

Doing Business in China

Part 3 - How Business Meetings in China Work

This article is the last part of the three part series of articles to be published in Recharge Asia magazine entitled “Doing Business in China”. The articles are designed to give the reader interested in doing business in China base information and a point from which to start working on that objective. This article has been written to try to give the reader some of the acquired knowledge about “Doing Business in China” that I have gained over the last 10 years.

Part 3 deals with “How Business Meetings in China Work” including all those things you need to know about the etiquette and protocols to observe during business meetings with Chinese companies.

Advice for Negotiations and Meetings

When scheduling appointments be sensitive to holidays such as Chinese New Year; many businesses will be closed during this period. The date of this occasion varies from year to year and so you should check the Chinese holiday calendar before making arrangements for a proposed business trip.

Contracts

Written contracts are secondary in China to personal commitments between associates. If there is to be a written contract, some Chinese executives will prefer to sign a principal agreement and let their subordinates work out the details at a later time. Chinese usually feel that single contracts are just one component of a larger relationship. In Chinese business culture, humility is a virtue. Exaggerated claims are regarded with suspicion and, in most instances, will be investigated.

Be patient, show little emotion, and calmly accept that delays will occur. Moreover, do not mention deadlines. Several trips to China will probably be necessary before the business arrangements can be finalized. Chinese businesspeople prefer to establish a strong relationship before closing a deal. With this in mind, keep your return plans flexible in case negotiations do not proceed according to schedule. Even after a contract is signed, the Chinese will often continue to press for a better deal.

Don't Say No If You'd Rather Not

The Chinese will not usually come out directly and say "no" to a proposal. They will find many indirect ways to reply. Ambivalent answers such as "perhaps", "I'm not sure", "I'll think about it", or "We'll see" usually mean "no."

Business Etiquette for Business Meetings

In China assumed that first person that enters the room is the head of the group. Westerners should observe this convention so as not to confuse the Chinese. In accordance with Chinese business protocol, people are expected to enter the meeting room in hierarchical order. For example, the Chinese will assume that the first foreigner to enter the room is head of the delegation. The hierarchy within a Chinese organization is complicated. It is often difficult to identify who makes the final decision. Thus, treat everybody with equal respect and be prepared to present your material to many different people at varying levels of authority. Only the senior members of your group are expected to lead the discussion. The Chinese consider interruptions of any kind from subordinates inappropriate.

In any meeting, it is rude to make the first move. For example, you should not pick a seat first, and you should not be the first to start eating at a lunch or dinner. Important guests usually are escorted to their seats. In a meeting room at a central table the principal guest likely seated directly opposite the principal host. Meetings begin with small talk. Resist the temptation to get down to business right away. Avoid telling Western-style jokes they usually don't translate well.

Business Etiquette for Business Dinners

Seating arrangements, which are based on rank, are stricter than in the West. For this reason it is often helpful to give your host a list of the people in you party and their rank. If this is not possible then introductions at the outset are a useful way of identifying "Who's Who."

Dinner tables in China are usually in a private room in a restaurant and are almost without exception large and round. The only "non-round" tables that you are likely to find will be in Western restaurants and even that is unlikely. Even though a round table mandates equality of place with respect to the center of the table there is a specific protocol concerning seating position. The arrangement of the positions of seating of individuals is very much a ritualistic affair. The most prestigious position at the table is the chair across the table from and facing the door to the room directly. The principal guest will be offered and escorted to this seat usually by the principal host. Guests should never assume that they may sit where they please and should wait for hosts to guide them to their places. Traditionally, the Chinese regard the right side as the superior and the left side as the inferior. The principal host will usually sit at the left hand of the principal guest. Diners will be seated according to rank around the table with the most junior sitting with their backs to the door. There is always ritualistic argument amongst the host diners deferring to one another in respect of the most prestigious positions at the table. This can and usually will involve much loud discourse and also physical persuasion of one diner to another. It is courteous for guests to wait for the principal host to be seated before they take their seats.

Food, Drinking and Toasting

Drinking and toasting are an important part of this social ritual. Toasting is always a continuous and important process throughout a dinner whether formal, informal, large or

small. Allow your host to make the first toast, as it is impolite for a guest to make the first toast. This first toast will usually be a long toast and include welcoming the guests and complimenting them in some way. It is likely that the principal host will stand and hold his glass out with both hands while making the toast. Chinese for "Cheers" is "Ganbei". The literal translation of this is from "Gan" which means, "empty" and "Bei" which means "glass." All drinkers will need to drink the whole glass that will have been poured for them and after drinking show the glass is empty tilting it slightly forward to the toaster. This first toast, which will be just after the first glass of drink is poured for all at the table, will usually involve all guests. After this, and after an appropriate interval of time in which there will usually be much small talk, there will be a toast between principal host and principal guest. Again the cheer "Ganbei" will be invoked and the toaster and "toastee" will drink the whole glass and after drinking show the glass is empty tilting it slightly forward to each other. After this, and again after an appropriate interval of time, it is respectful for the principal guest to toast the assembled group making note of the warm hospitality, complementing them on the food, the room, the region of the country, etc. Some research on background information is useful to help to make this toast. This process of toasting will continue throughout the dinner. There will be toasting of junior members to senior and vice versa, toasting between the host company members and toasts from the junior host members to the guests individually or as a group.

It is a matter of courtesy for the host to try to get his guests drunk. The carefree drinking of alcohol in the company of your business partners is considered to be a sign of confidence between the two sides of any business relationship. It signifies that the parties are confident in one another even to the point of unguarded disclosure of information, such as might be the case if any of the parties are drunk. Fortunately, the glasses that are typical at dinners are small, although you should be cautious as many small glasses do add up by the end of the evening. However, drinking in moderation is not a problem if one can manage the number of these small glasses are drunk. In general Chinese people and particularly Chinese women are not able to tolerate large amounts of alcohol.

The options of type of drink served will include beer, grape based wine and local drinks such as "Baijiu" or "Shaojiu." This is a Chinese distilled alcoholic beverage. The name "Baijiu" literally means "white liquor," "white alcohol" or "white spirits". "Baijiu" is often mistakenly translated as "wine" or "white wine," but it is actually a distilled liquor, generally about 80 to 120 proof, or 40-60% alcohol by volume.

"Baijiu" is a clear drink usually distilled from sorghum, although sometimes other grains may be used. There are many varieties of "Baijiu" produced in southern China that are typically made from glutinous rice, while those from northern China are generally made of sorghum, wheat, barley or millet. Because of its clarity, "Baijiu" can appear similar to several other liquors, but generally has a significantly higher alcohol content and its flavor is distinctive and unique. One popular and, probably the most famous Chinese "Baijiu" is "Maotai." This is produced in Guizhou province in southwestern China and is distilled from fermented sorghum with an alcohol content from the standard 53% (106

proof) by volume down to 35% (70 proof). This stuff can be lethal, as the author has unfortunately experienced on more than one occasion!

If you do not intend to drink alcohol, you should make it known at the very beginning of the meal to prevent embarrassment. Even then, the host may good-naturedly try to push you into drinking. One way to eliminate this pressure is to tell your host that you are allergic to alcohol. In the course of drinking at banquets, it is not unusual for some Chinese to become quite drunk, although vomiting or falling down in public entails loss of face and is to be avoided.

Cigarette smoking is an integral part of business meetings, lunches and dinners. Nowadays, the Chinese do understand that many Westerners do not smoke and will not press you to do so. It is usual for cigarettes to be freely and continuously offered person to person and smoked during meetings, lunches and dinners. Occasionally you may find more Western oriented contacts will ask if you mind if they smoke if you do not, but this is less usual. There are few non-smoking meeting areas in which you will have a meeting or dinner.

Eating is extremely important in the business process. Hosts always feel obliged to provide a meal for their guests. It is an obligation and should only be refused by a guest under the most pressing of circumstances. There will always be many different dishes served at the typical Chinese dinner. There is always a lot of food provided and dishes are brought to the table in succession for much of the duration of any dinner. Food is served "Family Style" from shared serving dishes for each type of food. Eating starts after the first set of dishes is brought to the table. The round dinner table usually will have at its center a "Lazy Susan" or turntable to enable the dishes to be offered easily to all diners. When a new dish is brought in and placed on the turntable, this will be turned such as to offer the principal guest first choice from that dish. Sometimes, there will be a set of serving chopsticks or a spoon with each dish but very often this is not the case. In the absence of serving utensils, one uses ones own chopsticks to bring food from the serving dish to ones own plate or bowl. Very often, and particularly between the principal host and the principal guest, the principal host will give food from the serving dish to the principal guests plate or bowl. This is considered to be very polite and has the connotation of friendship and bonding. Courses such as soup and noodles may be eaten/drunk with the sound of "slurping" which is not considered impolite as in the West, but rather as a sign of delight and great appreciation for such good food. Inevitably, there will be a considerable amount of food left uneaten. This again is considered to be good as the host will then know that he has satisfied the need to ensure that his guests have eaten their fill and do not leave his hospitality hungry.

The use of toothpicks at a table is a standard practice. As in most Asian countries, the polite way to deal with lodged fragments of food is to cover one's mouth with one hand while the toothpick is being used with the other. Toothpicks are frequently used between courses, as it is believed that the tastes of one course should not be allowed to mar one's enjoyment of the next course. Toothpicks have another major value. They are ideal, and

socially acceptable, for picking up those meal items that often defy the best chopstick approach: slippery button mushrooms, jellyfish slices of watermelon and other fruit.

There are superstitions associated with chopsticks. If you find an uneven pair at your table setting, it means you are going to miss a boat, plane or train. Dropping your chopsticks will inevitably bring bad luck, as will laying them across each other. It is considered bad luck to lay the chopsticks down pointing left to right or vice versa. They should always be laid down pointing away from you.

Business Etiquette in Gift Giving

Gift giving and the exchange of gifts are very common in the development of business relationships in China. It is appropriate to bring a gift for your host, particularly something representative of your hometown or country, to a business meeting or social event. Gifts indicate that you are interested in building a relationship. When visiting a place of business, you could give a single large gift to the company as a whole or a gift to your principal host and others. Gifts to individuals should be of lesser value, in the range of US\$10.00 to US\$15.00.

Gifts should be wrapped and the paper used should be in the traditional lucky colors of gold or red. Avoid plain black or white because these are the colors of mourning. Present the gift with both hands as a sign of courtesy mentioning that it is only a small token of appreciation. Do not expect your gift to be opened in your presence. This indicates that it is the thought that counts more than the material value. Never give a clock, handkerchief, umbrella or white flowers, specifically chrysanthemums, as a gift, as all of these signify tears and/or death. The word for “clock” – “zhong” in Mandarin sounds like ‘end’, and to give someone a clock is considered to sound like burying the dead. Thus a clock or other such timepiece is not an appropriate gift. Never give a gift of a sharp object such as a knife or scissors as they would signify the cutting of a relationship. Gifts express friendship and they can symbolize hopes for good future business or appreciation for a favor done. The Chinese consider the Western habit of simply saying “Thank you” for a favor glib and less than sincere.

Sometimes you will experience that the recipient will refuse a gift two or three times before finally accepting it. This is considered polite and for westerners the process can be tricky. If the Chinese person appears embarrassed when he refuses your gift and says that he cannot possibly receive such a nice item, the proper thing to do is to insist that your gift is only a small token and to add that you would be honored if it were accepted. As a rule, after some hesitation, the Chinese will accept the present graciously.

Enjoy Getting to Know China, Chinese Culture and the Chinese People

It has been a pleasure for me to write this series of articles, “Doing Business in China.” I hope that you will find getting to know China, Chinese Culture and the Chinese People is a fascinating and enjoyable experience. For me, it has been a delight to meet, get to know and work with Chinese business people. As with people the world over, there are great differences but underlying everything the vast majority of people of whatever nationality have the same common goals in life. As I have previously espoused, having common

goals with and understanding your counterparts by knowing getting to know their country, culture and nation will inevitably lead to mutual success. I wish all of the readership the best of luck and in my very best Mandarin "Gongxi Facai!" If you literally translate this it would mean, "wishing you enlarge your wealth" and is a common phrase to use even as a toast, but the phrase is generally used as Happy New Year. So "Gongxi Facai" everyone in you adventures in China!