

10 Steps To Doing Business With China

by Philip Xue and Perry S. Marshall

1. Read, listen, and have conversations with Chinese people. Become a student of Asian culture. It's vitally important to develop a feel for their Chinese, including the local customs in minority areas.
2. Begin by establishing a sound and healthy relationship with the government at the national, provincial and municipal levels of government. These organizations will open doors for you and will be a key factor in your business success.
3. Seek common interests while respecting differences in culture.
4. Be humble and approachable. China has more than five thousand years of history and an ancient tradition of respect. However knowledgeable and expert you are in a certain field, the Chinese will like you best if you present yourself in a humble way. In other words, the "Donald Trump" approach does not work well in China. The "Sam Walton" approach works very well.
5. Honesty is in. Pretense is out. Personal relationships are everything in China, and you will sacrifice those relationships if you show arrogance or neglect people's feelings.
6. Search out the right people, partners and suppliers to do business in China. Please be patient - this takes time.
7. Timing is everything in any business arrangement. Don't jump the gun, but don't wait too long to seize an opportunity either.
8. Location matters a lot! Finding the right location for your operation is be a key factor for your successful business in China.
9. Harmonious relationships and getting along well with people involved with your business is very basic and necessary foundation.
10. Learn the basic language, especially the greetings in standard Mandarin. It's a real plus if you can speak some slang words or local dialect. This proves to your Chinese business partners that you respect their culture and the distance between your world and theirs is shortened dramatically.

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Asia's Sleeping Giant Wakes Up *By Perry S. Marshall*

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Have you ever bought a new car and started noticing that brand of car everywhere you go? Everyone suddenly seems to be driving the same kind of car as you.

The same thing happened to me when I took my first trip to China last year: suddenly my eyes were opened to everything Asian. Before that, I hadn't particularly noticed that nearly everything at Toys-R-Us, and to a lesser degree even Wal-Mart, is made in China. And though many of us westerners think of China as a sort of oriental sleeping giant, make no mistake: the giant is awakening, and is ready to take on the world.

Those of us in manufacturing will do well to understand the growing role that China is playing in our world economy. China entered the World Trade Organization in 2001 and is modernizing at breakneck speed. Not only is its manufacturing base growing by leaps and bounds – last year their Gross Domestic Product grew by 7% – it is also a fast growing market for Canadian- and American-made goods. Last year China became Motorola's largest market for cellular phones. (Humorous aside: In Mandarin, the word "Motorola" actually means "the mule is pulling the motorcycle") So it's timely to discuss the growing automation market in China and point out some important basics on doing business with the Chinese culture.

A bit of history and surrounding geography may be helpful. The island of Hong Kong is a stone's throw from China's southeastern coast, and though it started out as a landfill, as a British colony it prospered and became one of Asia's largest banking and manufacturing centers. Similarly, billions of products have been shipped with "Made in Taiwan ROC" stockers, making Taiwan one of the world's largest economies. Taiwan is only a few hundred kilometers from the Chinese mainland, and its culture is essentially Chinese.

When Hong Kong officially became part of China in 1997, many feared that the country would start to go backwards. However, the Chinese government resisted the temptation to make dramatic changes, and in fact Shanghai, China's commercial capital, is following in Hong Kong's commercial footsteps. It is actually replacing Hong Kong as the economic center of the region.

Today Chicago and Toronto don't look particularly different than they did 10 years ago, but such is not the case in China. Skyscrapers are going up, factories are being built, roads are being paved, telephone lines and internet connections are crisscrossing the country, pirated western CD's and DVD's are available on every street corner, and even families with no running water have Karaoke machines. And though most of China's 1.3 billion people have a per-capita income of something like \$1500CDN per year, the country represents a large growing market for western brands and products.

In automation, semiconductor fabs are being built and Volkswagen has a plant in Shanghai with DeviceNet. Contemporary Controls (headquartered in Downers Grove, IL) is simultaneously building a manufacturing plant in China and selling its U.S.-made ARCNET technology there. Doing business directly with China requires a two-way relationship like this, because the Chinese government has some rather complex rules for selling into China, including a mandate for foreign investment. Business arrangements like this are increasingly common: "Make some of your stuff here, and we'll let you sell here, too."

Canadians seem to be a bit more even-handed about international politics than Americans; they are certainly viewed that way by the rest of the world. And when dealing with the Chinese, it's quite helpful to be that way. Things don't work the same way in Beijing as they do in Toronto or Washington DC. Asian culture is fundamentally different. The Chinese government has "5-year plans," but don't think for a minute that they're like the ones that came from the Kremlin. China is on a

mission to modernize, and the government plays a catalytic role in business development. You need to work with the government cooperatively; shortcuts are counterproductive.

If you want to establish business in China, I have several recommendations that will greatly ease the process:

1. Appoint a Chinese-born, Chinese-speaking person to manage the project from the Canadian side
2. Secure relationships with local government officials and companies on the Chinese side.
3. Learn and understand Chinese language and culture – every bit of effort you expend in this regard is very much recognized and appreciated. It breaks down the stereotype that westerners are self-centered and ethnocentric.
4. Confucius say “Be Patient.”

As an aside: China is a fantastic place to take an affordable “business vacation.” The flights are economical and once you get there, food, lodging and everything else are extremely inexpensive. Personally, I spent a day in Taipei, two days in Hong Kong, and a week in beautiful southern Yunnan province for a bit over \$2000 US, including airline tickets. If anyone’s interested, my travelogue, complete with photos, is at www.tannah.net/asia.

Initiating a Chinese Business Relationship

By Fred Zhang

There are two kinds of enterprises in China, National and Private. Most are national enterprises, which are part of the government’s planned economy. Private enterprises have grown very fast in recent years.

In China, government has a very close relationship to business and the economy. They make the plan and policies of the economy and even appoint the heads of the national enterprises.

National enterprises are formed as part of the planned economy. Western style economics is also taking hold as national enterprises, still controlled to some extent by the government, are slowly cutting the umbilical cord and failing or succeeding on their own merits. Private businesses are most often medium- and small-sized companies.

Chinese company delegations frequently come to the US or Canada to discuss business ventures. They are very curious and, generally speaking, they seek companies and institutions who wish to do business with them. They seek to know the details about those companies’ products, market, financing and so on.

It is very important to begin with a good relationship with the Chinese government. You should start by contacting with local government directly, and ask them about business policies because they can be quite complex and vary from place to place. You will inevitably find privileges and serendipities by approaching it this way. The government officials will also introduce you to companies and contacts whose needs match your own. You will find that while bureaucracy exists in any government, institution or organization, Chinese officials are often eager to help you establish these relationships.

Chinese Business Etiquette 101

China is one of the oldest countries in the world. She has about 5000 years of history and has been profoundly influenced by the teachings of Confucius. There is a vast difference between Chinese culture and American culture. China business practices grow from Confucian traditions.

The word "Individualism" was coined by French author Alexis de Toqueville, to describe Americans. In contrast, the Chinese are very group oriented. They focus on the group instead of the individual. China had been agricultural society for millennia. In ancient China, family is very important in the society. The members of family hold authority and old people in high regard. Helping one another other and listening are highly valued. Children are taught from birth that the benefits of group are more important than that of the individual.

Therefore, Chinese business people focus on group when they do business. Sometimes they are reluctant to express their own opinions. They just focus on the opinion of their leader. So they don't make decision at once because they have to report their leader. Similarly, it's in very poor taste to bring up sensitive political subjects with a group of Chinese people. It's considered socially unacceptable to criticize authority, especially in a group setting.

Chinese businessmen are shrewd. They are good at financing. They like to bargain. So it's a challenging and interesting process. It starts with understanding Chinese business culture and custom.

1.How to greet a Chinese person.

The first impression is particularly important to Chinese people. They will judge you by your behavior at the first meeting.

- Dress in formal clothes. This shows them that you respect them.
- Make introductions starting with the highest-ranking person to the lowest, regardless of male or female.
- Chinese names are ordered differently than western names. My own English nickname is Fred, and westerners call me Fred Zhang. Zhang is my family name, but in China the family name comes first. So my Chinese friends call me "Zhang Qi Yuan."
- Address people using their family name plus their title. For example, "Manager Zhang." Don't use first names when you meet with people for the first time.
- Shake hands, regardless of whether they're ladies or gentlemen.

2.How to have a business meeting

- Arrive at the meeting on time, not late and not early.
- At the beginning of conversation, a short silence means politeness and contemplation.
- Beginning with brief light conversation, such as "How long have you lived here?" Talk about the weather and so on.
- Talk openly about your hopes and plans.
- Generally speaking, the Chinese are more patient than westerners. They don't make snap decisions.
- If they say, "I must think it over," it can mean many things. Maybe they have agreed with you but they don't want to tell you at once; maybe they will refuse you indirectly. That depends the situation.

3.How to attend a banquet or formal dinner

Banquets are very important in Chinese business culture. Inviting you to such an occasion means they respect you. There are many formal gestures with respect to this:

- You must accept the invitation. To refuse an invitation to a Chinese banquet dinner is to insult the person who has invited you.
- Don't eat any food before the host asks you to eat.
- Drinking alcohol at business banquets is common. "Bottoms up" is fine.
- Place the chopsticks on the table or on the chopstick rest when you don't eat any food.
- You may ask the host to excuse you when you think it is the proper time.
- Always graciously thank host before the end of the banquet.

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