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Sunday June 24 1:50 PM ET

Prof Charts Chinese Business Practices

By David Morgan

PHILADELPHIA (Reuters) - The chief executive of China's top home appliance maker cannot get enough of it. Executives at the country's biggest noodle-maker like practicing it in groups. And one top airline executive will not stop talking about it.

So Wharton School professor Ming-Jer Chen wrote a book about it -- for Western business executives who might be in the mood to join in. The subject of all this interest is the body of ancient philosophies and customs that underpin modern Chinese business practices, from the teachings of Lao Tzu and Confucius to the disciplines of tai chi and feng shui.

Given that ethnic Chinese control 98 percent of East Asia's economy outside South Korea ([news](#) - [web sites](#)) and Japan, Chen figured Westerners in general -- and Americans in particular -- would welcome a handbook on how traditional Chinese ideas inspire business behaviors that outsiders often find baffling.

"I want people to be able to understand what to do in all sorts of situations," said Chen, author of "[Inside Chinese Business -- A Guide for Managers Worldwide](#)" (Harvard Business School Press). "There are 100 books about business in China that focus on behaviors, but there aren't many that try to explain the underlying social, psychological and cultural issues, which is what I'm try to do."

Not that his book is just about traditional Chinese thought. There are also guides to Chinese business families who dominate much of East Asia, charts of Asian business ownership models, and advice on how to win friends and influence people that may be worthy of Dale Carnegie himself.

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"Flying arms and moving hands to express or emphasize points are perceived as ill-mannered, as are physical displays of frustration and enthusiastic slaps on the back," Chen says in the book.

It lists Western companies that have successfully deciphered the way of Chinese business, most notably Motorola Inc., the largest foreign company in the People's Republic.

It also recounts some spectacular Western failures, such as AT&T Corp.'s decision to turn down Beijing's offer to develop China's telephone network. The decision, Chen writes, caused Chinese officials to lose face and shut the U.S. phone giant out of the market for years.

MOST FOREIGN FOR WESTERNERS

A Taiwan-born expert on business strategy who has spent the past two decades living in the United States, Chen believes China and the ethnic Chinese business communities that dot East Asia from Thailand to the Philippines are the most foreign of foreign territories for Western business executives.

Conditioned by the gospel of individualism and the cut and thrust of ruthless price competition, Americans may feel especially perplexed among Chinese, who consider the standard business contract to be an affront to good manners.

Chinese also prefer to listen rather than talk. And keeping a low profile can be a virtue. One company even deliberately suppressed its own market share to keep from attracting the notice of multinational behemoth Procter & Gamble Co.

For Chen, the thread that binds these practices is a Confucian emphasis on relationships and commonality, which can prompt Chinese firms to keep failing subsidiaries afloat and to overlook the small matter of making money.

"I have never really thought about creating wealth," Chen quotes Taiwan's Winston Wang, son of Formosa Plastics Corp. tycoon Wang Yung-chung, as saying.

Chen, 46, who studied the Chinese classics for four years, moves seamlessly from the language of Confucian introspection to hard-nosed business sense. "The challenge is finding out who the true self is, and the true 'other,'" he told Reuters in an interview. "It's not about winning or losing in a particular moment. Nothing is black and white."

Westerners may scoff at the notion of ancient wisdom being in the

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driver's seat of Chinese companies, and Chen admits that many who have had some hard knocks in the Asian market find nothing holy about the region's holistic practices and see so-called guanxi relationships as nothing but a forum for cronyism, nepotism and corruption.

ANCIENT PRINCIPLES UPPERMOST

But publicly at least, ancient principles do appear to be uppermost in the minds of business leaders. Haier Group CEO Zhang Ruimin openly claims that his business practices as head of China's leading home appliance maker are deeply rooted in the philosophies of Confucius, Lao Tzu and Sun Tzu.

Chen Feng, chairman of Hainan Airlines, is a devoted Buddhist and Confucianist who gives philosophical lectures to guests including his consultants. And noodle-maker Ting Hsin has a training center where executives practice tai chi to balance their bodily energies.

"Moses received his golden tablets on a mountaintop, but Confucius reasoned from daily life without the aid of any deity," Chen quotes the late Harvard Sinologist John Fairbank as saying.

Chen also maintains that the Hyatt hotel in Singapore and a U.S.-controlled bank in Hong Kong could not seem to put business problems behind them until they consulted experts in the Chinese art of architectural design known as feng shui.

For Chen, the capstone of Chinese business practice is the concept of guanxi, which has no direct English translation but which the author defines as connections that are defined by reciprocity and mutual obligation.

"The nature of Chinese business -- and what makes it so difficult to figure out -- is that it's so inter-related," he said. "Rather than see an event in isolation, a lot of things can be learned by focusing on the interface. It's not just about relations between individuals. It's how different individuals and situations relate to each other."

A hallmark of guanxi is the practice of gift-giving, which has exposed Chinese businessmen to Western claims of influence peddling and cronyism. But Chen says the allegations are often based on misunderstanding.

"For example, a Chinese businessman will always try to find common ground by looking for mutual acquaintances or affiliations with schools or businesses," he said. "And it never occurs to them that the Westerners they're talking to think they're name-dropping."

Chen, who leaves Wharton to take up a new teaching post at the University of Virginia this summer, says his book is only one step toward developing a new business model capable of facilitating understanding between Chinese and non-Chinese executives. He also plans to publish a Chinese version.

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"The more ambitious goal I want to convey is how to operate as a global person," he said.


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