

Strength to meet Africa's challenges

A maker of electrical cable says working on the continent is tough

By **CHEN YINGQUN**

To many Chinese businesses, Africa is a kind of training ground to get them ready to function in Western markets. But sometimes that doesn't always work. Qingdao Hanhe Cable Co Ltd is a case in point. As a supplier and partner of many big multinationals, including Germany's Siemens engineering, UK-Australian mining firm Rio Tinto Group and energy giant Royal Dutch Shell, Hanhe Cable has worked smoothly with companies from developed countries.



QINGDAO HANHE CABLE CO LTD

Industry: Electrical cables and wires

Founded: 1982

Headquarters: Qingdao, Shandong province

Employees: More than 3,000

Total assets: 4 billion yuan

Revenue: 6 billion yuan

Ranking: The winner of the Top 10 competitiveness enterprises of 2014 in the wire and cable industry of China

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ZHANG HUAKAI



Chairman, Qingdao Hanhe Cable Co Ltd

Born: 1965

Education

- Bachelor's degree, Harbin University of Science and Technology (1984-88)
- MBA, Ocean University of China

Career

- Chairman, Qingdao Hanhe Cable Co Ltd (2010-15.7)
- General Manager, Qingdao Hanhe Cable Co Ltd (2001-10)
- Vice Manager, Qingdao Hanhe Cable Co Ltd (1999-2000)
- Technical Director, Qingdao Hanhe Cable Co Ltd (1993-99)

"Some companies see experience in Africa as helpful for them in entering more regulated Western markets, but for us, Africa cannot be a training ground," says Zhang Huakai, chairman of Qingdao Hanhe Cable.

The company has found that Africa is actually more complicated and challenging, Zhang says.

"Every region has its own characteristics," says Zhang. "We have worked well with many Western companies, but Africa is still unfamiliar and unknown to us. Doing well in developed countries does not mean we will definitely do well in Africa."

Hanhe Cable, based in Qingdao, Shandong province, is engaged in research and development, production and operation of cables, wires and related equipment. It makes high-tech cables for optical, telecommunications, nuclear power and other uses.

Zhang says China's power industry and businesses that make equipment for it have made great strides during China's rapid economic development in the past three decades.

Hanhe Cable was established in 1982 in Qingdao's Laoshan district, formerly an isolated area that is now a developed part of the city. Hanhe Cable rose from small companies with only a few people to a company that had sales last year of about 6 billion yuan (\$979 million) and has more than 3,000 employees. It also has eight subsidiaries in China.

"We can make 500 kW high-voltage cable, 320 kW direct current cables and also marine cables, all world-leading technologies, so we are very capable of going overseas in terms of technology," he says.

Zhang says that since China is restructuring its economy, future domestic demand will be smaller and growth slower, so companies need to develop new markets and sales outlets. Overseas markets, especially Africa, should be an important part of the company's future growth.

"Africa is the world's hotspot now, and its infrastructure deficit urgently needs to be turned around. Since construction requires lots of electricity, cables would also be in great demand," he says. "Our products are suitable for countries where large-scale infrastructure creation and improvement is needed, so we see great potential in this market."

In the past few years, Zhang says, Hanhe Cable has done market research in many African countries and has gained many African clients. Its products have been sold

in Nigeria, Ghana, South Africa, Botswana, Tanzania, Angola and more.

The company exports products worth 300 million to 400 million yuan directly to African countries, while others are exported through Chinese builders, Zhang says.

The company has also set up offices in Ghana, Nigeria and Tanzania and works with local partners. It sends people to its offices three or four times a year. They stay for one or two months, but that is still not enough for the company to run the business without some help.



Every African country has its own regulations and has adopted different industry standards, so there are a lot of different things we need to learn and to make adjustments to."

Zhang Huakai
chairman, Qingdao Hanhe Cable Co Ltd

"Working with local partners like this helps us better understand local culture and laws, and helps us understand the markets, strengthen our connections with local customers and create a foundation for our future business. So we are also talking to potential partners in some other countries like South Africa," Zhang says. More importantly, the company plans a long-term presence by setting up its own local companies and factories in some markets with a large demand, such as Nigeria and South Africa.

"Our business in Africa is increasing, but is not steady. So we want to invest directly in the market, and hopefully can do this with South Africa this year," he says.

"As long as sales reach a certain size, we will accelerate building factories as soon as

possible. Business there now is scattered, and we want to achieve some significant size," he adds. In some years, they get big projects, including some worth 300 million to 400 million yuan, but in others there are few projects.

In developed countries and regions such as Europe, the United States and Australia, regulations and industry technology standards are clear and complete, and the markets are more mature. As long as the company makes products following the commercial specifications of these markets, it is easy for them to do business there, Zhang says.

"Every African country has its own regulations and has adopted different industry standards, so there are a lot of different things we need to learn and to make adjustments to. We understand a lot about developed countries, but Africa is more unfamiliar, including the business environment, regulations and product standards.

"We need to set up a sales network and then set up a factory to make products that cater to the local market's characteristics and requirements," Zhang says.

Moreover, the national security and social security of some countries are also concerns, making the company more cautious about investing in them. Sometimes it is also difficult to get the right person to travel to Africa, because some think it is unstable and risky.

Zhang says the company is looking to make long-term investment, not just sales. So while developing the market, they intend to provide more employment to local people. The company has also set up a charitable fund of 200 million yuan, part of which will be used for local society as a whole, and part for its employees who have difficulties at home.

Zhang says the company is now searching for and cultivating more overseas employees who understand not only the company and the power industry but also Africa. Hiring locals also saves the company money, he says.

One way is recruiting African college students in Qingdao University and Ocean University of China in Qingdao to work as interns, allowing them to improve their understanding of the industry and the company, in hopes that when they graduate and go back home, they would work for the company or help it find good employees. They have been taking on short-term interns for about a year, and currently have three.