



# CHINA

## ENTREPRENEUR

*Voices of Experience*

FROM

40 INTERNATIONAL  
BUSINESS PIONEERS

JUAN ANTONIO FERNANDEZ  
LAURIE UNDERWOOD

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# CHINA

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***To my wife, Wu Hanning and our son, Simon. Also, my deep thanks to China, the country that has given me so much.***

***—Juan Antonio Fernandez***

***China Entrepreneur is dedicated to Madhav Timalsina, Dorothy Staley, Larry Underwood, Sydney and Schafer—the book would not have been possible without your love and support—and to the China Europe International Business School.***

***—Laurie Underwood***

# Acknowledgments

**This book is the result** of the cooperation of many people. First, we wish to thank the 40 talented and adventurous China entrepreneurs from 25 countries or territories who so generously shared with us their experiences and hard-learned lessons. Their sole motivation in taking the time to share their insights with us was to help other entrepreneurs be successful in China's vast and vibrant, but maddeningly confusing, business environment. (See pages xx-xxv for a listing of all the interviewees in *China Entrepreneur*.)

We also wish to thank the three experts who offered additional advice for this book, drawn from their years of working in China.

In addition, we are grateful to the nine country representatives whose insightful comments on the key issues facing business managers in China are presented in the appendix to this book.

Finally, we thank the team of researchers who helped us with the interviews: Ms. Linda Song (Song Dongmei), Ms. Cheng Yiting, and Ms. Luyi Bo. We also express our sincere appreciation to the administrators and our colleagues at the China Europe International Business School for their support during the researching and writing of this book. Without CEIBS, neither our first book—*China CEO*—nor *China Entrepreneur* would have been born.

We also wish to thank all those who helped us to make contact with foreign entrepreneurs in China. Finally, we want to add special thanks to Robyn Flemming and Janis Soo for their excellent work.

# Foreword

Professor Juan Antonio Fernandez and journalist Laurie Underwood, both members of CEIBS, have come out with another interesting book when we are still rereading their excellent text on successful chief executives in China. In the three years since their first book's publication, I have often seen *China CEO* being read by business class passengers during my frequent flights to China. With the world even more focused on China in 2009 than it was in 2006, I fully expect *China Entrepreneur* to be even more widely read by international business executives than its predecessor.

For their second joint book, Laurie Underwood and Juan Antonio Fernandez have turned their focus toward entrepreneurship—my field of interest as an academic. The authors have continued with their methodology of basing their book on interviews, in this case capturing the insights, anecdotes, and knowledge of 40 successful, China-based entrepreneurs, three China-based experts on different areas, and nine country representatives. Going out into the real world, using academic skills to raise relevant questions, and then using journalistic principles to present the interviewees' responses in an accessible manner, is an extraordinary task; and the results are useful, practical, and educational. The rigorous academic research and the authors' combined total of 24 years of working and living in greater China has created another richly information, carefully developed, but easy-to-read work.

Entrepreneurship is the art of spotting an opportunity and transforming it into business returns. It is the art of fast creation of value. How do entrepreneurs identify opportunities in China? How do they go about transforming a promising possibility into real business activity? Specifically, what are the best ways to handle the serious

challenges in hiring, organizing, financing, and selling the new business?

In answering these questions, seasoned entrepreneurs and academics will likely agree that the basics are global. Even so, no one would dispute the fact that surviving in the complex and vast China market requires unique skills. This book, delivering the richness of 52 first-hand perspectives, provides readers with many reference points for understanding—and even practicing— entrepreneurship in China. For any international businessperson working in or with China, I have every confidence that this book will bring you closer to realizing your China dreams.

**Pedro Nuevo**

*Professor of Entrepreneurship*

*Executive President*

*China Europe International Business School*

# Introduction

***“We had a couple of crazy experiences that tested my commitment to starting my company in China. Our first customer was also a potential competitor, a well connected local company. They had a very large deal with us (but later) . . . I guess they felt threatened that we would take away their customer. That wasn’t my intention, but they still felt threatened.***

***They knew we hadn’t got our business license yet, and that we were very poorly funded, so they decided to attack us. Their intention was to try to scare me out of China, and force my staff to join them. What they did was tell the police in Hangzhou that we had placed an espionage code into the telecom system. That is a very serious offense in China. It wasn’t true, but who knows whether truth is the deciding factor in these cases in China?***

***So, one Friday afternoon, at 5.30, the police showed up at our office. It was a very dangerous situation because I didn’t have a business license, so I didn’t have any ground to stand on. I didn’t have a lawyer either, as I’d never really needed a lawyer before. The police locked our door and put a seal across it. I thought I was going to be arrested for espionage!”***

**Interviewee, China Entrepreneur**

# Why Read *China Entrepreneur*?

**Have you ever dreamed** of launching a business venture in the world's largest, fastest growing, and most dynamic consumer market? Many adventurous businesspeople from around the world have dreamt this dream, and more are joining them as China matures, opens, and internationalizes.

But as the anecdote in previous page shows, launching an enterprise in China can be fraught with more perils than even the most adventurous businessperson might anticipate. (For the full story of the fake espionage case, see the case study titled "The Price of weak *Guanxi*" on pages 154-155.)

It was the stories which foreign entrepreneurs in China shared with us of their "big China dreams" — as well as their "China nightmares"—that inspired us to embark on writing *China Entrepreneur: Voices of Experience from 40 International Business Pioneers*.

In the year following the release of our first book, *China CEO: Voices of Experience from 20 International Business Leaders* (John Wiley & Sons, 2006), the reception from readers worldwide was far beyond our expectations. Within 18 months, the book had sold 25,000 copies in English and had been translated into Chinese (both traditional and simplified characters), Vietnamese, Indonesian, and Korean.

Since the first book's launch, we authors have spoken to thousands of businesspeople in Asia, Europe, and America, all of whom share an interest in doing business in China. Most satisfying have been the numerous times we have spoken with business executives working in China, who have commented: "This is exactly what I went through when I got here. I'm going to give this book to my new directors

coming into China from Europe (or the U.S., or Australia, or India . . .).”

But another message we heard quite often, whether we were speaking to business associations, chambers of commerce, trade delegations, or business school students, was this: *What about small business owners entering China?* As one Australian businesswoman said during a book talk: “I’m not GE. I’m just me. I don’t have an army of people helping me deal with the government here. What advice do you have for *me*?”

So, in 2008, we again ventured into the China market with our digital recorders in hand to collect first-hand accounts of foreign (non-Chinese) businesspeople who had succeeded in launching their own businesses in the China market. Using our differing strengths in academia and business journalism, we aimed to produce a meticulously researched, yet easy-to-read guide to starting and managing a successful small business in China. As with *China CEO*, we sought to draw upon our strong points—Dr. Juan Antonio Fernandez’s strengths as a professor of Management at the China Europe International Business School, where he has taught since 1999, and Ms. Laurie Underwood’s 15 years of business journalism expertise in greater China (before joining CEIBS as Director of External Communications and Development).

## **More “Blood, Sweat, and Tears”**

In crafting *China Entrepreneur*, we began by interviewing a select profile of business pioneers—expatriates who had successfully launched a business of their own in China, rather than executives who had been sent to China with the backing of a well-established multinational corporation. Although we had originally planned to interview the founders of 20 successful startups, we ended up talking with twice that number. Each interview seemed to lead to yet



another pioneer with another fascinating tale of having triumphed over the business challenges that the entrepreneur faces in China. Several weeks into the project, we knew we were gathering valuable material for a second book. As one of our draft manuscript readers, Shanghai-based entrepreneur John Van Fleet, put it: “There is a lot of blood, sweat, and tears in these interviews.”

## Who is in This Book?

**By the time we had finished interviewing** for *China Entrepreneur*, we had painstakingly tape-recorded, videotaped, and transcribed detailed interviews with 52 experts on China, each offering a wealth of insights into their experiences in this unique—and uniquely challenging—market.

Our interviewees are composed of three types of experts:

1. *Entrepreneurs (40)*: Hailing from 25 nations and working in different industries (see [Tables 1](#) and [2](#)), these 40 daring pioneers successfully started businesses in China, and lived to share their experiences with us. While this group works across a wide range of industries—from software to real estate, restaurants to fashion retailing—it also includes seven consultant entrepreneurs who not only share their own first-hand information on launching their companies but also draw upon the insights formed through working with hundreds of clients.
2. *Experts/advisors (3)*: These professional China hands (see [Table 3](#)) offer insights into their areas of expertise, including Chinese law, negotiation, and entrepreneurship.
3. *Country representatives (9)*: We interviewed a series of China-based commercial officers, directors of

chambers of commerce, and business associations representing key trade nations (see [Table 4](#)). These country representatives represent Africa (South Africa and Nigeria), the Americas (the United States, Mexico, and Brazil), Asia (India and Japan), Australia, and the European Union. The interviews, included in Q&A format in the appendix to the book, give readers an understanding of the specific challenges and opportunities that exist in China for businesspeople from different nations. They also offer insightful comments on how China is perceived by the business community in their countries, on trade and investment trends, on the sectors they consider most promising for business in China, and on the experiences of companies that are already established in China.

## **Profile of the Entrepreneur Interviewees**

While our pioneers hail from 25 countries and provinces, they have certain shared characteristics. The average interviewee is aged 47, has an MBA, is married, has been in China for 12 years, speaks basic-or-above Chinese, and has been operating his or her current business for nine years. Among the 40 interviewees, 33 are men, and seven are women. (In *China CEO*, all 20 of the CEOs we interviewed were men, as we were unsuccessful in finding women CEOs to interview.)

*China Entrepreneur* interviewees' countries/provinces of origin are as follows:

- North America: 10 (United States, 9, Canada, 1)
- Latin America: 2 (Brazil, 1, Mexico, 1)
- Europe: 13 (Belgium, Denmark, France, Netherlands (3), Ireland, Italy, Macedonia, Spain, Switzerland, U.K. (England, Scotland))

- Middle East: 4 (Iran, Israel (2), Turkey)
- Asia: 8 (India, Japan (2), Korea, Taiwan (3), Singapore)
- Australia: 1
- Africa: 2 (Morocco, South Africa)

***“The composite profile of the China entrepreneurs we interviewed would be a 47-year-old who has lived and worked in China for 12 years, speaks Chinese well, has an MBA, is married, and started his or her own business nine years ago.”***

**The Authors, China Entrepreneur**

Their places of origin are indicated on the map.



**In total, our 40 entrepreneurs have a combined 500 years of experience in China.**

In terms of education, the most popular degree among our interviewees was MBA (17), followed by Bachelor of Arts (13), while five had advanced degrees (three master's degrees and two PhDs). Concerning Chinese language ability, aside from our four native Chinese speakers (who held non-Chinese passports), most had achieved an intermediate (15) or advanced (11) level of Chinese. Only three interviewees said they had a “less-than-basic” ability in Chinese. Most were married (30). In 12 of these cases, their spouses were from greater China (including Taiwan).

Our interviewees represent a full range of business sectors. In addition, our featured entrepreneurs run the gamut of business operations. In terms of their China operations, 22 of the interviewees operated a foreign invested enterprise (FIE), while 14 ran an offshore entity or a representative office, and seven operate as Chinese-owned companies (via a Chinese partner). In total, our 40 entrepreneurs have a combined 500 years of experience in China.

The following tables introduce our interviewees in more detail. [Table 1](#) identifies the entrepreneur interviewees.

**TABLE 1** *Entrepreneur Interviewees*

Name	Country of Origin	Company	Primary Business	Website
Bernstein, Jeffrey	USA	Emerge Logistics Shanghai Co.	Import/export logistics, market entry consulting, sales & distribution	www.emergelogistics.com www.emergechina.com
Branham, Phillip E.	USA	B & L Group, Inc.	Project management, construction management & procurement	www.blgroupinc.com
Carroll, Ken	Ireland	Kai En English Training Center, Praxis Language, On Demand Training	Education/training	www.ken-carroll.com

Chu, David	USA	Shanghai Venture Partners	Capital raising & financial advisory services	<a href="http://www.shanghaivp.com">www.shanghaivp.com</a>
Chun In Kyu	Korea	Shanghai Asset Inc.	Financial investments advisor	NA
Di Rollo, Jonathan	UK, Scotland	Career Development China (HK) Co. Ltd.	Consulting education	<a href="http://www.propathchina.com">www.propathchina.com</a>
Firoozi, Shah	USA/Iran	The PAC Group	Project management, product development, vehicle management development	<a href="http://www.pacgroup.com">www.pacgroup.com</a>
Heffernan, Susan	Australia	Soozar	Industrial design, high-end retail displays and furnishings	<a href="http://www.soozar.com">www.soozar.com</a>
Hsui, Jenny	Singapore	ChinaVest	Merchant bank, M&A, private placement, financial advisor	<a href="http://www.Chinavest.com">www.Chinavest.com</a>
Lichtenberg, Simon	Denmark	Trayton Group	Furniture: design, manufacturing, distribution, retailing	<a href="http://www.trayton.com">www.trayton.com</a>
Ling, Winston	Brazil	1. Fully Strong Ltd. (HK) 2. Yi Cai He Exciting Ventures International Ltd.	Import, export, & distribution	<a href="http://www.madeinbrazil.com.cn">www.madeinbrazil.com.cn</a>



Litjens, Olaf	Netherlands	Unisono Fieldmarketing (Shanghai) Co.	Field marketing, brand activation	www.unisonofieldmarketing.com
Martinez, Juan	Mexico	Solis Holdings Import & Export (SOLHIX)	Trading	www.solhix.com www.aquienchina.com
Menon, Prakash <sup>1</sup>	India	NIIT (China)	IT education & training	www.niit.com
Mrabet, Aziz	Morocco	Impact Promotional Items	Export	www.impact-promo-items.com
Oztunali, Onder Bogac	Turkey	Globe Stone Corp.	Building materials—natural stone products	www.globestonestudio.com
Pannekeet, Nic	Netherlands	CHC Business Development	Export of cleaning products, industrial accessories	NA
Petroski, Oto	Macedonia	Trading company	Exporting	NA
Pummell, Mark	UK, England	1. Sinapse 2. ChinArt 3. Music Pavilion	1. Psychotherapy 2. Fine art export/import 3. Musical instruments, recording studio	www.sinapse.com.cn www.chinart.co.uk www.doublebass.com.cn
Robertson, Bruce	USA	Asia Pacific Real Estate Ltd	Property development	brucerobertson65@hotmail.com
Rongley, Eric	USA	Bleum	Offshore software outsourcing	www.bleum.com



Secchia, Mark	USA	Sherpa's	Call center & courier services	www.sherpa.com.cn
Suzuki, Fumito	Japan	AOL Business Consultant	Accounting services	NA
Tai, Wendy	Taiwan (China)	Haus658	Interior decorative items	www.haus658.com
Theleen, Robert	USA	ChinaVest	Merchant bank, M&A, private placement, financial advisor	www.Chinavest.com
Touya, Valerie	France	Curiosity Fashion Store	Fashion distribution	valerietouya@yahoo.fr
Van der Chijs, Marc	Netherlands	Tudou	Website	www.tudou.com
Woo, Marjorie	USA	Management International (China)	Leadership development training	www.lmi-china.com
Wu, Chee- Chin	Canada	Novalis International	Luxury floor tiles	www.novalis-intl.com
Yang, Michael	Taiwan (China)	East West Restaurant	Restaurants	NA
Yu, Maggie	Taiwan (China)	Asian BizCenter & Consulting Co. Ltd.	Serviced offices, China market entry consulting, business registration, bookkeeping & tax services	www.asianbizcenter.com

Zilber, Aviel	Israel	Sheng Enterprises	Business development & investment	www.sheng-cn.com
Zilber, Jordan	Israel	Sheng Enterprises	Business development & investment	www.sheng-cn.com

<sup>1</sup> While not the founder of NIIT (India), Mr. Menon started the operations of the company in China from scratch and went through the same process as the other entrepreneurs.

The seven consultants listed in [Table 2](#) contributed to this book in terms of both their experience as China-based entrepreneurs and their expertise as consultants to hundreds of clients in China.

**[TABLE 2](#) *Consultant-Entrepreneur Interviewees***

Name	Country of Origin	Company	Primary Business	Website
Borgonjon, Jan	Belgium	InterChina Consulting	Consulting	<a href="http://www.interchinaconsulting.com">www.interchinaconsulting.com</a>
Ganster, Steven H.	USA	Technomic Asia	Management consulting	<a href="http://www.technomicasia.com">www.technomicasia.com</a>
Giro, Josep	Spain	SBC & Associates Co. Ltd.	Consulting	NA
Jenna, Ruggero	Italy	Value Partners	Management consulting	<a href="mailto:ruggero.jenna@valuepartners.com">ruggero.jenna@valuepartners.com</a> <a href="http://www.valuepartners.com">www.valuepartners.com</a>
Musy, Nicolas	Switzerland	CHina (Shanghai) Co. Ltd.	Integrated China entry solutions & operations	<a href="http://www.ch-ina.com">www.ch-ina.com</a>
Shoda, Hiroshi	Japan	Shoda & Partners Co.	Consulting	<a href="mailto:hiroshishoda@tcn-catv.ne.jp">hiroshishoda@tcn-catv.ne.jp</a>
Van der Wath, Kobus	South Africa	The Beijing Axis	Business bridge for MNCs going into China and Chinese going international	<a href="http://www.thebeijingaxis.com">www.thebeijingaxis.com</a>

The three expert advisors listed in [Table 3](#) added their experience in the fields of entrepreneurship, negotiation, and law in China.

**[TABLE 3](#)** *Expert Advisor Interviewees*

Name	Country of Origin	Title	Organization	Website
Ge, Dingkun	China	Prof. of Strategy and Entrepreneurship	CEIBS	www.ceibs.edu
Slusiewicz, Gene	USA	Negotiation expert	The PAC Group	www.PACgroup.com gene.slusiewicz@pacgroup.com
Sunyer, Lluís	Spain	Consultant & lawyer	Guangsheng & Partners	www.shslaw.com luís.sunyer@shslaw.com

Finally, the nine country representatives listed in [Table 4](#) added insights on doing business in China from the perspective of the countries they represent. These interviews appear as an appendix at the end of the book.

**TABLE 4** *Country Representative Interviewees (country by alphabetical order)*

Name	Country	Organization	Website
Wright, Christopher	Australia	Senior Trade Commissioner and Australian Deputy Consul General, in Shanghai	www.austrade.gov.au
Primo Portugal, Ricardo	Brazil	Deputy Consul General, Brazilian Consulate in Shanghai	www.brazil.org.cn
Ceballos Baron, Miguel	European Union	EU Counselor, Trade & Investment, Beijing Office	www.delchn.ec.europa.eu
Sharma, Madhav	India	Chief Representative, Confederation of Indian Industry	www.ciionline.org
Takahara, Masaki	Japan	Vice President, (China) Japan External Trade Organization (JETRO)	www.jetro.go.jp/china/shanghai/

Valdez Mingramm, Rafael	Mexico (& Latin America)	Co-founder, Latinoamericanos EnChina.com VP Latin America, ChinaVest	<a href="http://www.chinavest.com">www.chinavest.com</a> <a href="http://www.latinoamericanosenchina.com">www.latinoamericanosenchina.com</a>
Abikoye, Badeji A.	Nigeria	Trade Commissioner, Nigerian Trade Office in Shanghai	<a href="http://www.nigeriaembassy.cn">www.nigeriaembassy.cn</a>
Khumalo, Vika M.	South Africa	Consul General, South African Consulate in Shanghai	NA
Foster, Brenda L.	USA	President, American Chamber of Commerce in Shanghai	<a href="http://www.amcham-shanghai.org">www.amcham-shanghai.org</a>

***“I think people should talk to other entrepreneurs. Recently, I was involved in a young entrepreneur organization. I realized that I should have been involved in it at the very beginning, because people here tell you the real stories. You hear real stories from people who have been through it before.”***

**Susan Heffernan** (Australia), Founder and Managing Director, Soozar

## What We Cover

**The goal of *China Entrepreneur*** is simply this: to help non-Chinese businesspeople who are interested in doing business in the Middle Kingdom to clearly understand the challenges, risks, and opportunities. Our focus on small businesses and startups helps to outline the challenges faced by pioneers who launch and operate their own ventures, rather than beginning in China with the backing of a global company. As one of our entrepreneurs told us, “I think people should talk to other entrepreneurs. Recently, I

was involved in a young entrepreneur organization. I realized that I should have been involved in it at the very beginning, because people here tell you the *real* stories. You hear real stories from people who have been through it before.”

The purpose of our book is to collect and share those “real stories” and real advice from real China entrepreneurs.

# Chapter 1

## Getting Started

### Understanding the Business Environment and Dealing with the Chinese Government

***THEN: “I came to China in 1976 as a young banker.... We had friends doing business in China in those years who were thrown in jail for the slightest little infraction. If I had to choose one word to define that era in China, it is ‘courage.’ It was courage that drove those men and women who had no guidelines for what they were doing.”***

**Robert Theleen** (USA), Chairman, ChinaVest

***NOW: “The opening of China—the access to the WTO trading culture, and especially the influence of American and European companies—has created new role models and icons in China. In the past, role models were national heroes like Lei Feng. Now, it is Bill Gates, Michael Dell; they are the role models, with their rags-to-riches stories.”***

**Ge Dingkun** (China), Professor of Strategy and Entrepreneurship, CEIBS



# **INSIDE CHAPTER 1**

**The Past: China Opens its Doors**

**The Transition: China in the 1990s**

**The Present: “Better for Entrepreneurs than Silicon Valley”**

**Dealing with the Chinese Government**

**Bureaucratic Challenges for Entrepreneurs**

**Strategies for Successful Government Relations**

**Conclusion**

## **Introduction**

**In order to appreciate** the complexity of the environment in China for international entrepreneurs, it is useful first to look backward and review the realities of the past. Only then can you gauge how great a transformation has been necessary to create the realities of the present. In this chapter, we start by looking back to when China first began to open up to the outside world. We draw upon the first-hand experiences of two of the first non-Chinese businesspeople to work in China during that era—American banker Robert Theleen and his Singaporean wife Jenny Hsui, who were invited to China as advisors to the central government in the late 1970s. Theleen and Hsui, who now operate China Vest, a successful investment bank, paint a detailed picture of China at its opening, in order to remind newcomers of just how far the nation has come in the past 30 years. From there, several other “not quite so experienced” China hands take the reader through the past two decades, leading to the dynamic business environment of today, while also giving expert advice on how to deal with the Chinese government.

This chapter covers six main topics:

1. The past: China opens its doors
2. The transition: China in the 1990s