



Destination Unknown

When entering the China market, a well-planned, strategic visit by key executives can help companies to get ahead

By Aurélie Diller

THE CHINA MARKET'S potential is legendary, but not every foreign-invested company will find success here. A lack of knowledge, unexpected complications or simple bad luck can force a new business to review their strategy or even to close.

Such unfortunate experiences can turn out to be very costly for a company, leaving a dent in their finances and their reputation. They can also inflict serious damage on their corporate structure, and cause them to miss out on many potentially lucrative opportunities.

Businesses which are new to China should do their best to avoid these pitfalls by getting to grips with the realities of the China market as quickly as possible. One way of doing this is to arrange for the company's key executives to come to China very early on in the set-up process, so that they can really get to grips with the business environment. These visits need to be more than simple business trips – they have to be well-planned, focussed learning opportunities.

An Informed Decision

Should a company enter the Chinese market, and if so how? Through first tier cities, or lower tier cities, in the north, or in the south? Which legal structure is the most beneficial, and the least risky for the business in China: a WFOE, JV, or Representative Office?

Such decisions will have major consequences on the company's future activities in and with China. But once the decision has been made and applied it is very costly to take a step back, and there are plenty of competitors ready to take great advantage if someone else makes a mistake.

The ability to make these decisions in an efficient way is also vital. While rash decision-making is never advisable, companies taking too much time to consider these questions might see their potential market share diminishing – even if, in the end, they make wise decisions.

Executive visits are a powerful tool for

gaining inside knowledge at an early stage, so that executives can learn through their own experiences, as well as by building up a network of contacts and connections. They will then have a much stronger platform from which to make the right choices in good time.

Seeing is Believing

There is often a wide gap between outsiders' perceptions of China, and the reality. Information about the country's rapidly evolving business environment ages quickly, and many accounts are highly subjective. A close encounter with the opportunities and challenges facing a business here can be very helpful when foreign executives need to get a handle on what is really going on.

For example, exploring the latest statistics is often an important part of the initial research into a new market. But experiencing the number of people walking along the streets of a Chinese city such as Shanghai or Beijing and seeing the mass of shoppers on their commercial streets allows an executive to develop a deeper impression of the potential sales the company could achieve.

Get Connected

The right connections will also help. Valuable insights from other professionals with relevant experience can allow the newcomer to get a clearer picture of their potential partners and suppliers, and their reliability. It could also help them to understand clients and customers, and their needs.

The right connections are also valuable in China given the great importance of relationship, or *guanxi*, in local culture and particularly within the business community. Chinese partners and important clients appreciate and place great importance on the relationship they have with the executives of a foreign company. The relationship may even be considered more important than the business itself in some cases.

To foster such relationships, it is important that the executives of a foreign company

participate at least once in a face-to-face meeting with their Chinese counterparts, so that they feel respected, valued and trusted as partners.

In addition, as in any culture, good relationships allow the development of sustainable and trusted partnerships which are always essential factors for a successful business venture not only in China, but all over the world.

A Late Visit

Executive visits are not only useful for companies seeking to launch a new business in or with China; they are also extremely helpful for those who have already established their business here.

The company could increase its visibility through the key executives' participation in conferences and other activities. The executives themselves also gain the chance to receive insights into the success of their products and services in China direct from local clients and partners. Existing and potential clients, partners and suppliers can also indirectly provide feedback on the competitors' strengths and weaknesses, offering the executives an opportunity to get a deeper look into the current market.

Hidden Potential

These different ways of capitalising on a key executive's visit are often undervalued. A company that learns to make full use of the opportunity to deepen their leaders' knowledge and strengthen the decision making process will feel the benefits. **SBR**

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