

No Way Cowboys, I Know What I Am Doing

Many international investors had their fingers burnt in the China market and the cowboys take most of the blame. However, many still share the view that if they can make one dollar from each person from this 1.3 billion population, they will become rich overnight.

There are different kinds of sad stories about the China trade experience, but at the same time there are many successful stories about how international investors make their fortune in China despite tough foreign currency exchange rules and vastly different operating business environments.

“What went wrong?” they ask when their investments suffer. First of all, many investors bring extensive valuable assets and experience to China and wish to build their dream or empire in China. Quite often, some investors are of the opinion that they are technologically far ahead of China. They wish to push through their ways of doing things. But, does that always work?

Then there is the question of culture. Obviously, the cultures of the east and west are different. Looking at the close neighbours of the Asia-Pacific region, they are significantly different. As such, there are reasons for conflicts, misunderstandings and unrealistic expectations. If overseas investors do not handle this well, they will get hurt.

Furthermore, the values and expectations of local people are different from those of foreign investors. Many international investors may not be aware of that, or they may know the theory but they do not realise the actual difference in real life. Therefore, as soon as they land in the China market, they meet cowboys. Incidentally, this could also happen elsewhere like Eastern Europe.

Not all of China is populated by the prosperous. There are still millions of people in China who do not have enough food and are living in poverty. Many struggle just hoping to get through day by day. But some are smart enough to grab whatever opportunities they come across. With low opportunity cost and nothing to lose, short-sighted behaviour in business is not uncommon in the market.

China is a big country with a huge market, which is very appealing to many investors all over the world. China is divided into different sizes: province, city, district, town, village and community. The people in Northern China are different from Southern China in many ways. One example is the heavier drinking and more open behaviour of the Northern Chinese. They are more demonstrative, and emotive. The smart investors should familiarise themselves with the differences in culture as this helps the bonding process.

One of the most experienced training managers in a renowned international computer company reminded trainees to be aware of values and expectations which may create different behavioural patterns and to never impose their own values. His remarks should serve as a golden rule to overseas investors in China or any less developed countries.

Dealing with the China market requires a lot of patience and understanding. There are a lot of research, homework and exercises to do. Overseas investors need to understand the culture, business practice, legal, taxation and accounting rules. For example, what are the actual requirements in joint venture with local partners? Are you well prepared to enter the China market?

Fortunately, Hong Kong is still a good place for overseas investors to use as a springboard to access the China market. The historical western background of Hong Kong and its years of close relationship with China have made Hong Kong different from other countries or cities around this part of the world. Hong Kong has been playing a significant role between the East and the West and up to this moment, Hong Kong continues to be an asset to overseas investors and businesses in China. The beauty of “one country, two systems” has made Hong Kong stand out from other China cities.

While Hong Kong’s financial and legal system serves as a tempting gem in the international market, Hong Kong born Chinese with western education effectively bridges the East and the West, making Hong Kong professionals the best choice for human capital in this part of the world. Their experience and knowledge help overseas investors to overcome the cultural and value-differences hurdles, making their investment and project selection more secured. Unfortunately, many foreign investors are not aware of the pitfalls and do not understand how vital it is to have the help of a Hong Kong professional. Wading into the treacherous sea of the great China market, alone and unassisted, it is not surprising they sink and drown.

Foreign investors need to understand the value Hong Kong can bring. On the other side, the challenge that Hong Kong faces is to help would-be investors to see this value. Together, we can build empires.

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