

# Doing Business in China

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**SUBJECT(S):** Entrepreneurship

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

Students will begin this lesson with an introduction to China and the Chinese economy. Then, they will read the Knowledge@Wharton article: “An American Entrepreneur in Shanghai,” and use the information to create brochures that present the opportunities, challenges and recommendations for doing business in China. Students will then use these brochures to provide consultancy to a firm that is trying to enter the Chinese market.

## ≡ NBEA STANDARD(S):

- Entrepreneurship, VII. Global Markets

## ≡ RELATED ARTICLES:

- [“Inside the Economic Warfare Involving Tariffs and Trade”](#)
- [“How the Trade War with China Is Hurting U.S. Farmers”](#)
- [“Educator Toolkit: Tariffs and Trade”](#)
- [“Educator Toolkit: Becoming Global Citizens”](#)
- [“Dark Milk Chocolate Bars Help to Unlock Wealth in West Africa”](#)
- [“China, the World Stage and Your Role as a Global Citizen”](#)
- [“Career Insight: Elvis Zhang on Making Cities Better”](#)

**Common Core Standard(s):** Key ideas and details, vocabulary acquisition and use.

**Objectives/Purposes:** To introduce students to the unique challenges and opportunities of being an entrepreneur in China

**Knowledge@Wharton Article:** “[An American Entrepreneur in Shanghai](#)” Also, “[The Tough Choices for U.S. Tech Firms Doing Business in China.](#)” (the second article includes an audio podcast, if you would rather your students listen to it.)

**Other Resources/Materials:**

- Construction Paper
- Crayons
- PowerPoint on China
- Video on [YouTube – The Chinese Middle-Class](#)

**Activity:**

1. (15 mins) Have students take a piece of paper and fold it three ways like a brochure. They are going to create a brochure that will inform other entrepreneurs about how to do business in China. Inside the brochure, there should be three neat sections made from the fold. Have students give each section of the brochure one of the following titles, Opportunities [for doing business in China], Challenges [of doing Business in China], and Recommendations [for doing Business in China]. Once students finish this, show a short PowerPoint slideshow that features photos and the following information on China:

- Population: about 1.42 billion
- Land Size: slightly smaller than the U.S.
- Life expectancy: 75 years
- Religion: officially atheist
- Capital City: Beijing
- Literacy rate: 92%
- Worlds largest exporter
- Show YouTube video on China’s middle class

Have students take notes on this information about China and use some of the images like the flag or map to design the front page of their brochure. Some of the facts may be useful for a later activity. Discuss any reflections students have about the information.

2. (15 mins) Next, have students read the article: “An American Entrepreneur in Shanghai,” and take notes on the challenges, benefits and any recommendations mentioned in the article on doing business in China. Have a separate group read “The Tough Choices for U.S. Tech Businesses Doing Business in China.” Then let them work in groups to compare answers and discuss issues related to being an entrepreneur in China. Once students have discussed this with their groups, go over the answers as a class and instruct students to add their notes on each of the three sections to their brochure. They could do it in bullet form.

### Challenges:

- China’s import bureaucracy and lack of consistency across government jurisdictions are a double-edged sword. Before China cracked down on smuggling, many multinationals smuggled products into the country. This was their only means of keeping the prices of their products competitive.
- China has complex regulatory system and operational challenges — such as handling disparate local trucking suppliers.
- For small- to medium-sized businesses, finding opportunities in China is certainly challenging.
- First, the shifting sands of regulations constitute a major risk. Much business is still done in a gray area of regulations, as it is China’s practice to first experiment on an informal trial basis with new reforms, and then, if they work well, to adopt them officially as “legal practice.”
- Second, there are cost pressures. Beijing and Shanghai have been ranked as the 4th and 11th most expensive cities in the world for expats to live in. The key factors are the high rates of real estate rentals as well as the high prices of imported accoutrements that foreigners cherish.
- Third, cash flow is taxing from the start. Starting a business in China will require an injection of “registered capital” in US dollars in cash into a bank account in China.
- The so-called “gray gap” is a major issue. This refers to the lack of educated workers in the 38-50 year age group, which creates a gap in the supply of local managers relative to demand. The two main reasons for this gap are the closure of China’s educational system during the Cultural Revolution (1965-1975) and the nascent growth of foreign-invested firms in China employing globally accepted management practices. Companies are often left relying on very bright but untested “30-somethings” for their core management teams. While this group is highly motivated, it is accustomed to rocket-like advancement and is not bashful when courted by headhunters anxious to help them “trade up.”
- Sweeping counter-terrorism legislation that will impact technology firms.

### Benefits:

- Found a ready client base for the services offered.
- Average duty rates are dropping after China's entry into the WTO.
- China's top attractions include its huge market, its growing computer, Internet and cell phone penetration and a relatively well-educated population.

### Recommendations:

- Create the need for specific local market expertise to make the supply chain work smoothly.
- The key to success in China is getting products to the customers with little hassle and providing reliable spare parts and service support.
- My first suggestion for small- or medium-sized firms is that they should explore the resources that governments provide.
- Second, check out the chambers of commerce. Almost every major trading nation has an active Chamber of Commerce in China. For instance, in Shanghai, the Chamber of Commerce offers a briefing in which a visiting company can sit down with three to five general managers of American companies in Shanghai and ask away! The Chamber also offers a formal FDI (foreign direct investment) presentation, sharing lessons learned in various disciplines, including marketing, HR, logistics, legal, etc. Such programs are available for a nominal fee and are worth their weight in gold.
- Third, it might be helpful to work with consultants. China has a healthy community of consultants, ranging from the global giants to freelance foreigners. Again, chambers of commerce can be an excellent place to get a good view of your choice of consultants. Regardless of the size of your business, it's advisable to have professional assistance before you drop money into China, even at the behest of a trustworthy Chinese employee. China is a complex place that must be looked at objectively, and getting a second opinion never hurts.

**Tying It All Together:** (15 mins) By now, students should have completed their brochures on how to do business in China. For the next activity, students are going to work in groups to use the information they have just compiled in their brochure to provide consultancy to a firm wanting to expand its enterprise into China. Students will receive basic information on the firm such as:

- What products do they make?
- Who buys their products?

- What do consumers do with their products?
- Other relevant information to help students understand more about the product and how it functions.

The students are going to act as consultants for that company and help them to devise a plan that outlines how they should approach their entry into the Chinese market. Students should be able to use their brochure to help them to do this. Once students are done, ask them to describe the company they were assigned to, and the recommendations they made to sell its product or service in the Chinese market. Companies that you may want students to consult for include:

- Facebook
- Mark Jacobs (luxury fashion)
- Ford Motor Company
- Samsung Appliances
- Apple Inc.
- TOMS shoes
- Video Game Publisher

If you can, find a newspaper article or clip about any of the companies you assigned to the students, and discuss their advance into the Chinese market so that students can gain more familiarity with the effort.

**Practice Outside of the Classroom:** Find out if your favorite businesses have branches in China and if so, how do they operate?

**What Worked and What I Would Do Differently:** Students really participated actively in this lesson. The problem-solving exercise was a great way of illustrating what they had just learned about being an entrepreneur in China.