



## Stratesys - Exporting SAP know-how to China

Headquartered in Spain, Stratesys is a global provider of ICT services specialised in SAP technology. Since 2011 the company has been operating in the Chinese market and, in 2014, it established a Wholly Owned Foreign Enterprise (WOFE) in Shanghai. The decision to set up in China resulted from the company's commitment to offer local support to its existing clients while they entered, or expanded operations in the PRC. Setting up in China was no easy task. HR, regulatory and operational difficulties posed obstacles and required the combination of the company's global knowledge with local know-how to overcome them.

<i>Type of business</i>	<i>IT Services</i>
<i>Operation history in China</i>	<i>Operating since 2011. Legally established since 2014</i>
<i>Company size in China</i>	<i>20 employees + a network of 10 first level collaborators</i>
<i>Target market</i>	<i>European SMEs in China</i>

### Company Background

**stratesys**

[www.stratesys-ts.com](http://www.stratesys-ts.com)

Stratesys is a global provider of ICT services and a specialist in SAP technology with almost two decades in the market. With international projects implemented in over 60 countries, more than 200 active clients and an annual turnover of € 32 million, it has received several business awards and is ranked second<sup>1</sup> in the list of SAP Partners in Spain<sup>1</sup> for two years in a row for its quality and innovation.<sup>2-3</sup>

### Supporting Existing Clients Growing in the China Market

Stratesys' internationalisation strategy has been developed according to its clients' needs to support their global IT strategies. As an example, one of their key customers wanted to implement SAP at its Hangzhou facilities. On top of that there were other opportunities detected during a preliminary study conducted over six months in 2013. It was not only the economic growth of China, but also their internal study that showed them that a large number of foreign companies, including many Stratesys customers, were established already in the country. In addition to that there were domestic companies potentially willing to implement SAP and with presence in the countries where Stratesys is a referent. In particular

<sup>1</sup> <http://www.stratesys-ts.com/es/blog/stratesys-2o-en-la-matriz-2015-sap-services-partner-espana/>

<sup>2</sup> <http://www.stratesys-ts.com/es/blog/tres-proyectos-desarrollados-por-stratesys-premiados-en-los-sap-quality-awards-2014/>

<sup>3</sup> <http://www.news-sap.com/2014-sap-regional-partner-excellence-award-winners-announced/>

they paid special attention to Lenovo, and Haier, due to their operations in the USA, and also to several Chinese construction companies operating in Brazil.

### **China Market Challenges in Accessing the Market**

After conducting a market study and gaining experience from operating a few years in China, Stratesys sums up the Chinese market as follows:

- There are many domestic competitors (SAP Partners and Service Companies) but only a small number of foreign companies with whom to compete, other than the very large international firms such as Accenture, or IBM.
- The China market has a weak understanding of the service concept (i.e. the non-material equivalent of a good), thus putting a value to services such as know-how and experience proves difficult. That these two concepts can make a difference, is not well understood yet in China.
- Foreign companies operating in China have a better understanding but – in most cases – decision makers are located at HQ abroad, and so the decision process ends up being out of the hands of the local subsidiary in China.
- The big foreign competitors focus only on big multinational companies; their main interest is to win large-scale projects. That creates a niche opportunity for STRATESYS. By niche we mean here the EU SMEs established in China, having limited financial resources, and wanting to focus on their core business rather than on ICT operations.

### **Challenges of Setting Up A Subsidiary**

A detailed market research in conjunction with the needs of one of their key customers with operations in Zhejiang province, spurred them on to start operations in China. However, the challenges they faced during the establishment and initial operations were unexpected.

On one hand, and from the business resources perspective, Stratesys found it difficult to build a local team of Consultants with sufficient knowledge and understanding of the market besides the specific localisations for their daily work. “We did not expect so many difficulties to attract and retain the talent in a small company. Young Chinese talents were simply looking large companies” said Mr Pablo Mejide General Manager of Stratesys.

“From the admin side, we suffered a number of hassles which certainly we could have avoided if we had had knowledge beforehand and access to more quality information on the required processes.” In particular there was a lack of clear and definitive information about regulations. When defining the

investment model it took a while to decide which were the advantages, or the implications, to decide between establishing a WFOE or a Representative Office.

Some other decisions that took a substantial time for the company to process were if the investment should be done from the Country of Origin or if it was better to do it from a company in Hong-Kong. Considerations about setting up a new company as opposed to buying an existing one also slowed down the planning process, along with the final decision if the company should be located in a specific district, or newly established Free Trade Zone. These delays resulted in additional difficulties, e.g. their Bank account was blocked due to inactivity during all this decision-making process.

### **Overcoming the Challenges**

From a general perspective the success formula is to combine global know-how (methodologies, project management, SAP solutions) with the local knowledge, the local legal requirements, and have best practices in place to fluently understand local key users. In addition to that Stratesys considers the following of utmost importance:

- Increasing contacts – sources of information. Building networks in our area of specialisation.
- Hiring an Account Executive with experience in the SAP market to reach new customers.
- Hiring a local team of consultants to deliver our projects.
- Big doses of patience.
- Understanding the movements and requirements in the local market.
- Being up-to date on domestic regulations.
- Taking the cultural differences into consideration for both developing the business and building, or managing, the team. For instance, their customer Ormazabal. They assigned a Spanish project manager to lead the communication between the factory in China and the HQ in Spain besides building a strong team of local Senior Consultants who could understand the factory requirements and communicate with the local users and key users. In the end the establishment of a mixed team brought the best from their global experience in roll-outs and the local knowledge.
- Persistence and know-how.

The net result is that by the spring of 2015 Stratesys were proud to have seven active key accounts in China.

## **Opportunities for EU SMEs**

We believe there are opportunities in the Chinese market for EU SMEs in the area of ICT. The key to success is conducting a thorough plan in advance: Establish the target, do the market research, define your differentiation, know how to add value to the customers in China. Manufacturing, Retail, Automotive, and ICT are sectors that, in our opinion, will keep growing over the coming years.

How to best seize the opportunities? There is not a magic formula to succeed. It will depend on a variety of factors such as the scope of the company, its size, potential of investment, vision, and other factors. However the combination of three definite things, core knowledge, global capacities, and strong localisation of the team, in addition to having clear strategies to access the market are key.

China is as full of opportunities as of challenges. Therefore you have to very clearly identify what are the best channels to access this market. Finding a local partner can be a good solution if you are looking for fast growing and short-term results.

- Get to know the cultural differences, and how to negotiate with Chinese is paramount. Especially when starting operations.
- Be realistic in your estimations. Do not underestimate the time required to access the market.
- Develop your network, personal confidence and trust.
- As a final recommendation of the lessons we learned, be patient. Get ready for regulation changes, delays in plans, and dedicate whatever it takes to building up a strong local team.

The EU SME Centre helps EU SMEs prepare to do business in China by providing them with a range of information, advice, training and support services. Established in October 2010 and funded by the European Union, the Centre has entered its second phase which will run until July 2018.

The Centre is implemented by a consortium of six partners – the China-Britain Business Council, the Benelux Chamber of Commerce, the China-Italy Chamber of Commerce, the French Chamber of Commerce in China, the EUROCHAMBRES, and the European Union Chamber of Commerce in China. All services are available on the Centre’s website after registration, please visit: [www.eusmecentre.org.cn](http://www.eusmecentre.org.cn).

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