

# Setting up a Business in China

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China is captivating the business world. Every day, more companies from all over the world set up businesses in China. Some come with the hope of capitalizing on the country's low-cost labor and edging out the competition in cutthroat markets. Others are attracted by the vast profit potential of selling into China.

Setting up a company in China is a complex task that can be time-consuming and expensive. The initial phase is much easier for companies that research the steps, make good contacts and prepare for setbacks. The following are some of the issues that must be taken into consideration when planning to set up a business in China.

## Calculating costs

When most people think about China, the first adjective that might come to mind is "cheap." However, it can be surprisingly expensive to set up a presence in China, especially for companies that are not flush.

– Manager compensation package: If your company is like many others, you are going to hire an American to manage your interests.

In almost all cases, the compensation package for overseas employees includes a base salary, housing, travel and school allowances, international medical coverage and moving expenses, both at the beginning and the end of the contract.

In addition, salaries are often higher and perks such as a car and driver, a personal assistant, and rest and recreation breaks are used to entice employees.

– Space, furnishings and equipment: The next big startup expense is office or factory space, and equipment and furnishing purchases. Rental fees vary by size, location and amenities available. Equipment can be bought in China or imported from the United States. Importing can be expensive due to taxes.

– Local staff salary and benefits: English-speaking employees command much higher salaries than those who only speak Chinese, and foreign companies have to pay for costly social benefits required by local labor laws. Companies can expect to shell out almost as much money in employee benefits as in salaries.

## Selecting a general manager

The next step is to select a general manager to run your business in China. Even under normal circumstances, finding a perfect fit is difficult. Add to the mix a location thousands of miles away and the hiring process becomes much more complex.

Not only does your company have to find a qualified person for the job, but the person must be emotionally limber and able to handle the day-to-day grind of doing business in the radically different Chinese culture.

## Hiring local staff

In some ways, a bilingual office manager cum administrative assistant is the most important person you will hire. Bilingual employees can help your company achieve complicated tasks such as getting a business license, opening bank accounts and finding office space. A major part of an office manager's job will be to translate for the general manager. It is crucial that he or she is someone who can be trusted. Translators have been known to not pass all information to a general manager if they feel it would disadvantage them.

**Forming partnerships.**

Beware when forming partnerships. Many foreign companies have gone into joint venture arrangements only to find out too late that the partner company has misrepresented itself.

**Find a translator and ally.**

A good translator puts an effort into placing your words in a culturally appropriate context, not just passing along what you say.

**Practice patience.**

The Chinese like to get to know who they are dealing with before jumping into business discussions. Seemingly fruitless meetings are their way of building a relationship and establishing trust with you and your company.

**Remember, negotiations are never over.**

You may fly your president across the ocean, sign the deal, shake hands and think it is all done, only to find out the next day they no longer agree.

By Alex Cheng