


4-2014

Chemical and Anode Manufacturing Company

Daniel R. Sterkenburg

Cedarville University, dsterkenburg@cedarville.edu

Follow this and additional works at: http://digitalcommons.cedarville.edu/business_administration_publications

 Part of the [Christianity Commons](#), and the [International Business Commons](#)

Recommended Citation

Sterkenburg, Daniel R., "Chemical and Anode Manufacturing Company" (2014). *Business Administration Faculty Publications*. 67.
http://digitalcommons.cedarville.edu/business_administration_publications/67

This Case Study is brought to you for free and open access by DigitalCommons@Cedarville, a service of the Centennial Library. It has been accepted for inclusion in Business Administration Faculty Publications by an authorized administrator of DigitalCommons@Cedarville. For more information, please contact digitalcommons@cedarville.edu.

Appendix D – Business Profile: Chemical Manufacturing

Chemical and Anode Manufacturing Company



Background

History

This business venture began because a USA Multinational Enterprise (MNE) (Z firm) desired to manufacture closer to their international customers and establish a Chinese presence. The Z firm approached the MD, a USA businessman operating in China, to establish a manufacturing plant. The business opened in 2002 as a Mauritius Company with a 70/30 ownership, with the Z firm owning 70% and the MD's USA Corporation CORP owning 30%. The Mauritius holding company created a subsidiary, a WOFE (Wholly Owned Foreign Enterprise), "Company A" in east-central China in a major unreachable city. Company A built a 9,000 square meter facility on 8 acres, growing rapidly from only a few customers to over 450, with two product lines and over USD50 million in annual revenue. Later, in 2009, the Mauritius holding company created a Hong Kong holding company for export purposes. The company was eventually sold after about 10 years of successful growth and operations.

Business focus

Company A manufactured chemicals and anodes for industrial end-use electroplating. They had processes that included melting, casting, rolling and forming copper and mixing inorganic chemicals. Company A served diverse customers, such as general metal finishing (aerospace, appliances, building products, coinage, electronics), plating-on-plastic (automotive), printed circuit boards, solar energy, semiconductors and gravure printing.

Their customer target was Chinese coated parts manufacturers that used the chemicals and anodes to improve the appearance (chrome plated appliances), prevent rust or corrosion (chrome plated steel wheels) and for functional purposes, such as achieving superior conductivity characteristics for copper on printed circuit boards, semiconductors and solar panels. Company A successfully pursued and became certified ISO 9001:2000.

Faith background

The MD, a USA businessman, has lived in China for many years. He has been involved in many start-ups and along with his wife have a heart for BAM. The MD's approach to business is influenced by his beliefs and faith. His objective and purpose is to have a financially sustainable business and provide a context to introduce Christ to all the workers and others involved with the firm. The main focus is to begin Bible studies and house churches in these factory locations.

The MD operates the company on Biblical principles in dealings with the employees and the relationships with other stakeholders in the community. The factory was closed on Sundays for a day of rest. The factory workers were provided cafeteria lunch and worked for average hourly pay and normal hours per Chinese regulations.

Professional Background

The MD has extensive business training and experience both in the USA and China. He is not a professionally trained minister, but has a desire to see China reached for Christ. The BAM aspects of the business are done jointly and in partnership with other individuals so that the MD and his business team can focus on successfully operating the company.

Strategy and Vision

Purpose

The purpose of the business was to have a successful and profitable manufacturing plant, to establish a community of Christ followers near the factory, and to provide a positive work environment with excellent training programs.

Values

The business values were:

- Teamwork
- Integrity
- Accountability and Ownership
- Problem-Solving
- Effectiveness
- Dedication

Business goals and objectives

The business goals and objectives were formalized in writing and tracked monthly. The business goal was to become a sustainable and profitable business enterprise that reflected Christ to the Chinese community.

The specific business objectives were:

- To grow sales double digit per year.
- To have at least 10% profit.
- To have top quality.
- To be number 1 in chemicals and anodes for electroplating niche market.
- To innovate and produce new products.
- To have top trained work force.

The specific BAM objectives were:

- To proclaim Christ and convert Chinese in the factory.
- To begin a factory Bible studies and house churches.
- To provide excellent training.
- To live and exemplify Christ in the local community.

Additional facts and statistics

During the initial start-up in China, the USA firm Z assisted in training and providing their industrial secrets to Company A. However, afterwards, firm Z was not involved in daily manufacturing operations in China but did have a sales presence in China. Certain patents, designs and other intellectual property were protected under Chinese or USA laws.

The start-up capital required was between US\$1 and 5 million. The final amount invested was US\$5-10 million. The financial model was designed around this profit distribution: 10% profit to mainland China factory, 90% profit to the Hong Kong Holding Co, split between, 60% profit to the USA company (Z), 30% profit to BAM Company A. The company was number one in their market niche in China. The sale of the company was a successful return on investment to the shareholders of Company Z and Company A. The enterprise was sold to an independent company in 2012.

The number of employees at peak levels was 75, with about 20% devoted to management or technical roles. The production workers were typically migrant men. During the 10 years of operations, all the General Managers (GM) had a minimum of 10 years of experience, trained in business in the West, and were Christians. The GMs went through an informal mentorship with the MD. They were paid wages and bonuses based on achieving annual targets from the company. The business and factory operations never used charitable donations or volunteer work. The mission programs at this company were either subsidized with a small stipend from operations or were 100 percent volunteer efforts by individuals from para-Christian organizations (not mission agencies).

The factory produced chemicals and anodes for the electroplating market and met all the environmental standards established by the Chinese government. The economic downturn of 2008 had a minimal effect on factory output. The company eventually had more than 450 Chinese customers, with about 20% representing 80% of the revenue. The employment contract laws in China have increased costs and changed the conditions of hiring, firing, and letting go or calling back but not had a detrimental effect.

BAM Experiences

The Company grew quickly and was very successful. The company sold for a good return on investment for the shareholders. Many BAM purposes and objectives were accomplished in the 10 year history of this company. Local Chinese workers became followers of Christ with a successful weekly Bible study at the factory. They started an additional Bible study group every year and individuals started attending established house churches in the area. Approximately 20% of the indirect workers became Christians during the 10 years.

In terms of failures, one of the GMs was not a good choice and had not gone through the 6 months training program. Also, no house church ever developed out of the Bible study group.

Lesson learned

The key *business* findings were:

- General Managers must go through a 6 month training program.
- Number one or two in market niche is critical to success.
- Product development and innovation important.
- The USA economic downturn had minimal impact.
- Alliances and networks of committed companies and people are crucial to successful start-up of the company.

The key *mission* findings were:

- Opportunities for witnessing and living Christ were abundant because of the marketplace setting
- Positive opportunities for community involvement because of the business operations
- Bible study group was not difficult but house church at factory did not happen

BAM enterprises are businesses that must financially succeed to be sustainable. A USA firm with capital funds and technology (or some competitive advantage) are keys to a successful BAM start-up in China. The ownership structure that works effectively is 70% for the technology company and 30% minority interest for the BAM investor.

The key is to keep control culturally and organizationally in the BAM firm. Successful BAM operators are western trained but multi-cultural business professionals with 10 years of experience. Not all are Christian, but at least one or two management team members should be Christians.

BAM companies are dual purposed which make them vulnerable to trade-offs that may compromise their financial stability. Therefore it is critical to keep business operations and BAM activities somewhat independent. The management team should cooperate with the BAM initiatives but not have the responsibility for them.

Success factors

Success was defined by the business stakeholders as a profitable, growing and thus sustainable enterprise which would provide a product for the Chinese market.

The spiritual success was harder to define but a successful Bible study group and 20 percent of the indirect workers became new converts.

One of the highlights of this BAM enterprise was the growth and success of the business operations. The factory employees were positively impacted by the work conditions and employment practices. New believers and a weekly Bible study were positive kingdom results.

Recommendations

Future BAM start-ups in China should consider joint ownership with other established companies for capital, product expertise, sales and distribution.

The GM position is key to the successful operation and requires business education, prior experience (10 years) and a training program. Business in China has become increasingly complex, necessitating a larger initial company or a parent company that can provide necessary shared services (tax, strategy, policy, IT).

Conclusion

BAM companies can succeed financially and in kingdom goals. When the business model and management experience are strong, BAM for-profit companies can be examples of integrity, fair employment and working practices, and contribute to the local economy.

Research:

Interviewee: Company founder and Managing Director (MD)

Interviewer: Daniel Sterkenburg, Associate Professor of Business, Cedarville University