Chinese Cultural Social Values and its impact on Business Relationships

Chinese business networks are sustained by Chinese cultural values and tradition; qinqi, guanxi and guanxiwang. Without one of these cultural values networks will invariably collapse.

Trust, reciprocation, face, time, harmony, hierarchy, power distance, long-term orientation and have been identified as the key Chinese cultural values.

These Chinese cultural values are the main representations of the seven core canons of Confucianism:


Trust/Mistrust

In China, inherent and chronic suspicion prevails. Chinese ‘appear to be quite suspicious and cold towards strangers with whom relationships have not been established’.

Nobody can be trusted except one’s kinfolk in the form of the extended family, a social network consisting of family members, relatives, friends, classmates, colleagues etc which is the immediate sphere on which trust can be established, reciprocated and developed.

Such an obsession with trust is caused by another, often neglected, phenomenon in China, the old rogue or jiao hua. Dishonesty in business transactions traditionally is ‘to be expected’.

A great deal of adulteration of goods is practiced, for example, weights and measures are juggled.

To protect one’s interest and ensure that opportunistic behavior and cheating are kept to a minimum, trust must be established before any serious business relationship can be firmly established.

Trust-based ‘guanxi and guanxiwang’ is the Chinese alternative to the open market philosophy of Western business.

Not coincidentally; for both transaction cost theory and network theory, trust has been also regarded as a critical component of the network (Thorelli 1986; Jarillo 1988; Williamson 1988). Williamson advocates that exchange relationships based on personal trust will survive greater stress and display greater adaptability. Thorelli observes that trust in Oriental cultures may even take the place of contractual arrangements.

Face, Hierarchy and Power Distance

FACE is a concept of central importance because of its pervasive influence in interpersonal relations among Chinese. Chinese face can be classified into two types, ‘lian’ and ‘mian-zi’.

‘Lian’ represents the confidence of society in the integrity of ego’s moral character, loss of which makes it impossible for an individual to function properly within the community.

‘mian-zi’ stands for the kind of prestige that is emphasized, a reputation achieved through getting on in life, through success and ostentation. When ‘lian’ is lost, a person will feel that he/she can no longer live in the world.

Loss of ‘lian’ within a guanxiwang as a consequence of opportunistic behavior means that peers will no longer have confidence in the persons or firms concerned. As a result, their membership within a ‘guanxiwang’ and in society will be untenable.

Therefore, face can be another hostage, which minimizes the possibility of opportunistic behavior within a guanxiwang.

This is another reason why ‘guanxiwang’ cannot merely survive but can also develop in mainland China and overseas Chinese communities.

‘Mian-zi’ can also be used to form new guanxiwang. One of the Confucian virtues is to respect authority and the elderly. Someone with authority, often elderly and with a recognized good reputation can ask favors of others.

The person may act as the intermediary to start a new exchange relationship. Favors can also be asked between friends. It is an accepted norm that as ‘old friends’ one should give face to the other
when favour is requested. Once again, it has been shown that the Chinese cultural values such as face, hierarchy, and power-distance are closely related to the creation and development of the business network.

**Reciprocity**
Guanxi cannot be sustained between two parties if there is no need of reciprocity. Like face, the principle of reciprocity is universal but, with the Chinese, the concept has particular salience.

When internalized in both parties, the norm obliges the one who has first received a benefit to repay it at a later time. Consequently, there may be less hesitancy in being the first and a greater inclination to affect the initial exchange so that the social relation may get underway.

For most Chinese, a transaction or exchange will only take place when there is a perceived mutual benefit for the involved parties. As indicated earlier, reciprocity is a ‘hostage’, which sustains a network relationship. Without reciprocity, established guanxi will elapse.

**Time/Long Term Orientation**
The time dimension for Chinese has two orientations: past-time orientation and community. This implies that for Chinese, once a relation is established it is hard to break and once a relation is broken, it is very difficult to reestablish.

Continuity indicates that Chinese people are long-term oriented. Once guanxi is established, both parties will try their best to maintain the relationship by reciprocating benefits.

Compromise is the preferred solution for conflict resolution. Future business opportunities also act as hostages to a business relationship. The benefits of establishing a long-term supplier or buyer relationship have been regarded as one of the pillars of Chinese management styles that are now being enthusiastically followed by western firms.

An emphasis on long-term relationships is also essential to the development of trust, which is considered as the critical component of a business relationship.

**Harmony**
The Confucian ‘Doctrine of the Mean’ advocates that individuals should avoid direct competition and conflict, and to maintain inner personal harmony. It has been found that traditional Chinese cultural values and cognitive orientations have influenced the Chinese people to preserve harmony by avoiding confrontation and to adopt a non-assertive approach to conflict resolution.

Guanxi cannot survive without harmony between two parties in a relationship. Without a harmonious relationship, trust cannot be established, face cannot be saved, reciprocity will not continue and the guanxi will wither and die.

It is evident that the very principles that help sustain and develop networks overlap with the key Chinese cultural values. That is why guanxiwang as a form of organizational governance is so widespread in both China, and overseas Chinese communities.

Chinese have had a deep belief in the forces of death, and of a life after death. For the ancient Chinese, from emperors to peasants, life and death were inseparable and continuous.

One reason is that Chinese believe their ancestors’ souls could do them great good or harm according to how well - or how poorly - they respect them. The post-mortem rituals that society today regards as ancient Chinese religious practices are merely threads of everyday life, woven into a cultural fabric as spiritual as it is secular.

If the Chinese have a religion it is carrying out personal rituals that honor their family ancestors. Praying to an abstract, divine god or savior in attending church, synagogue or mosque is alien to Chinese culture. Confucius went to great lengths to ensure that his teachings did not result in a deity.

Imperial tombs were filled with fabulous riches, sealed with human sacrifice - in the earlier dynasties, at least - and guarded like the palaces of the living. Peasants may have buried their dead with far more modest accompaniments: crops from their farm fields, perhaps, or other symbols of good will, but no less devotion.

Intermingled with such piety were beliefs in spirits that governed the stars, the weather, forces of nature and animals, among others, heaven and earth.

There were, as in many cultures, guardian gods for local areas or regions. Despite a strong cultural emphasis on magical and mystical forces,
ancestral worship wasn't merely folk religion.
Chinese monarchs believed imperial ancestors
dwelled in Heaven with a supreme spirit and ruler
called Ti, who also determined the fate and
success of each royal administration.

This appears to conjoin extremely well with
Mencius' branch of Confucianism interpretation of
the mandate of heaven, which was adopted during
the Western Han Dynasty.