Contents

Lis	st of Ill	ustrations	xii
Lis	it of Ta	ables	xiii
Pro	eface		XV
Ac	knowle	edgements	xvii
Lis	it of Al	bbreviations	xix
	·	by Chris Patten	xxii
1		t Should a China Manager Know about China's Economy, ics and Society?	1
	1.1	Is China's economy more reliable or only bigger than other economies?	1
	1.2 1.3	How stable are the Communist Party and the government? When making business, what is important to know about	8
	1.4	China's history? Why do the Chinese negotiate the way they do?	13 23
	1.5	To what extent is corruption undermining the economy?	27
	1.6	How to do business in a country with a weak rule of law?	33
	1.7	How important is the WTO for the Chinese economy and western business?	38
	1.8	What role does the stock market play in China's economic	
		development?	47
	1.9 1.10	How will the Internet change China? Will tensions between Taiwan and the People's Republic	51 55
	1.11	increase? Is the gap between rich and poor getting wider?	აა 58
	1.12	What are China's future problems?	6.3
2	What Kind of Strategic and Organisational Issues Have to be Taken into Consideration?		
	2.1	How do I prepare strategic planning for my investment in China?	67
	2.2	What are the most important factors for success and failure in the operational implementation of the strategies?	72
	2.3	What are the main objectives of Chinese and western investment partners?	76

2.4	How do I select a Chinese partner?	80
2.5	What kind of organisational structures fit the specific	
	situation in China?	84
2.6	What are the sensitive issues that still may cause	
	intercultural problems?	87
2.7	Do language problems really matter?	93
2.8	What are the most common legal business structures	
	in China?	97
2.9	What are the advantages and disadvantages of the	
	different ways to enter the market?	100
2.10	When does it make sense to establish a holding company?	105
2.11	When does it make sense to locate in a free trade zone?	108
2.12	What major advantages and problems are most likely	
	to arise when investing in central and western China?	112
Wha	t are the Most Relevant Issues in Recruitment of	
	onnel?	116
3.1	What requirements does an expatriate have to fulfil to	
	work in China?	116
3.2	How do I prepare expatriates for their job in China?	122
3.3	What are the special features of expatriates' labour	
	contracts?	126
3.4	Does the localisation of senior management positions	
	make sense?	130
3.5	How can I find qualified local staff?	139
3.6	How can I evaluate the qualifications of local Chinese	
	staff?	145
3.7	What are the special matters concerning employment of	
	local Chinese staff?	151
3.8	How is the Beijing social insurance scheme for local	
	employment regulated?	161
3.9	What are the special features of an employee handbook?	167
Wha	t is Important in Personnel Development?	173
4.1	How do I handle evaluation interviews with my	
	employees?	173
4.2	How can I motivate and retain my Chinese employees?	180
4.3	According to which considerations FIEs should	
	conceptualise their training activities?	186
4.4	Which learning styles have to be respected when	
	teaching local Chinese employees?	188
4.5	Which teaching methods are suitable for local Chinese	
	managers?	192

	4.6	Should I train in-house or should I outsource the training activities?	194
5	How	Do I Get Reliable Market Information?	199
	5.1	How reliable are Chinese sources?	199
	5.2	What do you have to consider when doing market	
		research in China?	202
	5.3	What impact do the new market research regulations	
		have on FIEs?	205
	5.4	What can market research agencies do for me?	208
	5.5	Which institutions can help me to collect secondary data?	212
	5.6	How can I use the Internet to get information and to	201
		promote my China activities?	221
	5.7	What are the most interesting consumer classes?	224
	5.8	How can I realise competitive advantages through	229
		benchmarking in China?	232
	5.9	How can I find a good consultant?	2.32
6	How Do I Plan a Successful Marketing Campaign in China?		
	6.1	How can I create an optimised company, brand and	
		product image in China?	237
	6.2	What legal aspects have to be considered in marketing	
		your products in China?	242
	6.3	What kind of advertising messages appeal to Chinese	
		consumers?	245
	6.4	Which Chinese institutions can help me to market my	2.1
		investment goods?	247
	6.5	How do I plan and produce advertising material in	25/
		China?	250
	6.6	What are the essentials of effective media planning in	252
		China?	232
	6.7	Shall I produce my advertising materials in China or	259
		abroad?	23:
	6.8	How do I plan and carry out a successful presentation at	260
		Chinese trade fairs?	26
	6.9	How do I co-operate with advertising and PR agencies?	200
7	Нον	v Do I Create a Strong Sales Concept?	27
	7.1	How do co-ordinate different sales channels?	27.

What are the critical success factors in selling?

How to find an adequate balance between the stock level

and the time and the capability to deliver on time?

7.2

7.3

274

277

7.4

7.4	What are the most important issues that influence the	
	decision-making process in purchasing?	279
7.5	How do I manage the relationship network?	281
7.6	How can I arrange sales activities and relevant	
	documentation?	284
7.7	How should sales control be organised?	286
7.8	What are the most critical terms and conditions in	
	co-operation with distributors?	288
7.9	How can I find and keep good salesmen?	290
7.10	What is the best kind of training for salesmen?	292
7.11	What are the common payment conditions and guarantees?	294
7.12	How do I handle debtors and customers who are not	
	willing to pay?	296
Wha	t are the Most Relevant Production-related Issues?	301
8.1	Which product-related standards have to be respected?	301
8.2	How do I define and run a reasonable product policy?	304
8.3	Which levels of product quality are feasible and saleable?	307
8.4	What manufacturing and assembly activities are suitable	
	in China?	309
8.5	What are the major weaknesses in organisational	
	controlling and production management?	310
8.6	How can I optimise my local sourcing activities?	312
8.7	Under what circumstances is licensing and transfer of	
	technology advisable?	316
8.8	How can I avoid product and know-how piracy?	319
8.9	Under what circumstances is it recommended to	
	transfer R&D activities to China?	322
8.10	How do I arrange my supply chain management?	324
Whic	h are the Most Crucial Finance-related Issues?	327
9.1	What kind of costs are decisive?	327
9.2	How do I organise budgeting and an efficient cost and	
	liquidity management?	329
9.3	Which key ratios are essential for the finance control of	
	my China investment?	330
9.4	How can I optimise business and finance control in the	
	invested entity?	332
9.5	What insurance is required, recommended or not	
	necessary?	334
9.6	How can I finance the daily business through RMB loans?	337
9.7	How can I finance the daily business through foreign	
	currency loans?	339

	9.8	What are the general rules and standards of bookkeeping in China?	343
	9.9	What are the major differences between Chinese (PRC GAAP) accounting practices and international	
		standards (IAS GAAP)?	346
	9.10	How do I build up a suitable reporting system?	350
	9.10		351
			331
	9.12		353
	0.12	policy?	333
	9.13	How can I optimise the business policy with regard to	356
	0.14	strategic, financial and fiscal aspects?	358
	9.14	How is the taxation of FIE's structured?	330
10	How	Can I Restructure my Business in China?	364
	10.1		
		decision-making?	364
	10.2	How can I restructure a joint venture in trouble?	366
	10.3	Which legal issues are important on exit from a joint	
		venture?	369
	10.4	When does it make sense to turn an existing joint	
		venture into a wholly foreign owned enterprise or	
		contractual venture?	373
	10.5	What kind of outsourcing activities optimise the business?	375
	10.6	What has to be considered during the phase of business	
		establishment?	377
	10.7	How is the accessing of international equity capital	
		organised?	380
	10.8	Which international commercial laws are applied to China?	382
Bib	liograp	hy	385
Ind	ex		390

List of Illustrations

1	Government organisations of the People's Republic of China	12
2	Application process for locating in a free trade zone	109
3	Example of a trading company and its functions	111
4	Components of intercultural competence	123
5	Benefits for expats in 1999	132
6	Advantages and disadvantages of different types of senior	
	managers in China	137
7	Comparison of distances (map)	203
8	The average per capita living expenditure in 1999 of China's	
	rural population	225
9	The average per capita living expenditure in 1999 of China's	
	urban population	225
10	Determination of Value Added Taxation	360
11	The lifecycle of VAT compliance process	362

List of Tables

1	Nominal GDP increase in US dollars (per cent)	4
2	WTO influence on different business sectors	41
3	Interests of western and Chinese joint venture partners	77
4	Communication between the board of directors	78
5	Characteristics of western and Chinese thinking	92
6	Contrast between language, writing and thinking	93
7	Different styles of communications	96
8	Attractive regions for investment outside the booming coastal	
	areas	115
9	Interview worksheet for China candidates	120
10	Table of taxation rates (2002)	129
11	Recruitment options	143
12	Important criteria for interviews with applicants	150
13	Types of overtime and its payment	153
14	Employers' contributions to Beijing social insurance	
	schemes 2001	165
15	Employers' contributions to Shanghai social insurance	
	schemes 2001	166
16	Roles of the teacher/trainer and the student in western	
	countries and in China	190
17	Participants' expectations in training situations	191
18	Selection of relevant newspapers, magazines and periodicals	218
19	China on the Internet	219
20	China-related websites	223
21	Geography and wealth	228
22	Chinese translation of western brands	241
23	Survey amongst dealers in China on the most effective	
	marketing instruments	248
24	Broadcasting areas, attendance figures and prices for	
	30 seconds of TV advertising	254
25	Broadcasting areas, attendance figures and prices for	
	30 seconds of radio advertising	255
26	Prices for a half-page ad in some selected Chinese newspapers	256
27	Advantages and disadvantages of the production of advertising	
	materials in China compared to western countries	259
28	Exhibition agents in China	264
29		283

Requirements for obtaining an RMB loan secured by a foreign	
exchange pledge	339
Summary of key differences between PRC accounting	00)
regulations and IAS	347
	exchange pledge