

# Presentation



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## Success in the Peoples Republic.

China



# Topics

- Considerations for potential MNC entrants and reminders for existing players
- Is China capable of generating more than manufacturing excellence, will it drive R&D
- Entering China as a MNC player in Heavy Duty Truck components and systems

# Chinaisms - fortune cookies?



# Western Based MNC's are facing a changing global reality

- China's influential sphere is expanding – G-20, G-7, IMF, World Bank – as is India's.
- Understanding both the major issues for the State and China's specific governing system is fundamental to appreciating business opportunities and risks
- The political economy is both a major part of the reason that China must now change significantly and a major obstacle to it successfully doing so

# The Political Economy

## Five Levels of Public Administration

At every level of this system the party-state consists of both the communist party and government organisations

Central (Beijing) National

Province (31)

Municipality (about 665)

County (about 2500)

Township (about 41,000)

# The Innovation Potential of PRC

“How to become an innovative society without having to become a Western society in the process has been perhaps the central problem in modern China” Ken Leiberthal, Managing the China Challenge.

- The political economy rewards the best business leaders (growth, FFI, unrest, birth rate) – understand their goals
- You need a tolerance for failure – vertical integration models are counter productive to innovation where 9/10 ideas fail
- Rich history of problem solving but never developed science and only an adaption of science can take problem solving (make a better mouse trap) to innovation
- There are some excellent examples of R&D centres established
- China see's it's future as a global manufacturer (unlike India)

# HDT Market Overview



- Approximately 950K build 2012 (HDT + Bus)
- High degree of European technology and increasing equity influence of offshore OEM's
- Trucks are, by a factor of FIVE, cheaper than European or USA equivalents – consideration
- Consolidated industry – 5 major players



- Limited 'enforcement' of standards
- Vehicle life average 5-6 yrs.
- Fatalities and accident rates are unrecorded
- Over time models become de-contented



# Developing a market for HDT parts

- Entry strategy
- A seat at the table – invest, employ, skill, localise
- Developing a market based China strategy
- The dilemma's – phase 1 win to phase 3 survival
- Government interference – e.g. Euro 3
- Talent retention
- Ethics
- Counter strategies



.....faux pas

国内线(珠海)售票候船大厅

Domestic Routes(ZhuHai) Ticking Office And Waiting Arse



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