

The American Fortune Cookie

-Words of Wisdom for the American Businessman in China

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China is quickly becoming the economic capital of the world. According to Fortune Magazine, total FDI (foreign direct investment) in China grew from \$61.47 billion in 2006 to \$82.66 billion in 2007. The world obviously believes that China's large labor supply, enormous market size, and its rising middle class make sustained growth in this region possible.

According to a 2005 Ernst and Young survey China has even surpassed the US as the most favored place for investment. There is so much hype about China that people are forgetting that understanding and communicating with the Chinese is one of the most trying ordeals for the typical American. Language and physical proximity are the two most obvious barriers. The core obstacle however, may be more subtle. The primary culprit is something that cannot be taught in a book or tape, but something that must be learned from many years of experience; namely, culture.

Cultural differences are the primary reason why Americans and Chinese find it so difficult to understand one other. Americans in general have no qualms about telling others exactly how they feel. All our feelings and emotions are on the table; we hold nothing back. This style works very well in the US as decisions are reached quickly and efficiently. All that really matters to us is that the goals we had going in were met. Problems arise however when we bring this mindset to China.

The Chinese are a far different people. They put a huge stress on interpersonal relationships. This emphasis affects their business dealings in a number of ways: negative emotions are held back, decisions are made according to seniority, direct criticism is kept to a minimum and public disagreements are frowned upon. The fundamental difference between the two mindsets is that to the Chinese, business transactions are more than just short term interactions; they are building blocks for long-term relationships as well.

Since the Chinese view each business transaction as a potential on-going relationship, they tend to think in the long-term. To establish a connection, the Chinese will often do favors for the other party in hopes that their kindness will be reciprocated someday. The Chinese may expect the exchange of favors in any relationship, but Americans usually only care about their own personal and business gains. These differences are a potentially volatile combination in the business world.

When conflicts arise between Americans, they directly state to the opposite party exactly what upsets them. Americans generally recognize these comments as being constructive and do not take them personally. This method of disagreement works very well in the US as a solution is usually reached in a swift and orderly manner. This technique is however disastrous when negotiating with the Chinese. In the Chinese culture direct criticism is also a social faux-pas. It is viewed as socially degrading in China because it causes the accused party to lose "face" in front of their peers. Reputation and "face" are desired above all other things in China, so

attention must be paid to this custom. To put things into perspective consider that just recently the CEO of a Chinese company producing toys for Mattel committed suicide after it was discovered that his toys were potentially dangerous to children. Eschewing constructive criticism is vital to US business success in China.

Disagreements are always personal in China so the Chinese try to avoid them at all costs. In collectivist China, a huge emphasis is placed upon helping friends and family. As such, they are extraordinarily averse to saying “no” to one another. They even go at length to avoid asking questions to which they think they may get a “no” response. Americans may desire transparency and getting the issues on the table, but Chinese want to avoid public confrontations as much as possible. There is a greater emphasis on body language, tone, and even what is not openly said to avoid any direct disagreement. The Chinese even avoid public confrontation by going out of their way and dropping clues instead of telling their true emotions and risk upsetting the opposite party. The Chinese have been trained in this since childhood and are skilled at both dropping and understanding these cues. Problems arise when two parties have such different ways of communicating. Americans say what they mean and mean what they say. There has never been a reason for us to learn the art of hint dropping and comprehension. The fact that the Chinese will frequently say one thing and actually mean something else combined with the American inability to pick-up on the cues is one of the primary reasons why building a long term relationship is so difficult for these two cultures.

There is an obvious disadvantage to Americans when their style contrasts with the Chinese. It is analogous to a twisted game of poker between the two. Americans can’t conceal their hand and suffer because of it. When dealing with the Chinese, the deck is undoubtedly “stacked” against the Americans. It is usually not hard for the Chinese to know where Americans stand on any issue. Unfortunately for Americans, the reverse is more often than not a complicated and frustrating guessing game.

Somewhat surprisingly, this ordeal isn’t enjoyed by the Chinese either. From their point of view, engaging with Americans is often maddening as well. The Chinese continuously drop hints and cues yet the Americans frequently just ignore them. The Americans then have the audacity to scold them for wasting their time. To the Chinese, the anger displayed by the Americans is completely unfounded; they gave their response, the Americans simply ignored it. On top of that, the Americans even cause them to lose “face” in front of their colleagues with their pointed criticism. For many years the Chinese have had to bear with the American style of business because of our superior economic power. But as the global economic balance continues to shift, we will have to learn to return that favor.

Let’s now consider an example of how easy it is for a business dealing between a Chinese and an American to fall apart. John just received a call from his Chinese counterpart. He was hoping to hear that his company has secured the contract but was disappointed to hear the Chinese CEO just babbling on about how his daughter was graduating from college and how her future would

be so much brighter if she could stay and work in the US. Had John known more about the Chinese culture, he would have understood that the CEO was in effect asking John to help his daughter find a job so that she could stay in the US. This would have been a huge favor and the CEO would most definitely have returned the favor in kind. This could have been a great opportunity for the two to strengthen the relationship and advance the business. Instead, both sides are sour from the experience and a potentially great opportunity was wasted.

The conflicting cultures and styles make it more difficult for the Chinese and Americans to establish trust. Without trust, most business dealings would eventually fall apart. This situation is particularly problematic when Americans are trying to sell to the Chinese. As a customer, the Chinese have few reasons to bend to the American way when they can give the business to friends and family; people who understand them and have a long term relationship established already.

Companies can do business together but it is the people who actually make the deals happen. An on-going relationship is an immeasurable advantage when it comes to a business transaction, but they usually require a foundation of trust to develop first. Trust however requires mutual understanding; something that has been made very difficult for these two sides because of their cultural differences.

With increasing trade and larger investment amounts, the stakes are as high as ever in China. As Americans, we face an uphill battle in the region due to the cultural differences we have with the Chinese. To even the playing field, Americans should tap the expertise of people with management smarts and an understanding of both cultures. Finding these individuals will not be easy, but their contributions are absolutely needed for American business success in China.

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