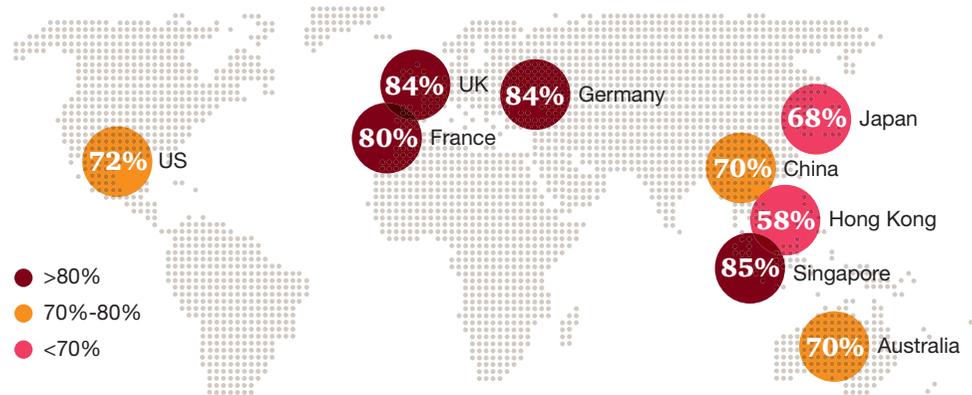


# Courting China Inc: Expectations, pitfalls and success factors of Sino-foreign business partnerships in China

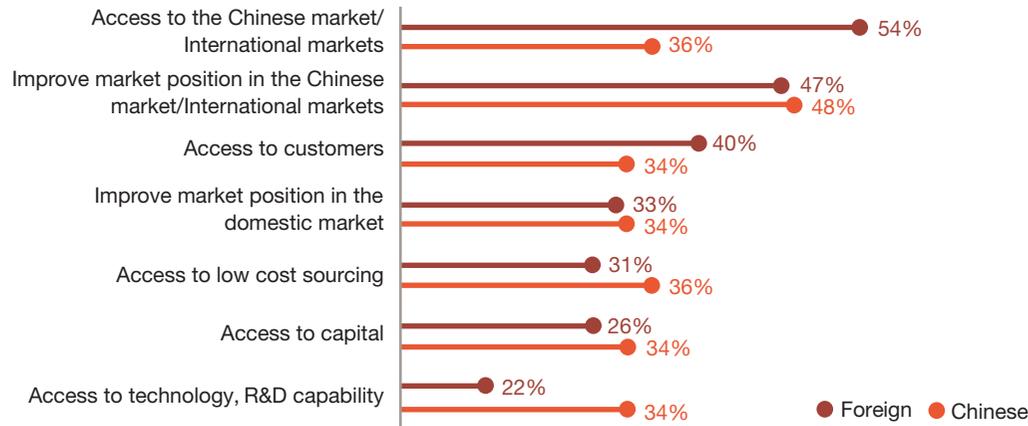
*Courting China Inc: Expectations, pitfalls and success factors of Sino-foreign business partnerships in China is a report commissioned by PwC and written by the Economist Intelligence Unit (EIU).*

## Are you planning to enter a JV/SA in China?



76% of foreign respondents and 70% of Chinese respondents surveyed are planning to enter into a business partnership in China.

## Why are you considering a partnership in China?



Beyond reduction in costs or access to technology and R&D capability, the primary ambition of partnerships is to either access to or improve positioning in the partner's market.

## Why is the JV/SA business model more attractive?

### Regulated industries

*In some regulated industries, foreign investors have no choice but to partner with Chinese companies to enter the Chinese market.*

### Market access and competitiveness

*Foreign and Chinese companies rely on the JV/SA business model to satisfy a growing and more sophisticated Chinese market.*

### Market consolidation

*Consolidation of some industries results in increasing deal values. The JV/SA business model remains a viable alternative to reduce the upfront investment in this context.*

### Partner's resources and capabilities

*By gaining access to the partner's resources and capabilities, companies increase their chances of effectively addressing the Chinese market on a timely basis.*

***"We did evaluate other business models. But at the end of the day, all sales and marketing are local, everywhere around the world, so if you're going to do a good job you need people on the ground there that are local and know the market."***

**– Raymond Akers, executive chairman, Akers Biosciences**

## Main challenges

### 1 Explore

#### Selecting a partner



### 2 Establish/Execute

#### Top reasons why JV/SA discussions are aborted



### 3 Evaluate

#### Top reasons why JVs/SAs are terminated



● Foreign ● Chinese

## Making your partnership a success

### Consider various criteria to assess your partner – reputation, alignment of goals, values

“I would suggest that foreign companies need to look at both transactional and relational competence possessed by Chinese partners. Transactional competence would include innovation skills, market response, brand and organisational image, entrepreneurial orientation, learning effectiveness, strategic leadership and an open-minded culture.”

– Yadong Luo, professor of management at the University of Miami

### Manage divergence in values and culture

“We have different teams and different cultures. It is difficult but also an opportunity. It is understandable that you can look at the same reality, but the way that a European, or a Chinese with an international background would describe it, or a Chinese with a local background, would be different. It doesn’t mean one group isn’t telling the truth. It means they are seeing the same reality with different eyes.”

– Mr Helleputte of Danone Mengniu

### Be open about discussing conflicts or concerns arising from the partnership early in the process (IP protection and control)

“Some companies get this idea that they’ve got to do a deal in China because it looks like such a huge opportunity, and they push things that will become issues later on to the side. But there has to be clarity as to the roles of the different parties.”

– Mr Mervis of SAB Miller Asia Pacific and China Resources Snow Breweries

### Be flexible and regularly review the objectives of the partnership

“We have a long history in China and not all of our partnerships were a success so the challenge is how we ensure that we don’t go down that road again.”

– Mr Helleputte of Danone Mengniu

### Agree on dispute management

“Every other month, we have shareholder meetings. We meet with our partners and with the JV’s general management in order to put everything on the table. For us, this has been a big success factor, in order to avoid things being misunderstood for a period of time, leading to issues.”

– Mr Vallin of Faurecia

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