

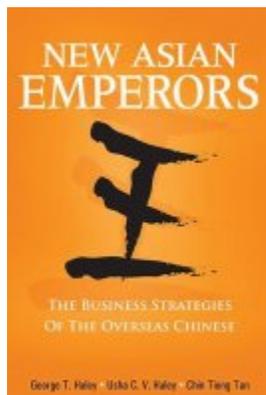
Reading, Writing re: Management

<http://readingwritingmanagement.blogspot.com/>

Occasional posts on business books, their authors and publishers, tidbits from my book and article research, quotes from interviews with experts and executives, and hopefully, not too much self-promotional bushwa.

Saturday, June 27, 2009

When contracts aren't written in stone



[George Haley](#), a professor of marketing at the University of New Haven, was a very helpful source for a [cover story](#) I wrote about selling in China for *Selling Power* magazine a couple of years ago. A specialist in Asia Pacific, George wrote a book in 1998, with professors Usha Haley and Chin Tiong Tan, on the Overseas Chinese -- an insular and powerful business community in Southeast Asia that I had never heard of before that. It is available now in a new, revised edition titled [New Asian Emperors: The Business Strategies of the Overseas Chinese](#) (Wiley).

Among many other things, the book explains one of the most disconcerting elements of Chinese business culture for Westerners -- the cavalier attitude to contracts -- as follows:

Many Western businesspeople in Asia have problems with the seeming flexibility of contractual agreements in Asia. The Bundesbank's difficulty in collecting on some of its loans to Chinese companies, including government-owned firms, presents a classic example. When Chinese debtor companies ceased paying in loans, Bundesbank

representatives demanded resumption of payment. Their Chinese counterparts responded by arguing that circumstances had changed, and hence the terms of the contract must change. Contractual flexibility follows Chinese custom.

Contractual flexibility took hold among Chinese businesspeople because of the nature of their business. Business-to-business transactions occurred largely between long-time associates at the very least, if not actual family members. Hence, if circumstances changed abruptly in favor of one party to the transaction and to the substantial detriment of the other, they would renegotiate the contract so that neither party would suffer unbearably from changed circumstances. This consideration offered to one's trading partner stemmed from self-interest. An unhappy trading partner might not only refuse to do any further business with the offending individual, but also campaign against him within his network, or even offer evidence against him with imperial authorities.

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