

## Growing a business in China

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CBBC, the China-Britain Business Council, recently convened a day of round-table discussions aimed at helping smaller businesses trade in China. **Michael Schwartz** attended.

Marketing and distribution made up the morning's exchange of views. The chairmanship of Ian Ash of 4Oceans, aided by the expert panel of Intellect's Stephen Fairweather, Agilent's David Lord, and CBBC's own Peter Nightingale, produced a clear set of advice - and not a few warnings:

- 1) It is easy to spend money in China and hard to make a profit. The hardest part is getting those profits back to the UK;
- 2) China is changing by the month, not least as Government views and policies change - make sure you understand the market;
- 3) You still need local expertise. One can pour in one's own employees, and it may work, but on the other hand the market may well have changed. Therefore you must choose the right partner. It takes three or four years to generate the partner's trust;
- 4) There is still a fear on the part of the Chinese of going too fast, and of making mistakes;
- 5) There are two systems, the old state-oriented one and the new entrepreneurial one. Neither wants to lose face. In one division of China Telecom, there had been no money to invest in infrastructure. A discreet payment from a UK executive of £3,000 helped the Chinese executive in question provide the necessary infrastructure. Business proceeded smoothly thereafter;
- 6) Businesses in China may have Korean, Taiwanese or indigenous Chinese ownership - different representatives for UK companies may be necessary to understand different techniques and aspirations;
- 7) There is a move away from using family connections as intermediaries. But what is important is the educational link - where two people went to college and, even more so, where they went to kindergarten. The further back the link, the stronger the bond. It has been estimated that two university professors taught more than one half of China's leading IT players;
- 8) China's size is still a highly important factor;
- 9) China's speed of change must be understood;
- 10) There is usually a high standard of English;
- 11) Select the right location for producing your product. Consultants are there to help you. There is an unfortunate pattern of the company that loses money and only then finds out that help exists;
- 12) Consulates are there to help. For example, the Shanghai Consulate holds evening meetings to allow networking;
- 13) Exhibitions are there to promote you. Two good contacts generating six months work will at least justify a presence. Government support is there. Trade fairs are now better organised, following the involvement of German trade fair organisers;
- 14) When negotiating below a certain level, language can still prove a problem;

15) Use Chinese nationals who have studied in the UK (they may possess MBA qualifications) when working with Chinese companies. They can get things done;

16) There are academic links between the UK and China - use them;

17) Use the Bond Scheme. Companies can identify a potentially useful Chinese national, and bring them to the UK for one year. The company contributes £1,000 per month, and the scheme makes up the rest;

18) Shanghai is able to do things that certain other centres can not. The atmosphere for trading is more liberal;

19) Networking and pro-activity are highly effective weapons. IT is possible, for example, to find out where there is surplus factory floor space;

20) When it comes to documentation, ask Chinese executives to request the product or service, thereby "pulling" it into China. Avoid "pushing " the product or software into China by initiating the despatch process. Customs clearance becomes easier;

21) Sending expertise over the Internet can avoid Customs problems;

22) Ask key questions, rephrasing them several times to see if the answer is consistent;

23) Create a bond with the Chinese executive via one-to-one discussions.

24) Problems can sometimes be ironed out in a private session;

25) There is a multitude of promotional techniques for a multitude of companies, all with varying results. Successful techniques have included advertising in airline magazines - the readership is the right one.