



SURVEY REPORT
EXPERIENCES OF
CHINESE ENTERPRISES
IN THE UNITED STATES



This report summarizes the main findings of a recently completed survey of business leaders who work at Chinese enterprises in the United States. The report was conducted by APCO Worldwide in partnership with China Daily.

The purpose of this survey was to better understand the challenges and successes of Chinese enterprises in the United States. This survey was conducted among 51 senior business executives (managing director, vice president, senior vice president, president and CEO level) representing 46 Chinese enterprises with at least 10 employees in the United States and with company headquarters based in China. The interviews were conducted by phone between November 2 and December 14, 2012.

The sampling frame was compiled from multiple sources, and represents a broad cross section of Chinese enterprises in the United States in terms of business sector, geography and years of operation in the United States.



Many Characterize Market Entry as Difficult

Nearly three-quarters (71%) of business leaders surveyed describe their company's experience entering the U.S. market as difficult. However, most of these describe the experience as *somewhat* rather than *very* difficult (53% vs. 18%).

On the flip side, roughly a quarter say that it was easy to enter the U.S. market, with 1 in 10 business leaders describing the experience as very easy.

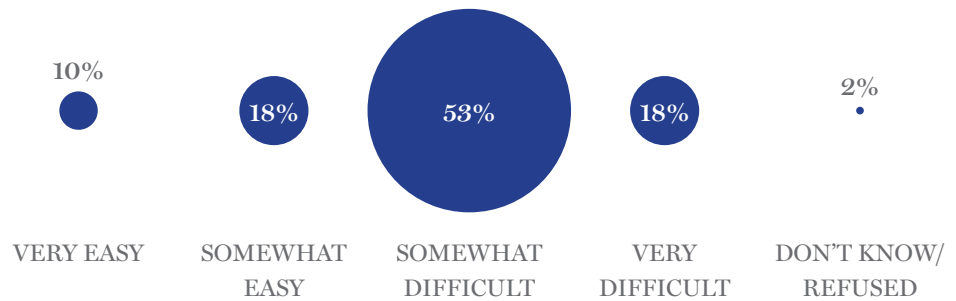
Not surprisingly, when asked in an open-ended format, many business leaders point to a favorable or unfavorable competitive environment and strong or weak market demand for products as key factors in determining the ease or difficulty of their company's entry into the United States.

However, several other "softer," non-economic factors are also at play. Namely, the perceived ease or difficulty with the regulatory framework in the United States appears to be a major determinate to the success of a company's entry into the United States.

Three of the 14 businesses who report having a relatively easy time with market entry point to the ease of registering and/or the general ease of navigating the regulatory environment in the United States. By contrast, 36 of the 48 business leaders who characterize their company's entry as difficult mention difficulties navigating the regulatory environment in the United States.

Further, business leaders who say their company had a relatively easy time of entering the United States point to good access to capital and existing expertise and relationships as key factors. By contrast, those who characterize the entry experience as difficult point to difficulty overcoming cultural differences between the United States and China, challenges gaining brand recognition and a perceived bias against Chinese enterprises and/or products.

HOW EASY OR DIFFICULT WAS IT FOR YOUR COMPANY TO ENTER THE U.S. MARKET?



WHY WOULD YOU SAY YOUR COMPANY'S EXPERIENCE WAS?

	# OF MENTIONS*
EASY (n=14)	
Favorable market demand/competitive environment	5
Regulatory framework	3
Good access to capital	3
Existing expertise/know-how	3
Existing relationships and contacts	2
DIFFICULT (n=36)	
Regulatory framework	13
Cultural differences	10
Unfavorable market demand/competition in the United States	9
Difficulty gaining brand recognition	5
Bias against Chinese enterprises/products	5
Internal/operational challenges	2
Existing expertise/know-how	1
Access to capital	1
Poor economic conditions in the United States	1
Don't know/refused	1

*Multiple responses allowed. Number of mentions may exceed the total number of business leaders asked.



Cultural Differences a Major Challenge to Market Entry

When presented with a list of five potential challenges and asked to indicate if the item was a major challenge, minor challenge or not a challenge, nearly all business leaders (92%) agree that overcoming the cultural differences in the way business is done was a challenge for their company. In fact, nearly half (45%) say that cultural differences presented a major challenge to their company's market entry.

A little more than a third of business leaders (37%) say that the general economic situation in the United States posed a significant challenge as well. And roughly a quarter (28%) say complying with U.S. laws and regulations was a major challenge.

Only about 1 in 5 business leaders (22%) say that a general bias against Chinese enterprises or the political environment in the United States was a major challenge.

Expansion of Market Sales Main Motivation

Roughly three-quarters of business leaders (73%) report that their company entered the U.S. market with the goal of expanding the company's market share. A smaller number report gaining greater brand recognition (14%) or access to new technologies (8%) to be their company's main motivation.

THINKING ABOUT SOME OF THE CHALLENGES YOUR COMPANY MAY HAVE FACED WHEN ENTERING THE U.S. MARKET, WAS THIS A MAJOR CHALLENGE, MINOR CHALLENGE OR NOT A CHALLENGE?

	TOTAL %
Cultural differences in the way business is done in the United States and China	
Major challenge	45
Minor challenge	47
Not a challenge	8
The general economic situation in the United States	
Major challenge	37
Minor challenge	29
Not a challenge	33
Compliance with regulations and laws in the United States	
Major challenge	28
Minor challenge	41
Not a challenge	31
A general bias against Chinese enterprises	
Major challenge	22
Minor challenge	47
Not a challenge	31
The political environment in the United States	
Major challenge	18
Minor challenge	39
Not a challenge	43

WHAT DO YOU THINK WAS THE MOST IMPORTANT REASON WHY YOUR COMPANY ENTERED THE U.S. MARKET?

	TOTAL %
Expand your company's sales and market share	73
Acquire brand recognition	14
Gain access to new technologies	8
Gain access to business knowledge or know-how	0
Or something else [specify]	6



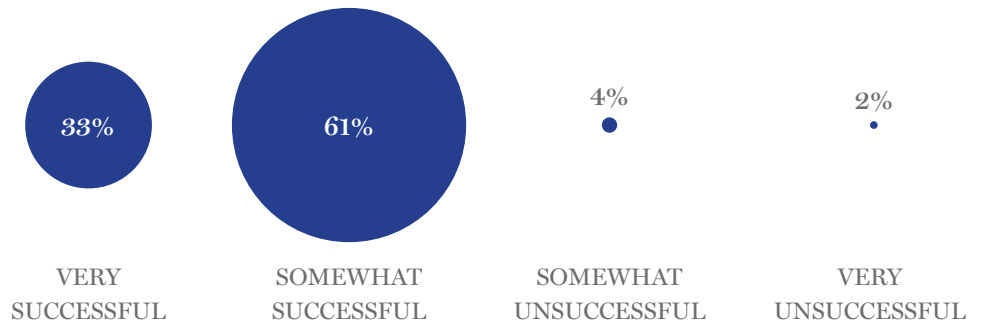
Despite Difficulties, Market Entry a Success

Despite the difficulties navigating cultural differences, difficult economic conditions and a new regulatory environment, nearly all business leaders characterize their company's experience entering the U.S. market as successful overall. Nearly all the business leaders surveyed (94%) say they would describe their company's market entry experience as successful. Although the bulk say their experience has been somewhat (61%), rather than very (33%), successful.

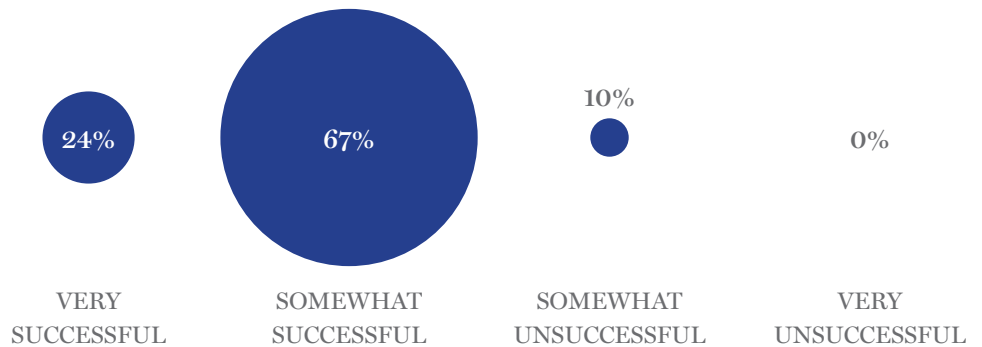
Granted those businesses that ultimately failed and folded up shop in the United States are not part of the sample (as being a Chinese enterprise currently operating in the United States was the main eligibility requirement). It is notable that fewer than 1 in 10 say their company's experience entering the United States has not been successful.

Similarly, 9 in 10 (90%) of business leaders say their company has been successful in building its brand and reputation in the United States.

OVERALL, WOULD YOU DESCRIBE YOUR COMPANY'S EXPERIENCE ENTERING THE U.S. MARKET AS?



WOULD YOU DESCRIBE YOUR COMPANY'S EXPERIENCE BUILDING ITS BRAND AND REPUTATION IN THE UNITED STATES AS?



Easy to Do Business in the United States

When asked to think about the day-to-day operation of the business, not just the market entry experience itself, a 6 in 10 majority of business leaders say it is very (28%) or somewhat easy (33%) to conduct business in the United States. Roughly a third say it is somewhat difficult (35%). Only a small handful say it is very difficult (4%) to do business in the United States.

HOW EASY OR DIFFICULT IS IT TO CONDUCT BUSINESS IN THE UNITED STATES?





Challenges to Conducting Business in the United States

Those who describe their company's experiences as easy, tend to credit the transparent and fair U.S. marketplace, the fact that the company acquired local talent to help it understand the U.S. business environment and culture, and the strong demand for the company's products and services for its success.

By contrast, those who say their company has struggled point to difficulties overcoming differences in the way business is conducted in the United States and China, challenges navigating the regulatory environment and difficulty gaining brand recognition in the United States.

WHY WOULD YOU SAY YOUR COMPANY'S EXPERIENCE HAS BEEN?

	# OF MENTIONS*
EASY (n=31)	
Open market/fair environment	8
Acquired local talent	7
High demand for product/services	6
Availability of vendors/suppliers	3
Company/management had existing U.S. knowledge	2
Leveraged existing company know-how	2
Other	6
Don't know/refused	1
DIFFICULT (n=20)	
Cultural issues	5
Challenging regulatory environment	5
Difficulty gaining brand recognition	5
Too much competition/poor demand	3
Other	5
Don't know/refused	3

*Multiple responses allowed. Number of mentions may exceed the total number of business leaders asked.

EASY

"[The United States has a] fair environment and level playing field."

"Easy to move around and make calls or send e-mails conducting business is great."

"Lots of freedom, a lot easier and working together is easier."

"Brought in U.S. people to help and build the company."

"Due to the American management the company hired."

"[We] have a large, keen sales team with U.S. experience."

"Day-to-day operations are relatively easy because there were a lot of available contractors we could go to. Also, there was not a lot of competition [in our industry]."

"It took a while and now we have regular suppliers and regular customers. We've been here a couple of years, so we are established!"

DIFFICULT

"It took the company one year to get used to how business is conducted in the United States."

"Different culture and different environment. Not easy to be accepted by the new customers."

"Different financial rules, cultural differences and time-zone differences."

"The industry is very competitive. The U.S. market wasn't very good."

"A lot of competition because of the number of companies competing for the same product."

"Getting the right people to do the right thing is a difficult challenge, and brand recognition is very difficult."



Challenges in the Day-to-Day

When asked to rate a series of issues as a major challenge, minor challenge or not a challenge to doing business in the United States, more than 8 in 10 business leaders identify competition from existing U.S. firms (84%) and high operating costs (86%) as a challenge—with about half saying these are major challenges.

Roughly 8 in 10 business leaders also say that adapting to the business culture of the United States is a challenge, but the bulk identify this as a minor rather than a major challenge.

Fewer, but still a majority, of business leaders say they are challenged to find qualified people, with nearly a third saying this is a major challenge.

Fewer than 2 in 10 hold that investment restrictions placed on Chinese enterprises or a general bias against doing business with Chinese enterprises poses a serious challenge to their business operations.

THINKING ABOUT CHALLENGES YOUR COMPANY MAY HAVE FACED WHILE DOING BUSINESS IN THE UNITED STATES, WOULD YOU SAY THIS HAS BEEN A MAJOR CHALLENGE, A MINOR CHALLENGE OR NOT A CHALLENGE?

	TOTAL %
Competition from U.S. Companies	
Major challenge	53
Minor challenge	31
Not a challenge	14
Don't know/refused	2
The high cost of operating in the United States	
Major challenge	51
Minor challenge	35
Not a challenge	14
Don't know/refused	0
Adapting to the business culture in the United States	
Major challenge	31
Minor challenge	53
Not a challenge	16
Don't know/refused	0
Finding qualified people	
Major challenge	29
Minor challenge	37
Not a challenge	33
Don't know/refused	0
Investment restrictions placed on Chinese enterprises	
Major challenge	16
Minor challenge	43
Not a challenge	35
Don't know/refused	6
A general bias against doing business with Chinese enterprises	
Major challenge	14
Minor challenge	45
Not a challenge	41
Don't know/refused	0



Belief That Chinese Enterprises Face Same or More Challenges Than Other Foreign Firms

After assessing this list of challenges, business leaders who took the survey were asked if they believe Chinese enterprises face more, fewer or about the same number of challenges as other foreign firms. These business leaders appear to be split in thinking that they face about the same number of challenges as other foreign firms doing business in the United States and believing that they face somewhat more challenges. Almost no one believes that Chinese enterprises have it easier than other foreign-owned businesses.

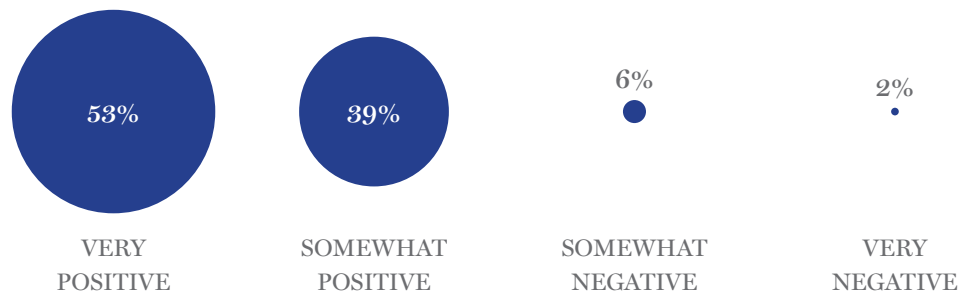
DO YOU THINK CHINESE ENTERPRISES HAVE MORE, FEWER OR ABOUT THE SAME NUMBER OF CHALLENGES AS OTHER FOREIGN FIRMS IN THE UNITED STATES?

	TOTAL %
A lot more challenges	18
Somewhat more challenges	39
About the same number of challenges	41
Somewhat fewer challenges	0
A lot fewer challenges	2

Overwhelming Optimism About the Future

Business leaders in Chinese enterprises demonstrate a great optimism about the future. Nearly all (92%) leaders say they have a positive outlook for the future of their company. What is more interesting, roughly half (53%) are very, not just somewhat, positive about what the next five years hold. When asked why they are positive, business leaders nearly uniformly talk about anticipated growth for the company in large part because they expect the U.S. economy will recover and expand over the next several years and believe their experience gained operating in the U.S. market has positioned them well.

THINKING ABOUT THE NEXT FIVE YEARS, DO YOU HAVE A POSITIVE OR NEGATIVE OUTLOOK FOR YOUR COMPANY?



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“We still believe the U.S. market will increase.”

“The last year has been difficult, and the company feels the economy will change.”

“I have a positive outlook for my company over the next five years, because our growth rates have been brisk and we anticipate it to continue.”

“Because the company is looking to expand, and the company has a great spring board to leap and has a great foundation.”

“We got a lot of experience and know how to handle all difficulty.”

“We have plans to expand, and we are a growing company. We are very aggressive in marketing.”

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Advice for Chinese Enterprises Looking to Come to the United States

Business leaders offer these words of advice to Chinese enterprises looking to follow in their footsteps and set up operations in the United States: work with locals, understand how the U.S. market operates and the demand for your product/service, know how to navigate cultural differences, and understand the U.S. regulatory environment.

WHAT ONE PIECE OF ADVICE WOULD YOU GIVE TO OTHER CHINESE ENTERPRISES WHO ARE LOOKING TO ENTER THE U.S. MARKET?

	# OF MENTIONS*
Hire or work with local experts and staff	11
Learn about the U.S. market (market demand)	10
Understand cultural differences	10
Understand regulatory environment	9
Be patient/invest for the long-term	5
Focus on quality of product/service	3
Other	6
Don't know/refused	5

*Multiple responses allowed. Number of mentions may exceed the total number of business leaders asked.

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“Hire Americans to run the business in the United States, and understand how to do business in America.”

“Localize, you have to operate as a U.S. company and not as a Chinese enterprise.”

“Hire someone from the United States as a company representative to manage the business. Chinese don't know the people or have the expertise doing business in the United States since it so different than the way business is conducted in China.”

“Learn the market well before entering the market. Try to use as much local people as possible.”

“Recognize the culture and mesh with it instead of fighting it.”

“For your senior management to know the labor law and have a good core of knowledgeable staff that's familiar with the laws and policy.”

“Make sure all have good communication with regulatory bodies.”

“It takes time to get success, at least five years.”

“Look for long term, and look for major investment or don't bother.”

“Have control of the quality and the production standards.”

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