Presentation



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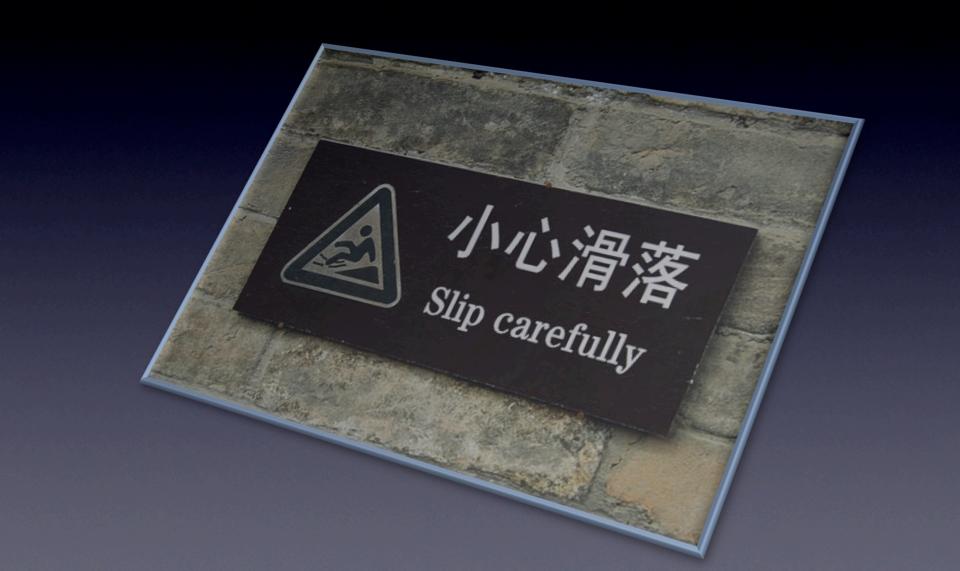
Success in the Peoples Republic.



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

