Speaking the same language

Chinese investors and Israeli entrepreneurs are steadily coming to terms with the differences in their approaches to business

By ALFRED ROMANN

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Head of the economic and trade mission at the Israeli consulate in Hong Kong

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Upon a mountain above the Dead Sea is the ancient fortress of Masada. Mostly in ruins, it overlooks the hot and dry desert land where much of Judeo-Christian history unfolded.

Very few people walk up to Masada; most take the cable car and take in the spectacular views while avoiding the heat.

To get to the cable car, they have to walk past an Ahava store. Ahava is an iconic Israeli cosmetics company that makes products laden with minerals from the Dead Sea, just a few hundred meters away.

Ahava is now owned by a Chinese conglomerate. Fosun International bought Ahava in the first half of 2016 for $76.5 million.

A fairly long negotiating period underscored the cultural differences that can sometimes slow growth in the relationship between Israel and China.

"There is a very big cultural gap — in business culture as well — and not just the language barrier," said Yariv Becher, head of the international financing department at the Foreign Trade Administration of Israel's Ministry of Economy and Industry. "There are different ways of doing business.

"It took us, the Israeli industry, many years, a few decades, to understand how to work in the US: To understand how to raise funds; to understand how to give a pitch; to understand how to work with investors," said Becher.

"There was a lot of trial and error. And probably we will see the same thing in China," he said. "You will hear a lot of stories and there are a lot of failures, mainly because of that gap."

He added: "Israelis are often very direct, and quick, and often impatient. They are, I would say, the exact opposite of businessmen in China.

"And the subtleties of understanding the non-words, the subtleties of a message being conveyed — there's a lot that we need to learn, I think, going both ways."

Other challenges are more practical. For example, a typical round of investment for a young Israeli company that is heading to market could be around $5 million. Chinese funds, on the other hand, typically look for investment opportunities in the $50 million range.

"For companies here, it is like drinking from a fire hose. That is something that we need to learn how to manage," Becher said.

The numbers would suggest that these cultural differences are little more than speed bumps. After all, trade between Israel and China has grown by several orders of magnitude from a mere $50 million back in 1992 to more than $10 billion last year, while investment from China into Israel spiked to over $16 billion last year.

Li Ka-shing, Hong Kong's richest man, has been investing in Israel for two decades. His Hutchison Telecom company won an operating license there in 1999, and in 2008 Hutchison Whampoa set up a water treatment firm. Horizon Ventures, a venture capital arm of Li's empire, has made more than two dozen investments in the country.

But most of the investments and deals that have succeeded are between big companies, said Jordan Zhao, marketing director at Innonation, a Chinese company that organized a China-Israel investment summit in June that attracted 1,400 people to meetings in Hong Kong and the South China city of Zhuhai in Guangdong province.

"There are some gaps between China and Israel, and in particular between (the Chinese mainland), Hong Kong and Israel. There are three different cultures," Zhao said. "Many, many Chinese have visited Israel to see what opportunities there are, but many Chinese take a long time to make a decision."

There is much Israeli interest in China ventures across a wide range of fields — from fintech and cyber technologies in Hong Kong to the Internet of Things, water treatment, cleantech or agriculture in the Chinese mainland. That is according to Ester Burke, who heads up the economic and trade mission at the Israeli consulate in Hong Kong.

"Most of my work is to get investors, to introduce them to startup companies," Burke told *China Daily Asia Weekly*.

Also, she said there is a lot of Chinese interest in Israel — to the point that there is little to do in promoting Israel itself. The focus instead is on specific companies.

"People come to me all the time and ask me about Israel and Israeli technologies. It is not hard to invite people to Israeli events," Burke said.

But she, too, cites occasional gaps in understanding and culture.

In broad strokes, Israeli entrepreneurs tend to sell companies at earlier stages than what Chinese investors are typically looking for. This is not always the case, but it happens frequently enough to be something of a trend.

Also, there are different approaches to doing business — differences that are greater between Israeli and Chinese businesses than those between Israeli and American or European operations.

For some companies, such as Shanghai-headquartered WuXi AppTec, the need for a bridge creates an opportunity. The company, a clinical research organization, opened an office in Israel in 2014.

"We did that to bring our capability close to the customers. Because of the nature of the projects, although it has been very seamless for us across the oceans to work with customers, it is nice to have local program management and leadership in place," said Cai Hui, head of public relations. "That's what we see as adding additional value."

Israel is a hub of innovation, said Cai, and she feels WuXi is unusually well suited to bridge the gap between China and Israel.

"Associated with the WuXi platform, of course, is our huge insight into the China market. We know China extremely well," she said.

For a long time, Israeli companies embarking on their first venture outside the country have focused on the United States or Europe.

Now, however, as the flood of Chinese investment reshapes the Israeli economy and powers its innovation engine, there is a trickle of Israeli companies and investors heading into China.

"There is a joke here that half of China walks in here ... I have met so many Chinese companies that I give talks to, and many of them come here to our offices," said Oren Tamari, CEO of UPnRIDE Robotics, a northern Israel-based maker of robotic mobility products — upright, Segway-like devices that can be used by quadriplegics.

"We meet many companies that are looking to invest in Israel," he said. "All of them speak about manufacturing.

"I tell them, if you invest, then we become a partner and we consider together how to bring the product into China, how to sell it and then, if needed, how to manufacture it. But the first action won't be manufacturing. (That) would be the result of a relationship with a company there."

"We've met tens of companies, if not more than that," Tamari said. "There are a few that have already invested in Israeli startups. They look for something that is interesting."

But finding something interesting is not the same as closing a deal. At times, differences in the approach can get in the way.

Burke from Hong Kong's Israeli consulate said: "What I've heard from companies many times is that they come (from Israel) and they start at the lower rank, they mingle and talk and they go to karaoke — (but) then they need to fly (here to China) again and move on to a higher rank.

"You need to fly back and forth many times before you even start to talk about business," she said.

"The Israeli companies that come here (to China) ... they ruin (the relationship) for the long run because they come, they speak too direct, they go too fast to the business and they don't put enough (emphasis) on relationships."