

'China for Entrepreneurs'

A one day executive course



Developed by Carole Couper
PhD Researcher
Adam Smith Business School
The University of Glasgow

INCLUDES

- Course Instructions
- Course Outline
- Sample slides



China for Entrepreneurs

Course Instructions



- This course requires the purchase of a case-study from www.ecch.com, case reference no.9B10M041, *Kupetz A., Tindall A. and Haberland G. (2012) Genicon: A Surgical Strike into Emerging Markets* for a price of £2.90 per copy.
 - The case-study should be split in 3 sections covering issues of 'market selection'(Part 1), 'market research' (Part 2) and 'entry modes' (Part 3).
 - Participants should be handed each relevant section at the beginning of each part as described in both the Outline and the Sample slides.
- The following Outline is based on offering the course as a residential one day session.
 - The course can also be split in 4 modules of 90 minutes each.

Course Instructions

China for Entrepreneurs

Course Outline



□ 9 am -10.30

Introduction

- Ice breaker-China Quiz (10 minutes)
- Group discussion Part 1 'Genicon' (20 minutes)
 - Should the entrepreneur select China and why?

Part I Understanding the Market

- Slides 'Understanding China' (60 minutes)

□ 10.30 – 11.00

Coffee break (30 minutes)

Course Outline (Part I)

□ 11am - 12.15

Part II Researching the Market

- Group discussion Part 2 'Genicon' (30 minutes)
 - How much time should the entrepreneur spend researching the market?
 - Where could he access appropriate information?
 - How could he utilize his network?
- Slides 'Researching the Market' (45 minutes)

□ 12.15 pm - 13.15 pm

Networking lunch

Course Outline (Part II)

□ 13.15 – 14.45

Part III Entering the Market

- Group discussion Part 3 'Genicon' (30 minutes)
 - What are the alternative entry modes opened to the entrepreneur in China?
 - How would you have proceeded?
- Slides 'Entering the Market' (1 hour)

□ 14.45 – 15.15

Coffee break

Course Outline (Part III)

□ 15.15 – 17.00

Part IV Developing the Market: Marketing and HR aspects

- Group discussion Part 4 'Advertising in China' (30 minutes)
- Slides 'Developing the Market' (1 hour)

Conclusion

- Group discussion '*Is China for you?*' (15 minutes)

Course Outline (Part IV)



China for Entrepreneurs

Sample Slides

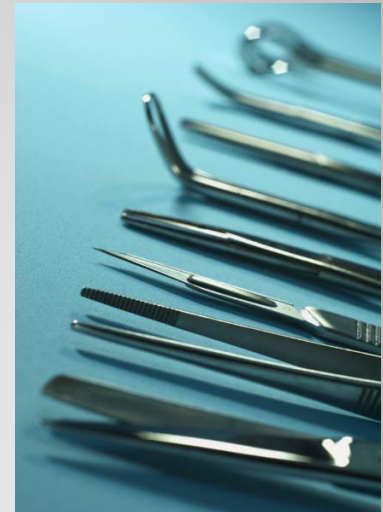


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INTRODUCTION



- Ice-breaker
 - China quiz
- Genicon* Case-study Part I
- Discussion
 - Should the entrepreneur select China and why?



Introduction

PART I

UNDERSTANDING CHINA





Map of China

• 1.1 Quick facts

- Population (2010): 1.344 billion*
- Total land area of 9.6 million square km
- Currency is the Renminbi (RMB), also known as 'Yuan' ¥



**View of Pudong,
Shanghai, October
2012**

Understanding China

• 1.2 Economic context

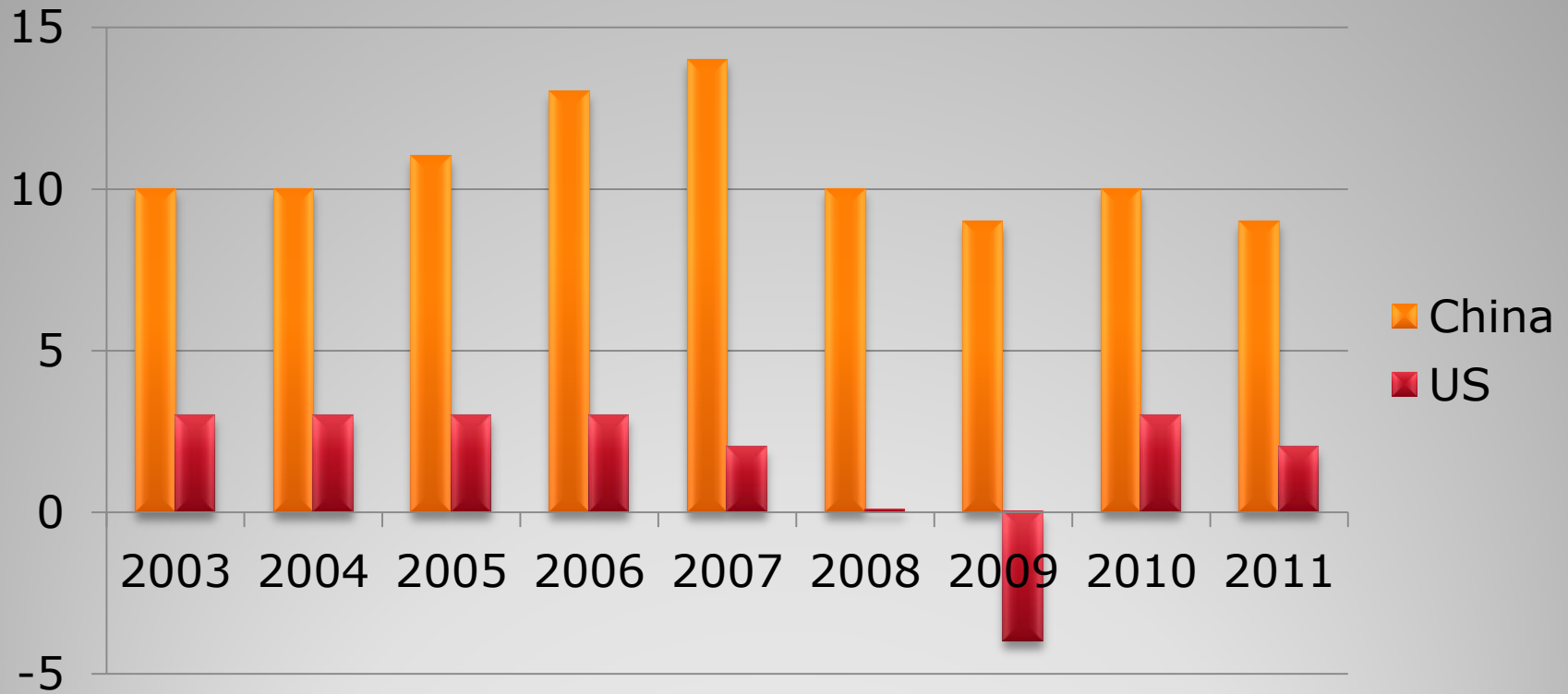
- 12th Five year Plan (2011)

http://www.mckinseyquarterly.com/What_Chinas_five-year_plan_means_for_business_2832?pagenum=1#interactive

- World 2nd largest economy with a GDP (2011) of \$7.318 trillion*
- However, wide disparity of GDP per capita between the rich coastal provinces and the rural inter-land.

Understanding China

China/US GDP Growth 2003-2011*



Understanding China

- Challenges to future economic development

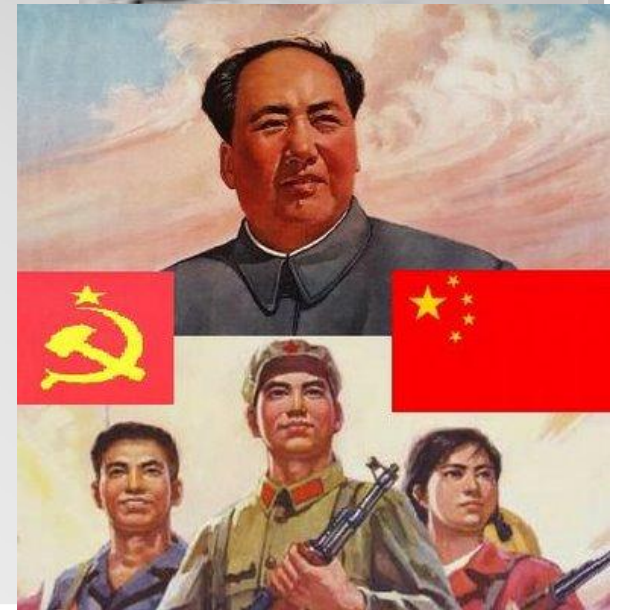
- Corruption
 - Transparency International Index of 3.6 out 10
- Social unrest and inequality
- The quest for resources
- The issue of the environment



Understanding China

1.3 Historical legacy

- Communist China 1949-1979
 - 30 years of isolation and turmoil
 - Fighting 'feudalism'
 - Traumatic and divisive



Understanding China

- Re-opening the doors since 1979

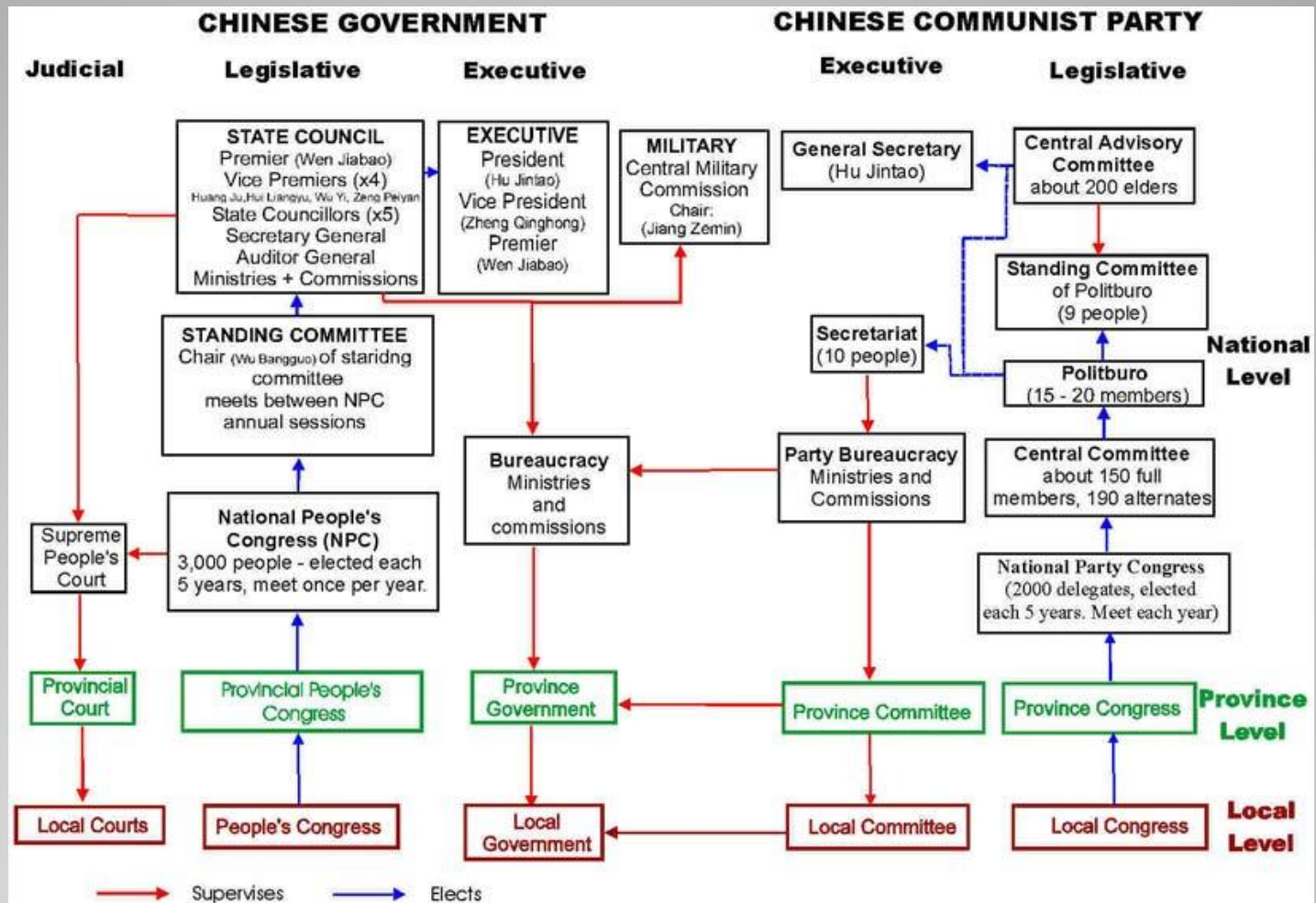
- From the rejection of 'traditional values' to the rise of 'neoconfucianism'
- Socialism with 'Chinese characteristics'
- Communist Party and Government's structure closely intertwined



**Old and New Shanghai
(March 2012)**

Understanding China

Structure of the Chinese Government and Communist Party*



Understanding China

- Strong involvement (interference?) of the state in the economy
 - No clear separation of the public and private sectors
 - Impact on due diligence
 - Market opacity
 - Embryonic legal framework lacking independence



Understanding China

1.4 Chinese Society and Culture

- Influence of the past on the present
- The Urban/Rural divide
- The importance of education
- Chinese philosophy and its influence on the business culture
 - Confucianism, Daoism and Buddhism



Understanding China

1.5 Business Culture

- Business etiquette and practices
 - 'Guanxi' 关系
 - Sunzi's "art of war"
 - Dos and don'ts

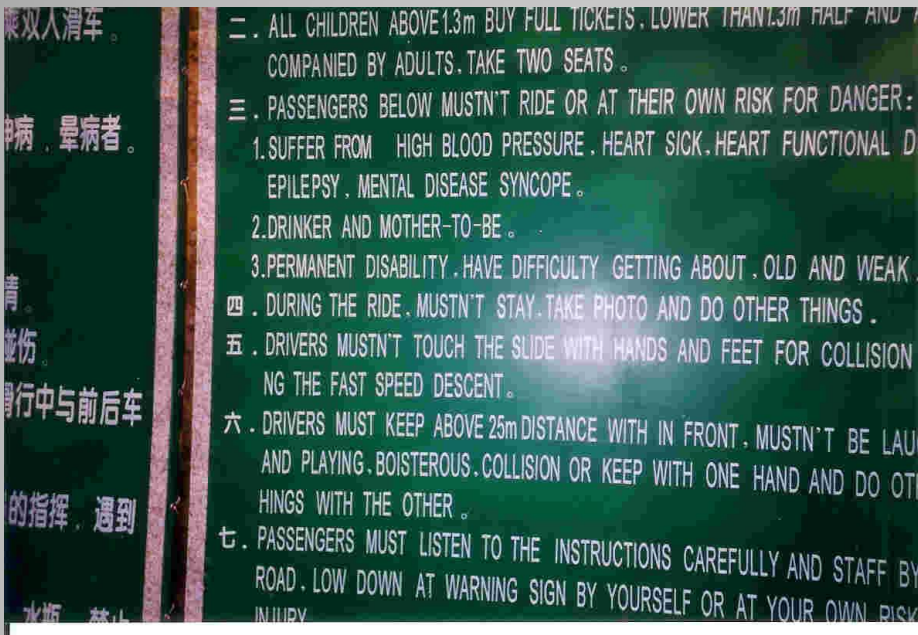


Understanding China

1.6 Effective Communication in China

• Language issues

- Does 'yes' actually mean 'yes'?
- Beware of cultural mannerisms
- The issue of 'Face' 面子
- Using interpreters



Foreign tourists information board at the Great Wall of China, circa 1998

Understanding China

PART II

RESEARCHING THE

MARKET



1.1 Genicon* Case-study Part II

- Discussion

- How much time should the entrepreneur spend researching the market?
- Where could he access appropriate information?
- How could he utilize his network?



Researching the market

1.2 Key barriers to SME internationalisation in China

Pre-entry

Entry

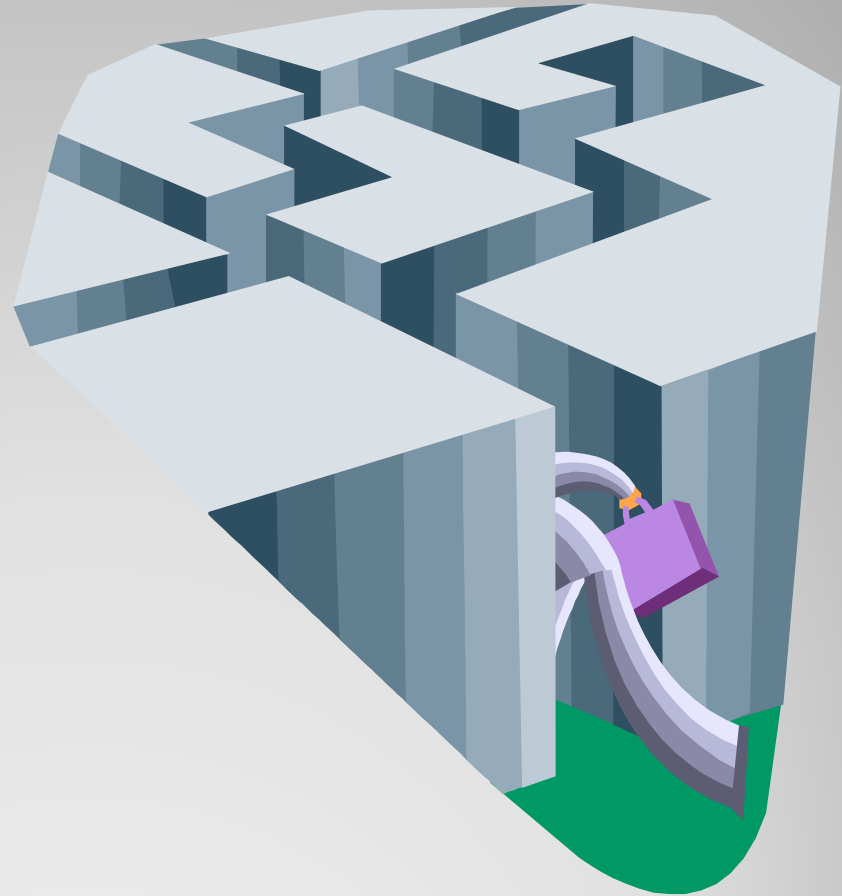
Post entry



Regulatory system
IP protection
Lack of venture capital
Location decision
Geographical distance
Finding the right partner
Time and commitment
Supply chain management

Researching the market

- At all times
 - Business practices/culture
 - Language
 - Opacity
 - Perceived inequality of treatment between local and foreign players



Researching the market

1.3 Overcoming the challenges

- Building relationships and networks
 - Home networks
 - Trade Missions and Fairs
 - Understanding 'guanxi'
- Effective market research
 - Due diligence is not enough
 - Asking the 'right' questions



Researching the market

Part III

ENTERING THE MARKET



- 1.1 Genicon* Case-study Part III
- Discussion:
 - What are the alternative entry modes opened to the entrepreneur in China?
 - How would you have proceeded?

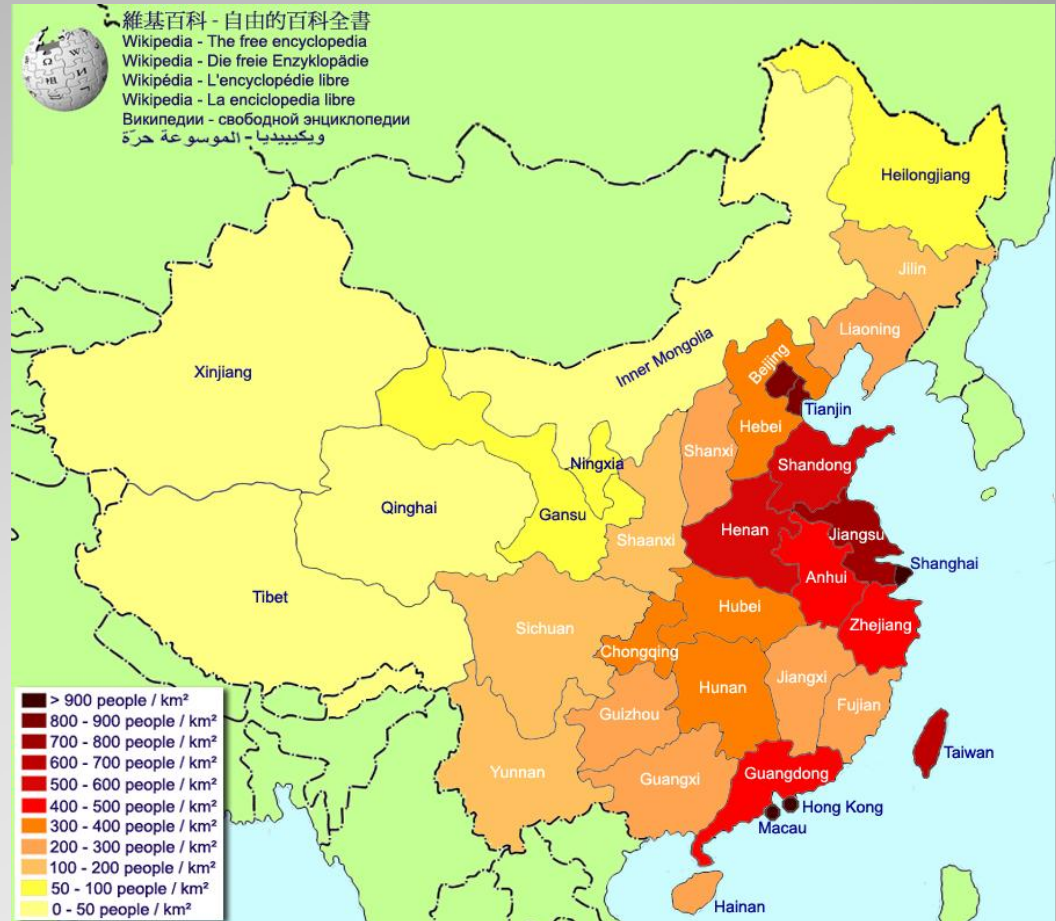


Entering the market

1.2 Entry mode choice for SMEs

- Location decision
 - Coastal versus inland entry
 - Multiple markets with great diversity

Entering the market



- Potential entry modes: pros and cons
 - Exporting
 - Licensing & Franchising
 - Joint-ventures
 - Wholly foreign-owned structures



**Wholly-foreign owned Beck's Brewery
Putian, Fujian Province (January 1997)**

Entering the market

1.3 Regulatory environment

- Drawing up Chinese contracts
- IP protection
 - Patents
 - Trademarks
- Registration framework
 - SFDA (State Food and Drug Administration)
<http://eng.sfda.gov.cn>

Entering the market

PART IV DEVELOPING THE MARKET

Marketing and HR aspects



1.1 Discussion

- Study the different advertisements used in China by both foreign and local companies
 - What does it say about marketing and promoting products/services in the market?
 - Analyse and describe the concepts, style and content and how they differ or not from your own home market.
 - What can be learnt from those ads?

Developing the Market: Marketing

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Marketing in China

1.2 Branding in China

- Picking a brand name
 - Issues with translation
 - Research, Check and double-check
- The Chinese consumer
 - Changing demographics
 - Wide income disparities
 - New spending patterns



Marketing in China



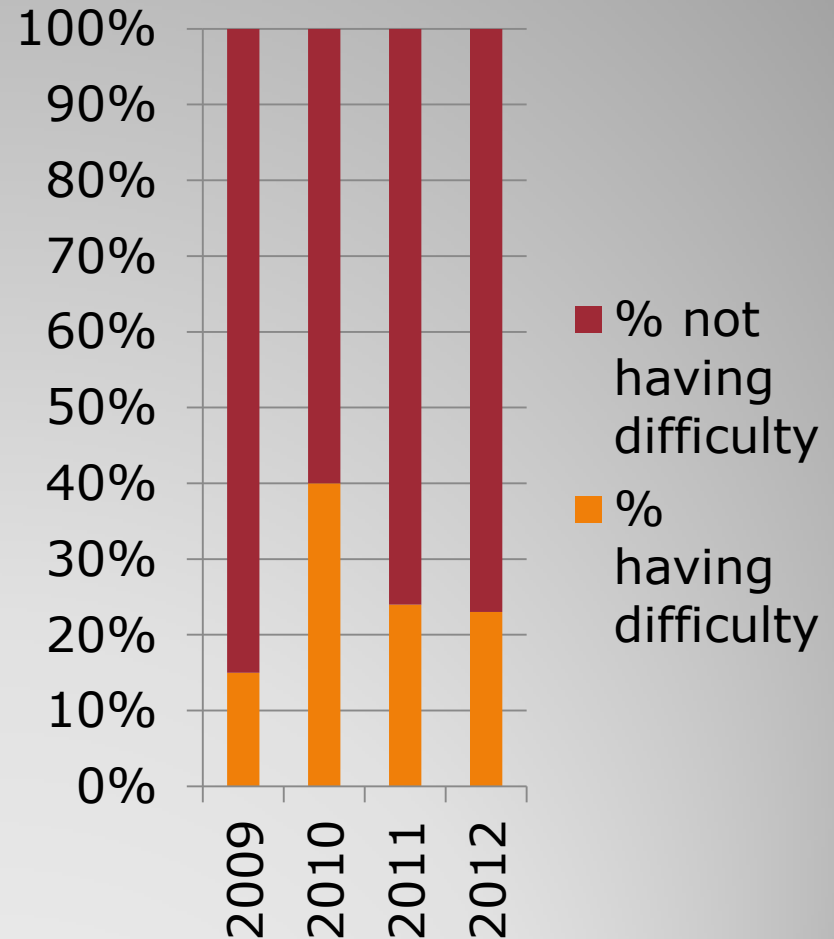
1.3 Effective Marketing

- A global, 'glocal' or local strategy?
- Marketing challenges
 - Skills gap and lack of planning
 - Immature market and marketing practices
 - Implementing the plan effectively

Marketing in China

1.4 In the workplace

- Expectations and attitudes
- Working patterns and managerial styles
- Training and influencing Chinese staff

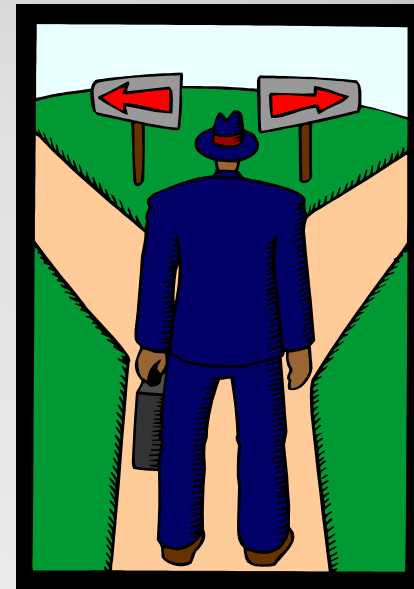


Source: Manpower Group*

HR aspects

- Group discussion

Is China the place for you?



Conclusion