

How to Find Opportunity in The CHINA CHALLENGE

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**China's emergence in manufacturing
is the "disruptive event"**

**Manufacturing Competition
never again be the same
With China now in the arena**

The China Challenge

For Manufacturing companies
Learning to Compete is **Optional...**

The real Question is:

Can Your Company Survive the
Present Economic Disruption?

China has some Weak Spots

- # CUSTOMER – not a developed concept
- # No sense of value add to Service
- # Applying technology – no need yet
- # Management aptitude and mindset
- # Clock speed – racing for a chance to do better and have more!
- # Main Driving forces – stability first
- # Growth to absorb excess population – not for business or profit (mostly)

The China 'Defense'

There is no “How-To” course for innovation

- # It needs to start with understanding the facts and accepting them
- # Improve with Learn by Discovery
- # Proceed with informed dialogue
- # Formulate strategy and some plans
- # Act without haste
- # The next steps will be obvious

Success in New Ventures

“If you know your enemy and you know yourself, you need not fear the outcome of a hundred battles”

SunTsu 'Art of War'

800BC

The CHINA CHALLENGE

The Key Issues

- # Why is China Important?
- # How and When will China impact your business?
- # Which options- Sourcing – Partnering – Direct Investing?
- # How to formulate a strategy?
- # What are the risks and challenges?
- # Dangerous ASSUMPTIONS!

Why Is China Important?

- # **China has arrived and is here to stay**
 - Adapt and Seize the opportunity
 - Very few will be able to ignore it
- # **They're the 'new' elephant in the room**
 - China modernized all of it (infrastructure, education, investment, entrepreneurship, etc.)
 - They didn't get it all right the first time
- # **Opportunity is a two way street**
 - But with evolving rules of the road

How and When will China impact your business?

- # It probably already has impacted your Price
- # If not your costs may soon be out of line with your best competition



Which options: Sourcing – Partnering – Direct Investing?

- # If the value proposition is wrong; making stuff 8,000 miles further away is a temporary fix at best!
- # Partners can be harder to work with than the local high cost resources
- # A Long Term Investment may be good medicine that outlasts the patient

Which options: Sourcing – Partnering – Direct Investing?

- # Deciding any one is new and treacherous ground that can become a 'bet the whole company proposition'
- # Get first hand information, based a factual foundation before you do anything
- # Get a coach that has only your success in mind (avoid brokers, peddlers, agents, and development middlemen)

Formulate a strategy?

- # Develop a Business Strategy that makes sense to all stakeholders
- # A 'China Strategy' too often is a one-solution option looking to be proved
- # Price is not a strategy- it's a symptom
- # Any strategy must address and engage all the stakeholders – not a secret fix

Risks and Challenges?

Top Five Mistakes

1. Underestimating the Challenge

It's not a project – It's full time/big cost challenge requiring the 'first-string team'

2. Misunderstanding the Relationships

3. Knowledge and Cultural Gaps

4. People Problems- Here and There

5. Execution Fly-bys (bad assumptions, expectations, tactics, sustaining actions)

The China Challenge

COMMUNICATION: (of understanding and being understood)

- # Language
- # Culture
- # Management
- # Trust
- # Attitude
- # Assumptions
- # Money
- # Customs
- # Speed
- # Adaptability
- # Etiquette/Social Norms
- # Guanxi - Relationships
- # Mindset
- # Meritocracy
- # Leadership
- # Legal Environment
- # Hiring & Firing
- # Negotiation
- # Accountability

Communication is always a Problem

Response to: *"Please Answer our Urgent Inquiries?"*

Dear Mr. Anderson

Our corporation daily wholly is living receives and dispatches the mail ,
Yet when also can accepting reaches now and then , You are careful once
therefore also asking 。 Any inappropriate spaces ask you to pardon in
case possessing 。

You reach NingBo the person who is engaged the words , We may be
living on month 12 to join you to NingBo

Make an apology to you once more

Thank you

*I can hardly wait to have a discussion about heat treatment, powder coat,
yield strength, logistics, etc with them.*

Regards,
C. Steven Anderson, President
Global Development Solutions Corp

Why Now?

- # There are 482 of the 'Fortune 500' companies already in China – your Customer?
- # China DZ's are actively seeking Small & Medium Manufacturing Enterprises
- # The China Government believes SME's generate the real innovation and economic growth
- # The Economic Development Zones have placed huge infrastructure bets on a "build it and they will come" strategy
- # The window is wide open, the potential enormous, and the climate is 'right'

The Opportunity for U.S. Small-Medium Enterprises

China Government is actively seeking SME's

- # Known to produce 50% of GDP**
- # There are 22.9 million SME's in US**
- # SME's generate 75% of net new Jobs**
- # SME's are not 'global market participants'**
- # SME's see the transaction cost of market entry as too high – it truly is**
- # Therefore, a luxury they cannot afford**

The China Challenge

Clear Next Steps

- # Success is very much within your reach
- # First step: Decide to Act
- # Gain Knowledge for your business needs
- # Get Some Help – Michael, Magic, Tiger, Brady, Curt, etc.
- # Get Started – Plan but Act Fast

The China Challenge

- # The new Value Proposition will require “BLENDING” global core strengths
 - New Ideas
 - Solid Value Adding
 - Extreme Speed
 - Low Costs
- # Resulting in Effective Execution for Global Customers

The China Challenge

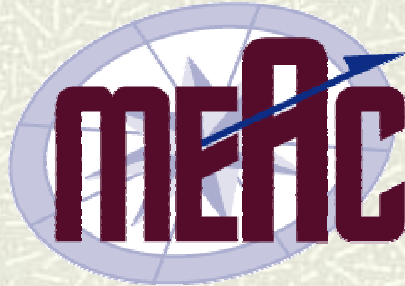
There are no single or simple answers to the Challenge...

If there were, the simplest, most popular answers would be widely held... and would probably all be wrong

THANK YOU

Let us advise and guide you on your
China Entry

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