



# MARKETING MANAGEMENT IN CHINA:

WEEK 11:

## CHINESE CULTURE AND HOW IT AFFECTS THE WAY OF DOING BUSINESS IN CHINA

**OCEAN UNIVERSITY OF CHINA**

**25th INTL. CHINESE BUSINESS PROGRAM**

**Marketing Lecture Series**

***Rainer Appel***

Wednesday, 13:30-15:20 & 15:30-17:20

# Homework

- **Read the Haier cases**
  - „Haier: The Chinese Global Competitor“
  - „Haier Group’s Strategy in the US Market“
- **QQ / Yahoo.cn project**
  - Send me an e-mail (if you haven’t done yet)

## Comparison between the Cultures

<b>Western Culture</b>	<b>Chinese Culture</b>
<b>Greco-Roman philosophy</b>	<b>Confucianism</b>
<b>Judeo-Christian philosophy</b>	<b>Legalism</b>
<b>Renaissance</b>	<b>Neo-Confucianism</b>
<b>Enlightenment</b>	<b>Maoism</b>
<b>Colonialism</b>	

# Western Culture

- **Greco/Roman philosophy**
  - science → rationalism
  - Debating
  - political system → democracy
  - ethical values
  - legal system (Roman empire)
  - ‚Language‘ (Latin)
- **Judeo-Christian philosophy**
  - spiritual thinking/customs
  - ethic/moral traditions, (law)
- **Renaissance**
  - Scientific revolution
  - Reformation
- **Enlightenment**
  - Human rights
  - Equality
  - Democratic values
- **Colonialism**

# Chinese Culture

## ➤ Confucianism

- Ethical and philosophical system developed from teachings of philosopher Kǒng Fūzǐ (551–479 BC)
- Developed after decades of great unrest to make it easier to govern people
- Themes
  - Ritual, Relationships (filial piety, loyalty), humanity (reciprocity), gentleman, names
- Critique (*from a Western point of view*)
  - Corruption, stagnation, loss of free-will/individuality, female (in)equality

## ➤ Leglism

- Political philosophy by Qin Shi Huang (259 - 210 BC)
- „People are bad by nature and need to be controlled by the government“

## ➤ Neo-confuciansim

- Form of Confuciansim primarily developed during Song Dynasty (960-1279)
- Merges elements of Confucianism, Daoism, and Buddhism
- Start of imperial examination system during Ming dynasty (1368 - ...)

## ➤ Maoism

- Derived from teachings of Mao Zedong (1893 – 1976)
- variant of Marxism (agrarian rather than industrial)
- Incorporated in the Communist Party's Constitution
- „Attempt to combine Confucianism and Socialism“

# 三十六計 vs. 孙子兵法

## ➤ 孙子兵法

- Chinese military treatise
- 13 chapters about aspects of warfare (strategies)
- Has also been applied to fields outside of warfare in modern days (e.g. business)
- Recorded: 722–481 BC or 476–221 BC by 孙子 et al.

## ➤ 三十六計

- Series of strategems used in:
  - Politics, war, civil interaction
- Often through unorthodox or deceptive means
- Orally transmitted; only recently recorded (1941)

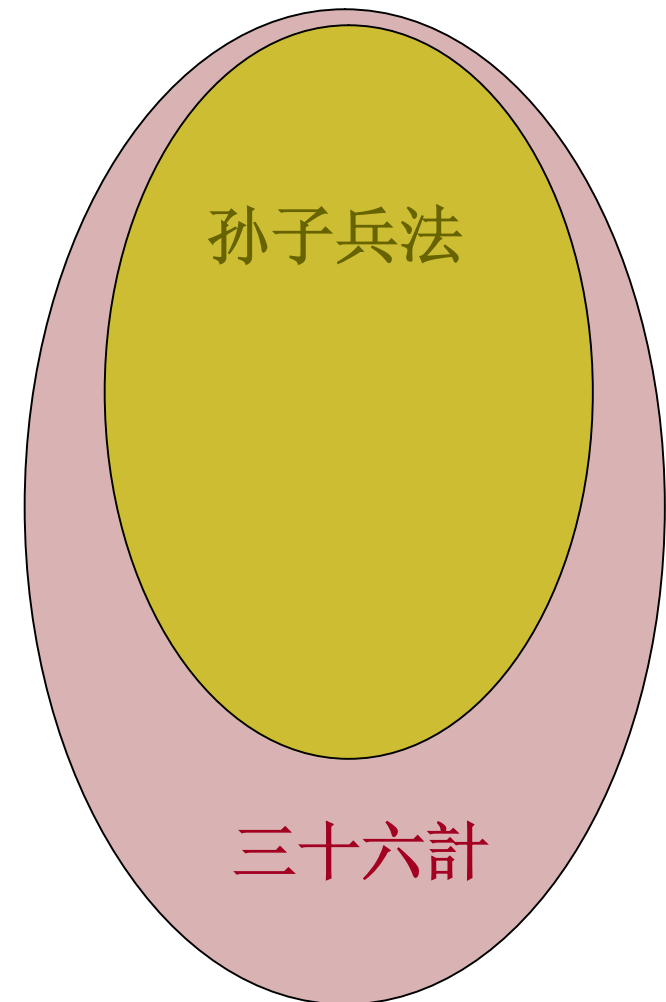
# 三十六計 vs. 孙子兵法

## ➤ 孙子兵法

- More like a book about military strategies at its time
  - In analogy to Clausewitz “On War”
- <http://www.online-literature.com/suntzu/artofwar/19/>

## ➤ 三十六計

- Collection of stratagems
- Clever/unconventional approaches to everyday life problems,
- Often with some kind of deceptive twist
- <http://www.squidoo.com/the36strategies>



# Applications

- **Negotiations**
  - „How old are you?“
  - „Are you married?“
  - „Do you have children?“
- **„Westerners“ often use „Harvard Concept“**
- **Chinese use Stratagems**



A straight shooter like John Wayne would have found it difficult to do business with the Chinese.

## Harvard Concept (recall)

- **Negotiations should**
  - should result in reasonable agreement
  - should be efficient
  - should improve relationship between parties
- **For this, 4 aspects should be kept in mind**
  - Separate people from problems involved
  - Focus on interests of participants, not their position
  - Develop several alternatives prior to decisive meeting
  - Result should be based on objective decision criterions
- **Implies well-structured proceeding**
  - Linear
  - Time sequence → Milestones
  - Individual points are individual and clearly defined

# Chinese Way of Thinking

- **Higher need for Context and Information**
  - See Hofstede (Low context/high context cultures)
- **Follows spiral logic that includes the whole context**
- **Use stratagems**
  - Sign of wisdom
  - It is assumed, that other party also uses them
    - If not used, one is considered ,naiv‘ and worthy to be ,duped‘

## Guanxi (关系)

- **3 things that matter when it comes to business in China**
  - Guanxi, Guanxi, Guanxi
- **Other expression/translations for Guanxi**
  - The art of networking
  - Social capital
- **For Chinese more important than for foreigners**
- **Still very important, but becoming less necessary**
- **Personal asset, not a source of competitive advantage!!!**

# Guanxi (关系)

- **Why does Guanxi matter?**
  - Lack of legal protection
  - Lack of transparency
  
- **When is Guanxi a problem?**
  - When it violates bureaucratic norms →
    - Favorism
      - Patronage: Nepotism, Cronyism
    - Corruption
      - Red envelopes, concubinage, favoritism

## Guanxi (关系)

- **What is done to counteract Corruption?**
  - New laws
  - Tighter controls
- **Should you engage in Guanxi?**
  - Yes!
- **Should you engage in Corruption?**
  - No!

## Newsweek Article (1)

### *„Everything you know about China is wrong“*

- **Currently China economy driven almost entirely by state investments**
  - Q1&Q2 2009: 88% of GDP growth
- **Most stimulus money ends up in real-estate markets**
  - E.g. Shanghai real-estate market is up 60% in 2009
- **Number of private enterprises will decrease**
- **State enterprises enjoy huge advantages**
  - 3% loans from state-owned banks, vs.
  - >10% loans for private enterprises
  - → forced to tap underground markets

## Newsweek Article (2)

- **Av. Size of successful business  $\approx$  30 people**
  - **Mainly due to raising capital**
- **Chinese state owns >67% of all fixed assets**
- **Stock markets: 70% are state-controlled companies**
- **Exports down 20%, but economy is up 8%**
- **„Made in China“**
  - **Most goods are merely assembled in China**
  - **E.g. iPod: only 5% of wholesale price comes from China (parts & labor)**
- **China has smallest consumption/GDP ratio of major nations (37%)**

## Newsweek Article (3)

- **Chinese companies going abroad**
  - Mainly government-run exploration companies
    - Oil, mining
  - Little potential of becoming global brands
- **Legal/educational system**
  - Weak legal protection for intellectual property
  - Educational system mainly focused on learning and metrics vs. creativity and innovation
- **China is going green**
  - China has worldwide largest green stimulus package (\$218 bn.)



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