



**BROWSING**  
**Kishore Biyani**  
 MD, Pantaloon

I am reading **RE-IMAGINE! Business Excellence In A Disruptive Age** by Tom Peters. He is a management writer whose work I find particularly insightful. The book is written in a very unusual style. It imaginatively captures the changes taking place in society and at the workplace, and how businesses should respond to these. I would certainly recommend it to everyone who is interested in how things are changing in the world around us, which we may sometimes overlook, or may not appreciate the significance of.

I read a fair bit, usually management and self-help books. Most of my reading happens on weekends, or in the car commuting to work. ■

**ALERT**

**A Matter Of Taste**  
 Edited by Nilanjana S. Roy  
 (Penguin)



**THIS** is as varied a buffet as you can hope for. Nilanjana Roy has foraged far and wide to put together a literary feast. The food is just incidental though, the faintest seasoning in a

platter of eclectic writing. You have excerpts from Mahasweta Devi's *Bitter Soil*, P. Sainath's *Everybody Loves A Good Drought* and R.K. Narayan's *The Guide* which are a Barmecide's feast as far as food is concerned. But that's the exotic stuff; the plain fare comes from those who write regularly on food or dining out. ■

# The Tao of

RAVI S. JISHNU

**W**HEN communist China opened up its economy in the late 1980s, the rest of the world began to drool. To western businesses, it was a market of over a billion consumers, which translated into volumes that could not be achieved elsewhere in the world.

However, companies across the globe have discovered that it is not a simple equation of a good business strategy coupled with huge equalling profits. Setting up and operating a business in China, nearly a decade and a half after its opening up, can still be a nightmare given the lack of information on the country's business environment.

For a first-timer in the Middle Kingdom, the *The Chinese Tao of Business* is invaluable. It offers excellent insights on the moral, legal and social philosophy of the Chinese. The book discusses the effects of the teachings of Lao Tzu and Confucius on the Chinese way of thinking, and from that, explains how the Chinese business drivers differ from western free markets. It also emphasises the importance of the Chinese network system in which business transactions emerge from personal agreements and not contracts as in the rule-based systems of the West.

After three visits to South China and a fairly successful business developed there, I can vouch for the importance of the network; selecting the right partner was a critical element in our strategy to crack a relatively unknown market. The person we decided to partner with was from an old Chinese family with the right connections in the industry and in the administration. His knowledge of the system, coupled

with a western education and a stint with an MNC, made him an ideal choice. He understood the needs of foreign businesses.

*Guarxi*, or establishing relationships and connections in China, can make or break your business. Traditional Chinese family networks are based on clan, dialect or location, while the government network depends on membership of the Communist Party (CCP) and the post that the member occupies. Business networks can draw on either of these. It is necessary to know your partner's effectiveness within the network and across networks to support your projects.

It's no surprise, therefore, that MNCs, successful elsewhere in the world, were unable to use their highly successful business models in China. Their initial inability to comprehend the importance of *Guarxi* and *Li* (respect for age, hierarchy and authority) have forced them to rethink their strategies and, in some cases, to alter their business models.

In China, Amway sells its products through a retail network, unlike in the rest of the world where it uses network marketing. Yahoo! also has voluntarily agreed to sign a pledge to stay clear of subjects taboo to the Chinese authorities in its attempt to cultivate *Guarxi* with the government.

As anyone who has had business dealings with this behemoth knows, it is extremely difficult to get accurate and authentic information about Chinese markets and their potential. This is a landmine, which



**THE CHINESE TAO OF BUSINESS**  
 The Logic Of Successful Business Strategy  
 By George T. Haley, Usha C.V. Haley & Chin Tiong Tan  
 John Wiley & Sons  
 Pages: 326; price: \$19.95

# Success

**GEORGE T. HALEY** is professor of marketing and international business at the University of New Haven in the US. He is consultant for corporate executives and policy-makers. His expertise is in Asian and other emerging economies



**UMA C.V. HALEY**, consultant on strategic management and FDI with global corporations, is professor of management at the University of New Haven. She has written six books on Asian business and is widely quoted in business media

**CHIN THONG TAN** is a management consultant who has worked with companies like Standard Chartered Bank and Motorola. He is on the board of several Singapore firms and is also the provost of Singapore Management University



even the best of companies can find difficult to negotiate. The authors warn that most statistics, especially government information, is often unreliable. They take two examples to highlight the dangers of wrong projections.

Foster's, the world's fourth largest brewer, invested \$150 million in China, based on statistics which showed China to be the world's second largest beer market with an annual growth of 20 per cent over the last decade. Later, Foster's learned to their dismay that most of China's beer consumption was of low-cost alcohol; the premium segment which Foster's was banking upon was less than a tenth of the total!

The company could not persuade Chinese consumers to pay five times more for their brands. After losing over \$50 million in three years, Foster's wrote off the entire investment and exited China.

Similarly, the Japanese supermarket giant Yaohan decided to open 1,000 supermarkets in China based on overly optimistic projections. A year later, they filed for court protection. This book gives pointers on how to go about evolving your own methods of collect-

ing and validating information, so you can make the right choices.

The difficulty in taking legal recourse in China should no longer come as a surprise to investors. It is well known that there is no code-based legal system and courts follow the government's directive — forcing many companies to seek mediation and out-of-court settlements.

There is the case of Pepsi, which was forced to go for international arbitration in Stockholm when its Sichuan joint venture with a government-nominated partner ran into trouble. There is

an interesting footnote to this case: favourable judgements are not given priority for enforcement, and can, instead, result in subtle pressure tactics. Pepsi started receiving regular visits from the State Administration of Taxation, Customs and others after the case was filed.

Ultimately, the Tao of success in China, it appears, is the right choice of partners. To quote the authors: "In Chinese societies generally, it is individuals, not organisations or companies, who own the franchises of trust and uprightness." These are not concepts that are alien to the Indian businessman. China offers many parallels to doing business in the Indian subcontinent. Here, too, success depends on one's ability to network and influence decision-makers, as some big names in Indian industry have shown.

While the book provides valuable insights of Chinese business practices and China's environment, it seems that the authors are labouring on the point of networking too much. ■

*Ravi S. Jishnu is with ACG, which has business interests in China*

## SELECTION

### Taken for a Wall Street ride

**T**HE machinations of Wall Street's best known investment firms no longer shock. There have been enough investigative reports in the popular media, not to mention the many titles that have exposed the greed and grubby morals of the firms and their high-profile analysts. Yet, **BLOOD ON THE STREET** by Charles Gasparino (Free Press) is not really what its subtitle claims: 'The Sensational Inside Story of How Wall Street Analysts Duped a Generation of Investors.'

Readers of *The Wall Street Journal* are already familiar with reports by Gasparino, who broke the scandal about the shady practices of research analysts who

issued highly inflated stock ratings of companies in return for kicking back business to them. The book zooms in on three key players, all outside personalities who dominated the investment of the

1990s: Salomon Smith Barney's Jack Grubman, one of the highest-paid men on Wall Street; Merrill Lynch's Henry Blodgett, who was the oracle of the research pyramid; and Morgan Stanley's Mary Meeker, the Queen of the Internet, who foresaw the market catastrophe but failed to pick the crazy bubble.

Also indicted are other figures like Citigroup CEO Sanford Weill and former SEC chairman Arthur Levitt, who allowed deceptive practices to fester and grow. An example: Grubman upped his rating of AT&T in order to help his firm, Salomon, land part of a huge stock deal with AT&T.

Gasparino's stories spurred New York State attorney general Eliot Spitzer to launch an official probe. The book gives more revelations, including previously unpublished depositions and e-mail exchanges. It is also the first major account of Spitzer's rise to prominence.

The best thing about the book is its easy style which imparts a fresh appeal to a known tale. ■

