

Building Compliance Relationships in China

Today, the Games the XXX Olympiad will open with soccer matches (football for you non-Americans out there). On Friday London will officially take over from Beijing, host of the last Games. Even with the 2008 Games, many companies still find the Chinese market tough to crack both in business and in compliance. However, a recent article in the Summer 2012 edition of the **MIT Sloan Management Review** may help both business and compliance professionals in understanding some of the cultural differences in Western and Chinese practices.

In an article entitled “*Building Effective Business Relationships in China*” author Roy Chua explored some of the ways in which the ‘Chinese’ way of doing business is being Westernized and explained that non-Chinese executives must still work hard at building effective relationships with Chinese business partners. He came to these conclusions based upon six years of research, together with un-named colleagues, on trust, cultural psychology and business relationships in China. As a part of the specific research for his article, Chua interviewed 130 US managers and 203 Chinese managers.

The author posits that the central feature to a successful business relationship in China is trust. But he cautions that trust must be developed in two ways; from the head and the heart. He terms the first type of trust or ‘trust from the head’ as “cognitive trust” which “emanates from the confidence that one has in a person’s accomplishment, skills and reliability.” The second type of trust or ‘trust from the heart’ is called “affective trust” and he believes that this “arises from feelings of emotional closeness, empathy and rapport.” The author cites the Chinese word for trust, which encompasses these two concepts, *xin-ren*. *Xin* refers to trust from the heart and *Ren* refers to an “assessment of the other’s reliability and capability.”

Trust from the Head

This part of a trust relationship will be familiar to Western executives and businessmen. It relates to “business needs and confidence” in your partner’s capability. The key here is to build value. One technique cited by the author is to build relationships by providing your partners with knowledge, or as he quoted one interviewee, “Once you show you can be helpful to them, I’ve noticed that people open up and trust you more.” This can be done in one-on-one relationships or by making presentations regularly at conferences and participating in industry activities. Chua cautions that this type of trust takes time and a Westerner may feel that they are being taken advantage of during the process.

Trust from the Heart

In this area, the author advises that there are several different techniques which Westerners can employ to build this type of trust. Obviously a key is to understand social etiquette and social custom. Chua states that this “deep knowledge can bridge the trust deficit by approximating the basis of common ties and values that individuals from the same culture enjoy.” He cites to the

example of the Chinese tea culture as a good example. He believes that the ritual of tea drinking is becoming increasingly important in Chinese culture for business meetings but many of Chinese executives interviewed found that it was “difficult to share this experience with Westerners because they don’t think that Westerners can appreciate it.”

Chua also notes that use of the Chinese language is very important. If an executive can speak Chinese he or she will “have a powerful tool for navigating the culture.” He advises that Western executives should take advantage of any opportunity to learn the language but even if they cannot do so, you should have the best translator available when engaged in important discussions. I can attest to this final point, it is invaluable not only to have the language translated but to understand the nuances of what is not being said during contract negotiations.

Chua’s article provides some solid guidance which can be used by the compliance practitioner to help in building a culture of compliance in any Chinese business unit or with a Chinese business partner. First and foremost, is ‘boots-on-the-ground’. As a compliance practitioner you must go to China and begin to develop relationships to foster the type of culture that you want to have with your Chinese subsidiary, partner or business unit. Both the personal and the professional relationship should be developed, making clear your commitment to doing business in a compliant manner. As many Chinese will not openly question a superior, you should also plan to spend time outside the office, getting to know them, understanding their families, experiences and backgrounds. And last, but not least, is competence. Compliance is not “*The Land of No*” populated only by “*Dr. No*” and his progeny. Competence includes finding ways to do business in a compliant manner by working with the business unit members to accomplish this goal.

So as you sit back and enjoy the London Olympic Games you might consider the last Games in Beijing and how you might move your compliance program forward through greater trust in China.

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