



Effective Strategies for New Zealand Firms in China

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Executive Summary

This research project identifies success strategies for New Zealand's small internationalising firms (SIFs) in China.

A model is presented of seven novel and interlocking strategies specific to both the structure and capabilities of New Zealand firms, which are proven to be successful in the Chinese business and political environment. The recommendations underlying the model are a marked departure from common, yet often unsuitable, pieces of advice that either suit only multinational companies or paint rosy pictures of unlimited customers.

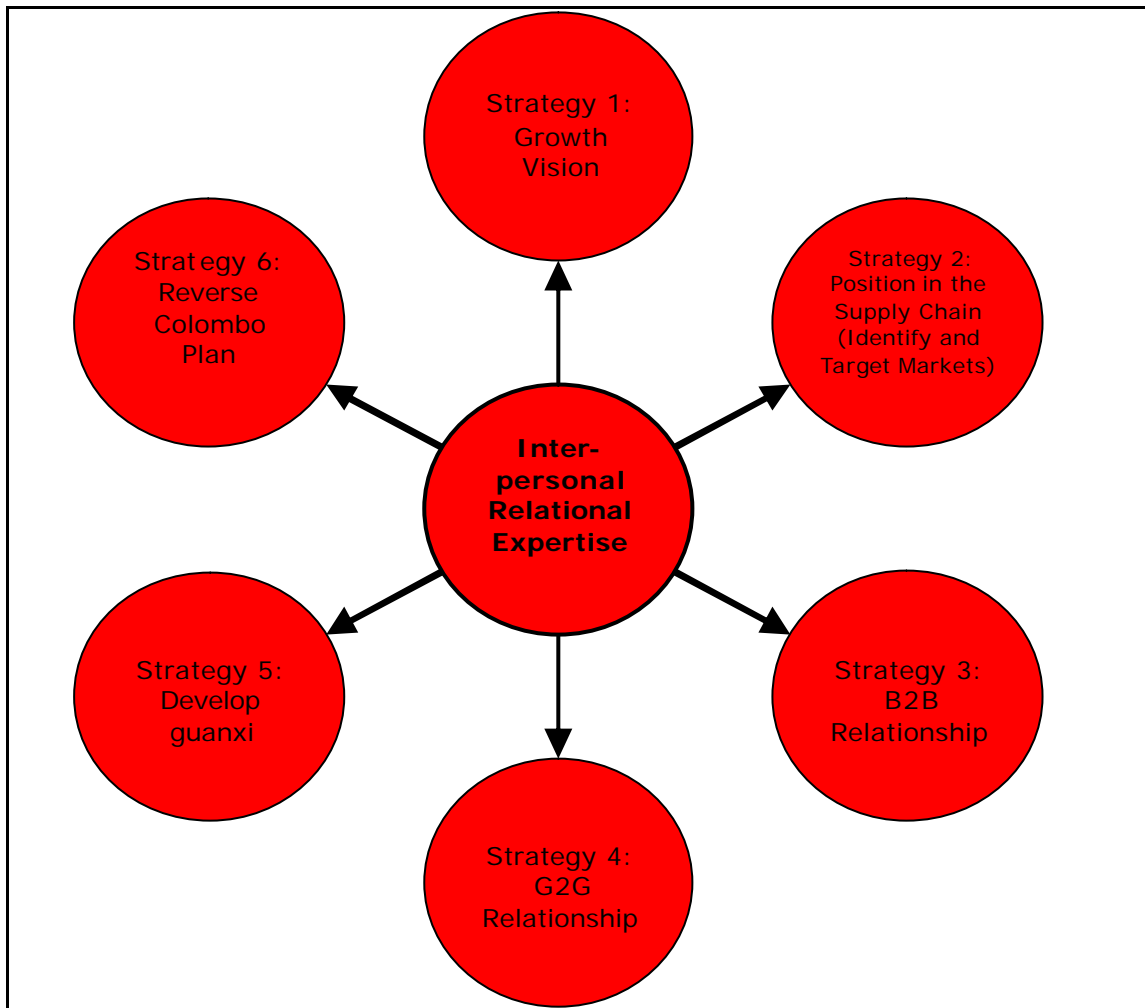
The overall model comprises one core competency and six matching strategies:

- Core Competency: Inter-personal Relational Expertise;
- Mindset 1: Instill a Global Growth Vision;
- Mindset 2: Identity and Target Niche Markets;
- Mindset 3: Focus on Business-to-Business Relationships;
- Mindset 4: Use Government-to-Government Relationships;
- Mindset 5: Build *guanxi*; and
- Mindset 6: Support a Reverse Colombo Plan

The model is people-centered. It suggests, based on field research of SIFs in China that the primary competitive advantage is in the resourcefulness, entrepreneurial drive and adaptability of the people in charge. In New Zealand, which is an excellent example of a country dominated by SIFs, this advantage is well known and is often referred to as the "can-do-attitude" or "No.8-Fencing-Wire Mentality". Thus, unlike larger multinationals, the core competency of the SIF does not normally rest in the overall superiority of products (perceived or real), nor in a commanding market position through a brand name or distribution channel control.

From this people-centred core competency, six matching strategies are derived. These strategies are narrowed-down, defined perspectives of markets and products and of those aspects of the business environment that suit SIFs.

The figure below illustrates the centrality of the interpersonal relational expertise and the matching strategies that are critical to opportunity identification in the Chinese market.



Inter-personal relational expertise works best in an emerging, fast changing market such as China, where rules, regulations and practices are still evolving, rather than being static. This implies, obviously, that as the market matures, the competitive advantage of relational expertise will weaken over time.

Relational expertise must be coupled with a distinct *growth vision*. The hallmark of which has to be the determination to grow to a multiple of the current domestic size of operations. If this is not present, internationalisation more likely than not is an unnecessary and costly adventure.

Relational expertise is typically an asset of only a few people. To bring this asset fully into play, the number of market players to be in contact with has to remain small. This suggests that the next important strategy is selectivity in terms of market niches. SIFs are unlikely to compete successfully in end-user, consumer markets. Rather, their potential is in the identification of niche markets, especially in the form of a specific *position in the supply chain*.

Closely related to the recommended focus on niches and gaps in the supply chain is the recommendation to concentrate on *business-to-business (B2B) relationships*. This ensures that the relational expertise and professionalism is applied to other professionals in manufacturing or services.

To reinforce the interpersonal relational expertise, and in order to provide a conducive environment for SIFs, *government-to-government (G2G) relationships* are important. It is therefore imperative that SIFs seek and support trade missions, governmental visits and consular work. Especially in China, official, i.e. government-level support and endorsement are seen as important.

Another important strategic issue is the *development of guanxi* in China. Guanxi is the totality of social networking that is so characteristic for the relationship-oriented Chinese society and without which little can be achieved. One of the most important, as yet hardly used assets in this respect are the thousands of Chinese students studying in New Zealand.

Finally, New Zealand should develop a *Reverse Colombo Plan*, to ensure that young New Zealanders develop a genuine appreciation of the opportunities and challenges of an international economic, cultural and political environment that the return of China into the modern world has forever changed.