THE STONE LION JOINT VENTURE

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CURRENT SITUATION

- Many takeovers of China in Western firms (e.g. takeover of Volvo by Chinese Company Geely)
- China's largely state-controlled firms already account for over 10% of global stock market value.

- China has a big economic ambition and technical skills. There is a lack of Authority. Emotion and trust are important values
- Taking future objectives of the government’s interest will unlock future possibilities
- Technically-versed executives take the lead in discussions. Meetings
- Access to finance and other needed resources will become easy in the takeover process
- International management, considerable management change and institutional transparency is important
SUMMARY – CLIENT SITUATION

European engineering construction company

Reputation for innovative ideas

Successfully diversified into environmentally-sound ‘turn-key’ operations in Europe & South America

Looking for imaginative ideas for market entry project into China
CURRENT MARKET ANALYSIS

(Statista, 2019)
OUR APPROACH

We look at following dimensions:

Political Dimension = Political Agreement for our market entry option

Economic Dimension = Planning of our investment in the procedure and estimation of possible returns

Social Dimension = Consider the local social and cultural conditions in China and implement an International Business Mindset

Technological Dimension = Implementation of our innovative technologies in the company in China

Environmental Dimension = Use our groundbreaking technologies to ensure sustainability in China (e.g. plastic bricks)

Legal Dimension = Legal Agreement for our market entry Option
The type of business entity you create affects both your role within the company and how the company operates.

**Partnership (JOINT VENTURE)**

Partnerships are similar to sole proprietorships, though they are owned and managed by two or more individuals instead of one. The owners may divide duties among themselves, putting one in charge of finances while the other is in charge of day-to-day operations, for example. For a general partnership, there is no filing to create a separate company and the same legal liabilities faced in a sole proprietorship are also faced in a partnership. Contracts between the partners may shift the liability to certain members within the partnership, but there is no way to shift the liability to the business itself.
JUSTIFICATION FOR BUSINESS MODEL

Market Entry Joint Venture

- Joint Venture with a state-owned Company - China State Construction Company - high global stock market value

- JV not only offers opportunities for expansion but also brings both parties’ valuable skills together to carry out projects effectively and efficiently

- (...) foreign contractors and consultants failed to communicate with local governmental departments and misunderstood clients because they were unfamiliar with local procurement methods, industrial practices, Chinese working methods and thought processes

  • (Gale & Luo, 2004)
New Construction Technology:

- Mobile Technology
- Drones
- Building Information Monitoring (BIM)
- Virtual Reality and Wearables
- 3D Printing
- Artificial Intelligence

New materials

- 3D printing
- Prefabricated prefinished volumetric construction (PPVC)
- Cement technology for construction that absorbs CO2
- Bricks built from recycled plastic
EU-China 2020 Strategic Agenda for Cooperation
EU Cooperating with China to support effective multilateralism and fight climate change
The EU's and China's shared commitments and interest in global sustainable development and the 2030 Agenda present opportunities for closer cooperation, including in third countries.
The gross output of the construction industry in China has increased from USD $0.21765 trillion to USD $2.902 trillion dollars, up by 1160% (China Statistical Yearbooks, 2019).
However, the construction industry is still a traditional industry in China, characterized by low efficiency, high pollution, large capital requirements, and an unreasonable structure, hindering its development.

(Gao, Tang, Ren, & Cai, 2019)
CONCRETE NEXT STEPS

- Implementation Next steps
  - Set a Clear business objectives
  - communication arrangements between organizations/teams
  - financial arrangements
  - protection of your interests, eg trade secrets
  - day-to-day and strategic decision making
  - Negotiate whether the party can pursue other business during the joint venture
  - Business plan/Marketing plan/ cashflow projection
  - Consult your employees to find out their feelings about a joint venture
  - Revenue Streamline
  - Existing customers and suppliers, competitors and professional associates as partners
LONG TERM SUSTAINABILITY

Long term sustainability
- Create CSR to support Chinese community to develop a political relationship
- Technology Transfer from EU to China
- Associate with Chinese University to educate on the new EU construction Technology / Creating Ambassadors of the companies / pre training / sponsoring Advance Studies / Creating an R&D platform to accommodate innovation
- Business Expansion back in Europe and other continents
- Creation of employment
- China to continue investing in housing & construction platform
- Sustainability
  - The Chinese leadership realizes the importance of controlling pollution, developing a sustainable economy and protecting the country’s ecosystems


