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RECENT GRAD DESCRIBES 'GUANXI' IN CHINA

Following is an essay written by recent grad Joseph Burke who is studying and traveling in China. He describes the importance of "guanxi" or "relationship-building" that he finds pervades the business world in China.

Burke spent three weeks studying at Dalian Nationalities University in Dalian as part of a University of Northern Iowa course in global business. He is still touring Southeast Asia including Thailand, Laos, Vietnam, Malaysia and Hong Kong.

He will return to the U.S. July 20 and will look for a PR post in travel in Boston in August. He received a B.A. in PR with a minor in marketing from the University of Northern Iowa in May 2009.



Dalian Nationalities University

His website is www.burkeswork.com. During his undergraduate days, he completed internships with [Hellman](#) and the [John Pappajohn Entrepreneurial Center's](#) Student Business incubator totaling 1+ years.

RELATIONSHIP-BUILDING IS KEY IN CHINA

By Joseph Burke

When one of my professors offered me the opportunity to take a three week course on global business in China, I jumped at the chance.

I had watched China with a great deal of interest during my final months of school, paying special attention to the variety of recent product quality scares and the PR snafus during the Beijing Olympics (such as the world outcry after the opening ceremony's anthem singer was upstaged in favor of a more attractive lip-synching girl).



Joseph Burke

A senior account executive at Fleishman Hillard in Beijing helped me to get a feel for Chinese PR and report on my major impressions.

Guanxi and Ethics

Business in China mostly operates under the traditional system of guanxi, which is essentially doing business within a large network of personal contacts, reciprocal favors and accumulated relationship capital.

For instance, if a contractor wants to land a large government job, he may have to secure the favor of a government official who is the gatekeeper of the contract.

However, if they do not have a previous relationship, the contractor may need to use a mutual contact who is willing to introduce him to the official and vouch for his integrity.

Even after the introduction, a large amount of time and effort is typically spent on banquets, gifts and outings to establish the strong amount of trust and familiarity needed to finally land the contract.

In the end, the contractor not only owes favors and patronage to the government official, but also to the middleman who introduced them. These reciprocal relationships can sometimes supercede variables such as business competence or quality of product, highlighting the importance of guanxi in Chinese business culture.

Guanxi Can be Corruptive

Besides being a foreign concept to many western firms, the gift and favor culture of guanxi can sometimes escalate to levels that violate laws such as the Foreign Corrupt Practices Act and put practitioners into an ethical bind. What does a practitioner do when spending hundreds of dollars on gifts or banquets is culturally required to grease the wheels of business?

Many foreign firms like Fleishman-Hillard are held to the ethical standards of their home country. In this case, FH is held to its own internal standards as well as those of any professional associations it is affiliated-- such as the PR Society, in addition to laws of its home country, like the Foreign Corrupt Practices Act.

The firm must also consider the internal standards of its client. Often, the in-house PR and legal council of the client may need to weigh whether a proposed tactic violates its own standards or legal obligations.

Deciding whether guanxi relationship-building tactics are ethical becomes a delicate process of balancing what is culturally necessary to build the desired relationship versus the legal and social repercussions for each key stakeholder.

The Chinese are well aware of these issues and in the case of large multinational companies with significant reputation or bargaining clout, guanxi protocols are sometimes done away with entirely to ensure a smooth transaction.

Two PR Groups; Government Controls Press

China has two PR associations -- the China Public Relations Assn. and the China International PR Assn., the latter being far more popular. While ethical standards are on the agenda of each group, their primary role so far has been to report on the progress and happenings of the profession, with enforcement of ethical standards placed somewhere on the back burner for now.

Government is a very powerful concept in China. The government sets major agendas, owns and controls the media, and is the gatekeeper of licenses and permits for business.

The Chinese government is sensitive to political currents so rules, mandates and promises can change like the weather.

Maintaining strong and, if possible, personal relationships with the government officials associated with clients can be a make-or-break variable in achieving goals. Again, this could involve Chinese guanxi-style tactics or simply carefully maintaining more traditional networking initiatives.

State ownership of media affects content. But while some westerners believe that the press in China is simply a propaganda tool in the vice-grip of a Communist regime, Chinese journalists are actually given a great deal of latitude in covering local events, personal interest stories, and even for investigative journalism.

For a practitioner working with a local client, this is good news. However, multinational clients may face additional challenges. The Chinese government is much more concerned with world events-- especially those with political or financial significance or issues that are China-specific.

In these cases, the propaganda department is likely to issue a directive indicating the "official" position on such topics, a position that the media would do well to support. For instance, when Google agreed to censor and report its service to the Chinese government amidst world criticism, the Chinese media covered it as an "internal" issue within Google. However, the government and press are always interested in stories of local growth, especially that of foreign investment.

PR Must Track Government Positions

Practitioners in China must be well aware of official government positions in relation to their clients and know how to issue potentially controversial messages delicately. PR pros must also keep tabs on political shifts and appointments in the Chinese government. This can be difficult with a state-controlled media, but white papers from independent sources such as The American Chamber of Commerce in China (AmCham-China) can be a great balance to state controlled sources for gauging the political environment.

At present, PR as a profession is still considered an imported concept from the west, the practice of which is not highly regarded

Partly due to a history of Communist rule and Western exploitation and partly due to cultural business norms, PR has been slow to catch on in China.

Traditional mindsets are equally slow to change, and appreciating the value of public opinion may be difficult for a culture accustomed to social and economic Communism suddenly thrust upon the world stage.

But after an extensive image-cleanup campaign before the 2008 Olympics and image damage control after major product scares, I believe the Chinese government and businesses are beginning to see the necessary value of effective PR.

With ever-improving economic freedom and growth, the Chinese have seen encouraging, albeit slow, improvements in freedom of press and speech. As China continues to grow and become increasingly prominent in world affairs, I believe PR has an equal opportunity to thrive in China and advance the growing popularity of the profession.

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Tell O'Dwyer's what you think

Commentaries on subject matter are welcome. Personal attacks are not allowed. O'Dwyer's reserves the right to cover any story it deems newsworthy.

Responses:

Wes Pedersen (7/06):

Two days after I arrived for my first assignment in Hong Kong, I was awakened by a Chinese businessman at the door. He was merely welcoming me to the city -- with a name-brand wristwatch.

At roughly the same time, I found that many of the merchants knew my name the moment I walked in the door. The locals at the Consulate General had an excellent bribe-him, then bribe-me network going. (I did not take the watch.)

Joe Honick, GMA International Ltd (7/06):

Most interesting for those who have worked for some years in and out of but always with the Chinese at top and middle levels ... is the enthusiasm of this bright young man.

Having caught on to this wonderful world of guanxi, eventually he will also learn that much of what it implies is applicable in most international relationships.

I would be happy to share with him and others a corny sounding powerpoint effort called InnocentsAbroad: American Business..that is used to help clients, college students and trade associations develop sensitivity to dealing abroad. Certainly Fleishman-Hillard is one of those most experienced. But the idea that one has to scamper about is not always the case. We signed a Memorandum of Understanding with the Chinese senior folks who liked what we were doing so much they turned out more than a hundred media types for the signing and then staged a 400 person grand dinner in the Great Hall of the People, none of which cost us a dime for the productions. It was all built on long years of building relationships and trust as much as the guanxi idea.

I am sure Joe Burke will do well with his kind of enthusiasm.

Fed Up In NYC! (7/07):

Relationship building with a slave owning, people abusing, repressive regime? Have WE have no morals? They should choke on our debt.

Joe Honick, GMA International Ltd (7/07):

To Fed Up: Discussions like these always seem also to bring to the fore some biases, reliable and otherwise. The last thing in the world I will try to sell is the government of China which actually is miles ahead of my first encounters but still a Communist regime

One major difference is that they have encouraged entrepreneurship, and the results have been immense. Another has been in the field of education where universities are flourishing and I have no constraints put on me to discuss (in English) a whole range of stuff that include human and business rights. We have to be very careful with our critiques not only of China but other countries that have made huge strides with much to go but still gaining in competitiveness with us.

As to their choking on our debt, Fedup, it's hardly the case perhaps because they have so many smart students learning about finance, governmental and private, and doing it in a lot of American universities.

Fed Up In NYC! (7/07):

As always Joe I greatly appreciate your thoughtful insights. Despite their "strides" I do find it hard to accept the fact that over 150 people died in the last few days in government protests, they are the world's number one polluter (and get away with it) and basically enslave their population to the good of the state, at the individuals sacrifice. I understand all that you have presented, all I am saying is you can only hold the human spirit down for so long- before it erupts and then there is no turning back. We missed that opportunity in Iran, hopefully we won't in China. OUR well being is equally dependent upon it. - Warm regards

Joseph Burke (7/07):

Hi Fed-up,

At one time, I would have agreed with you- that so long as China's economy liberalizes, a full political liberalization would be inevitable. But I think we must also realize that at this point, many Chinese may have a "if it ain't broke, don't fix it" mentality with politics. Are they fed up with censoring? Yes. Do violent crackdowns on protesters anger them just as much as you? I can tell you it does from firsthand conversations. But from those same conversations, I can gather that many Chinese are not about to risk their neck for a huge shift toward democracy at this point. Quality of living is the best it has ever been and continues to rise. There is little incentive to rock the boat when things are finally looking up.

More importantly, reforms are slowly being made on political and media fronts. The change is slow and we can likely expect human-rights to be the slowest, but the Chinese people realize that things are getting better- in baby steps- and would rather be patient for the inevitable than start any kind of personally risky demonstration. As I mentioned, I believe that the world is watching China more closely and their government will increasingly take notice of (valuable) outcry such as yours and will increasingly have to watch their human rights record.

As far as pollution is concerned, the U.S. is a close second on the list, minus 1 billion people. We are the king polluters of the world bar none.

China has serious human rights issues which they will need to address to gain increased world recognition. In the meantime, I think it is unfair to label them as a monstrous repressive regime. It wasn't long ago in our own industrial revolution that we had children working in coal mines and rampant government corruption. Reform came slowly but surely, just as I believe it will in China. PR pros could play a critical role in that but we need to recognize that needed change comes slowly to such a massive bureaucracy...

Fed Up In NYC! (7/08):

Thank you Mr. Burke for your insights and sharing your thoughts in this space. I do however, respectfully disagree to this extent- we ALWAYS were a democracy. Not always right and at times deeply flawed- the basic tenet of our government, society and culture has always been that of democracy. All men (and of course women) are equal- have an opportunity for self fulfillment and independence. Despite our shortcomings we strive for it, and continue to perfect it. The same CANNOT be said for the Chinese.

That revolution will eventually come...

PS- They are FAR worse polluters than are we.

Joe Honick, GMA International Ltd (7/08):

To FedUp: I not only share your passion about human rights and the anger about people dying in the recent riots. I guess I have to point to some of our own periodic intolerances from time to time, beginning with MacArthur plodding the streets on horseback with Eisenhower at his side to get rid of WWI veterans and their tent city from Washington's media merely trying to collect the bonds we had promised to them(my late father among them)...or the pathetic picrurs of the Kent State anti-Vietnam demonstrators...or Mayor Daley's response to demonstrators at the Democratic convention.

Fedup: we were already tons of miles ahead of the Chinese in those years and sometimes we don't get it right. From the time I started going to China, many things have changed or are in process, not the least of which are many students from there free to get college degrees and graduate degrees in our free society and be exposed to the fun we have. Beijing, a massively sprawling affair has passed some tough laws dealing with pollution and homes like one of my friends in Shezhen and elsewhere utilize solar for energy conservation.

And American cars sell like the daylight there. Have they come up to our own status as a democracy? Hardly, but unlike the Saudis, Iranis and a bunch of others, their younger people are restless, expectant and impossible to ignore.

So, please do not lose your passion for human rights as I have not...but also insist they exist everywhere.