

Face/Off: the Art of the Chinese Deal

«God has given you one face, and you make yourself another»

Hamlet to Ophelia, Act III, Scene 1, Hamlet, William Shakespeare



Face, or Mianzi (face, 面子), is a value that is deeply rooted in Chinese culture. For a better understanding of the concept of face and a general understanding of Chinese culture, I strongly recommend our reader to read the book *From the Soil* by Fei Xiao Tong. Contrary to the idea of many European readers that Chinese culture is a collectivist culture, Chinese culture is a super-individualist culture, even can be said to be a «selfish» culture.

In the book *From the Soil*, Fei uses the concentric ripples of a pebble hitting water analogy for Chinese social structure to explain this selfishness, which he calls a «self-centered quality» inherent in Chinese social relations. In addition, he explains how «Guanxi (connection, 关系)» forms the nexus of social relationships, with each Guanxi falling into one of many different categories.

Those further from the center (self) of the metaphorical ripples are categorized differently from those closer to the center. Fei goes on to explain the unspoken rules of Guanxi, explaining that rights and obligations to one another must be balanced and favors must be returned over a period to prevent relationships from being severed.

To better illustrate, I will use a real conversation that happens within my family when my hometown has starts to build a metro system:

Me: «I don't think building a metro in our city is a good idea, because the metro system is expensive and will cause heavy financial burden to our city. The only financially self-sustaining metro system in the world is Hong Kong, where the population is super dense, and property price is super expensive».

My older cousin brother (assistant professor at a well-known university) : «That doesn't matter (No Guanxi, 没关系). It is not our problem at all, we don't care, and we just enjoy it.».

My aunt and uncle (both are professors at well-known university): «Right, it doesn't matter to us (No Guanxi to us at all, 和我们没关系). ».



This conversation shocked me until now because I used to believe that social elites like professors should care about society at all. The reason why professors think that the expensive subway doesn't matter at all is that the city doesn't matter in their self-centered circle. So, no guanxi will be established with them and the cost of the subway. In ancient China, the state is regarded as the family of the Chinese emperor only, and guanxi with the state is only established between the emperor and his ministers and generals.

The ordinary citizens (except the intellectuals who are the potential officials of the empire) never include the state, the family business of the emperor himself, in their own ripples and only care where their own ripples reach, their family and town. In other words, Chinese traditionally only care about people within their ripple or circle (Quanzi, 圈子) who have connection with them. And connection is built by giving each other face and favors (Renqing, 人情).

This tradition persists in contemporary Chinese society and is heavily criticized. A famous professor at Peking University criticized our education system for producing «exquisite egotists». Nevertheless, the reality is that this tradition remains the mainstream value of the current Chinese society.

Quanzi, the gentleman's club in China

The Chinese treat people very well within their small circle with manners (li, 礼), where it is like a gentleman's club. But outside the gentleman's club and beyond the reach of our self-centered wave, we compete with each other and are cold to each other. And foreigners in Chinese society are treated as «outsiders» (laowai, 老外), outside most circles of Chinese Quanzi.

In fact, Circle is very important in the Chinese legal business. The elite Chinese law firms are called the «Red Circle» (Red Quanzi). And the arbitrators and arbitration lawyers have formed an «Arbitration Circle» (the Quanzi of Arbitration, 仲裁圈). There are always a few key people in these circles.



A good example is the rise and fall of the elite Chinese law firm T, founded and run by the former judge of the Chinese Supreme Court, Mr J. Mr J is an ambitious and capable partner, and Law Firm T attracts many of the best Chinese lawyers because of Mr J's charisma and connection. However, Law Firm T collapsed soon after the sudden death of Mr J. It is all because of Mr J's Face and his Connection make the rise of Law Firm T, and it is also the lack of Face and Connection make Law Firm T no longer successful. This shows the importance of Circle and the foundational power of personal Face and Connection in building Circle.

Not only Chinese law firms, almost all Chinese companies have their own circle, like Tiktok's parent company Bytedance, has its own "Byte Circle", sharing a unique value and way within their circle. In more traditional companies, within the larger circle of the company, they sometimes have one or more hidden circle divided by regions where people are from.

Like the famous Wuhu Circle and Baoding Circle within several Chinese car manufacturers, an interesting but not very accurate comparison is the «Днепропетровский клан» of the Soviet Union. Not being in the certain Circle can have many negative consequences. Many people who are hired by Circle are called «paratroopers» in Chinese society, and they need to be inconspicuous and gave Face to everyone so that they will not be targeted by Circle in the company. This is also a reason why a Chinese lawyer who doesn't show that he or she has connection is an amateur, because it shows that he or she is not in any circle, which is contrary to the culture of many European countries.

How to do business with Chinese with faces?

This article mainly talks about how to do business with Chinese from a strategic level and if you are looking for tactical guidance, please read our previous article on how to negotiate with Chinese counterparty (with link).

Step 1. Find and establish relationship with the key person in the Circle

As mentioned above, the reality is that most foreigners are «outsiders» to Chinese circle and may be treated badly. However, the good side is that many Chinese love to show friendship to foreigners and automatically sell some face to them in the beginning, this is called «super citizen treatment of foreigners». So, if you have been treated with such a friendly opening, send face in return and start building connection with them. If not, then the key step is to find the key people. The key person is usually the oldest and most powerful and influential person in the circle. The quickest way to identify and establish contact is to identify one person in the circle as your 'navigator'. Ask them to arrange personal activities with the Circle and gradually build up a direct relationship with the Key Person. Note that, as the famous Chinese saying goes, «the governor is not as good as the local magistrate» («县官不如现管»), sometimes it is better to find the key person in the individual project than the core key person in the whole circle. So make a case-by-case analysis each time.

Step 2. Selling your face to key person and everyone to the circle

First of all, how do you sell your face? Selling face is not about flattery, and flattery always comes back to bite you and make you lose face in the end. Selling face is not about faking your attention and respect, it is about giving due respect to the person you are selling face to. It is very similar to the Italian marriage scenario in Godfather I, when the old Godfather stays in his reading room and arranges things for his Italian acquaintance. Selling face also means participating in the person's personal activities, remaining humble, being polite to his friend, and most importantly, accepting and acknowledging his social status and leadership role in the Circle, just as you would kiss Vito Corleone's hand and call him your Godfather.

Most importantly, be polite and friendly to everyone, don't be an «exquisite egoist». Otherwise people will think you have a jester's personality, that you only placate the important people and try to take advantage of them. Think long and hard and be kind to the people around you.

Step 3. Waving your Guanxi network with exchanges of favors

When people do you a favor, even if it is only a personal one. Always be ready to return the favor. The return favor can be either personal or business. Even if you do a favor for the Chinese, even if it is only a personal favor, they may return it as a business favor. However, you must maintain your reputation as a grateful people. The return favor does not have to be equal or strictly proportional to the favor others have done for you. For example, if a Chinese businessman has signed a successful and profitable contract with you and has done you a favor, you can return the favor by teaching his child Russian, regularly sending him a congratulatory card and a small gift on Chinese holidays, and buying him meals. The gift, food and work are just the vehicle of your true emotion. It does not have to be expensive, but showing your true gratitude is the most important thing. They may refuse, but you can insist and at least show them that you are grateful. The most important thing is that you signal that you are willing to return the favor in the future. By returning the favor, your guanxi will expand and your reputation will reach other circle, making you a man of many 'faces' whom the Chinese admire and are willing to actively sell faces to.

From the concrete: new generation of Chinese

The book From the Soil built its theory on the assumption that Chinese society is shaped by thousands of years of natural agrarian economy. Everyone is dependent on their own group and the micro-society in which they live.

However, the social environment and economy of modern China is very different from the traditional economy. The new generation of Chinese no longer comes from the soil, but from the concrete we use to build our houses and apartments. New Chinese companies, especially Internet companies such as Bytedance, Kuaishou, Temu and Shein, have a completely different value compared to traditional Chinese companies. We will discuss the trend of Chinese society value and how to do business with the new generation of Chinese people from the concrete in our next article.

