



# 2018 China Business Survey

Juan Antonio Fernandez | Bin Xu | Dongsheng Zhou | Maria J. Puyuelo | Yuwen Dai

# 2018 Swiss Business in China

Nicolas Musy | Zhen Xiao | Aline Ballaman | Emmanuelle Roduit | Claire Hu



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A CEIBS – Swiss Center Shanghai Survey & China Integrated Analysis

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China Europe International Business School

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## FOREWORD

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Thank you for your interest in foreign and particularly Swiss business in China. Over the years, this survey has become a perennial favorite of mine. It does not just look the business but is a significant contribution to the literature available on the evolution of Sino-Swiss relations—a unique barometer of sorts that gives us fresh, on-the-ground insights from the frontlines of bilateral economic activity.



Full of milestones and firsts, which I have reiterated in previous editions, Sino-Swiss relations continue to grow within a remarkable framework. More than 25 structured and institutionalized bilateral dialogues ranging from science and education to trade and finance are now in place to manage our ever-evolving ties and enable our people to better capture the upside potential of our relationship.

Clearly, our relations have very much undergone this impressive evolution due to the combined contributions and foresight of the business community. China remains Switzerland's third biggest export market in the world as well as its third largest business partner overall. Chinese statistics for the first quarter of this year show that Switzerland is the Mainland's 10th most important supplier worldwide.

As this survey is being released, clouds of uncertainty are once again hovering over us, not just externally but for some domestically in China as well. Since May, figures have pointed towards and finally delivered a renewed slowdown in quarterly GDP growth. Here I am reminded of 2015 and 2016 when discouraging developments fed into the deeply bearish sentiment towards the Chinese economy.

But this is where I believe the comparison ends. Current external vulnerabilities including rising trade tensions and RMB weakness have helped to put the spotlight back on China's economic risks. Still, step back a little, and you may well find out that today's fundamentals are more robust. The economy has moved ahead, along with stronger debt reduction, policy coordination and structural reform drives.

As Swiss, our eyes are naturally drawn to the minutest details. We certainly do see the forest but only after looking at every single tree. So scratch the surface, get caught up in the figures. Slowing GDP growth notwithstanding, high technology and other value-added sectors are making heftier contributions to overall economic output. This was most evident in Q1 and only fair to assume for Q2.

These are industries in which Swiss companies are traditionally active, and their proven ability to innovate positions them well to increase business expansion as technology will only shift and grow. Other highlights of the survey include yet again higher Swiss sales expectations, the confidence being rooted in the unparalleled quality of Swiss products, as well as the notable strength of foreign SMEs.

All in all, Swiss companies are holding up well. And although the business environment is as complex and challenging as ever, the emerging opportunities presented by China's economic transformation are significant. In this sense, you may rest assured that my Embassy and our network of Consulates General across the PRC remain committed to do what we can to facilitate and support bilateral trade.

**Jean-Jacques de Dardel**

Ambassador of Switzerland to the People's Republic of China

# THE RESEARCH TEAM

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## China Integrated

**Nicolas Musy** holds a MSc. in Physics Engineering from the Swiss Federal Institute of Technology, Lausanne ([www.epfl.ch](http://www.epfl.ch)). He has won his university's first Special Alumni Award for demonstrating outstanding innovative and entrepreneurial spirit. He has been responsible to establish EPFL's presence in China and his Alma Mater cooperation with Chinese top universities and the Chinese Academy of Science. In addition, he developed and ran the 2 weeks China Module of the EPFL EMBA in Entrepreneurship.

Exclusively involved in China trade, investment, research, strategy and project management, he has resided in the Shanghai area since 1988. He founded the Swiss Center in China ([www.swisscenters.org](http://www.swisscenters.org)), co-founded the first Swiss industrial SME in China, Suzhou 2-ply Co. Ltd ([www.2-ply.com](http://www.2-ply.com)) and is the co-owner of LX Precision ([www.LXprecision.com](http://www.LXprecision.com)).

Founding Partner of China Integrated (Shanghai) Co. Ltd. ([www.ch-ina.com](http://www.ch-ina.com)), Nicolas has successfully supported a number of multinationals and hundreds of mid-sized companies on market entry, operations management, acquisition and restructuring in the past 8 years.

Since 1997, China Integrated is a solution provider dedicated to supporting international companies in successfully establishing and developing their businesses in China, whether their needs are market entry, growth or acquisition. Building on 20 years of experience and the skills of internationally trained Chinese professionals, China Integrated provides the expertise needed to ensure the long-term, superior success of foreign businesses in China. China Integrated's team comprises about 25 skilled entrepreneurs, strategists, managers, engineers and service professionals with complementary backgrounds in business management, Chinese law, recruitment, tax, finance, IT, ERP and PR.

In the last 8 years, China Integrated has successfully facilitated the establishment, development and expansion of around 350 International firms, large and small, with innovative solutions and cost-effective best practices developed through its decades of experience in Shanghai, Beijing, Hong Kong and Mongolia.

Based on its company research and experience, China Integrated regularly publishes books and analyses to facilitate the decision making of managers running international companies and institutions active in China.

In 2007, China Integrated conducted the first business survey of Swiss companies in China, "Behind the China Kaleidoscope", highlighting success factors of Swiss companies and offering a comprehensive roadmap for those planning to be active and operate in China.

This was followed in 2009 by an analysis of human resources practices, the "China HR Paradox." Indeed, HR issues were identified as the key challenge and success factor of the 2007 research. Then, in collaboration with CEIBS, "2010 Doing Business in China: A Survey of European Companies" was published, integrating both analysis and contributions from experts.

The success of this publication led to yearly surveys and this 2018 Business in China Survey, which analyzes the business landscape for foreign companies in China.

Do find more information on **[www.ch-ina.com](http://www.ch-ina.com)**.

# THE RESEARCH TEAM

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## Swiss Centers China

Founded in 2000 as a non-profit, Sino-Swiss, public-private partnership, Swiss Centers China (SCC) is by far the largest cluster of Swiss enterprises in Asia. With five locations strategically located on the dynamic East coast of China (Shanghai, Beijing and Tianjin), SCC not only offers virtual and instant office space as well as ready-to-use workshops and showrooms, but also supports member companies with government relations, technology transfer and a broad network of experts. SCC has served more than 300 companies in China – both SMEs and large enterprises. SCC experts have established 30 production companies and more than 50 commercial offices for Swiss companies. SCC also conducts surveys and expert analyses of China's business opportunities and challenges, and at the same time promotes the Swiss Made brand and Switzerland as a country for innovation and an industrial leader.

**Zhen Xiao** is the Managing Director of Swiss Center China. Mr. Xiao obtained his engineering education from Nanyang Technological University, Singapore. He then worked in Singapore and in Switzerland for more than 15 years as an engineer, researcher, and manager. He has been working with the Swiss Federal Institute of Technology, Lausanne since 2005 as China Relation Coordinator. Over the past 6 years, he has supported and advised many Swiss companies in business development in China, and successfully expanded the Swiss Center cluster with new facilities and services.

**Aline Ballaman** is the General Manager of the Swiss Centers China. After 8-years management experience in the tourism and watch industries in Switzerland, she came to China in 2011 and enrolled in a 1-year Chinese language program at Suzhou University before joining the Swiss Center Shanghai in 2012 as Operation Manager. For the past five years, she has been responsible for the China Offices in advising and supporting Swiss businesses entering the Chinese market. In early 2014, she managed new 7500 sqm facilities project dedicated to Swiss businesses complete with a showroom, offices, and a warehouse in the China (Shanghai) Pilot Free Trade Zone and in the north of China, Tianjin.

**Emmanuelle Roduit** holds a Bachelor of Science in History and Political Economy from the University of Fribourg, Switzerland. She also holds a diploma in Hospitality Management from Hospitality School of Geneva. Emmanuelle has spent the past 4 years working in multiple regions of China (Beijing, Inner Mongolia, and Shanghai). Emmanuelle has worked both for Chinese and foreign companies in different industries such as hospitality, wine and tea. Emmanuelle joined in 2015 the Swiss Center Shanghai as the Operation Manager.

**Claire Hu (Mengdan Hu)** is the Marketing and Communication Specialist at Swiss Center Shanghai. She obtained her M.A in Translation and Interpreting from Shanghai International Studies University and her B.A. from Nanjing University of Science and Technology. Prior to joining SCS, she had two years internship experience of Program Coordination, Marketing and Research at a university center, an art gallery and a professional services firm.

## PREFACE & TAKEAWAY

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In cooperation with the China Europe International Business School (CEIBS)<sup>1</sup>, the Swiss Center Shanghai<sup>2</sup>, swissnex China<sup>3</sup> SwissCham<sup>4</sup>, and China Integrated<sup>5</sup> are pleased to bring you the findings of Swiss respondents who participated in the CEIBS Business in China Survey 2018. In analyzing these responses, we intend to **draw conclusions that will be useful for Swiss companies** and their activities in China.

This latest CEIBS survey is of particular interest not only for its findings but also because:

- It is the only survey that collects responses from **both Chinese and foreign companies** in China. Furthermore, this year's edition contains once again a unique **analysis of international and Chinese SMEs**.
- This survey allows **comparisons among firms of different national origins that operate** in China, based on a sufficient number of replies from each region.

This is the **only business survey that is able to gather a sizeable sub-sample of foreign and Chinese SMEs** in China. Close to **100 foreign SMEs** (Swiss, EU, US companies employing 300 employees or less globally) answered the survey – this sample and a sample of almost **200 Chinese SMEs** show that SMEs are growing even faster in China and continually finding success.

For the Swiss business community, it is for the sixth time possible to understand how similarly Swiss, European and American companies perceive their China environment.

Generally speaking, Swiss, international and Chinese companies are doing well in China. In fact, **foreign companies continue to report fast increasing sales**, despite the slowdown in China's GDP growth. And again, over 50% of Swiss, EU and US companies expressed an intention to increase investments in China in 2018.

In terms of profitability, however, Swiss companies are stagnating (61% announce to be “profitable” or “very profitable”). This may in a sense explain why after a marked rebound in confidence last year, **Swiss firms see the long term with less confidence than the immediate future**. It is the first time this has happened since the survey is conducted. It is also noteworthy that, on the other hand, **Chinese firms continue to expect better times over the long term**.

**Fierce competition**, originating more and more from Chinese private companies, remains the most pressing **external challenge** for the fourth year in a row to both foreign and Chinese firms. This is contrary to the perception abroad that IP infringement, an unfair legal system or corruption are the major concerns of foreign companies in China. **The corruption perception has been clearly improving** over the years, with almost two third of Swiss firms considering it to be a minor problem or not a problem at all.

However, **foreign and particularly Swiss SMEs** with their traditionally niche fields of activities **are less affected by** the domestic competition than larger enterprises.

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<sup>1</sup> <http://www.ceibs.edu/>

<sup>2</sup> <http://www.swisscenters.org/>

<sup>3</sup> <http://www.swissnexchina.org/en/>

<sup>4</sup> <http://cn.swisscham.org/>

<sup>5</sup> <http://www.ch-ina.com/>

## PREFACE & TAKEAWAY

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**Finding and retaining talent**, as it always did, tops the list of both foreign and Chinese managers' **internal challenges**. But it is identified with **20% lower intensity by foreign SMEs** (in majority Swiss in this sample) when compared to larger firms.

R&D has increased to be high on the agenda in most Chinese companies. Embracing digitalization, **domestic players** intend to **go faster into big data, fintech and AI** than foreign businesses. Nevertheless, foreign companies keep an overall edge in innovation.

Overall, China remains a challenging business place whose **economic opportunities are underscored by intense competition and government influence** when companies (local and foreign) describe its business climate. And yet they acknowledge a better than expected economic situation of China.

Hopefully, this latest survey edition will contribute to **the clarification of common misperceptions and highlight the actual situation that Swiss and international businesses face in China**.

Additionally, we hope that these facts, analyses and the benchmarks that they provide will help Swiss companies to be even more successful in the coming years, if only by providing facts that will improve the understanding of their headquarters.

**Finally, we also want to express our sincere gratitude to all the respondents:** thanks to them, a representative and objective point of view on Sino-Swiss business is available to all. At the same time, we would like to take the chance to encourage everyone to participate in the 2018 survey, so that we can further expand the knowledge pool available and continue to do successful business in China.

*The following report emphasizes Swiss companies, with specific comparisons between Swiss and Chinese companies, SMEs and larger companies, and companies of Swiss, American, European, and Chinese origin.*



## 1. THE 2018 SURVEY: MORE SMES INSIGHTS, STRONG SWISS AND CHINESE PARTICIPATION



**The 2018 Swiss Business in China – CEIBS survey respondents are predominantly of Swiss (108) and Chinese origin (466 Mainland, plus 12 Hong-Kong, Macao & Taiwan).**

Another 69 EU and 37 US based companies also participated. Since these EU and US numbers of respondents are quite smaller this year, the results for these businesses may not be representative. Nevertheless we decided to include them on the charts for reference but refrained from analyzing by EU and US origin. We did compare Swiss, other foreign and Chinese companies in some cases.

Almost half (49%) of the foreign respondents and almost two third (64%) of the foreign SMEs who answered are Swiss based. The low participation numbers from EU and US companies makes this survey particularly suitable to a comparison between Swiss and Chinese companies.

As in previous years, SMEs are defined as companies with less than 300 employees globally.

This year SMEs make up 55% of Swiss respondents. This is a considerable increase compared to last year's 21%, with similar numbers of Swiss companies answering the 2017 and 2018 surveys.

Though new Swiss businesses entering China are not large companies, this big increase in SME responses leads us to believe that more SMEs, proportionally speaking, are replying to the survey.

Foreign SMEs represent 37% of the foreign respondents (94 companies), **the biggest samples of foreign SMEs, by far, that participated over this survey's history.**

From the Chinese side 44% (192) of respondents stating their size are SMEs, also providing for a sizeable sample.

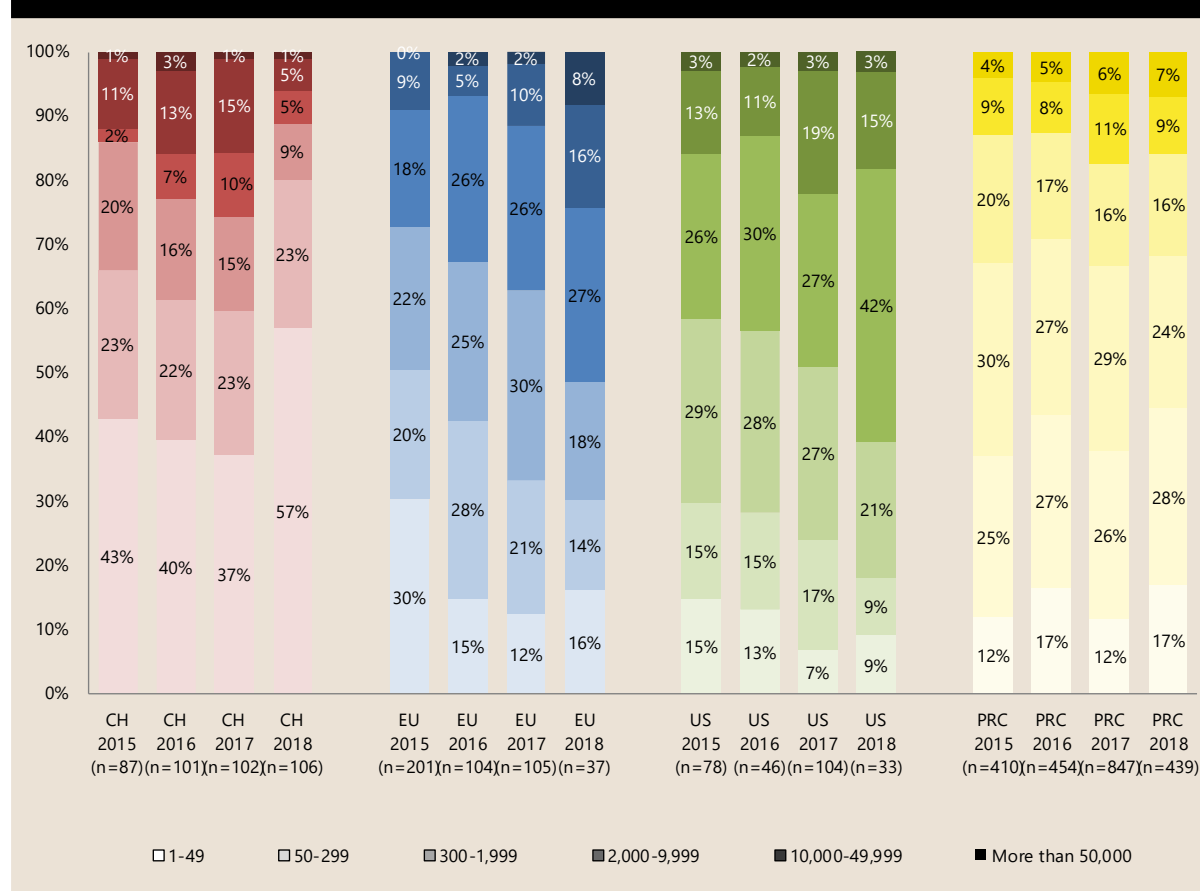
## OVERVIEW

As a result, this survey is particularly suitable to make **comparisons between SMEs and larger companies**.

Overall and based on previous years' experiences, these Swiss and Chinese numbers of respondents are large enough to provide reasonably representative results for these two groups of investors and **give a useful picture of the state of SMEs and Swiss businesses in China**.

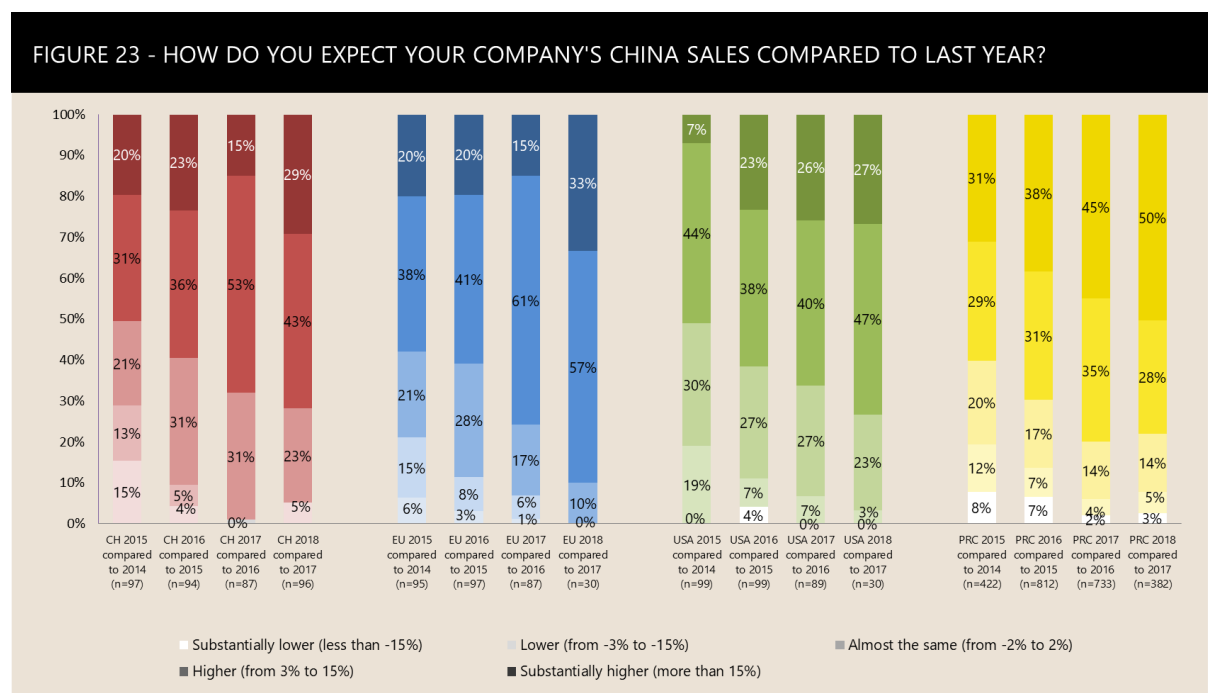
*Note: all respondents did not answer all questions, so that the numbers in the charts that follow and the introduction above do not usually add up to the total numbers provided on the map above.*

**FIGURE 2 - HOW MANY EMPLOYEES DOES YOUR COMPANY HAVE IN CHINA?**



*The Figure 2 above provides the size of the China operations only. SMEs are defined by the number of employees globally, which are higher.*

## 2. SWISS & FOREIGN COMPANIES OUTLOOK: ONGOING AND INCREASING BUSINESS EXPANSION



Again this year, a slightly larger proportion of foreign respondents than in last survey reports growing sales, confirming that the **Chinese economy, despite its slowdown, continues to present increasing opportunities** for international companies.

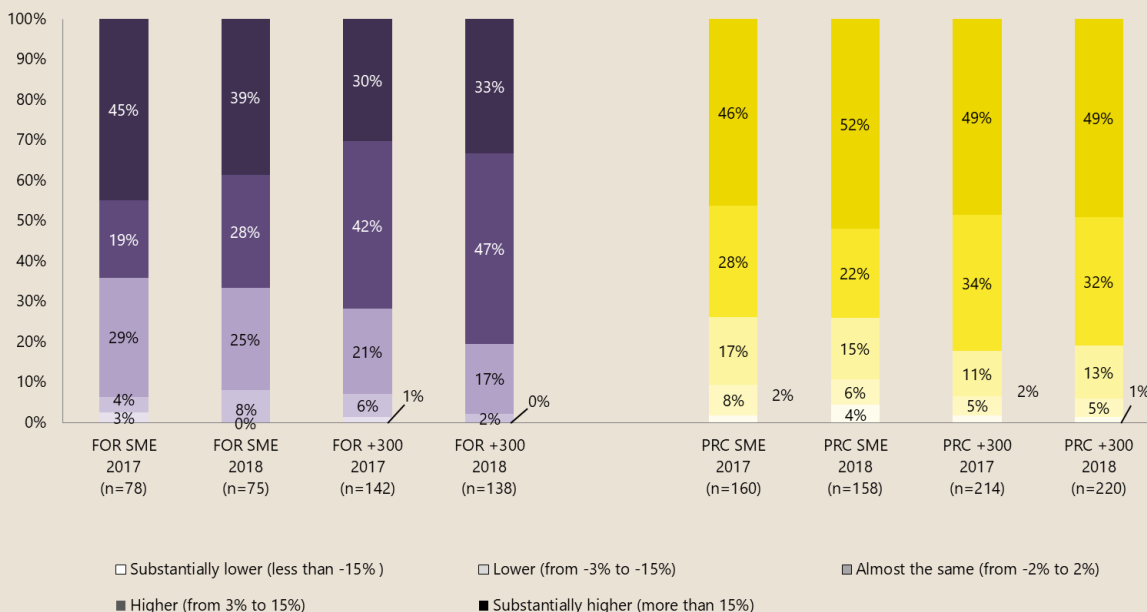
It is worth to note, however, that Chinese firms do not report growth in larger numbers than in the previous year.

We believe that a key reason for this situation is that **more of China's growth happens in higher technology sectors today than it was the case in the past**. As a result, the average and overall GDP growth announced underestimates growth in the more dynamic technology sectors, which are also where Swiss and other international companies are traditionally active. This gives them an edge over their Chinese competitors.

Besides, as analyzed from the responses on “challenges” below, it is also quite probable that Chinese companies have more difficulties to adapt to the reforms underway and the “New Normal”.

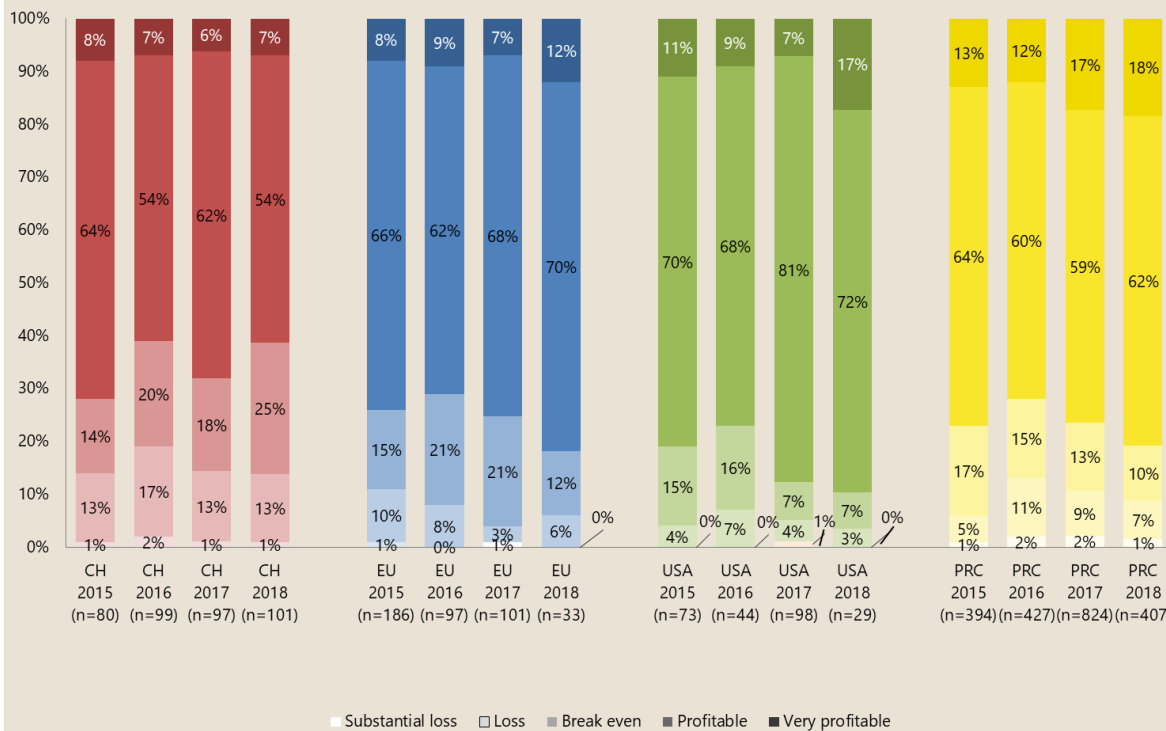
This year, however, larger foreign companies are growing faster than international SMEs.

FIGURE 5 - HOW DO YOU EXPECT YOUR COMPANY'S CHINA SALES THIS YEAR COMPARED TO LAST YEAR? SME VS. LARGER FIRMS



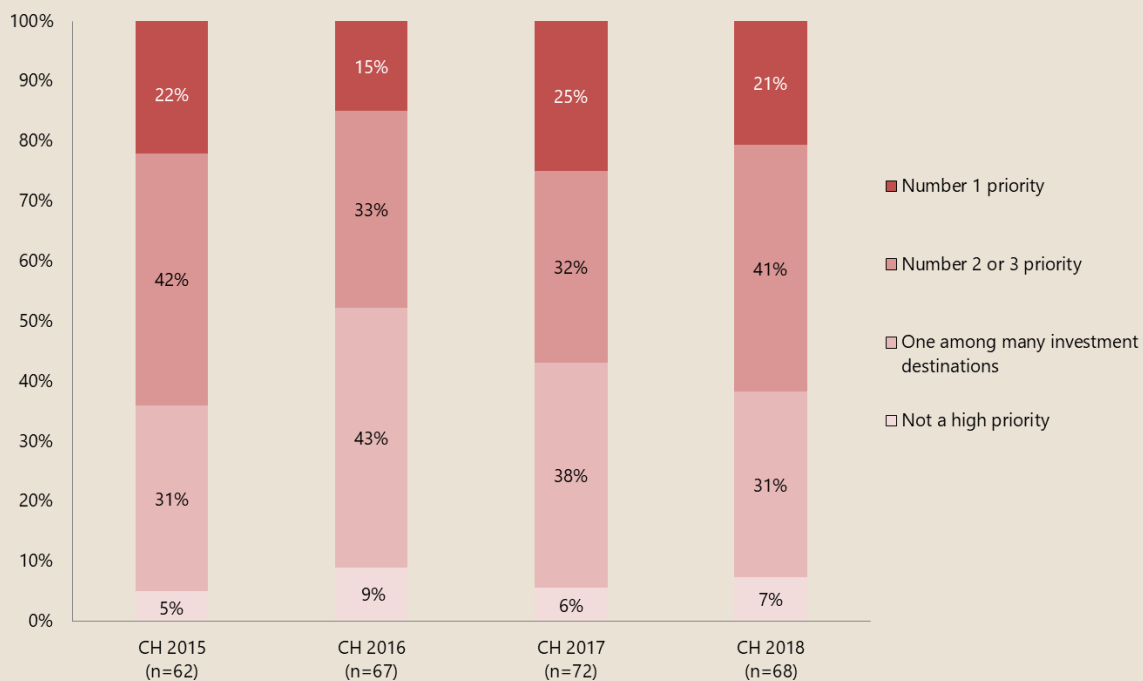
In terms of profitability, however, Swiss companies are stagnating (61% announce to be “profitable” or “very profitable”), while the Chinese ones continue to improve and report higher level of profits (80% are profitable or very profitable).

FIGURE 24 - HOW PROFITABLE DO YOU CONSIDER YOUR CHINA OPERATION FOR THE CURRENT YEAR?

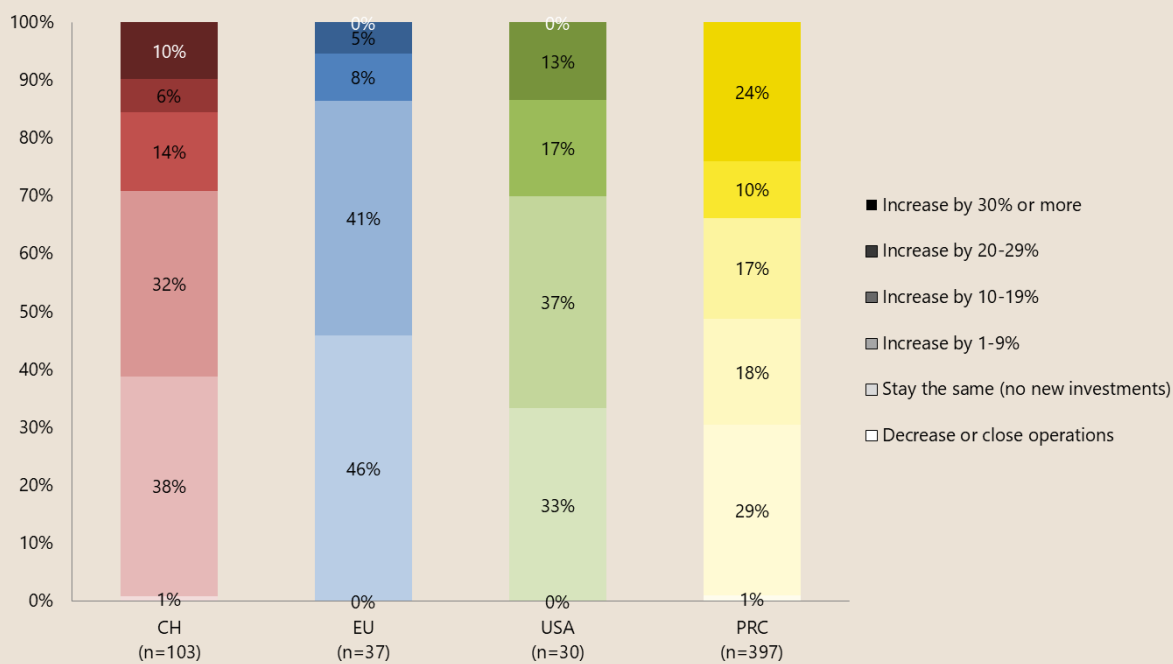


This does not prevent them from seeing China as a top priority for investment in increasing numbers. Still, the Chinese invest significantly more than the Swiss.

**FIGURE 26 - HOW DOES CHINA RANK IN YOUR GLOBAL INVESTMENT PLANS? (CH COMPANIES)**



**FIGURE 25 - WHAT INVESTMENT DO YOU PLAN FOR 2017 IN CHINA?**



### 3. COMPETITION AND RISING COSTS CONTINUE TO BE THE KEY EXTERNAL CHALLENGES

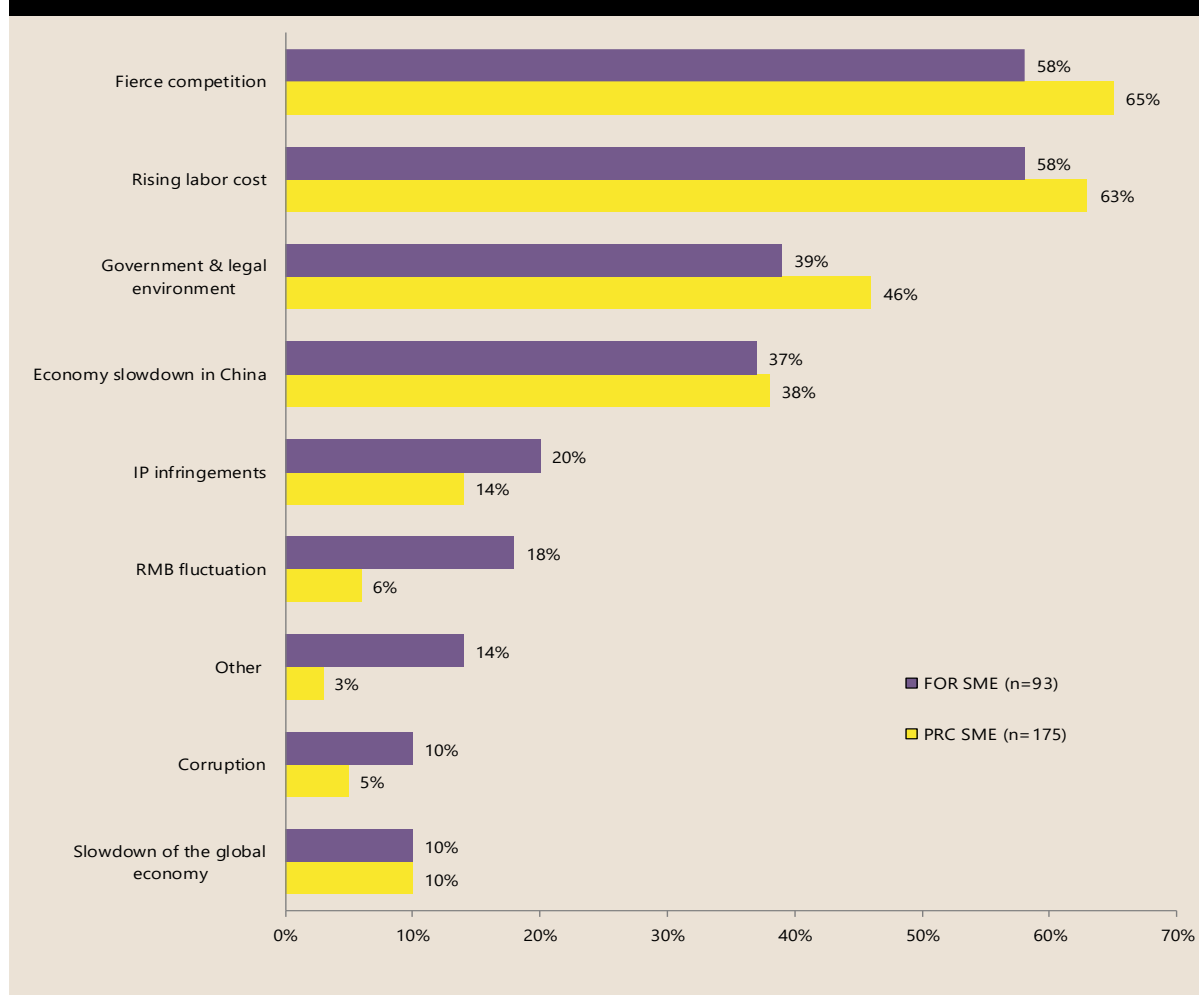
“Fierce competition” and “rising labour costs” continue to present most pressing external challenges to both foreign and Chinese firms this year. “Government and legal environment” comes next with the “Economy slowdown in China”.

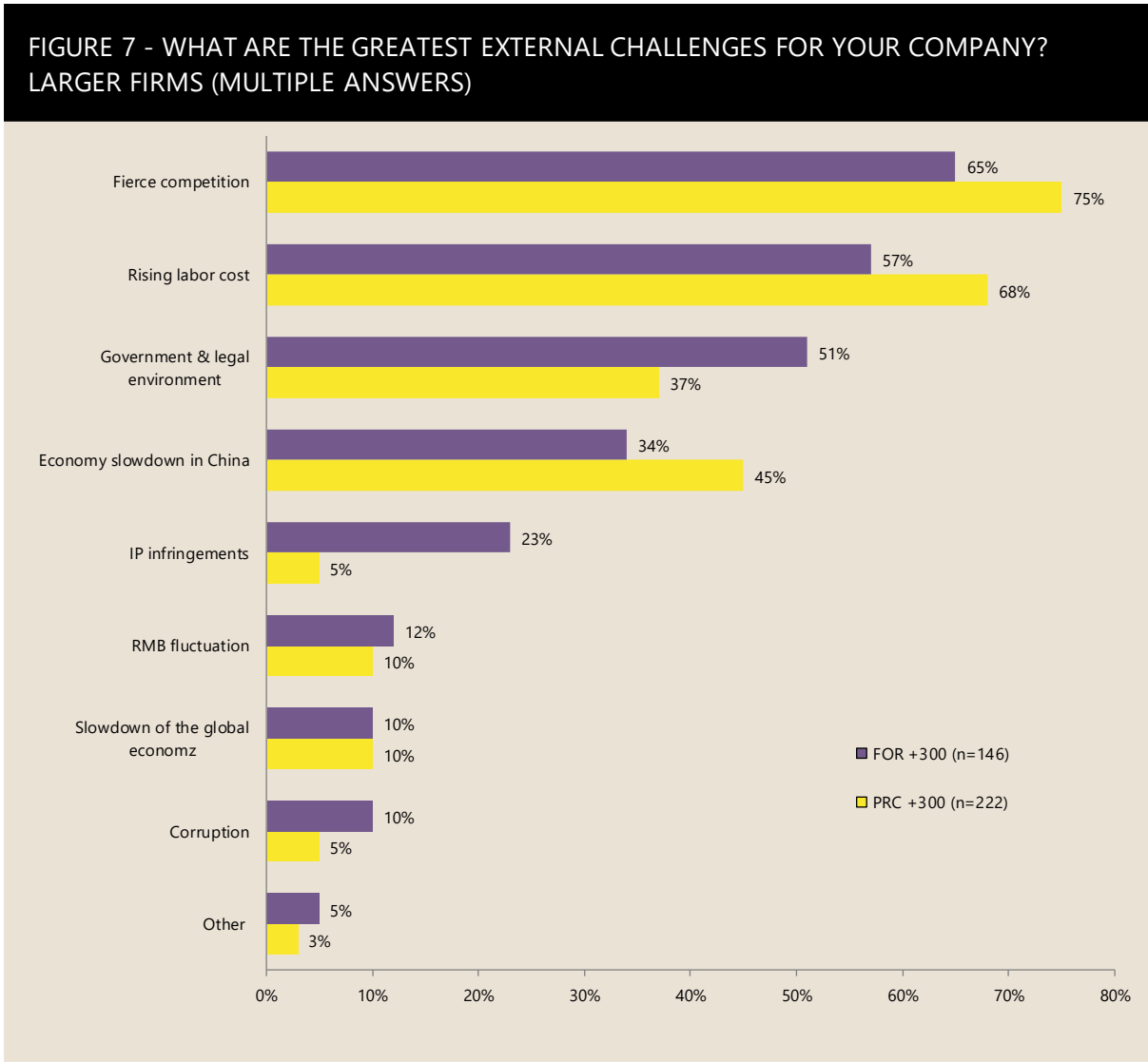
Interestingly, Chinese companies large and small are reporting these challenges significantly more intensely than the foreign ones, indicating that **domestic companies, while growing faster, still see more difficulties adapting to the new economic and regulatory situation.**

#### 3.1. SMEs continue to live up to China’s challenges in their know-how intensive niches

The difference in intensity is even bigger when comparing foreign and Chinese small and medium enterprises. **Local SMEs are significantly more challenged than foreign ones in every aspect** except “Corruption” (if one excludes RMB fluctuations, which affect much less local firms doing mostly domestic business).

FIGURE 6 - WHAT ARE THE GREATEST EXTERNAL CHALLENGES FOR YOUR COMPANY? SME (MULTIPLE ANSWERS)





There is one notable exception in the intensity of challenges for local enterprises in the top four challenges that may be telling, however: **large Chinese companies** see **“government & legal environment”** as **much less of a challenge** when compared to their foreign counterpart and, as well, compared to Chinese SMEs.

This may indicate that large domestic companies are less challenged in general, because new regulations favour their activities or because of better abilities in avoiding enforcement. It is also possible that larger foreign companies are the target of new policies that discriminate against foreign companies.

In any case this illustrates the widely communicated **perception of foreign companies that the regulatory environment increasingly discriminates against them**, despite the further formal opening of business activities to foreign investments.

What this survey shows, however, is that **foreign SMEs seem not to be directly affected by this trend**. It may again be due to the fact that their traditionally niche fields of activities are not affected by new policies, or that they work through partners (Chinese or foreign) to go around the difficulties.

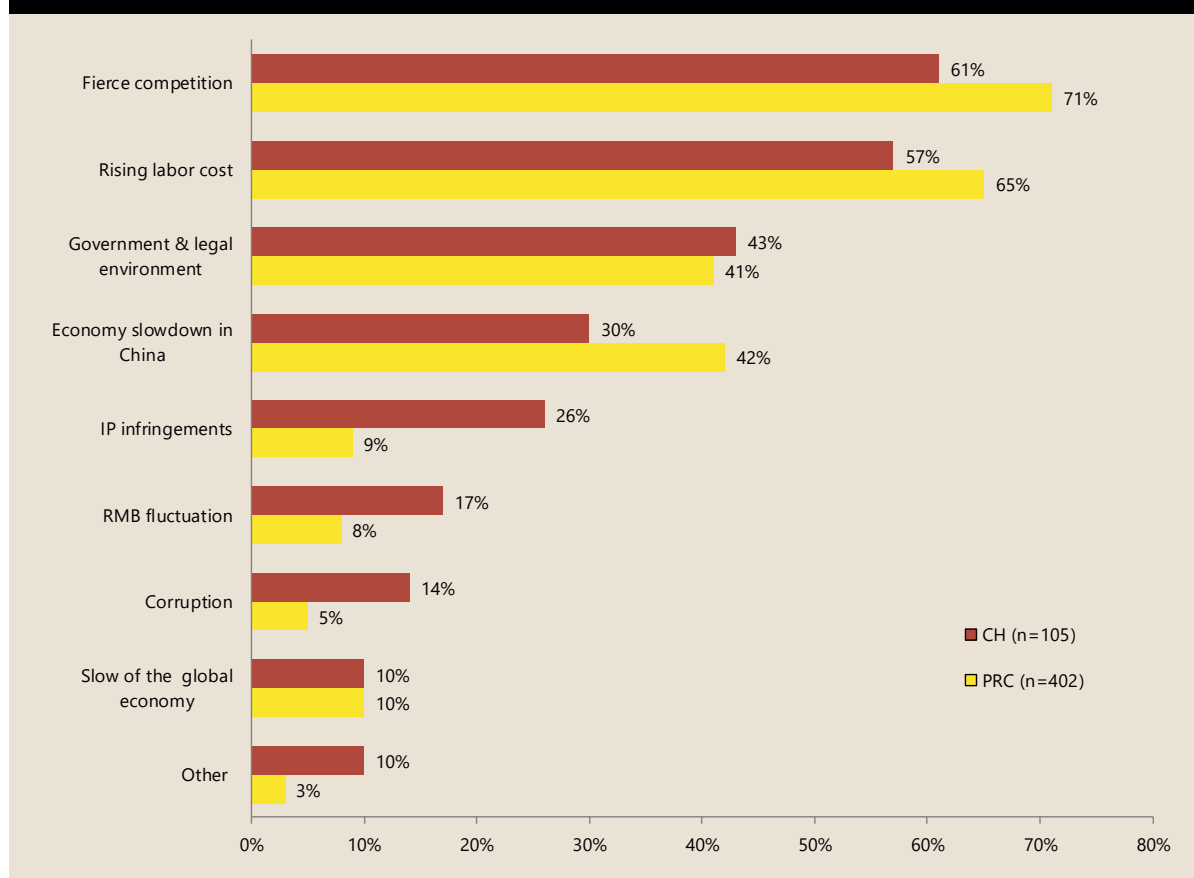
## EXTERNAL CHALLENGES

Overall, this analysis of challenges shows that foreign and particularly Swiss SMEs keep an additional set of advantages allowing them to further develop in China's evolving environment.

The above picture is generally confirmed when looking at Swiss and Chinese companies comparison below. Local businesses are generally more challenged by the external environment, with the exception of “**IP Infringements**” (local companies have on average less IP) and “**Corruption**” (which local companies may be more flexible to deal with).

These two factors, however, come at the bottom of the external challenges list, indicating a generally favourable situation for Swiss companies when compared to local ones.

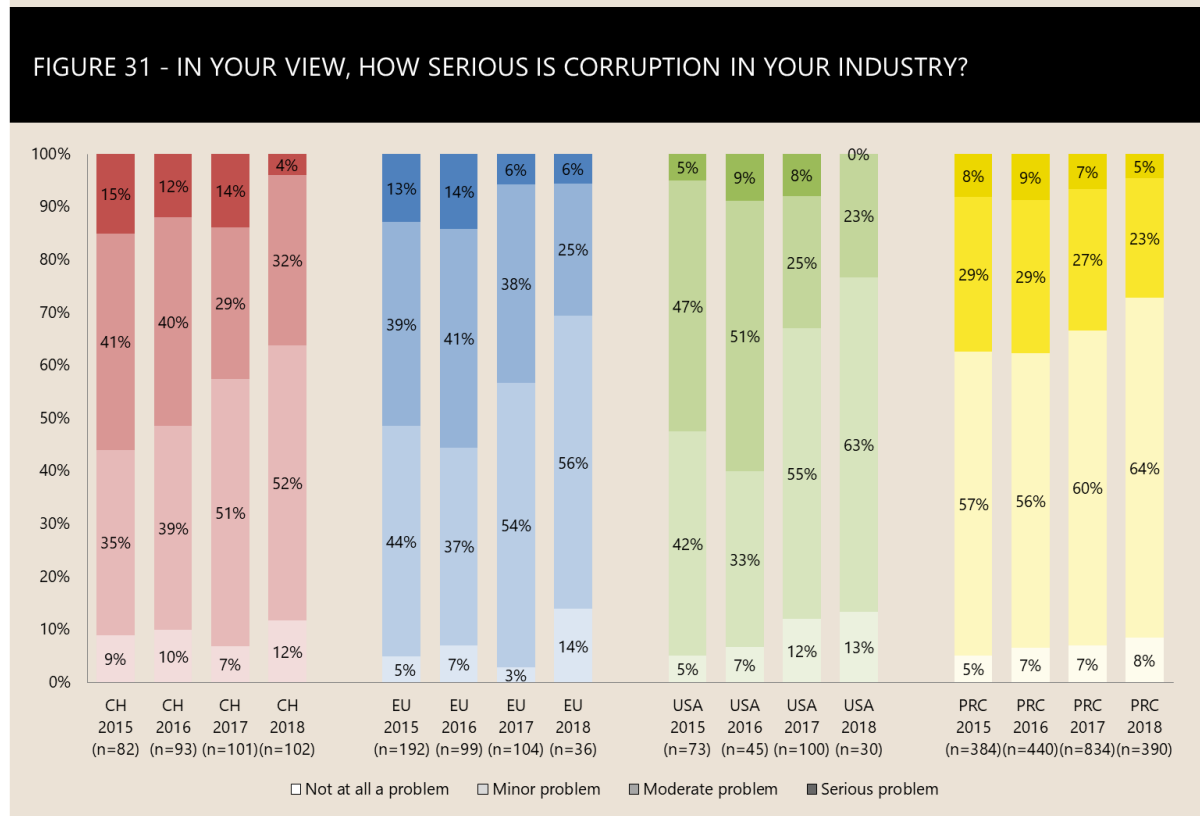
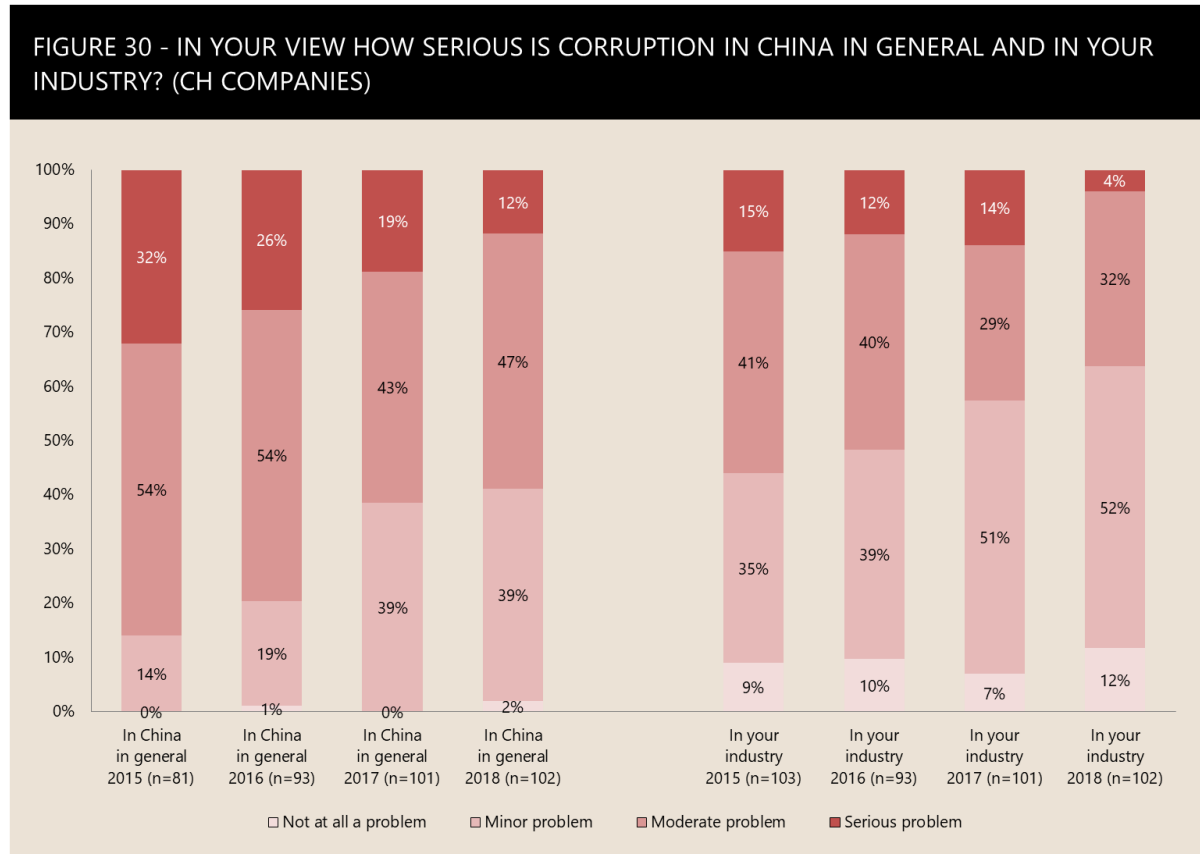
FIGURE 15 - WHAT ARE THE GREATEST EXTERNAL CHALLENGES FOR YOUR COMPANY?  
(MULTIPLE ANSWERS)





### 3.2. Corruption is clearly improving – but Chinese firms increasingly look for closer links to authorities

Whoever are the respondents and from either a general or their particular industry point of view, all answers point out to an improvement in the corruption situation:

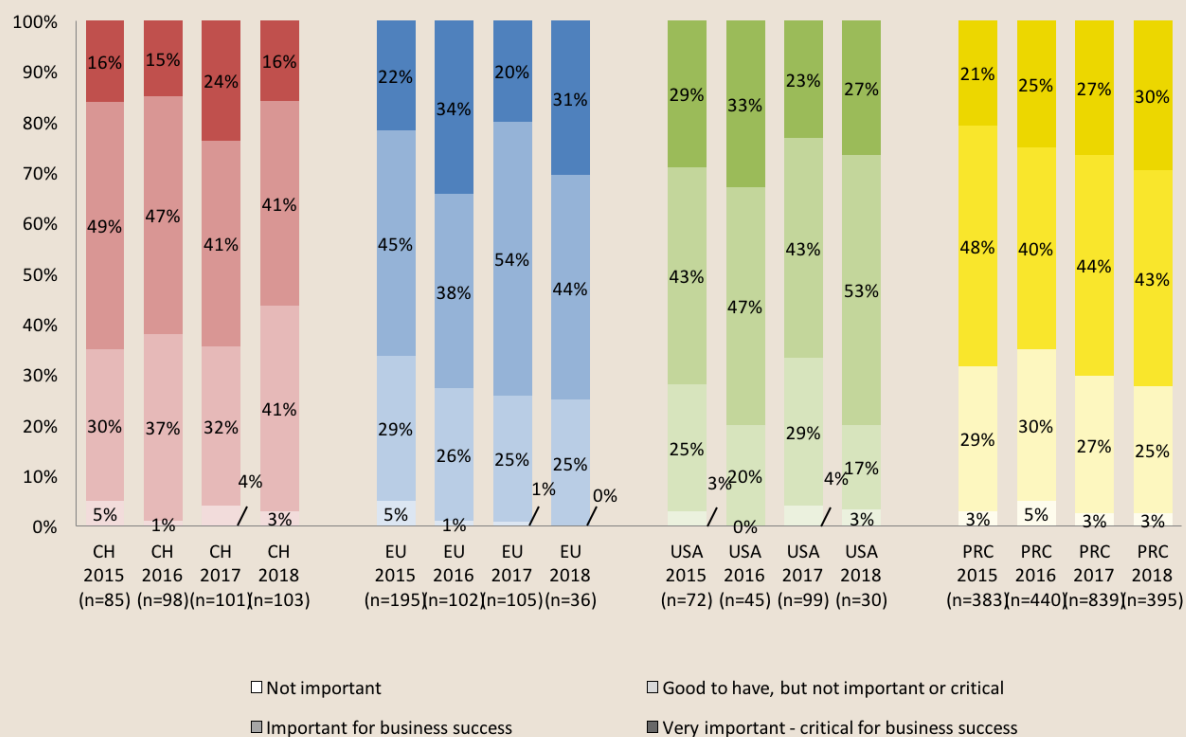


## EXTERNAL CHALLENGES

Yet, Chinese companies tend to view government relations in growing importance. At the same time, the Swiss, at least, show the opposite trend.

This may be an indication of the growing efforts that the government makes to shape an economic policy, that intends to support indigenous businesses. (Other such indications can be found in the data presented in the concluding chapter, below.)

**FIGURE 32 - HOW IMPORTANT ARE THE RELATIONSHIPS WITH THE AUTHORITIES?**



## EXTERNAL CHALLENGES

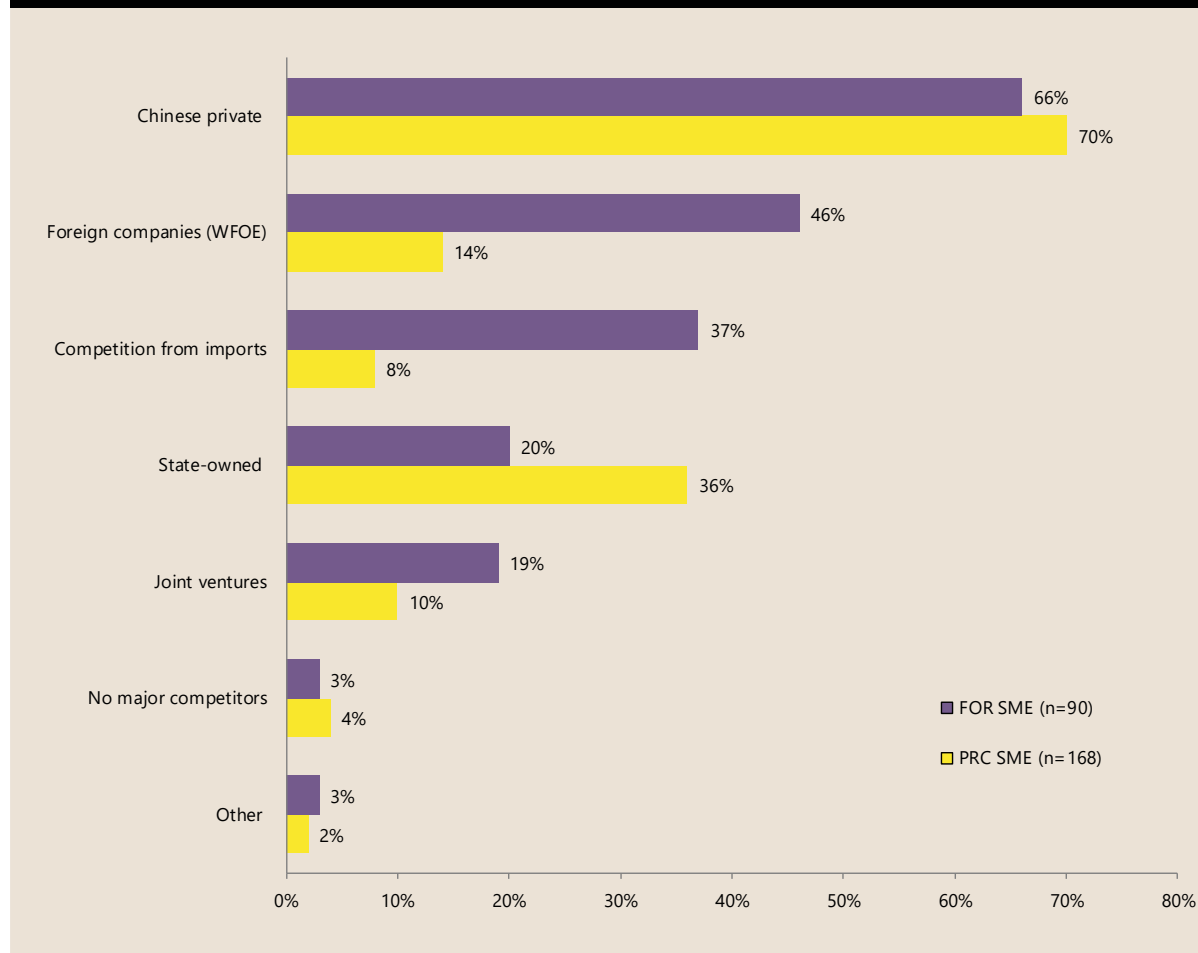
Competition, the top challenge, originates mostly from Chinese private companies. When looking at **the competitors' situation**, Chinese private companies present the most important competition for the 4<sup>th</sup> year in a row for **both foreign and Chinese businesses**.

However, the importance of the other competitors is very different for local and foreign companies. While Wholly Owned Foreign Enterprises, “**WOFEs**” are **very important competitors for foreign companies**, they present a far smaller challenge to domestic firms. Instead, **State-Owned Enterprises (SOEs)** are seen to be the **second most important set of competitors for Chinese companies**.

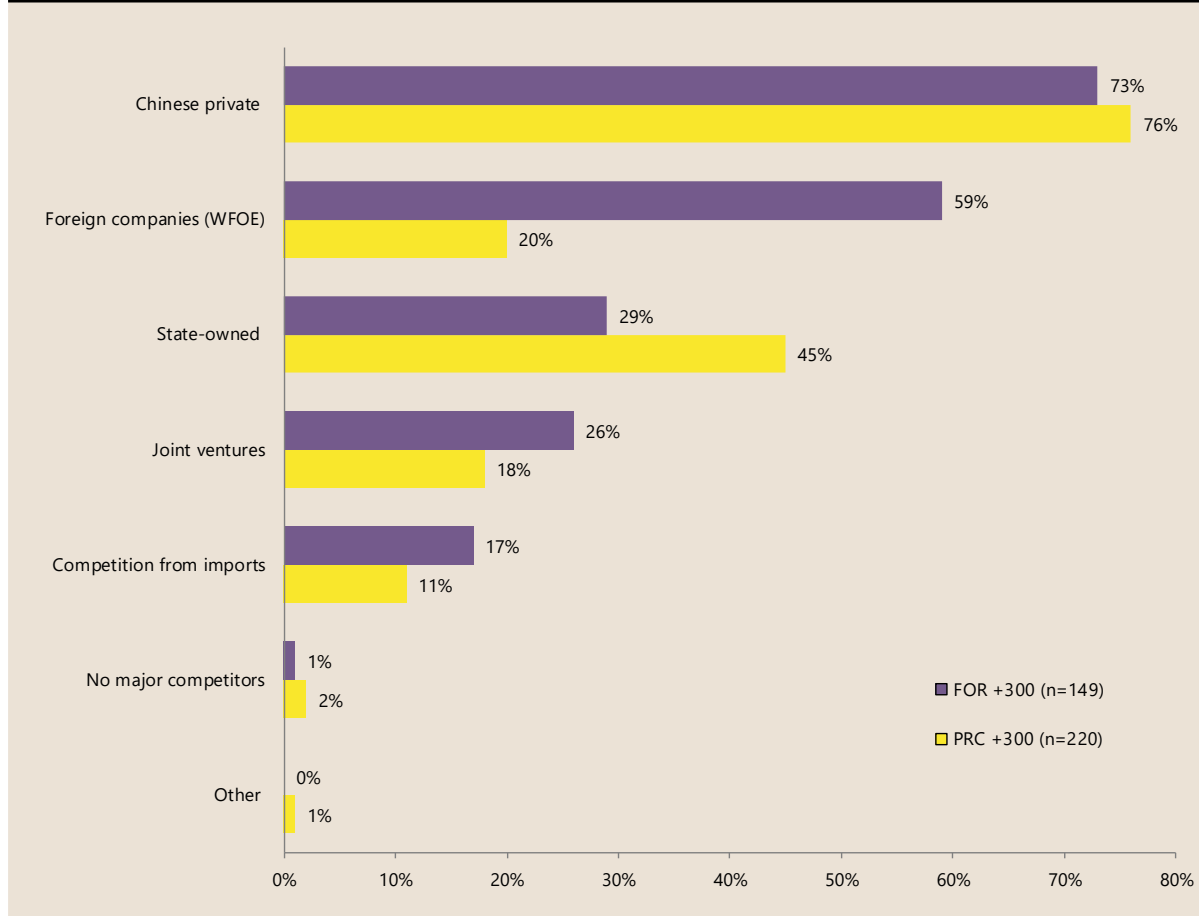
This may well be so because Chinese companies do not have the restrictions that foreign ones have in some of the sectors where SOEs are active. As a result, Chinese private companies prefer to compete against state-owned firms, which are known to be quite inefficient and therefore easier to compete against than foreign enterprises.

Another noteworthy result is the **strong competition from imports experienced by SMEs**. We see this as a clear illustration of the niche markets that SMEs traditionally occupy. Indeed, the number of competitors in niches is small worldwide and niche players are very often exclusive in supplying their flagship products. As a result they can afford not to establish a production in China and only support their activities locally with sales and after-sales services.

FIGURE 8 - WHO ARE YOUR MAJOR COMPETITORS IN CHINA?  
SME (MULTIPLE ANSWERS)



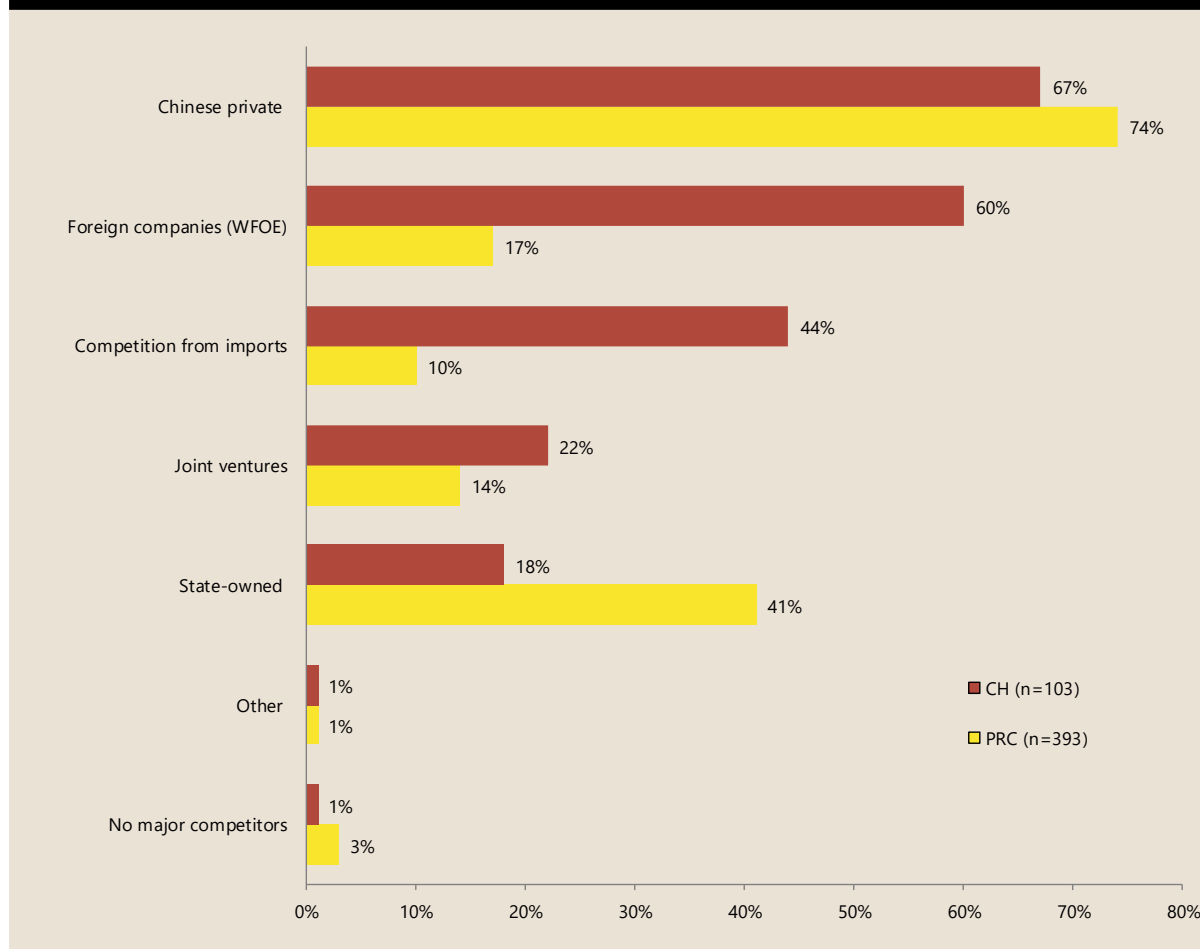
**FIGURE 9 - WHO ARE YOUR MAJOR COMPETITORS IN CHINA?  
LARGER FIRMS (MULTIPLE ANSWERS)**



## EXTERNAL CHALLENGES

The competition picture for Swiss companies is essentially the same, though Swiss businesses compete even more with other foreign entities and imports, illustrating the strong niche nature of Swiss businesses.

FIGURE 18 - WHO ARE YOUR MAJOR COMPETITORS IN CHINA? (MULTIPLE ANSWERS)



### 4. FOREIGN FIRMS, AND PARTICULARLY SMES, DEAL BETTER WITH INTERNAL CHALLENGES

Interestingly, the internal challenges results present again a picture less challenging for foreign companies, and particularly so for international SMEs.

In almost all aspects (if one excludes “**support from the head office**”, which is naturally a much smaller issue for Chinese companies), international firms deal significantly better with internal challenges than their Chinese counterparts. The only slight exceptions are “**marketing capabilities**” for SMEs and “**distribution problems**” for larger foreign firms.

#### 4.1. International SMEs find it more easy than others to attract talent

This situation is particularly striking for the key internal challenge “**finding & retaining talent**”. Human resources issues have been the key challenge facing foreign companies in China since we surveyed Swiss 10 years ago. Yet when breaking down results between large and smaller firms, new insights can be revealed.

Large companies (foreign and local) as well as local SMEs clearly identify “**finding and retaining talent**” as by far the most difficult of all their internal challenges. Yet, foreign SMEs (in majority Swiss in our sample) find it much less important (with almost 20 percentage points less intensity). **This is not the case for Chinese SMEs** who are challenged as much as large companies, local and foreign.

What should we see there, what is behind such good news for foreign SMEs?

On one hand, as often reported in human resources analyses of the attractiveness of employers, large domestic companies have become as attractive to local talent as their international counterparts. At this level, the competition for talent is intensifying, with large local employers going after the talent working for foreign multinationals.

As a result **the war for talent is still on**. But at the same time, some of the talent working for large international firms is finding it tiring to have to deal with large organizations, the often complicated and slow decision making processes and the internal politics.

These difficulties are perceived as obstacles for the more entrepreneurial employees. As a result, they are interested to work for international SMEs, offering a faster road to professional achievements, self-development and promotions.

This provides **new opportunities for well-positioned foreign SMEs to attract well-trained talent from multinationals**.

#### 4.2. Foreign businesses keep an edge in innovation, governance and financing

There are more differences in the way foreign and domestic companies experience the different internal challenges. Noteworthy are the significantly higher intensity with which local companies identify the challenges of “**innovation capability**”, “**corporate governance**” and “**financing difficulties**”.

It indicates that **innovation**, a new need for most domestic companies, **remains a strong advantage of Swiss and foreign companies**. Though this advantage will be eroded with time by the generous R&D government subsidies provided to local companies, this is not

## INTERNAL CHALLENGES

unexpected when considering the technology advantages that international companies have traditionally held over domestic ones.

It may be more of a surprise that **Chinese companies have more difficulties to enforce a good or strong corporate governance**, given the fact that local companies should have the cultural advantage.

It is however our experience that developing strong and stable processes, which ensure that corporate governance is upheld, is difficult for local companies. They are less used to deal with a workforce that has more and more aspiration towards quality of life and is also more savvy in using the local labor laws favoring employees over employers.

Another factor, which combines with the less deferent workforce, is the reluctance of Chinese entrepreneurs to spend “unproductive” management time on establishing (and enforcing) detailed and resilient internal processes.

It is also interesting to note that international companies still have the financing advantage, though this may last for a limited time as well, if the government implements its plans to support SMEs and start-ups financially.

**FIGURE 10 - WHAT ARE THE GREATEST INTERNAL CHALLENGES FOR YOUR COMPANY? SME (MULTIPLE ANSWERS)**

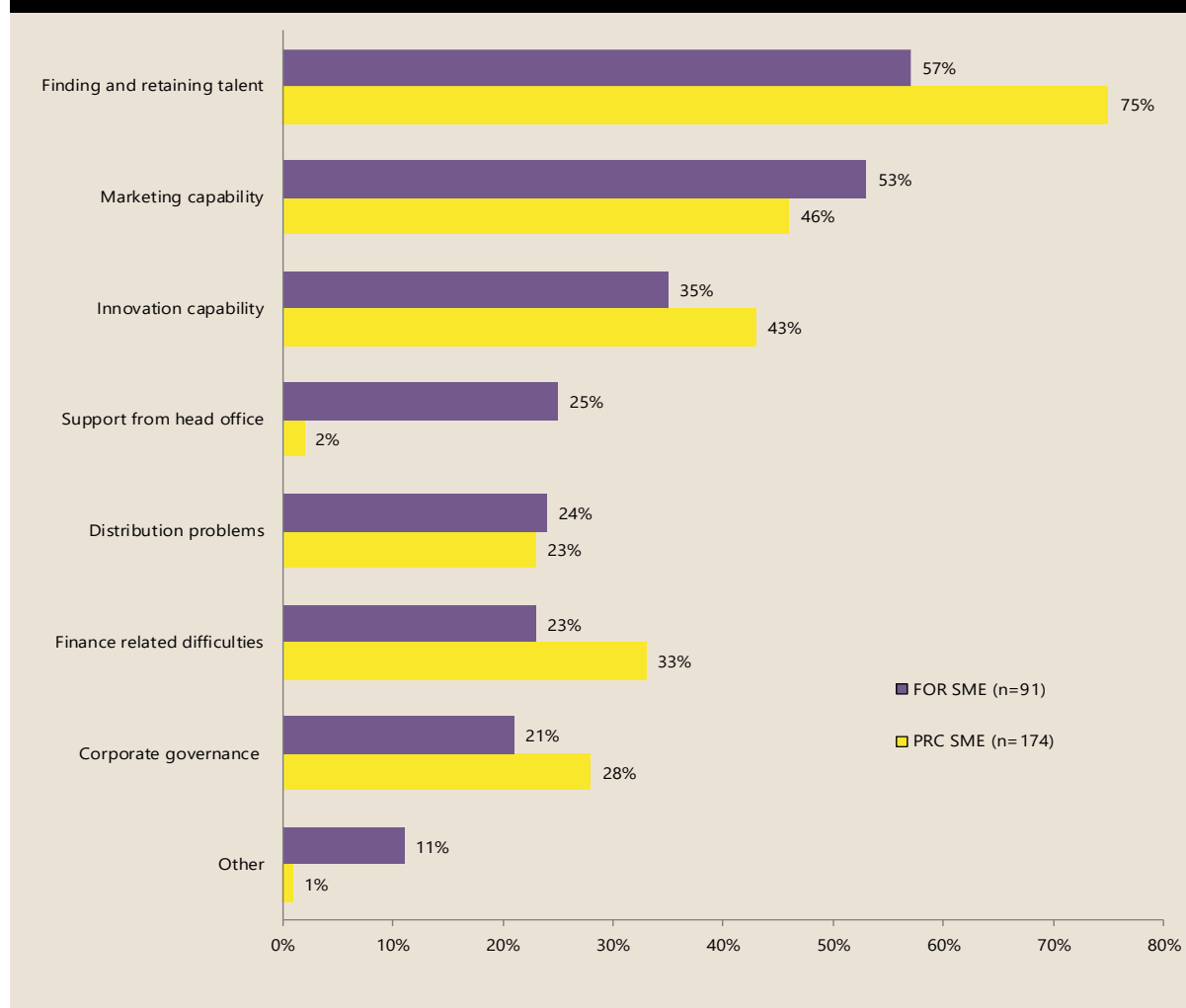


FIGURE 11 - WHAT ARE THE GREATEST INTERNAL CHALLENGES FOR YOUR COMPANY? LARGER FIRMS (MULTIPLE ANSWERS)

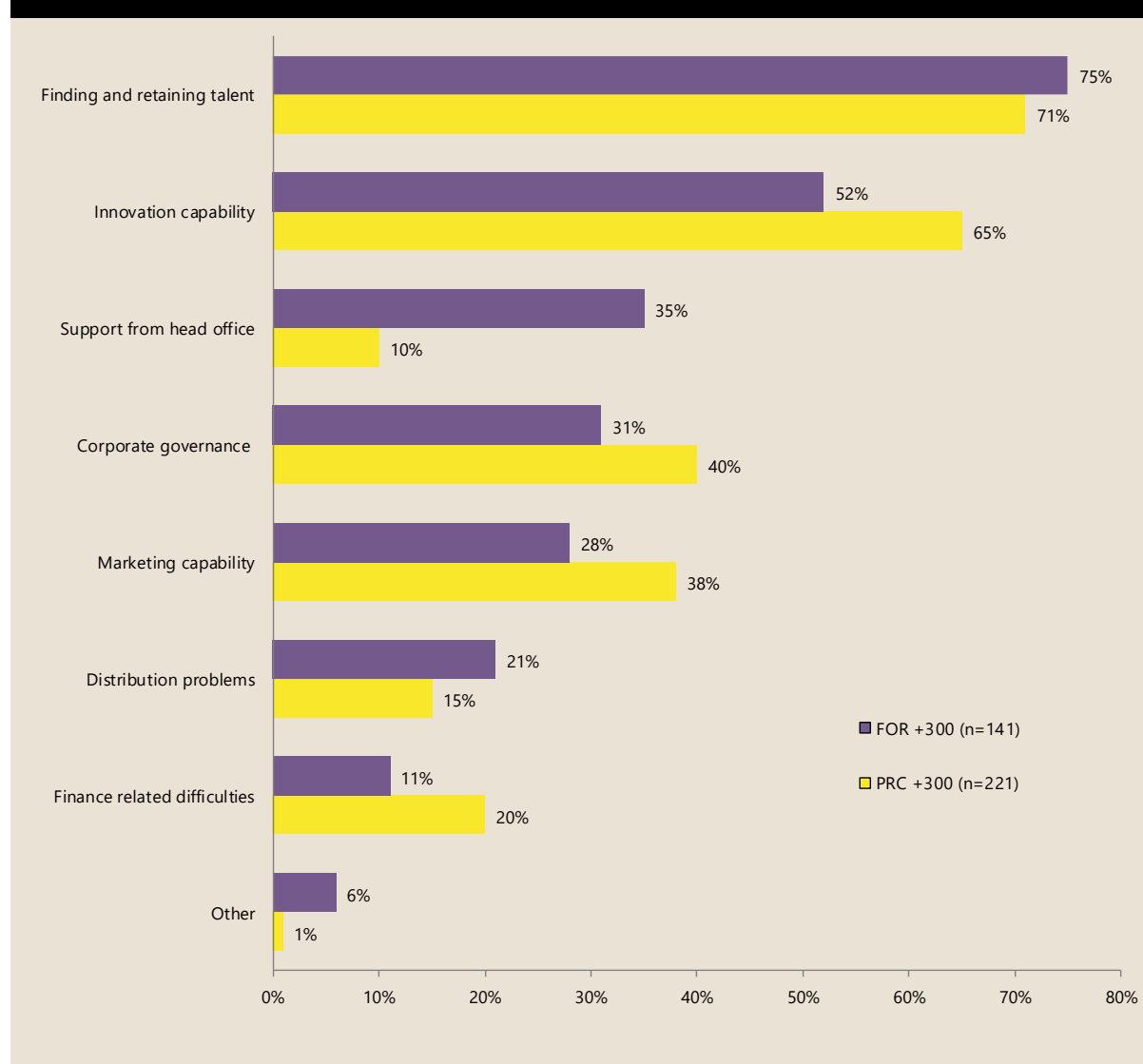
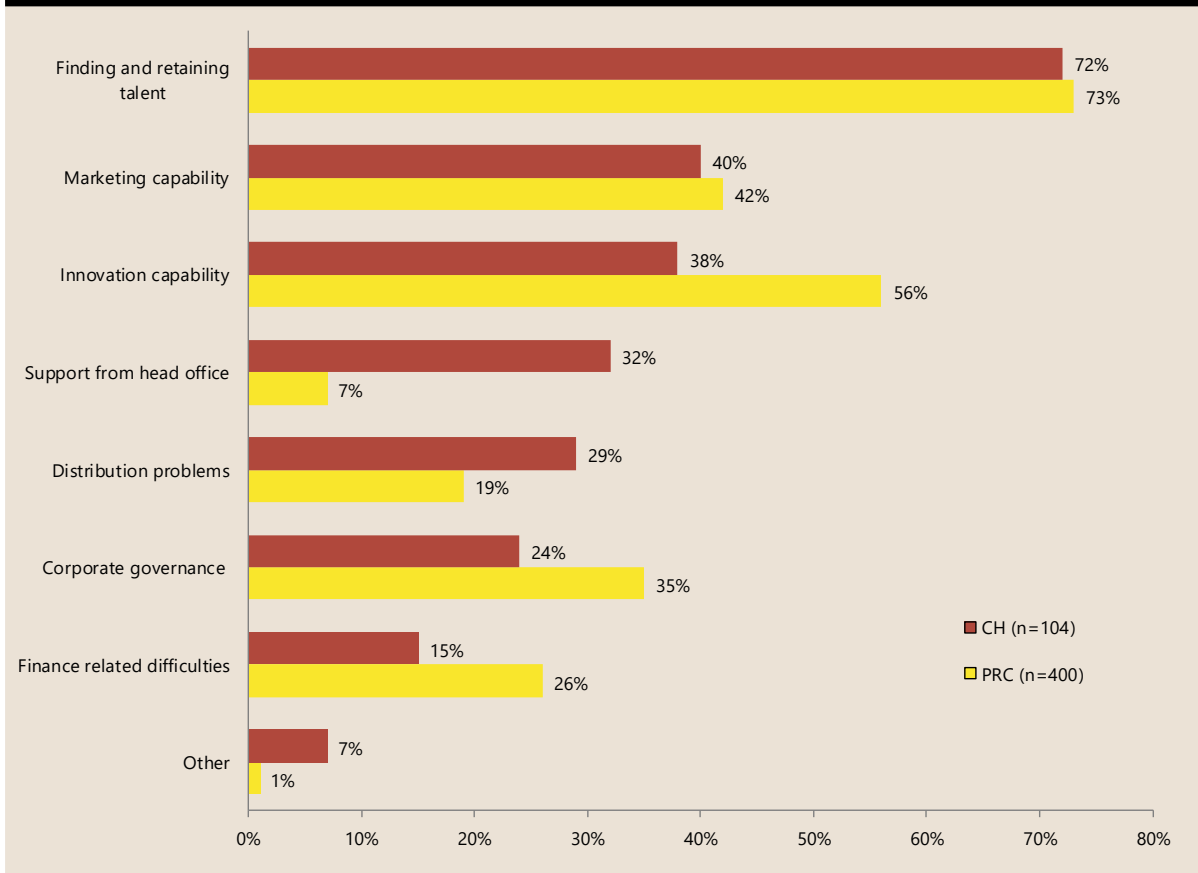




FIGURE 14 - WHAT ARE THE GREATEST INTERNAL CHALLENGES FACING YOUR COMPANY IN CHINA? (MULTIPLE ANSWERS)



## 5. INTERNATIONAL COMPANIES SELL THROUGH QUALITY – CHINESE FIRMS EMPHASIZE DISTRIBUTION, R&D AND MARKET KNOWLEDGE

With about 25 percentage points difference, foreign and particularly **Swiss businesses have an unmistakable, laser focus on quality** to gain their competitive advantage.

Chinese companies compensate by making considerably more efforts on distribution, R&D and market research.

While it may be difficult to compete on distribution with Chinese companies, there is surely an opportunity to acquire more market knowledge and develop R&D for foreign firms. Difficulties in preserving know-how and Intellectual Property (IP) are certainly a reason for foreign firms not to focus much on R&D in China, though.

FIGURE 12 - WHAT ARE THE MOST IMPORTANT FACTORS ON THE SUCCESS OF YOUR SALES IN CHINA? SME (MULTIPLE ANSWERS)

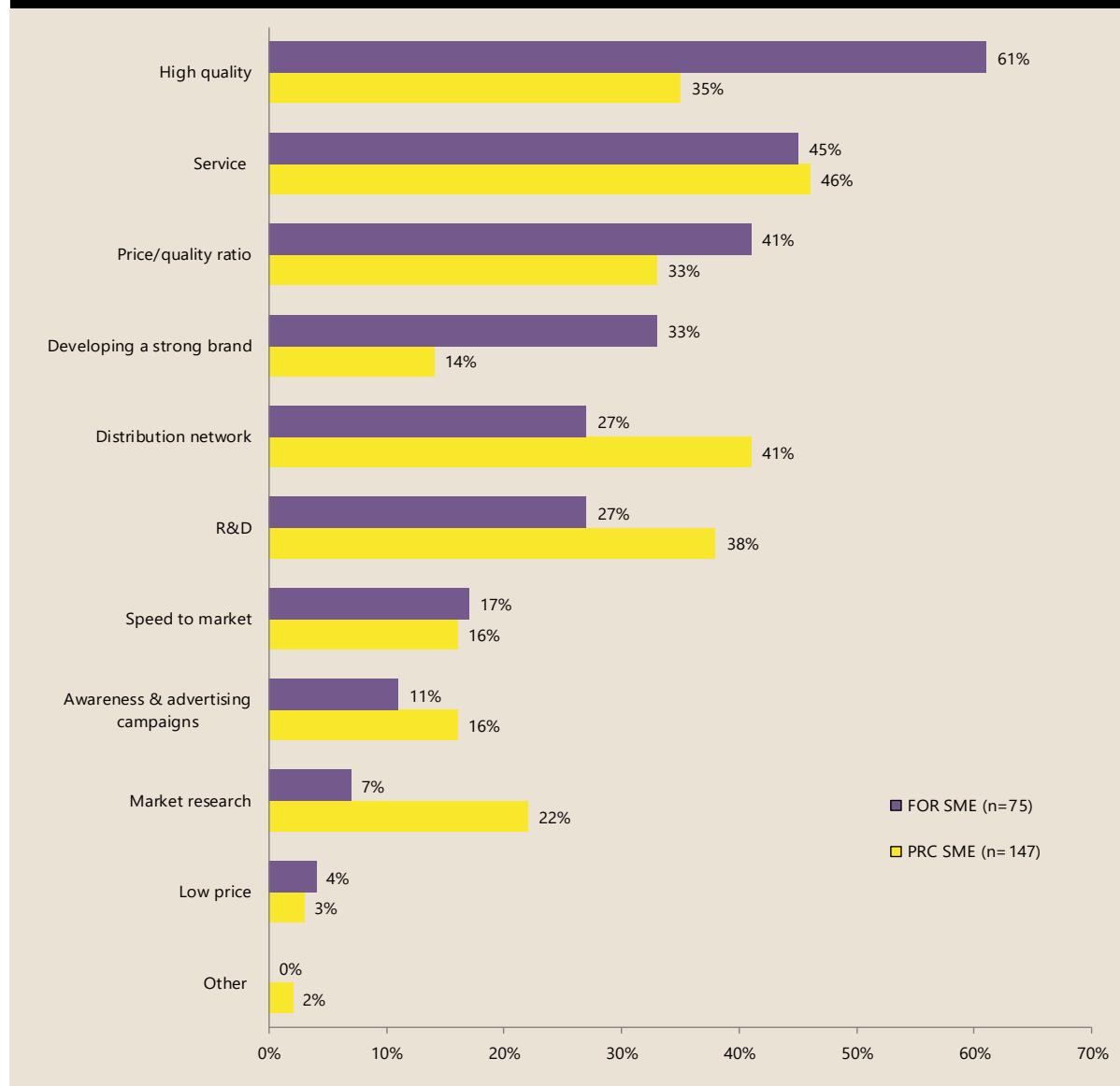


FIGURE 13 - WHAT ARE THE MOST IMPORTANT FACTORS ON THE SUCCESS OF YOUR SALES IN CHINA? LARGER FIRMS (MULTIPLE ANSWERS)

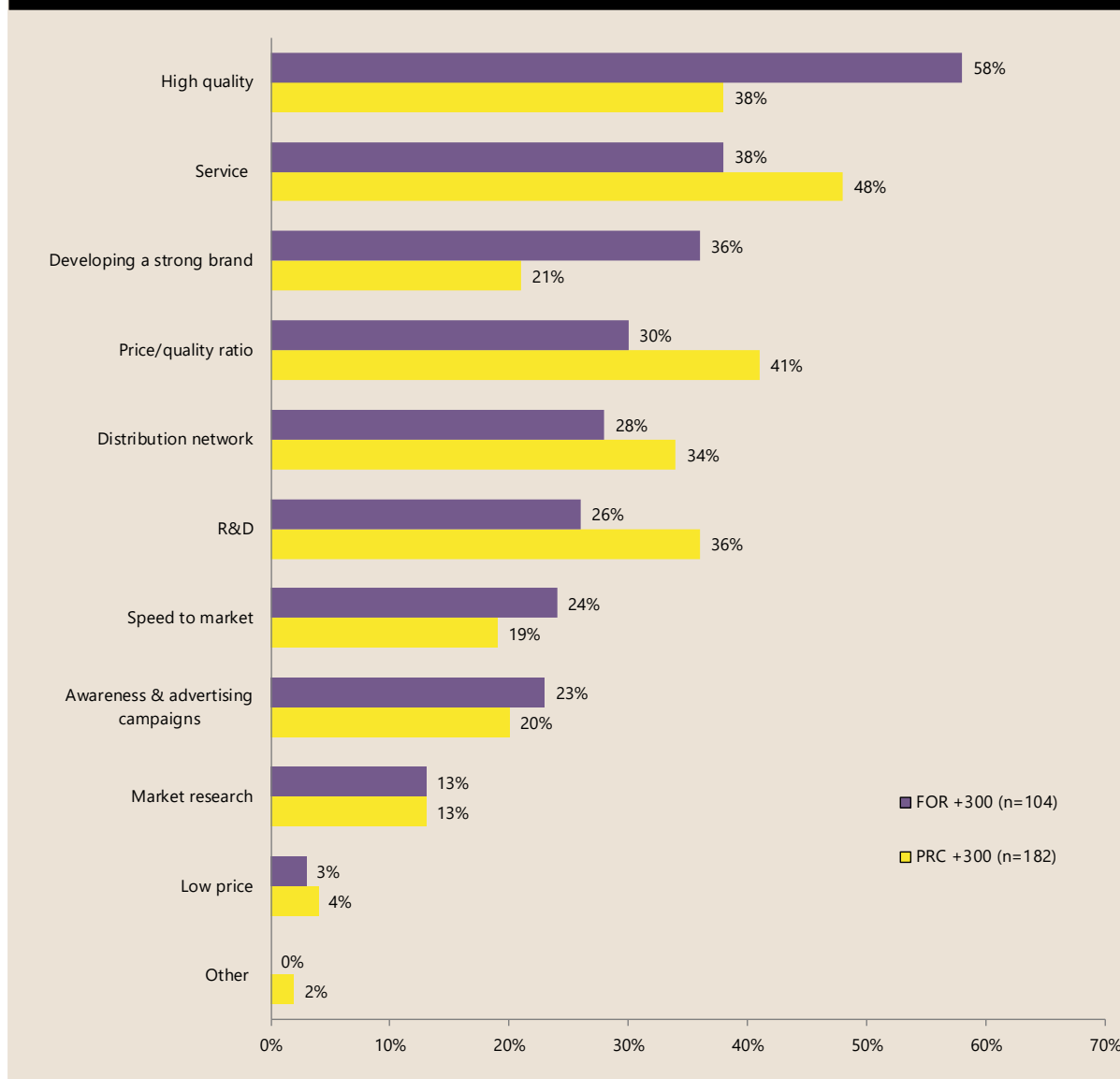
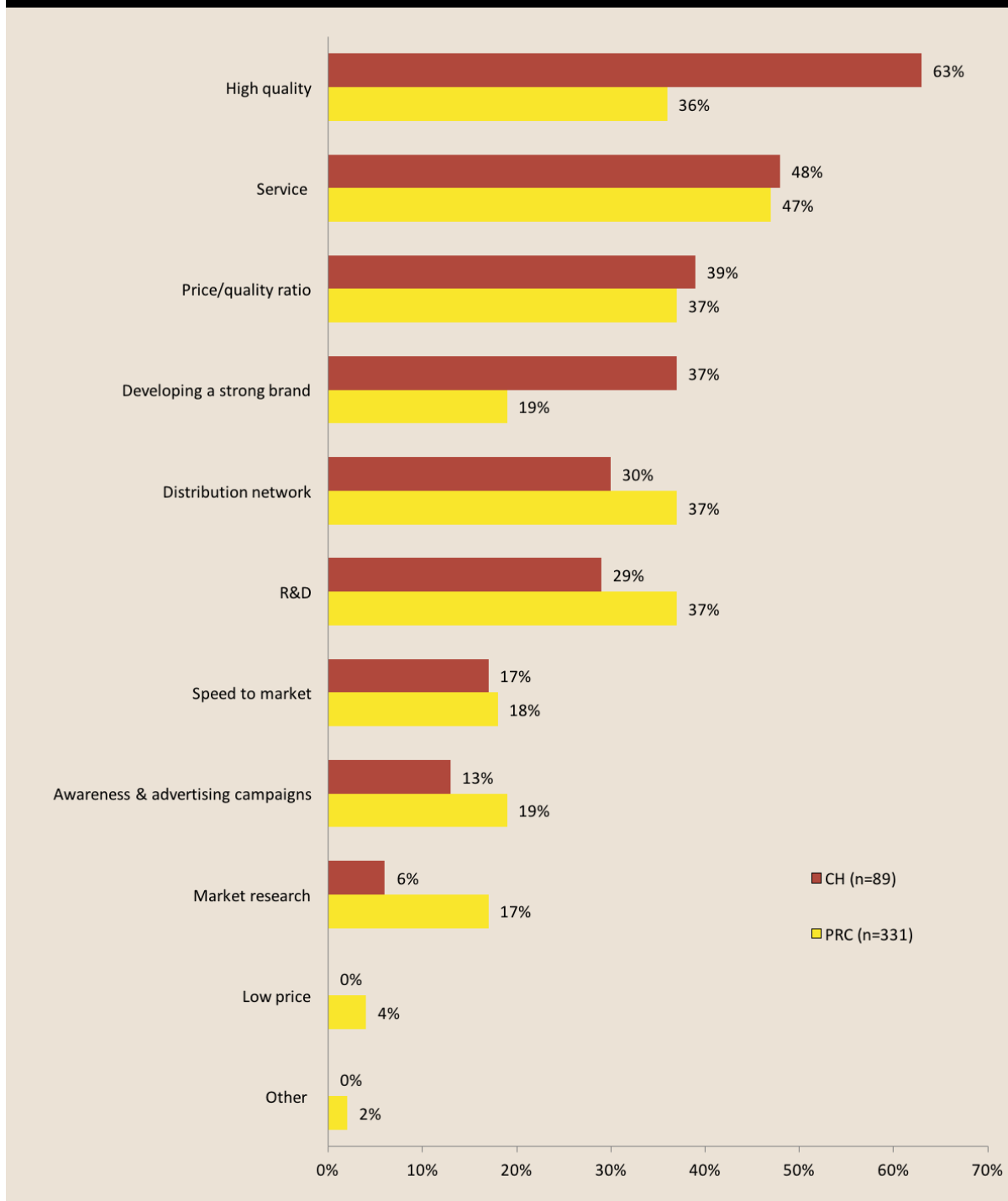
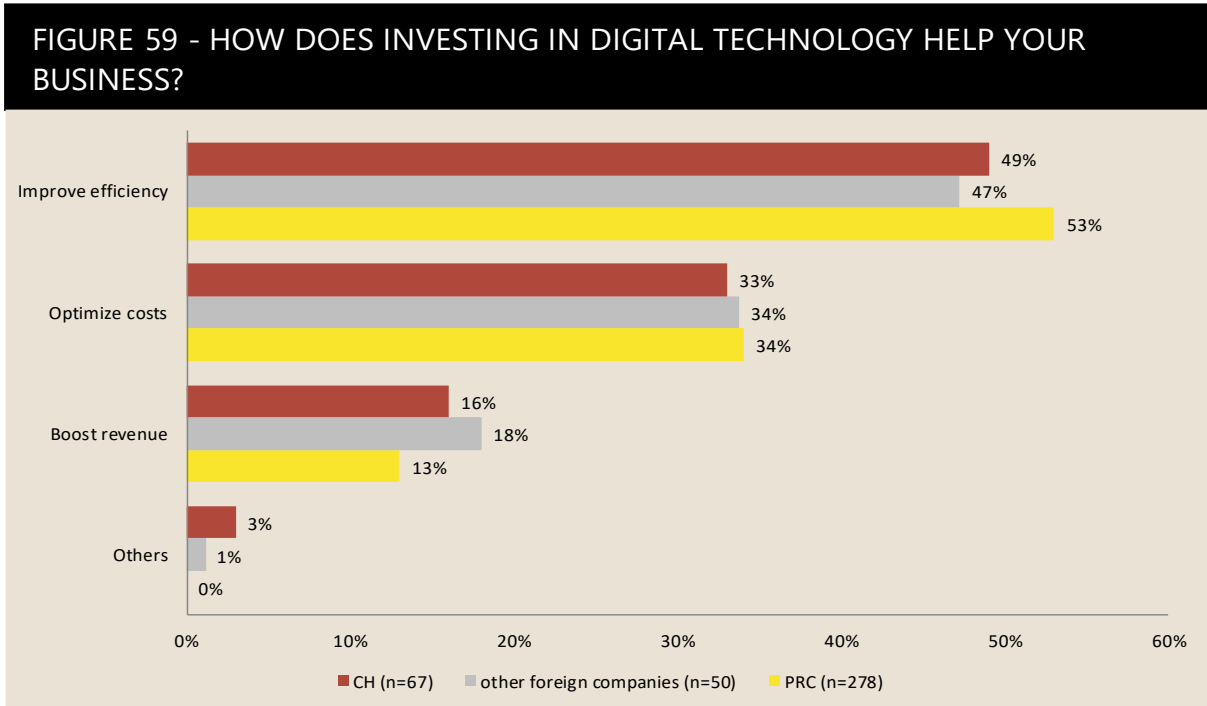


FIGURE 21 - PLEASE CHOOSE THE MOST IMPORTANT FACTORS FOR THE SUCCESS OF YOUR SALES IN CHINA?

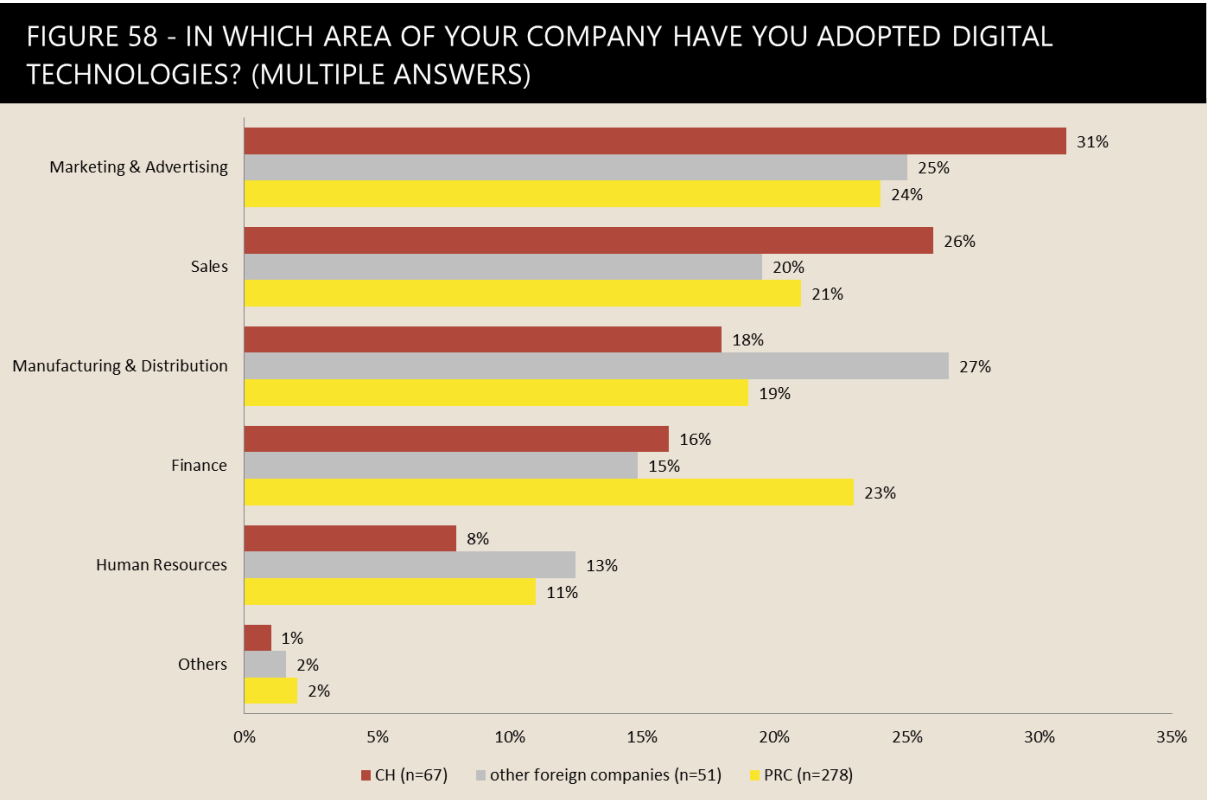


## 6. CHINA EMBRACES DIGITIZATION

Chinese and Foreign companies have very much the same purposes when they invest in digital technology:

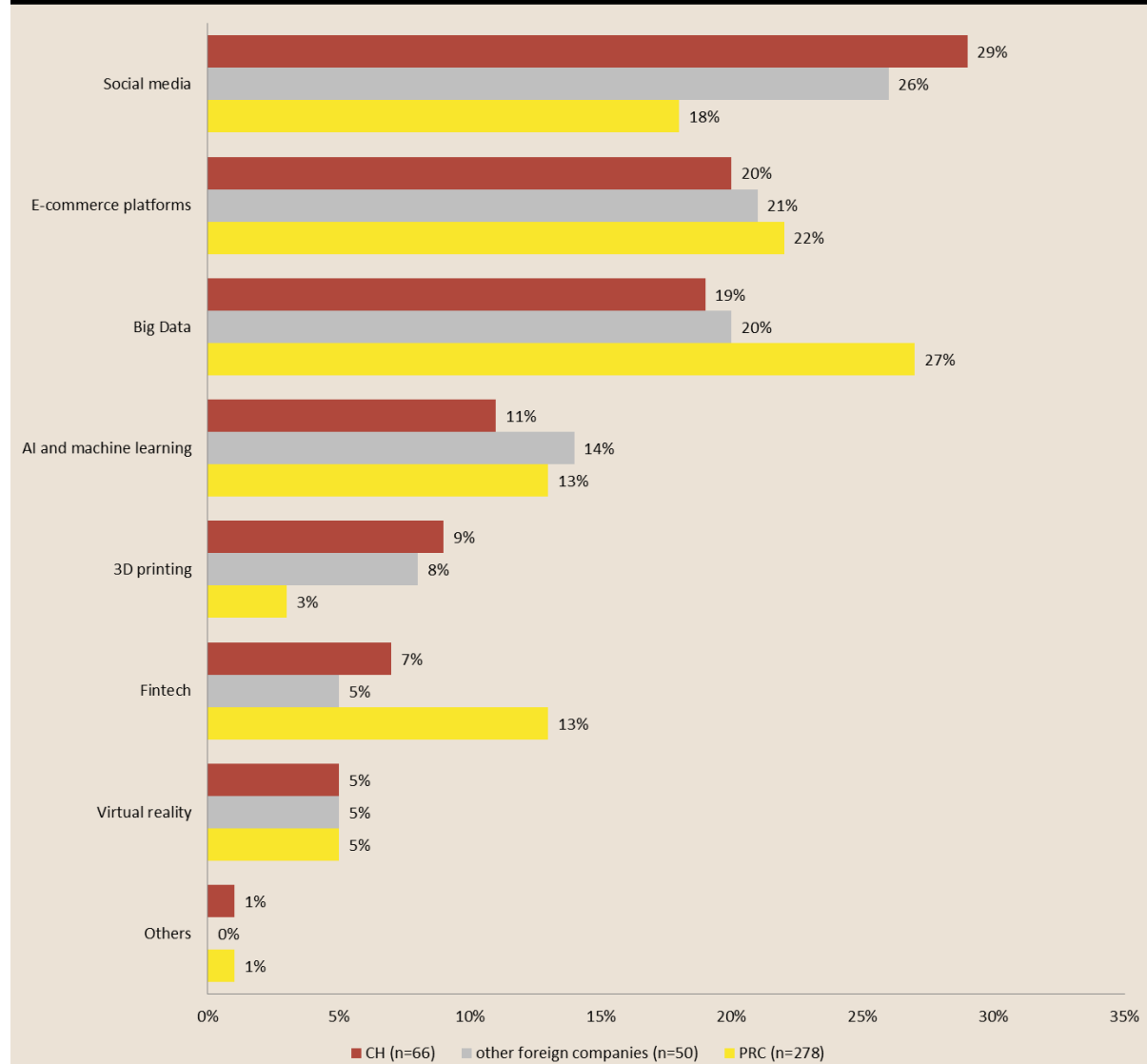


However, they apply it in slightly different areas. While the Swiss digitize in sales and marketing, Chinese emphasize more the financial elements. It may be that they are catching up on the implementation of ERPs and financial data management.



However, Chinese companies seem to want to leapfrog their development and go faster into big data than foreign businesses.

**FIGURE 61 - WHICH OF THESE TECHNOLOGIES DO YOU USE IN YOUR COMPANY?  
(MULTIPLE ANSWERS)**



## 7. CHINESE FIRMS SEE THE FUTURE WITH MORE CONFIDENCE – SWISS START HAVING SOME DOUBTS

For the first time, if one exclude the glitch of the 2016 survey that we attribute to the abandonment of the Swiss Franc peg to the Euro, Chinese companies have become more confident than the Swiss. And they have become so by a very large margin when looking at the next five years.

FIGURE 28 - HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT YEAR?

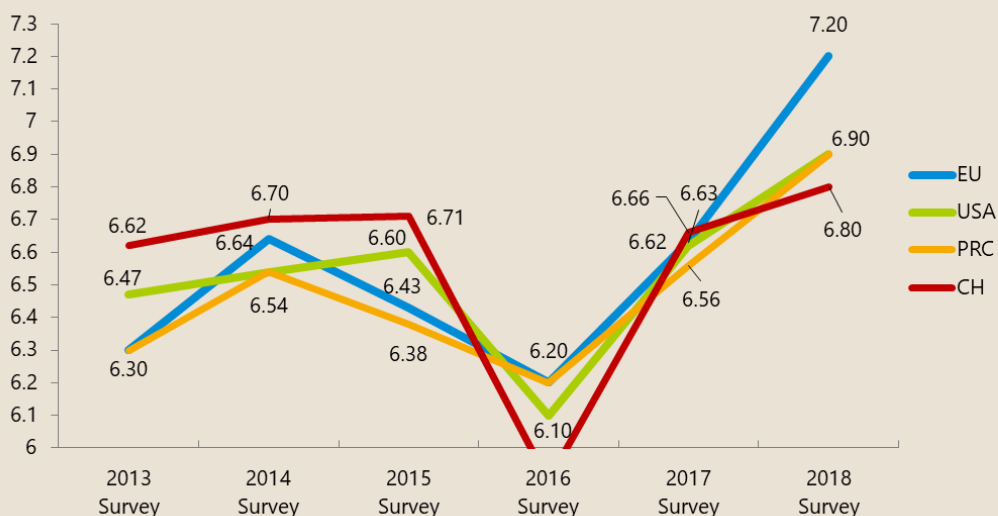
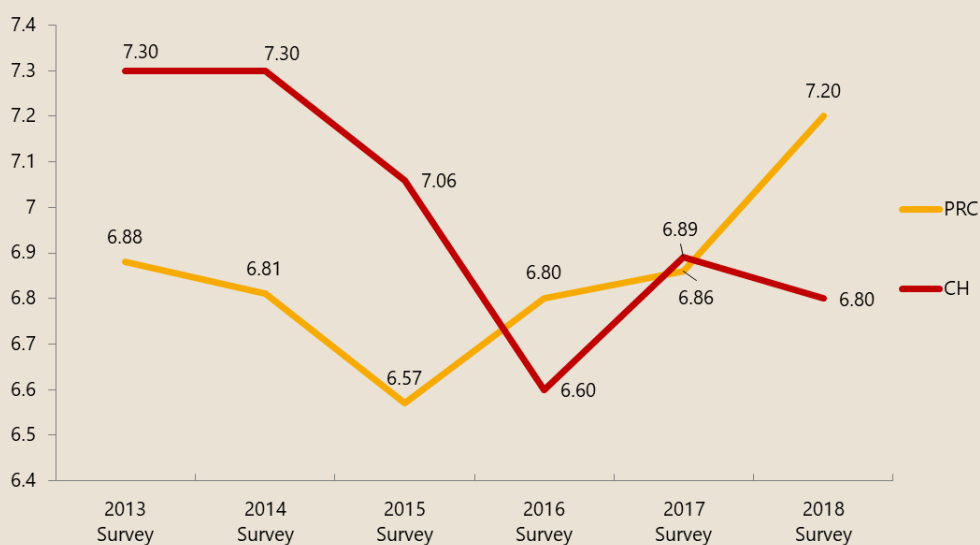


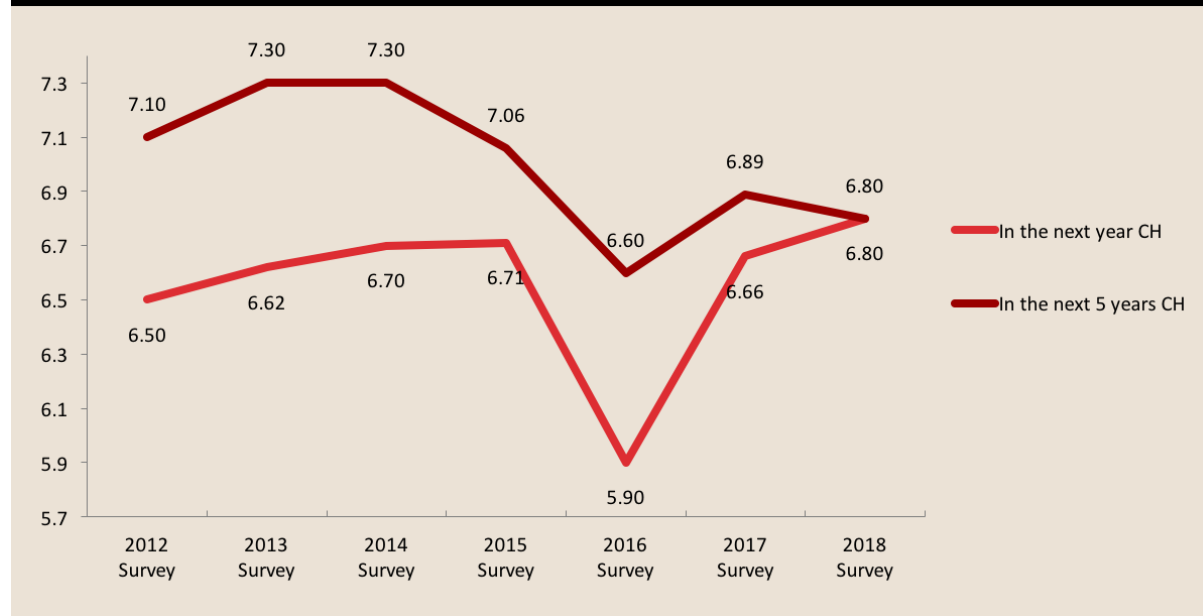
FIGURE 29 - HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT 5 YEARS?



## CONFIDENCE

This is also the first time that the Swiss respondents are not more positive in the long term (5 years) than for the year to come. In other words it is **the first time that the future doesn't look brighter than the next year**.

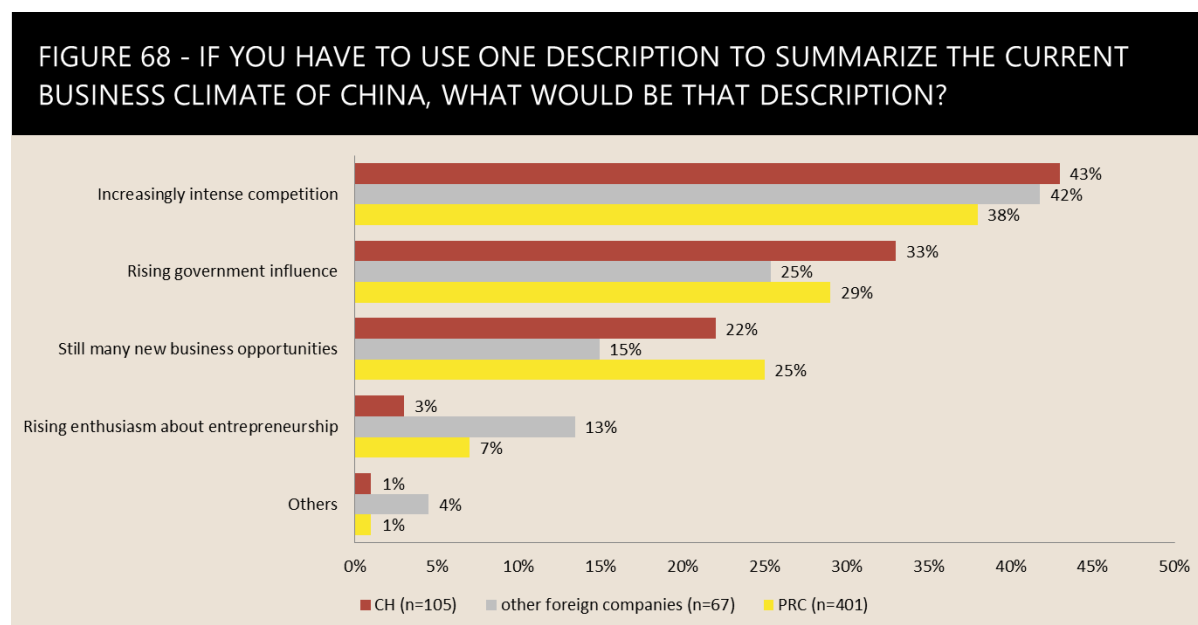
FIGURE 27 - HOW CONFIDENT ARE YOU THAT YOUR OPERATIONS IN CHINA WILL BE SUCCESSFUL IN THE NEXT YEAR, AND IN THE NEXT 5 YEARS? CH COMPANIES





## 8. GOOD RESULTS, COMPETITIVE ADVANTAGES AND INVESTMENTS, YET LAGGING CONFIDENCE – HOW CAN WE DRAW THE BIG PICTURE?

Coming to the end of this survey, despite the good results of the year reviewed, we can sense a new caution from the foreign respondents when they look into the future. The following chart illustrates this situation: economic opportunities are not first in managers' mind when they are thinking about their business in China.



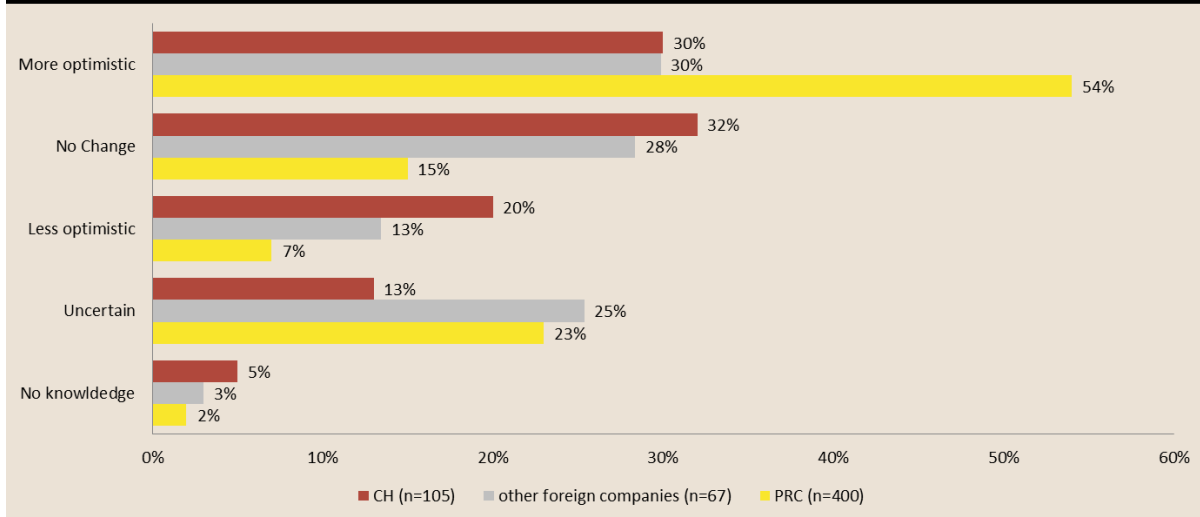
This survey's answers have been collected before the new Chinese Year 2018 and before the announcement of the change of the constitution. As a result, this political factor may not be the cause for the lower optimism.

Instead, when also looking at the increasing confidence of Chinese respondents, it may be safe to assume that the very explicit intentions of the Chinese government to support and develop local companies in a large number of sectors (through the Made in China 2025 plan and policies for government to buy local, for example) is generating a new level of uncertainty among international players and growing confidence among the domestic ones.

The following chart confirms quite strikingly that local businesses expect the political situation to be in their favor

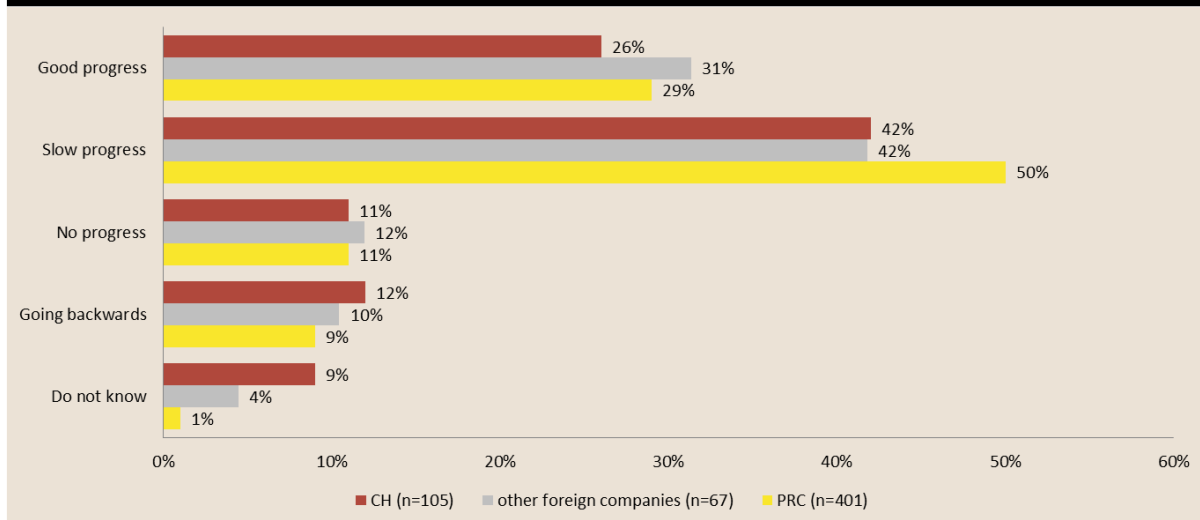
CONCLUSION

FIGURE 67 - ABOUT THE FUTURE PERSPECTIVE OF YOUR COMPANYS BUSINESS IN CHINA, DO YOU FEEL MORE OPTIMISTIC THAN BEFORE AFTER LEARNING THE MESSAGE CONVEYED BY THE RECENTLY-CONCLUDED 19TH CONGRESS OF THE COMMUNIST PARTY OF CHINA?



Even though Chinese companies find the reforms to be generally slow compared to their international counterparts:

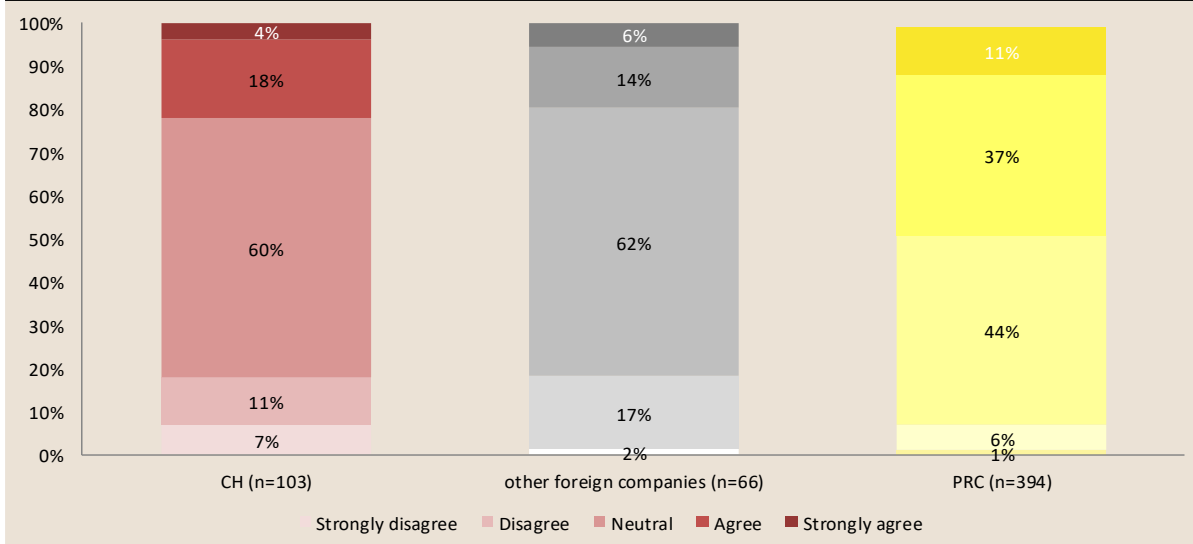
FIGURE 69 - HOW DO YOU FEEL ABOUT THE PROGRESS OF CHINA'S ECONOMIC REFORM IN 2017?



## CONCLUSION

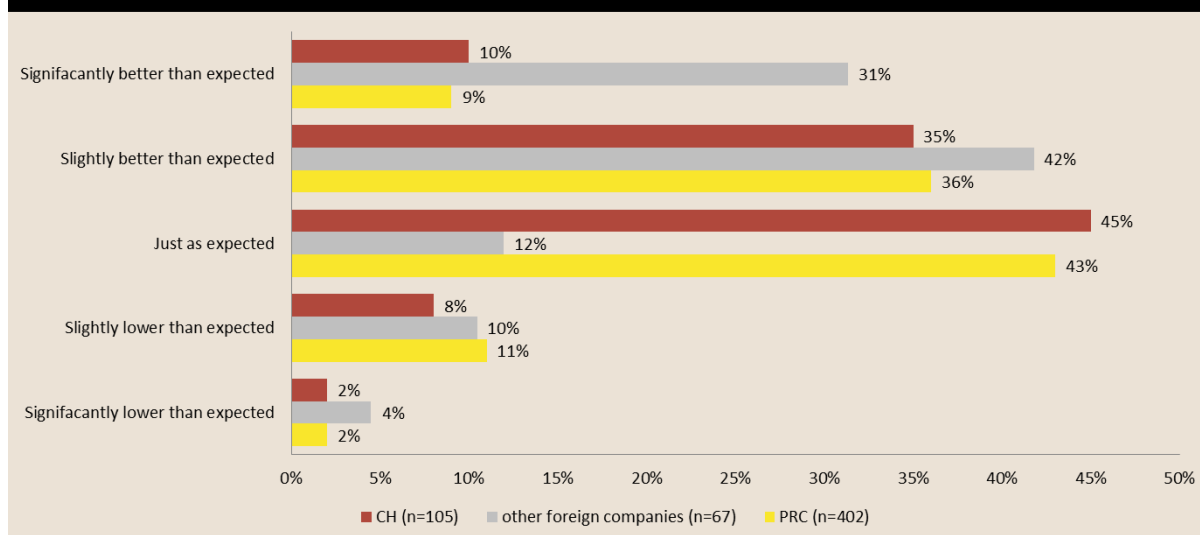
And indeed, big government project such as the One Belt one Road initiative are having positive effects on Chinese companies:

**FIGURE 66 - THE ONE BELT ONE ROAD POLICY HAS ALREADY BROUGHT GOOD OPPORTUNITIES FOR MY FIRM?**



Nevertheless, Chinese and Swiss respondents agree closely with each other and find themselves positively surprised by the economic development of China!

**FIGURE 70 - HOW DO YOU FEEL ABOUT CHINA'S OVERALL ECONOMIC SITUATION IN 2017?**

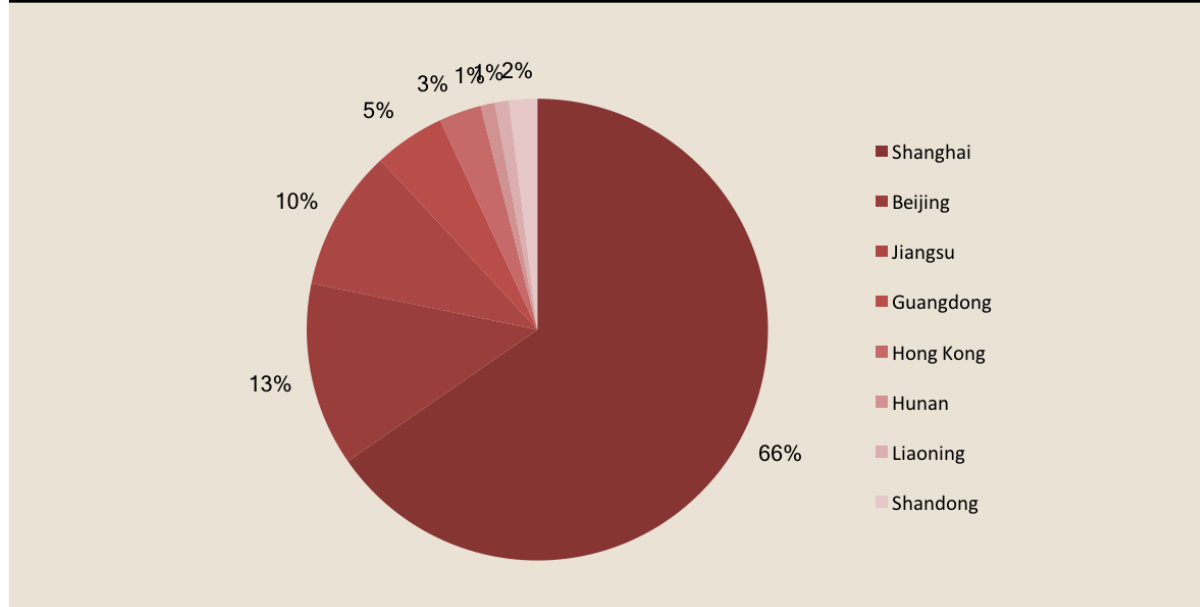


--- The End ---

## APPENDIX: PARTICIPANTS DEMOGRAPHICS

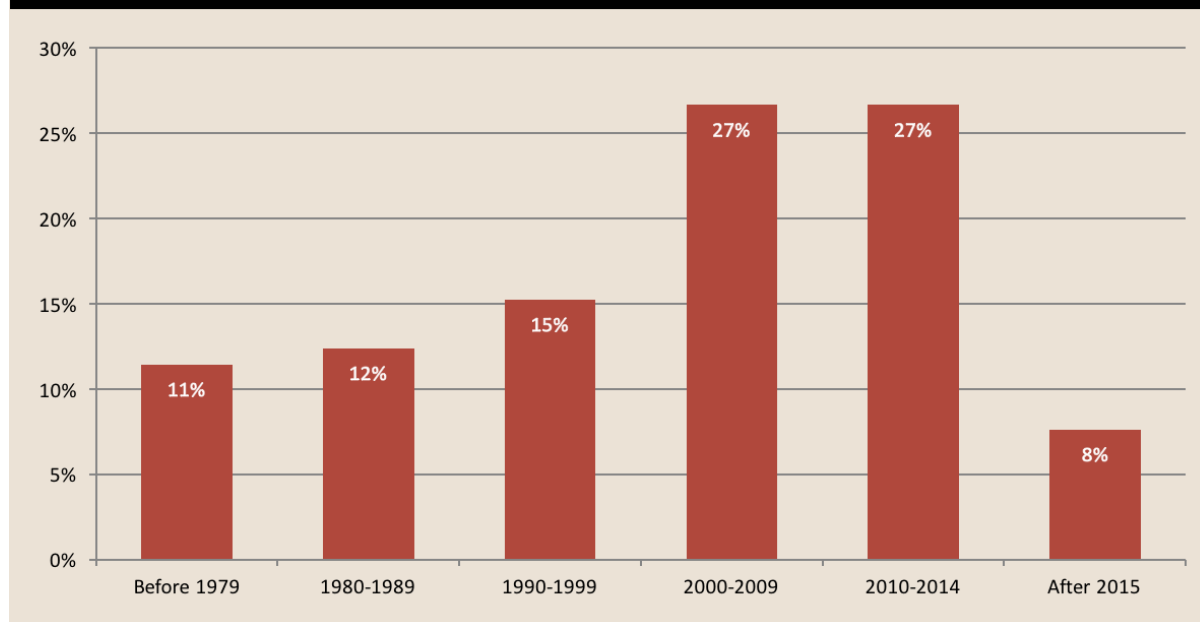
### Geographic Location of Swiss Firms Responding to the Survey

FIGURE 45 - WHERE ARE THE HEADQUARTERS OF YOUR COMPANY IN MAINLAND CHINA LOCATED IN? CH COMPANIES (N=104)

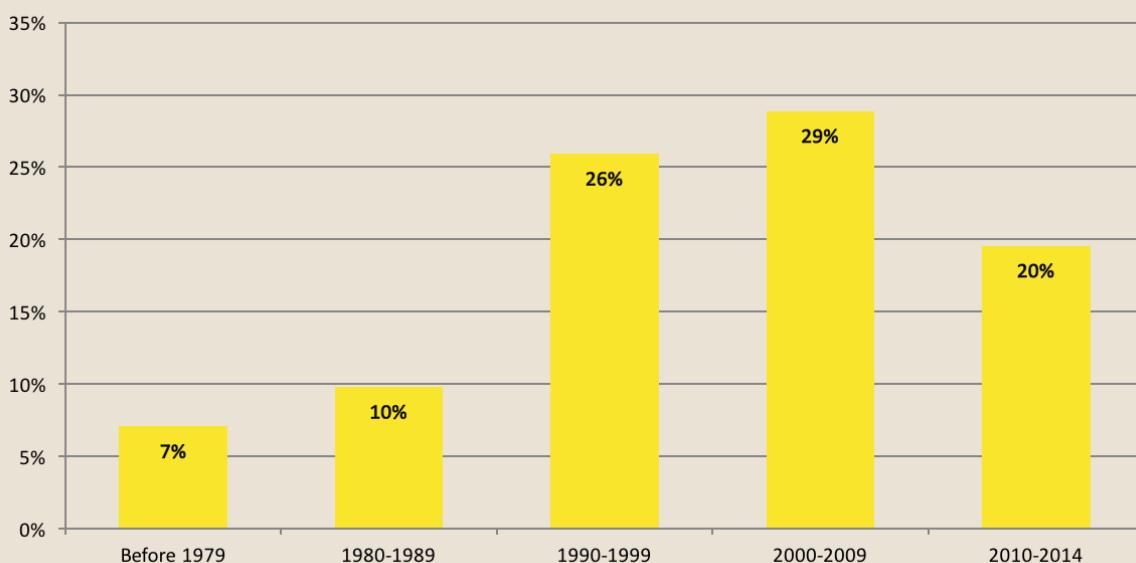


### Years in the Market

FIGURE 46 - WHEN WAS YOUR COMPANY ESTABLISHED IN CHINA? (CH COMPANIES) (N=105)



**FIGURE 49 - WHEN WAS YOUR COMPANY ESTABLISHED IN CHINA?  
(PRC COMPANIES) (N=440)**



**Industrial Sectors and Types of Clients**

**FIGURE 50 - WHAT IS YOUR COMPANY MAIN ACTIVITY IN CHINA?**

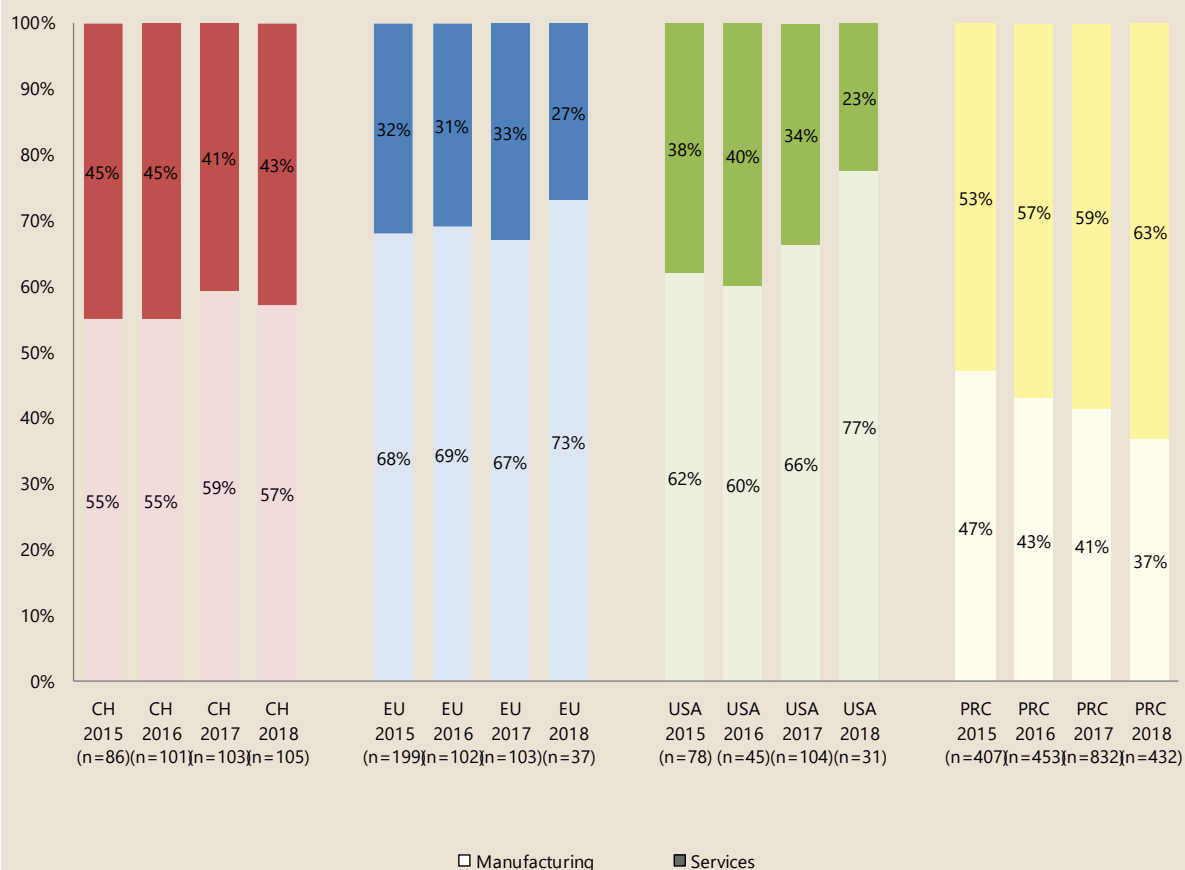


FIGURE 51 - WHO ARE YOUR CLIENTS IN CHINA?

