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L'OREAL NIKE SIEMENS UNILEVER BASF MICROSOFT DOWCORNING OMRON ALCATEL

ON THE ROAD TO SUCCESS



TRANSNATIONAL CORPORATIONS IN SHANGHAI

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Foreword

Shanghai has always been noted for her openness to the outside world. The city's good regional location of facing the ocean and having the inland at the back and her course of development featuring getting prosperous through the port development and attracting businessmen from home and abroad have resulted in the unique characteristics of this open-minded and inclusive city where "East meets West".

Since China began to adopt reform and open policies and especially from the 1990s, Shanghai has attracted the attention of domestic and overseas investors by seizing the historical opportunity of Pudong's development and opening-up, speeding up the adjustment of industrial structures, optimizing the layout and functions of the city, continuously deepening the reforms and opening wider to the outside world. By the end of June, 2005, companies from 118 countries and regions had invested in Shanghai. There are now more than 38,000 foreign-invested enterprises in Shanghai, of which, 100 are regional headquarters of the transnational corporations. Shanghai has become one of the areas in China which boast the biggest number of foreign-funded enterprises, the broadest fields for investment, the largest concentration of transnational corporations and the best investment returns. Many foreign-funded enterprises, especially the transnational corporations, have made important contributions to the development of Shanghai.

Looking forward to the future, Shanghai is now working hard to realize the goal of building herself into an international economic, financial, trade and shipping centre in accordance with the plan of the central government. We will, by taking the comprehensive coordinated reform experiment of Pudong New Area as an opportunity, continue to hold aloft the banner of developing and opening Pudong, upgrade the level of opening to the outside world, improve our ability to use both domestic and international markets and resources and take the initiative to make the city adapt to the trend of the economic globalization. We sincerely welcome transnational corpo-

rations to take an active part in Shanghai's construction of "four centers". We will continue to encourage foreign-funded enterprises to participate in the city's adjustment of industrial structures, in the development of modern service sectors including finance, in the construction of major infrastructures that will upgrade the city's hubs, functionality and networks and in the strategic reorganization of state-owned economy. We welcome more transnational corporations to establish their regional headquarters and R & D centers in Shanghai.

The Book "On the Road to Success—The Transnational Corporations in Shanghai" shows the successful experiences and secrets of a group of famous representative transnational corporations for their business development in Shanghai. We believe that the publication of this book will help our friends both at home and abroad know more about Shanghai, thus enhancing their confidence in investing, starting and developing their business in Shanghai. At the same time, it is through this book that we can improve further our quality and level of utilizing foreign investment and provide better service and environment to the foreign-invested enterprises for their development in Shanghai, thus achieving the win-win goal of mutual benefits and mutual development.



Mayor of Shanghai Han Zheng
October 2005

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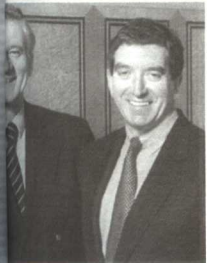
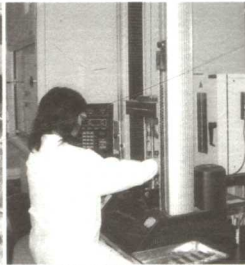
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INVESTMENT STRATEGY >>>



- ▶ For modern enterprises, investment is, no doubt, a measure of strategic importance. It not only needs the vision of a strategist, but also requires the courage and insight of a decision-maker. The successful experience of multinational companies in Shanghai has clearly shown that today in the economic globalization, Shanghai, which is open to the outside world, is a focal place attracting the vision of heroes leading in the tide of world economy and a wise choice of decision-makers mapping out their strategy for the development of their enterprises.





- ▶ **SIEMENS** Established in 1847, Siemens cherishes a strong sentiment towards Shanghai. In 1983, Siemens eagerly returned to this city to resume their ties. In the views of Siemens leadership, as Shanghai enjoys a unique geographical position and a marked superiority of talented people, its importance for Siemens business development in China is self-evident.

- ▶ **UNILEVER** Unilever attaches great importance to China, not only because China is a huge market with 1.3 billion people and the Chinese people have shown increasingly strong purchasing power since China's reform and opening up, but more importantly China has a first-class science research capability and productivity. Unilever and China have forged strong ties which will be ever lasting. Unilever leadership has said, "We are fully confident in our success in China."

- ▶ **BASF** As the largest chemical company in the world, every project of BASF's investment in China has been carefully considered. BASF began to consider and plan its investment in China as early as 8 and 9 years ago and before that it had done a lot of study and investigation. BASF believes that with good economic foundation and chemical industry base, Shanghai and Nanjing can be the first choice for BASF's development in China.

- ▶ **MICROSOFT** On the home page of Microsoft (China) website, the company says, "In China, we hope that through the cooperation with Chinese national information industries, we will create excellent software products most suited to China which will enable China like other places in the world to obtain the best benefit from the Microsoft technology and solutions so as to make our contributions to the development of China's knowledge-based economy and the improvement of the life of its people."

- ▶ **DOW CORNING** Mr. WK Ho, Manager of the Greater China Region of Dow Corning Company said, “We have many reasons to choose Shanghai. We think that Shanghai’s transport and port conditions are more superior, its government more capable and more importantly Shanghai is way ahead in terms of attracting talents. And as many of our clients are in the Yangtze River delta region, we have chosen Shanghai. This has shortened our distance with Chinese industries and also has enabled us to be closer to our clients in geographical distance. In this way, we can use our global technological superiority to provide our clients with services including products and the development of new products and raise product technology and quality so as to enhance our market competitiveness.”

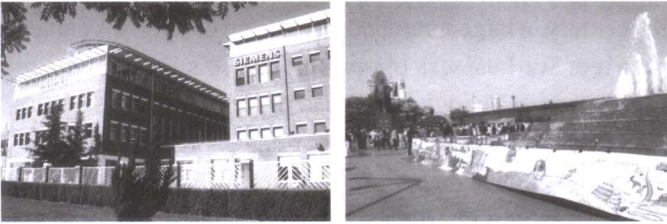
- ▶ **OMRON** The normalization of diplomatic relations between China and Japan in the 70’s of last century opened the door for Omron to explore the China market. In view of its fast business growth in China, Omron realized that only by setting up a regional headquarters in China, can it adapt itself to the speedy development of the China market to a maximum. Mr. Minagawa, President of Omron (China), who has many years of experience of working overseas, finally selected Shanghai after field study tours. He said that China has a vast market while Shanghai will develop itself into China’s economic, financial, trade and shipping center. Therefore, he views Shanghai as the best choice for regional headquarters.



Oriental Aria Coming from the Continent:

Siemens and Shanghai

This kind of charm is embodied in the figure of well-known architectures such as the Jinmao Mansion, the highest building in Shanghai, and the Pudong International Airport, the zigzags of the metros, Shanghai's underground arteries, and the flashing speed of the maglev train.



Luck by which Siemens of Germany and Shanghai China were brought together began more than one hundred years ago.

In 1872, Siemens of Germany provided the first pointer telegraph to China. At that time, when the miraculous audible clicks sounded in the faraway Orient, what didn't disappear in people's memory was a messenger on a swift horse.

In 1879, the generator produced by Siemens brought bright to Shanghai night sky. Suddenly magical light flashed before people with oil lamps in hands. From then on, Shanghai had bright nights.

As Shanghai people were accustomed to European and American lifestyle, they joyfully enjoyed the tremendous convenience brought about by Siemens advanced science and technology. After that, this foreign name brand of Siemens was no longer new to them, as Siemens products had been integrated into their modern life.

Today after more than one hundred years, astonishing changes have taken place in Shanghai's skyline: From the then solitary 24-storey Park Hotel to the present over 4000 high-rises contending for supremacy. The affection between Siemens and this city is increasing and radiating greater charm.

This kind of charm is embodied in the figure of well-known architectures such as the Jinmao Mansion, the highest building in Shanghai, and the Pudong International Airport, the zigzags of the metros, Shanghai's underground arteries, and the flashing speed of the maglev train—It is more impressive that the footsteps of companionate Siemens sounded during the long years of China bidding for Shanghai 2010 World Expo.

The Century's Changes: Affection Born to the Orient Lucky Land

Siemens founded in 1847, the corporate citizen deeply liked and respected by Shanghainese, has a strong affection about Shanghai. Between the late 19th century and the early 20th century, a large number of European enterprises came to Shanghai with plenty of vigor for business opportunities. This European wind also brought the seed of Siemens to Shanghai fertile soil.

In 1904, in Shanghai, Siemens set up its first permanent office in China—Siemens Schuchert Company Shanghai Technology Agency Office. Soon, Shanghai became the place where its largest overseas office was located. From Shanghai where merchants gathered, the power generators, the production of which Siemens took part in, were transported to other parts of China and a lot of Southeast Asian countries and occupied a significant share of China's market. Its turnover in China set a new record.

In 1937, when World War II abruptly broke out, Siemens in deep gloom departed from Shanghai. 46 years passed since it left the city. In 1983, it eagerly returned to Shanghai to renew the affection and set up Siemens Shanghai Office. "Shanghai geographic position is unique and superiority in human resources is clear," Peter Boger, Executive Vice President of Siemens Ltd. China and member of the Management Committee stressed. "It goes without saying that Shanghai is of importance to Siemens business in China.

The fervor after long separation burst out. Siemens had too many things to do. Keeping pace with the development of the son of the Orient, its business has been again integrated into each phase of Shanghai city development.

Light is where the charm of night Shanghai lies. Moonlight reflected on flowing water shows splendor and makes people full of interest. However, people lingering on against the night scenes of the commercial streets with continuous neon lights, the lofty and magnificent high-rise buildings and the crisscross elevated highways may not know that there is the huge figure of Siemens behind the one third of buildings in Shanghai. In the office buildings where white-collar beautiful women come in and go out, Siemens' building technology has made people experience the joy of safety, comfort and energy saving. In the Jinmao Mansion, the tallest building in Shanghai, the intelligent fire alarm system and the broadcasting system for emergency dispersion provided by Siemens have ensured its safety and helped it become an intelligent building. Siemens Technology has also joined hands with the IKEA new store in Shanghai, which can be rated as the largest one in Asia, and supplied it with extra-low voltage solutions and services.

Traffic has always been regarded as the artery of a city. Shanghai people experienced the awkward situation of thirteen pairs of shoes per square meter in a public transport bus. And some commuters far away from their units had the worries over changing buses every morning. At last, Shanghai people saw in the day when the rails of the Metro stretched in Shanghai's underground thick with pipelines and the urban pulse began to be activated and beat strongly. The bright platform lighting and glistening communication signals in the Metro were dazzling and seemed to tell us that there had been the support Siemens poured as much as it liked in the indomitable tunneling of the Metro.

As early as 1989, the contract for construction order of Shanghai first two metros (Line 1 and Line 2) attracted the





attention of 42 groups and 55 enterprises in 150 countries and regions including UK, France, the U.S., Japan, Italy, Canada, Australia, Denmark and Chinese Hong Kong. In this worldwide competition, Siemens as a partner in German Shanghai Metro Group was awarded the order. Afterwards, it played an important role in the construction—supplying rolling stock and being responsible for operation control, power supply and communication signals. After coming into operation, the two metro lines have become the most chosen convenient means of transportation for millions upon millions of Shanghai people.

In 2002, Siemens was awarded the heavy rail rolling stock order of Line 4 (the second phase of the Pearl Line) worth US\$ 270 million. The products and services it provides account for 80% of the total sum of the contract, thus consolidating its enviable cooperative partner position in the flourishing metropolis.

Shanghai maglev train line is the world's first commercial one. In this trans-rapid train in which people can experience the speed of 430 kilometers per hour, besides building a whole set of system including drive, operation control and communication technology, Siemens has participated in the whole construction of train power supply and power track.