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WHITE PAPER

China 2020

*How China's Growth and Future Will
Impact Business Development in the
A/E/C Industry*

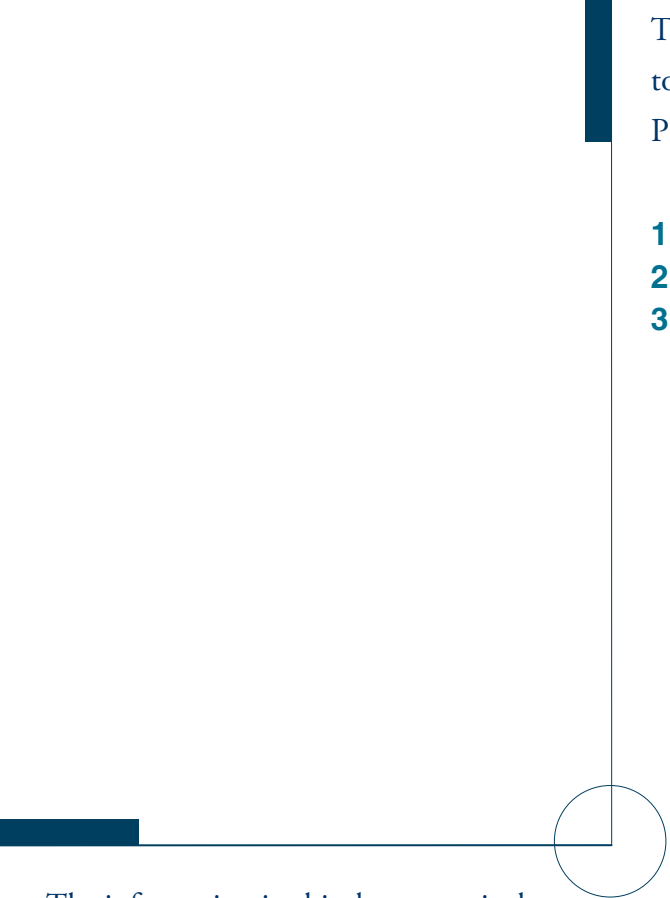
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The content of this white paper is related to the following SMPS Domains of Practice:

1. Marketing Research
2. Strategic/Business/Marketing Planning
3. Client and Business Development



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Executive Summary

Will doing business in China make or break your firm? While recent headlines proclaim economic opportunities, the risks are not highlighted. This paper introduces what it takes to succeed in China—from understanding cultural differences to being paid. Further, it looks at the marketing professional's role and discusses key points for success.

On the surface, the process of entering the Chinese market is no different than it is for entering any other new market. The challenge and risk lay in understanding and operating within cultural environments (social, business, and government) that may differ significantly from those with which the reader is familiar.

China has the world's largest population and is one of the largest countries by land mass. Since the introduction of market-based economic reforms in 1978, it has become one of the world's fastest growing economies, the world's largest exporter, and the third largest importer of goods. The 2008 Summer Olympics in Beijing and the 2010 World Expo in Shanghai have helped open architectural, engineering, and construction (A/E/C) opportunities.

While Chinese designers understand the needs of the local market and have knowledge of government policies, many foreign investors feel they lack quality control,

exposure to international standards, and professional management experience. These investors also feel that, while locals have experience in small and medium-sized buildings, they lack experience and the necessary resources required for large-scale projects. This creates an opportunity for foreign A/E/C firms to provide expertise on advanced building design concepts and technology.

For every opportunity, there are related risks to assess and evaluate. For firms entering the Chinese market, the risks expand to include cultural considerations such as:

- the importance of relationships (guanxi) and face (miantze)
- the government's influence
- client hierarchies
- pronunciation of place names and phrases

Project considerations for A/E/C firms entering the Chinese market include:

- negotiating contracts and getting paid
- protecting intellectual property
- understanding differences in construction documents
- understanding differences in building materials and methods
- managing different holiday and work schedules
- deciding to use local labor versus bringing employees into China

The third area of discussion is the role of the marketing professional when it comes to entering the Chinese market. Someone within the firm, regardless of their title, must address these items:

- employment/work visas
- dual-language business cards
- appropriate use of color
- proper protocol for meetings
- level of formality
- decision-making process/level of collaboration
- after-hours social activities
- business gift-giving

The timeline to success in China can be relatively short (2 to 3 years) or it can be much longer (up to 10 years). Finding the right partner and developing relationships takes time and cannot be rushed. While anecdotes for both success and failure are plentiful, the key to success lies in proper prior planning and doing significantly more research and due diligence than might be required for entering a new market in your own neighborhood.



Bamboo scaffolding is a common construction material in China.

Introduction

To be successful working in China, it is necessary to understand all aspects of the Chinese market. On the surface, the process of entering this market is no different than it is for entering any new market. The challenge and risk lies in understanding and operating within a culture (social, business, and government) that differs significantly from that of the United States or Europe.

In this paper, we will:

- Provide a brief overview of China to help readers understand its history, people, and economic outlook
- Discuss the cultural differences inherent

to doing business in a culture that is over five thousand years old

- Review project considerations including contracts, protecting intellectual property, and differing construction methods and materials
- Highlight key marketing tasks and responsibilities for those firms desiring to enter this expanding market.

About China

China has one of the world's fastest growing economies, the largest population, and is one of the largest countries by land area. The population is reported to be 1.3 billion (approximately twenty percent of the world's

population) and over four times that of the U.S.¹

The Chinese civilization has been in existence for over five thousand years. For over four thousand years, China's political system was based on hereditary monarchies. China is ruled by the Communist Party of China under a single-party system, with jurisdiction over twenty-two provinces, five autonomous regions, four directly administered municipalities (Beijing, Tianjin, Shanghai, and Chongqing), and two highly autonomous special administrative regions or



SARs (Hong Kong and Macau.) The capital of China is Beijing.

What is commonly referred to as China or mainland China, is properly called The People's Republic of China (PRC) and should not be confused with the Republic of China (ROC). The two entities were established in 1949 at the end of a civil war when major hostilities ended. At that time, the victorious communists established the People's Republic of China in mainland China. The Kuomintang (Nationalist Party or KMT)-led Republic of China government retreated to Taipei where its jurisdiction is limited to Taiwan and several outlying islands. There is still some dispute within China about the validity of this government.

Economic Outlook

Since the introduction of market-based economic reforms in 1978, China has become the world's largest exporter, and third largest importer of goods. Rapid industrialization has reduced its poverty rate from fifty-three percent in 1981 to eight percent in 2001.² The PRC now faces a number of problems including a rapidly aging population due to the one-child policy, a widening rural-urban income gap, and environmental degradation (acid rain is still a concern). Moreover, China has been criticized for its human rights violations, and for having a problematic record of interfering with press freedom. The addition of China as a permanent member of the United Nations Security Council, as well as being a member of multilateral organizations including the World Trade Organization and the Shanghai Cooperation

Organization will help stabilize China's entry into the world market.

The 2008 Beijing Olympics and the Shanghai World Expo 2010 helped open the door to China for the architectural, engineering, and construction (A/E/C) industry. In preparation for the Olympics, the Chinese government issued Decree 114, which made it easier for foreign A/E/C firms to do business in China. The World Expo has also been a catalyst in the construction sector in China. New construction for this event included the Expo village, waterfront developments, city-wide infrastructure improvements, new underground subway lines, and the 'One City Nine Towns' project. The 2010 Expo grounds include 80,000 square meters of buildings, seventy-five percent of which are temporary structures. Scheduled from May to October, the Expo is planning for seventy million visitors. The infrastructure improvements as well as the removal and replacement of the temporary facilities will pave the way for future continued growth.

Architectural, Engineering, and Construction Opportunities

With all of its recent growth, China offers an appealing opportunity to the A/E/C community. While Chinese designers understand the needs of the local market and have knowledge of government policies, they lack quality control, exposure to international standards, and professional management experience. Further, foreign investors feel that locals have experience in small and medium

Lisa A. Thorburn, LEED-AP, CTS

sized buildings and lack experience in large-scale projects. Thus, foreign A/E/C firms have an opportunity to provide expertise on advanced building design concepts and technology. The most successful foreign businesses in China are those that take the time to build strong relationships, become recognized in the industry, and develop products and services that cater to Chinese buyers.³ U.S. firms still face stiff competition. According to the Ministry of Construction data, at the end of 2006 (the most current data available), of the 233 foreign design firms registered (not licensed under Decree 114), only 10.7 percent were from the US, 59.6 percent were from Hong Kong, 6.4 percent were from Singapore, and 23.3 percent were from other countries and regions. It is difficult to provide current/specific metrics regarding business opportunities within China for several reasons including:

- Specific market data is difficult to obtain.
- Most observations are made from the outside looking in.
- Unless a firm trades on one of the major stock exchanges any data presented is subject to interpretation.
- There is a definite lag in reporting numbers, and market conditions are changing so quickly that yesterday's numbers have little impact on tomorrow's success.⁴

In China, numbers are very unreliable—they can't be trusted. That's why relationships—trust—are so very important.
- Joe Nocera, New York Times Business Consultant

Joe Nocera, Business Consultant for *The New York Times* states, "In China, numbers are very unreliable—they can't be trusted. That's why relationships—trust—are so very important."⁵ There are some specifics that one can reference when looking at economic opportunities. According to the U.S. Commercial Service's 2007 Service Market Report, the plan for total construction is estimated to reach two-billion square meters each year (one square meter = 10.76 square feet). By 2020, estimates are that China will

have built 205 billion square meters of new housing. Construction spending is expanding at twenty-five percent annually.⁶ In addition, a November 2009 report in *ENR* magazine⁷ states "China will push the U.S. into second place as the world's biggest construction market before the end of the next decade", and "China will remain dominant.

Its infrastructure sector is expected to grow fastest over the decade, boosted initially by economic stimulus. Around twelve months ago, the government launched a two-year \$585 billion package, with eighty-five percent aimed at infrastructure", and "Emerging construction markets in Asia-Pacific will grow by an estimated 125 percent between 2009 and 2020."

"China will overtake the U.S. as the largest construction market globally by 2018, and by 2020, the construction market in China will be worth an estimated \$2.4 trillion." Chart 1 shows how the Global Construction Market

is anticipated to change between 2009 and 2020.⁸

Cultural Considerations

Despite opportunities in China’s market, foreign firms will find that China is not an easy market. U.S. companies have to recognize the need for a special approach to a market with such a contrasting cultural, political, and economic landscape.⁹

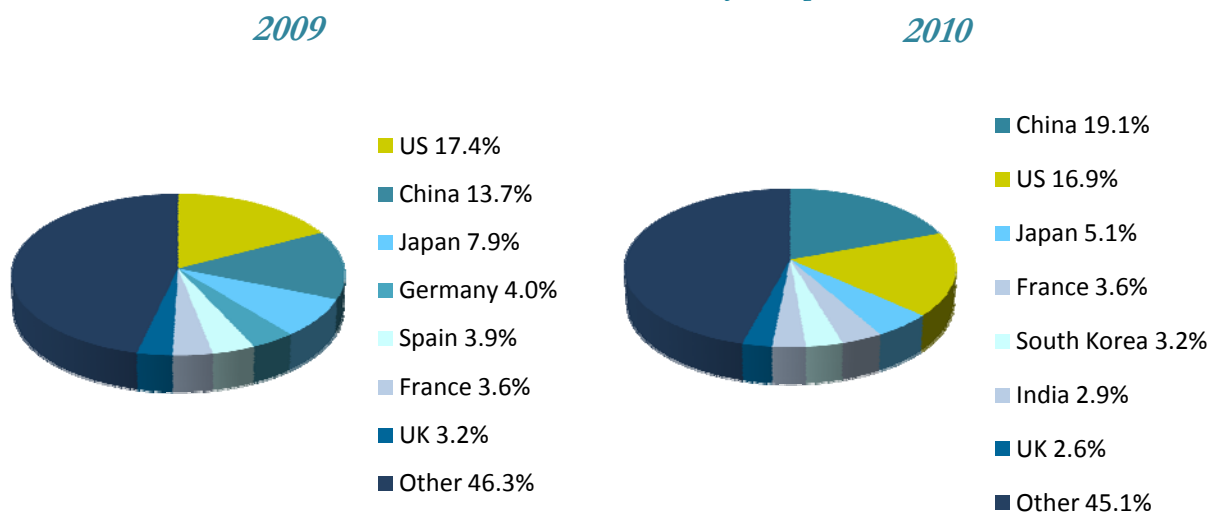
The Importance of Relationships

Doing business in China is about building mutual trust and benefit while establishing relationships with people. In China, Guanxi (pronounced gwan-zhee) is everything. In a narrow sense, Guanxi means “relationship” or “connection,” but in business it can imply everything from “networking” to “pull.”¹⁰ Entire books are written on this art of relationship or connections. Guanxi includes

relationships with government bodies (municipal, regional, and central government ministers), investors, partners, and even your own staff.¹¹ Building a Guanxi can mean a night of karaoke with the local fire department regulator in order to get a new computer room plan approved. It can also mean hosting a banquet with a customs official to make sure precious material shipments arrive in a timely manner. At the highest levels, Guanxi can mean bringing your CEO to China to shake hands with the minister of a key industry sector that represents lucrative potential business.¹²

A key aspect of doing business and developing relationships is to emphasize that one is in China to help China—not just make a profit. The locals refer to those that just come into China to make a profit as seagulls “you know—the seagull comes from the sea, they go to the beach and leave, excuse my language, their manure, on the beach before they go back again to the sea to find more food.”¹³

Chart 1" Global Construction Data Total Value of Output (%)



Lisa A. Thorburn, LEED-AP, CTS

The Importance of Face

The concept of Mianzi (pronounced mian-tze) goes hand-in-hand with Guanxi. Mianzi is “face” or social capital. In Chinese business culture, a person’s reputation and social standing rest on saving face. Face defines a person’s place in the social network and is the most important measure of social worth. The concept is similar to the U.S. concepts of dignity and prestige. It differs in that the Chinese think of face in quantitative terms, not absolute. Thus face, like money, can be earned, lost, given, or taken away. If a Westerner causes the Chinese embarrassment

Find a good, well connected local. Otherwise, you can be there for years and never make a dent.

—*Scott Ault, COO
BRC Imagination Arts*

or loss of composure, even unintentionally, it can be disastrous for business negotiations.¹⁴

Face can be lost if a person is insulted, criticized, or even treated with less than the proper respect due based on their status in the organization.¹⁵

One of the common mistakes western business people make is not allowing enough time to get to an appointment. Being late is a serious insult in Chinese business culture.¹⁶

Another mistake is pressing the Chinese for an answer. There is a cultural tendency towards politeness and reluctance to disappoint.¹⁷ Therefore, “yes” can mean no, maybe, and sometimes even yes.

From the Front Lines...

We found out that we could not just walk into China, state that we were this great American design-build firm and they would hire us. The Chinese culture is very different from any other place in the world including other parts of Asia. There is so much riding on reputation and personal relationships. It took us three years to really build our brand. We wouldn’t even be considered until they started to recognize our brand name as a “unique AV design and specialty systems” company from the Western World. We had to show off all the interesting work we’ve done around the world and spend endless hours presenting ideas and concepts to our clients.

Is it true that they stole many of our ideas? Yes! But, it was the only way we could get the Entertainment and Museum community to

start to recognize Electrosonic as a special brand. It worked. Once we were known, they would start to take meetings and listen to our ideas. More importantly, they were willing to start paying for something unique and different. The world is changing quickly in China. As more and more Western-influence designs and ideas are built in China, the public is becoming more sophisticated. They are expecting more and they want “better” instead of “the same.” This is our strength in China.

Now...contracting work is a whole different art form... and it changes from Beijing to Shanghai to Shenzhen...

—*Chris Conte, General Manager, North America
& Asia
Electrosonic, Inc.*

Government's Influence

Unlike the U.S., the Chinese government plays a large role in administering the investment in China. Because China is a socialist state and the economy is still largely controlled and managed by the government, it is necessary to learn how to coordinate with the government.

Forming a close relationship with a local partner can help navigate the opaque regulatory system, as well as provide a strong local presence with local contacts.¹⁸ However, use caution and don't rely on one person to pave the way. Take your time and develop multiple relationships so that you can "cross-check" the advice you are given.

One of the most important regulations, known as Decree 114, was issued to regulate the entry of foreign architectural firms to support China's efforts in preparing for the 2008 Beijing Olympics. Issued by the Ministry of Construction on January 5, 2007, the regulations allow for foreign-invested design enterprises (FIDEs) to apply for architecture, engineering and design licenses. While this means that U.S. firms can now apply for engineering and design licenses in China and pursue related opportunities, there are still considerable barriers to licensing and

firms should approach the market as consultants to Chinese firms first before considering licensing.¹⁹

Other options are by way of an equity joint venture, a cooperative joint venture, a wholly foreign-owned enterprise (WFOE) or part equity acquisition of an existing Chinese architecture institute. While the final option establishes a foreign-invested enterprise (FIE) that resembles an equity joint venture, it gives the foreign firm "immediate access", to the Chinese firm's licenses, customers, and staff. Strict and complicated approvals by the Chinese government will still apply to the establishment of an Architecture FIE or acquisition of equity in a Chinese firm to undertake design activities. These approvals include stringent capital requirements, employee hiring, as well as a complex and time-consuming qualification process. The time-line and process for approvals often differs.²⁰

Many A/E/C firms that are successful within the Chinese market have someone of Chinese heritage (who understands all of the governmental and cultural nuances) as the head of their efforts in this market segment.

From the Front Lines...

China is still the Wild West. Rules and policies change daily. It is extremely bureaucratic and much of the processes are set up to prevent corruption. It is an extremely different way of doing business—from monetary exchange, purchasing goods inside and outside China, purchasing agents, etc. On

one of our projects, we have had to have seven different contracts just for production (all are linked) and all seven are simultaneous. Find a good, well connected local. Otherwise, you can be there for years and never make a dent.

—Scott Ault, COO
BRC Imagination Arts

Client Hierarchies

The hierarchy within a Chinese organization is complicated. It is often difficult to identify who makes the final decision. The obvious solution is to treat everybody with equal respect and be prepared to present your material to many different people at varying levels of authority. In China, the person you first meet with is often not the person who will hire you. It is also tempting to focus on the interpreter and address your responses to the person speaking the same language as you—this can be a fatal mistake if the person with more authority feels slighted.

Another aspect of the importance of hierarchies is the perceived importance of members of a delegation based on something as simple as the order your group enters a room. In accordance with Chinese business protocol, people are expected to enter the meeting room in hierarchical order; the Chinese will assume that the first foreigner to enter the room is the head of the delegation. This also indicates that it is essential to bring a senior member of your organization to lead the negotiations on your behalf. The Chinese will do the same. Further, only the senior members of your group are expected to lead the discussion. Interruptions of any kind from subordinates are considered inappropriate.²¹

Chinese Pronunciations

The official language of China is Mandarin. In its written form, it is made up of some thousands of characters. If you read an unfamiliar English word you have a reasonable chance of pronouncing it correctly. On the other hand, if you see an unfamiliar written Chinese character you have no chance

of pronouncing it in the verbal form since the characters convey meanings and not sounds.

The Chinese have therefore developed a method for expressing the phonetics or sounds of their language in the familiar Roman alphabet. The system is called Pin Yin (pronounced Pin In). You will see this on the street signs and in the atlas. It looks like an attempt to spell the words in English but its rules are quite different. If you pronounce the place names by the English rules, you will confuse the Chinese to no end. You can get away with saying ShUngHigh instead of ShARngHigh (Shanghai), but KwingDayOh instead of ChingDow (Qingdao) will get you nowhere.²² Table 1 provides some place names and a phonetic pronunciation guide..

Table 1: Chinese Place Names

Chinese Place Name	Pronunciation Guide
Beijing	BayEiJing
ShenZhen	ShenGen
GuangDong	GwarngDong
GuangZhou	GwangJoe
Qingdao	ChingDow
Ningbo	NingBore
ZheJiang	GerJeeArng (Ger as in German, Jee as in Jeep)

Chinese Phrases

A few key phrases can go a long way towards improving the chance of success. Even when your pronunciation is not as accurate as can be, the Chinese appreciate your effort. This diplomatic gesture will greatly reduce the distance between you and your Chinese counterparts, thus making them more comfortable in communicating with you.²³

Table 2 provides some common phrases and their translation.

Table 2: Chinese Phrases

Chinese Phrase	Translation
Xiè xie	Thanks
Nǐ hǎo	Hello
Ma fan ni	May I trouble you to... or please do me a favor
Mei you guan xi	That's alright
Duì bu chi	I'm sorry
Min tian jian	See you tomorrow
Heng hau	Very good
Ke yi	Acceptable
Gan bei	Bottoms up

Lost in Translation



Project Considerations

Negotiations and Contracts

You will find it beneficial to bring your own interpreter, if possible, to help you understand the subtleties of everything being said during meetings. The best way to help avoid confusion is to speak in short, simple sentences free of jargon and slang. When preparing contracts (or any other document) it is useful to prepare a reverse translation to help reduce confusion. Note, however, that written contracts are secondary in China to personal commitments between associates. Some executives prefer to sign a principal agreement and let their subordinates work out the details later.

The Chinese usually feel that single contracts are just one component of a larger relationship. In fact, several trips to China will probably be necessary before the business arrangements are finalized. As stated earlier, Chinese businesspeople prefer to establish a strong relationship before closing a deal. With this in mind, keep your return plans flexible in case negotiations do not proceed according to schedule. Even after the contract is signed, the Chinese will often continue to press for a better deal.²⁴

Getting Paid

Any sale is a gift until you are paid! This practical business insight is especially true for international transactions where the buyer and seller could be twelve thousand miles away. Therefore, be sure to undertake

appropriate due diligence when qualifying your Chinese buyers. While it is prudent to make use of the various credit-reporting companies active in China, you also should ask for trade references, especially from other U.S. firms that you could easily contact. That being said, it is important to recognize some significant differences in the Chinese commercial and banking landscape.

First, China still has many state-owned enterprises, which can have a high degree of government involvement, potentially complicating negotiations and sometimes slowing the release of funds for a given contract. Second, the banking system is not yet as transparent as in Western countries, which means you probably will want the active involvement of your U.S.-based bank's international division to help you through any hurdles. Third, the private sector is still developing in China, so your buyers might not yet have the expertise to smoothly navigate China's internal bureaucracy and regulations on such things as securing foreign currency for their transactions. The net result of these factors is that you could potentially encounter some delay in payments regardless of the payment method used.²⁵

The AIA Architect's Handbook of Professional Practice (13th Edition) has some valuable tips for managing the risk of getting paid for International Work that are worth considering:

- Require an advance retainer that is sufficient to maintain positive cash flow. Some firms negotiate full payment in advance.
- Propose establishing an escrow account, overseen by a trusted third party, from which payments are made as the project proceeds.
- Specify payment by bank wire transfer.
- Specify in the contract that payment will be made in U.S. dollars. This will help avoid the risk associated with fluctuating exchange rates. (The bad news is that some foreign clients are obligated to pay in their jurisdictional currency as a matter of policy or law, so you may not be able to negotiate the payment currency.)
- If payments must be made in a foreign currency, then consider buying insurance against currency fluctuations.
- In accounting for the project, balance the value of payment in local currency with onsite expenses such as office space, equipment, indigenous workforce, and in-country living and travel.
- Arrange for a secured letter of credit from the client if you are at all in doubt. The creditworthiness of a client who cannot secure an irrevocable, confirmed, or advised letter of credit—i.e., one that cannot be canceled or is guaranteed by a second bank—should immediately be suspect.
- If possible, obtain credit risk protection through the U.S. Export-Import Bank. This an expensive way to protect foreign receivables but may be the best way for a small firm to protect itself and offer competitive terms, such as 180 days net, to a prospective overseas client.²⁶

Intellectual Property (IP)

Since joining the World Trade Organization (WTO), China has strengthened its legal

framework and amended its Intellectual Property Rights (IPR) and related laws and regulations to comply with the WTO Agreement on the Traded-Related Aspect of Intellectual Property Rights (TRIPs). To put the legal framework in perspective:

- In 1982, China's trademark law was first adopted and subsequently revised in 1993 and 2001.
- In 1984, China's first patent law was enacted and was amended twice (1992 and 2000) to extend the scope of protection.
- In 1990, China's copyright law was established and amended in October 2001.
- In 1998, China established the State Intellectual Property Office (SIPO), with the vision that it would coordinate China's IP enforcement efforts by merging the patent, trademark and copyright offices under one authority. However, this has yet to occur.

Despite these stronger statutory protections, China continues to be a haven for

counterfeiters and pirates. According to one copyright industry association, the piracy rate remains one of the highest in the world (over ninety percent) and U.S. companies lose over one billion dollars in legitimate business each year to piracy.²⁷

There are several factors that undermine enforcement measures, including:

- China's reliance on administrative instead of criminal measures to combat IPR infringements
- Corruption and local protectionism at the provincial levels
- Limited resources and training available to enforcement officials
- Lack of public education regarding the economic and social impact of counterfeiting and piracy.

When a Chinese company has intellectual property they want to protect during development, they will often pay a small fortune to send the work to places like U.K., Australia, Canada, and U.S.—because these locations can be trusted to protect the IP.

From the Front Lines...

One word can stop a meeting. We were talking about having two design languages, one for our consumer products and one for our commercial products. And somebody on the west said 'We'll need to have something standardized across so people will know a Lenovo machine when they see it.' They used the word "common." That one word, common, stopped the meeting for four hours. They went out on the web, looked up

the Mandarin translation and found it meant uninteresting and boring. 'And clearly,' our Chinese colleague said, 'we would never put something that was uninteresting and boring across all our products.' And thereby one word stopped the meeting. That's the challenge you have.

—William J. Amelio, President and CEO
Lenovo

Lisa A. Thorburn, LEED-AP, CTS

From the Front Lines...

We have never had our intellectual work stolen. How do we protect ourselves against this? We are either work-for-hire and we get paid before final delivery or we partner with our clients and get an

equity position in the project for co-ownership.

—*Craig Hanna, Chief Creative Officer
Thinkwell Group*

One strategy is to avoid the opportunity for the intellectual property to actually be disclosed rather than trying to control the people in possession of it. Generally you should have non-disclosure agreements (NDAs) in place, but remember the huge hoops you will need to jump through to get any sort of recovery after a breach—if any recovery at all. Another option is just to be very careful in what you present. Do not give away pictures, presentations, or drawings in meetings. If the client really wants more or if they want you to design it and they do not want to pay for it, then you have a decision to make—is it worth the risk? You have to be

tough and you cannot be desperate. It's business. If they really want it and they know they can't get it anywhere else, they WILL pay for it.²⁸

So is there any hope regarding IP in China? According to the Vice-Minister of the Ministry of Foreign Trade and Economic Cooperation “being a member of the World Trade Organization, the China government will continuously rectify and standardize the economic structure of the market, and will persistently crack down on illegal acts or producing counterfeit products.”²⁹

*From the Front Lines...**What have been successful approaches to doing work in China?*

- We have taken advantage of our worldwide reputation and third-party endorsements. Industry rankings are important to the Chinese, as they like to use firms that are considered the top in their specialty.
- Getting a project built and then promoting it is the best approach. Design competitions and renderings don't count; they want to see something real. Once your first project is built and successful, the Chinese look at you differently.

—Howard J. Wolff, FSMPS
Senior Vice President/Worldwide Director of
Marketing, WATG
- Originally we went into China as a wholly-owned foreign enterprise. At that time, we did most of the work in our headquarters office near Seattle. Now we are leaning towards doing all of our work in China. It's important to really be there, plus that approach involves less travel. We now have a successful venture in China, but it has taken many years—over a decade—to get it going.

—Carla Thompson, FSMPS
Director of Marketing & Business Development,
Mulvanny G2 Architects
- It's been quite the journey. We have had a Shanghai office for three years. But, we have found that being in China as much as possible is critical. The Chinese clients want to see partners and senior staff from the main office. Last year we cut back on our travel a bit, but that left a void. You can never travel enough. Also, you should invite your clients to the United States. During these visits, we offer training and exposure to projects they want to develop.
- I'd advise developing local relationships, and not just with the design institutions. You have to go well beyond that—developers, planning officials, business development people from other companies such as materials or equipment suppliers (which may be from the U.S. but are marketing overseas) and construction companies.

—Paul Frank, AIA, NCARB, LEED-AP
Principal, LRS Architects
- We took thirty years of expertise to China, opening a marketing office first. Once we won a contract, we opened a second “local” office, which was required for us to be able to “produce” work and to legally earn revenue.
- We have three offices in China, and they operate together as a separate entity. China has strict currency controls. Our China operations pay Chinese business taxes and are set up to send money back to the US.
- You have to price your work correctly. The Chinese will negotiate with reckless abandon. They do not say “no” but instead offer “that could be difficult.”

—Chip Pierson, AIA
Principal/Director of Marketing, Dahlin Group
Architecture Planning

*From the Front Lines...**What approaches have not worked as well in China?*

- In the US, we are used to approaching prospects directly, even cold calling. In China, that doesn't work. You need an introduction. The cultural interpretation is that "You must not be very important if you have to introduce yourself."
- Design competitions are a mixed bag. In some cases, even the winning firm does not receive a commission. We have found that in China developers use competitions to generate interest in their project by showing how many high-profile firms are willing to compete for the design. Many times the sponsor does not have project financing or even the means to reward the design firm for their efforts. We always try to talk a client out of a competition.
- Relationships with Design Institutes (the local firms) are important, but focusing on courting them is not a recommended long-term strategy. Firms in China are very entrepreneurial and will use a teaming relationship to gain experience that they can then market by themselves. WATG usually works with local firms once we win a job.
- If you are not in China a lot you miss out on opportunities. Being there and having consistent client contact is critical to effective marketing and business development. It's a commitment; it goes with success. If you are there and you are marketing, you will be successful.
- And then there are the language issues. Our staff in Shanghai all speaks English, but you need to make sure you get the full translation and ask questions. We do have Mandarin speakers in our office here in Portland. But, there are different dialects, so sometimes our staff may not understand someone who's from Beijing, for instance.

—Paul Frank, AIA, NCARB, LEED-AP
Principal, LRS Architects

- Like any design business, we struggle with the balance between being profit-motivated and design-motivated. When design is primary, sometimes profit suffers; when profit is our focus, our designs don't always satisfy our clients. It is an ongoing spiral, but we have used those lessons to get better at what we do.

—Chip Pierson, AIA
Principal/Director of Marketing, Dablin
Group Architecture Planning

—Howard J. Wolff, FSMPS
Senior Vice President/Worldwide Director of
Marketing, WATG

- Because we were a wholly owned foreign enterprise, we had to align ourselves with a Local Design Institute. Finding those partnerships, and someone you can trust, is critical. They do all the CDs. By the time we pass off the design, it can get changed. This is happening less now since we have stronger partners.

—Carla Thompson, FSMPS
Director of Marketing & Business
Development, Mulvanny G2 Architects

Building Materials

China is one of the world's largest building materials producers and users. In the past decade, China's demand for building materials has grown at a fast pace. The recent Chinese government's RMB four-trillion stimulus plan will also speed up the development of the building market. In the next five years, both production and demand will continue to grow.

Despite the huge output of China's building materials, the quality of these materials is usually well below international standards. It is in the high-end, high-quality niche market that foreign building materials have found the most success. Also, any materials, products, and technology related to clean and renewable energy, low emission, recycling, and energy efficiency are promoted by the Chinese government.

Public sector and residential and commercial construction projects are driving much of this growth and will remain the primary sources of opportunities in the near future. The concept of "green" has recently gained popularity in China. In addition, given that

the vast majority of China's construction boom is in new projects, opportunities are limited for retrofit sales.³⁰

Chinese Holidays/Schedules

Business and government hours are 8:00 a.m. to 5:00 p.m., Monday through Saturday. There is, however, a five-day workweek in larger cities. Store hours are 9:00 a.m. to 9:00 p.m., daily. Most stores in Shanghai, however, remain open until 10:00 p.m. Most Chinese workers take a break between noon and 2:00 p.m.

When scheduling your appointments, be sensitive to holidays such as the Chinese New Year; many businesses will close during this period. The date of this occasion varies from year to year but is usually sometime in the first two months of the year.

China has sixteen legal festivals. All Chinese people will be on vacation for the following:

- New Year's Day (January 1)
- Spring Festival/Chinese New Year (typically February)
- Qingming Festival (typically early April)
- May Day (May 1)
- Dragon Boat Festival (typically June)
- Mid-Autumn Festival (typically

From the Front Lines...

We decided one weekend we had to close in a door to make some modifications to our facility. So I suggested, as a normal American would, to just put up a plywood wall. What I learned was that a brick wall is not only cheaper but just as fast to put up and just as easy to take down. Brick walls are temporary walls in China—plywood walls are expensive

walls. Doing business is about asking better questions: If you ask, "where can I get some plywood?", someone will give you "an", answer; if you ask, "how can I put up an inexpensive wall?", it's a much better question.

—Michael Jett, General Manager
Fiberweb

Lisa A. Thorburn, LEED-AP, CTS

September)

- National Day (October 1)

The other nine are for special industries or specific people. Many people leave their homes for traveling or shopping. These days include:

- Women's Day (March 8)
- Arbor Day (March 12)
- Youth Day (May 4)
- International Nurse Day (May 12)
- Children's Day (June 1)
- Anniversary of the Founding of the Chinese Communist Party (the Party's Birthday) (July 1)
- Army Day of the Chinese People's Liberation Army (August 1)
- Teachers' Day (September 10)
- Journalists' Day (November 8)

Construction Documents in China

The issue of what exactly constitutes construction documents is as varied as the number of design professionals involved in the A/E/C industry. The process gets more difficult when you expand the discussion to include all phases on the project (contract documents) and include the development of construction documents for use in countries

outside the architect's/designer's/builder's home base of operations.

The AIA Best Practices provide a definition of construction documents stating they are the repository of the architect's vision and the principal medium of communication for realizing that vision in built form.³¹

In reality, this leaves a bit too much for interpretation. When developing construction documents one should consider the client's expectations, local manufacturing and fabrication capabilities as well as local standards and codes.

Hiring/Firing in China

Once you have decided to do business in China, and have determined the type of business enterprise (see Government's Influence) you will need to deal with all of the various regulations surrounding employees. Should you hire locals or use U.S. citizens working in China (expatriates or expats). Or try to do the work in the U.S. with just a small local presence (working remotely).

When using local Chinese labor, there will eventually come a time when you need to fire someone. The Chinese system has strict

From the Front Lines...

In Hong Kong, once you win project, you start the next day. It's unique to Hong Kong. In other places you may have up to two or three months to mobilize resources. In Hong Kong, you need to line up people before winning the contract. If you lose the tender,

you keep the people for other contracts, but you might wait up to one year to win other contracts. So it's part of the cost.

—Nicolas Borit, *Managing Director*
Dragages, Hong Kong

requirements regarding the termination of employees including thirty-days' prior written notice of termination and severance compensation up to one month's salary for each year of service. If you are going to do work and employ local labor, it is strongly suggested that you get legal advice regarding all employment decisions.

Another key factor will be the availability of local construction labor. Hong Kong plans to construct ten mega projects over the next few years. As these projects shift from the bidding and design phase to construction there will be a shortage of construction workers. Tight labor conditions are already affecting the bottom lines of Hong Kong's biggest contractors. According to a June 2, 2010 article in the *South China Morning Post*, Paul Y Engineering has been prevented from offering too low a price in bidding for the ten mega-projects because of labor shortage and thus lost a few contracts. Further, industry data shows almost seventy percent of the city's construction industry workers are over forty and less than twelve percent are under thirty. Plans to import foreign labor are expected to attract opposition from unionists who want to protect jobs.³²

The choice to hire locally versus bringing in foreign labor is not solely up to the A/E/C firm and is a difficult decision that will not get easier.

From the Front Lines...

How critical is it to have a principal or partner in the firm of Chinese heritage?

Having a partner who is Chinese has been critical for us. He understands the culture and speaks the language. But, frankly, when there were big competitions, we would also send one of our white guys with gray hair. Prospective clients are interested in our western culture and having what we have. Having our partner who is a national at major presentations was not all that special for the Chinese. So, sometimes we have also sent someone else to help close the sale. Four of our principals go over to China on a regular basis. Only one of these partners is Chinese. Today our in-country staff is totally made up of nationals, though we have had people move over there from time to time to support particular clients.

—Carla Thompson, FSMPS
Director of Marketing & Business Development,
Mulvanny G2 Architects

Our advisors initially suggested we send a Western face rather than our chairman, who was Chinese but not did not speak Chinese. The Chinese look down on people who don't speak the language; yet they associate the West with experts. We made an exception, primarily because we thought our chairman's personality could overcome any bias, and because he carried a title of respect (Chairman). This approach worked, but we did not rely on it exclusively. Since then, we have paired a Western person (usually a design talent or senior leader) with a Chinese person (junior designer or admin) to help them both overcome their respective challenges.

Today, we find that titles are less important than they were. The Chinese now want to know who will work on their project. They don't want us to send the President or Chairman, whom they will likely never see again. They want the expertise, whatever face it wears.

—Howard J. Wolff, FSMPS
Senior Vice President/Worldwide Director of Marketing,
WATG

Local Resources

As you consider expanding into the Chinese market the following resources may help:

American Institute of Architects (AIA) Hong Kong Chapter

Established in 1997, the AIA Hong Kong Chapter serves the professional interests of the growing number of AIA member architects practicing in Hong Kong, China and the Asia Pacific region. The objective of this Chapter is to uphold a high standard of design, education, and professional practice among its members as well as promote the importance of architecture in society. In addition, AIA Hong Kong helps foster stronger ties between The American Institute of Architects, the Architectural Society of China (ASC), and other professional architectural organizations in China and Asia.³³ The AIA Hong Kong web site, www.AIAHK.org, contains information including upcoming events, news, and useful links.

Urban Land Institute (ULI)

The ULI has an Asia chapter located in Hong Kong (www.uli.org). Founded in 1936, ULI now has members in 95 countries worldwide, representing the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service. One of their recent activities is to undertake a study of recent large-scale developments in Hong Kong and, through benchmarking against international and regional case studies, identify ways to ensure creation of environmentally friendly, pedestrian- and transit-oriented developments.³⁴

World Expo 2010—Shanghai, China

As stated previously, the Shanghai World Expo 2010 (www.expo.cn) has been a catalyst in the construction sector in China. It provides a great opportunity to visit China in person. Expected to draw 70 million visitors, the Expo dates are May to October 2010.

Marketing's Role

The marketing professional has a key role in a firm's success in China. Everything from client and market research to getting an employment/work visa to printing bi-lingual business cards to preparing presentation documents to buying gifts can fall of under the responsibility of the marketing professional. Following are some key points for marketers to consider.

Employment/Work Visa

A Chinese visa is a permit issued by the Chinese visa authorities to an alien for entry into, exit from, or transit through China. The Chinese visa authorities may issue a Diplomatic, Courtesy, Official, or Regular Visa to an alien according to his/her status, purpose of visit to China, or passport type. The overseas Chinese visa authorities are Chinese embassies, consulates, and other offices authorized by the Ministry of Foreign Affairs of China. If a foreigner intends to enter into, exit from, or transit through Chinese territory, he/she must apply for a Chinese visa to the above-mentioned Chinese visa authorities.

Regular Visas consist of eight sub-categories, which are respectively marked with Chinese phonetic letters C, D, F, G, J-1, J-2, L, X and Z. The three visas applicable to those working in the A/E/C industry are F, L, and Z.

- “F”, visas are issued to an alien who is invited to China for a visit, an investigation, a lecture, to do business, scientific-technological and culture exchanges, short-term advanced studies or internship for a period of no more than six months. For this type of visa you will need “Visa Notification Form”, from an authorized Chinese Unit, or invitation letters from the host company, meeting or exhibition organizers in China, or an introduction letter from the applicant’s U.S. company, etc.
- “L”, visas are issued to an alien who comes to China for sightseeing, a family visit, or other private purposes. U.S. citizens may apply for a Single Entry (valid for three to six months), Double Entry (valid for six months), or Multiple Entry (valid for six months or twelve months) as needed.
- “Z”, visas are issued to an alien who comes to China for a post or employment, and his or her accompanying family members. You will need to include a visa notification issued by the

From the Front Lines...

There are four critical things that you must know about working in China:

Know the culture: Read all that you can about China history, culture, and government. Immerse yourself into their culture as much as you can prior to going there.

Know your client: Know who your client is, who the relationship is with, and who makes the decisions. These could be different people. It is very important to find out who the decision maker is for the project. Come to an understanding with the client regarding scope and fee as quickly as possible. Put it in writing and have the client sign it. If not in writing, it can create problems later, especially if you did not get the decision maker.

Competitions are a challenge: All government projects and many private sector projects are awarded by competition. You must team with a local architectural firm (institute). Look at the competition very carefully and assess your chances before deciding to pursue. Much is expected from the competing firms and it can become very costly. Who you know is more important than the design. It is not like a U.S. competition. You can talk to the client during the competition to find out what their desires are. The better your relationship is with the client, the more useful information you will obtain and the better your chance will be to win the competition.

Chinese do not say “NO.” It is very difficult culturally for Chinese to tell you “NO”, or what they are actually thinking. They do not want you to lose face. They are very polite. They won’t say “NO”, even if they mean “NO”. If you are primarily dealing with someone who is not the decision maker, remember that this person will not make the decision. Someone above him or her will ultimately be the one to approve or disapprove.

—Helen Hatch, FAIA, Principal, Vice President Client Relations
Thompson, Ventulett, Stainback & Associates

Lisa A. Thorburn, LEED-AP, CTS

authorized Chinese unit and a “Work Permit for Aliens”, issued by the Chinese Labor Ministry or a “Foreign Expert’s License”, issued by the Chinese Foreign Expert Bureau. A “Z”, visa is valid for one entry, three months. The holder of a “Z”, visa shall go through residential formalities in the local public security department within thirty days of entry to China.³⁵

For all visas, check with the Visa Office of the Embassy or Consulate General which holds jurisdiction over the state where the employee resides. Processing time typically takes four working days. Visa application forms that are not filled out completely, correctly, and legibly can cause a delay in processing or refusal of the requested visa. In April 2010, the Chinese Government lifted the restriction regarding visitors with AIDS and HIV.

Client/Market Research

Conducting client and market research is not as easy for the Chinese market as it can be for other markets. Similar to most places, there are three types of clients: Government, Government/Private, and Private. The challenge is that unless the entity is listed on a stock exchange, information is less reliable and harder to come by. It is best to attempt to get firsthand knowledge through relationships and introductions. As stated earlier, the Chinese rely heavily on relationships and if you are introduced through a trusted person then you and your firm can be trusted. When trying to get that first introduction think about the rule of “seven degrees of separation” where you are just seven people away from an introduction to the person you want to meet. Use social networking sites (such as LinkedIn or Facebook) and industry association

From the Front Lines...

How important is it to have an office in China?

We strategically avoided opening a “local”, office, fearing it would undermine our reputation as an international firm. The perception among clients there is that quality is higher if the firm is from the U.S. or another Western country. Also, if you have an office in China, you are expected to compete with the local firms (with lower fees). Your client expects you to attend every meeting and every review session. By not being there, we can manage our client better and spend our time focusing on design.

—Howard J. Wolff, FSMPS
Senior Vice President/Worldwide Director of
Marketing, WATG

We found a local office to be very important, as it is the only way we could legally do business in China. Most importantly, this is the best way to collect revenue as you reach a deeper base of clients. Gradually, more and more companies will be able to wire funds to the U.S. Currently it is very hard to do.

—Chip Pierson, AIA
Principal/Director of Marketing, Dahlin
Group Architecture Planning

memberships (such as SMPS or AIA) to find someone who knows someone who knows the people you want to meet. Market research can be just as challenging. While the internet is a useful tool for general research it is not that reliable for specific information about projects. The good news is that all government projects must be advertised, so find the sites that list the type of projects your firm is interested in and monitor them for upcoming opportunities. (See the list of useful websites in the bibliography as a starting point.)

Business Cards

The Chinese like exchanging business cards, so be sure to bring a plentiful supply. Consider printing one side in Chinese and the other in English. If possible, have someone you trust create a Chinese name for you and use that on the Chinese side. Be sure to include professional titles, especially for those with the seniority to make decisions; in Chinese culture the main reason to exchange business cards is to determine who will be the key decision-makers on your side. Likewise, if your company is the oldest or largest in your country or has another prestigious distinction, be sure your card states this.

Present your card with two hands and make sure that the side with the Chinese printing is facing the recipient. When you receive a business card, make a show of examining it

carefully for a few seconds, and then place it carefully in your cardholder or in front of you if seated at a table. Not reading a business card that is presented to you, then stuffing it into a pocket is a breach of protocol.³⁶

Use of Color

Many colors are attributed special meaning in Chinese culture. For example, gold is the color of prestige, prosperity; red is the most auspicious color and is thought to keep evil away; green is often considered to be bad; white is considered a color of mourning and is also considered pure. If you are unsure of the implication of a color, or combination of colors, it is often best to just use black and white in your presentation materials.³⁷

*For one of our contracts
we had a five-day,
eighteen-hours-a-day marathon
negotiation.
And the negotiations are never
finished, even if you have a
contract.*

—Scott Ault, COO
BRC Imagination Arts

Meetings

Meetings are considered very formal in China. You will be asked for a list of your representatives before the meeting including their rank in your company. You should also request a similar list. At the time of the meeting, you will be led into a room in which the Chinese are already present. Your team leader should enter first (See Client Hierarchies). Teams sit across a table, leaders opposite each other, and others seated in descending order of importance.

Lisa A. Thorburn, LEED-AP, CTS

From the Front Lines...

How would a China office best be staffed?

- Some staff a China office with a business developer and send the work back to the U.S. Some use the China office for conceptual design or as a production office. We've seen both approaches be successful.
- WATG wants an office in or near the same time zone as our clients. Our office in Honolulu overlaps the working day in China. (Hawaii is six hours plus a day behind China. When it is 8 a.m. Tuesday in China, it is 2 p.m. Monday in Honolulu.) Our office in Singapore is in the same time zone as China and serves as our international hub for Asia Pacific work.
- We staff all our offices the same way. Usually an office is started with people who have been with the company for a long time, who know the region, and have decided they want to relocate there—usually for personal or family reasons.
- We commit people to a new office long term. After one or two years, they are just developing their relationships. Pulling them out wastes that effort and investment. Big ex-pat packages are expensive, as well.
- For a China office, it is critical to have Chinese nationals. Taiwanese and American-born Chinese may not be as successful.
- There is rarely a time when we do not have people from our U.S. offices in China, but the longest sustained period of time for one person to be in China has been five weeks. At this point, we have not found ex-pat packages to be financially feasible.
- There are twelve of us who routinely travel to China to direct or participate in work there. In fact, we made fifty-eight trips there last year. Of the ninety people who work for Dahlin Group in the U.S., about two-thirds are working on China projects.
- Most of our creative work is done in the U.S. Our China offices handle project management, contract management, and sometimes schematic/design development. As a “foreign-owned enterprise”, we are required to joint venture with a local Design Institute to complete construction documents.
- Some of our private developer clients also have in-house architecture capabilities. When we work with them, Dahlin takes the design through Design Development, and the developer finishes the documents in-house eliminating the need for us to Joint Venture with a Design Institute.

—Howard J. Wolff, FSMPS
Senior Vice President/Worldwide Director of
Marketing, WATG

—Chip Pierson, AIA
Principal/Director of Marketing, Dahlin
Group Architecture Planning

Small talk will come first. Business is addressed once people feel comfortable with each other. The head of the host team will deliver a short welcome speech, and then turn the floor over to the visitors. Your senior team member should speak for your company. It is best to avoid conflicting statements from other team members. When talking, your spokesperson should address the senior Chinese representative. Chinese prefer to hear a proposal as a broad overview, and then respond to specific issues or questions point by point. Business cards are a common opening to business meetings, and are more impressive if one side is translated into Chinese characters.³⁸

Formality

In general, advise your team members traveling to China to ratchet up their sense of formality without becoming stiff. The key should be respect and professionalism, not ceremony. Using this as a guiding principle can help one get through any number of strange situations.

Decision-Making

The biggest specific difference between Western and Chinese business culture is in decision-making. Quick decisions are alien to the Chinese. Rapid decision-making, incorporating quickly gathered and processed information is a sign of an aggressive, highly competent manager in the West. However, to the Chinese, haste is the sign of an idiot. The Chinese prefer to deliberate longer, even on decisions that might take Western managers five minutes.

Discuss the issue, ask for feedback, and explain your decision's rationale. This way, the staff will be more accepting and respectful of the decision. The Chinese want to be included in the decision-making process at a degree of collaboration that to a Western manager may seem unnecessary for relatively simple points but is important in this culture. A snap decision to them is an insult. They want to feel honored that you bring issues to them and ask what they would do. Even if you think it is a simple decision, mull it over and talk to them about it. The results (buy-in, compliance, good feeling) will be worth the extra effort.³⁹

After Hours Social Activities

Fraternalizing after business hours may be becoming increasingly uncommon in the don't-do-or-say-anything-that-can-get-you-sued environment of the West. In China, however, gaining staff loyalty and peer



Business meetings around a classic tea table are very common and very traditional. I've agreed to terms around a table like this.

—Chris Conte
Electrosonic, Inc.

support depends on breaking through the professional formality to form friendships.

In China, the boss is expected to be a leader both inside and outside the organization. That means organizing social events for office personnel. Favorite activities include:

- Dining (formal banquets, lunch or dinner at outstanding restaurants)
- Bowling
- Karaoke
- Nightclubs
- Picnic outings
- Soccer matches⁴⁰

Business Gift-Giving

It is appropriate to bring a gift, particularly something representative of your town or region, to a business meeting or social event. However, never present a valuable gift to one person while in the presence of other people. This gesture will cause only embarrassment, and possibly even problems for the recipient, given the strict rules against bribery in Chinese business culture. Therefore, giving a gift to the entire company, rather than an

individual, can be acceptable, as long as you adhere to the following rules:

- Conclude all business negotiations before gifts are exchanged.
- Specify that the gift is from the company you represent.
- Present the gift to the leader of the Chinese negotiating team.
- Do not get anything that is obviously expensive, so that the company will not feel obliged to reciprocate.
- Valuable gifts should be given to an individual only in private and strictly as a gesture of friendship.
- Gifts should be wrapped, but do not wrap a gift before arriving in China, as it may be unwrapped in Customs. Wrap gifts in red paper, which is considered a lucky color. Plain red paper is one of the few “safe” choices since a variety of meanings, many of which are negative, are attributed to colors in Chinese culture. For example, plain black or white papers are the colors of mourning. Because colors have so many different meanings in this culture, your safest option is to entrust the gift-wrapping to a store or hotel that offers this service.

From the Front Lines...

What are some of the roles that marketers can play to help assure their firm's success in the Chinese market?

- On my marketing staff at our headquarters office, I have a Chinese national plus a gentleman who lived in China for years, is married to a national, understands the culture, and speaks and reads Mandarin fluently. He was originally our business development manager in Shanghai and then we brought him back here.
- I re-titled our China marketing coordinators—I named them Marketing Strategists. They really define the strategy of what we are going to do there. They can read things—we used to use a PR firm, but I could not read the press clippings. If an RFP comes through, I can't read it! But, they can. We get a lot of delegations from China—they tour them around and act as translators. We could not do marketing in China without them. We submit for a lot of awards. Our clients love the publicity because they are developers and it helps them sell the property. We do a fair amount of trade shows and put on 'architectural salons', as well. Our China marketing strategists manage all of this.
- Get involved in trade missions. Our Chinese partner is in China right now on Commerce Secretary Gary Locke's clean energy trade mission. We are being associated with big companies like GE and Boeing, which is a plus. We also went on a trade mission from Washington State, which not only generated opportunities in China but also helped us make some good connections here at home, too. The trade missions are pretty intense, but they are really valuable.
- Market reconnaissance
- Develop/adjust the firm message
- Develop country specific collateral
- Help identify and manage relationships, etc.
- In China, you need to build relationships with senior decision makers and be patient. It's relationship-based. The business development role is key. This needs to be a senior person with many hats. They need to know the decision-makers and how to negotiate. They also need to know your company culture, know your experience, and how to market the firm. A number of people are doing this for us on an informal basis. We would like to find one person; we have done a lot of interviewing, but we have not found them. It would be great if this individual was an architect, understood marketing and sustainability, and could set up that next meeting or interview with one the four principals from here.

—Bill Doerge

International Marketing Principal, Perkins + Will

—Paul Frank, AIA, NCARB, LEED-AP
Principal, LRS Architects

—Carla Thompson, FSMPS

*Director of Marketing & Business Development,
Mulvanny G2 Architects*

*From the Front Lines...**Marketer's Roles Continued...*

- Help those traveling there to understand the culture.
- Research clients and their goals, needs, and concerns before visiting them.
- Develop and maintain marketing communications. Our website has elevated and positioned our firm. In fact, we get several qualified leads every month from prospective clients in China. The website doesn't have to be in Chinese, if you want that Western mystique.
- Once a Chinese client expresses interest in us, we submit a proposal in English and Chinese (using a side-by-side column format). China is the only country in which we produce our contract documents and our proposals in two languages.
- Although we receive a lot of invitations to be featured in magazines, we turn down most of them. In China, many publications have a questionable reputation, poor quality, or require you to buy in. We avoid them for those reasons.
- We do have a coffee table book of our work. Our publisher talked us into producing a Chinese version. That version is on thinner paper with lower quality, so we actually use the English version more in China, with better results.
- Keep track of the project efforts. There is a lot of work in China. The country has 1.3 billion people. Third tier cities are one to two million in population and there are fifty to sixty of those.
- In our case, I am a doer/seller, so I represent the firm on projects in China and work with our Beijing marketing staff.
- Build and maintain our brand. Brand is very important in China. A well-known name is a sign of prestige. The Chinese want a firm or person who is considered the best. In fact, when you translate their comments literally, the word comes across as "famous."
- Maintain our website, in both English and Chinese.

—Chip Pierson, AIA
Principal/Director of Marketing, Dublin
Group Architecture Planning

—Howard J. Wolff, FSMPS
Senior Vice President, Worldwide Director of
Marketing, WATG

Often, gifts are not opened in the presence of the giver. The Chinese will decline a gift three times before finally accepting, so as not to appear greedy. You will have to continue to insist and once the gift is accepted, express

gratitude. You will be expected to go through the same routine if you are offered a gift.

Suitable gifts for an individual can include any of the following:

- A good cognac, or other fine liqueur
- Kitchen gadgets
- A fine pen (not red ink as writing in red ink symbolizes severing ties)

Suitable gifts for a company include items from your country or city, such as handicrafts, or an illustrated book. Be sure to bring a supply of these items with you, so that you can reciprocate if it happens that you are presented with a gift. A banquet is also usually a welcome gift. Since it is likely you will be invited to one, you will have to follow Chinese business protocol and reciprocate. Gifts of food are acceptable, but not at dinner parties or other occasions where appetizers and meals will be served. Candy and fruit baskets are acceptable as thank-you gifts sent after these events. Eight is considered one of the luckiest numbers in Chinese culture. If you receive eight of any item, consider it a gesture of good will.

Avoid giving scissors, knives, or other sharp objects that can be interpreted as the severing of a friendship or bond; straw sandals and clocks as they are associated with funerals; or

From the Front Lines...

What do you wish your firm had known before you entered the Chinese market?

- You always learn something about a market when you start working in it. China was no different. I don't think there is anything that had we known ahead would have made a difference. We were cautious in setting up our business model there. We did make mistakes, but none were fatal.
- Managing a branch office in another country is a challenge. There is a different currency, different language, different compensation models. Knowing when to step in and when to step out is important. When we let go of some of the control, the offices did much better.

—Chip Pierson, AIA

Principal/Director of Marketing, Dahlin Group Architecture Planning

- Before we got involved in China, I wish that we had known more about how relationships work and the expectations of the parties involved. In the U.S., how we share leads and make referrals is very different from how it's done in China. In China good referrals have compensation associated with them—be prepared! You need to understand business development services for fee versus compensation upon contract signing. It's a little more risky and challenging to go with the fee for service way. The other way you have a lot of people opening doors for you. We get lots of leads; the person who gave us the lead might expect a little compensation if something happens. If it happens, everyone should be rewarded, versus someone who you are paying on an on-going basis and nothing ever happens since there is no guarantee.

—Paul Frank, AIA, NCARB, LEED-AP

Principal, LRS Architects

- The whole financial aspect in terms of getting money out of the country and transferring funds is a big deal. Even our personnel benefits, vacations, PTO have all been set up differently for our Chinese staff. The Chinese have national holidays that go on for weeks. But on the plus side we can work around the clock. We start having meetings at 4:00 p.m. We really do have lights on all over the world at some point during the day.

—Carla Thompson, FSMPS

Director of Marketing & Business Development, Mulvanny G2 Architects

From the Front Lines...

Travel is not as glorious as it sounds. It's a long way to China! We set up an office eighteen months ago after commuting for a year with our first job, which took a year and several trips to get. But, it's pretty tough to do work in China without being on the ground. The pace of things is much more than we are used to in the U.S., and the scale of the projects is very large.

It is very hard to keep clients happy without an office and presence there. The clients are smart; they figure out very quickly where and how the work is being done and if you have a shadow office for show. If you fill your western office with Chinese architects that is not what they want—they can hire Chinese architects themselves if they wish. Many international firms start offices with Chinese staff, but that is not what Chinese clients want. That's transparent to clients. If you are going to invest in doing work in China, they will pay you a very handsome fee, but they expect the quality of work that they would get in the U.S. To give them less is not a sustainable way of doing business. You need a pretty strong western presence there, which is one piece of the puzzle.

But, it is a completely different culture. You need to have someone else in China working with your organization who really understands the language, the culture, the protocol, the politics, and how to maneuver the terrain. One without the other is not really sustainable, if your motivation is to do really great large-scale design. If your motivation is simply to make money, you do not necessarily need both. You have to be clear in your mind what your firm wants out of this, and define a strategy that clearly responds to your firm's goals.

China is a very complex place to do business. It

sounds romantic, fun and exciting, but it's a lot of work. After having an office in China for eighteen months, we have millions of square feet under design or master planning. There is a bucketful of work in China, but it is not easy to please the client, understand their culture and what they want, adhere to their timeframes, and get paid.

There are a number of pitfalls you have to be cautious about. Our initial market focus in China was on housing since Steinberg has deep expertise in that market. We quickly found out that with builder/developers you are immediately pegged because of the quality of your clients. Once you are pegged, it's hard to move up. We turned down a number of possible clients. We held off until we found an A+ client. They have been very fair with fees and payments.

What is important is friendships and relationships first, and business second. They like to be friends, they like to know you. It takes time; it takes an investment. We spend a lot of time cultivating relationships first. It's a slow process; it may not work for everybody. But, it's working for us. Our first project was a big project. We brought it back to the states to do. We did not have a good feel for the culture, customs and norms. We gave our Chinese clients what we thought they wanted, but we completely missed the target. Though they want international ideas, they still have to address their market and their culture. Without some on-the-ground experience and people who have that, you can miss the target pretty easily. And, in terms of getting paid, it's pretty much up to them when you hit the milestone.

—Rob Steinberg, FAIA
President, Steinberg Architects

four of any item since the Cantonese word for “four” sounds similar in the same language to the word for death.⁴¹

Timeline to Success

The timeline to success in China can be relatively short (two to three years) or it can be much longer (up to 10 years). It is not for the faint of heart—it takes a strong commitment to enter this market. Finding the right partner and developing relationships takes time and cannot be rushed. In speaking with representatives of several A/E/C firms, the key to quick success is going in with a strong local partner.

The first few times you are there, you’re there to meet people and get to know about China—not to do a deal. The Chinese need to feel you are there to do something for them and for China.

Conclusions

Doing business in China is a viable opportunity in these challenging economic

times—if it is approached with a thorough understanding of the business and socio-economic cultural differences as well as the governmental influences and restrictions inherent to a communist country.

While anecdotes for both success and failure are plentiful, the key to success lies in:

1. Proper prior planning including doing significantly more research and due diligence than might be required for entering a new market in your own neighborhood
2. Finding the right local support, partner, and team members
3. Obtaining an investor willing to support the long-term commitment necessary to succeed in this market

There is a vast amount of research and guidelines available. Rules and regulations can change on a daily basis so be sure to check with your local consulate or other authority for the most up-to-date information.

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Mandarin is the official language of China, Taiwan and Singapore and one of the most widely spoken languages in the world.

- *Phrases cover everything the traveler in China might need*
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- *Grammar section for those who want to know a little more than just phrases*
- *Thumb tabs and index for easy reference*

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Knowing and understanding these eight lessons on how to succeed in China could save you hundreds of thousands of dollars, earn you millions in profits and save you years of time. Read case histories on Wal-Mart, Micro-Soft, VW, and DMG illustrating the lessons. This is a practical how-to book giving you insights into the psychology and behavior of how and why the Chinese act the way they do.

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The only resource of its kind, about the only country of its kind. Presented by The Atlantic magazine, these five DVDs plus a content-rich CD-ROM explore aspects of China never before seen on film or video, offering unfettered access and unfiltered information. These DVDs have been distilled from over 800 hours of high definition footage and over 200 candid interviews, from the executive suites to the factory floors of China.

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BRC Imagination Arts is an energetic group of creative thinkers, designers, producers, writers, filmmakers and managers. Our services cover architecture, design, planning, management, creative oversight and integration. Imagination is our middle name.

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Dragages is part of a globally-respected network of construction-related companies, headed by Bouygues Construction and has been involved in a range of landmark projects, across Hong Kong and North Asia.

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Electrosonic provides audio visual systems and products to entertainment attractions, visitor centers, museums, exhibits, and other applications. Electrosonic has a strong reputation for working on complex projects, both large and small, and has through its 45-year history developed lasting partnerships with customers and suppliers.

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For more than 40 years, the firm has been blending “multidisciplinary”, with multicultural. Today, Perkins+Will has completed projects in 43 countries around the globe, including dozens of high profile projects in the Middle East. Their work is globally recognized for its responsiveness to the location, the project mission, the setting and the region’s culture, heritage and customs.

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Thinkwell designs and produces attractions, live shows, branding / corporate experiences, and education experiences. Thinkwell’s principals have more than 50 years experience in these areas. Their services include concept development, schematic design through to fabrication supervision and installation, programming and show direction. Their branch office in Barcelona, Spain services European clients, while the office in Dubai supports clients in the Middle East and Asia.

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tvsdesign, formerly known as Thompson, Ventulett, Stainback & Associates or TVS, is an international architecture and interior design firm in the areas of planning, architecture, interior design and sustainable design. The company’s headquarters is located in Atlanta, Georgia, with satellite offices in Chicago, Illinois; Dubai, United Arab Emirates; and Shanghai, China.

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Founded in 1976 by Doug Dahlin, AIA, Dahlin Group is led by a management team of twelve principals and 180 professionals from their Pleasanton, San Francisco, Solana Beach, and Beijing, China offices, including architects, planners, designers, graphic artists, computer renderers, and administrators.

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Steinberg Architects, founded in 1953, is a third-generation architectural firm that brings a thoughtful, innovative approach to design. With over 130 employees, they are a dynamic team of individuals with the experience and talent to understand, collaborate with, and challenge their clients in order to achieve results beyond typical expectations.

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MulvannyG2 Architecture is a U.S.-based architecture and design firm with its headquarters in Bellevue, Washington. It was established in 1971 under the name Mulvanny Architects by then owner Doug Mulvanny. MulvannyG2 merged with Gerry Geron's G2 Architecture in 1999.

Wolff, Howard J. WATG, June 2010.

Over the course of the last six decades, WATG has become the world's leading design consultant for the hospitality, leisure and entertainment industries. Having worked in 160 countries and territories across six continents, WATG has designed more great hotels and resorts than any other firm on the planet. Many of WATG's projects have become international landmarks, renowned not only for their design and sense of place but also for their bottom-line success.

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Fiberweb is one of the world's largest and leading suppliers of high performance, specialty nonwoven fabrics. Fiberweb has a strong market position in many of its product and application areas using a variety of leading manufacturing technologies, including several proprietary processes. With revenues close to \$1 billion and over 2,000 employees worldwide, the company has a strong global position with major operations in North America, Europe, and Asia.

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Lenovo organizes its worldwide operations with the view that a truly global company must be able to quickly capitalize on new ideas and opportunities from anywhere. By foregoing a traditional headquarters model and focusing on centers of excellence around the world, Lenovo makes the maximum use of its resources to create the best products in the most efficient and effective way possible. In addition, their dispersed structure keeps them closer to customers, enabling Lenovo to react quickly to local market requirements. Principal operations in Morrisville, NC; Beijing, China; and Singapore.

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About the Author



**Lisa A. Thorburn, LEED-AP, CTS
Thorburn Associates Inc.**

Lisa is the president, marketing principal, and co-founder of Thorburn Associates, an international Acoustical, Technology, and Lighting design firm. Started in 1992, the company has offices in the San Francisco, Los Angeles, Raleigh-Durham, and Orlando areas. TA has completed over 2000 different projects of all types including commercial, corporate, leisure, residential, retail, and places of worship.

Lisa leads a team of twenty-five professionals on both national and international projects. Her degree in scientific and technical communications with options in business and computer science provide the background and communication skills necessary to easily translate technical requirements into client-friendly information.

Lisa is a firm believer in freely sharing technical expertise to help increase the knowledge base within the industry. She regularly presents on acoustical and technology issues at industry events and for lunch and learns. In her spare time, Lisa enjoys teaching both T'ai Chi Chih and its advanced form, Seijaku.

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OCTOBER 11 – 12
WASHINGTON, DC

MONDAY, OCTOBER 11

6 – 7:30 pm **Networking Reception** (included in Think Tank registration)

TUESDAY, OCTOBER 12

7:30 – 8:30 am **Registration and Continental Breakfast**

8:30 – 8:45 am **Welcome**

8:45 – 11:45 am **Panel Discussion: A/E/C Firm Success Stories**

Top executives from innovative A/E/C firms will share their success stories and advice for growth in 2011.

- David L. Richter, President and COO, Hill International
- Thomas Z. Scarangelo, P.E., Chairman, Thornton-Tomasetti
- Jim Slack, CEO, Slack and Company
- John Tarpey, Regional CEO-North Region, Balfour Beatty

Noon – 1:30 pm **Luncheon Keynote Presentation: “Fast Forward—Marketing for Changing Demographics”**
by James Chung, President, Reach Advisors

1:30 – 4:15 pm **Panel Discussion: Owner and Client Expectations for 2011**
Owners and clients from various industries and government agencies will discuss their expectations for the coming year.

- American Association of State Highway and Transportation Officials (*Invited*)
- US Army Corps of Engineers (*Invited*)
- Federal Highway Administration (*Invited*)
- Robert Peck, Commissioner of Public Buildings, General Services Administration (*Invited*)
- Steve Thweatt, VP, Design and Construction, Emory University (*Invited*)

4:15 – 4:30 pm **Wrap-Up**

Program Moderators:

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