

Free research paper on doing business abroad: case of china

[Business](#), [Marketing](#)



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Introduction:

With the ongoing advancements and globalization businesses all over the world are looking for new markets and locations in order to reap more benefits and growth. In recent years, China has grabbed the attention of foreign investors due to increasing business opportunities and large target market. The overall society and population of China is highly advanced and have been turned into technologically proficient society. These changing trends have resulted in making China one of the most attractive markets for international investors and organizations. At the same time there are several challenges and risks associated with doing business in China. It is important for the businesses to carefully explore and evaluate the overall environment and culture of China and then come up with effective and efficient strategies to make sure that the business venture of entering into China market is a success.

Type of Businesses that would prosper in China:

Every country and location has its own culture and society; hence it is important for the organizations to carefully analyze environment and culture of the international market before entering into it. The consumers in China prefer the companies which offer them high value for their money. Hence, any business which understands the local preferences and market and provides high value to the consumers can prosper in China. Apart from this the consumers in China give preference to the brand which they already know and which they trust (Hsu, 2012). Small firms and organizations who want to enter into Chinese markets should understand the particular needs and requirements of the Chinese markets. Apart from this the mid market segment of China is highly attractive and profitable because of increasing sales potential (Gebauer, Fischer, and Fleisch, 2009).

Challenges and Risks Associated with Doing Business in China:

It is not easy for international organizations and firms to enter into the market of China and survive, as there are several challenges and risks associated with doing business in China. Some of the most common challenges and risks which have to be faced by any new business venture in China are as follow (Jayaraman, 2009):

- Political and legal challenges and risks
- Cultural challenges and risks
- Challenges and risks associated with negotiations and communications with Chinese people
- Overall instability of the economic and trade policy

- Increasing local preferences

The government and people of China give more preference to the local companies and organizations over international organizations. Apart from this the increasing financial and legal regulations make it difficult to start a new business venture in the country. The ranking of China on different aspects of doing business are given in the image below:

(World Bank, 2012)

The business culture of China is different as compared to the business culture of other countries and hence makes it necessary to first understand the cultural difference in order to make sure that the business venture is a success. The overall score of China regarding different cultural dimensions is given in the image below:

(Irwin, 2012)

Apart from this the comparison of the cultural dimension of China with that of USA is given in the image below:

(Boontanapibui, 2010)

Hence, it is important to understand all these challenges and risks before starting a business venture in China.

Recommendations for Addressing Challenges and Risks in order to Increase Chance of Success in Chinese Market:

Some of the recommendations for addressing challenges and risks in order to increase the chances of success in Chinese market are as follow

(Kermeliotis, 2011):

- Carefully explore and understand the different cultures and preference of the Chinese consumers
- Understand the business communication and negotiation culture
- Starting up with a partnership or collaboration with local company or firm
- Hiring local human resource and building a local team

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