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Fast Guide to deploying in China: How to select a local intermediary

By The Associated Press

(Electronic Business) _ Other articles in this series: *Fast Guide to China: Four key questions to ask before taking the plunge* <http://www.edn.com/article/CA6420138.html?partner=eb> *Fast Guide to China: Five rules to live by when doing business in China* <http://www.edn.com/article/CA6420151.html?partner=eb>

Electronics companies deploying in China for the first time face daunting challenges, such as setting up supply chains, contracting for facilities, and appeasing government bureaucracies. Navigating the potential shoals generally requires hiring what used to be called a "compradore," a local intermediary who can represent your company's interests as you begin your deployment.

Selecting an effective intermediary can be perilous, though. How can you be certain that you'll hire a person who can accurately and actively promote your interests? Here's a five-step process to help you make the best decision.

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Step 1: Create a profile of the perfect candidate. An intermediary must become a bridge between your organization and the organization in China with which you hope to do business. Therefore, you'll definitely need somebody who's fluent in both English and the Chinese dialect that's spoken in the region where you intend to deploy.

International experience is also a must. "The ideal candidate would have at least 10 years working outside of China, either in your industry or in the industry of your target customer," says Tim Wang, regional president of Novellus China, a wholly owned subsidiary of Novellus <http://www.novellus.com/default.aspx>, a maker of semiconductor manufacturing equipment.

It's also important that your intermediary conform to the Chinese image of a successful executive, according to Guo Hai, a Hainan-based businessman who has extensive experience working in high-tech firms. Hiring practices in China are considered highly sexist in the U.S., since in China the "ideal candidate is middle-aged, male, and married," Hai says. Although such candidates obviously don't have a monopoly on talent, Hai maintains that Chinese business culture tends to be automatically skeptical of any company that isn't represented by somebody who has the "look and feel" of a successful businessman.

Step 2: Ask trusted sources for recommendations. Once you've defined your ideal candidate, work through a trusted organization to get a recommendation, rather than run advertisements in the local newspaper (as you might in the United States). "In the United States, the U.S.-China Business Council or a local group such as the Maryland-China Business Council, that has data on individuals suited to the right kind of industry sector might be a good start," says Ben Goodger, a [director](http://www.iprights.com/) at Rouse & Co. International <http://www.iprights.com/>, a company that consults on international intellectual property rights.

If your company already has customers in China, they can also provide recommendations, says Jim Holden, CEO of Holden International <http://www.holdenintl.com/>, a training firm that helps companies develop overseas markets. "Assuming that you have a preexisting solid business relationship, they may know somebody with the right fit," he says. Another source of likely candidates is the alumni organizations of Chinese universities, according to Usha Haley http://en.wikipedia.org/wiki/Usha_Haley, author of the best-selling book *The Chinese Tao of Business* <http://www.amazon.com/Chinese-Tao-Business-Successful->

Strategy/dp/0470820594/sr=8-5/qid=1171905408/ref=sr_1_5/103-9487161-5057420?ie=UTF8&s=books. "Changhua University, for example, has an excellent MBA program that emphasizes the skills needed to bridge the two business cultures," she says.

Step 3: Approach the interview process with humility. Interviewing for an intermediary in China is not the same as interviewing a potential underling in the United States. The intermediary is going to represent your company and will therefore want to ensure that it is worth representing.

"The minute a Chinese businessperson sits down in a business meeting, a process of evaluation is taking place to determine whether that acquaintance is worthwhile and respectable," explains Hai. In other words, the emphasis during the interview should be on the potential forging of a long-term relationship not a test of the candidates' ability to present themselves.

Make no mistake about it: If the candidate is worth his salt, you and your firm are also under examination during the interview.

"Americans see themselves as fundamentally honest, blunt, and individualistic, but the rest of the world tends to see us as cowboys who shoot first and think later and never admit we're wrong," Holden points out.

Candidates will be wary of that kind of attitude, which is exactly the wrong attitude for any company that wants to be successful in China, according to Frank Liang, sales director in Asia for Centillum Communications <http://www.centillum.com/>, a provider of mixed-signal integrated circuits and related hardware. "Business relationships in China are made slowly and cautiously, because once forged, they are difficult to break," he says.

Step 4: Make the final decision based on the candidate's guanxi. Assuming that you have multiple candidates who fulfill your basic requirements, hire the person who has the most extensive "guanxi" network in the region where you want to deploy.

Usually translated as "connections," *guanxi* refers to a set of mutual obligations between individuals, irrespective of their position in society or inside an organization. Once a *guanxi* relationship is established, either party may make demands on the other without warning and without prior discussion. "This is of obvious utility in the type of business negotiations that take place when a company is just beginning to get a foothold in a region," Hai says.

To assess *guanxi*, probe deeply into the candidate's background, business connections, and family background. For example, if during the interview, the name of a certain government official comes up, ask, "Would that official do you a personal favor if you asked?" or "What personal obligations do you share with that official?" As the discussion proceeds, listen for key phrases that indicate a relationship that goes beyond a mere business contact. For example, "He's an old friend" or "My family has done business with that family for many years."

Step 5: Monitor the relationship closely. If your deployment in China is successful, your company may move into a joint venture arrangement or launch a wholly owned subsidiary. In such a case, the expansion of your business will give you multiple sources of information and influence in the region, which may render your relationship with an intermediary obsolete. Best-case, the intermediary can assume expanded responsibilities as the organization continues to grow.

"The Chinese, especially the younger generation, respond to training and education and can become very driven and motivated employees who easily adopt the values and views of their employers," says Diana Matthias, a Shanghai-based senior consultant for Rouse.

However, problems can occur if the intermediary can no longer add value to the relationship but continues in your employ. "I've seen situations in which intermediaries have been operating their own company in direct competition with their employers, using the same contact list, customer list, and intellectual property" says Wang.

The best way to prevent this kind of situation is to provide an upward path for the intermediary inside your firm. Meanwhile, if you have any suspicions whatsoever that something might be amiss, you'd be well advised to constantly monitor your relationship with your intermediary. For example, you should set up controls that enable you to track all transactions and make frequent unannounced visits.

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