

Entrepreneurial Success in Shanghai

*Twenty Conversations with Foreign Commercial
Entrepreneurs in Shanghai*

By Inge Abraham and Yang Minyan



FOREIGN LANGUAGES PRESS

This book highlights the personal stories of twenty foreign commercial entrepreneurs in China. It details their experiences in setting up their particular companies and explains their motivation and corporate philosophies for doing so. It features entrepreneurs in trading, design, photography, architecture, consultancy, charity and other branches of business, reflecting the huge variety of commercial undertakings established in China over the last decade. These interviews offer an insight into the obstacles, the difficulties and the unexpected surprises that have occurred from inception to the current position of their businesses.

ISBN 978-7-119-05137-6

定价: 60.00 元

ISBN 978-7-119-05137-6

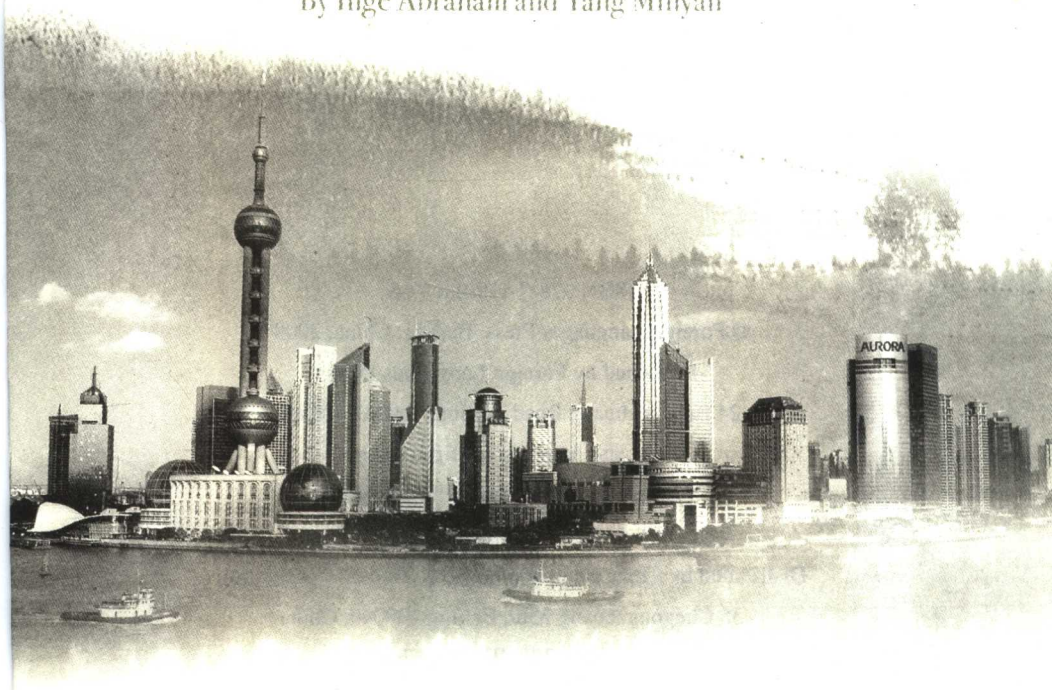


9 787119 051376 >

Entrepreneurial Success in Shanghai

*Twenty Conversations with Foreign Commercial
Entrepreneurs in Shanghai*

By Inge Abraham and Yang Minyan



FOREIGN LANGUAGES PRESS

图书在版编目 (CIP) 数据

成功在上海: 20 位上海外商访谈实录: 英文 / 杨敏燕,
(荷) 艾伯拉汗姆 (Abraham, I.) 著. — 北京: 外文出版社, 2007
(外国人在中国)
ISBN 978-7-119-05137-6

I. 成… II. ①杨… ②艾… III. 企业家—访谈录—世界—现代—英文 IV. K815.38

中国版本图书馆 CIP 数据核字 (2007) 第 157303 号

责任编辑: 王 欢

特约审稿: Graham Paterson

装帧设计: 黎 红

封面图片提供: CFP 图片库

印刷监制: 冯 浩

成功在上海 20 位上海外商访谈实录 Inge Abraham, 杨敏燕 著

*

© 外文出版社

外文出版社出版

(中国北京百万庄大街 24 号)

邮政编码 100037

外文印刷厂印制

外文出版社网址: <http://www.flp.com.cn>

外文出版社电子信箱: info@flp.com.cn

sales@flp.com.cn

中国国际图书贸易总公司发行

(中国北京车公庄西路 35 号)

北京邮政信箱第 399 号 邮政编码 100044

2008 年 (小 16 开) 第 1 版

2008 年第 1 版第 1 次印刷

(英)

ISBN 978-7-119-05137-6

平

17-E-3851P

First Edition 2008

ISBN 978-7-119-05137-6

© Foreign Languages Press, Beijing, China, 2008

Published by Foreign Languages Press

24 Baiwanzhuang Road, Beijing 100037, China

Website: <http://www.flp.com.cn>

Email Addresses: Info@flp.com.cn

Sales@flp.com.cn

Distributed by China International Book Trading Corporation

35 Chegongzhuang Xilu, Beijing 100044, China

P. O. Box 399, Beijing, China

Printed in the People's Republic of China



Inge Abraham (1980) was born in Amsterdam, Holland, where she grew up. After graduating with a Master degree in Communication and Political Science, she moved to China to work as a journalist for *China Daily* in Shanghai. During her employment with the newspaper, she became intrigued by all the entrepreneurialism she witnessed around her in modern China. This was the inspiration for how this book, *Entrepreneurial Success in Shanghai*, came about. Together with Chinese co-writer, Yang Minyan, she conducted twenty in-depth interviews with successful international entrepreneurs, covering the wide range of their experiences, accomplishments and the pitfalls of doing business in current corporate China.



Yang Minyan was born in Shanghai in December 1977 and graduated with BA degree, majoring in English Teaching. She worked in a hotel and property consulting business from 2000 to 2006 and, during that time, she wrote many feature articles for *Shanghai Property Weekly*, *Hotel Travelers* and other publications. Her experience in interviewing people with entrepreneurial ambitions led her to undertaking this mission for *Entrepreneurial Success in Shanghai*. She is now a freelance translator and owns her own business in Shanghai.

Acknowledgments

This book was made possible by the help, time and candor of twenty foreign entrepreneurs living in China. The book highlights 19 stories of entrepreneurs based in Shanghai, and one Beijing-based undertaker. We have thanked all of them profusely in person, on the phone and by email. But here it is again, our sincere appreciation commemorated in print.

To each of the interviewees personally: Marc, Johan, Ekanga, Doris, Siv and Skov, Eduardo, Christoph, William, Caroline, Roman, Haya, Fons, Marianne, Stuart, Michael, Gustavo and Louissa, Dan, Carol, Craig and Bya – many thanks for your frankness and honesty during our interviews. It was both a privilege and a pleasure to meet you and to hear your exhilarating stories.

Lastly our gratitude goes out to the Foreign Languages Press in Beijing, for making this project possible.

Introduction

China is a country in which regional development has become the main priority over the last few decades. While the nation was considered an economic isolationist until the late 1970s, the spectrum and approach of China's national economy has changed drastically since the country underwent its grand economic reform in 1978. Since the launch of the economic restructuring, China's dominant development policies have gradually shifted from a base of autonomic self-sufficiency to ones favouring the comparative advantage of an open market policy. This broadening process has been reinforced since China's entry into the World Trade Organization (WTO) in 2001. The central government implemented several measures to strengthen the flow of Foreign Direct Investment (FDI) into the country. It offered a comparatively liberal foreign-trade regime and tax benefits, and it has granted several other conditions under which business activities in participation with foreign companies is more easily facilitated. The latter are currently subject to quite different circumstances than undertakings funded solely by Chinese capital. This situation is the result of the economic changes China has gone through over the last decade. The increasing influence of foreign capital has played a substantial role in the upsurge of this development process.

The economic amendments since the 1980's have resulted in the government actively creating Special Economic Zones (SEZ) for foreign investors in designated developing regions. These SEZ's are specially designed districts in which foreign, and domestic trade and investment, are conducted without direct authorization of the Chinese central government. The areas are intended to attract foreign investment and technology through the use of tax and business incentives to promote zones of rapid economic growth. Foreign Investment Enterprises (FIE) experience better regulatory and infrastructural services in these Zones than in other parts of China.

Since 1997, China has significantly increased its internal reforms, particularly with regard to domestic private companies. In that year the central government granted permission to the four biggest state-owned banks to loan money to foreign private enterprises. In 1999, the Chinese Constitution was

amended to extend property rights to foreign companies and private domestic entrepreneurs. For the first time since 1949, approval to export directly was granted to private domestic companies. These reforms have led to radical changes to the flow of FDI into China.

As a result of these changes, countless foreign companies, and international individuals, have set up Wholly Foreign-Owned Enterprises (WFOE's) in China. WFOE's are investment vehicles permitting mainland-based businesses to be completely funded and operated under foreign control without the participation of any formal Chinese ownership.

Wholly Foreign Owned Enterprises

WFOE's have several different types of commercial objectives. Many of them manufacture specific products for later export to the foreign firm's home country, because production costs are significantly lower in mainland China. Particularly in the start-up days of China's foreign enterprises' invasion, most WFOE's were established for this reason. At first, these WFOE's did not have the right to distribute their fabricated goods in China, but adjustments to the regulations for Foreign Invested Commercial Enterprises and WFOE's, now allow the companies to distribute their products in China. With China's entry into the WTO, several restrictive conditions concerning WFOE's were gradually lifted.

The globalization of modern China encouraged many WFOE's to expand their production from the original export orientation to focus on turnover in the emerging Chinese market. Exporting internationally is still a common practice for WFOE's, but it is no longer the sole function of foreign companies in China. The world factory has changed into a world market through the enterprise of foreign companies, as a Chinese government official once described the result of the modernisation.

The Chinese government approves and favours WFOE's if they are deemed valuable, and useful, to national economic development. The officially revised WFOE rules now provide that, "the establishment of a WFOE must benefit the Chinese national economy" and that China "encourages the establishment of technologically advanced WFOE's." Before the revision of the laws, the rule said WFOE applications would be approved only if the WFOE committed to use advanced technology or exported, at least, 50 per cent of its products each year. However, there are still some areas in China where WFOE's are not allowed to participate. These include businesses, such as, real estate, insurance,

banking, public utilities and domestic service business. The Chinese government reserves the right to allow limited participation in areas or set restrictions in areas in which WFOE's can operate.

The most significant feature of a WFOE, distinguishing it from any other type of enterprise or undertaking, is that involvement of a Chinese investor is not required, and even, on some occasions, not permitted. This gives the foreign investor full control over the business venture and helps avoid problems which can result with a domestic joint venture partner. WFOE's differ from foreign branch offices in China because they are legally independent and self-operating entities, which do not necessarily pursue the business policies of the overseas parent company.

WFOE's are subjected to relevant Chinese business laws. Chinese authorities expect WFOE's to hire Chinese workers for most positions, except for some management and technical slots reserved for foreign personnel. WFOE's enjoy more control over capital, human resources and profits compared to a joint venture undertaking, which is another popular form of foreign direct investment in China.

Establishing a WFOE, in comparison to other types of enterprises, has a number of advantages in corporate China. The most appealing element to foreigners is the independence, and freedom, to implement the worldwide strategies of its parent company without having to consider the involvement of the Chinese partner. Furthermore, being a WFOE grants the enterprise a degree of protection for intellectual know-how and technology, and avoids the necessity of licenses for import or export. The full control of human resources remains in the hands of the enterprise and this is another attractive feature for foreign investors. Sole proprietorship which avoids possible conflict between joint venture partners that can arise from different corporate cultures and work ethics, is a definite benefit.

Limiting Chinese intervention and having sole ownership of a WFOE are aspects that appeal to foreign investors. Sole control and the exclusion of Chinese participation can have its disadvantages, since a local partner could be of considerable assistance in dealing with certain Chinese bureaucracies. A Chinese partner can facilitate approval processes and other regulatory issues, plus provide contacts with suppliers, and assistance in setting up physical and service infrastructures. Many governmental regulations have to be observed and establishing any type of foreign business in China can often be easier in a joint partnership.

Sino-Foreign Joint Ventures

When foreign companies first entered China, the major approach was to engage in joint ventures with Chinese enterprises. This was seen as the way to overcome the numerous policy restrictions imposed on foreign investors setting up business in China. In subsequent years, the regulations were amended and this facilitated the easier establishment of WFOE's. However, Sino-foreign joint ventures are still popular forms of foreign enterprises in China. The process of setting up the company can be less time-consuming and less costly through the assistance of a local partner. When a foreign entrepreneur chooses to benefit from engaging in a partnership with a Chinese investor, this creates a Sino-foreign joint venture. Several obstacles concerning registering a company in China are notably easier when united in a corporate Chinese partnership.

Teaming up with a Chinese partner is especially regarded as very helpful in acquiring local acceptance and the establishment of a much-needed network. If a foreigner wishes to find their way through the Chinese corporate system they need to understand the typical Chinese system of *guanxi* when establishing a domestic undertaking. *Guanxi* entails an extensive network of necessary relationships, both personal and business. The system is based on trust and loyalty, both of which are of great importance in conducting business and being successful in China.

Chinese authorities encourage foreign investors to engage in Sino-foreign ventures as a way of exposing the Chinese partner to advanced technology and new management skills. In return, foreign investors can enjoy low labour costs, low production costs and a potentially large Chinese market share. Hence, in some respects, setting up a Sino-joint enterprise can be more beneficial to foreign investors compared to establishing a WFOE.

Foreigners make the decision for establishing a WFOE or tying with a Chinese partner in line with their own strategic needs. Different entrepreneurs have chosen different ways and this book highlights the personal stories of twenty foreign commercial entrepreneurs in China. It details their experiences in setting up their particular companies and explains their motivation and corporate philosophies for doing so.

Entrepreneurial Success In China: An Oriental Business Protocol

Over the past years numerous books listing guidelines for setting up foreign businesses in China have been written, wholly in line with the increased demand for information on this subject. These books predominantly provide extensive and detailed information on the numerous legal and business related restrictions including the potential of the Chinese market. In other words, the do's and don'ts for would-be entrepreneurs. Numerous books offer valuable advice on how to successfully walk the corporate path to entrepreneurial success in modern China.

However, what has been missing in this variety of literary offerings is a book that reflects the personal stories of individual entrepreneurs that have already walked the path to Chinese success. This book is a collection of the experiences of twenty entrepreneurial foreigners that have set up both, WFOE's and Sino-foreign joint ventures, in China over the last couple of decades. They share with you their personal stories and insight about the challenges they have encountered along the way. This book features entrepreneurs in trading, design, photography, architecture, consultancy, charity and other branches of business, reflecting the huge variety of commercial undertakings established in China over the last decade. These interviews offer an insight into the obstacles, the difficulties and the unexpected surprises that have occurred from inception to the current position of their businesses. The personalized angle of this book makes it a worthy addition to the existing literature by offering real life examples of investors walking the entrepreneurial path in China.

Contents

Marc van der Chijs 1

"It's a jungle out here. And if you want to play in the jungle you've got to be a lion."

Johan Arrhenius 12

"People are basically people anywhere, as long as you train them well they can do anything you want them to do anywhere in the world."

Ekanga Martial 22

"Observing China's growth gives me hope and confidence for the future. Both for China, as well as for Africa."

Doris Rathgeber 32

"There can be different ways to reach a certain goal, and it's not just the Western way which is always the right way to reach it."

Siv and Strange Skov 42

"In China a stamp simply means that you are a company. No official number needed, just the stamp will do."

Eduardo Allegranti 54

"Rules in China change virtually every second of the day. However, the good thing is that for everything there is a solution here, both for the easy, as well as for the difficult things."

Christoph Lienke 63

"The ultimate fascination about this country is that the impossible seems able to be made possible here."

William Keller 73

"It takes a lot of courage to do what this country did, and what it is still doing."

Caroline Swartz 82

"After you have moved to China on your own, carrying a nine-month old baby with absolutely no idea of what's going to happen to you; after that, the decision of setting up your own company here, doesn't seem like the biggest deal of the world anymore."

Roman Wittmer 94

"When arriving in China this previous 'cartoonist' image, which is an effect of the media, is replaced by very new experiences."

Haya Ronen 101

"In the end, it's often the Chinese teaching the foreigners a lesson, instead of the other way around. Chinese just think differently than we do, but who says our way is the right way and theirs is wrong?"

Fons Tuinstra 108

"It only makes sense to come to China these days if you have something to offer that is of value in the current commercial context."

Marianne Kaulima 118

"China is not an easy place to do business. It's like a fast food situation, you eat to survive and throw away what is unnecessary but, it's not as satisfying as a full meal."

Stuart Eunson

129

"We found that for every person in a particular bureau that didn't want to deal with us simply because we were foreign, there would be another person in a different department that took pity on us just because we were foreign."

Michael Chang

138

"Many of my contemporaries in Singapore do not realize what's happening in modern China, and how it can, and will, quickly transform the world economic picture."

Gustavo and Luisa Gonzalez

148

"It was a risk, but we are risk-takers. You just have to be when you decide to move here."

Dan Washburn

158

"It is always a possibility, especially since China is receiving so much global attention today, that somebody will try to do the same thing we are doing."

Carol Wolfson

167

"You must be the change you wish to see in the world."

Craig McAllen

176

"I had this idea that working for a boss would mean working extraordinarily long hours and very long days. In China, I realized, being my own boss is no different to the image I feared."

Bya Patzner

186

"In China, one needs to be professional, competent and resolute. More than any other country where I've lived, you have to be prepared to put in the effort and long hours to achieving your goals. You must be committed, adaptable to change and, sometimes, you just need a very thick skin."



Marc Van Der Chijs

*"It's a jungle out here.
And if you want to play in the jungle
you've got to be a lion."*

Marc van der Chijs might be the definition of what one would call an entrepreneurial centipede. His entrepreneurial life in China involves working for German automobile manufacturer DaimlerChrysler, before making a radical career move through starting up his own Internet business after only three years on the job. Born in 1972 at Arnhem in the Netherlands, Marc left Holland right after graduating with his Masters in Economics in 1995. He headed for Stuttgart, Germany, where he was offered a job as a financial controller for DaimlerChrysler. Over the next four years he worked in Germany and Jakarta, Indonesia before accepting a managerial position with the company in Beijing and spreading his wings to China. Marc became the youngest expat financial manager for DaimlerChrysler when he took over the North-East Asian region of China.

In 2002 Marc decided his days in the automobile industry were over when he realized there were so many more things China had to offer. After completing his three-year contract in Beijing, Marc carefully took the first steps of what would become a very successful Chinese entrepreneurial undertaking. Following his first visit to China in January 1997, Marc said he could live anywhere in the world, except for China. His move to Beijing in late 1999 changed his outlook for Marc has now been living in China for the past eight years and will, most likely, stay for another ten.