

How to Succeed in China

China has presented a unique opportunity for business executives in the 21st century, from a ready workforce to billions of potential new customers. Among those already on the ground in China are eight Chicago GSB alumni who work in fields ranging from banking to manufacturing. In their own words, **here are the secrets to their success.** By Patricia Houlihan



“Accurate data and a focus on commercial logic.”
Francis Bassolino, '02, **managing partner, China, at Alaris, which provides operational and strategic support to principal investors**

“Planning, execution, and people. Before starting operations in China, talk to potential partners, system integrators, and distributors to test the potential demand of your products and services. Also, timely execution will be critical to your success. You’ll need to build confidence and trust with new clients quickly. But the most important factor is building and retaining an outstanding team, since people develop the products, service your customers, and build lasting relationships. **Focus on finding people you can trust,** and be prepared to spend a lot



of time in China to find and coach your team.”
Michael Chang, '95, **vice president and general manager of operations at QilinSoft, a leading provider of enterprise application integration software and services in China**

“Define and execute a business strategy with the flexibility to adapt rapidly. Do not compromise any of your fundamental business principles. Understand that cultural issues are not just a feature to be dealt with; instead, embrace them as a significant strength in developing your strategy. **Understand the potential and limitation of China’s infrastructure.** And understand China’s greatest changes have occurred because of a shift from a vertical command-and-control economy to a relentlessly changing horizontal one. The best businessmen in China can see a crisis as one full of danger and opportunity.”



Christian Giannini, '05 (AXP-4), **vice president of China Vest, Ltd., a Shanghai-based merchant bank that acts as a principal investor and intermediary for Chinese companies and foreign multinational corporations**

“It takes a clearly articulated China strategy sponsored by the company CEO and supported along the chain of command; a team of resourceful professionals to deal with regulatory and business environments that may be irregular and opaque at times; **a balanced approach between long-term business growth and short-term financial performance;** and a commitment to the employees, local partners, and the community to help them grow and succeed. As an individual, be prepared for the uncertainty of



a relatively new and rapidly developing business climate. Stay strong mentally and physically, and be true to yourself and your loved ones.”
Min Hwa Hu Kupfer, '84, **president, GE Capital Finance (China)**

“ING is very fortunate in that it has a long history in China. We have been doing business there since 1886, and have developed a substantial knowledge base about the country. In the last few years we have been particularly active, taking advantage of the economic and business liberalization made possible by China’s recent entry into the World Trade Organization. We find that a consistent recipe for our success has been ensuring that we **continuously maintain impeccable contacts and connections in China** and also have a lot of patience. I



am convinced that our deep connections in the market and long history in China will continue to be vital to our success in China.” Jacques Kemp, '96 (EXP-1), **CEO of Insurance Asia Pacific, ING Asia/Pacific Ltd**

“First, an investor needs a pioneering vision mapping out the strategy for business in China with a global mindset. Second, choose the right location, since there are various economic policies and resource availability for industries in different parts of China. A third key is management expertise. Senior managers who are from overseas should lead in a communicative and open manner, and at the same time possess a nurturing spirit. Fourth, be alert to developments in the country’s policies and market changes. Finally, **an enterprise needs a**



long-term commitment—one with a corporate, socially responsible culture. Recognize China’s national prosperity is tied to our own successful future.” Michelle Liem Mei Fung, '89, **director, GITI Tire, China’s leading tire manufacturer**



“Leadership, execution, persistence, and self-discipline.” Lou Lin, '03 (AXP-2), **financial controller at DHL Solutions China, a supply chain services provider and a business unit of Deutsche Post**

“China’s huge opportunities and challenges require perseverance, a sense of adventure, and a creative approach to succeed. What you take for granted in Europe or the United States may not even be part of the expectations in China. In business, personal contacts are often more important than the contracts. At the same time, the speed, knowledge, and entrepreneurial spirit is impressive. It is important, however, to channel this energy in the right direction through cooperation and training. Shanghai is like a Hollywood movie set—from the outside, it looks great. But when you take a back street, you see it’s often just a facade, and there is still a lot of building going on. **The focus is on delivery no matter how you manage it.**



Service and support are issues to be dealt with later.” Erwin Rezelman, '03 (AXP-2), **chief operating officer, SAP Labs China, which creates innovative and customer-centric software for Asian and global markets**

Doing Business With the Dragon



What to Know Before You Go For readers who are ready to head east and launch their own initiatives, **Canice Prendergast**, W. Allen Wallis Professor of Economics, offers a few words of advice. From political uncertainty to requisite bribery, he says, the costs of doing business in China can be high—and unusual.

In China, when they talk about things being “privatized,” what that means is that there’s a lot of private ownership in some companies, but the government still owns a huge stake. And that causes a big problem in that officials tend to be very involved, and they often have very different objectives.

When you start from scratch with the typical startup, the government often will own 49 percent of the company. That creates a lot of problems in terms of, say, corporate governance. But taking over a state-owned enterprise is a disaster because it’s almost impossible to reorganize it. And that’s the first kind of uncertainty: no one knows what the ongoing role of the government is going to be. Politically, things haven’t changed much, but maybe they will. The upshot is, you tend to be very dependent on whoever is in power.

The other difficulty is something we take for granted here—protection of ownership rights. There are two versions of that. One is protection from the government taking stuff from you. Often, what will happen is that the rules will change halfway through. You’ll make a big investment, and the government will come back and say, “The rules have changed. You’re going to have to employ X number of people extra.” Or, “Those parts we’re giving you, we’re going to charge you more for them.”

Another problem with ownership rights is that minority shareholders can get killed by majority shareholders. Suppose you go in on a joint venture with some Chinese nationals, and you get 30 percent and they get 70 percent, and it turns out there are all kinds of accounting mechanisms whereby the

money gets funneled off to the majority shareholders, maybe to subsidiaries. Those kind of rights tend to be protected in the United States and Europe.

What’s very characteristic of China is that everything comes down to networks. The local mayor may pick up the phone and tell a firm, “You’re not doing this.” You have to call the CEO in the U.S., who’ll call some cabinet member in China, and he’ll call the mayor and say, “Yes, they’re doing it.” It’s a much more political process that you have to manage.

In some ways, having the government as your minority shareholder isn’t that bad. Given that you have to deal with all the local bureaucrats, they help you do a bit of that.

Also, you have to pay people off. That’s part of how it’s done. It’s almost a fixed cost associated with dealing with bureaucrats.

A lot of companies have been successful, like cell phone companies. For a lot of businesses, the prospect of getting into China’s market is worth taking those risks. It’s such a big market. You’re PepsiCo, it’s a billion people—you’ll take your chances, even if it’s not the most ideal of circumstances. That’s kind of the way things work out.—As told to Patricia Houlihan