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Cross-cultural management challenges for Chinese companies in Europe

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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)



GRAND VEN DE BURDICAUS







Sonia Rykiel (FRA)

Aquascutum (UK)





Ferretti Yachts (ITA)





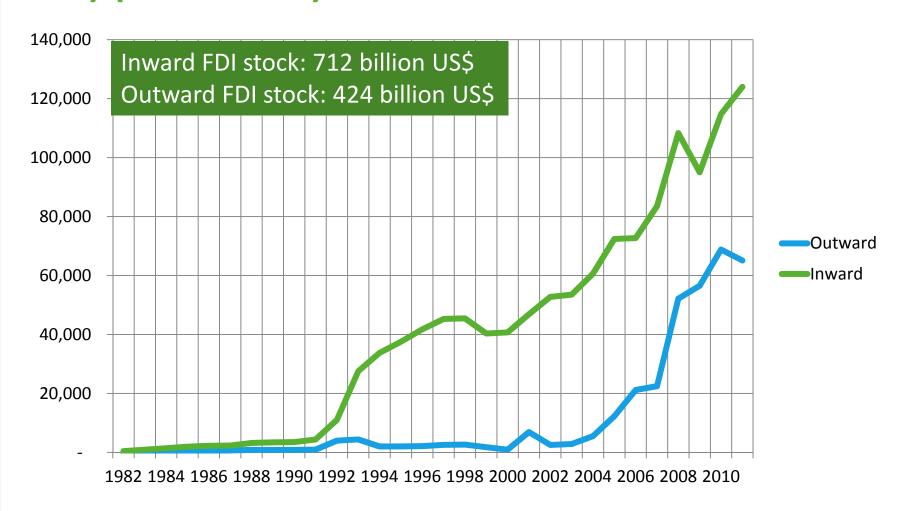
Chateau Latour-aguens(FRA)

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

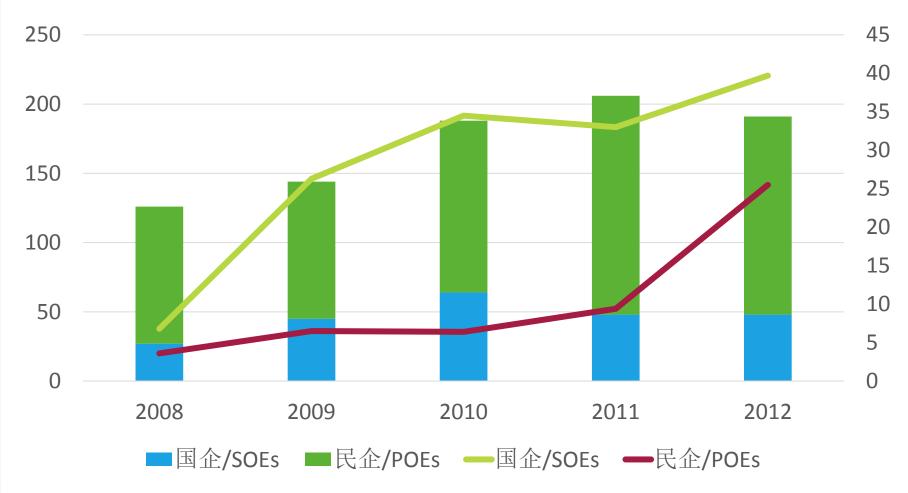


China inward and outward FDI flows (million US\$) (1982-2011)



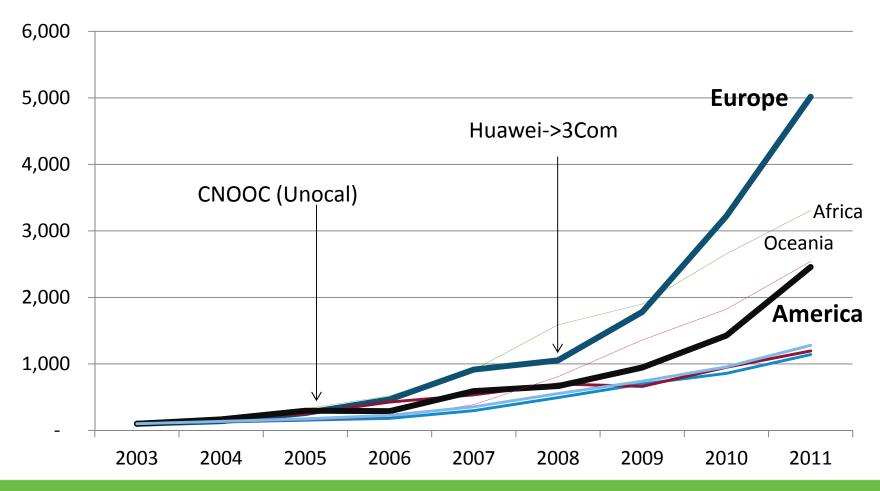


China's outward M&As by SOEs and POEs: volume and value (US\$ billion)





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



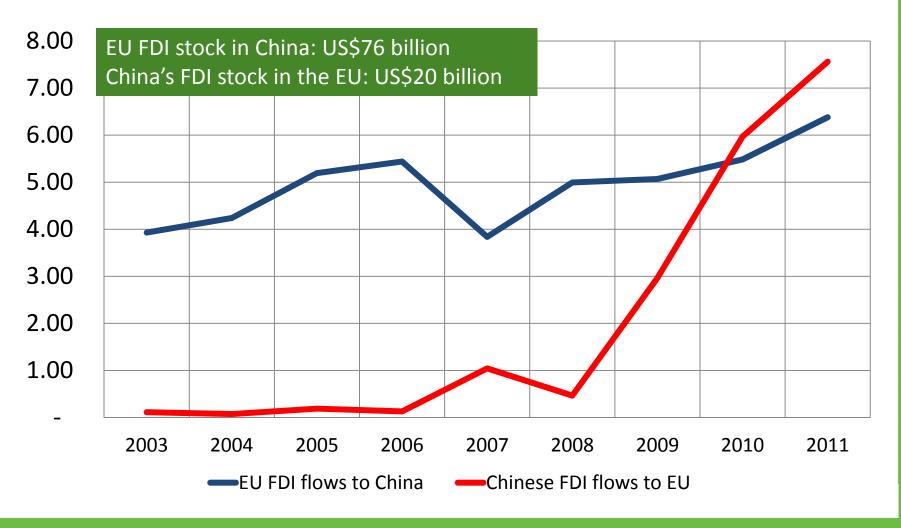


China's OFDI in Europe

- > 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

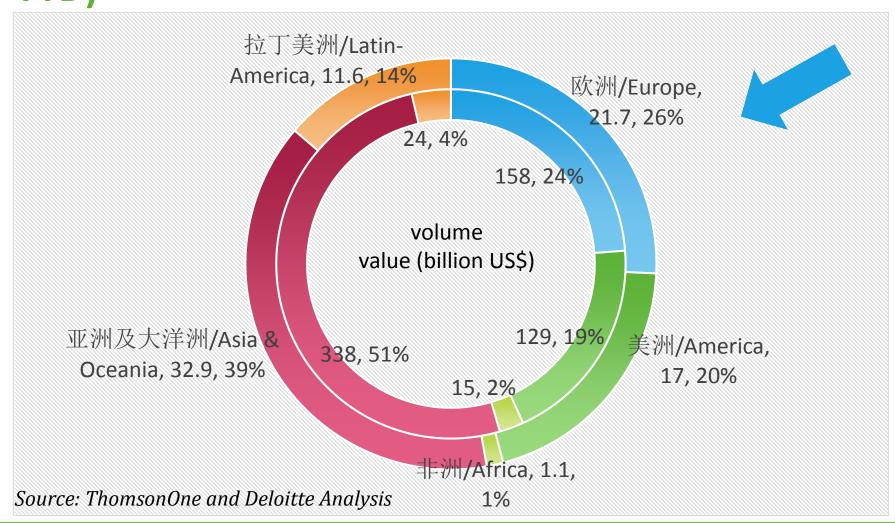


EU-China cross-border FDI flows (billion US\$), 2003-2011





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



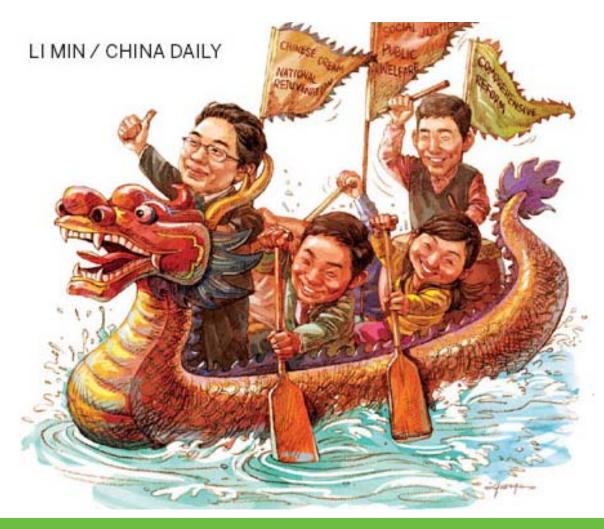


Happy shopper?





World-class competitor?





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Challenges in cross-border M&As

Transaction execution Strategy Target screening 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



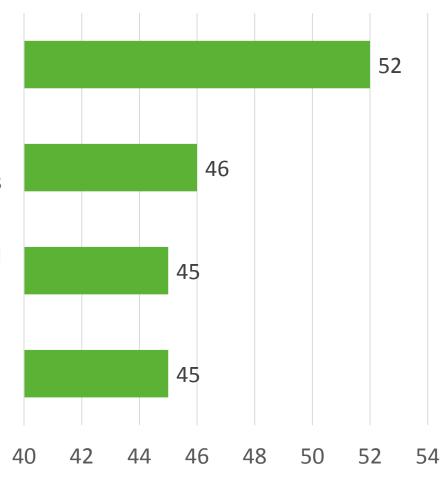
Reasons for delay in post-acquisition integration (%)

Difficulties to create a common corporate culture/value with their acquired companies

Chinese and local employees have different management style and ethics

Chinese expat can not speak local language

Difficulties to create an environment to respect cultural differences





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 postestablishment stage

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



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Leadership training (%)

Carring out global leadership training programs

Assessing the leadership capabilities for global management

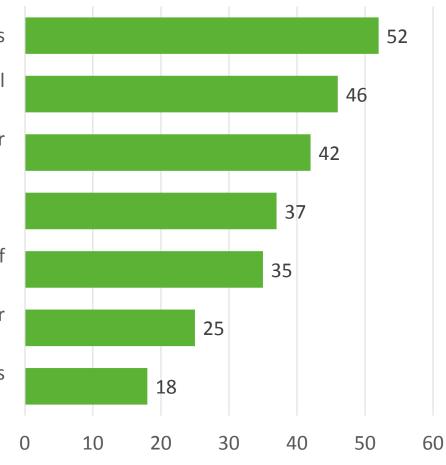
Regularly organizing global video conference or other modern means of communication

Cultural awareness training

Establishing global organisiton to promote staff exchange

Providing comprehensive information for global leadership

Providing international job opportunities /developing global rotation plan



Source: Accenture, 2013



Dealing with cultural barriers (%)

Training management staff of overseas subsidiaires at HQ

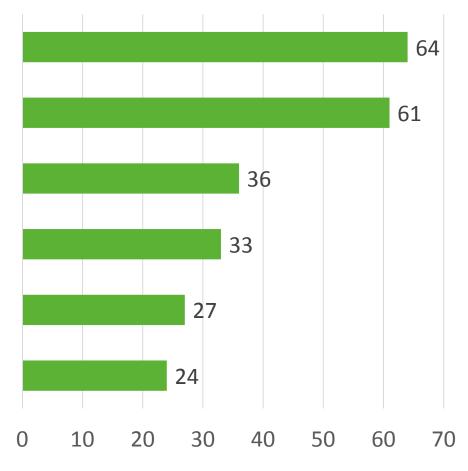
Recruiting managers with cross-cultual experience

Language and communication skill training

Transferring cultural value to overseas subsidiaries

Cross-cultural sensitivity and awareness training

Usinf a common communication language



Source: Accenture, 2013



Education programs organized by the Euro-China Centre

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









谢谢您的宝贵时间 Thanks for your time

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