

Business and Culture in China

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THE BUSINESS ENVIRONMENT IN CHINA

The large nature of China's economy makes it strong, having different regional and industrial ideologies when it comes to business and its dealings. China is very dominant considering a global view of the market as an investor, producer, and also an investment destination for international entities. Most companies hoping to hold a top global market position consider China as a strong location for market and production demands. [W. John Hoffmann (2008)]

The Chinese bond and stock market, banking sector, and shadow banking sector all making up China's financial system are a major part of China's economic growth. More recent players like FinTech in China, which began to make waves in 2017, also contribute to the more recent economy. [Zhiguo He and Wei Wei (2023)]

On the political end, as described by Jim Zarroli (2019), China's business environment was said to have a "strong business-government relationship," considered by critics to be unfair to international companies based on huge subsidies rendered on local products against competing foreign businesses. Michael Korchmar did conclude that the government of China runs the economy after his personal experience on how businesses are done in the country.

PROS AND CONS OF A CHINESE JOINT VENTURE

The Chinese joint venture could take one of two forms: the equity joint venture (EJV), a limited liability enterprise, or the cooperative joint venture. Here are the advantages and disadvantages of Chinese joint ventures:

1. Completing a partnership agreement could be very lengthy and costly; however, businesses that are restricted by the government to only Chinese companies can, through joint ventures, access such a market.

2. A Chinese partner may already have experience doing business in China; however, the intellectual property of your business is more vulnerable in a joint venture than not.
3. The Chinese partner can carry out all application and registration matters on behalf of the joint venture; however, the business plans may not be carried out as intended by the foreign investor due to the self-managing nature of the Chinese joint venture.
4. You gain access to the Chinese partner facilities, workforce, sales, and distribution channels. However, there is very low security to trade secrets in a joint venture.
5. Bureaucratic issues could be reduced or avoided, however, the profit of the joint venture is also shared with the Chinese partner company.

[Kris khalil (2024)]

CHINA CULTURAL ANALYSIS

To clearly understand the cultural perspective of China, we can picture it from a value-based system such as Hofstede's six dimensions.

1. Power distance: characterized by the existence of class divide and hierarchy. Lower employees were observed to take up hierarchical communication when dealing with superiors, making China a large power distance culture.
2. Collectivism or Individualism: Favor's collective ideas over individual thinking. China's culture is more loyal to family than personal friends.
3. Femininity and masculinity: Women and men are seen equally in the Chinese business world.
4. Uncertainty avoidance: Guidance is needed more by the Chinese in business, as they would rather be guided than take actions themselves, making them high in the uncertainty quotient.
5. Short- or long-term orientation: The Chinese are characterized by a long-term orientation. They could sometimes take longer to complete a business transaction due to this cultural stand.
6. Restrain and Indulge: Having very limited public exhibition of emotion or aggression, China is said to have a more restrained cultural value.

RISK OF DOING BUSINESS IN CHINA

Many risks come into play when during business in China. These risks include:

- Partner deciding to pull out of the business could strongly impact the operational flow of the business.
- There may be a high demand on finance to cater for workforce, facilities, and distribution as a foreign-based company.
- Intellectual property vulnerability makes it easy for a replica of the business to surface in the country.
- Governments favoring local businesses would have larger levies on international business where there are no joint ventures.
- Accessing the market in China may be difficult with the difference in cultural understanding and values.

RECOMMENDATION: What are potential areas of growth that may attract investors to China? How to mitigate potential challenges in doing business with China?

According to Kris khalil (2024), here are a few decisions one could take to reduce the prevailing risk of doing business in China:

- * Ensure that the general manager is defined to be employed by the joint venture and not the Chinese partner.
- * A proper research on the partnering company's finances, partnerships, and licenses.
- * The majority owner of the business should have the right to remove and appoint representatives.
- * The official contract should be in Chinese, so it has to be easily enforced in a Chinese court.

A better property protection law can help mitigate proprietary theft in China.

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