

**Protecting against fraud when doing  
business in and with China:  
background investigations and other techniques for  
risk mitigation**

**The University of Chicago Booth School of Business  
Entrepreneurs Roundtable**

**December 15, 2008**

Illinois Institute of Technology -- Wheaton, IL Campus

**Louise Kern**

**Managing Director, GLOBIS**



# Overview

---

- **Level the playing field by learning the unbiased facts about companies in China – answer the question, do you want to do business with this company or person *before* you spend time or money on them.**
- **Collecting information lowers your risks, gives you a leg up in your negotiations, and can help you identify a scam before you fall victim to it.**



# Applications – why do I need this?

---

- Due diligence and business intelligence collection is used by large and small companies to determine whether they want to do business with a company or individual by gathering objective information about the company from a source beyond the one being reviewed.
- This info can be valuable at different levels:
  - Granting credit to a buyer
  - Locating & Qualifying suppliers, partners, and acquisition targets
  - Learning about the competition
  - Confirming whether a company is legitimate



# Warning Signs of a Chinese Scam

---

- **The Chinese company contacted you off the Web.**
- **They have “Import/Export” in their name.**
- **They want to conduct a very large volume of trade.**
- **They insist your senior executive travel to China immediately to sign the contract with them in person.**
- **They request money prior to the trip to pay for a reception in your honor, and/or, once in China, they request money or goods to grease the wheels with local officials.**
- **They have been in business for less than one year.**
- **They can provide no verifiable references.**



# What can I do to research a company?

---

## **Before visiting them, qualify the companies!**

- Google the fax number, not just company's name
  - If it shows up with negative info, STOP all communication with them!
- **Always** order a report on the company
  - "Freshly investigated" is best
  - Subscription services like Skyminder.com
  - One-offs and personal service like Glo-bis.com
- All consulting services are not equal!
  - Make sure they have third parties investigate the companies they recommend, and aren't just suggesting someone's cousin, etc.



# What will the report show me?

---

- A standard report should show:
  - Company registration details
  - Ownership
  - Type of company/industry
  - Litigation record
  - References
  - Trademarks/patents
  - Last 3 years financials



# Free (or Subsidized) Research

---

- Governmental (or similar) organizations

- *US Export Assistance Center*  
<http://buyUSA.gov/>
- *Foreign Embassies and Consulates in the US*  
[http://dir.yahoo.com/Government/U\\_S\\_Government/Embassies\\_and\\_Consulates](http://dir.yahoo.com/Government/U_S_Government/Embassies_and_Consulates)
- *American Chambers of Commerce Abroad*  
<http://www.uschamber.org/chambers/default>



## Free Research (continued)

---

- Associations and Organizations

- *Trade/Industry Associations*

- *The Federation of International Trade Associations (FITA)*

- <http://fita.org>



# Conclusions

---

- If you've already spent more than a few hours researching a company yourself, you would have not only saved money by purchasing a report on them, but would also be confident the info is unbiased.
- Chinese companies work with such low margins, they cannot withstand a market slowdown for long = make sure your info on them is current, especially in these tough financial times.
- Learning through a report how much credit you can grant a buyer in China might mean you make the sale instead of your competition.
- Revealing a scam before you're a victim saves you time, money, and perhaps even your company.



# Contact Information

---

Louise Kern

Managing Director



353 W Chicago Ave, Suite 4 W Chicago, IL 60610 • [www.glo-bis.com](http://www.glo-bis.com) • Direct line: 773.220.4000 • Fax: 312.867.7203