



Inside Chinese Business: A Strategic-Cultural Perspective

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Chinese Business: Back to the Future

- We can best understand Chinese business by projecting into the future through the lens of China's history.

Strategic Outlook



*New global reality:
China's re-emergence*

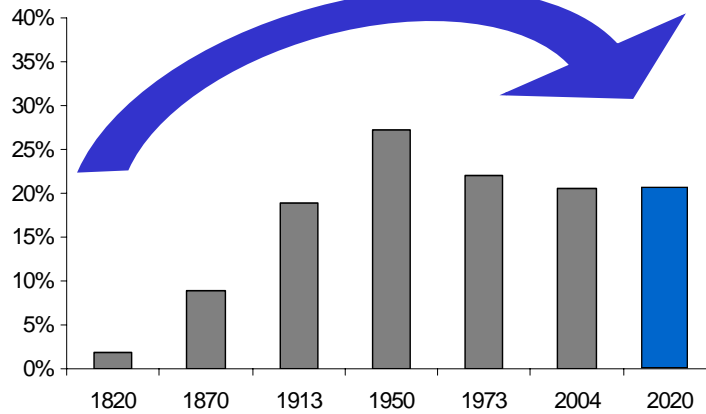
Cultural Legacy



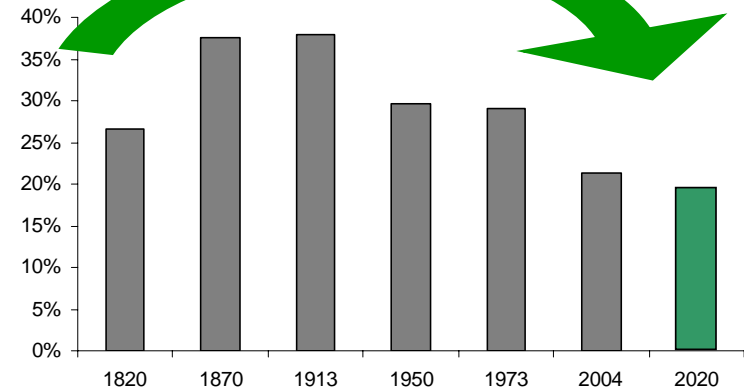
China: 5,000 going on 30

Re-emergence of China

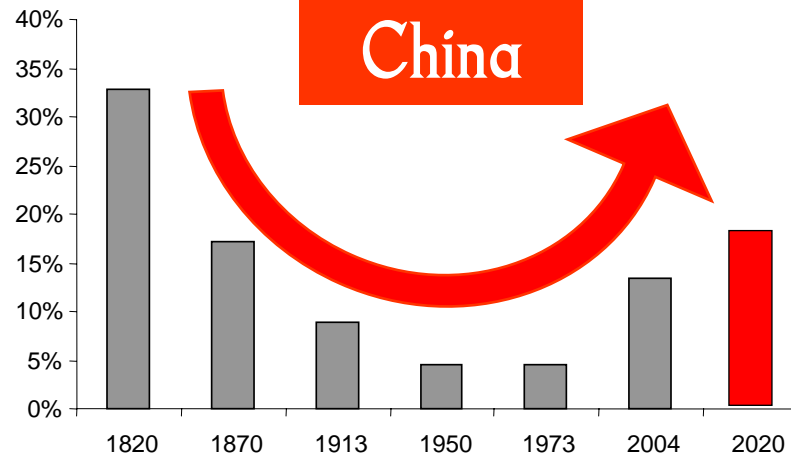
USA



Europe



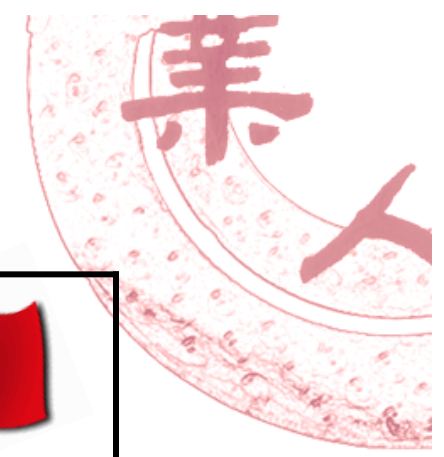
China






Share of world GDP at purchasing power parity (%)

By 2020, China's GDP on a PPP basis will have returned to its historical level.

Global Triad—Now and Future

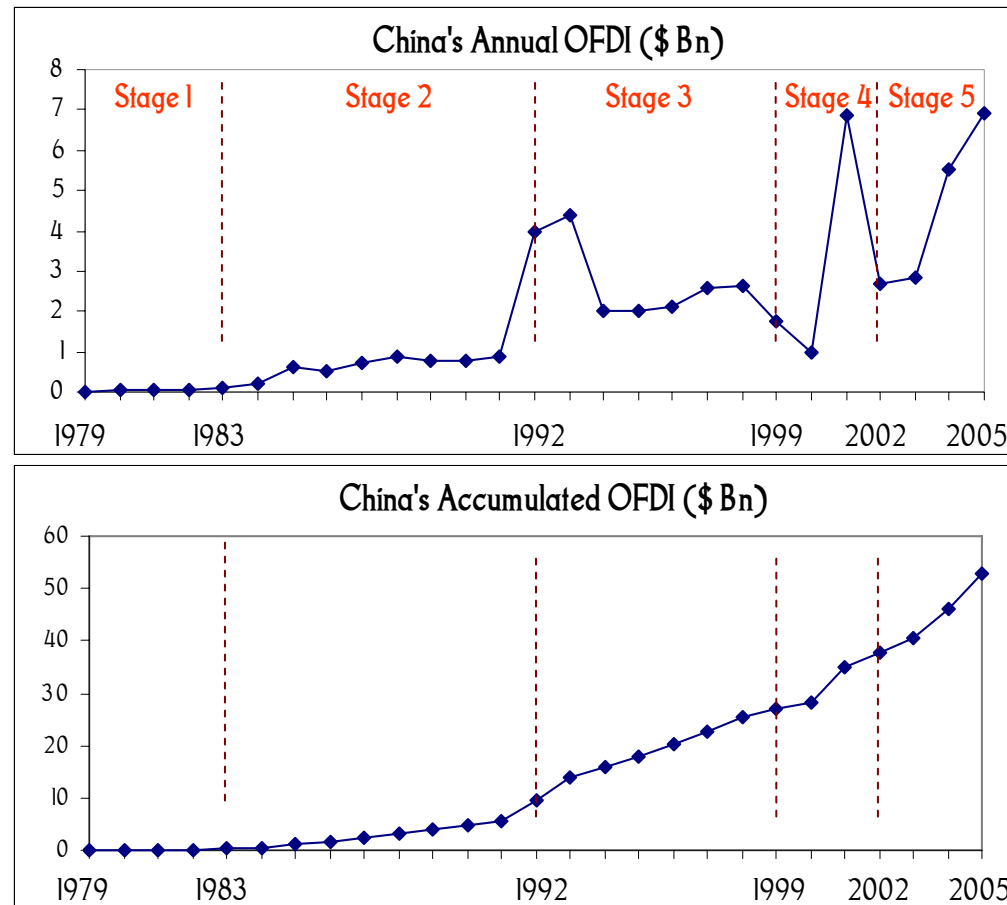
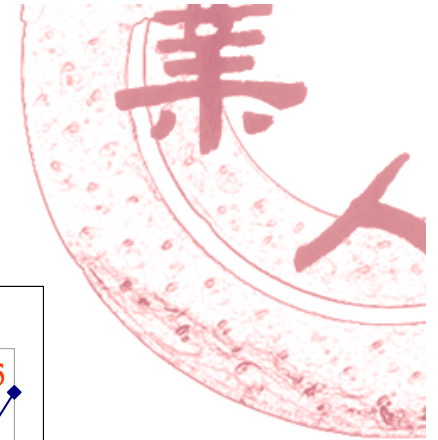


						
	Present	2020	Present	2020	Present	2020
GDP at PPP (billion \$)	11,651	18,479	12,085	16,935	7,642	19,136
Population (million)	288	336	455	478	1,284	1,430
Service sector GDP (billion \$)	9,321	14,784	7,372	11,685	2,598	8,994
Middle class population (million)	163	186	171	179	50	200

By 2020, the Chinese middle class will eclipse its American and European counterparts in sheer size.

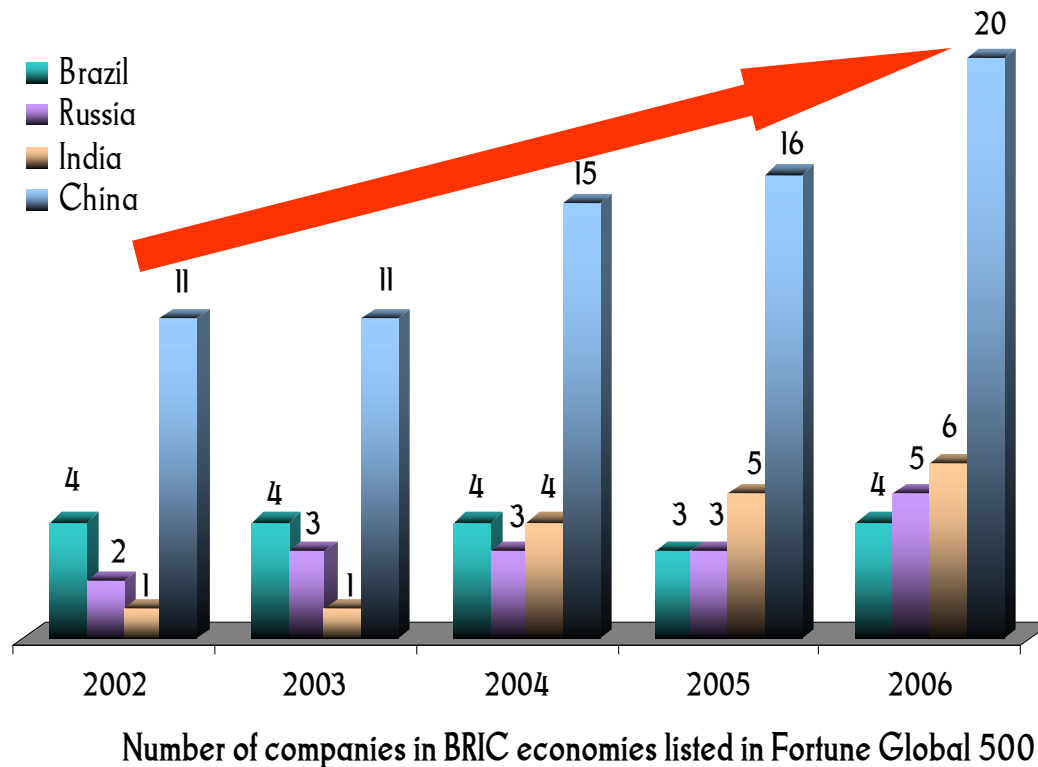
Statistics in the Present column are based on 2004 data.
 Sources: US Census Bureau, World Bank, International Monetary Fund, Eurostat Yearbook, EU website, Energy Information Administration, Stanford University, CIA, BNP Paribas Peregrine, Chinese Academy of Social Sciences, Luxembourg Income Study.

China's Outward Foreign Direct Investment (OFDI)



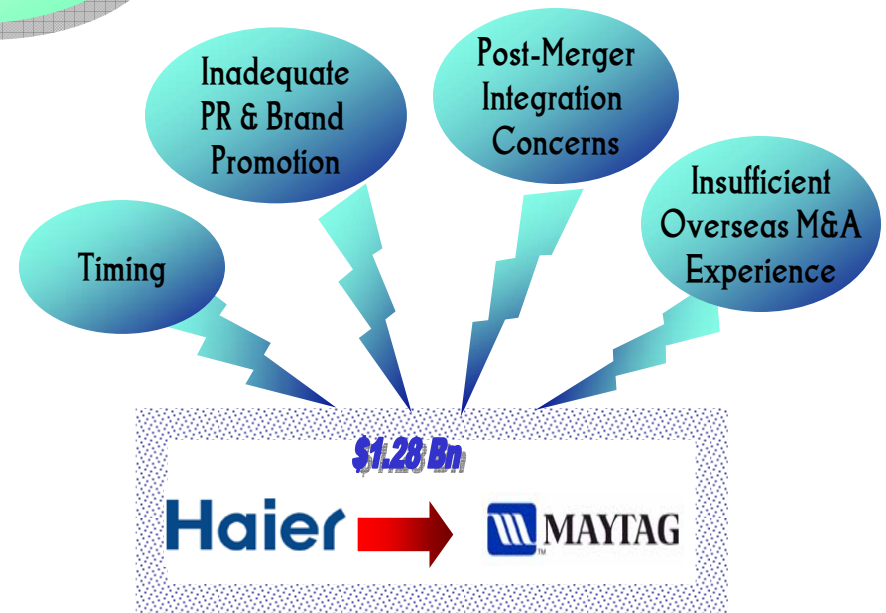
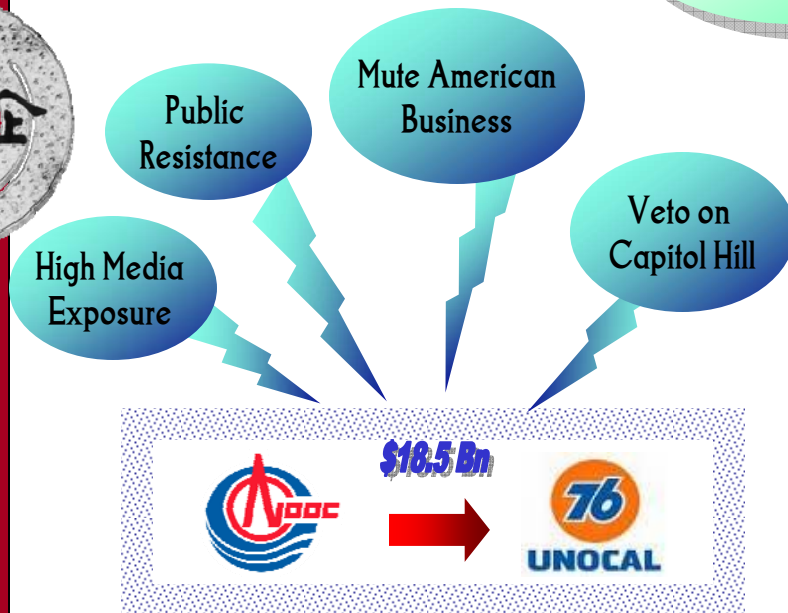
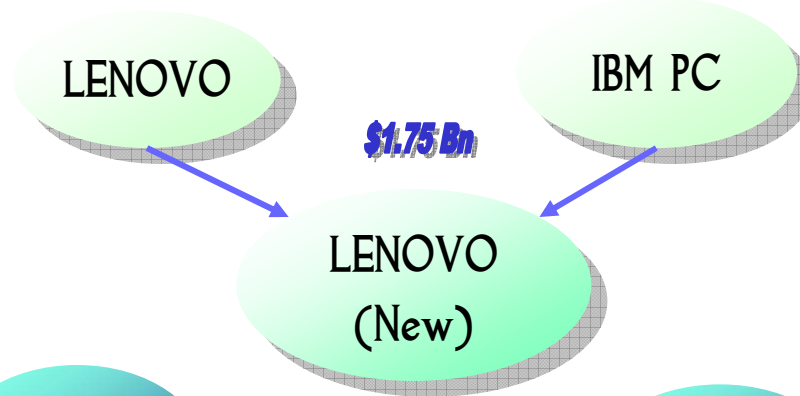
China's OFDI has increased sharply over the last 25 years, with 31% compound annual growth rate (CAGR).

China's Global Business Profile



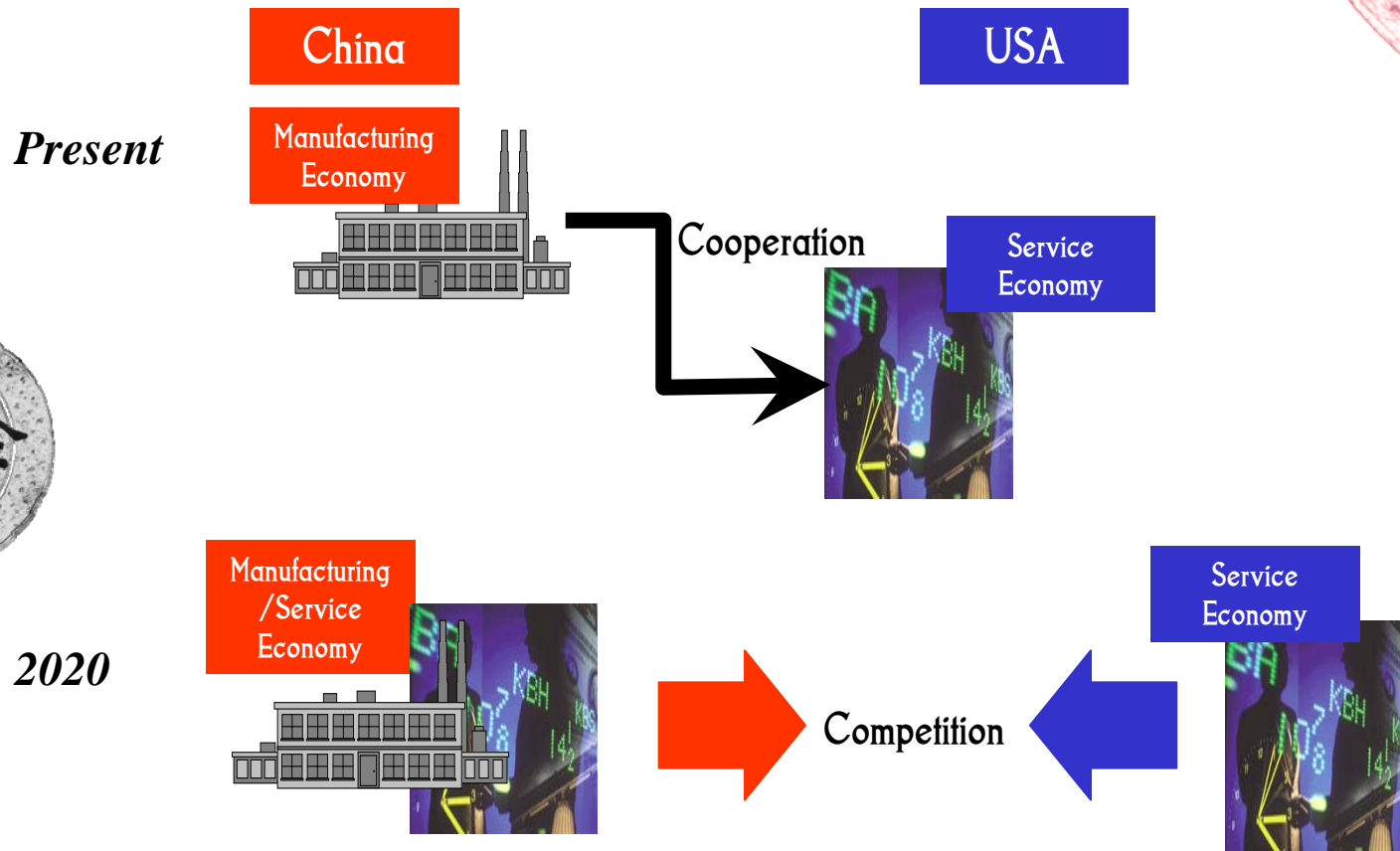
China's total number of Global 500 companies is greater than the combined number from the other BRIC economies - Brazil, Russia, and India.

Three Recent Expansion Cases



China's re-emergence: from manufacturing and exporting to overseas expansion

Business Relationship in Transition: The Sino-US Case



Chinese and American business will soon compete head-on for the same supplies, resources, and jobs.

China: 5,000 Going on 30

Tradition



Modernisation



The baffling 5,000/30!

Chinese Cultural Foundations



Global Chinese Business

Chinese business – that of China and overseas Chinese – continues to be shaped by a common cultural heritage.

Relationship

Ren zhe ren ye (人者仁也): “The meaning of person (人) is *ren* (仁).” The character *ren* means humanity, as well as core, or seed of a fruit. The character *ren* is composed of the characters for “two” (二) and “person” (人). No person exists except in relationship to another.

Business Family

A majority of overseas Chinese businesses, public as well as private, are owned and managed by families – the business family model has become the predominant mode of private enterprise in China.

Balance

The Chinese language embeds the idea of balancing opposites:

“threat” + “opportunities” = “wei-ji” (“crisis”)

“spear” + “shield” = “conflict”

“many” + “few” = “how much”

“inside” + “outside” = “everywhere”



Inside Chinese Business: A Guide for Managers Worldwide (Harvard Business School Press)

Strategic Challenges

- How is your company strategizing for China's re-emergence and the imminent global triad?
- How will your company take advantage of the rise of the Chinese middle class?
- Given 5000/30, how will your company approach the China market?
- Do you have a China (or global Chinese business) strategy?
 - What role, if any, will the China market play in your operations?
 - How should you approach the Chinese market?
 - How should you view Chinese enterprises – as competitors, or as potential partners?

Now is the time to cultivate "Chinese DNA" in your organization, in order to compete or collaborate with the Chinese.



Entering and Thriving in China



- There are many penetration points into China. The shortest route from Buenos Aires to Shanghai may be through Miami.
- New entrants too often suffer from the "binary China syndrome": China is either the most exciting and promising market ... or the most disappointing and frustrating.
- China is not one market – there are significant regional differences across the country.
- From an execution viewpoint, how you sell the product and approach your customers is as important as the product itself. Strategy execution and product selling demand a great degree of cultural astuteness.

"If I were to spend \$200 million to acquire a company or make a business investment, I wouldn't have to get approval from my father. But if I wanted to sue someone, however insignificant they may seem, I would have to check with him first" (Inside Chinese Business, pp. 91-92)

Competing with Chinese Enterprises



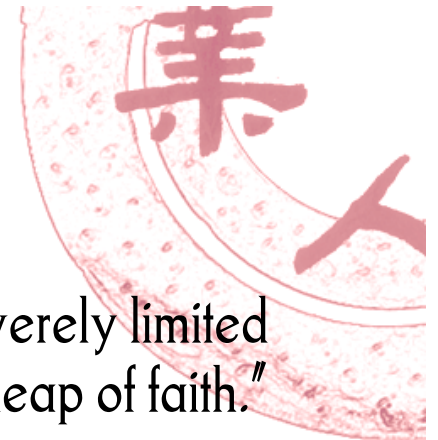
- Chinese enterprises are not simply efficient low-cost manufacturers; they have become innovative and high-quality producers.
- The "re-emergence" phenomenon is precipitating aggressive international initiatives by Chinese enterprises.
- The sizable domestic market and a fundamentally different business model, in comparison with their Western and Japanese counterparts, make Chinese enterprises "threatening."
- Remember, in Chinese the word for crisis – "wei-ji" – combines threat and opportunity. Look expansively, and you will find opportunities on both competitive and collaborative fronts.

There is a rapid rise of China-based MNCs in the global marketplace, and the aggressive expansion by enterprises such as Haier and Huawei is only the beginning.

Partnering with Chinese Enterprises

- Conventional economic or utility analysis may be severely limited in a relationship-based society. Be willing to take a "leap of faith."
- Look beyond the annual report. Most Chinese companies are not valued by the same measures as their Western counterparts. Intangible assets may not be easily evident.
- When attempting to understand decision-making within a Chinese business, a family tree may be more informative than an organizational chart. You may need to figure out the "story behind the story."
- Equity ownership and corporate control often do not correspond. Social relationships and trust are critical to sustained partnerships, and adversity is often a test of the strength of relationships.

Morgan Stanley's 35% equity stake in its Shanghai joint venture "might as well be 1%" of operational control (Inside Chinese Business, p. 143).





- "I think that China and its impact on developed economies, and how developed economies and their politicians react to it, is going to be a huge story."

- Jack Welch, 2001

- "If you look down the road 25 years, maybe we will have our corporate headquarters in Shanghai, and an office in New York."

- Hank Greenberg, 1998



Concluding Thoughts



- In the global context, never assume that your reputation and competence can be easily transferred from market to market, especially in so “foreign” a market as China.
- To appreciate better other cultures, it is essential to develop a deeper awareness of our own business and national cultures.
- “Chinese” as a way of thinking can help expand Western strategic repertoires.
- The “culture-strategy-execution” trio is the key to global business success – in China or anywhere in the world.

“If you know yourself and you know your opponent, you can win a hundred wars” (Sun Tzu).

Appendix A: China Market and Policy Information Sources



- Ministry of Commerce of the People's Republic of China
<http://spanish.mofcom.gov.cn/index.shtml>
- The Economic and Commercial Section of the Consulate General of the People's Republic of China in Argentina
<http://ar.mofcom.gov.cn/>
- China Commerce Network
<http://www.chinaccm.com/4S/>
- China Information Network
<http://en.cis.net.cn/>
- Global Development Partners
<http://www.globaldp.com/>

Appendix B-I: Agriculture Industry



Industry Information Website

- China Agriculture Information Network [http:// www. agri.gov.cn](http://www.agri.gov.cn)
- China Agriculture Web <http://eng.aweb.com.cn>
- China Vegetable Net <http://en.vegnet.com.cn>

Giant Agriculture Enterprises in China

Company Name	Website	Telephone	Contact Email
Chia Tai Group (Charoen Pokphand)	www.cpgroup.cn	(86)10-65101888	idea@cpgroup.cn
New Hope Group	www.newhopegroup.com	(86)28-85259588	xinxi@newhopegroup.com
Tongwei Group	www.tongwei.com/english/	(86)28-85188888	atw@tongwei.com
Shandong Liuhe Group	www.liuhe.com	(86)532-88895566	liuhe@public.qd.sd.cn
Da Bei Nong Group	www.dbn.com.cn	(86)10-82856450	
Henan Hongzhang Nongmu Group	www.hongzhanggroup.com.cn	(86)371-65825102	hongzhanren@163.com
Jiangsu Zhengchang Group	www.zhengchang.com	(86)519-7309988	webmaster@zhengchang.com
Hunan Zhenghong Group	www.chinazhjt.com.cn	(86)730-5728005	zcb@chinazhjt.com.cn
Chengdu Dadi Feed Corp.	www.dadicorp.com	(86)28-85351741	info@dadicornp.com
Shanghai Xinnong Feed Co. Ltd.	www.xinnongfeed.com	(86)21-67741145	service@xinnongfeed.com



Appendix B-2: Food Industry



Industry Information Website

- China Food Network <http://english.foodqs.com>
- China Food and Beverage Online <http://www.21Food.com>
- China Meat Network <http://www.chinameat.cn>

Top 10 Beef Product Enterprises in China

Company Name	Website	Telephone	Contact Email
Jilin Changchun Haoyue Meat	www.china-haoyue.com	(86)431-7958615	chinahaoyue@126.com
Yuxiangyuan Company Group	www.yuxiangyuan.com/en/	(86)10-6156111	webmaster@yuxiangyuan.com
Kerchin Cattle Industry Co., Ltd.	www.kerchin.com/en/	(86)475-8251026	itd@kerchin.com
Bangjie Group	www.bangjie.com/indexe.asp	(86)394-8383542	hnbj@bangjie.com
Inner Mongolia Prairie Xingfa	www.cyxf.com	(86)476-3511856	cyxf@cyxf.com
Shandong Delisi Group	www.delisigroup.com	(86)536-6339999	delisi@delisigroup.com
Jinchang Enterprise Group	www.chinasod.com	(86)437-3169800	longfeng@chinasod.com
Fuzhou Rongfu Group	www.fzrf.com	(86)591-83356707	
Tangshan Yi Jia Muslim Food	www.yijiamuslimfood.cn	(86)315-3511688	
Xiamen HuangJinXiang Foodstuff	www.hjxfood.com/en/	(86)592-5580232	info@hjxfood.com



Appendix B-3: Machinery Manufacturing Industry



Industry Information Website

- China Machinery Industry Federation <http://www.mei.gov.cn/page/english/index.html>
- Chinese Mechanical Engineering Society http://www.cmes.org/cmes_en
- China Machine <http://www.machine365.com>

Top 10 Machinery Enterprises in China



Company Name	Website	Telephone	Contact Email
Shanghai Electric Group Co., Ltd.	www.chinasec.com/en/	(86)21-64168160	sundelong@sohu.com
Chunlan Group	www.chunlan.com/en/	(86)523-6668488	fb@chunlan.com
Xuzhou Construction Machinery Group	www.Xcmg.com/english/	(86)516-87739231	sinomac@public.xz.js.cn
Haerbin Electric Group	www.hpec.com	(86)451-87998612	lidy@hpec.com
Yuchai Group	www.yuchai.com/english/	(86)775-3289000	zhuwb@yuchai.cn
Dongfang Electric Corporation	www.dongfang.com.cn/	(86)28-87013480	email@dongfang.com.cn
Shandong Shifeng Group	www.shifeng.com.cn	(86)635-3953153	shifeng@shifeng.com.cn
Dalian Bingshan Group	en.bingshan.com/index.jsp	(86)411-86538518	webmaster@bingshan.com
Shanghai Zhenhua Port Machinery	en.zpmccom	(86)21-58396666	mail@zpmc.com
Holley Group	english.holley.cn	(86)571-88900666	overseas@holley.cn

Thank you

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