

Innovation and Business in China



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TTIP Consulting

Innovation Consulting, Training, Networking

Who am I? – Dr Andy Wynn

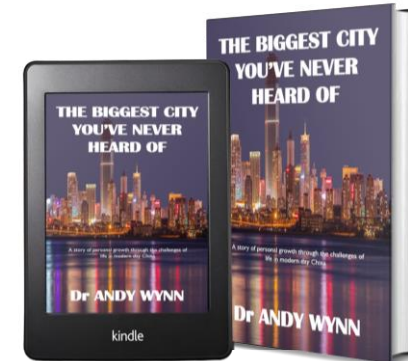
- Former CTO at a £billion FTSE 250 multinational manufacturer
- 30 year career in industry, leading technology, innovation, strategy and business development in industrial companies all over the world, inc. 6 years in China
- In 2018, I founded TTIP, the Innovation Consulting, Training & Networking Group
 - And we help Western companies looking to expand into Asia



How to set up a practical
INNOVATION PROCESS



How to transform into an
INNOVATION ORGANISATION



About living and working in
China as a Western expat



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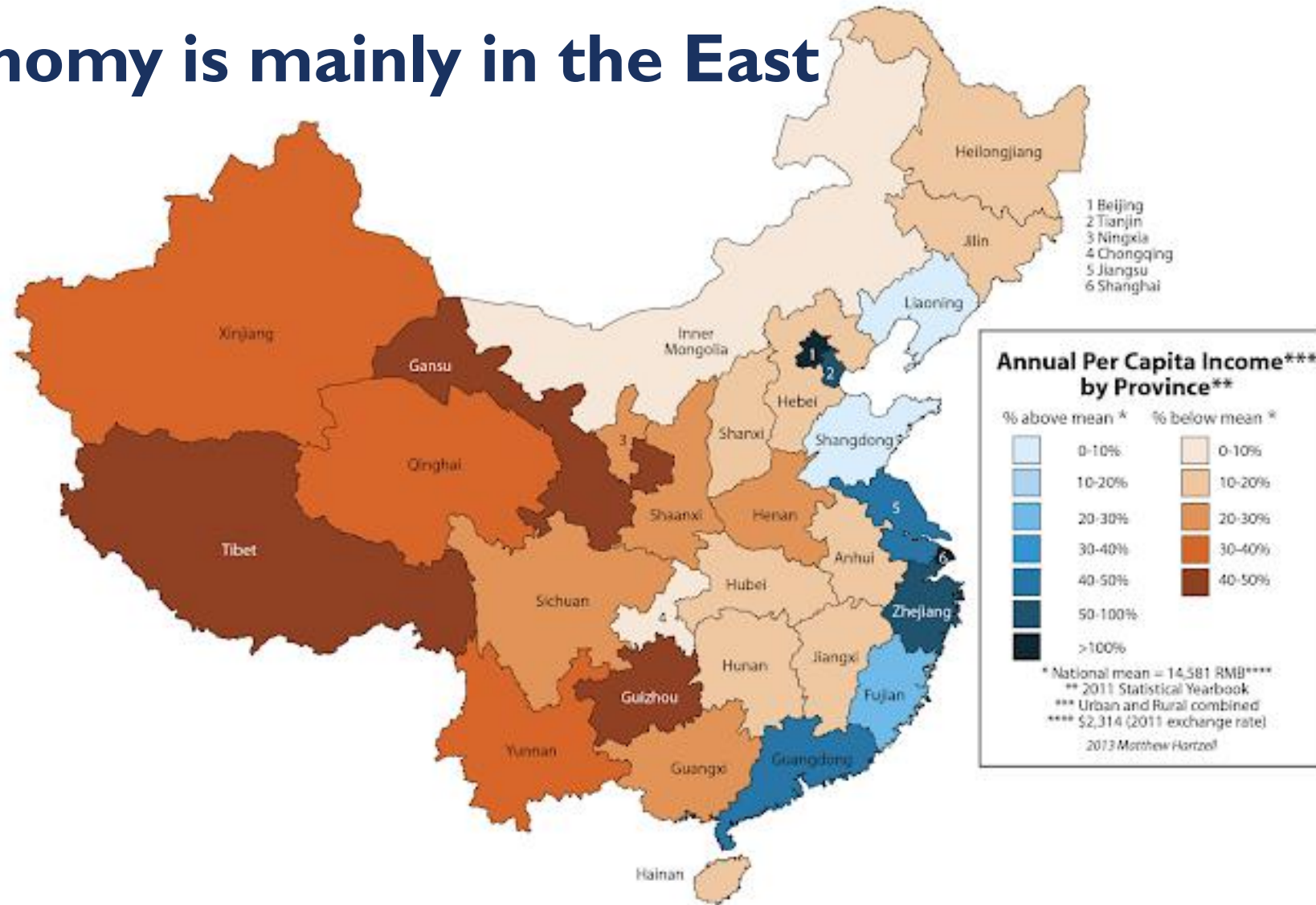
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China is BIG – it's the same size as the US (& EU)



- But China has 1.4 billion people, 5 times as many as the US
- 1 in 5 people worldwide are Chinese
- Continental US has 4 time zones, but China only has 1
- So in the West of China, the sunrise can be as late as 10am

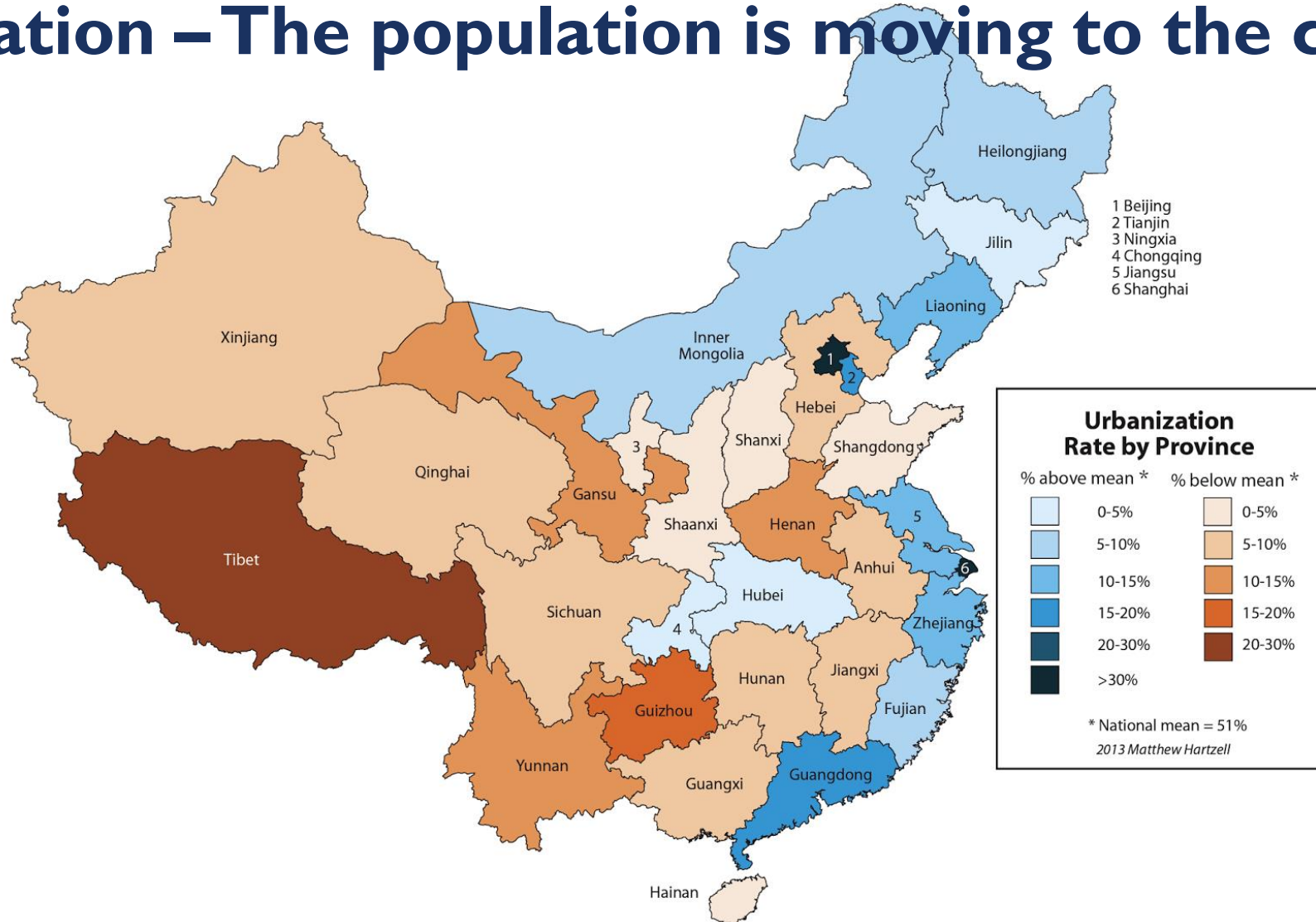
The Economy is mainly in the East



CHINA'S GROSS DOMESTIC PRODUCT BY REGION, 2015



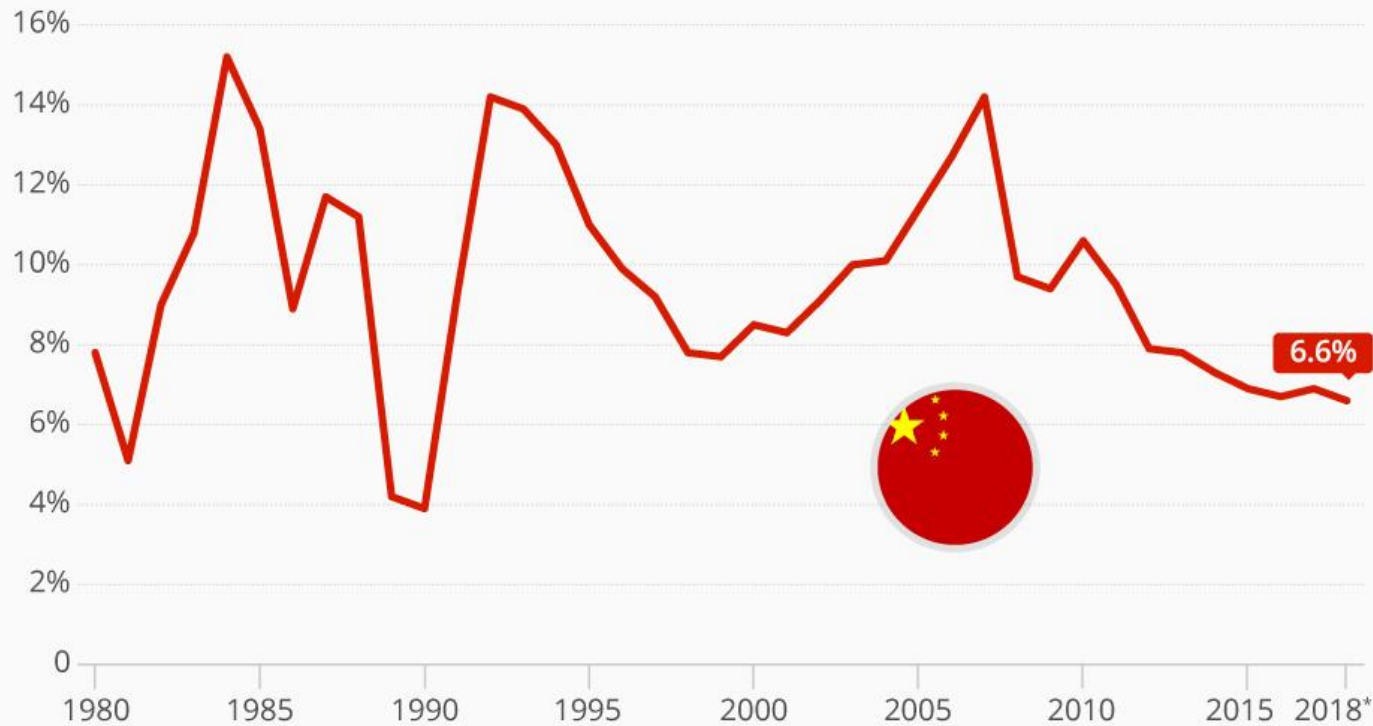
Urbanisation – The population is moving to the cities



China has experienced massive economic growth

China's Economic Growth Slows to 28-Year Low

China's real GDP growth since 1980

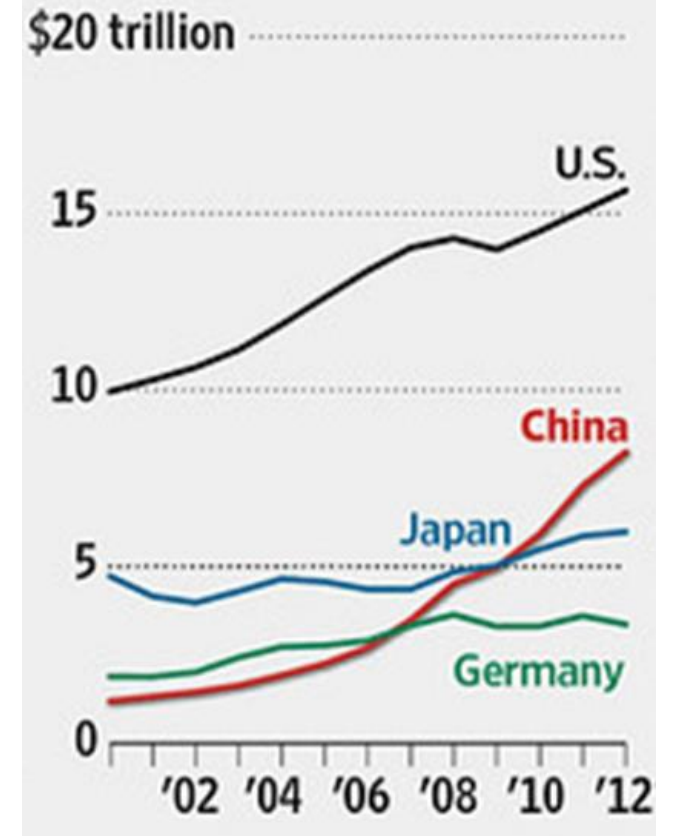


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@StatistaCharts

* preliminary

Source: National Bureau of Statistics of China

statista



China became 2nd biggest global economy 10 years ago

Shanghai Pudong 2019



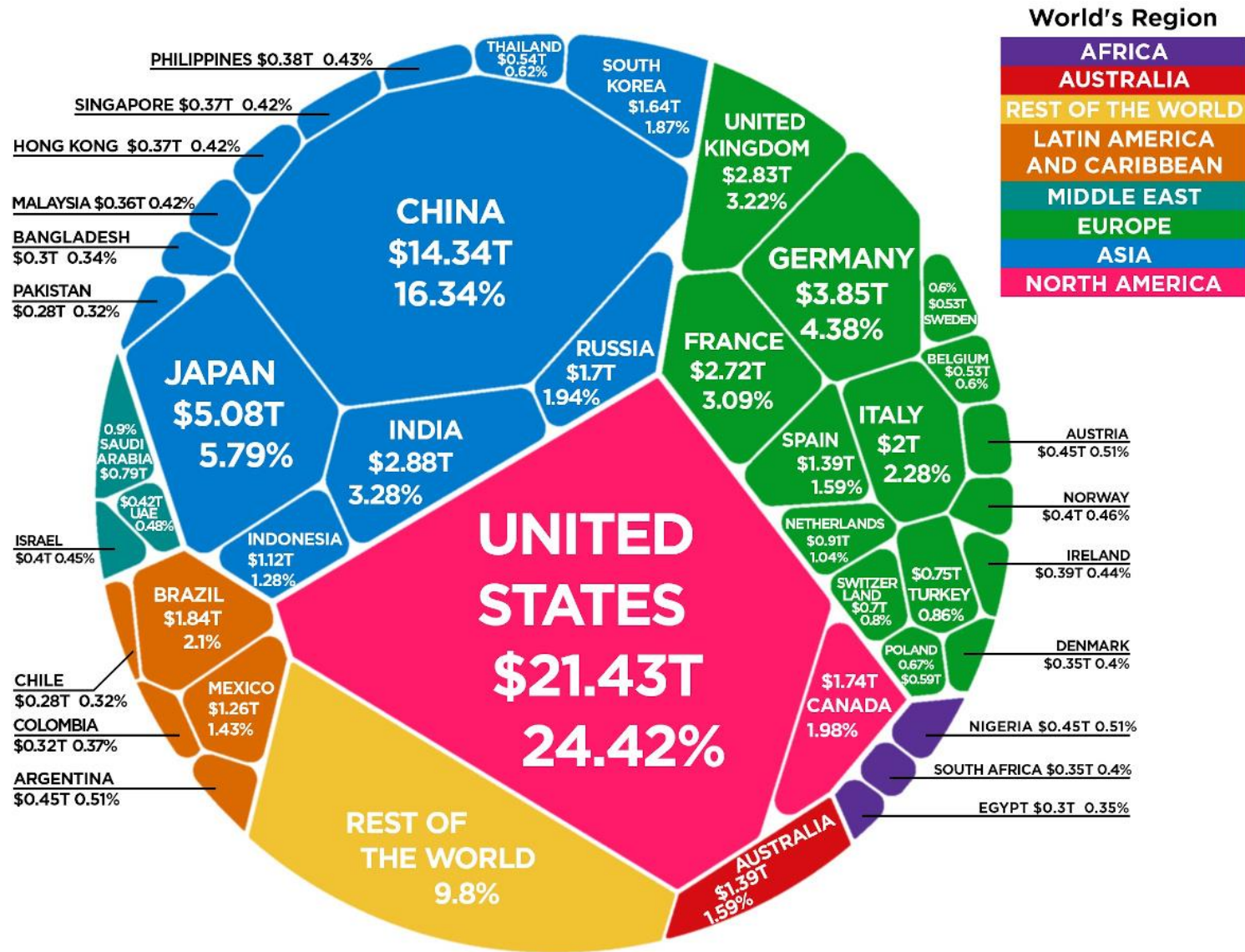
Shanghai Pudong 1987



Shanghai Pudong 2019



A New Skyscraper is built in China every 5 days
That's 73 new skyscrapers every year

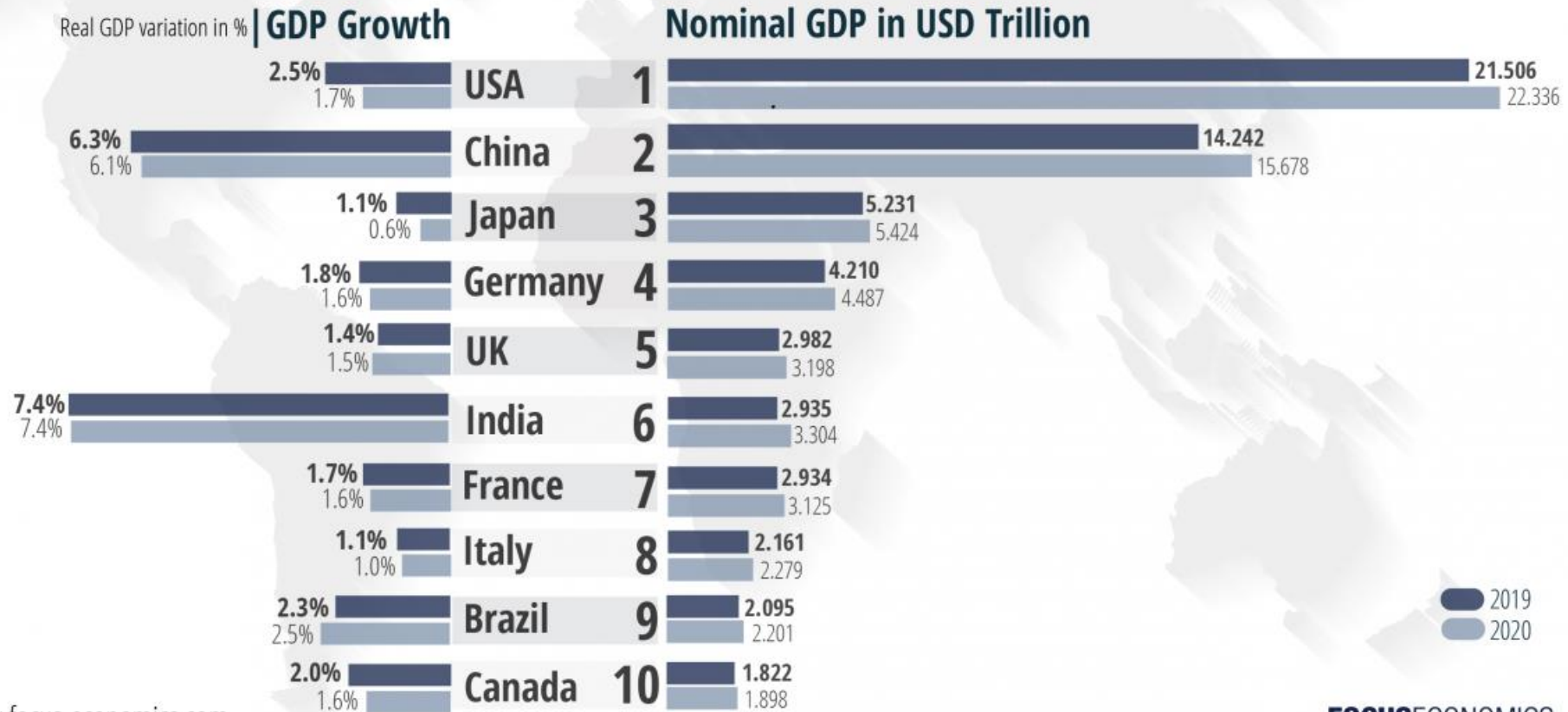


Article & Sources:

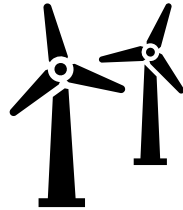
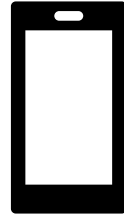
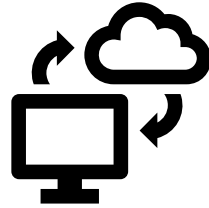
<https://howmuch.net/articles/the-world-economy-2019>
<https://databank.worldbank.org>

TOP 10

The World's Biggest Economies for 2019 and 2020



China is the World's Largest Market for



And investing heavily to grow in Aerospace & Semiconductors

China is getting richer

2nd largest Recipient for FDI

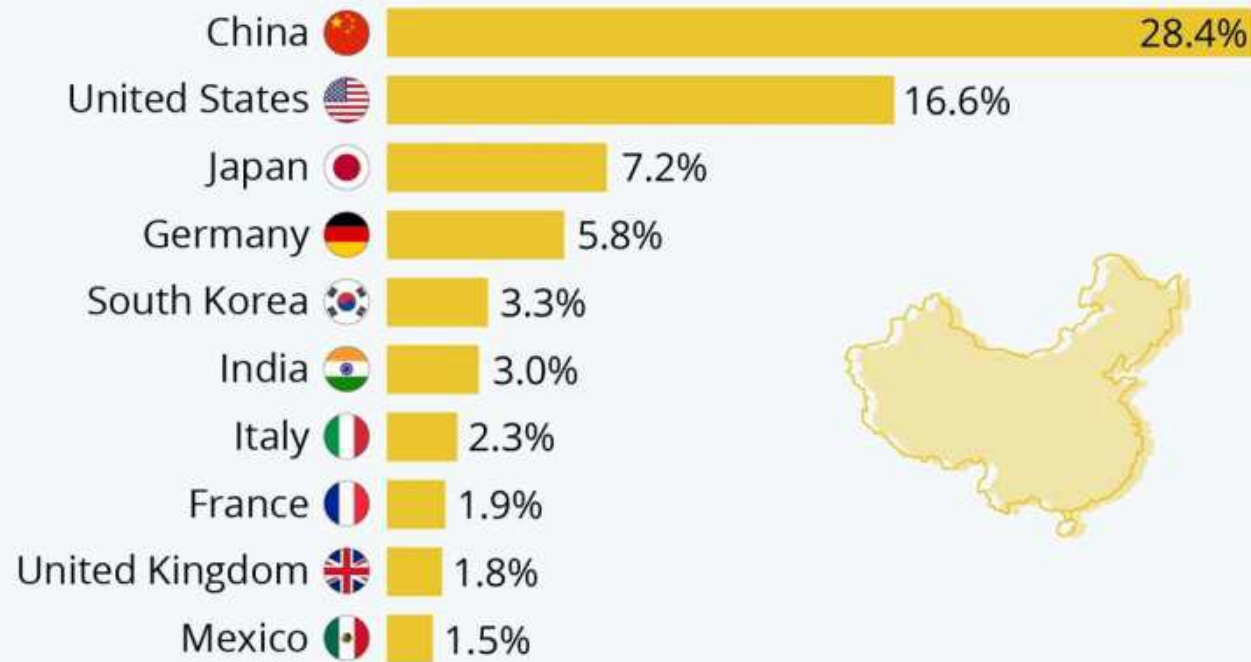


550m affluent middle class by 2025



China is still the world's factory

Top 10 countries by share of global manufacturing output in 2018*



* output measured on a value-added basis in current U.S. dollars
Source: United Nations Statistics Division

Innovation – The Digital Transformation of China

Global App/Service	Chinese Equivalent
 Google Search	 Baidu
 Facebook	 RenRen
 Twitter	 Weibo
 WhatsApp	 Wechat, QQ
 YouTube	 Youku
 Amazon	 Alibaba, Taobao
 Gmail	 QQ Mail

Innovation – The Digital Transformation of China

Global App/Service	Chinese Equivalent
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 Facebook	 RenRen
 Twitter	 Weibo
 WhatsApp	 Wechat, QQ
 YouTube	 Youku
 Amazon	 Alibaba, Taobao
 Gmail	 QQ Mail

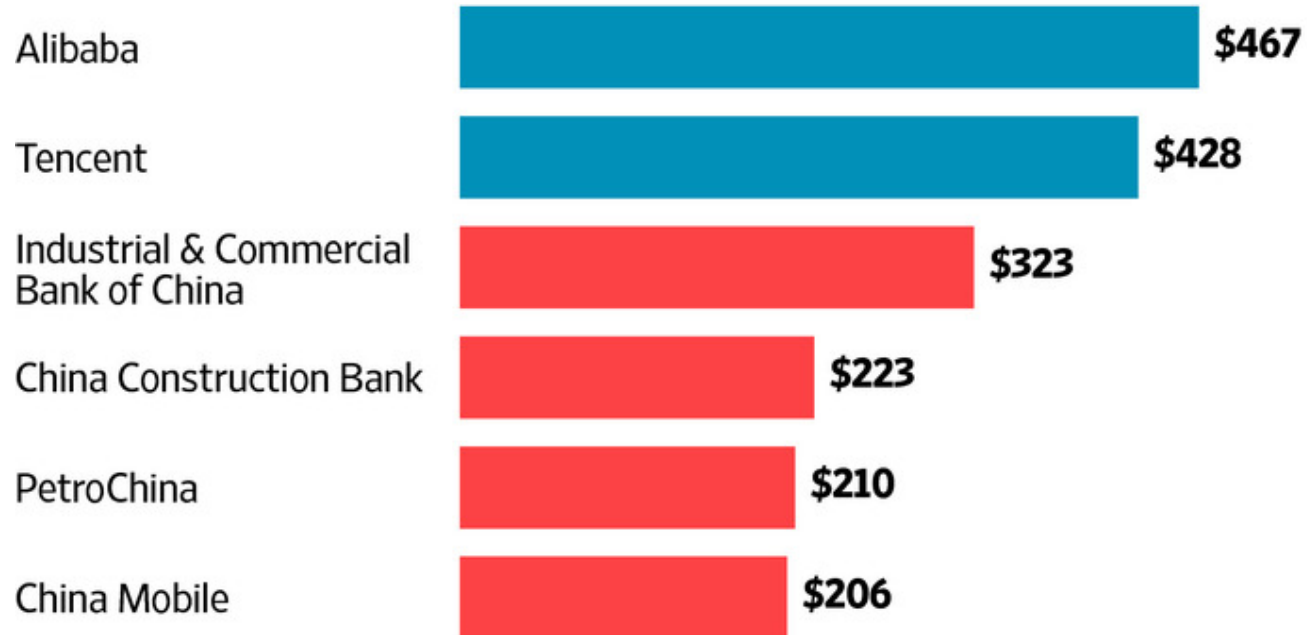
Facebook and most Western Apps have been banned in China since 2009, though millions of Chinese use VPNs to get past the block

Digital Transformation of China

China's tech companies evolved from startups to giants in 20 years, outpacing state-owned enterprises.

Market capitalization, in billions

■ Tech companies ■ State-owned enterprises



Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

753 million internet users

55% internet penetration

1.43 billion smart phones

90 times more mobile payments
than the US

Transformation of China to a Cashless Society



Since the introduction of WeChatPay and AliPay in 2011, smartphone payment has virtually driven out the use of cash

Transformation of China to a Cashless Society



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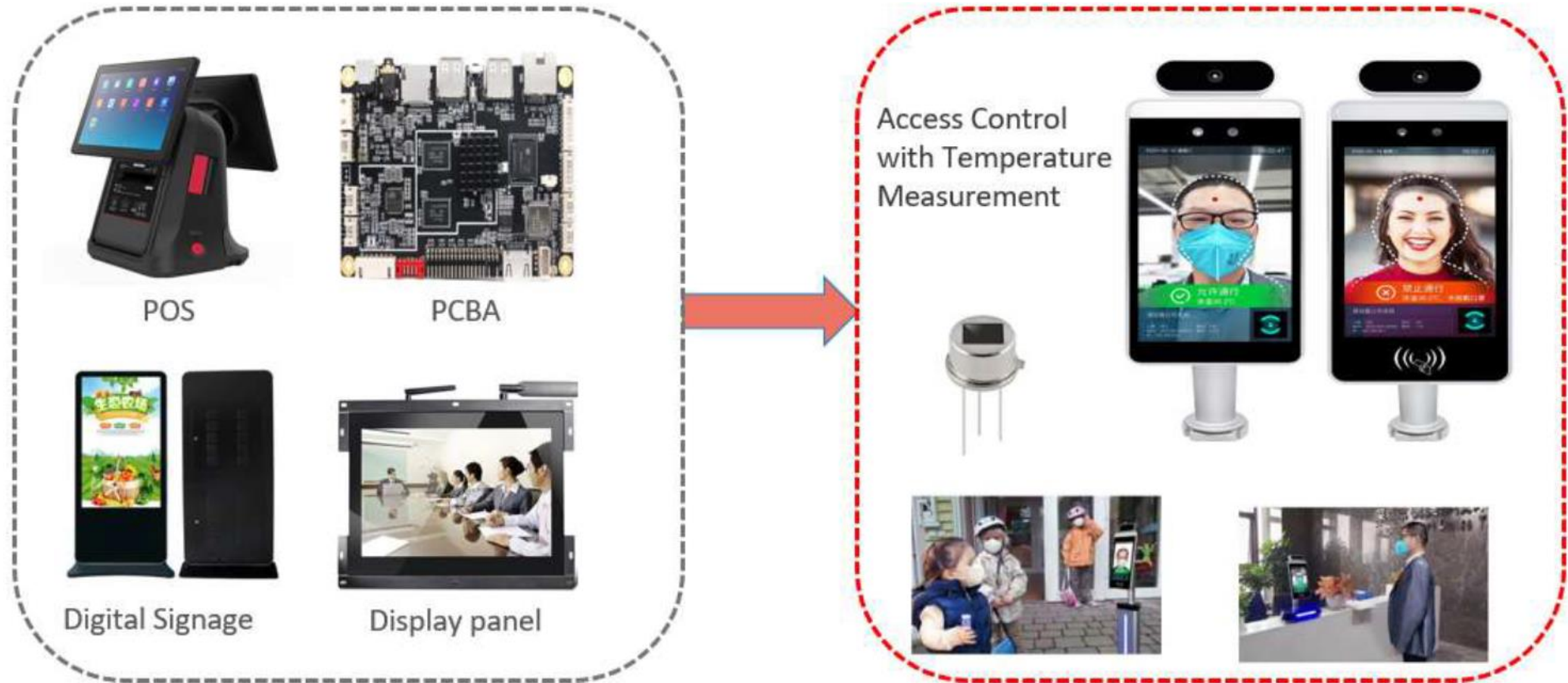
Transformation of China to a Cashless Society



Transformation of China to a Cashless Society



Chinese companies are fast innovators



Dalian

Dàlián
大连



Negotiated Joint Ventures

Naton Group



Hangzhou Nurotron



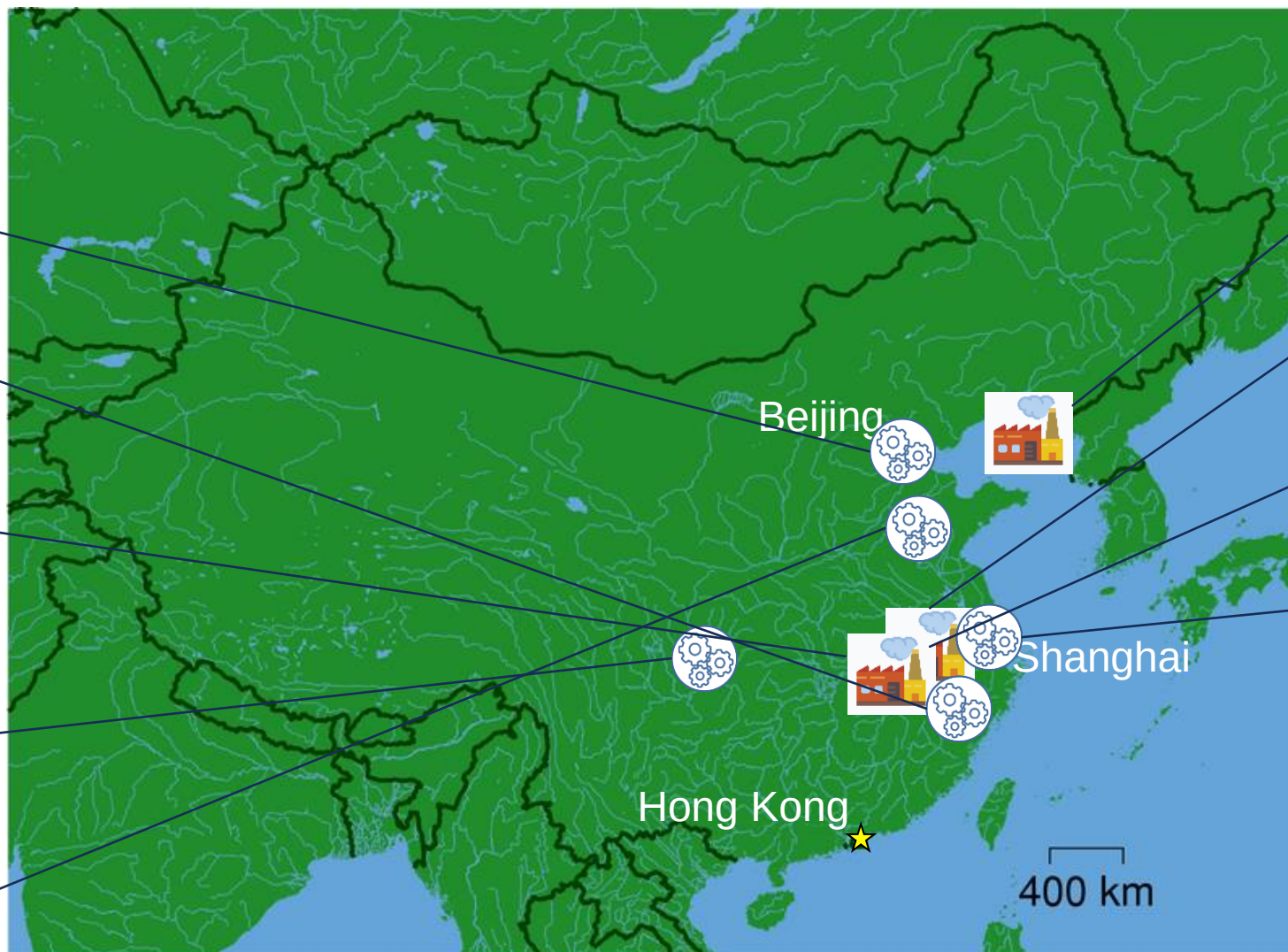
Yongda Group



Enorgmax



China Crystal Tech



Built Greenfield factories

DMC (JV)



JMCC (JV)



MMS (WFOE)



Built Manufacturing Lines (JV)



Dalian

Dàlián
大连



Dalian – My Home Town in China



Dalian hosts the Summer Davos World Economic Forum



WWW.NEWS.CN

Xinghai Bridge – xinghǎi dàqiáo 星海大桥



What Did I find? China Economy – The Positives

- Economy Slowed, but Still Growing
- Growing Middle Class
- Entrepreneurial culture
- Fast pace of change
- Rapid digital transformation
- Investment funding availability
- Chinese government investing heavily overseas
- Young, clever, English speaking graduates

So what did I learn from my 1st Big Project in China?

Guānxi 关系

- Building relationships is critical
- Building trust takes time
- Chinese respect status
- Decisions only made at top
- You will drink a lot
- Underhand negotiation tactics
- Public holidays are different



Guófǎ 国法

- Government is decentralised
- Legislation interpreted locally
- The law is stacked against Western companies
- There is no independent judiciary
- Legal contracts are written to allow 'interpretation'

What did I discover over time? –The Negatives

- High staff turnover
- High risk of Loss of Intellectual Property
- A lot of Competitors & Brazen copying of logos & products
- Difficult for foreign companies to police legislation
- Safety/Environmental standards in place but not always taken seriously
- Bribery and corruption is reducing but still there
- Regular Health scares – pollution, smog, food scandals
- Economic growth slowing, but is the government massaging the figures, is it 6% or 2%?

China Will Constantly Challenge You, but..

The Competitive
Landscape



Every Day is An Adventure

The Endless Business Dinners



The Food



Dalian Seafood – hǎixiān 海鲜



Sea Cucumber – hǎishēn 海参



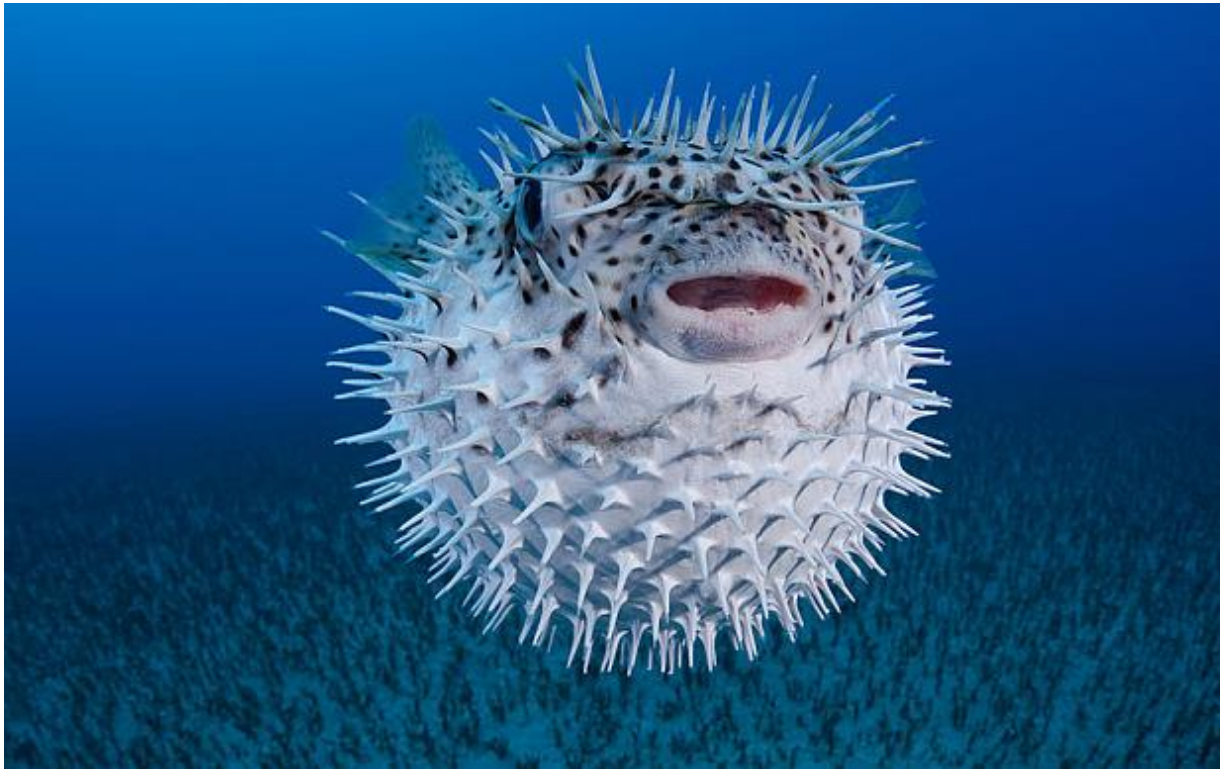
Sea Urchin – hăidăn 海胆 (Uni)



Abalone – bàoyú 鲍鱼



Puffer Fish – hétún 河豚 (Fugu)



Street Food



Street Food



Street Food



Drinking Báijiǔ 白酒 (Máotái)



Karaoke (KTV) kǎlāoukèi 卡拉OK



The Toilet Challenge



© Alamy

The Toilet Challenge



The Toilet Challenge



The Toilet Challenge – It goes both ways



If you want to be successful doing business in China

Guānxi 关系

- Focus on relationships
- You need a local partner you can trust (but it takes time)
- Negotiating a deal takes time, be patient
- The law will not help you, you will only succeed on influence
- Show respect at all times
- Beware bribes, the pollution and the street food

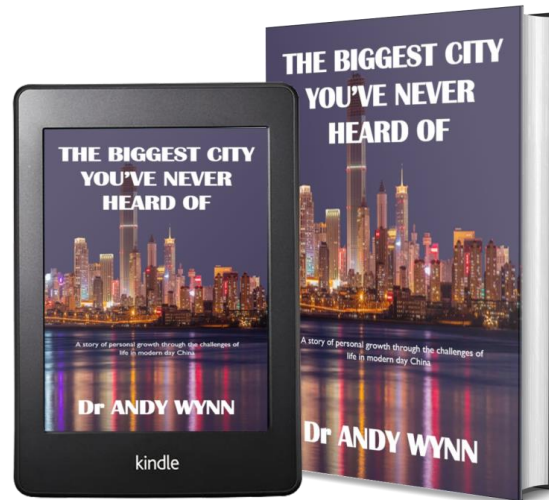


Yuántōng 圆通

- You need to be flexible and see things from their point of view
- China has different rules, work with them, not against
- You need to be prepared to step out of your comfort zone
- Learn to embrace and enjoy the new experiences
- Learn to speak (some) Chinese

Innovation and Business in China

Visit China Before China Visits You



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