



ENTREPRENEURSHIP & STARTING A BUSINESS IN CHINA

OPPORTUNITIES & CHALLENGES

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ABOUT



2 CONNECT S

- BUILDING MATERIALS
- NATURAL STONE & TILES
- INTERIOR & EXTERIOR
- PROJECT MARKET
- SHOPPING MALLS
- RETAIL ESTATE

- CONSULTANCY SERVICES EU – CHINA
- SOURCING SOLUTIONS EU – CHINA
- ORDERS & QUALITY CONTROL
- TRADING SOLUTIONS EUR – CHINA
- LOGISTIC SERVICES
- NETWORK EU – CHINA

ABOUT

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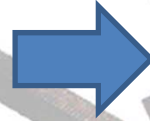
2 CONNECT S

SCREENING OF THE MARKET
SUPPLIER IDENTIFICATION & QUALIFICATIONS
LOGISTICS SOLUTIONS

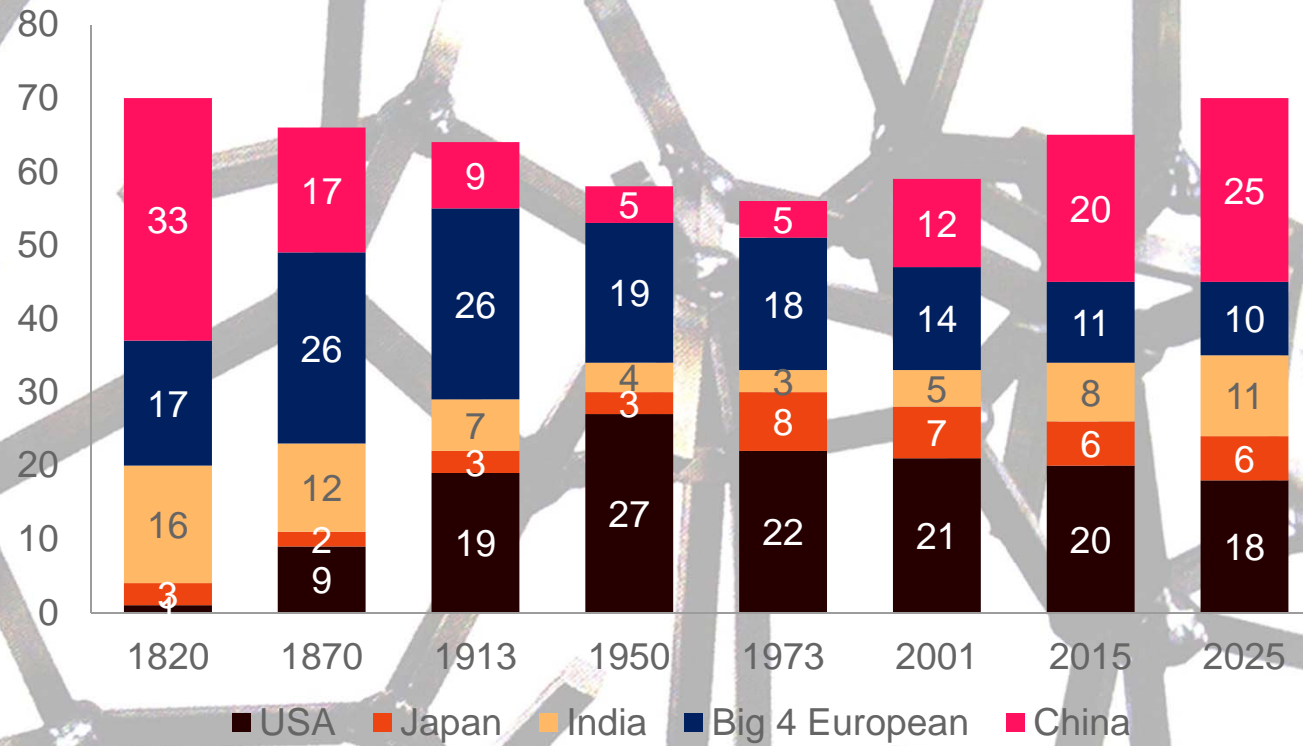
SOURCING & SELECTION OF SUITABLE SUPPLIERS
PRICE NEGOTIATION
OPERATIONAL FOLLOW-UP
PRODUCTION INSPECTION
QUALITY CONTROL SERVICES
PURCHASE ORDER FOLLOW UP

TRANSLATIONS SERVICES
TRAVEL ASSISTANCE SERVICES
INTERNSHIP PROGRAMS

CHINA STANDS FOR CONTRAST



CHINA & THE WORLD ECONOMY



CHINA'S NEAR FUTURE 2013

PAST average 10% (annual basis)

PRESENT China's GDP growth slowing down for now 10 quarters (Q3, 2012 : 7.4%)

FUTURE Many economists believe that the Chinese economy will continue to grow at 7 - 8.5%. This downslide has come to an end due to :

- recent economic data on retail
- sales & exports
- industrial production and fixed asset investment

This forecast rests on 3 important assumptions:

- political will & capacity of the new leadership
- intensity of consumption vs investment
- no precedents for a significant downshift in the investment share of GDP without a considerable slowdown in economic growth.

CHINA'S FUTURE



CHINA 1.0 – MAO ZEDONG - 1949 to 1978

“ The years of Mao Zedong ”

ECONOMICS

China had a planned economy

POLITICS

Leninist political system

FOREIGN POLICY

Spreading global revolution

CHINA 2.0 – DENG XIAOPING - 1978 until financial crisis of 2008

“ Label of socialism with Chinese characteristics ”

ECONOMICS

export-led growth backed up by “financial repression”

POLITICS

quest for stability and elite consensus in the wake of the Tiananmen massacre

FOREIGN POLICY

creating a peaceful environment for China’s development

by quietly amassing power & keeping a low profile.

CHINA'S FUTURE



CHINA 3.0 – GLOBAL FINANCIAL MELTDOWN 2008 - ...

Quest for solutions to 3 crises of success **AFFLUENCE – STABILITY – POWER**

ECONOMICS : the main divide is between

- a **social Darwinist New Right** that wants to unlock entrepreneurial energy by privatising all the state-owned companies
- an **egalitarian New Left** that believes the next wave of growth will be stimulated by clever state planning.

POLITICS : the main divide is between

- **political liberals** who want to place **limits on the power of the state**, either through elections, the rule of law, or public participation
- **neo-authoritarians** who fear these measures will lead to a bureaucratised collective government that is unable to take tough decisions or challenge the vested interests of the corrupt, crony capitalist class.

FOREIGN POLICY : the main divide is between

- **defensive internationalists** who want to play a role in the existing institutions of global governance
- **nationalists** who want China to assert itself on the global stage.

STATEMENT

DO YOUR HOMEWORK !!!

**BUSINESS
STUDENT
SCIENTIST
ADVENTURE
VISITOR**





STATEMENT

"If you were not an entrepreneur in your home country, don't even think about being one in china."

BASIC KNOWLEDGE

Chinese people are totally different in their business approach based on the Confucian values (Hierarchy, Protocol,...)

Chinese people are entrepreneurs

Chinese people like their centralized government structure & like to use the principle of the gradual state-led economic reform

Western people will never understand the Chinese political system by only focus on the lack of democracy

KNOWLEDGE OF DIFFERENCES IN CHINESE COMPETENCIES

Westerner Managers

- accuses the Chinese of being too vague
- tend to think in a linear way
- is not really interested in patriotism
- want to be direct in any situation, regardless of face issues
- use the word "NO" as a normal thing

Chinese Managers

- accuses the Westerner of being too extreme
- requires holistic thinking
- like patriotism as competency
- want to be indirect to protect the other person's dignity (loosing faces)
- refuse to use "NO" as it is regarded as impolite



PERSONAL START

BOOKS ABOUT CHINA : MISTER CHINA - TIM CLISSOLD

CHINESE LESSONS - JOHN POMFRET

CHINA WILL RULE THE WORLD – JACQUES MARTIN

START TO LEARN CHINESE : 1 YEAR UIBE BEIJING TO LEARN MANDARIN

CHINESE NETWORKING & EXPERIENCES OF OTHER BUSINESS PEOPLE

GET READY FOR CHINA FIRST

LIVING & WORKING IN CHINA

- **Chinese environment** :
 - Population
 - Urbanism/Megacities
 - Pollution
- **Learn Chinese** :
 - Personal Life
 - Business advantage
 - guan xi
- **Be flexible, have a thick skin**
- **Be prepared to work 24/7** :
 - Chinese Business Style
 - Foreign Clients
- **Build up relations** :
 - Chambers of Commerce
 - Embassies
 - Industry Round Tables / Forums

CHINESE BUSINESS ENVIRONMENT

TARGET MARKET : WHO IS YOUR CUSTOMER

- Chinese
- Foreigners
- Export

WHICH CITIES ARE YOUR TARGET

- Different region = Different Culture
- 1st Tier Cities / 2nd Tier Cities / 3RD Tier Cities
- How many cities with a population > 1 MIO
- Where is the money currently
 - East China : 51% population – 64% of GDP
 - Central China : 44.5% population – 32% of GDP
 - West China : 4.5% population – 4% of GDP

LOCAL POLICIES

- Development zones
- Incubator, Tax Break , ...

SETTING UP A BUSINESS IN CHINA

LEGAL FORMS

- **OFFSHORE (Hong Kong) :**
 - Easy setup
 - English Law
 - Tax benefits
 - Mother company
- **REPRESENTATIVE OFFICE**
- **WOFE : Wholly Foreign Owned Enterprise**
- **JOINT VENTURE : mostly the case**
- **FOREIGN INVESTED PARTNERSHIPS (FIPs)**
new company form

CHINESE BUSINESS PARTNER

TOTAL TRUST

SHARED GOALS

CHOOSE A RIGHT PARTNER

- Talk to potential partner (½-1 year)
- Try to analyse his environment (friends, family,...)
- What is his connection with relevant authorities
- Can you match him with local government goals
- Use him as door opener
- Don't choose high personality
- Stay always in control



INTELLECTUAL PROPERTY RIGHTS

**“If you are not copied,
you don’t have a good product”**

INTELLECTUAL PROPERTY RIGHTS



CASE : OLIOCORP, GREEK OLIVE OIL PRODUCER

- No register of trademarks
- Sales through local distributor

Problem

- Distributor started to sell other products under the brand name
- Distributor registered the mark and therefore legally owned it in China

Lessons

- Trademark was free when OlioCorp entered China
- China is a first-to-file registration
- In China, if you don't register, you don't own it

HUMAN RESOURCES

COMMUNICATION

- Not a language issue, but a cultural issue
- Think different & matches your business culture
- build up, train, support them

STRENGTH

- Ask for Chinese advice
- reliable
- Hard working

WEAKNESS

- Creativity (case art class)
- Problem Solving (case building a house)

RELATIONSHIP WITH EMPLOYEES (EX-EMPLOYEES)

- employee guan xi
- business card

KEEP COMPANY SECRETS & STAY 100% IN CONTROL



SUSTAINABILITY ON LONG TERM

LEARN CHINESE

CLARIFY YOUR GOALS & DON'T GET DISTRACTED

LISTEN & OBSERVE

NEVER STOP LEARNING ABOUT CHINA

EXPECT THE UNEXPECTED & BE PREPARED

DON'T TRY TO BE CHINESE & DON'T COMMENT ON DIFFICULT TOPICS

DON'T RUSH INTO OPPORTUNITIES



CHINA & OUR FUTURE

**Western business people need to understand China and embrace it.
Try to feel the excitement of China, that is changing with breathtaking speed.
We can continue to view China through Western spectacles. This is not only
intellectually lazy and arrogant, but very counterproductive.**

Always have your exit strategy !

**Prof. Martin Jacques
(London School of
Economics)**

THANK YOU VERY MUCH FOR YOUR ATENTION!!!

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