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West sniffing unfairly at Chinese takeover bids

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The Chinese are not the only ones who like to quote proverbs coined by their illustrious forefathers. Westerners do too. One famous quote is the Latin saying "Pecunia non olet" or "money does not stink," attributed to the 1st century Roman emperor Flavius Vespasian. In other words, money's value is not affected by its origins.

According to capitalism, your money is as good as theirs when competing for the same assets under normal conditions. But recently, conditions have been anything but normal. Chinese companies trying to do mergers and acquisitions abroad are being turned away for no other reason than their being Chinese, despite often being the highest bidder.

On some occasions it looks like some Western countries are going against the supposedly sacred rules of free market competition just to keep Chinese companies out of certain markets and sectors.

This is becoming a big problem for Chinese companies embarking on internationalization. This is the most significant threat to the development of the Chinese economy in recent years.

Why is this happening?

A nebulous collection of political, economic and cultural prejudices pervade Western societies when it comes to dealing with Chinese firms. The Chinese government is increasingly presented as the home of values incompatible with "civilized" behavior and as a threat to the world.

Chinese companies are routinely portrayed as big faceless organizations which will give money but remove jobs to faraway factories back home and brazenly steal the technology of their Western partners.

Western governments, while paying lip service to the free market capitalism, harbor worries that their economies will be swamped by a Chinese economy that now has both capital and manpower.

Economics is the new politics these days and if China is seen as a strategic foe by some Western countries, they can check its rise by curbing the growth of its companies up the value chain. The chief power the West has is to restrict Chinese access to natural resources, technology and now rich markets.

Chinese companies "going out" should realize that it is highly unlikely that they will be treated as equals because, even if their money is good, their encroachment spells the inevitable demise of a world order where Western countries have taken their dominance for granted. Chinese companies are not compensating for the effect of anti-China feeling and the political sensitivities created by China's expansion.

This exacerbates the weakness of Chinese companies and compounds their disadvantages. Without doubt the main weakness is one of inexperience of international management.

Some of the largest companies in the world are now Chinese. But with very few exceptions, they are relatively unknown outside China. They don't generate strong emotions among foreigners, and instead suffer from the overall negative perception of Chinese firms and China as a whole.

Who is Geely, who is Lenovo without IBM's Thinkpad and who in Germany goes to bed dreaming of the next handset by Huawei? Chinese firms must build "goodwill capital" to weather attacks on their image. And they need it. More than 50 percent of deals within the same "business culture" fail to deliver value on the long term. Throw in the Chinese factor, and the success rate falls precipitously.

One tactic some experts recommend to Chinese companies is to keep a low profile once a merger has been carried out to avoid damaging the foreign brands they bought and which are often more famous than them.

But this is a risky strategy. Chinese companies shouldn't wait until problems to begin communicating but anticipate them. Protecting the brand equity they brought into by distancing themselves from it is a recipe for disaster.

The expansion of China must trigger the creation of new tactics for management with creative strategies of communication at their heart.

The future growth of the nation depends on it.

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