

## Considerations regarding Corporate Strategic Partnerships in China

### Executive summary

- China remains a scale market, a fast-moving innovation arena and a pathway to top-line growth
- Success increasingly hinges on partnering models that balance access (market, approvals, capabilities) with control (IP, brand, compliance, reputation)
- Partnering in China is a Board-level issue, and it is important to align regularly with the Board on strategy, risk profile and no-go areas etc.
- Partners should be selected for complementarity and the important element of cultural fit—not just short-term economic upside
- In China, across sectors, compliance and government relations should be treated as an enterprise skill.
- Consider partnerships even if copycats emerge, they will do so anyway.

*The DCBF Brief is based on discussions in DCBF Focus Groups and meetings held according to the Chatham House Rule.*

For many foreign companies, China as a high-growth and very profitable market ended with COVID. Due to China's weaker domestic economy, stagnation/involution and intense competition, Danish companies are struggling to maintain historical top- and bottom lines. Focus is on cost savings/optimization and a review of current go-2-market models. This DCBF Brief addresses these challenges by exploring corporate strategic partnerships with Chinese companies. The Brief discusses partnering as a tool and addresses organisational and process-orientated considerations. It also indicates which questions the Board and top management should ask themselves as part of a potential partnering process. The Brief is not all conclusive and partnering remains a focus for DCBF to better understand pros and cons.

### Partnership as a tool

In the past, foreign enterprises were required to form joint ventures when entering the Chinese market. This is no longer the case. And while partnerships – like joint ventures – involve collaboration with local entities, they are vastly different in scope and composure. Primarily, because they are voluntary, focused and designed to solve specific market challenges – with a view to long-term possibilities for more comprehensive collaboration. As such, partnerships is a relevant tool to consider for:

- Market access & velocity: Partnerships can accelerate approvals, expand distribution channels, and knowledge of 'time-to-scale' in a local environment where relationships and regulatory navigation are (still) decisive.
- Innovation proximity: Partnerships bring you closer to emerging solutions and know-how; licensing or co-development with Chinese innovators that can unlock new options.
- Strategic optionality: Well-structured exclusivity or co-development can create stepping-stones into adjacent product areas and/or international markets e.g. in the Global South.

### Choosing the partner and partnering model

Choosing a partner in China has always been a cumbersome process. However, today there are several international consultancies that offer support throughout the process which helps ensure the desired outcome. Elements to consider, include:

- Partnering models: distribution/agency, licensing (in- or out-bound), joint development, equity JV, and structured exclusivity by product/segment/region. Some firms formalise partnerships even when copycats emerge—gaining presence and partial control while exploring new avenues with the partner.

- Prioritise resource complementarity and cultural compatibility—not just short-term economic upside.
- Acknowledge that in strategic sectors, potential partners may have state linkages; factor this into your due diligence and plan your governance structure accordingly. This is also a strategic benefit as companies that are either ‘state supported’ (i.e. the state has a stake in the company) or ‘state-owned’ are likely to have better access to information about government programs, regulation and legislation. Use this as a strategic advantage and map the connections with your partner.

### Elements of the process

Chinese companies operate in an environment that is vastly different from Europe’s. As such, there are areas of considerable incompatibilities that need to be addressed e.g. the role of the state. At the same time, Chinese companies are also experiencing pressures to internationalise which help facilitate collaboration and integration. Elements to consider, include:

- Develop a partnering playbook: define model options, due diligence criteria, staged disclosure rules and KPI/milestones.
- Risk appetite & guardrails: define acceptable exposure across revenue dependence, knowledge transfer, and reputational risk; set stop/go triggers and define no-go areas.
- Partner funnel build: Commission an external scan to form a longlist → shortlist with fit-for-purpose screening and face-to-face interview. Expect many misfits.
- Prepare for high likelihood of requests for detailed disclosure during negotiations including requests for more extended collaboration than originally intended.
- Be prepared for (very) detailed negotiations as well as the expectation from the Chinese side to move quickly once a decision has been made.
- Assume information spreads in your (Chinese) organisation and in your external environment (read: to your existing customers in China) during partnering negotiations.

### Questions for the Board and Top Management

The Board is a key stakeholder and needs to be involved from the beginning and throughout the process, especially on issues related to risk appetite and long-term strategy. Questions to consider, e.g.:

- Which model matches our objectives (approvals, scale, innovation access), taking our risk appetite into account?
- Are we over-relying on legacy go-to-market routes where alternatives (e.g., licensing Chinese innovation for China or other markets) could be faster?
- What is our reversibility if conditions shift, e.g. exit, step-down exclusivity, claw-backs etc.?

Other issues to consider include geopolitics, ESG, tax rules, regulations and collaboration with home government on partnering possibilities as an element in export promotion.

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