First Steps in China

*With current economic uncertainty in China, it's more important than ever for leaders to do their due diligence before entering the country. Criticaleye speaks to **Chris Riquier**, CEO of TNS Asia Pacific, to find out the basics of tackling the Chinese market*

What precautions should companies take before attempting to enter China?

For any firm that's entering China, due diligence is absolutely critical. You need to cover all the basics, such as the legal, financial and tax issues – make no assumptions about how these operate in China.

You then need to find out how the market works. How are they performing? What are the dynamics? What are the consumer preferences in your relevant category? Get to grips with this and then work out what your customer strategy is going to be.

China is not one country, and a 'one-size-fits-all' approach won't work. In addition to city tier classification, considerations such as cultural norms, tastes and preferences also need to be addressed.

Collaborating with local partners with strong regional knowledge often shortens the learning curve, but partnerships can be tricky.

Are joint ventures and partnerships a good way to enter the market?

A company with no on-the-ground experience needs to establish a management team with local operating know-how and a joint venture (JV) can deliver this. However, you can't leave everything to the partner – you must have people on the ground too.

The JV route can be successful but it's by no means a quick fix. There must be a strong cultural fit between the two businesses, plus serious time invested in building a relationship and integrating the best of each partners' assets.

A JV has to deliver advantages to both parties and the local partner will be looking to draw on international ►

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expertise, a compelling portfolio and the ability to bring new skills into their business.

When foreign automotive manufacturers first entered China they were subject to regulatory requirements, which meant they had to enter into a joint venture with a Chinese company. Many were vehemently opposed to this at the time, but learnt to appreciate the benefits of this arrangement as their local partners were able to manage complicated sales and distribution more effectively.

Yet there are lots of horror stories so it is crucial to have due diligence, IP protection, clear goals and priorities, a balance of power in the decision-making and strong representation from headquarters in the West.

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Leaders looking to enter China should seek advice from those who have operated in the market. Hearing from a range of people who have experience in the country (both good and bad) is essential. Anecdotal evidence can often prevent time-consuming and very expensive mistakes.

Collaboration is also key. This can come both informally through colleagues, peers and contacts, and more formally through business partnerships – if you can find a good match for your business.

As Chris mentions, JVs and partnerships should not be entered into lightly and thorough due diligence is critical.

Michael Crompton
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What balance should Western companies strike between Chinese and Western talent?

It's about getting the right expertise for the task at hand, rather than foreign versus local. Many people forget the modern Chinese economy is only in its teens. As a result, there is a dearth of senior local talent in most industries. Candidates with 20 to 30 years of management experience are rare, but at the mid-level this situation is changing.

For many firms, the primary objective is to move Western staff to China so that they can teach local employees the company's philosophies and objectives.

Furthermore, Western employees can bring a different point of view to the Chinese management. However, they may not always have the cultural background or language skills to build relationships.

In terms of Chinese talent, Western firms should ensure that there are clear opportunities for advancement to senior management positions. They should also provide overseas opportunities, which will make them even more attractive as an employer.

In your opinion, what leadership style works best in China?

In order to improve performance, a high level of emotional intelligence is required and the ability to build personal relationships is paramount.

Chinese staff are accustomed to hierarchy and feel comfortable with the structures and rules this offers. This can help leaders clearly establish expectations and standards. However, younger Chinese graduates are often attracted to Western companies because of the opportunities for learning and development, and these employees will be significantly more open-minded if the Chinese workplace reflects Western ideals.

Can you describe an example of a Western company achieving success in China?

Western automotive brands quickly realised that cars are a symbol of luxury to the Chinese and have been successful in adapting their products to reflect that.

For example, many Chinese car owners sit in the rear seat with the driver in the front. Reacting to that, manufacturers such as Mercedes and BMW have developed stretched versions of their products with increased rear legroom, and rear controls.

American fast food company, Yum! (which owns KFC and Pizza Hut) is also a well-documented success story with localised menus, its own distribution network and a strong understanding of the consumer market. ▪

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Chris was appointed Chief Executive Officer at TNS Asia Pacific in 2011. TNS is a leading market research and market information company. Chris joined the business in 1997 and held many other leadership positions, including CEO for Africa, India and Oceania.

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