

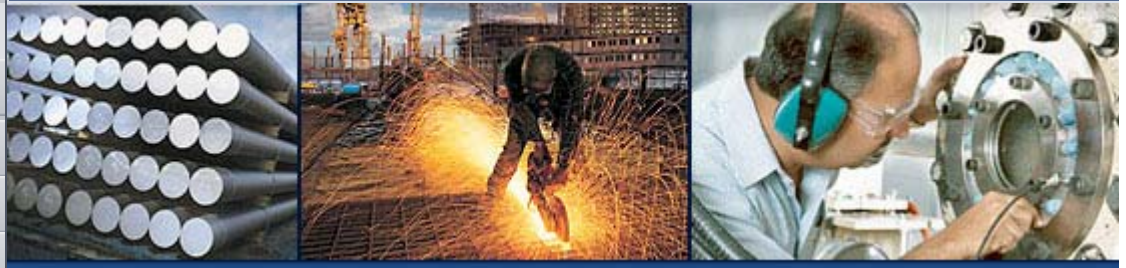
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Getting Into the China Game

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It's hardly a revelation that China has become a major player in global trade, but a lesser-known aspect of this development is that foreign firms no longer look at the country of 1.3 billion people solely as a source of cheap labor. It's increasingly possible to set up shop and sell to internal as well as external markets. But before taking this East Asian leap, "Companies should do their homework," according to Tara Morris, former lean coordinator for Univertical International's China division and a lean consultant with Georgia Tech's Industry Services.

Speaking in December at a Georgia Tech workshop for economic developers called "Emerging Trends and Business Location Analysis in 2006," Morris made several observations about doing business in China as she recounted her two years in the Suzhou New District, a premier development zone near Shanghai. The zone, which 15 years ago was farmland, recruits businesses worldwide. Indiana-based Univertical, she said, opened its facility in 2003, the rationale being growth rather than low labor costs.

Much is modern in commercial/industrial districts such as Suzhou, and people are generally accommodating and welcoming. But, said Morris, there are differences from western traditions, situations and approaches. For example:

- Chinese workers learn by the book, and although their work ethic is excellent, they don't troubleshoot or brainstorm; creativity and innovation are not emphasized in their educational/training systems.
- Also, supportive infrastructure such as roads and rails exist, but it can be tough to find a capable machine shop or metal fabrication firm, she noted. And customer expectations aren't always met; for instance, a customized conveyor that would have taken a U.S. company a week or two to build to spec took more than a month in China, and it fell apart.

India Insights

Like China, India has cultural, educational, and business differences that can affect U.S. companies operating there, as Matt Haynes with Georgia Tech's Strategic Business Services discovered when he managed an Indian offshore outsourcing firm. For example:

- Managing communications and expectations between teams was a constant challenge requiring time and patience on both sides. One reason: students/workers are taught not to ask questions, so work sent to India often came back incorrect or incomplete.
- Technical projects typically were easier to complete than were those creative or subjective in nature.
- Retaining good, talented employees grew more difficult each year.
- "Good enough" by India standards often proved not so by U.S. standards, which was mostly a training issue. Quality had to be managed closely, and it varied by project type.
- Projects with tight deadlines were better kept at home because documentation of those efforts consumed valuable time.
- Indians have a more lax attitude toward labor than do "workaholic" Americans, and it was not uncommon to hire two people for the same position to have a back-up available.

- Problems continue over patents and intellectual property issues.
- And companies can face difficulties in staffing--turnover is high because numerous new jobs constantly crop up, not only in China but in nearby Southeast Asia, too; and wages are higher now.

Still, "opportunities exist now for American firms in providing resources to the market, doing technical and human resource training, and entering service industries," according to Morris. She adds that "commercial/industrial zones will arrange things for interested foreign businesses, and the government works with such firms to obtain financing through local banks." Also, many people in middle and upper management positions speak at least some English.

From her experience, top things to consider include:

- Learn China's history, especially the last 100 years, to gain a respect for the culture and the people.
- Link up with a partner who knows Chinese culture, government, and business environment, as well as laws and customs; it's important to build relationships.
- Travel personally to China and the targeted zone, check the site plus its access and infrastructure, and do the crucial market research.

With positive experience under her belt, Morris intends to return to China in early 2007 to conduct market analysis for another company. And this time she won't expect the old, the cheap, the cramped and the foreign; instead, she knows she'll find glass and steel, Pepsi and pizza, quality goods and comfortable quarters and everything moving very fast as China ramps up for the 2008 Olympics.



(For more information on the Suzhou New District, visit www.snd.gov.cn and www.sipac.gov.cn.)

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