

Sam Goodman - *Where East Eats West*

by Matt Eiden, Founder, Sino Simplexities and Fletcher '05

On September 22, 2009, Sam Goodman, author of *Where East Eats West: A Street-Smarts Guide to Business in China* visited The Fletcher School to speak with a group of students about doing business in China. Mr. Goodman, who has lived in China for almost 15 years, founded a successful chain of sandwich shops in Beijing in the late 1990s, was a Client Partner for the world's largest executive recruitment firm, and was a successful negotiator for Westinghouse's \$5.4 billion bid to build four nuclear power units in China. He is now Chief Operating Officer for Climate Action, a for-profit company focused on developing CO2 reduction projects in China.

Mr. Goodman began his presentation by looking at some comparative numbers for China and the U.S., which highlighted China's giant population and its rapid urbanization. He argued that this huge population is a major factor in the hyper-competitiveness of China's business environment. Chinese and foreign companies alike must fight hard to win customers and build market share, while workers need to compete effectively to secure good jobs.

The core of the presentation featured Goodman's top-ten list of mistakes made by western businesses in China, and he went into greater detail on a few of the major mistakes. Much of the discussion focused on the concepts of Face and Guanxi. "Face," Goodman explained, "is essentially appearance over substance. Improving one's face - gaining face, not losing face - is absolutely the number one top motivator in China business."

The importance of face drives some serious differences between business in China and in the west. For example, in North America, companies doing a business deal often focus on an agreement that is a "win-win" for both parties. By contrast, for a Chinese executive negotiating a deal, if the counterparty is happy with the results, this could mean that the Chinese side gave too much away, which would result in a loss of face and some unhappy bosses.

Moreover, face, coupled with guanxi, or connections, act together as an "insurance policy" when doing business. If an executive wants help with a business issue, and she is introduced by a contact to someone that can help solve the problem, that someone will do everything possible to succeed, because failure would mean a loss of face not only for themselves, but the intermediary as well. In the end, both of these vitally important factors - face and guanxi - are not hard to understand, but they are critical to success in China.

Another important lesson focused on the relationship between the "ends" and the "means" when doing business. In the west, Goodman said, we are taught that "the ends don't justify the means." In China, however, companies will do whatever it takes to get results, and the ends will justify virtually any means. "The 'jungle mentality' is a good way to think of business in China. Foreign investors should realize that Chinese companies will focus on results, not the process it takes to get those results. This issue is often reflected in serious differences when western and Chinese partners execute a business strategy."

Goodman also discussed how western businesspeople often misunderstand the nature of contracts in China. In western business, contracts are final and binding, with little to no room for renegotiation and adjustment once the contract is signed. In China however, a contract is often only the beginning of serious negotiations, and Chinese partners almost always expect to change contract terms after the fact. Goodman used the example of sailing on a boat - once you have boarded and the boat has left the port you are effectively captive, and the captain can present new demands to which you have little choice but to agree. Companies undertaking negotiations in China should keep this difference in mind, and make contingency plans that will help them arrive at a desired result.

Goodman's presentation was billed as a "101" level course on doing business in China, and it certainly lived up to expectations. As someone who has worked in and around China's business environment for many years, I found his analysis and recommendations to be spot on. The Goodman event gave students a practical, real-world lesson on international business, which is an integral part of Fletcher's mission to train the next generation of global business leaders. Fletcher's International Business Center (IBC) is planning to provide many more opportunities to meet with executives who are "in the trenches" of international commerce. Keep checking the Fletcher website for future events, or contact the IBC for more information on Fletcher's corporate outreach.

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