The changing Chinese culture and business behaviour

During the past three decades China has been transformed from one of the world’s most isolated and backward economies to its fastest growing and most dynamic economy. Since 1978 China’s GDP has grown by 10% per year on average. The Chinese economy was worth 21.09 trillion yuan in 2006 or 2.65 trillion dollars (China Daily, 2007).\(^1\) If the current growth momentum continues, China will overtake Germany to become the world’s second largest trading nation in 2008. The living standard of 1.3 billion Chinese people has been rising in general and particularly in coastal regions. The World Bank estimates that approximately 500 million Chinese people have been lifted out of poverty since 1980.

Many people see China’s successful transformation as a result of China’s well-planned strategy to move towards a market system after Mao. But we can recall that China did not seem to have a crystal-clear vision as to where to go exactly when Mao died. Looking back, had China had any successful development strategy, it would have been the old Chinese wisdom of “groping for stones to cross the river” (Nolan, 2004). It is China’s entrepreneurial spirit, its humility to learn from the West, its courage to experiment new things, and its determination to never give up that have tuned China around after Mao.

For almost three decades, since the founding of the People’s Republic of China (PRC) on October 1, 1949, China was in constant internal political turmoil where economic development had hardly been a real focus. In particular, the Cultural Revolution (1966–1976) ruined China’s economy and destroyed the moral foundation of Chinese society. In the mid-1970s China was isolated from the rest of the world and poor in absolute terms. Being poor was considered “glorious” in the old Communist China; a prevailing political slogan in China at that time was: “Prefer poor socialism not rich capitalism!” Private ownership and private business were condemned as capitalist evils.

When Mao died on September 9, 1976 China was in its history’s deepest crisis. An intensive debate was taking place in China as to what ideological direction China was to move in. In December 1978 the Chinese Communist Party with Deng Xiaoping as its new leader eventually reached the compromise that it is the reality, not anything else (not even the Communist dogmatism nor Mao’s Little Red Book) that constitutes the only criterion to verify truth. Deng Xiaoping is quoted as saying: “It doesn’t matter if the cat is white or black; the cat that can catch the mice is the good cat!” This was the turning point of China’s development and probably the most important breakthrough in contemporary Chinese politics, which enabled China to turn down, slowly but surely, its old ideological, institutional and cultural taboos to move beyond Mao.

After some initial successful experiments made in agriculture in terms of “household responsibility system” China was setting out to make bolder reforms in urban regions. In 1979 China promulgated its first joint-venture law to attract foreign capitalists to invest in China. The reform experiment started in 1980 in south China (Shenzhen, Zuhai, and Shekou) in terms of Special Economic Zones, where the old socialist “iron rice bowl” (tiefanwan) was broken down and people were allowed to earn more by performing better. Modern infrastructure, production facilities and logistics networks were built up and special tax and land policies were implemented to attract foreign as well as domestic entrepreneurs to invest in these zones. People who lived in China at that time could hardly forget the meaning of the “Shenzhen Speed”: building an entire floor of an

\(^1\)Based on the then exchange rate of 7.97 yuan to the dollar.
office compound takes 3 days! In 1980, Shenzhen was only a fishing village with less than 30,000 inhabitants. Today, Shenzhen is a busy metropolis of nearly 10 million inhabitants.

The “Shenzhen Speed” and its successful reform experiment inspired the rest of China. Since 1984, the Shenzhen model has been “copied” first by coastal cities and then by increasing number of inland provinces. Special Economic Zones, logistics terminals, high-tech parks, and innovation centers with foreign and domestic investments have mushroomed across China.

However, China’s development was dampened in a short period of time following the Tian An Men crackdown in June 1989. But the new wave of Chinese economic reform was taking off irresistibly after Deng Xiaoping’s famous tour in south China including Shenzhen in early 1992. At a time when few Chinese dare to stand out to become rich, Deng Xiaoping’s slogans “Let a few people get rich first”, “To get rich is glorious”, and “Development is the real truth” served as China’s new ideology and catalyzed China’s unprecedented race to market. The spirit of Chinese entrepreneurship, which was “killed” under Mao, was “reborn” in Mainland China!

Today, China is at the very frontier of international business and “a laser-light focus” in multinationals global business chessboard. In the words of Charles Browne, President of Du Pont China (Fernandez & Underwood, 2006, p. xiv): “If you go to our headquarters and ask which region we are concentrating on, the answer is that we are focused on China, China, China.” China’s import and export volume reached US$1.76 trillion in 2006 and it is expected to exceed US$2 trillion in 2007 (compared with US$20.6 billion in 1978).

Thirty years ago, China had almost zero foreign direct investment (FDI) with extremely limited international business experience. Today, China is one of the world’s largest FDI recipients with the FDI influx reaching US$63 billion in 2006. Nearly 600,000 foreign-invested companies including more than 400 of Fortune 500 multinational corporations (MNCs) are operating on the Chinese soil. “China now exports in a single day more than it sold abroad during the entire year of 1978” (Meredith, 2006, p. 16).

Since China’s accession to the World Trade Organization (WTO) in 2001, Chinese firms have become increasingly active in going international. Huawei, Haier, Lenovo and Midea are eminent examples. In 2007, 22 Mainland Chinese companies were on the Fortune 500 list. Chinese companies have started making use of Western consultancy expertise to improve management and performance (Fernandez & Underwood, 2006). Thirty years ago, private business did not exist in China; today, private and non-state sectors contribute to more than 70% of China’s GDP. In March 2007, a new law was passed by the National People’s Congress to legitimize private ownership in China, another milestone in China’s development.

China’s transformation would not have been possible without active learning from the West. The number of Chinese who have pursued studies in foreign institutions of high learning during 1977–2006 had exceeded 1 million (People’s Daily, 2007). Chinese institutions of higher learning are “actively courting foreign-trained faculty”, showing openness and willingness to adjust curriculum and making changes (Shenkar, 2005, p. 4). More and more Chinese universities and business schools are setting up joint programs with foreign counterparts. For instance, Nanjing University offers EMBA Programme in cooperation with Cornell University in the United States and dual international MBA with the University of Missouri—St. Louis. Nanjing University MBA students study 1 year at Nanjing University and 1 year at the University of Missouri—St. Louis. The international MBA students also have 3-month paid intern in multinational corporations while they are studying in the United States. It is increasingly common to see Chinese and foreign students/executive sitting side by side to learn knowledge, share experience with each other, and find solutions to problems. The standard of executive education in China (e.g., MBA, EMBA, MPA, EDP) is improving through joint programs and faculty exchanges with Western business schools. Recent years have witnessed considerable advancement of the ranking of Chinese universities and business schools in global contexts.

Mobile phone and Internet becomes an integral part of Chinese society. China is the world’s largest mobile phone market with 508 million mobile phones by September 2007. The Internet is gaining an increasing power in China in shaping public opinions and influencing government policies. There are 162 million Internet users in China by June 2007, making China the world’s second largest Internet nation (only after USA with 211
million subscribers). China’s Premier Wen Jiabao said in a press conference in the National People’s Congress in March 2005:

Yesterday I was surfing the Xinhuanet.com. Our web citizens knew I would hold a press conference today and they raised as many as several hundred questions. I was deeply moved by their concern for politics. Many of their suggestions and opinions deserve serious consideration by me and by our government.

In the process of preparing this special issue we have been inspired by various perspectives about China. In a seminar on Chinese culture held in Stockholm, Wang Meng, a renowned Chinese writer, used the words “the change of the human world” (huan le renjian) to express his sentiment about the changing Chinese society after Mao. CEOs of multinational corporations in China also see change as a central theme in Chinese business landscape. For example, Steve Gilman, B&Q’s CEO for China and Asia said (Desvaux & Ramsay, 2006, p. 90):

To be honest, it’s difficult to say that there’s anything that’s specific to China, anything that you don’t see everywhere in the world. The only thing that is really different is the speed of change.

Globalization, FDI and the Internet are linking China with the world and exposing Chinese people to foreign concepts, technologies, cultures and lifestyles. Surfing China’s websites www.sina.com.cn, www.sohu.com.cn, www.baidu.com.cn, www.chinadaily.com.cn, www.people.com.cn, we see the society’s more and more positive attitude towards market, individuality, and self-expression among other things. “When you go to the Party School in Beijing, they are no longer teaching you Marxist Leninist economics. They are teaching modern economic modelling” (Fernandez & Underwood, 2006, p. 219). Observation as such seems to point to the transformation of China from Mao to Money. At the same time, however, there are observations suggesting that some old values and habits still remain and persist (see Faure & Fang in this special issue).

China faces massive challenges, such as the growing inequality, the degraded natural environment, the declining capabilities of the state, the widespread corruption within the Chinese Communist Party, the psychological challenges in China’s integration with the global economy at a time of unprecedented individualism and materialism, and the extreme dangers in engaging closely with the global financial systems (Nolan, 2004). It is also a challenging task for China to train and develop its human resource (HR) and adopt best suitable HR management theories and practices on Chinese soil (Zhao, 2001). Probably the biggest challenge is “the continued absence of institutionalized social capital” or institutional trust that limits Chinese firms’ capacity to grow and prosper as global players (Redding & Witt, 2007, p. 222). How China will meet these challenges would cause an enormous impact on global politics, economy, and international business.

This year (2008) marks the 30th anniversary of China’s “open-door” policy (1978–2008). China has attracted a surging research interest and China business knowledge production has been accelerating since the 1980s especially after China’s accession to the WTO in 2001. However, China business research has rarely been approached from a change perspective in international business literature. It is our pleasure to present six articles, which have been selected from among 30 submissions to this special issue.

The article “Changes in institutional context and MNC operations in China: Subsidiary HRM practices in 1996 versus 2006” by Ingmar Björkman, Adam Smale, Jennie Sumelius, Vesa Suutari and Yuan Lu examines the changes that occurred between 1996 and 2006 in the Human Resource Management (HRM) practices of European-owned units in China. “Two convergences” have been identified over time suggesting that the subsidiary HRM practices during 1996–2006 have become similar to both those of local Chinese firms and those of their parent organizations. This “hybrid” finding seems to reflect today’s dynamic Chinese business environment, where learning and knowledge transfer is impacted by for example both the MNC headquarters and the host country environment.

The article “Changing success and failure factors in business negotiations with the PRC” by Tony Fang, Verner Worm and Rosalie L. Tung reports the finding of their survey in which a questionnaire, which was used in two earlier studies in the 1980s and in the 1990s, respectively, was adopted again to investigate the success and failure factors in business negotiations with post-WTO China. Based on the survey and qualitative interviews, the article suggests that the success and failure factors are in transition. The article emphasizes the

importance of trust, professionalism, technology, and price competition in negotiations with the Chinese in today’s China.

Isabella Chaney and Jos Gamble’s article “Retail store ownership influences on Chinese consumers” draws our attention to retailing in China. By comparing the perceptions of Chinese consumers in Chengdu (a less-developed inland city) versus Shanghai (China’s most developed city on the east coast), the article suggests that geographic and demographic factors influence Chinese consumers’ attitude towards retail store ownership. The article implies that China is not a homogeneous market and the Chinese consumer behaviour varies from region to region. This provides both challenges and opportunities for foreign and domestic retailers when approaching the Chinese market from a regional perspective.

In “Chinese culture, modernization, and international business”, Kwok Leung discusses the dynamics of Chinese culture in modernization. Chinese culture and behavior are analysed by looking at the concept of “materialistic achievement”. Leung distinguishes between “social behaviour” and “economic behaviour” of Chinese people, the former being influenced by traditional norms and values whereas the latter being driven by the contemporary social ethos and institutional factors. This distinction provides an opening to explain paradoxical Chinese behaviour such as both long-term and short-term orientations of Chinese culture. The article also suggests that materialistic achievement based on greed and immorality has fuelled widespread corruption and unethical business behaviour in today’s China.

In his article “The changing Chinese culture and business behaviour: The perspective of intertwinement between guanxi and corruption” Yadong Luo argues that China is currently moving towards a demoralized society in which guanxi and corruption become increasingly intertwined. Luo points out that today’s Chinese business culture and behaviour are changing in opposite directions: one towards the bright side in terms of the increased competitiveness and capability building, the other towards the dark side by way of “intertwinability” between guanxi and corruption. This text follows Luo’s (2006) latest book on corporate governance and complements his earlier book Guanxi and Business (Luo, 2000) in which the tactical dimension of guanxi is not fully examined (Fang, 2001). The article is important for generating a balanced debate about the concept of guanxi whose positive side seems to have been too much emphasized (e.g. see Davies, 1995), whereas the negative side (e.g. see Fan, 2002) neglected in the literature.

In their article “Chinese values: Keeping up with paradoxes” Guy Olivier Faure and Tony Fang have inspired us to understand today’s Chinese culture from the perspective of the Yin Yang principle and paradox. Following Fang’s (2006) dialectical proposition that if there exist “+Vi” in a national culture, there must coexist “−Vi” in the same culture depending on situation, context, and time, the authors have discussed eight pairs of paradoxical values in today’s Chinese society. For example, guanxi and professionalism, though contradictory to each other in many respects, remain meaningful in doing business in today’s China. The article has contributed to the literature by pointing out the coexistence of paradoxical values in Chinese culture as reflecting the dynamic nature of the culture and the impact of globalization on Chinese society. The changing Chinese culture and business behaviour needs to be understood in a larger context of institutional change and cultural learning in globalization. Without an institutional perspective (e.g., Peng, 2002) changes would not be possible. Values, beliefs and behaviours are subject to changes when economy develops (Inglehart & Welzel, 2005) and when cultures interact with each other (Naylor, 1996). By “changes” Guy Olivier and Tony Fang do not mean to suggest that China’s traditional value system is just being replaced by a new modern value system, but that the coexistence of paradoxical value systems is nowadays (like also in the past) a fact of Chinese life.

In the age of globalization culture seems to continue to impact on firm strategy and performance, but not in a traditional sense as critiqued by Singh (2007), but in terms of the integration of “the emerging global culture” (Bird & Stevens, 2003) with local traditional culture. Eight “8” is a favoured number in Chinese tradition. The fact that the Beijing 2008 Olympic Games will be inaugurated on August 8, 2008 (more exactly at 8 min past 8 pm) is just one example of how culture, manifested in both tradition and modernity, will continue to characterize China’s and Chinese firms’ strategy, performance and development. We hope that this special issue will provide some useful perspectives and inspirations for researchers and business practitioners who are interested in China.
References


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