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Chinese Culture and Its Impact on Today’s Consumers and Markets

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Boram Yi, Jason Q. Zhang and Qinna Shen

Abstract The dynamic Chinese market is attractive to many foreign businesses. In order to successfully interact with the local businesses and consumers, foreign executives need to understand Chinese culture and its impacts on today’s Chinese consumers, markets, and business practices. In this chapter, the readers will learn about the roots of Chinese culture and its implications. The chapter highlights a few influential concepts, e.g., guanxi and feng shui, and explains their significance in building a successful business venture in China.

Key words: Chinese culture, Chinese market, feng shui, guanxi

1 Introduction

Since the 1980s, the world has witnessed the meteoric economic growth of China. Today, the size of the Chinese economy is second only to that of the United States. The importance of the Chinese market was spotlighted during the recent global financial crisis. As one example, with prolonged economic contraction, the size of Russia’s economy (measured by its 2015 GDP) is about the same to that of Guangdong Province, one southern province in China (the World Bank, 2015; the National Bureau of Statistics of China, 2015). As a response to the sheer size of Chinese economy, foreign businesses increasingly view China as a strategic market. Popular media and business magazines in the United States rushed to assist this trend, publishing numerous articles with eye-catching headlines such as “Doing Business in China: Five Tips for Success” (CNN, 2011), “The Ten Principles for Doing Business in China,” (Forbes, 2012) and “10 Subtle Cultural Mistakes You May Make Doing Business in China” (Bloomberg News, 2014). Such publications commonly touch on distinctive characteristics of Chinese culture and business practices, which are often at odds with established practices in the West.

While recurring topics in the popular press touch on the collectivistic and hierarchical nature of Chinese culture and society, they often leave a more fundamental question unanswered: What are the historical, cultural, and social foundations that underlie these phenomena and practices? A clear understanding of their conceptual roots can provide useful insights for and guides to foreign executives and investors and enable them to interact with their Chinese counterparts in an effective manner. This chapter offers an overview of Chinese history, culture, and society, highlighting major differences as well as similarities between China and the West. The aim is to explain how the Chinese ideals of life impact today’s customers and markets and how these ideals evolve and adapt to those of the West in a globalized world.
2 History, Society, and Culture that formed Chinese Worldviews

Chinese civilization is one of the oldest living civilizations in the world. Over several millennia, the Chinese have developed prevailing worldviews that shape their cultural values and societal norms. Understanding these views and the ways in which they affect the Chinese understanding of an ideal life—a key motivation for consumer behavior and business practice alike—are a crucial first step for foreign executives and investors seeking to effectively interact with the Chinese. Here we discuss the Chinese vision of an ideal life, that is, harmonious living as it is manifested in three essential human relations—with nature, with gods and with other people—that are influenced by China’s two indigenous philosophies, Daoism (or Taoism) and Confucianism.

2.1 Humans and Nature

The Chinese have long believed that living in harmony with nature is one of the three pillars constituting an ideal human life. Influenced by Daoism, ancient Chinese thought that nature runs its own course and should be left alone without much human interference. Daoism informs that humans are a crucial component of the natural world, but not its masters, thus need to follow the flow of nature’s rhythms —forming a sharp contrast to the Judeo-Christian belief that humans are the masters of nature. Daoism also teaches that by aligning themselves with nature (i.e., being part of the nature as opposed to being an outsider/master to it), humans can achieve the optimum level of their moral and physical strength. This idea exerts a lasting impact on Chinese aesthetics, shown in art and practiced through feng shui, a way to locate, design, and construct an ideal human dwelling according to the flow of nature.

2.1.1 Nature in Chinese Art and Aesthetics

Chinese art, particularly painting and garden design, well illustrates the ideal relationship between humans and nature in Chinese thought. When a Chinese artist portrays a human subject, this subject’s individuality is often obscured. The artist often places the individual within a natural setting or in a particular social group. Renowned anthropologist Francis L. K. Hsu notes that a Chinese artist either treats a man as a minute dot in a vast landscape, or dramatizes his external situation in which a viewer can discern the status, rank, prestige, and other social characteristics of the subject (Hsu, 1981). To live harmoniously with nature, thus, means that humans should recognize their place in the natural world and in society, respect the flow of nature and society, and follow it.

The idealized relationship between humans and nature is also expressed in Chinese garden design which aims to “recreate the image of nature while accommodating the sophisticated needs of retreat or habitation” (Tsu, 1987). As a result, curves and studied irregularities—those mimicking nature—characterize Chinese gardens, such as the famous Suzhou Gardens. Landscapers avoid stiff orderliness and geometrical rigidity of a typical French garden style, epitomized in the Gardens of Versailles. Broad central walkways, straight paths, and symmetrical lawns, commonly found in French and Italian gardens, are exotic to China. Structures such as pavilions are deliberately constructed as sheltered parts of the garden, rather than discrete buildings, and thus form an indispensable part of the landscape. This design philosophy reinforces the idea that humans are an important part of the natural world. When
seeking an exotic experience, the Chinese could adopt a foreign design, but would still prefer to keep that design separate from the rest as illustrated in the two most famed imperial gardens in Beijing first built in the mid-1700s: Yihe Yuan (The Summer Palace Gardens) follows the traditional Chinese style whereas Yuanming Yuan (The Perfect Brightness Gardens) follows the Western style.

2.1.2 Nature’s Force: Feng Shui and Its Impact on the Real Estate Market

The Chinese pursuit of living harmoniously with nature is pronounced in their adherence to feng shui principles. Originated in China more than three thousand years ago, feng shui exerts an extraordinary influence on architectural designs both inside and outside man-made structures. Literally meaning “wind and water,” feng shui’s basic principles are to avoid strong winds and to hold water in order to accumulate qi (or chi), the vital energy that is believed to support all life. The Chinese believe that the residents of the property with positive qi would enjoy health and wealth as well as increase their wellness of being and avoid misfortunes. A good feng shui site is located in the lee of a mountain or surrounded by hills that provide good protection against winds. It also has ready access to fresh, clean water and is protected from flooding. For maximum heat and light, the front of a building should receive ample sunlight, which means that in the northern hemisphere, where China is located, a home’s main rooms should face south or south-east. By linking the placement of objects to human lives, feng shui teaches that people are affected by their surroundings and by the layout and orientation of man-made structures. In essence, it maintains that a place is capable of influencing the quality of human life. Thus, finding a way to live in harmony with one’s immediate physical surroundings, nature, and the universe is the major pursuit of feng shui.

The principles of feng shui apply not only to the location and orientation of a dwelling, but also to the arrangement of its interior because the flow of qi within a structure is believed to affect its residents. For instance, a direct path from the front door to the back door is avoided because it would allow wind going through these doors to take away qi. For the same reason, the Chinese do not like houses that are located at a T-junction because they are more likely to be buffeted by gusts of wind. On the other hand, feng shui also offers remedies for structures that are poorly designed. Often a shoji screen is added inside a gate or the door of a house to block the wind and thus to ensure a better hold of qi.

The belief that a location affects residents’ health and wealth makes feng shui a prominent concern in the Chinese residential real estate market. Among the wide range of factors that affect the buying decisions, including physical and environmental concerns, the spiritual significance of a site or the luck a particular location might bring to its residents is considerably important. A study shows that properties judged to have negative qi often cost between 30 to 50 percent less than comparable homes with better feng shui (Sun, 2006; Wu et al., 2012). A case study of property development in fifteen villages in Hong Kong found that the most significant determinant of the cost of housing is feng shui (Tam et al., 1999). Real estate developers in Hong Kong consult feng shui masters before they start construction (Stapleton, 2016). A British investigative report revealed that the Hong Kong government had been paying substantial amount of compensations to people living around public construction projects for disturbing their feng shui (Moore, 2010). Although some may dismiss feng shui as a superstition, recent academic attentions given to the topic recognize its relevancy in the minds of Chinese consumers. In 2012, a prestigious U.S. academic journal, Psychology & Marketing, devoted an entire issue to the study of consumer psychology involving feng shui and its effects on buying decisions.
Another aspect of feng shui, numerology, also helps explain why some properties are valued higher than others with similar specifications. Certain numbers may cue prosperity and thus be favored; others may be the opposite. For instance, number “eight” is well liked because it is pronounced similarly to the Chinese word for fortune, whereas “four” is avoided because it sounds like the word for death. Westerners have similar associations with the numbers seven and thirteen. It was not a coincidence that the Chinese government scheduled the opening ceremony of the 2008 Beijing Summer Olympic Games at eight p.m. on the eighth day of August, the eighth month of 2008, making it a very auspicious occasion. An apartment on the eighth floor or a home that contains eight in the address usually commands higher price. Foreigners considering operating a real estate business in China should take note of feng shui. Their awareness of this custom demonstrates their respect for Chinese traditions and sincere interest in doing business in the country, thus making them more attractive business partners as well as reducing the chances of conflict with local population.

In the United States, residential real estate developers in areas with a high concentration of Asian-Americans have adopted some feng shui principles, too. For example, they avoid placing the main staircase opposite the front door, as it takes away qi (Bryan, 2014). In 2014, a condominium in Washington, D.C., was built in accordance with feng shui principles. Well-known American companies like Whole Foods Market, McDonald’s, and Disneyland use feng shui to help identify optimal building locations and designs, as reported in the Washington Post (Chodorov, 2014). Some Asian-American residents in Canada took action to protect the value of their real estate by maintaining good feng shui. In 2011, a plan to build a hospice near a luxury condominium in Vancouver was opposed by the condo owners, who were mostly of Chinese heritage. They cited feng shui as the reason for their opposition and called the building plan “culturally insensitive” (CBC News, 2011). According to feng shui, a place of grief, sadness, sorrow and death generates negative energy that negatively affects the well-being of nearby residents. Thus Chinese avoid living close to funeral homes, cemeteries, hospitals, and hospices. In 2013, Asian-American residents in Atlanta, Georgia, used the same argument when protesting a zoning decision that permitted the construction of a funeral home next to their subdivision (Hurd, 2013). Thus, failure to pay close attention to Chinese ideals could cost investors dearly for their efforts to reach Chinese consumers either in China or beyond its borders.

2.2 Humans and Gods

Just as they seek to live harmoniously with nature, the Chinese seek to do the same with the supernatural world. The Chinese tradition in its pragmatic and secular outlook has long embraced polytheism. To ensure that they maintain harmonious relations with multiple gods, the Chinese would provide material offerings and spiritual reverence to several gods. It is not surprising to find the deities of Confucianism, Daoism, and Buddhism share the same temple. In fact, this is so common that the Chinese language has a term to describe this unique phenomenon: “the Union of Three Religions.” A Confucian scholar, for example, would not object to his wife or children making offerings to the Buddha. The Chinese see no contradiction in living with diverse religious traditions and supernatural beings (Koller, 2012).

With the absence of an absolute god and relatively little attention given to the afterlife, the Chinese turn their focus to secular human relationships in their search for the meaning in life.
This explains why Confucianism, among all competing schools of thought, has prevailed in China. It is a system of ethics based not on abstract, supernatural, or absolute doctrines, but on the everyday duties and obligations between individuals that aims to preserve an orderly, harmonious way of living. The Chinese stress strong bonds with family and community which is maintained with the utmost sincerity and almost religious devotion. This strong tie is continued to be honored even after an individual’s death in the form of ancestor worship. Traditional Chinese homes usually have a separate room, or a shrine, to commemorate and worship the family’s ancestors. In the center of a village is often a shrine or temple that celebrates the ancestry of that village.

### 2.3 Humans with other Humans

#### 2.3.1 Interpersonal Relationship in Chinese History, Society, and Culture

The last of the three pillars of fundamental human relations is an interpersonal relationship. Confucianism, the foundation of Chinese culture and society, teaches that an ideal life can be attained in an interpersonal relationship when each individual occupies his/her proper place and fulfills the obligations inherent in the five cardinal relationships. These are the relationships between ruler and subject, father and son, husband and wife, between brothers, and between friends. Confucianism emphasizes, in this essentially hierarchical structure, that all individual exist in relationship to one another. This notion works to strengthen an individual’s ties to his/her primary group.

Because of such a strong emphasis on primary group cohesion, anthropologists describe the Chinese as “situation-centered” (Hsu, 1981). Similarly, scholars of cross-cultural studies categorize Chinese culture as collectivistic as opposed to individualistic. As such, social status and identity are determined largely by one’s relationships, which in turn, determine his/her power and influence as well as his/her feelings of self-esteem and sense of security (Hofstede, 2003; Feldman, 2013). According to an influential researcher Geert Hofstede (2003), Chinese culture is “highly” collectivistic.

The contrast between the Chinese collectivistic view and the American individualistic view was exemplified in a series of highly publicized acquisition attempts made by a Chinese firm to purchase American properties. In spring 2016, the Anbang Group, a Chinese insurance company, which previously acquired the historic Waldorf-Astoria hotel in Manhattan, bid $14 billion to purchase Starwood Hotels & Resorts, one of the largest hotel chains in the world and the owner of St. Regis, Westin, and Sheraton brands. During the process of acquisition negotiation, Western media pointed out the Chinese company’s rather unconventional approach to negotiations. They described how Anbang’s CEO followed “his own style” and often surprised Starwood negotiation team. For instance, the CEO would call for last minute meetings during peak vacation seasons and even on Easter Sunday (Sender, 2016). Frustrated Starwood executives had to rearrange their vacation and holiday plans. As another example, during business negotiations, when the Anbang CEO was present, his top legal, banking, and negotiation advisors, mostly trained in the U.S., stayed completely silent without offering opinions. This “unusual” approach might be a shock for American executives, but it is fairly common for the Chinese who learned to submit their personal goals to collective/organizational goals and to respect the authority particularly in public (Karmin, et al., 2016).
2.3.2 Centrality of Interpersonal Relationship: Guanxi and Its Impact on Business Practices

The primacy of interpersonal relationship over others is a key to understanding the concept of guanxi, which literally means a relationship, connection or network, and is variously rendered in English as “Chinese relationships and networks,” “interpersonal networking” or the “art of relationship.” To the Chinese, guanxi is not only the art of networking but a way of life ingrained in their society and culture for several millennia by their belief in the importance of harmonious human relationships. It is a proper moral code: the Confucian emphasis on ethical living through harmonious relations created the elaborate unwritten rules governing the reciprocal exchanges of gifts and favors that unite and expand interpersonal ties. But guanxi is also a practical mechanism of self-preservation: the predominantly agricultural Chinese have long relied on guanxi to weather the unpredictable forces of nature as well as sudden changes in political power. It is expected that extended family members will assist each other in times of need. An American anthropological economist goes so far as to describe guanxi as the “payment of a premium for residential fire insurance” (Bell, 2000). Guanxi is so pervasive in Chinese culture and society that the proper practice of its implicit rules is critical for business success in China.

Guanxi enables people to accomplish a common interest through the exchange of favors between trusted individuals. Thus, two key components of the system of guanxi are the principle of reciprocity and mutual trust. The principle of reciprocity is a cultural force, “a sort of cultural invisible hand that makes possible group effectiveness and identity over time” (Feldman, 2013). This deeply imbedded cultural element explains why guanxi is much more complex than the Western concept of networking, and it also explains why foreign executives who approach guanxi solely from a business perspective quickly hit an impasse. For most Chinese, building a close friendship is a prerequisite for discussing business. A potential partner needs to prove himself/herself trustworthy and truthful and to demonstrate that he is willing to take time and effort to gain the trust of others before embarking on a business venture. Shared meals, drinks, and exchanges of gifts are meant to build that trust. In this ritual, a gift is not exchanged to procure a particular favor. Rather, it is a way of developing positive feelings to initiate a relationship (Feldman, 2013). The Chinese often take things slowly and carefully, especially in forming guanxi. Thus, in building the typical sales funnel (i.e., closing a business deal from prospecting to making the sale), foreign executives should consider a longer than usual lead time.

Professor Roy Chua of Singapore Management University further clarifies guanxi by contrasting the building of trust “from head and heart” (Chua et al., 2009). Trust from the head emanates from the confidence one has in a person’s accomplishments, skills, and reliability. However, trust from the heart, or affective trust, arises from feelings of emotional closeness, empathy, and rapport. Most friendships and personal relationships are based on the second type of trust. In general, Western executives draw a fairly clear line between trust from the head (i.e., trust based on competence) and trust from the heart (i.e., trust based on affect) in business relationships. For example, a study by Chua finds that American executives are nearly twice as likely as their Chinese counterparts to separate these two types of trust. They consider mixing the two as an unprofessional behavior that creates the risk of conflict of interest. Among Chinese executives, however, there is a much stronger interplay between trust from the head and trust from the heart; they are quite likely to develop personal ties and affective bonds when there is also a business or financial tie (Chua, 2012). Blurring the boundary between one’s personal and professional life often surprises Westerners. During a business banquet, a Chinese
manager may ask personal questions about his/her counterpart (e.g., age) as a gesture of courtesy (e.g., an old age is usually associated with elevated social status and position, thus being an important piece of information for the Chinese to properly address them and arrange seating at the table accordingly), which would be considered intrusive in the West.

It needs to be noted that in today’s rapidly changing China, a growing number of Chinese companies start to subscribe to Western business norms. As a result, some high profile firms start drawing a clear line between personal and professional relationships and viewing gift-giving as ethically questionable practices, effectively adopting the “trust from the head” approach. As one example, the founder of China Vanke Company, the largest real estate developer in the country, is famously known for his motto, “no bribery of any kind” (Larmer, 2008). Firms like Vanke look more carefully at a potential partner’s competence to add value to their business and pay increasingly less attention to building personal/emotional ties with them. In these cases guanxi comes to resemble conventional business networking as practiced in the West. The story is told of a Chinese company that rejected an offer from a Western firm that devoted too much energy to providing lavish banquets and gifts, but not enough to demonstrate their competence to its prospective business partners (Chua, 2012).

This observed shift in business culture, however, does not necessarily mean that the Chinese have abandoned the practice of trusting someone from the heart. For instance, the establishment of a business relationship continues to be understood as the start of a personal relationship. Thus, it remains customary to include dinners into business itineraries as an expression to celebrate the start of a new relationship, even when lavish banquets are no longer offered. For another example, it is not uncommon that affective ties often triumph over competence when the two conflict with each other in business decisions (Chua, 2012). Thus, in the Chinese market, although business norms and standards may quickly adapt to those of the global market, human behaviors, including those of business executives, are still anchored deeply in China’s cultural roots.

As an interesting note, Chinese thoughts and business practices in guanxi find their way into mainstream Western business philosophy. Relationship marketing, a notion and philosophy introduced into business literature in the late 1980s and early 1990s, stresses long-term, relationship-based, and often emotional connections between firms/brands and their customers. In fact, relationship marketing or customer relationship management (CRM) has become one of the most important concepts in recent development of marketing theory and practice. Numerous academic researchers and practitioners examine the relationship between relationship marketing and firm’s performance (Samaha et al., 2014). The Chinese may think Westerners are finally appreciating what they have practiced for a very long time.

A good understanding of guanxi and the centrality of interpersonal relations is a key to success in China, be it in business, politics, or any other area that requires personal interactions. Although guanxi as it is practiced in China is evolving, its deep roots in harmony, reciprocity, and orderly hierarchy continue to be manifested in today’s consumer and business behaviors and decisions. Instead of being a barrier to business, when practiced appropriately such as in relationship marketing, guanxi may be mutually beneficial to both buyers and sellers. After all, contractual bonds can be legally broken if needed, but emotional and social bonds, once formed, are much harder to break.
3 Conclusions

Throughout their long history, the Chinese have preserved the ideal of living in harmony with their surroundings. They believe in living harmoniously with nature because humans’ physical and material conditions are assumed to be susceptible to the flow of nature, as evident in their adherence to the principles of feng shui. Belief in living in harmony with the supernatural world led them to comfortably coexist with multiple faith traditions. While the Chinese have been less concerned with seeking an absolute truth in the supernatural world, they have paid more attention to building an ideal, harmonious society in this world, as prescribed by Confucianism. They believe that when individuals identify with their primary groups and fulfill the roles expected of them, a harmonious and orderly society can be achieved. Within the group, cooperation in a wide range of areas, personal and professional, is the norm.

Thus, to build a trustworthy business relationship, in addition to demonstrating competence, business executives and managers are usually expected to be willing to build personal connections with their trading partners. The focus, often times, is more on a long term relationship and its benefits and less on a particular transaction and the resulting one-time gain or loss. Within this context, Chinese entrepreneurs tend to find comfort in the presence of personal trust (a form of social or psychological contracts) whereas their Western counterparts likely to seek security in legal contracts. This process of cultivating personal relationships is broadly called guanxi. Once a Chinese partner takes someone in as a friend, the relationship tends to endure. Time to develop guanxi is, therefore, a critical investment.

An understanding of the roots of Chinese customs and practices will provide an advantage for foreigners seeking to do business with the Chinese. This understanding, however, must be accompanied by an awareness that dynamic changes are occurring in today’s China. Throughout the first two decades since it actively sought to return to the global market in 1979, Chinese business communities and consumers had been eager to adopt many Western systems (e.g., social and business values, norms and standards). As a result, many of today’s Chinese business people and consumers have become familiar with wide range of changes (or “reforms” as the Chinese call them) occurred during this period. In fact, today’s younger generations of business executives, if trained in Chinese educational institutions, have actually received business education based on the curriculum developed in American/Western institutions. In 2001, when China eventually joined the World Trade Organization, the country celebrated it as a seal of proof for their effort.

For this reason, Westerners may find Chinese culture and its consequences in people’s behaviors less distinctive. However, as China’s economy has become increasingly successful in recent years, the Chinese began to take more pride in their own cultural and social identities. As a result, many Chinese are re-discovering their cultural roots and preferences. Today, Chinese consumers tend to favor products/services considering local tastes. Multinational firms such as Unilever and BMW all introduce unique products/brands that serve only the Chinese customers. Like any other, Chinese culture and society is live and thus ever changing. Any stationary view on them is less than ideal. At the same time, as shown in the chapter, the roots of culture, or the fundamental worldviews, hold lasting power to inform and to predict the changes in society.
4 Key Takeaways

1) The Chinese vision for an ideal life is anchored in the three pillars of human relationships—living in harmony with nature, gods, and other people. This ideal continues to provide a critical guidance to the Chinese consumer and business behaviors and decisions.

2) Competence matters in a business relationship, but willingness to build personal connections can be equally or more important.

3) Time to build guanxi is a critical investment. The Chinese focus more on long-term reciprocal interests and less on short-term transnational interests.

4) Feng shui is relevant. It is a significant consideration in the real estate market. Simply dismiss it as a superstition may cost relationship and investment.
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