

China – Business Protocol and Etiquette

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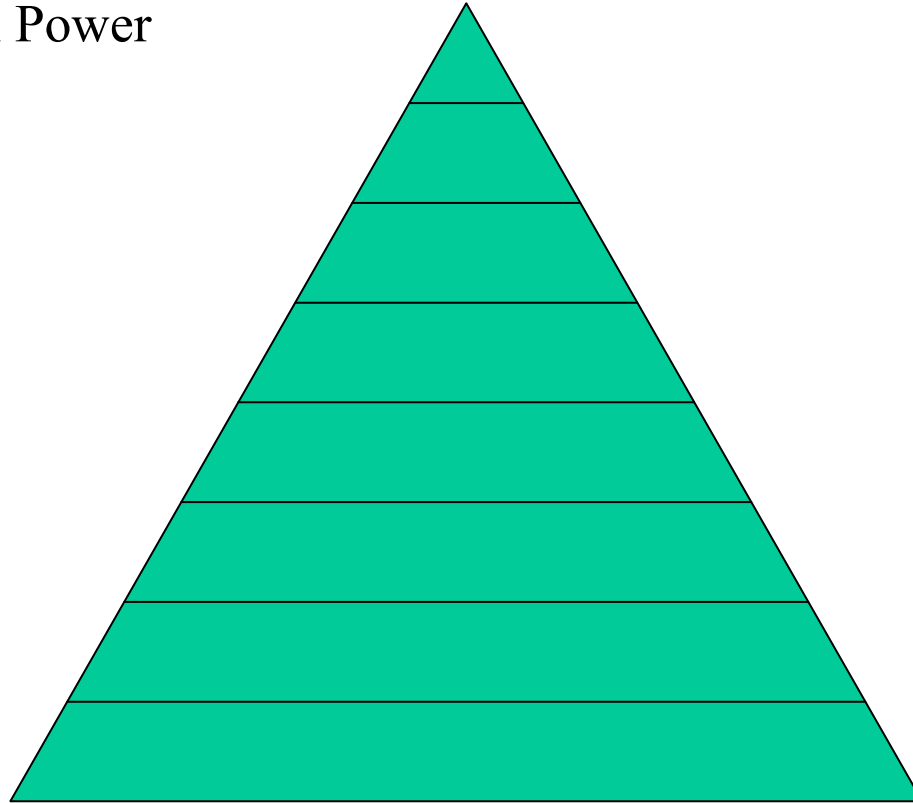
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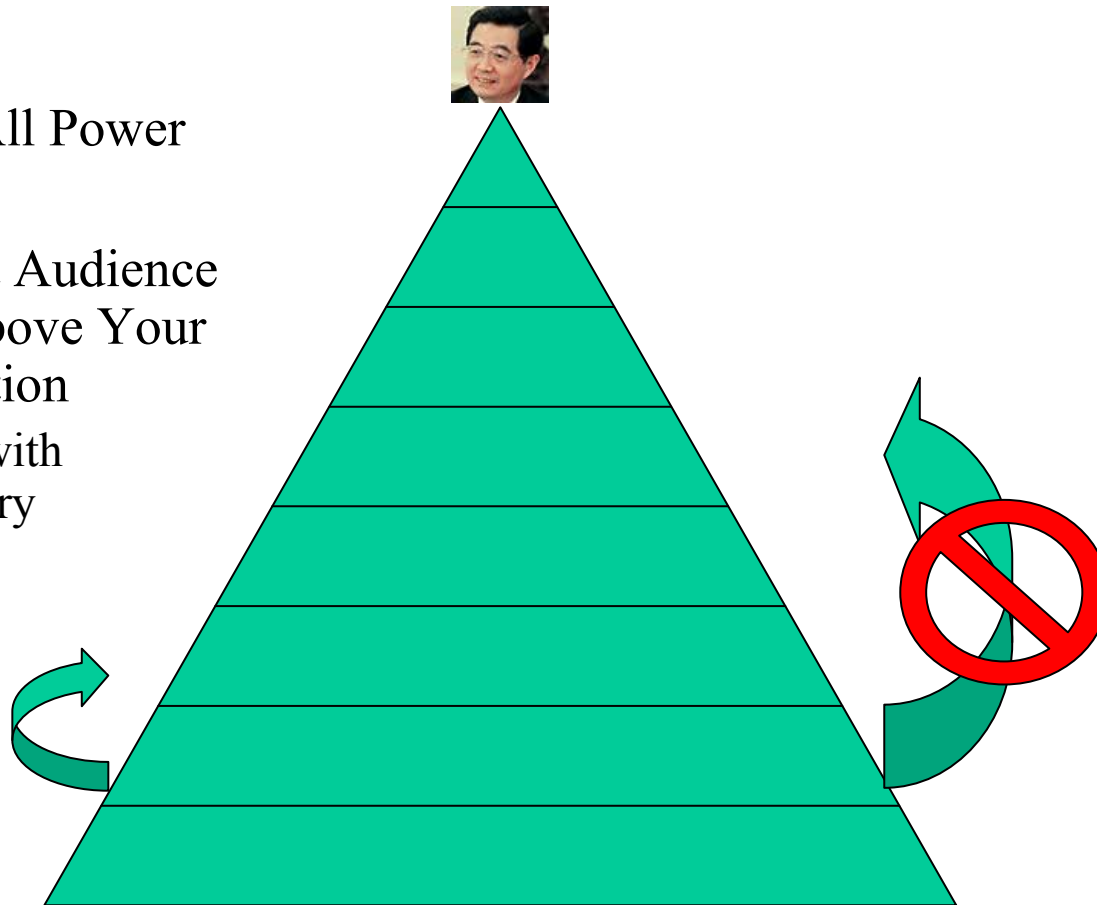
Structure of Chinese Businesses & Chinese Government

- One Leader All Power



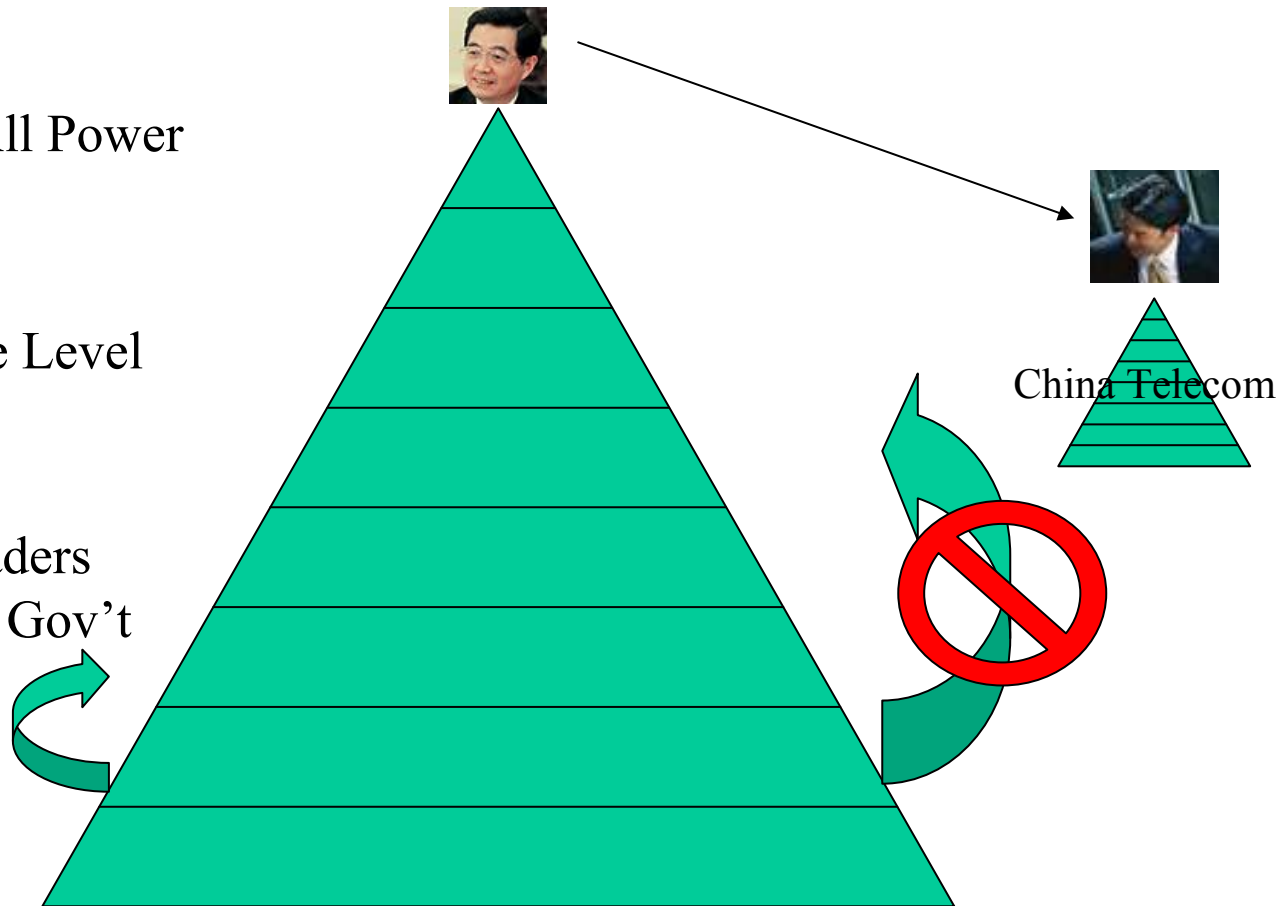
Structure of Chinese Businesses & Chinese Government

- One Leader All Power
- Class System
- Can Only Get Audience One Level Above Your Relative Position
 - Or Two+ with Intermediary



Structure of Chinese Businesses & Chinese Government

- One Leader All Power
- Class System
- Can Only Get Audience One Level UP
- State Owned Company Leaders Appointed by Gov't



Leverage A Central or Regional Official When Dealing With Public Companies

Chinese Business

- Relatively new (just 25 years)
- No system like USA yet to ensure one gets what one paid for.
- So need to conduct business with or through those you have a relationship with.
 - Because in China, reputable people will not dishonor themselves by going against a family relationship or strong friendship.

How Do I Build That Relationship & Trust

- How did you build your most trusted friendships and business relationships here?
 - Friendships and relationships that you can count on even when things don't go well?
- You can find the company in China you want to do business with and over time build a friendship with one of its leaders.
 - Make multiple trips to China over the next several years and meet in person (3 or 4 trips min per year over the next 2, 3, 4, or 5 years).
 - Also continue to nurture the relationship with phone calls, letters, and gifts in addition to the trips.
- If time is an issue, you can leverage the relationships of a company in the USA that you can trust like Cross China that has the relationships with China industry and government.

Building Trust in China

- To do business with a Chinese business person you need to first become friends with them.
 - Make arrangements in advance to meet your contact for dinner, drinks at your hotel, or tea or coffee.
 - It will be well received if you took the initiative to invite them.
 - After they have met you a number of times before they may invite you to karaoke or even to a public bath after your flight to relax.
 - You will want to talk to them when you meet to find some common ground.
 - Ask about their children
 - What school, how old, academic interests, music interests (violin or piano), hobbies
 - Ask about their spouse (find the COMMON bond)
 - Career, home town, what kind of food do they like, hobbies (shopping, reading)
 - Invest the time in getting to know them, rather than focusing on the business issues.

Building Trust in China

- When you contact your counterpart and ask to get together, you will often be given a sales person to meet with at first.
- You will want to get to the owner (decision maker), you will want to entertain the sales person until you have developed a relationship such that the sales person suggests that he or she introduce you to her boss and that boss to their boss etc...
- Otherwise, you will be given the standard party line or quote for whatever you are asking for.

Company Leader or Guanxi

- When entering into business with China, you can either work to develop a relationship directly with the leadership of the company you want to do business with or...
- You can develop a relationship with a Guanxi who can get you to top levels of multiple companies or government agencies in days or weeks rather than years.

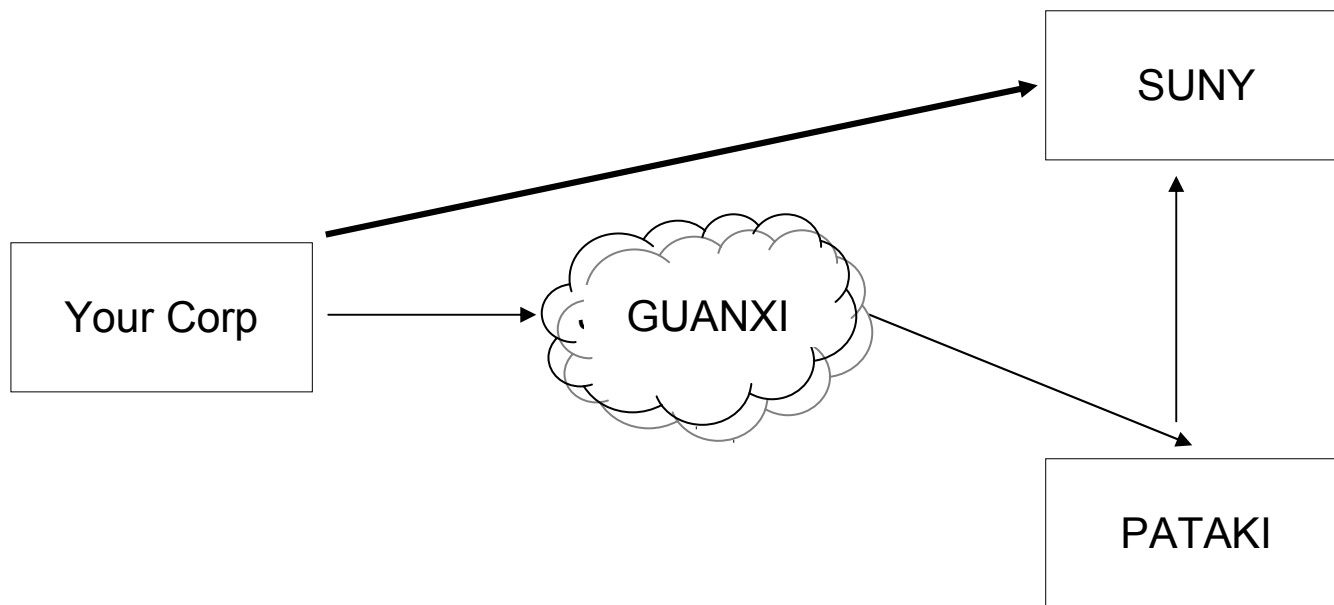
Guanxi

A Well Connected Person You Trust

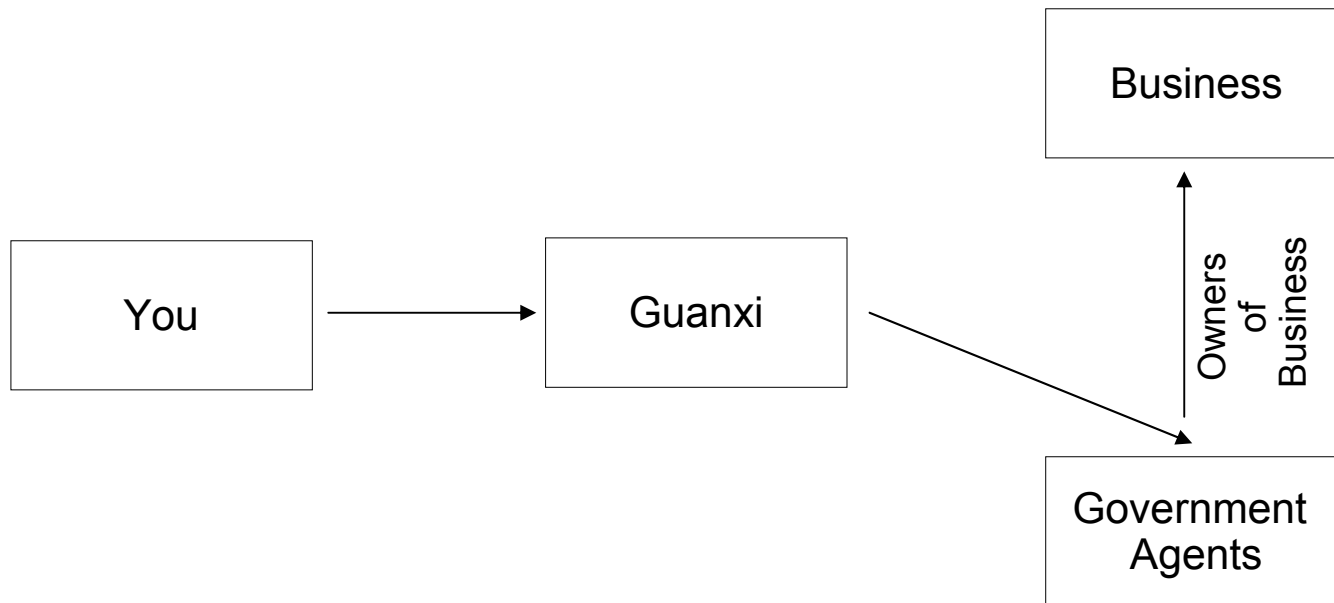
- A person that is well connected, has relationships in high places, can open the right doors for you, and protect you and look out for your interests is called a GUANXI (pronounced GWAN SHE).
- Your Guanxi can be a relative, family friend, a long time corporate friend, a government official you have come to know and trust, a consultant.
- Your Guanxi is key to your success.

Guanxi Example

You Want Biz With SUNY



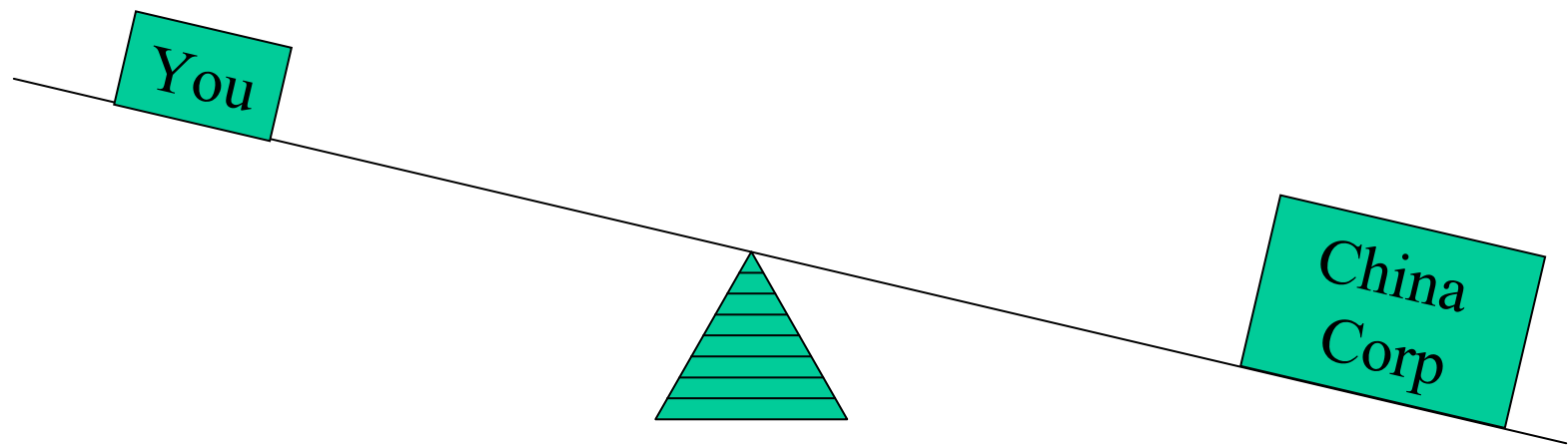
Guanxi



Your Guanxi will get you in the door, and more importantly, your Guanxi will advise you and help you navigate through the system and help you play the game and win the game.

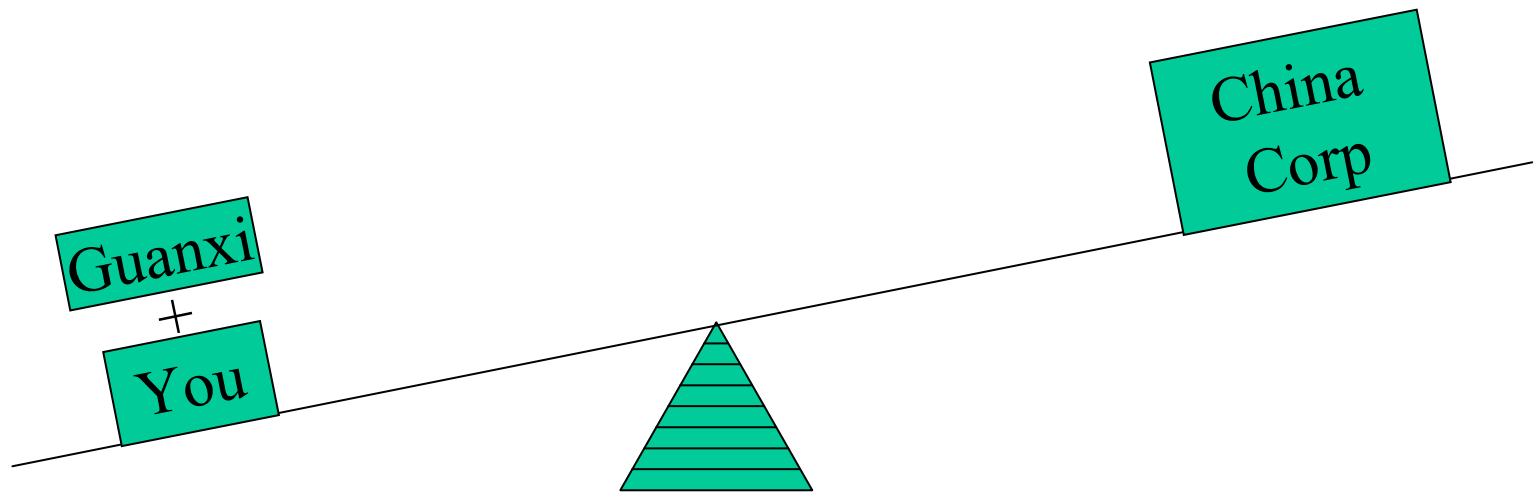
You In China Mkt

Entry Level Determined by Size & Position

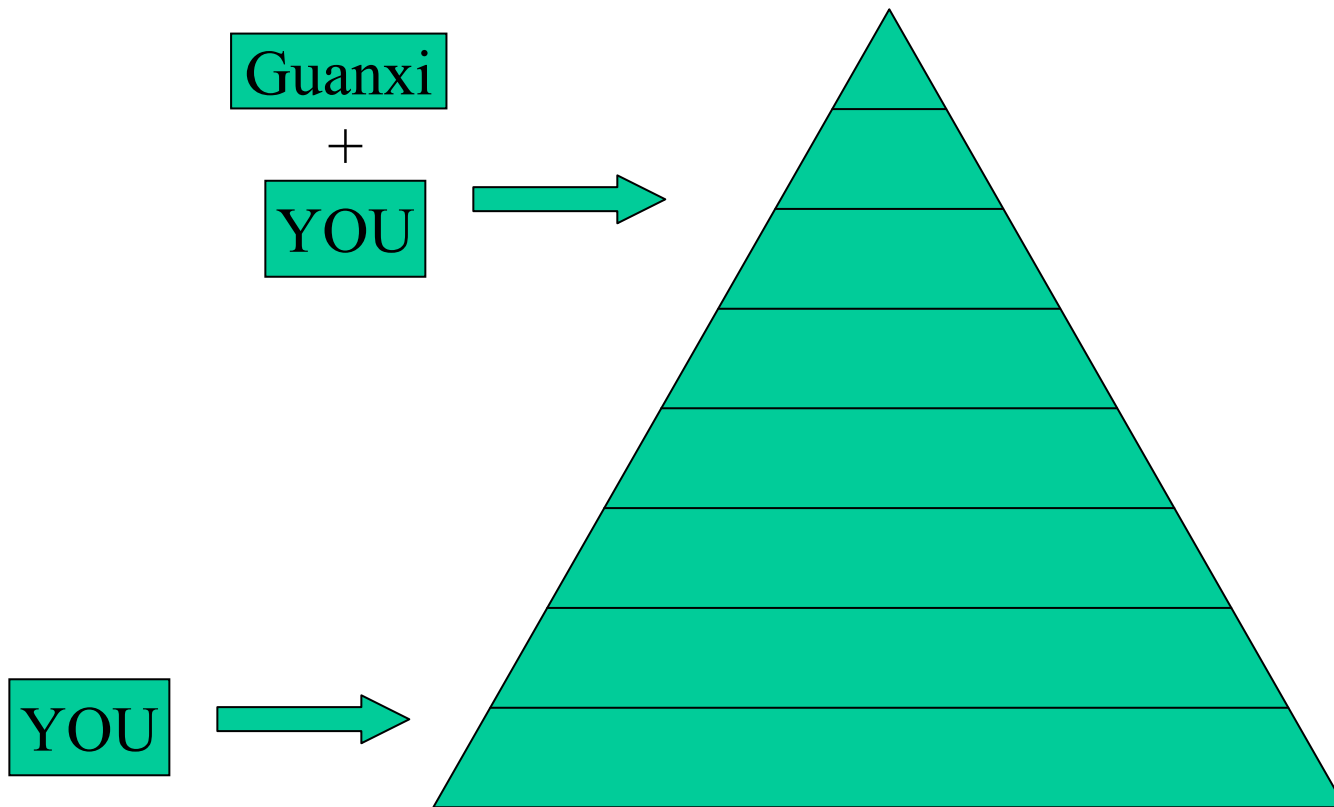


Keep in mind they know much more about your business than you can about theirs, because there is not public record of their business and little record from the media, so they will, at least maneuver to appear bigger.

You + Guanxi In China Mkt



YOUR ENTRY LEVEL INTO CHINA BUSINESS



Follow Up with a Gift

- After meeting with your counterpart and after returning home, sending a gift or gifts is customary.
- Gifts for the children that are educational in nature are the best or gifts for the spouse that relate to something you uncovered that the spouse likes.

Tips

- Establish a Guanxi “Circle of Trust” or leverage another’s “Circle of Trust”
- Do your due diligence - twice
- Choose the right partners
- Don't be in a hurry
- Be flexible...
- ...but don't be afraid to say "no"
- China is not a single market
- Read English translations of Chinese folk tales and fairy tales as they illustrate what’s important in their culture (available at the library)
- Get professional help
- Learn as much of their language as you can...and hire an interpreter
- Be polite

Due Diligence Example

Buying a House

- Hire a realtor to help you find the house you really want
- Contract inspector to be sure house is in good shape
- Contract appraiser to be sure house is worth what you are willing to pay
- Hire an attorney

In USA all this information is publicly available so you can hire the above people or you could do it yourself. In China this information is not publicly available, that is also why your Guanxi is so important. And why you should have your Guanxi dig for the information twice to be safe.

Business Protocol

- Work on Harmony to Find the Greater Good of the Whole (Win-Win-Win!!!)
- Save Face by
 - Not Criticizing People In Front of Others
 - Rather Than Pointing Out That Your Counterpart Did Something Wrong...Apologize and Take Credit for the Mistake Yourself to Give Your Counterpart an Out That They Can Then Return The Favor Many Many Fold
- Chinese Counterpart Often Wants to Understand You, Your Life, Your Children, Your Children's Education...Have a Conversation!!!
- Do Not Be Overly Emotional
- Learn The Chinese Culture by Reading English Translations of Children's Books of Chinese Mythology and Fairy Tales

China is Not a Single Market

- Consider China as the Separate but Cooperative (Sometimes) Countries of Europe
 - Different Dialects
 - Different Culture
 - Beijing = Who Do You Know at What Level in Gov't
 - Shanghai = Money Oriented & How Much You Are Making (Wall Street Like)
 - North = Business Made Over Entertainment
 - South = Hard Working, Respect Effort & Results, and are Tighter with Their Own Group
 - Southwest = Great Domestic & Foreign Information Technology Investment Here, and a Large Historic Manufacturing Base, so Respect Intellect and Education

Sourcing Tips

- ❖ Do your due diligence twice
- ❖ Pay attention to regional culture differences and history
- ❖ Place emphasis on communication channel
- ❖ Trial runs do not mean supplier being qualified
- ❖ Do regular quality audits
- ❖ No question is a big problem
- ❖ Understand the meaning of “yes and no”

Negotiation – Do's and Don'ts

- Find out who is the decision maker(s)
- Speak in short simple speech, free of jargon
- Present to different levels of the organization
- Senior member leads the negotiations
- Decisions made by the head of the collective
- "Saving face" is an important concept
- Establish a strong relationship before closing a deal
- Use non-business opportunities to enhance intercultural ties
- Think beyond the short term
- Be flexible by being open to deviating from the schedule
- Focus on the agreement and details at later time
- Written contracts are secondary
- Relationship is primary

John Hover of Hover Davis

Comments from Experience

- Focus on Relationships Not Price / Performance
- Focus on Relationships Not Business Opportunities
- Remember They Can Not Say No
- Our Legal System Is Not Applicable
- Ask The Right Person (One with a Solid Relationship with the Counterpart You Seek)
- Things to Avoid:
 - Criticism of China Government
 - Taking the Culture Lightly
 - Demanding Results
 - Being in a Hurry
 - Destroying Face



Other Local Managers' Doing Business in China

- *Don T.* - We are disadvantaged by no Chinese language and knowing little about Chinese culture.
- *Tim W.* - You can not go to China a few weeks and become an expert.
- *Matt. S.* - Be patient, be consistent.
- *Peter M.* - No public yellow page in China, you have to know who and how to build relationships.
- *Dave B.* - Westerners are looking for the black and white, but Chinese only present the gray.
- *Danny F.* - Go to the open market, learn/practice the negotiation skills.
- *Jim. T.* - Final offer/price is not final.

Cross China Is Here To Help You Achieve Your Goals In China

- Cross China has Established Relationships With
 - An Extensive Network of Industrial Leaders and Business Owners in China
 - Top Central Government Officials
 - Top Regional Government Officials
 - Key Distribution & Retailer Contacts
 - Key End Users Contacts
- Offices in China & USA for Sales, Marketing, Consulting, Manufacturing, and Customer Support
- 15 Years Experience with Many Successful Engagements, Acquisitions, and Joint Ventures
- Employ Business and Technical Experts in China and USA
- Multidisciplinary Expertise
 - Degrees in Business Management, Logistics, Electrical Engineering, Mechanical Engineering, Civil Engineering, Chemical Engineering, and Software Engineering
 - Work Experience with Kodak, Xerox, Bausch & Lomb, China Bausch & Lomb, Microsoft, Lenovo, Sohu, Yuanwang Group, Chinese Government
- Offering Consulting, Market Assessment, Supply Chain Management, Recruitment, HR, Mergers, Acquisitions, Joint Ventures, and Training.

*If We Can Share With You Something We Have Learned,
Please Just Give Us A Call*

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Questions!

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