

AustCham & Austrade

Experiences with the Coal Mining Equipment Business in China

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By 2020, China is expected to consume 510 mt of Oil, 20 m cum of Gas, 3.7 bmt of coal, 400 mt of steel and 6.6 mt of copper

***Is there an opportunity for Australian businesses ? YES
Are there risks ? YES***

DO YOUR HOMEWORK & DON'T CUT CORNERS

The MET(Mining Equipment and Technology) market in China is quite competitive, how do you ensure that you can compete with other international or Chinese companies?

- ▶ The basics still apply here – do your homework and ensure you are clear with what products, pricing and which niche in the market will work for you based on sound research
- ▶ If it's a new product then getting acceptance requires a very different strategy to say taking a share with an existing product line
- ▶ Western business is aware of the 4 – P's (Product, Price, Place & Promotion) but there are 2 more in China – Politics (you can win or lose business for the wrong reasons) and Peer pressure (relationships 'guanxi' matter & must be established) Respect, Trust, Reliability & Dependability are as important as connections
- ▶ State Owned Enterprises (SOE's) need a different approach to private customers.
- ▶ Knowledge of Chinese contracts, legal system, importation regulations, customs clearance, duties, Inspection bureau, banking, taxation etc is critical
- ▶ Having well trained Chinese staff and the minimum number of culturally sensitive expatriates who add value that justifies their higher cost
- ▶ Be a great vs. good corporate citizen – get involved with charitable, CSR initiatives as well as introducing new skills, processes, technology etc

Any observation, comments or maybe even a lesson you have learnt during the course of doing business in China?

- ▶ There are no short cuts and successful expatriates really do work harder here due to the constant need to learn the differences in how business is conducted, developing network connections and relationships as well surviving in a very competitive environment. Using Chinese staff is far more effective
- ▶ Keep your eye on the ball, your friends close and your enemies closer - Read “ The Art of War” written in the 6th century by Sun Tzu where strategy was not planning in the sense of working through an established list, but rather that it requires quick and appropriate responses to changing conditions. Planning works in a controlled environment, but in a changing environment, competing plans collide, creating unexpected situations.
- ▶ Investing in training, training and more training works and staff respond well. It must be in Mandarin of course
- ▶ Manage your receivables very carefully and resolve issues promptly. If you need to use formal arbitration, mediation or in the worst case legal action, this must be the absolute last resort versus communication, 3rd party network connections etc
- ▶ You don't need a high share of the market to be very successful as the Chinese market is so large

We hire a lot of Chinese staff which has contributed to our success. The key is ensuring the difference in culture and other perspectives is understood.

- ▶ Staff are a successful business' most important asset which is fundamentally no different anywhere in the world
- ▶ How they are selected, trained, managed, mentored, paid, incentivized and developed needs a local China approach
- ▶ Understanding Hierarchy, national pride, face are all critically important as is not forcing Western business values
- ▶ Staff retention can be an issue and the mobility or apparent lack of loyalty can be confusing to Western managers. Effective communication and engagement with staff is very important
- ▶ Where there is a shortage of skilled staff means you need to understand what happens and works best in your industry in relation to salary, incentives, bonuses etc.
- ▶ Ensure you establish your core processes, values and strategies early consistent with head office as well as local needs.

As a new player to China market, regardless of the market sector, what do you think is the most challenging aspect and how to get over it?

- ▶ Managing growth - Once you get the fundamentals right and your 6 – P's in place, your compound average growth rates can be significant so contingency planning in every part of your business is very important
- ▶ And don't forget to have a trough strategy is also needed as many companies found out to their detriment last year