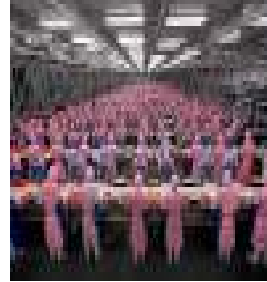


Today's China and the Business Landscape

- Perspective from the Inside Out
- Understanding Today's China
- Business Practices in China



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ASQ Golden Gate Section
Berkeley, California
September 25, 2008

Understanding Today's China

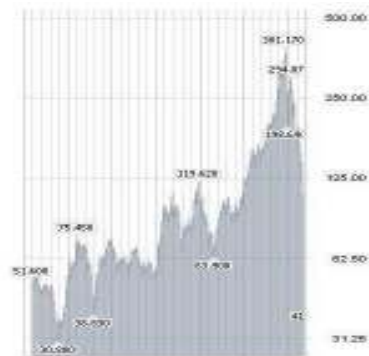
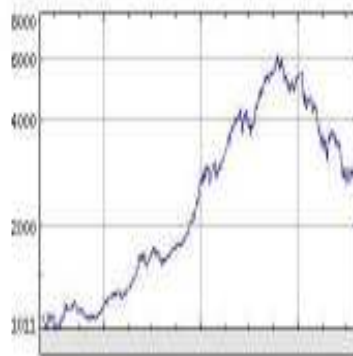
- Would you jump?
- Imagine the US in 1928
- Culture versus Human Nature
- The Pendulum Swings



Understanding Today's China

If everyone is jumping off a bridge, would you do it?

Understanding Today's China



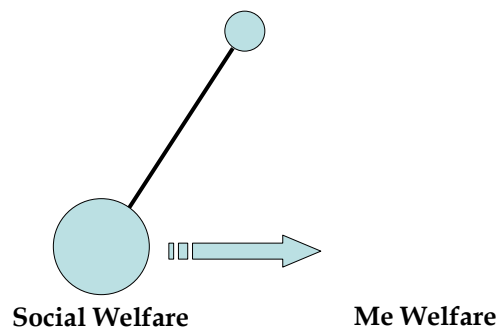
Which of these is the Shanghai stock exchange?

Understanding Today's China

What is cultural and what is
human nature?

Understanding Today's China

Pendulum Swings



Understanding Today's China

Balancing the "Cow" and Humility

- Being the "cow" means to you are in a position of power
 - Have strong family ties and history of family power
 - Have strong educational background in an elite University
 - Have strong experience and high position of authority
- "Cow's" know they are "cow" and show it
- "Cow's" run in small herds



Business Practices in China

- Everyone is an Entrepreneur
- Developed versus Developing
- Power and Benefit in Negotiations
- Buyer versus Supplier Market
- Market Share is the Goal
- East Compared to West China



Business Practices in China

Everyone is an Entrepreneur

"In China today, Bill Gates is Britney Spears. In America today, Britney Spears is Britney Spears -- and that is our problem." - Thomas L. Friedman, *The World is Flat: A Brief History of the Twenty-first Century*

Business Practices in China

Developed versus Developing

How much time and care will you spend with me as a customer?

This presentation isn't very professional. It looks like you spent no time and didn't consider your audience!

Business Practices in China

Service Developed versus Developing

PERCEPTION

MINDSET

Developing

Are you a design company?
What do you know about China?

This presentation looks like you spent a lot of time on the design!

Developed

Business Practices in China

Social Hierarchy and Service Dynamics

You should be happy I am a customer and provide the highest level of service to exceed my expectations. Without customers you cease to exist.

Business Practices in China

Social Hierarchy and Service Dynamics

You should be happy I provide this service.
Without me you wouldn't have this luxury.
You are fortunate to have someone that is
willing to help you in this way.

Business Practices in China

Power and Benefits in Negotiations

- Understanding power dynamics is critical
- Give and take are important to reaching an amicable conclusion
- Always know what your bring to the table

- Who has the power in the negotiation and why?
- How can power be utilized to turn the negotiations in your favor?

Business Practices in China

Buyer versus Supplier Market

Low supplier price knowledge
High production capacity
Limited customer demand

Low buyer price knowledge
Low production capacity
Higher customer demand

Business Practices in China

Market Share is the Goal

" Despite evidence from diverse laboratory and field studies demonstrating that competitor-oriented objectives harm performance, the myth of market share lives on among business leaders who prefer to follow their gut instincts. We expect economic losses to continue at least until textbooks, business school courses, decision aids, and investors' decisions reflect the evidence that pursuing profit, rather than defeating competitors, is the proper objective of businesses." – J. Scott Armstrong and Kesten C. Green, *Competitor-oriented Objectives: The Myth of Market Share*

Business Practices in China

East Compared to West China



Business Practices in China

East Compared to West China



Source: J.J. analysis based on multiple sources

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