



# THE KEY



TO BUSINESS SUCCESS WITH CHINA

By Tim F Nash

China represents unparalleled commercial opportunities, but since many of the world's best-resourced companies have failed to overcome the challenges of doing business in China, our enterprises are commonly paralysed into inaction.

Afraid to step out of our front doors lest the sky should fall on us, we wait at home hoping that a solution will magically come knocking on our door – and now we're getting spooked by the news that it's the Chinese who are roving our neighbourhood!

## OPPORTUNITIES

China's economy has been growing at an average of 10% per annum for three decades and is now the largest in the world. It also has the world's largest market, with a middle class greater than the entire population of the United States. The scale of the commercial opportunities and China's expanding global influence make it a region that any business leader would be foolish to ignore.

## & CHALLENGES

Yet nearly half of foreign businesses in China fail within two years, and many of those that do survive fail to thrive. How can this be? Are these just bad businesses? Do the bosses simply not know how to run a company? Are their products and services sub-standard? The answer to all of these questions is a resounding 'no'! Very few foreigners go to China with a start-up. Foreign companies that go to China tend to be well-established, well-led and well-respected. Generally, they have also successfully expanded into other markets.

So why do most Western companies - like Home Depot, eBay and Media Markt - fail in China, while only a small number of foreign enterprises - like IKEA, Apple and Volkswagen - thrive?

## FAILURE

The reasons have been well-documented in numerous case-studies. Home Depot themselves concluded that China was a “do-it-for-me” rather than a “do-it-yourself” market; eBay did not facilitate the necessary social connections between sellers and buyers; Media Markt’s relationships with their suppliers were not as close as their competitors and they failed to recognize the importance of online retail.

## & SUCCESS

By contrast, IKEA did not just provide materials for decorating but showed Chinese customers how to furnish their new homes in an aspirational Western style; Apple replaced the aluminium and white finishes that they prized on their iPhones with the silver and gold that its Chinese market valued; and Volkswagen sought a partner who would build cars profitably with them in China rather than a factory that would simply build cars cheaply for them.

*China is not just another market,  
it's a different kind of market*



Valuable lessons have been learned and helpful lists of do's and don'ts have been drawn up by business advisors, chambers of commerce and government bodies - all of which emphasise that China is not just another market: it's a different kind of market. Chinese business culture is unlike the Western norm that has proliferated through America's economic dominance. Both corporate and consumer practices are distinct from what we are used to, so need to be properly researched and understood.

The trouble is that in practice most foreign businesses become so bewildered by the complexities and so afraid of getting it wrong that, again, they do nothing. Alternatively, they delegate "China" to someone else - a junior manager or a third party. Or, having made it through an initial meeting with perfectly serviceable English interpretation, they assume that the challenges have been blown out of proportion. But China cannot be avoided forever and the evidence is overwhelming that the other two approaches are doomed to failure. What to do?

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# THREE SIMPLE STEPS

The good news is that it's not that complicated.

Three simple steps are all it takes.



Underneath the peculiarities of the Chinese business environment are fellow human beings with a common desire to be fed, housed, loved and valued. Basic sales training tells us that ‘people buy from people first,’ and likewise in China people do business with people that they like and trust.

## *1. Be Personable*

**So the first ‘rule’ is simply to be personable – and that doesn’t happen by studying someone but by taking a genuine human interest in them.**

While the Western business model might be characterized as “do a good job for me and I might be interested in getting to know you,” the Chinese model is “if I don’t know you, you’ll never do a job for me – however good it might be.”


Chinese ‘guanxi’ (connections) sound fearsome but are really just relationships that are strong enough for you to be able to rely upon them. Western wisdom tells us that the best way to get work is through personal connections – hence the success of LinkedIn – but, in a rapidly changing economic environment and a sometimes unpredictable political landscape, a personal commitment provides much greater business security than a contract.

## *2. Be Dependable*

**So the second ‘rule’ is simply to be dependable. Keeping in regular contact would be a good start.**

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The English-speaking world in particular has tended to operate on an imperial model – sometimes benevolent, sometimes oppressive, but always seeking to dominate: hence ‘market share,’ ‘hostile take-over,’ ‘divide-and-conquer,’ ‘second is the first loser,’ and ‘whoever has the most toys wins.’



Since in most commercial transactions you cannot legally force someone to part with their money, we are used to management-thinking continually trying to persuade us to go against this natural tendency and to look instead for win-win. And that’s what you have to do in China – “ask not what China can do for you, but rather what you can do for China.” See, not so foreign really, is it?

When China first began to open its doors to the outside world again in the 1980s, the shops they built for foreign visitors were called ‘Friendship Stores.’ From the start, China has been looking for friends from afar – countries, companies and individuals who would not try to lord it over them but rather would be concerned for their well-being. Which is why the foreign companies that succeed in China take a partnership approach – learning from and contributing to each other, with mutual commitment and respect, to mutual advantage and gain.

### ***3. Be a Friend***

**So the third ‘rule’ is simply to be a friend.**

Everything else follows naturally from these three principles: seeking to be personable, dependable and a friend. Note that these are not about knowledge, skill or technique; they are about attitude – and that is something that is completely within your control.

## YOUR MOVE

Martin Jacques points out that China thinks of itself primarily as a civilization rather than a nation. The legitimacy of the state is founded on its ability to embody and defend Chinese culture, which perhaps explains why fiercely patriotic Chinese can so readily transfer their citizenship to another country. The good news for ‘outsiders’ is that they are not permanently excluded by birth, because the Chinese value culture over ethnicity or nationality. The strong bonds which connect the Chinese to one another can equally include non-Chinese, if they will respect the unifying culture.

*Go to the Chinese rather than  
expecting them to come to you*

So the key to building a strong business relationship is to go to the Chinese rather than expecting them to come to you. Facebook founder, Mark Zuckerberg, demonstrated this principle brilliantly when he told his Chinese audience – in China, in Mandarin – that his desire was for Facebook to connect the world to China, rather than for Facebook to liberate the Chinese from their government censorship and to give them access to the rest of the world.



# DIFFERENTIATION

Best-selling author on business management, Patrick Lencioni, is convinced that organizational health is what gives a business an advantage over its competitors. The temptation for business leaders is always to focus on their company's technical abilities, but most of these are just 'permission to play' and real differentiators are increasingly difficult to find at the technical level. Telling me you know the law just tells me you are a lawyer, not whether or not you are a good lawyer. Telling me that one of your company values is integrity just tells me that you still have a licence. Showing me client testimonials just tells me that you are in business. I will find the same at any law practice I visit. Lencioni argues that what makes one practice better than another is how healthy it is as an organisation. Are all the parts valued and do they all work together effectively? A stubbed toe may not be a vital organ but it can certainly hamper the performance of the whole body.



*Whether the venture  
thrives or fails  
will depend not  
on collective capabilities  
but on how effectively  
they work together.*

A similar principle surely applies to foreign businesses operating with the Chinese. By definition, there will be a partnership of some description between two different parties. For the partnership to reach its objectives, there have to be common objectives and an agreement about the way to get there.

Whether the partnership's venture thrives or fails thus depends not on the collective skills and capabilities of its members, but rather on how effectively they work together. In other words, the key to success in China is not the strength of each business in the partnership but the health of the relationship between them.

Which brings us back to our three rules, because healthy relationships between human beings begin with being personable, dependable and a friend.

## CONCILIATION

What of all the complexities and technicalities of doing business in China that have overwhelmed us and spawned a whole industry of mediators? Does it not really matter how we hand over a business card, where we sit, or who talks first after all?

Yes, it does matter – but only in as much as these things convey an attitude. It is going to be hard to convince someone you that you are being personable, dependable and a friend if your behavior feels rude to them. At the same time, if you do everything by the book simply as a technique to get the other party where you want them, your attitude will come through and nullify your efforts.

Which is where language comes in. Interpreters and translators do a wonderful job, and technological advances are making the process of understanding words in another language cheaper, quicker and easier all the time. But these advances mask the fact that language is first and foremost a medium of thought and only secondarily a means of communication. And even as a means of communication, research suggests that as little as 7% is conveyed by our words. We may never get to the point where we can conduct a business conversation in Chinese, but our attitude to the language will have a huge impact on our ability to relate to those we want to do business with.

For there to be a meeting of minds, your mindset will have to shift. You may need help to do that, but it is you that will have to move. Horses and water and all that ...

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So what is needed is not mediation – for someone else to build the relationship on your behalf – but conciliation – that is someone who will help you to build the relationship yourself. Because ...

# *Relationship health trumps everything else in cross-cultural business*



Tim F Nash conciliates thriving relationships with China. He is a trainer and consultant with over 20 years of experience working for clients that include Burberry, Coutts, Lloyds of London, HSBC and PwC. Tim is a Mandarin speaker with an encyclopaedic knowledge of China and an extensive background in business development, internet technology and education. He founded Access China Ltd in 2010 and is based in the city of London.



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