Education and Culture DG

Lifelong Learning Programme

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China - Language. Culture. Business
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antwerp management school

The autonomous management school of the University of Antwerp

Cross-cultural management challenges for Chinese companies in Europe

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Antwerp Management School/Artesis University College

10:56

Outline

- ✓ Recent development of China’s OFDI
- Management challenge of Chinese companies in Europe
    - M&A management and capabilities for post-acquisition integration
- Learning for growing

Piraeus (GRE)

Parchim Airport (GER)

Paris real estate (FRA)

Volvo (SWE)

InterMilan (ITA)

Ferretti Yachts (ITA)

Chateau Monlot (FRA)
Chateau Laulan-Ducos (FRA)
Chateau de Viaud (FRA)
Chateau Latour-aguens(FRA)

Sonia Rykiel (FRA)

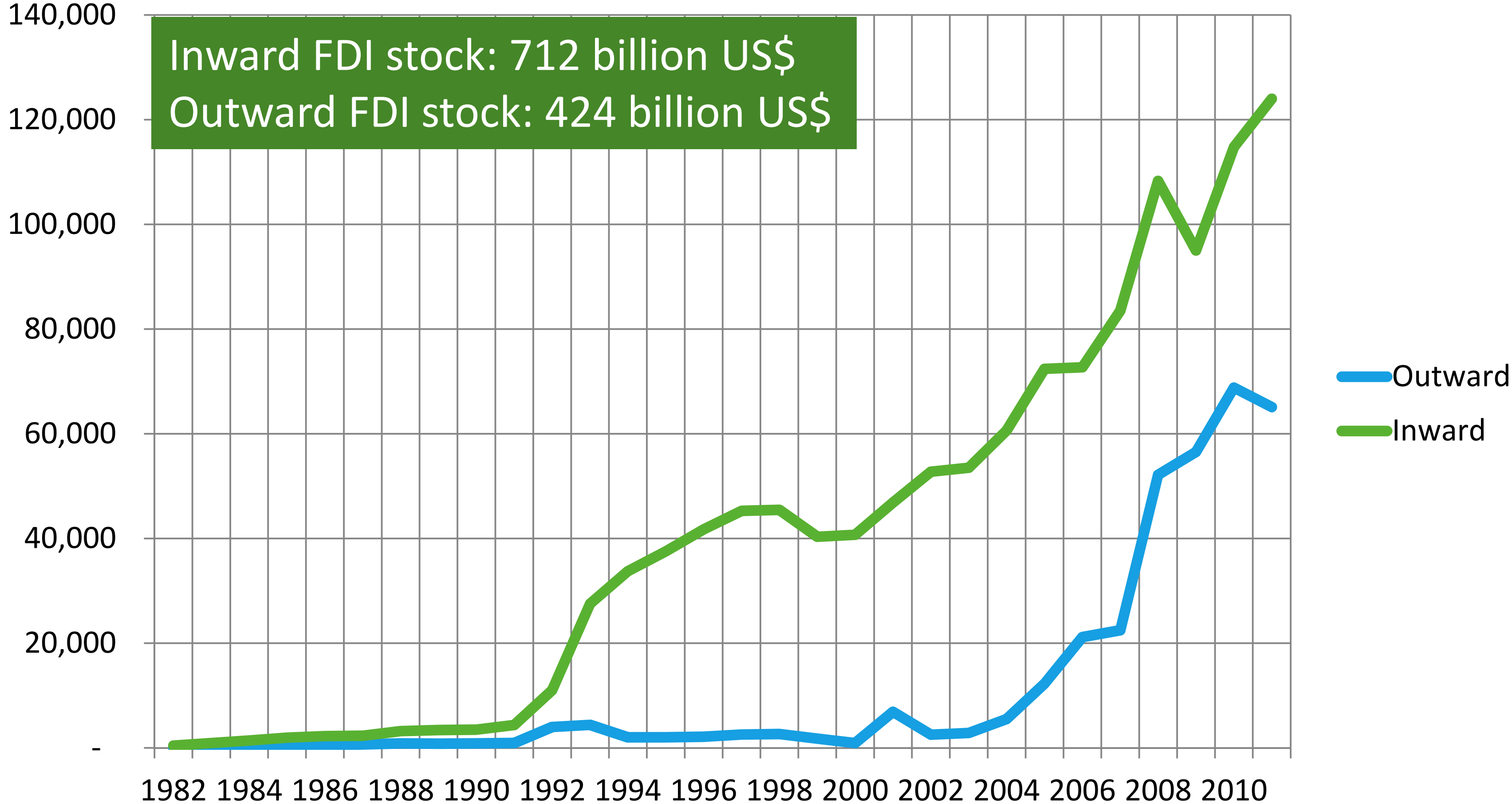
Aquascutum (UK)

China’s OFDI

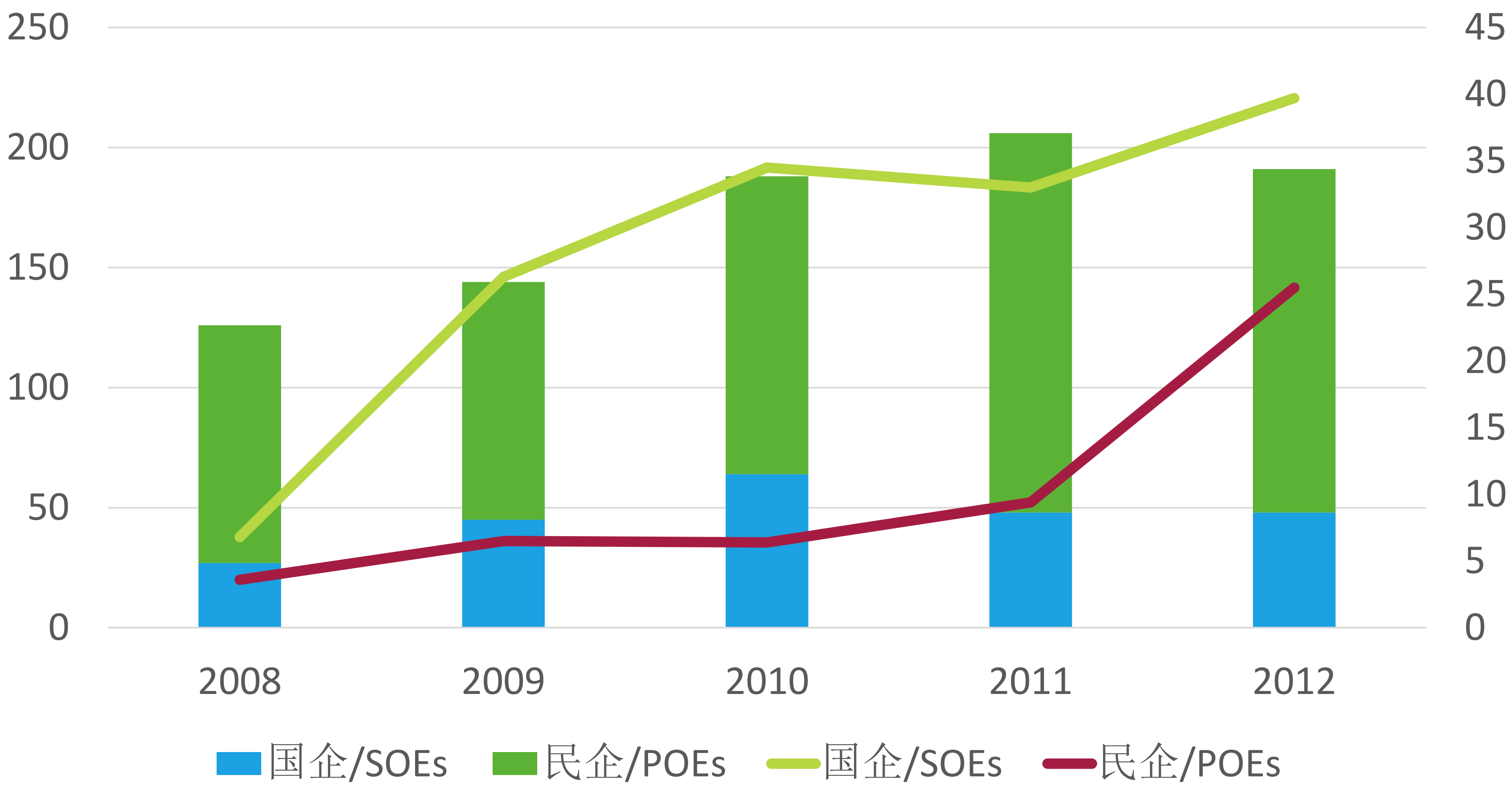
- US$502 billion by the end of 2012
  - 71% of total Chinese inward FDI stock
- 18,000 overseas subsidiaries, of which
  - Total assets reached US$2 trillion (close to 1/3 of China’s GDP)
  - 1.22 million employees
- Annual growth rate: 45% between 2002-2011

- 1/3 consists of M&As
- Private companies have become more and more important
- Europe is the most rapidly growing destination

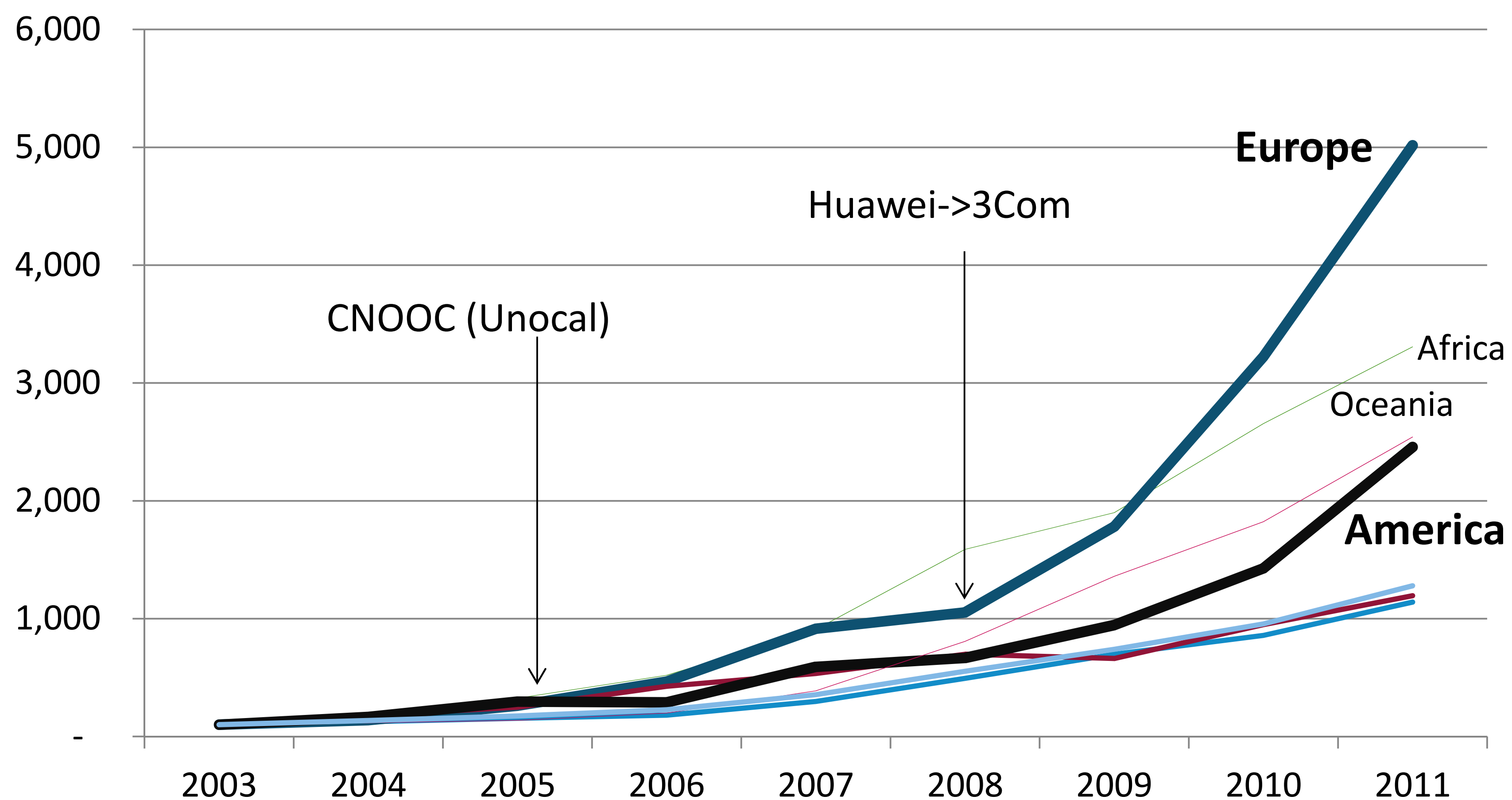
China inward and outward FDI flows (million US$) (1982-2011)



China's outward M&As by SOEs and POEs: volume and value (US$ billion)



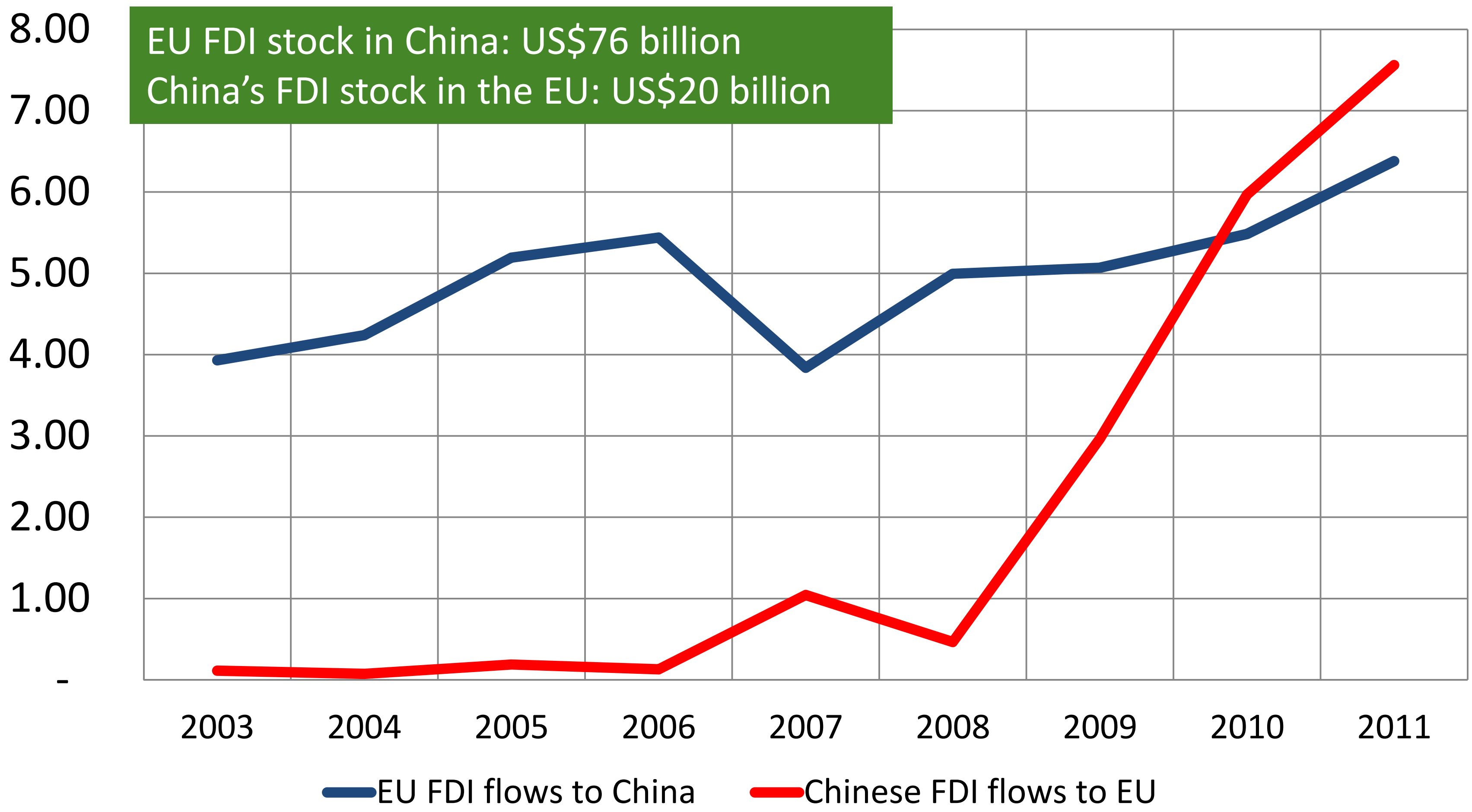
Evolution of China's outward FDI stock per region (2003-2011) (2003=100)



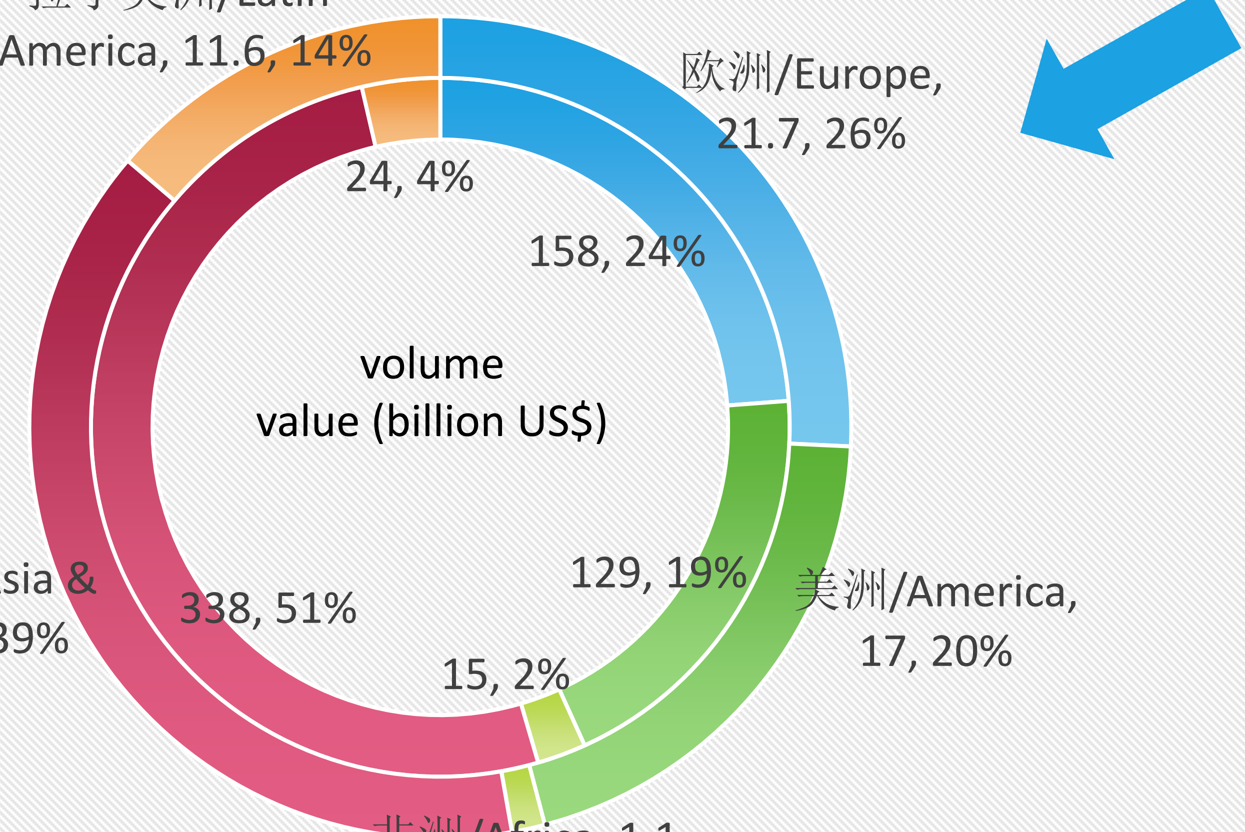
China's OFDI in Europe

- Total stock: US$20 billion
  - 1/3 of EU FDI stock in China
  - 1,600 companies created 50,000 jobs
- Amadeus database: 7,400 companies
- In 2010 China became net investor in Europe
- EU is the most important host region for Chinese M&As after Asia

EU-China cross-border FDI flows (billion US$), 2003-2011



Chinese Outbound M&A by Region (2005-2012 YTD)



Source: ThomsonOne and Deloitte Analysis

Happy shopper?

World-class competitor?

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Challenges in cross-border M&As

Strategy | Target screening | Transaction execution

Integration

60% of Chinese companies lack knowledge on foreign market

54% of Chinese companies lack capability to deal with the complexity of foreign market

52% of Chinese companies have cross-cultural barriers

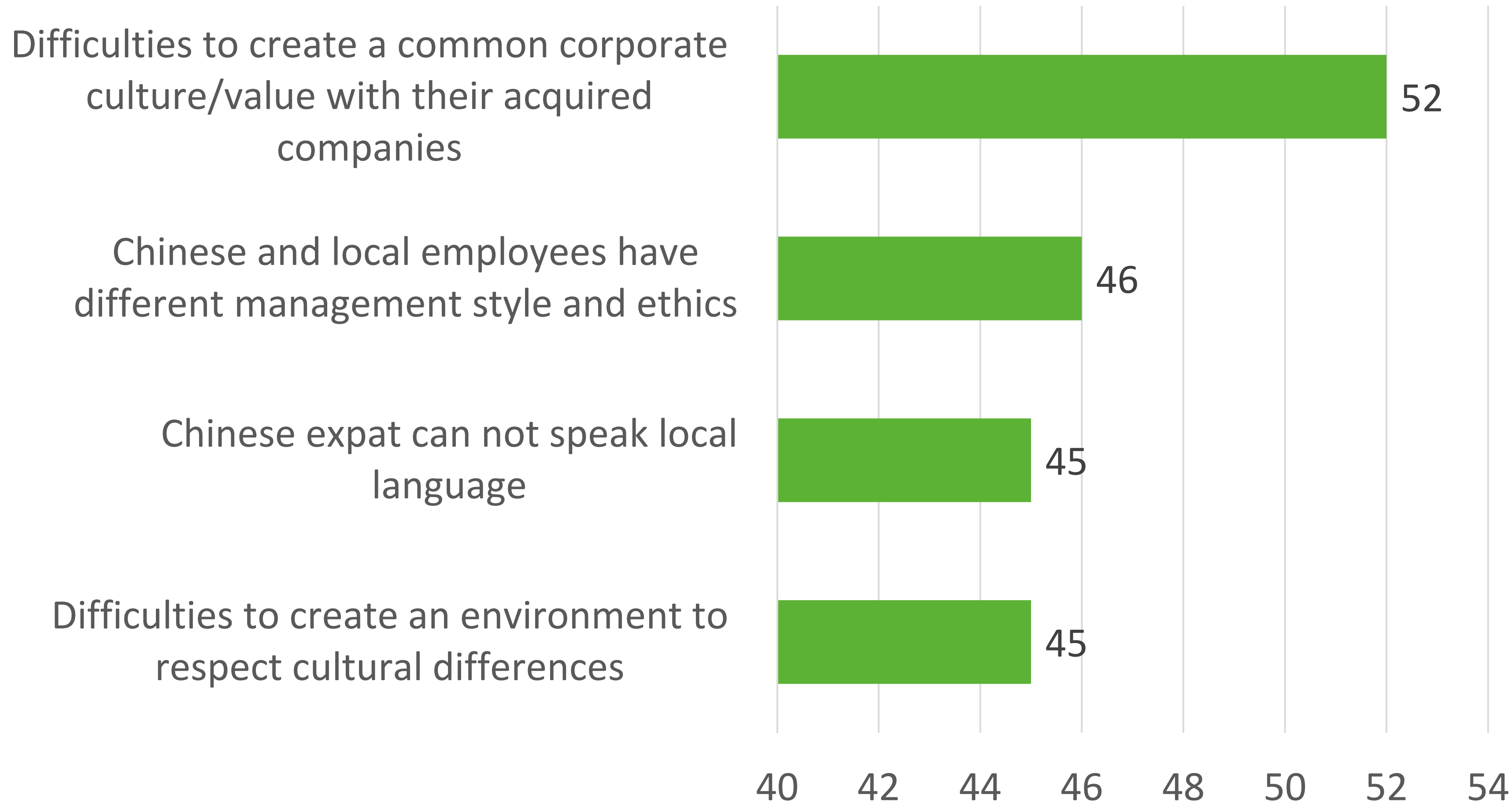
Source: Accenture, 2013

Difficulties in post-acquisition integration

- 70% did not meet the planned target of M&As
- 70% of failures in M&As are due to cultural integration

- Chinese companies lack of capabilities for cross-cultural integration after M&As
  - Blind integration – TCL
  - Postponed integration – Geely
  - Reverse integration - Lenovo

Reasons for delay in post-acquisition integration (%)



Walking into a glass door

- 48% Chinese enterprises reporting difficulties in the EU at pre-establishment stage
- 78% Chinese enterprises reporting operating difficulties in the EU at post-establishment stage

Source: ECCC Report on China's OFDI in Europe, 2013

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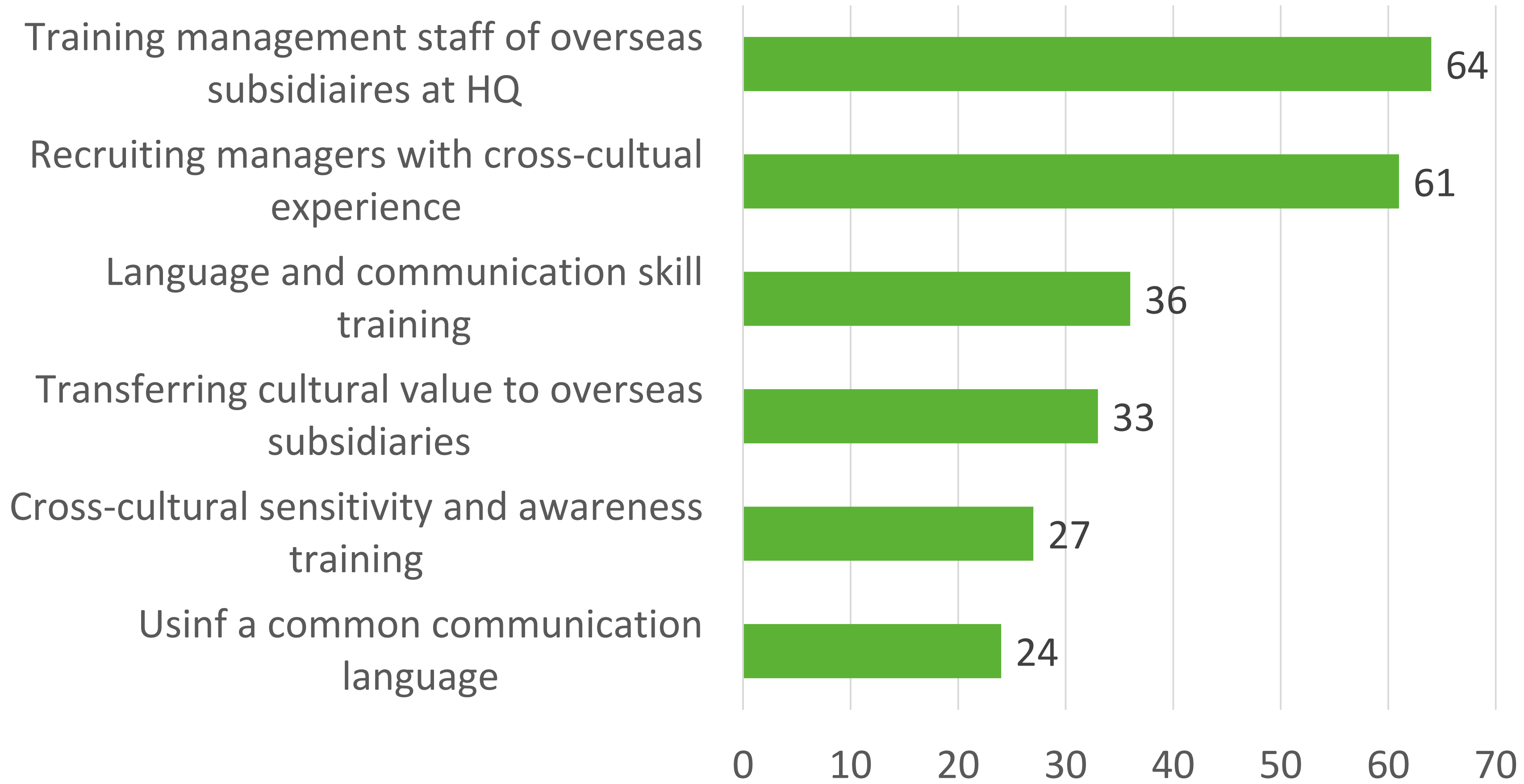
Leadership training (%)

Source: Accenture, 2013

Dealing with cultural barriers (%)



Source: Accenture, 2013

Education programs organized by the Euro-China Centre

- Master degree program
    - China-Europe Business Studies
- Executive programs
    - Understanding China (co-financed by the EU)
    - Mastering global business: China
    - Be Successful in Europe

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Thanks for your time

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