

# BUILDING BETTER BUSINESS BRIDGES TO CHINA

By GRACE UENG

*Editor's note: Grace Ueng, CEO of [Savvy Marketing Group](#), advisor to the board of NCCBA, and known in Triangle circles as “Chinese Oprah,” hosted a recent chat with YanChing Zhang, NCCBA co-founder; Paul Chou, entrepreneur and philanthropist, founder of Junior Achievement China; and Michael Jacobs, CEO of Jacobs Capital and Professor of the Practice, UNC Kenan-Flagler on the following topic: "Past, Present, and Future Perspectives on China: Building the Bridge with the U.S. and North Carolina." In a three-part series for WRALTechWire, Ueng interviewed the three executives at length about the challenges and opportunities in doing business in and with China. The presence of Lenovo, which was founded in China, in Morrisville and the growing links between the Triangle and China have been demonstrated recently by Epic Games' sale of 40 percent of the company to Tencent and Smithfield Foods' acquisition by a Chinese firm as well as Duke University's expansion to China.*

**RESEARCH TRIANGLE PARK, N.C.** - The [North Carolina Chinese Business Association](#) (NCCBA) hosted a standing room-only-crowd which was served a pleasing traditional Chinese feast, followed by a luminary panel discussion at the Research Triangle Foundation earlier this month to ring in the Chinese New Year of the Horse.

The Year of the Horse is an auspicious year which Frank Wang, NCCBA Chairman, said would bring “strength, speed, and success.” The large audience who turned out even in a rain drenched evening demonstrated the intense and growing interest in NC-China relations. “Our four distinguished speakers come from different backgrounds and different observation angles,” Wang stated. “Both new and old members of NCCBA learned a great deal from these conversations.”

**Building bridges to China: The Series**  
[From Tiananmen Square to IBM: YanChing Zhang's story.](#)  
[Philanthropist, business exec Paul Chou builds ties to China.](#)  
[Michael Jacobs brings academic, business perspective to China challenge.](#)

About half of the audience hailed from China with the balance being those born in the U.S. who are currently doing business in China or soon hope to be. NC-headquartered corporations with significant operations in China such as Cree and Lenovo were in attendance as well as entrepreneurs and non-profit leaders. Faculty, administration, and students from Duke Fuqua School of Business, Duke Kunshan, UNC Kenan-Flagler, and Wake Forest University School of Business were also represented.



Michael Jacobs, the guest speaker sharing the newest viewpoints on China, traveled to teach in Beijing this past summer. Asked why he chose to invest this time in China, Jacobs shared, “I wanted to teach in China so that I could spend enough time there to obtain a personal understanding of China and its policies and its people without the filter of the media. China has achieved such an important status on the world stage that I felt a better understanding was important to my work in business, academia, and public policy.”

The audience hung on every word of wisdom dispensed by the

dynamic discussion among the guest speakers. And when the end of the evening came, the throngs of the audience staying to catch a few words with YanChing Zhang, an NCCBA co-founder, Paul Chou, an entrepreneur and philanthropist, Jacobs, and myself for nearly two hours was indicative of their strong interest in the NC-China topic.

### **Sharing Good Business Advice**

My first question for the panel was directed to Paul - “What advice would you give to Americans and North Carolinians who wished to do business in China?”

Paul reflected that the question took him back to a 2008 economic forum in Shanghai. At that meeting, Henry Kissinger asserted that the world’s economic future belonged to China and America because Europe still hadn’t determined whether it was a single entity or a loose association of member states and the lack of clarity would hurt the geography’s competitiveness for years to come.

NCCBA member, Rick Waechter, managing director of Old Peak Finance of Chapel Hill, who spent 15 years in Hong Kong as managing director, investment banking, Merrill Lynch Asia Pacific, shared with WRAL that Paul’s first bit of simple and pointed advice to my initial question was his top takeaway. “The intersection of U.S. and China is where there will be huge opportunity for decades to come, as they will be the 2 biggest economies. Stay near that intersection.”



Paul’s second tip - “Learn the culture that you’re not familiar with before going for the first time. If that means eating unfamiliar foods, then eat them.” Thirdly, “Do not think of yourself as representing America or China. Think of yourself as being an individual because in business, a significant success factor is relationship and the relationships you establish as an individual American with individual Chinese and vice versa.” Lastly, and perhaps most importantly, “do not forget the importance that building strong personal and business relationships based on trust and integrity play in having a successful career. This is more than my advice; it’s not optional, it’s mandatory.”

One audience member who asked what Jacobs and Chou immediately said was a “brilliant” question was Katrina Wertz, a Class of 2015 Morehead-Cain Scholar at UNC Chapel Hill majoring in business administration and minoring in Chinese.

I asked Katrina to share with WRALTechWire her “top 10” learnings on what entrepreneurs and businesses need to know to do business in today’s China:

### **"Top 10 Learnings"**

#### **1. Lesson number one - you never know who you may walk in with!**

That evening, I had walked in with Katrina and we quickly learned what we had in common: UNC Kenan-Flagler where I have taught in her field of concentration – Entrepreneurial Studies. And of course, our shared interest in China.

## 2. Government Relations: China vs. U.S.

“In China, it’s pivotal to have strong relationships with the government in order to launch a business. This can ultimately help firms because it creates a high barrier of entry. The challenge for Chinese businessmen and women coming to the U.S. is that this ‘guanxi’ [relationships] barrier of entry does not exist to the same degree. Anyone can create a business and have it catch the fire of consumer popularity.” - YanChing Zhang

## 3. Civilization and Culture

“There is no right or wrong concerning culture. It is a local identity and a local way of behaving and believing. Civilizations, on the other hand, can be measured and compared. Yet there is universal value in both civilization and culture, and we must go and learn from others.” - Paul Chou



Mark Phillips, Vice President with Jacobs Capital of Chapel Hill, shared with WRALTechWire his thoughts on the cultural differences commentary:

*“My No. 1 take-away is that there is a disconnect between perceived cultural reasons why Chinese have difficulty doing business in the U.S. and practical reasons for the difficulty - that they have failed to adopt common U.S. business practices and retain U.S. talent in their U.S. operations. An eye opening phrase I heard, albeit a difficult one for some to admit, was Paul saying blaming ‘cultural differences’ is a cop out.*

*YanChing touched on this as well when she talked about how U.S. companies that want to either sell in China or manufacture in China will need to partner with local companies or individuals to be effective because doing business is so different in China. I think most would find that very intuitive.*

*It appears, however, the same dynamic is true in reverse, but since the U.S. is an “open” or “free” economy, I wonder if the need for local help is perceived to be less important. Since you need government approval to open a factory or sell products in China, U.S. companies are more likely to realize the need for local assistance.*

*But since anyone can open a factory or sell products in the U.S., I wonder if perhaps many Chinese businesses feel they don't need the local help as badly, and they fail to realize that merely having the ability to operate has virtually no impact on success in the U.S. because everyone has it.*

*Despite Michael's comments that the government in China is now promoting more competition, the truth is that Chinese business people have not grown up in a competitive environment. Entering a highly competitive market with little to no experience competing is not a cultural difference, it's a skill set difference that should be recognized."*

#### **4. How Students learn in China vs. the U.S.**

"Students in the US and China are usually stereotyped as deeply different. Yet from classroom experience, both are likely to explore the material with the same eagerness and responsiveness... if you, the teacher, engage them right." - Michael Jacobs



"The Socratic method works." - addendum from Grace Ueng. That is the method Ueng, like Jacobs, a graduate of Harvard Business School where this method, including the cold calling made famous in "The Paper Chase" prevails, both leveraged in their teaching at UNC Kenan-Flagler and in China.

Jacobs' comment struck Tina Tanhehco, a Triangle entrepreneur and graduate of Harvard, London School of Economics, and UNC School of Law, as her key learning point - "Chinese students aren't different per se, but the educators/teaching styles of China are different than the West, and perhaps, the Socratic method and other interactive teaching schools would bring out more participation/different ways of thinking."

#### **5. Identity and Adaptation**

"Stay in the intersection of China and the U.S. Be focused and confident. Know your identity and don't lose it. Also, get to know the other side! Most importantly, be open-minded—If you are offered the eye of a fish to eat, eat the eye of a fish." — Paul Chou

#### **6. Need for Local Chinese Talent**

"If you are local talent going to work in China, it's all about how you leverage yourself." — YanChing Zhang

There has been staggering growth in the number of MBA programs in China because of the growing demand for hiring local Chinese talent. They include joint venture programs like the MIT-Fudan program I taught, American branded programs like Duke Kunshan, as well as home grown Chinese university programs. There are endless opportunities in China to leverage U.S. learnings on business management and Zhang challenged the audience to aggressively seek them out.



## 7. The Importance of Education

“To understand why the Chinese place such a high premium on education and rankings, we must look at a bit of history. Many scholars would sit to take the emperor’s exams, but few could pass the rigorous thresholds. Education became seen as prestigious and elite. Education is the shortest path to success in China.” — Paul Chou



Chou amplified on this saying that for thousands of years, China was ruled by emperors, the last of which was overthrown in 1911. Twenty-five years of rule by warlords followed, and then in 1936, Japan occupied and that was immediately followed by civil war. Chairman Mao ruled from 1949 to 1979, and then in the thirty years from 1979 to 2009, China became the world’s second largest economy.

He asked the audience to think about where China might be in 2039 and the opportunities present for the very people in the room. He said that if you were to ask today’s young Chinese how many of their grandfather’s couldn’t write, a significant number would raise their hands.

There is change in China and the change is rapid. He urged them not to carry the current stereotypes. “You don’t have to believe you must be a graduate of Peking University or Tsinghua or Harvard or MIT, you only have to believe in yourself.”

## 8. Challenges Chinese Companies Face in Gaining Access to the World’s Capital Markets

“Global capital markets function on integrity and transparency. Companies must produce financial statements that are trustworthy.” (At times, the SEC has not allowed Chinese companies to raise capital because of this very matter). - Michael Jacobs

Jacobs cited two recent events as particularly troubling. The first was China’s refusal to permit partial American ownership of Chinese public accounting firms. The second was the refusal of Chinese accounting firms to respond to SEC requests for information on certain financial statements. How these issues are resolved by the Chinese going forward is incredibly important to accessing the U.S. capital markets.



Glenn C. Andrews, President, of Cardinal Capital Management in Raleigh, shared with WRALTechWire, *“One of the more interesting portions of the evening for me was delivered by panelist Professor Michael Jacobs as he discussed the difficulties China is having meeting U.S. standards of company disclosure and transparency.*

*His point was that in order to raise capital in the U.S. there would be a need to meet U.S. standards of disclosure and transparency. My firm invests directly in non-U.S. securities including developed and emerging markets. We have circumvented the issue Jacobs cited by investing in companies that are suppliers to the lucrative Chinese economy, but are domiciled in countries with disclosure practices and requirements meeting U.S. standards. Australia, which provides a great deal of raw materials as well as finished and semi-finished goods to the Chinese economy, is a good example.*

*Professor Jacobs’ point is that this will ultimately (and hopefully sooner rather than later) have to be addressed in order for Chinese domiciled companies to have full and direct access to the large US capital markets. This makes me hopeful that we will be able to possibly invest directly in China someday.”*

### **9. Aspirations of the Middle Class in China**

“I think members of the Chinese middle-class aspire to simply see a stronger China because its history has been marred by many humiliations. Arguably more important to the middle class, however, is the dream to see themselves and their children have a better life. I think this extends even to the point of being indifferent to politics or who’s in power.” —YanChing Zhang

### **10. Hiring in China**

My question to the panel, answered by Paul and commended by Michael: “When founding a multinational company and seeking to hire foreign local talent to join and lead in your team, how do you simultaneously relinquish some control while ensuring that your vision is not represented and your leadership is not lost?” Paul Chou’s answer: “Spend time with them. Trust, but verify.”



Jerry Casler, NCCBA member, retired Quintiles executive and frequent traveler to China for over 30 years was effusive in his praise for the panel's comments and expanded on two of them.

*"I thought that the panelists' comments on communism, capitalism, and the future of the government were compelling.*

*Michael and Paul's remarks that the accepted belief at the highest levels of the Chinese government that a*

*free market economy was the engine of past and future economic growth were completely new to me. And Yanching's comments that the government's awareness that continued growth rooted in a free market as imperative to its remaining in authority closed the causality loop. Michael Jacobs' closing point that watching it all unfold over the next 20 years would be fascinating was right on the mark.*

*More than anything, however, Paul Chou's comments regarding the importance of Chinese and Americans giving back to the community shone the brightest. And his philanthropic track record starting Junior Achievement China and his own family foundation are a clear demonstration that his actions do indeed speak more loudly than his words."*

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