

“CAPRA’s Sacred Laws for Doing Business in China”



Paul Stinson and Premier Campbell of BC Province, Canada at the opening of the BC Canada Pavilion in Beijing in May, 2008.

In my article in the last issue of *China Business*, I highlighted four lessons from personal experiences that I had learned as an independent consultant in China:

1. Always outline all costs in advance and always get your contract signed.

2. Information is power. NEVER leave materials with a potential client that the client may use him/herself.

3. China in 2006 had no “culture” of hiring independent consultants; I believe this still holds true.

4. Take an interpreter whom you trust with you, since communicating in Mandarin is critical.

This time, I’ll add to the lessons, with a mixture of observations and recommen-

dations, and fewer “war stories”. (I’m saving the rest of my war stories for a book.)

5. Relationships are important, but they are not everything. Guanxi (or the art of building relationships) is regarded as something that every Westerner needs to master. I highlighted this at a conference in Toronto in December 2007, but a Canadian lawyer, Paul Jones, a Mandarin speaker who has worked on many more deals than I, countered in his presentation that Guanxi is sometimes over-emphasized. Trust is the key. Do you trust the people on the other side of the table? If you do, then that is half the battle.

6. Products sell; services are much harder to sell. Whenever possible, have a signed agreement with a North American

or European supplier of products to represent the company and its products. It’s one thing to say, “I can introduce you to Company A, which sells top-of-the-line surgical supplies”; it’s much better to have product samples to show your client, along with a price list. The orders come more quickly that way.

7. Speak whenever you are invited. If you are presenting yourself as an expert, then be prepared to speak to audiences and share what you know. Chances are, there are people in the audience who will like what they hear from you and engage you. Have photos taken when you speak and put them on your website. And when *China Business* invites you to share your knowledge with an article or two, just do it.

8. Be careful not to be “too nice”. I have been accused of offering too much information (guilty as charged) whereas my counterparts (both Westerners and Chinese) often “hold their cards tightly to their chest”. In a deal that fell apart after three signed term sheets between the parties, I kept misreading the Chairman on the other side. Part of it was a language issue, but a larger part of it was his negotiating strategy. Hats off to him.

9. Be patient when negotiating. “According to my Australian friend, Alan Carroll, nodding heads may mean anything from “I hear you” to “I’ll think about it” to “I agree.” Have your partner help you with body language cues and try to avoid body language miscues. Negotiations will drive you absolutely crazy and a signed contract in English may not be enforceable in China, unless you are a Big Guy.

10. It’s hard to get things signed. In a current deal, my Canadian client (the seller) insists that I first have my Chinese client sign a non-disclosure agreement (NDA); one potential Chinese buyer declined, saying he preferred to find out more about the deal from an internet search. It would have cost him nothing to sign a NDA, and there would have been no commitment on his side. I suspect that some Western business practices are so new to some entrepreneurs that they simply prefer to avoid what they don’t know.

11. It pays to have grey hair, which is associated with experience and wisdom. It also suggests that you have some “war wounds” from fighting in the trenches and never giving up.

12. Be persistent. Lots of companies have invested a lot of time and money in China and not been successful. It’s easy to give up and walk away. If a deal cannot be finalized for reasons beyond your control, figure out what needs to be done differently and package the deal accordingly, then present it to a new client.

13. Understand your limitations, and find someone to help you. There’s no need for you to go it alone; I tried, without understanding what I was really up against. Find a trustworthy Chinese part-

ner. No one expects a Caucasian to be perfect (after all, we are referred to in slang as “foreign barbarians”) Bring on Chinese experts who can add value to what you do. I am looking forward to my next visit to Shanghai, Xiamen, and Beijing for BC Week, because I have met someone who is equally business-focused as I am. Watch this space for some positive outcomes.

14. Be opportunistic. There are hundreds of thousands of Chinese entrepreneurs who want to have (or expand) their own businesses. If someone asks you if you know an exporter of Canadian smoked salmon or maple syrup, you need not say “No.” Instead, suggest, “Not yet, but I’ll find you someone and qualify the company as a good potential partner. Then I’ll get back to you.”

15. Follow up on your promises. When you say you will get back to someone with something by a particular date, do so. I can only guess at how much more business I could have signed since 2006, if I had followed my own advice. My excuse for failing to deliver on my promises has always been, “I simply don’t have enough time or resources – human or financial.” If that’s the case, then either do something about it or don’t make the promises. I am reminded of something I read on a billboard in India when I worked there in the 1990’s: Promise only what you can deliver, then deliver more than you promised.

16. Be skeptical when you hear, “ours is the biggest conference of its kind in China”. I have been to two China Medical Equipment Fairs, one in Shenzhen and one in Suzhou, and I can confirm that the twice-yearly CMEF is the largest of its kind in China. Yet I have seen other meetings in this space which claim to be “the biggest” or “the best”. Chinese marketing of its conferences tends to be filled with superlatives, so do your due diligence before you commit to attend.

17. Don’t jump on a plane because you think a deal is “imminent”. Out of more than 20 trips that I have made to China since 2006, all but about five have been at my own expense. I have made the mistake of thinking that “business development” was a good enough reason for

jumping on a plane. It wasn’t, even though I expanded my network of contacts each trip.

18. Watch your expenses; I usually stay in one of two hotel chains: “Holiday Inn Express” or “Home Inn”. They are not five-star, but they are functional. I need three things when I travel: a comfortable bed, internet access, and air conditioning. Both chains give me all three.

19. Continually educate yourself about China. There is no shortage of excellent books on doing business in China. Three of my favourites are One Billion Customers; Mr. China, and Think Like a Chinese.

20. Keep your website updated. Again, I wish I followed my own advice. It can be very time-consuming, and it’s easy to forget to do, but most companies check out how you present yourself on your website. To develop more business in China, put as much as you can in Chinese. One of these days, I may even join the 21st Century and start blogging.

21. Finally, find a good accountant who can file your personal and corporate income tax returns. Life becomes a lot more complex, once you have incorporated a company; a good accountant can save you a lot in the long run.

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