

On the Road to China

Great leadership calls for adapting to the changing circumstances in which top executives operate. Contextual factors, from geography, governments and culture to social mores, all come into play. This article offers an insightful personal account of how capitalizing on new business opportunities in China calls for North American executives to develop a new mindset.

by Jim Davidson

AS A FOLLOW-UP to my commentary on how all roads are leading to China, I have a personal story to tell.

For over two years our company has been plotting a particular course to China in a strategic effort to expand our existing global capabilities. We have negotiated in good faith to establish a joint venture with a specific Chinese company. Given the time invested, we'd hoped to be further along in the proceedings at this point. Instead, unfortunately, we are stopped in our tracks.



Officially, it was our company who put on the brakes. We are still working for a positive outcome, however, while stepping carefully into a vast unknown. There is a price to be paid for China's cheap labour and massive market potential. The currency is patience and tolerance for overwhelming language barriers and cultural differences.

Given all that China has to offer, we are reluctant to walk away from a possible joint venture that could have us playing a significant role managing supply chains between China and North America. We are particularly interested in partnering with this company. They are one of the leading companies in China with significant market domination in supermarkets, general merchandising, real estate, transportation, warehousing and hazardous materials management. On paper, they are a perfect candidate. In reality, perfection dissolves in a quagmire of misunderstandings, poor communications and a growing lack of trust.

We just need an agreement that we can understand and that transcends the language and cultural differences.

In order to understand how we've arrived at this juncture specifically, and the perils of doing business in China generally, it is important to put these views in context and go back to the beginning of this initiative.

Through a chance meeting at an industry function I was introduced to a delegation of Chinese businessmen seeking to expand their business into the western world. As representatives of one of China's top 20 companies, they were looking to partner with a North American logistics provider in order to expand their logistics capability. Specifically, they wanted access to the best innovations, training, quality processes and systems. But most importantly, they wanted to grow their business beyond their borders. They appeared to be a perfect partner for our organization to expand into China with. Over the course of one day, both sides talked and listened. Then we agreed to seek common ground on which to build a business relationship.

We had a ready-made go-between - a Chinese-born businessman living in Canada, who was a close friend of the Chinese company's president. I believed him to be a competent translator, well versed in Canadian business practices, operating on behalf of the Chinese delegation's interests. I would eventually learn otherwise.

After the initial meeting, which included extensive conversation over dinner, both sides agreed to identify one or two customers that could be served by both parties. After all, logistics is all about meeting the needs of the customer.

It didn't take long for me to determine our company's likely candidates. The Chinese, however, were not as quick to respond. Over the next twelve months communication was minimal. After eighteen months the Chinese declared their desire to "move forward" but had done nothing to fulfill the prior agreement. The decision was made to skip the original idea of finding common customers and proceed with a business case. The onus was on the Chinese to provide a business plan built around a joint venture between our two companies.

I had clearly represented the Wheels Group as a company interested in developing supply chains between North America and China. The business plan we were presented with, however, was primarily focused on Chinese markets, specifically Shanghai. It also involved one narrow segment of the market - hazardous materials. So here we were, after nearly two years of "hurry and wait" negotiations, facing a joint venture that was both very narrow and dangerous in scope. It was not even close to what we had anticipated, and certainly not at all what we were willing to execute.

More meetings with the intermediary ensued. We learned that in order to meet with the Chinese again we were required to pay the go-between a fee as if he were our agent. Based on some of the stories I've heard about business in China, I shouldn't have been surprised. But I was. A growing fear of the unknown and lack of clarity were quickly eroding whatever trust we had in the middleman. However, we agreed to pay a fee and flew to China to meet again with the Chinese executives. This time we took along our own interpreter.

Our next meeting did little to expedite an agreement. In fact, we came away realizing how little we understood about our potential partners. Of five action items that came out of our discussions, three were totally at odds. We were experiencing significant interpretation problems and didn't know who to trust. We went overboard in our attempts to clarify our communication, deliberately and aggressively articulating our needs through targeted questions - questions that the Chinese seemed to have difficulty answering.

We returned home having accomplished very little other than to realize how far apart we really were, and I'm not referring to geography. Our communications increasingly lacked clarity and mutual understanding. Every attempt we made to understand the Chinese perspective more clearly was met with either silence or vague responses. The more we tried to move forward, the further behind we got.

My challenge today is how to proceed under these circumstances. Our chairman is currently in China negotiating yet another meeting, this time for the Chinese to return to Canada. As of this writing I don't know their response, nor the next move to make. Yet we persevere.

The trick, I have discovered, is to be extremely patient despite time-consuming, sometimes misleading, communications. Some days I feel like an athlete facing inevitable defeat. Those are the days I dig deep for an optimistic outlook and the will to stay the course even though my instincts

are telling me to quit. But what glory lies in quitting? Instead I choose to focus my attention on day-to-day business while letting the "China deal" continue to percolate in the background, surfacing every so often, as if nothing else is happening.

Do you want to do business in China? Then I recommend you cultivate heroic portions of courage, perseverance, patience and clarity in your own mind around what you want to accomplish. Visualize a positive outcome. Stay the course as long as there is something you can agree on.

Clearly there's no conclusion yet to our negotiations with this company. Regardless of what happens, I can assure you that our company will continue to focus on growing our business between China and North America. It is the golden corridor. We intend to stick with it and earn a leadership position, working within our existing infrastructure and relationships while simultaneously working to develop this particular joint venture and initiate others.