures, losing face is not acceptable and results are a form of extreme personal humiliation. Insults come in both subtle (verbal) and non-subtle (gesturing) forms. These often include suggesting personal inadequacies, disregarding the status of an individual, forcing to give up a perceived valued position, and personal or derogatory remarks (Kemp, 2009). Experts in cross-cultural communication suggest that western businesses who desire to successfully negotiate with eastern cultures should learn to promote positive confrontations by carefully demonstrating and controlling an awareness of voice tone and body mannerisms, displaying respect to the opinion of others, maintaining a professional demeanor, and never allow anger or passion elevate to the point of contention (Kemp, 2009).

Hierarchical Arrangement. Another long-standing dimension that remains dominate within the Chinese social system, and taught in grade school, is the concept of hierarchical arrangement (Chiu, 1991). This orderly classification begins with those most respected in the social structure and

extends outward toward communal interactions. First, at the top of the hierarchy arrangement is, grandparents, parents, bosses and teachers. Second, are those considered equal in status, and include friends, siblings and colleagues. Finally, the least influential on the social status scale belongs to public institutions such as corporations or public utilities (Chiu, 1991).

From an historical perspective, the Chinese have long maintained a structured system of hierarchal levels that pertain to social status.

Government officials and scholars, called the gentry class, occupied the highest level of attainment within society. The gentry class were made of the most highly educated individuals in society. The particular segment became rich and politically powerful, mostly through arranged marriages, and had the luxury of pursuing artistic endeavors. The next segment in the hierarchal arrangement was the Peasant class (farmers). Although the thought of a peasant may invoke the idea of the poorest in society, in China, peasants held a highly regarded status because of their economic contribution to society, and occupied approximately 90 percent of the population. Peasant's fortunate enough save enough money to become educated had the possibility of ascending into the revered gentry class. However, the likelihood was often unrealistic as systematic social prejudices prevailed. The next segment, following the two upper classes were the artisans and merchants. The artisans were a small percentage of highly skilled craftsmen who used their hands to construct goods to sell. The merchants, on the other hand, were considered "cons" who made their living selling items no one needed ("Chinese history: the four social classes", 2002). By understanding the roots of the Chinese people and the critical importance of sequential

levels of hierarchy throughout history, the modern day businessperson will have an advantage over those who have not taken the time to understand the ancient concept of the superior and the inferior. The Chinese are flattered with those who invest in learning not only their language, but also their historical customs.

Relationships. China priorities, both business and personal, begin and end with relationships. The Chinese prefer to do business with those whom they have established a trusting personal connection. While the Chinese equally as results oriented as their Western counterparts, their success is dependent via a network of established relationships constructed to guarantee good results (Storti, 2009). In addition, unlike their extroverted and expressive counterparts, the Chinese personality tends to be both conservative, introverted, agreeable, subtle and indirect (Nowak & Dong, 1997). This style of communication can often be frustrating with Western style culture, who tend to have a difficult time interpreting subtle social cues.

Fundamental of culture integrated by locals conducting business in China

Guanxi. Chinese society, over the centuries, has become galvanized into a collective unit and thereby encapsulated the belief of creating strong social networks, called Guanxi, into everyday occurrences such as conducting business. Guanxi has its basis within Confucianism and encompasses the principles of implied obligations, trustworthiness, mutual respect, empathy, and personal responsibility (Hwang, Golemon, Chen, Wang, & Hung, 2009). For those within the society who fail to adhere to this time honored social norm find themselves with loss of respect, confidence, and influence within

associated group affiliations (Hwang et al., 2009). Ultimately, this violation of norms can result in a permanent loss of status within the group, resulting in personal and often economic exclusion.

Guanxi plays a critical function in a collectivist society where roles are clearly delineated and each person's contribution is important to the successful function of the society as a whole (Hwang et al., 2009). Guanxi is a heavily indoctrinated reciprocation of favors, and intended to retain a level balance within a relationship. Similar to a financial obligation, the granted favor must be paid with a likewise favor to ensure equilibrium within the relationship is maintained. On the upside, the practice of Guanxi has the ability to deeply reinforce relationships and solidify personal long-term commitments. Guanxi, misused, turns into a form of social license to accept bribes, underhanded loans, and commercial sweetheart deals (Ip, 2009). This unfair advantage has detrimental effects in the business community and creates an atmosphere of distrust and disillusionment by those who try to operate from an ethical basis. The concept of Guanxi is an integral part of Chinese society and important for long term partnerships to be successful. Guanxi is arguably the most important concept for foreign businesses to understand prior to conducting business, and can single handedly make or break an otherwise productive relationship.

Meetings. The Chinese culture, due to hierarchal disposition and collectivist nature, follows a regimented protocol when conducting formal meetings. The title and rank of the individual merits an honorary position. Therefore, foreign businesspersons need to know in advance who to address first when entering a room as a show of respect. Rarely is decisions made after one

<https://assignbuster.com/global-business-cultural-analysis-in-china-sociology-essay/>

meeting, as considerations follow a distinct pattern of reviews over a given period. Approvals follow methodical consideration by a variety of executive levels (China Career Guide, 2005).

Negotiation Styles. An important component used by the Chinese businessperson is the art of negotiation. Unlike the Western style of win-win outcome in the negotiation process, the Chinese bargainer favors a win-lose outcome (China Career Guide, 2005). The Chinese bargainer often behaves in a subservient manner, and uses a myriad of overstated demands and technical delays as a means of gaining ultimate advantage (China Career Guide, 2005). Many consider the Chinese ruthless negotiators, often acting as if their giving up more than they can afford. However, once a deal is completed, the Chinese graciously provide dinner and celebration to mark the event.

Banquets. Another important aspect of how the Chinese like to conduct business is in the form of banquets. At the essence of these festivities is the time-honored tradition of Guanxi, as this particular setting of desirable location and quality food allow for relaxed socialization in a more comfortable setting (Reardon, 1991). Chinese etiquette places great emphasis on such details as seating arrangements, use of chopsticks, proper toast, and the amount of food left over at the end of the meal (Suzanne, 2008).

Comparison to the United States versus Chinese Culture

Comparison of Negotiation Styles. Cross-cultural differentiation in negotiation methods is as varied as the cultural barriers that exist between the east and <https://assignbuster.com/global-business-cultural-analysis-in-china-sociology-essay/>

the west. On the one hand, business professionals in the United States have an innate a sense of autonomous individualism and self-reliance, and as a result, negotiations tend to reflect these attributes. Americans are driven, competitive, linear thinkers with a tendency to isolate particular problems or disagreements until the issue is resolved (LeBaron, 2003). In addition, Americans operate in an impersonal straightforward manner and rely on concrete objective information to support their argument (LeBaron, 2003). The Chinese, on the other hand, utilize their own methods of negotiation and are highly skilled in achieving their desired outcomes based on engrained social dimensions. While the Chinese may appear meek and seemingly allow for broad concessions, they use emotional interplay as part of their elaborate strategy for putting the other party at ease, based on incorporating a combination of Confucianism, Taoism, and ancient Chinese military strategies called stratagems (Graham & Lam, 2003). The Chinese negotiation process usually occurs in a highly organized structured manner. One of the most important first steps the Chinese want to accomplish, before any negotiation can occur, is to get know the other party to establish a relationship. This aforementioned concept, called Guanxi, is a form of social capital, and is critical for establishing long-term business connections (Graham & Lam, 2003). However, because the Chinese are naturally distrusting due to their history of military occupations and sieges, they initially enlist the services of an intermediary to serve in the capacity as a go-between person. Intermediaries are extremely beneficial as they naturally have the ability to interpret the social nuances that Westerners may not be aware of (Graham & Lam, 2003). In addition, The Chinese prefer to utilize “ middle managers or professional negotiators” to serve a proxy

<https://assignbuster.com/global-business-cultural-analysis-in-china-sociology-essay/>

representatives of senior Chinese executives. Chinese executives usually only appear after all negotiations have been settled and final agreement are in place (Ahmed & Xiaokai, 1996, p. 280). For Westerners, the only indication progress is being made throughout the negotiation is when higher-level management starts to become involved. Higher-level executives only become involved to monitor and guide the facilitation process, but never to bargain.

Also, because the Chinese have an inherently strong work ethic, they will be extremely knowledgeable and well prepared for the negotiation process because of their belief in the concept of Chiku Nailao. Unlike Americans, who prize talent as a personal virtue, the Chinese value those who have a sense of mental endurance and who are unwilling to succumb to the hardships of whatever obstacle their facing (Graham & Lam, 2003). The Chinese apply this same mentality to negotiations, where details are haggled intentionally for prolonged periods. This experience can be exhausting for those unprepared for this process,

Collectivist versus Individualist. Eastern society places strong emphasis on the welfare of the entire society as opposed to the individual. This philosophy traces back to the times of Confucius, who taught the importance of seeking harmony for the sake of the group was of greater value than the concerns of oneself. From a social perspective, the collectivist redirect attention away from self, avoids frank statements, practices modesty, and views others from perspective of the group's viewpoint, where communal concerns take precedence (Triandis, Christopher, & Harry, 1990).

Furthermore, within the interdependent collectivist society, rule-oriented hierarchal levels of (most important to least important) are highly regarded as time honored respect for laws and regulations ensure uncertainty and ambiguity are kept at a minimal level. Collectivist place strong emphasis on maintaining a well defined cohesive relationship with those who are defined as in-group members. This unofficial self-obligated in-group membership is defined as a concentric set of rings that begins with the most influential in-group (family), then outwards (social/work) to the broadest scale (nation) (Triandis et al., 1990).

Individualist. The United States, on the other hand, is located on the other end of the social spectrum, as self-determined individuals within society view themselves as fundamentally different while maintaining a sense of fierce independence from the status quo. Hofstede (1980) defines individualism as the emphasis one places on self-autonomy and personal fulfillment in the pursuit of one's accomplishments. Cultures who are individualist in nature are often frank and to the point, and consider themselves unique. Personal achievements and notable talents are a means of garnishing social status. Unlike the collectivist, the individualist has a self-perceived right of transitory maneuverability, not being constrained by the boundaries of family, friends, or religion (Oyserman, 2006).

Educational System. In order to accommodate for its vast population, the Chinese education system, serving 25 percent of the world's student population (China Education Center, 2010), has undergone vast educational reforms. Beginning in 1986, the Ministry of Education established the goal of nine years of compulsory education by 2000, and identified key areas
<https://assignbuster.com/global-business-cultural-analysis-in-china-sociology-essay/>

necessary for gradually improving the overall standards of higher learning, including improvements to secondary, technical, and graduate programs, allowing greater leniency and expansion in the decision making power of administrators. Based on 2002 statistics, the literacy rate in China averaged over 93% (Library of Congress – Federal Research Division, 2006).

Historically, the elite of China's culture had access to education, with Confucianism as the underlying field of study. Later, during the Han dynasty, commoners gained access to the privilege of studying for a civil service examination in order to advance into the upper class (China Education Center, 2010). Significant strides over the past 50 years continue to ensure basic education to as many Chinese citizens as possible. In 2002, primary schools net enrollment had nearly topped the 100 percent mark, validation the commitment to the educational process is working.

The United States, in comparison, began the process of public education as far back as the 1600's, mostly out of religious beliefs, as new colonies were forming in Connecticut, New Hampshire, and Massachusetts (Thattai, 2000).

Similar to the Chinese, the initial education system was privy on to a select few, mostly wealthy communities who pooled monies to hire teachers.

However, by the end of the 19th century, public access to education became status quo as the belief that educated people were less likely to become impoverished and commit crime. Unlike the Chinese educational system, regulation of the U. S. school system falls under the responsibility of each state. Money to support the school system is through collecting tax dollars, with the federal government providing slight financial assistance.

Furthermore, because social problems such as race and gender equality have led to a barrage of litigation lawsuits over the years (i. e. Brown v. Board of Education of Topeka), the U. S. government has intervened, thereby putting an end to legalized segregation and helping to ensure a sense of equality for everyone desiring equal access to education (Thattai, 2000).

Conducting Business in China

Export Basics. Businesses that decide to ship items overseas, specifically to China, for the purpose of commercial sales are by definition, in the export business and must understand the legalities involved in the process.

Regardless of the method, whether by mail, fax, email, or internet, a transaction is an export and regulated by The Bureau of Industry and Security (BIS) (Bureau of Industry and Security U. S. Department of Commerce [BIS], 2010). The export license is a form of granted permission by the U. S. government to conduct an export transaction. However, while not all exported items require a license, it is incumbent on the business to seek out the agency to determine if a license is mandatory for their particular product (BIS, 2010). Strict regulations apply to items, such as chemicals, nuclear materials, computers, and electronics, based on issues relating to national security. Some exports require more than one license and from more than one agency. Embargoed countries have the greatest export restricts and include North Korea, Cuba, Syria, and Iran (BIS, 2010). As of 2003, over 19 thousand U. S. firms have exported goods to China, with over 89 percent of this total coming from very small organizations of less than twenty employees (International Trade Administration [ITA], 2010).

International Payments. An important consideration for businesses doing business with the country of China is the collection of payments. Unlike the United States, China has a relatively complex banking system, with a high degree of government involvement often creating a bureaucracy that interferes with the transfers of payments (U. S. Commercial Service [USCS], 2010). Therefore, it is prudent for businesses to set up a method by which payments are collected and to serve as an insurance policy against potential loss.

Cash in Advance. One of the most secured forms of payment, from the viewpoint of the exporter, is cash in advance. In this instance, there is a well-established relationship, along with a standby letter of credit to serve the purpose of collateral, as orders typically have extended production cycles, such as with custom-built equipment (USCS, 2010).

Documentary Letter of Credit. One of the most preferred and extensively utilized financial instruments used for international orders is the documentary letter of credit. In this case, financial loss is mitigated, as the banks of both the exporter and importer must honor the relinquishment of payment if the promised items are shipped and received according to the terms of the contract. Reputable banks must be selected to handle transactions, and insurance policies can be obtained to further minimize risk (USCS, 2010).

Documentary Collections. Documentary Collections is another financial instrument that lends slight favor to importer or buyer. The proof that goods are delivered lie in the receipt of the bill of lading, which must be signed as

accepted by the importer and payment received to release the delivery. This is good for the importer because needed capital is tied up during the order fulfillment process. This form of payment, however, is not advisable for time-sensitive or perishable goods or commodity-type products, since fluctuations in pricing can occur between time shipped and time received (USCS, 2010).

Open Account Terms.