Western Wisdom

Chinese companies are growing increasingly successful, but there are still strategies they can learn from European leaders, writes Neil Selby, Director of Executive Education for CKGSB (Europe).

It is a well-known fact that the on-going financial crisis has created an opportune moment for Chinese companies to make acquisitions in Europe. American Appraisal, the world’s leading valuation consultancy reports that Chinese organisations are now doubling their offers for European assets in a rush to secure brands, technology and resources.

However, as Cao Peixi, the General Manager of China Huaneng Group, a power generation company, says, “There is no point in stepping out into the international arena for the sole purpose of stepping out.” He emphasises having a globalised vision, to align decision makers and executors around this goal and to promote an international culture by demonstrating a thorough understanding of local markets.

Europe boasts many high-calibre companies rich in globalisation experience, with successful operations in China and around the world: BMW; Nestle; L’Oreal; Unilever; Deutsche Bank; Volkswagen; Siemens; Nokia and Rolls-Royce are just a few. As European preferential investment policies allow Chinese companies to access global sales networks, quality brands and advanced technical reserves, China’s forward-looking entrepreneurs would do well to consider lessons these European multinationals have learnt over time in promoting integration across their international operations.

**Know Your Purpose**

While in the short-term, going international may grant access to technology, promote local products on the global stage or make domestic use of the target’s brands, cost and efficiency structures, in the long-term, companies should be clear as to why they want to be international.

**Encourage International Mindsets**

With corporate culture and operation capacity firmly rooted in the domestic economic environment, Chinese managers often impose inappropriate targets on local ventures, creating tensions and frustrations that damage the prospects of integration and value creation. Markets unfamiliar with Chinese brands need time to build corporate image and reputation.

**Integrate Human Resources**

Integrating and arranging human resources at home and abroad means placing the right people in some of the top jobs irrespective of their nationality; this means Chinese organisations can capitalise on best practice to leapfrog the competition. But to do so, Chinese companies need to open up their management structures to accommodate the principles of global boards, where the best talents drive the best globalisation agendas.

**Prioritise Integration**

When embarking on internationalisation, assembling an integration team with real operational experience and a clear understanding of the challenges international ventures face is crucial. Such a team can be sensitive to the demands and expectations of the Chinese company and the realities of the local venture.

Those organisations seeking internationalisation need not jump in the deep end, allowing them time to gain the necessary skills and confidence to master the task.

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