



China



&

Japan



Two very different propositions

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China and Japan

- The wave of industrialisation in APAC
 - Japan first in 50's & 60's
 - Korea in 60's & 70's
 - Taiwan in 70's & 80's
 - China started in 80's

- *But China is not like Japan 40 years ago.*

- *I am not considering Taiwan or Hong Kong as part of China (for today).*

Economy



- Capitalist
- Western ownership structures and organisation
- Many large international corporations
- More egalitarian society
- World class innovation already present
- IP rights respected
- Little corruption
- Fundamentally honest



- Managed Communism
- Some organisations are like the West, but many SOE's are not
- Few international corporations
- Affluent middle class emerging in E. Seaboard, but very poor in Western provinces
- Trying to become more innovative
- History of IPR infringement, but new laws are helping
- Corruption and bribery
- Tax avoidance....

Business Environment



- High wage economy
- High quality and productivity
- Formal and process driven (like Germany)
- Good social infrastructure and transparent legal system



- Still cheap low skilled labour
 - right through the economy so infrastructure is cheap
 - labour shortages appearing but 1m science graduates pA
- Productivity unmatched in Europe?
 - Quality OK now
- Lack of process in smaller companies
- Legal system is not really independent of government and not transparent to foreigners

Communications



- English less widely spoken – perhaps because of older technical staff



- English (American!) widely spoken by younger technical staff

Relationships



- Flatter society, more western
- Male dominated business culture
- Relationships important
- Still best handled by local staff
- Karaoke and golf



- Despite communism, very hierarchical
- Women in high places
- Guanxi – long term relationships and introductions
- Local offices with local speakers
- Dining

Local Offices – my experience



- We started with ELA then recruited a local country manager with Western experience
- Relatively few outsiders speak Japanese.
- Hard to find westernised Japanese people.



- We started with an agent then recruited a local office manager.
- Can use SG, HKG, TW nationals since language similar, but there can be some mistrust.
- Western values with Chinese names - returnees can be very useful

Both cultures work long hours

Products



- Will buy consultancy at western rates
- Will buy services
- Smaller internal market with unique characteristics
- Local brands are world class



- Fee rates are hard to swallow.
- Prefer to buy goods rather than services
- Huge internal market with unique characteristics
- Local brands almost unknown on world stage
- Western brands attract a price premium among the newly affluent

Negotiations



- Methodical negotiators
 - The price list is a price list
 - NRE vs Royalty deals
 - Small financial concessions can ease agreement
 - Symbolism more important than money sometimes
 - Higher margin deals possible
 - Payment not a problem
 - IP protection to Western standards



- Trader mentality
 - The price list is an opening position
 - Royalty vs NRE deals
 - Not afraid of asking for big reductions
 - Money is everything
 - Generally lower margin deals
 - Make sure you get paid (in \$)
 - Protect IP by withholding it

Summary

- More differences than similarities
- Don't be put off, just recognise these factors and adjust
- We can't afford to ignore either country
- Ask for help, especially from people/organisations embedded in the culture (either abroad or in UK)