

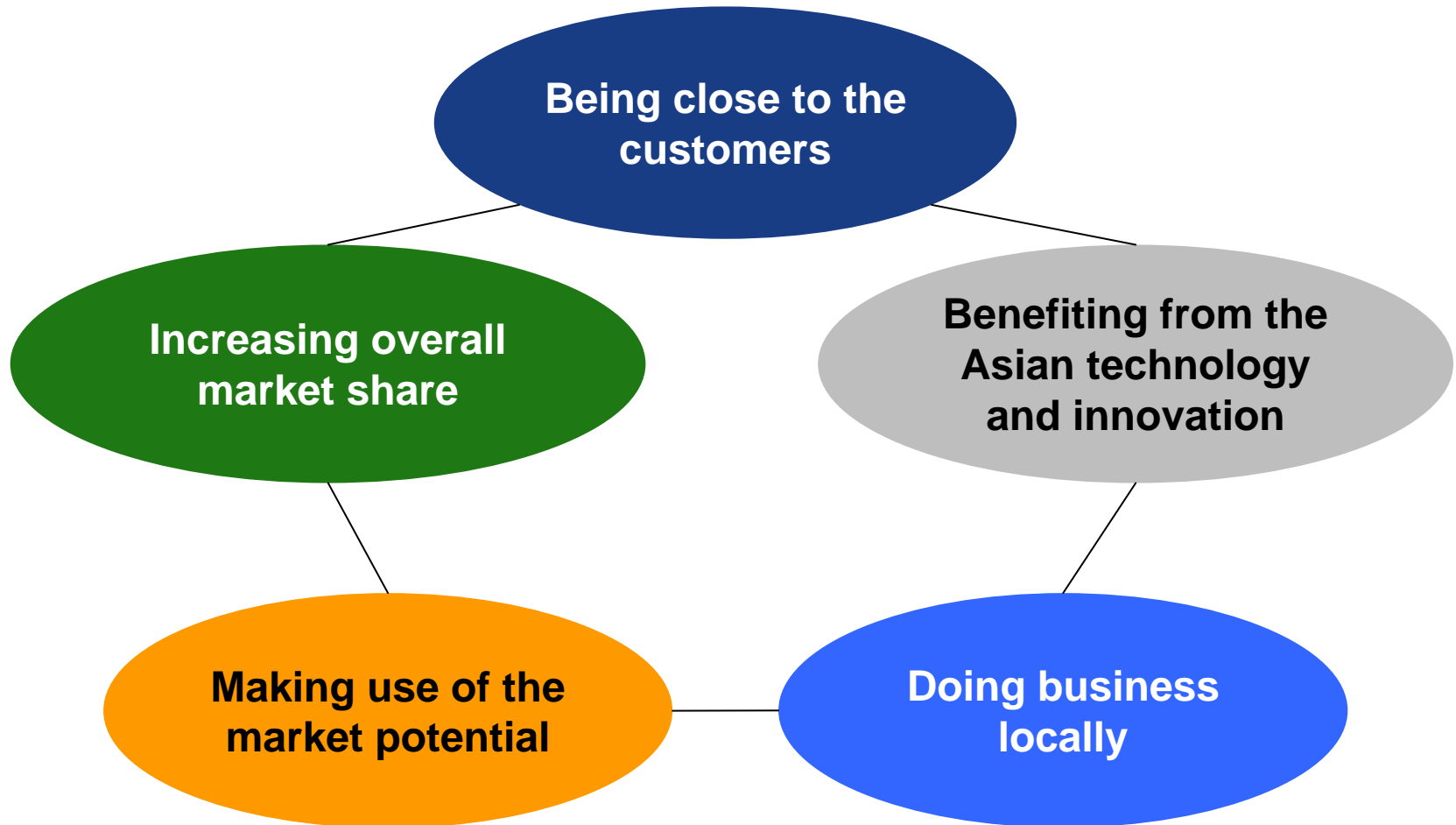
Opportunities for successful business in Asia



Agenda

- 1 Why to do business in Asia
- 2 Partnership models & procedures
- 3 Business negotiations

1 Why to do business in Asia

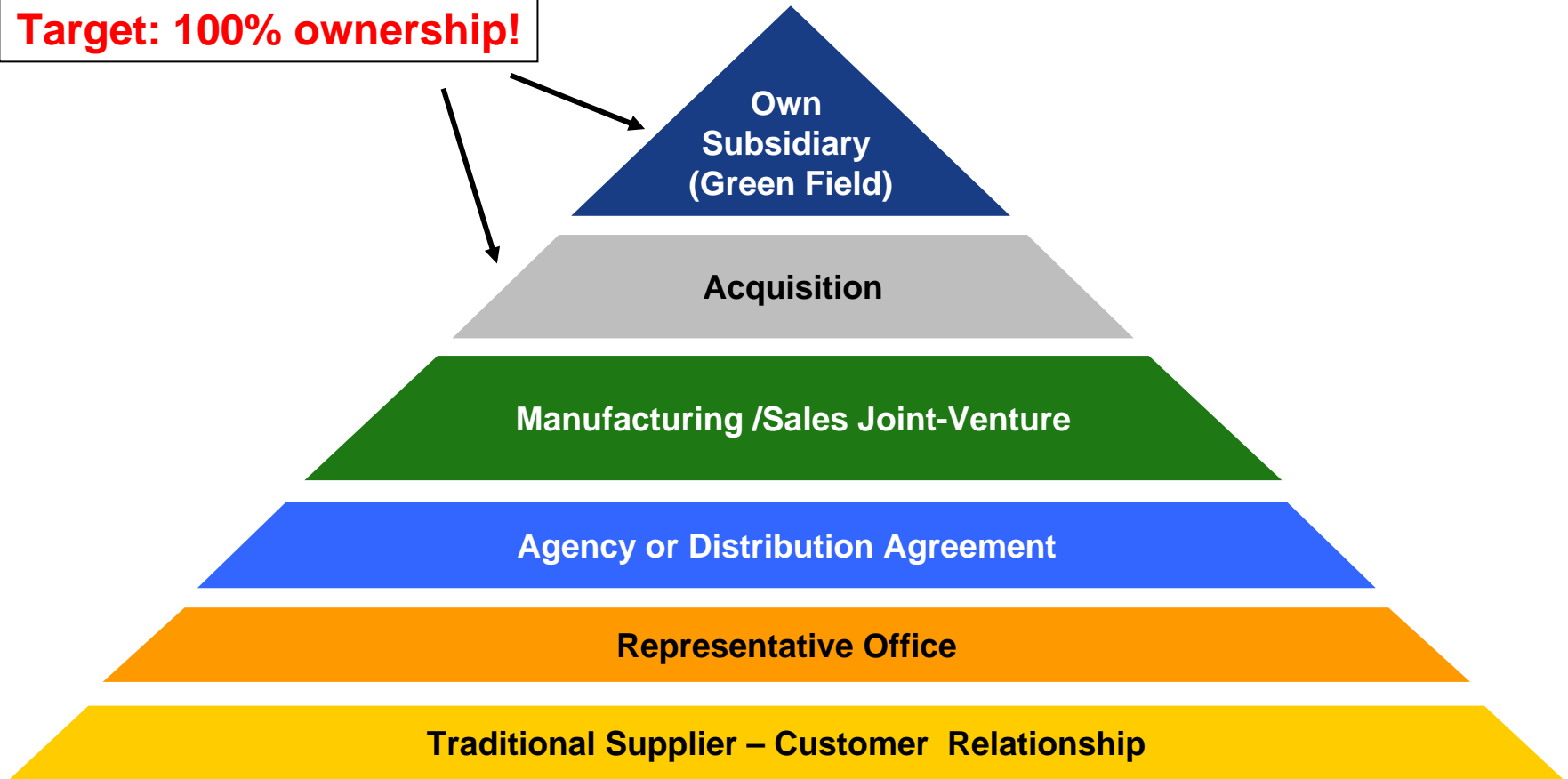


2 Partnership models & procedures

- Partnership models
- Procedures (4 phases)
- Joint-ventures and acquisitions
- Handling of surprises and problems
- Conclusion

Partnership models

Target: 100% ownership!



Procedures – Concept phase

- Define the targets based on the company's strategy
- Budgeting the requirements (personnel & financial)
- Elaborate time schedule
- Elaborate various business scenarios including topics like:
 - Markets & countries
 - Customers
 - Employees
 - Competition

Procedures – Information phase

- **Collecting the necessary information**
 - Internally
 - Own company network
 - Own databases
 - Own knowledge and experiences
 - Externally
 - Embassies and trade commissions
 - Experienced consultants
 - M&A specialists
 - Experience exchange
 - Publications and internet
 - Related companies and contacts

Procedures – Evaluation phase

- **Search and evaluation of possible partners**
 - Initial selection & contacting the parties
 - Visit the possible partners
 - Definition mutual expectations & requirements
 - Establish a partner qualification
 - Elaboration of strategic fit
 - Valuation of potential opportunities & scenarios
 - Information & agreement on further proceedings:
 - next steps
 - timing

Procedures – Realization phase

▪ **Decision and realization**

- Final negotiation of agreements
- Conduct risk assessment
- Establish business plan including all start-up and integration costs
- Define start-up proceedings:
 - team inclusive coach
 - scope of work & targets
 - timing inclusive milestones
 - task & responsibilities
- Final settlement
- Implement continuous reviews and corrective actions
- Develop partnership

Joint-ventures and acquisitions

Due Diligence (J-V background check)

Contract negotiations & agreement

**Establish business plan including planning
of integration costs**

Elaboration of start-up- and integration plan

Final settlement

Surprises

- Drifting away from business plan
 - higher costs
 - lower sales
 - lower productivity rate
 - losing market share
- High staff fluctuation
- Decreasing customer satisfaction
- Confusion
- Demotivation
- Frustration

What may have happened

- Messages, targets, strategy, etc. not clear and/or not understood
- Market approach not well structured
- Inappropriate leadership
- Inappropriate communication
- Underestimation of overall situation
- Neglected people involvement
- Missing feeling for cultures, traditions and mentalities
- Neglected company / country cultures
- Too busy with internal issues
- Inadequate incentive system

Avoid potential problems

- Appoint a natural leader & coaching on all different levels
- Put great importance on culture, tradition and mentalities
→ Invest in your future
- Have a clear strategy, market approach & business plan
- Focus on daily business
- Communicate extensively → motivation!!!
- Measure progress and review actions regularly → Adapt to situation
- Define carefully the level of integration
- Appropriate and well understood bonus and incentive scheme
- Customer relations and service are extremely important

Conclusion

- Defined vision, strategy and business plan
- Integration plan incl. milestones → no “Salami tactics”
- Study and manage cultures carefully (company and local)
- Choose the best suitable people
- Defined responsibilities and leadership
- Arrange coaching (top management task)
- Communication plan
- Defined and adequate packages (salaries, incentives, etc.)
- Work with scenarios
- Provide adequate infrastructure and support at home!

3 Negotiations

- The Chinese negotiation
- Business negotiations
- Final remarks

The Chinese Negotiation

- The Chinese negotiating style could best be described as follows:

“

Never throw the fish into a pot of hot water. The fish will jump out and cannot be cooked. Instead, put it into cool water, so he is comfortable and won't suspect what you have in mind.

Very slowly, turn up the heat just a little at the time, so the fish doesn't notice it's getting hotter. Keep the fish relaxed and happy before he knows, he is cooked

”

Business negotiations

- Appointments need to be arranged well in advance. No meetings during Chinese New Year period
- Always send a list of the attending persons and their titles well in advance
- Wait to be told where to sit. The strict hierarchy must be followed. Business is more formal than in western countries
- The group (company or department) is viewed more important than the individual
- There is always a period of small talk before getting down to business discussions
- Business negotiations happen at slow pace
- Asians are non-confrontational. They will not openly say “no”, their “yes” also does not always signify agreement

Business negotiations (2)

- They tend to give a respectful pause of up to 15 seconds before answering a question
- Be prepared with a mental list of concessions you are willing to make
- Asians are tough negotiators especially on prices and deadlines
- Decisions are consensus driven
- Avoid losing your temper or you will lose your face and damage your relationship
- If you sign a contract with ethnic Chinese, the signing date may be determined by an astrologer or geomancer (Feng Shui Man)

Business negotiations (3)

- Always be calm, courteous and constructive and do not abandon tried and tested negotiating techniques
- Reinforce warmth and trust by emphasizing areas of agreement rather than differences
- Nothing is agreed till everything is agreed
- Backtracking on a point that has already been agreed gives off the impression you like to fool your partner
- It is not recommended to delegate the highest ranking officers for the first meetings
 - Keep him for final negotiations

Business negotiations (4)

- Asians are very skilled to operate in teams, but speak with one voice. Important that you are seen likewise as they find it difficult to deal with teams appearing being a random collection of individuals
- Assign roles and brief the team carefully
- Memorize all necessary facts about your partner's company, their negotiators and the deal that is on the table
- Talk through your strategy and role-play as a team. Define how you will put the key proposals

Business negotiations (5)

- Beware of making concessions too early
- Discuss concessions in private to maintain face and harmony within the group
- Find out where the true decision making power lies
- Asian negotiators are very good in detecting weaknesses
- Contracts are not always seen as the final word for things that can always be renegotiated among friends

Final remarks

- Don't forget all business is local and different from home
- Listen to others
- Your people make the difference
- Leadership and entrepreneurship
- Acquisitions and integration are long term investments and not costs
- Top priority are the customers (Service!)
- What may be good at home may not be good abroad
- In Asia the developments are at very fast pace

Thank you

- Martin Silberstein
Fasico Pte. Ltd.
- Tel.: +65 9617 3447
Fax: +65 6469 9031
E-mail: info@fasico.com
Website: www.fasico.com

