



Western business leaders tend to presume too much and underestimate the difficulties of doing business in China. Taking a few leaves out of Wei Wang's book could help.

By **Stefan Stern**, Management Columnist of the *Financial Times*, Special for *Business Voice*, September 2006.

"China tantalises executives with its promise of riches, but also with the threat of muscular and strengthening competition. How to engage with this fast-growing market of 1.3 billion people – or, as Procter & Gamble has put it, a land of 2.6 billion armpits?

Wei Wang is ideally placed to help. A Chinese national, he took an MBA at Loughborough University in the 1980s, and has been engaged on Anglo-Chinese (or should that be Sino-Western?) projects ever since for multinationals and investment companies. He is managing director of 2W China Investment Consulting, a firm that specialises in advising businesses on their strategic investments in China. (He also runs an online forum at www.theChinaForum.com.)

In his book Wang offers sound advice to business leaders planning on making the long march east. His broad message is that we tend to presume too much and underestimate the difficulties for foreigners trying to do business in China. The good news is that there is lots of business to be done by those who take the right approach.

There are four critical skills needed to find a suitable business partner in China, Wang says. First, China is a connections-based society, rather than a rules-based society. Second, you need the ability to interpret both 'analysis- and intuition-based methods', China being a market (and culture) where hard data is only part of the story. Third, choosing a partner well, based on location and your strategic aims, is vital. And fourth, negotiate wisely according to Chinese principles, where 'a contract may seem to be only a draft' as a basis for an ongoing relationship.

Western business schools, Wang says, have concentrated too much on sophisticated analysis and failed to see 'what business really is and how it can be successfully done'. Nowhere is this insight more valuable than in China, where relationships, tact and understanding the concept of 'face' (or public standing, reputation and esteem) are so vital.

The pull of China is stronger than ever but it is important not to be carried away. Huge doubts remain over the solidity of its banking sector. Corruption and bribery are widespread. And despite extraordinary economic growth, exports and inward investment, many foreign firms in China feel they are not always on a level playing field. Where is the protection from intellectual property piracy, and equal access to an open and transparent regulatory regime?

Tensions with China's trading partners are growing, as we saw earlier this year in the 'bra wars' with the European Union. This is a highly complex, if potentially rewarding market. Wei Wang has several important insights to share in this timely, well-informed book."