

A close-up portrait of Zhang Guohua, a middle-aged man with dark hair, wearing a dark suit, white shirt, and a patterned tie. He is looking slightly to the right of the camera with a neutral expression.

Zhang Guohua

A Never-Contented Heart

The "Sale" of the 5 Rings

10 Steps to Build an Asian Brand

Baby-first Car Seat

The Secret Formula of Yili

Treating Chinese Economists Fairly

MESSAGE FROM THE EDITOR

The bid for the Olympics has become increasingly competitive in recent years. Today, the Olympics is more than a mere sporting event. It also represents an unlimited business opportunity. Just over two decades ago, however, the Olympics remained a loss maker with little influence and public interest. It was not until in the 1990s that the destiny of the Olympics had been fundamentally changed. Since 1992, the Olympics has become the focus of world's attention, offering a unique opportunity for businesses to increase their brand awareness and image. How does the change take place, and what are the implications for Chinese companies in marketing? Dr. Zhou Dongsheng, Professor of Marketing at CEIBS, tries to unveil the mysteries around the Olympics with an illustration of the 1984 Los Angeles Games.

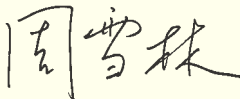
Branding, as an integral part of the corporate strategy, is playing an increasingly important role in driving profitability and shareholder value. Today's competition is not so much in product quality as in brand awareness. Therefore, Asian businesses must change their mindset and increase their branding efforts if they wish to compete with Western brands in local and international markets. Mr. Martin Roll, a veteran branding strategist and a visiting professor at CEIBS, offers them a tailor-made brand strategy framework.

In "Case Study", we present you an interesting case of a Chinese car seat manufacturer. Successful as it is in international markets, the company meets great difficulty in the home market as the product is still a new concept in China. What strategy does the company need to turn the table? Three business executives and professionals will share with us their fresh ideas and interesting solutions.

The year of 2005 was a year of harvest for our alumnus Mr. Pan Gang and his Yili Group. He was selected by CCTV as one of the ten economic figures of the year, and his company recorded a historic high of sales over RMB 10 billion. Just one year before, Yili was haunted by corruption scandals and declining sales. How did Pan Gang lead his company out of the muddle when he took over the reign? *The Link* had an exclusive interview with Mr. Pan to uncover his winning formula.

There is a controversial debate over the credibility of Chinese economists these days. Given the magnitude of China's reform over the past decades, it is not strange to hear different voices and perspectives. However, the picture gets somewhat messier when the public debate turns into a war against the legitimacy of the reform itself. In response to it, Prof. Liu Ji, the School's Honorary President, called for a "fair treatment of Chinese economists".

Following the last year's global ranking of EMBA programmes, the *Financial Times* released its annual MBA ranking in late January. CEIBS again finds its name high on the top, moving one slot ahead to the 21st among the world's top 100 MBA programmes. This is also the third consecutive year that CEIBS has maintained its No.1 position in Asia. However, just a couple of weeks before the release, President Zhang Guohua, the architect and founding member of CEIBS, left us forever after years of committed work for the School. Brief as it is, his life is undoubtedly a wonderful chapter, encouraging everyone who reads it.



Dr. Snow Zhou
Managing Editor

PUBLISHER: CEIBS

MANAGEMENT COMMITTEE

Professor Pedro Nuevo, Executive President

Professor Rolf D. Cremer, Dean and Vice President

Professor Zhang Weijiong, Vice President and Co-Dean

MANAGING EDITOR: Snow Zhou

SENIOR EDITORS: Cherry Zhong, Audrey Wu

CONTRIBUTING EDITOR: Du Qian

ART EDITOR/ PHOTOGRAPHER: Lin Yun

PART-TIME EDITORS:

Suzanne Updike, Sandy Chow

CONTACT US:

EDITORIAL OFFICE: 699 Hongfeng Road,
Pudong, Shanghai 201206, P.R.C.

TEL: 86-21-2890 5501

FAX: 86-21-2890 5273

EMAIL: alumnimagazine@ceibs.edu



CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL

中欧国际工商学院

CEIBS SHANGHAI CAMPUS

699 Hongfeng Road, Pudong,

Shanghai 201206, P.R.C.

Tel: +86-21-28905890

Fax: +86-21-28905678

Website: www.ceibs.edu

BEIJING REPRESENTATIVE OFFICE

3/F Playcom InfoTech Park Tower A,

2 Kexueyuan South Road,

Zhongguancun, Beijing 100080, P.R.C.

Tel: +86-10-82861688

Fax: +86-10-82861678

E-mail: bj@ceibs.edu

SHENZHEN REPRESENTATIVE OFFICE

Room.2303B, 23/F, Han Tang Building,

Overseas Chinese Town, Shenzhen,518053, P.R.C.

Tel: +86-755-26935750

Fax: +86-755-26935743

E-mail: szo@ceibs.edu

Published quarterly in the last week of March, June, September and December, by CEIBS. The author's views expressed in this publication do not necessarily reflect the views of our editors or of CEIBS.

Copyright 2006 © by CEIBS. All rights reserved.

CONTENTS

2006 Spring

PEOPLE



A Never-Contented Heart

He was born with an enthusiasm to break the boundary and an untamed nature to seek more challenges. His heart was never contented with any accomplishments.

- 16 A Never-Contented Heart
- 23 An Outstanding Contributor
- 24 A Devoted Pioneer
- 26 The Days When We Were Together
- 27 How Can One Person Do So Much, So Well, and for So Long?
- 28 A Beautiful Life
- 30 Messages of Condolence

7 CREMER'S COLUMN

KNOWLEDGE@CEIBS

8 The "Sale" of the 5 Rings:
Marketing and the Olympic Games

11 Economic & Financial Data

12 10 Steps to Build an Asian Brand

CASE STUDY

32 Baby-first Car Seat:
From Export to Domestic Sales

37 Changing the Consumers'
Concept

38 Building up Market Influence

40 Baby-first's Self-Appraisal



Dear Alumni

Every year, more foreign business schools come to China, and offer their foreign degree programmes in hotels, or on the campuses of domestic business schools. Today, some thirty foreign business schools are officially offering MBA programmes in China.

Is this a good development for China? Why are so many foreign business schools coming to China? And what is the unique role of your business school, the China Europe International Business School (CEIBS)?

On the whole, the increasing number of foreign MBA/EMBA programmes in China is a positive and necessary development. The demand for MBA-qualified professional managers in China is around 75,000 annually, but the capacity of the business education system is only ten to twenty per cent of that number. Expatriates are very expensive for businesses in China, and there are still only very few domestic business schools which can offer MBA programmes of a good standard. The situation is improving, but it will still take a long time for China to have the capacity to educate the required number of senior business leaders for the further development of business both domestically and globally.

This situation also means that there is a demand for more business education in China, and therefore there are opportunities for foreign business schools too. But why do they come to China? What is their motivation?

There are probably two main reasons for foreign business schools to come to China.

Firstly, foreign business schools are businesses. They want to increase the value of their brand, and they want to grow. This is also the case, if these business schools are part of not-for-profit foreign universities, because within those universities, business schools are profitable. They are expected to contribute to funding of other parts of the university. Furthermore, offering programmes in China is used to attract Chinese students to study abroad at the home campus of these foreign universities. I have doubts as to whether this business model is sustainable, because Chinese students and businesses in China are increasingly sophisticated and demanding. They want learning that is relevant to China.

Secondly, foreign business schools, at least the better ones, come to China to learn. This is

necessary for them to compete successfully in their home market. For example, a leading US business school has to have faculty who have first hand experience in China. Otherwise what they teach their US students is not relevant to a global economy, in which China is an increasingly important player. Or, to give another example, a German business school which places graduates in large German companies, needs to have China-relevant content in its teaching programme, otherwise these companies, almost all of which have a major part of their business already in China, may not recruit the graduates from this business school. It is therefore important for foreign business schools to place faculty in China to learn. They cannot afford not to be in China.

Both of these motivations have one thing in common: foreign business schools come to China because of their position back home. Their main focus, the vast majority of their stakeholders (students, faculty, staff, sponsors, employers) are at home. China is a small part of their activity, and therefore their commitment to China is low.

Your school, CEIBS, is totally different. CEIBS was established as a model for business education and research in China. The founders of CEIBS, i.e. the European Union and the Chinese Government, the Management, Faculty and Staff of CEIBS, and – most importantly – the students and graduates of CEIBS, all of us are therefore leaders. Our role is to lead in the modernisation of business education and research in China.

In other words, the idea that holds CEIBS together and that drives it further forward, is innovation and responsible leadership.

- CEIBS innovates business learning in China, by teaching the best of international business knowledge and by making it relevant to Chinese business.

- CEIBS innovates research in China, for example in the Centre for Finance Research under the leadership of ABN AMRO Chair Professor Chang Chun, or in the Euro-China Centre for Leadership and Responsibility under the leader-



ship of Professor Henri-Claude de Bettignies.

- CEIBS innovates the building of elite networks among CEOs in China, through the CEO Learning Consortium under the leadership of Phillips Chair Professor Arthur Yeung.
- CEIBS innovates executive education in China, for example through joint customised programmes with INSEAD for leading multinational organizations.
- CEIBS leads the establishment of business education standards in China, through EQUIS Accreditation (2004), AACSB Accreditation (expected 2007), and outstanding results in international business school rankings (*Financial Times* 2006).
- CEIBS leads the globalisation of the minds of Chinese business leaders, through Alumni programmes abroad, for example at Harvard University in December 2005.

The examples show that CEIBS is not just another business school in China. CEIBS is the leader of business education in China. CEIBS will continue to play this unique and critical role in China. I ask for your continued friendship and support, so that we have the networks and resources to become even stronger and serve the business community in China even better in the future.

With best wishes for success in your personal career and a prosperous future for your organisation,

R. Cremer

Prof. Dr. Rolf D. Cremer
Dean and Vice President



- 42 Leading the Market with Expertise
- 43 CEIBS Research Committee Meeting Announcement
CEIBS Disciplinary Committee Meeting Announcement

EXECUTIVE FORUM

- 44 IT Governance: A New Challenge to Top Management

VOICE FROM ENTREPRENEURS

- 46 The Secret Formula of YILI: How does the Chinese dairy giant make its way to the top
- 50 Fosun Experience: HR Management is the key to business success

FEATURES

- 54 The CEIBS MBA: No. 1 in Asia for the Third Consecutive Year

IN FOCUS

- 58 Treating Chinese Economists Fairly



BUSINESS PRACTICE

- 61 Indian Experience & Chinese Perspective: International Expansion of Pharmaceutical Industry

SCHOOL UPDATES

- 65 New Faculty Members Join CEIBS
- 67 HR Management in Chinese Context
- 69 Korean National Strategy Institute Visits CEIBS
- 71 News Briefing

ON CAMPUS

- 75 CEIBS in the Eyes of a Korean EMBA: An Interview with Mr. Doug Ho Song
- 77 Your Dream Comes True: CEIBS Entrepreneurship Supporting Platform
- 78 Virtual Business in Metersbonwe
- 79 MBA Activities

SUPPORT CEIBS

- 81 "Everything Starts With Education" – Mr. Dominique de Boisseson, Alcatel
- 82 Corporate Partnerships Further Strengthened at CEIBS
- 82 LVMH Launches Asia Scholarship Programme at CEIBS
- 83 CEIBS and Bayer Jointly Inaugurate New Chair in Strategy & Marketing and CEIBS Centre for Healthcare Policy & Management

ALUMNI ACTIVITIES

- 84 CEIBS Alumni Association Taiwan Chapter Established

WORDS AND THOUGHTS

- 85 My Gateway to China
- 86 Taking off from CEIBS

NEW BOOKS

- 88 CEIBS' Recommendation

The “Sale” of the 5 Rings: Marketing and the Olympic Games



By Zhou Dongsheng

The bid to host the Olympics has become increasingly competitive in recent years. Today, the Olympics is more than a mere sporting event. It also serves as a grand international gathering. But was it as popular as today? The answer is negative.

Just over two decades ago, the Olympic Games were a mere sporting event with little influence and public interest. The host city of the 1984 Olympics was decided in 1977. In fact, Los Angeles was the only bidding city. Having no other options, the International Olympics Committee (IOC) not only granted the games to Los Angeles, but also promised in the contract to cover any loss from the event.

Financial disaster used to be a recurring theme throughout the Olympics Games' history. The 1972 Munich Games suffered a loss of nearly 700 million Deutschmark, while the 1976 Montreal Games was struck by a loss of almost \$1 billion. In the 1990's when I went to Canada for further study, I was told by the locals that they were still paying the bill for the 1976 Games. The 1980 Moscow Games were said to suffer a similar huge loss, although no detailed statistics were provided.

It was not until in the 1990s that the destiny of the Olympics had been fundamentally changed. Since 1992, the bid for the Olympics has become so competitive, with at least five applicant countries for each games, that a number of countries are alleged to resort to bribery to win the bid. The question rises - how does the change take place? Why was the Olympics treated so differently before and after the 1990s?

The answer lies in the phenomenal achievement of the 1984 Los Angeles Games, which for the first time in the history made a huge profit of over \$200 million! How did Los Angeles make the games a viable proposition and a marvelous business success?

The man behind the L.A. Games is Peter Ueberroth. He understood that there seemed to be only two ways to get out of the red: create new revenue streams and reduce cost. A variety of funding tools had been adopted along the years of evolution of the Olympics, such as selling tickets, selling broadcasting rights and soliciting corporate sponsorship. Ueberroth understood that he had to use the same tools in a more creative way to ensure profitability.

Eliminating Information Asymmetry

Take for example the bid for TV rights. In the

previous Games, the organiser usually invited several leading broadcasting companies to the bid and the one who made the highest offer won the bid. But one problem was hidden beneath this seemingly reasonable method: when the bidders and the biddee made different value-judgments of the same bidding project, the bidding price would end up disappointingly low. To Ueberroth's knowledge, the U.S. public was traditionally less interested in the Olympics than in games such as football, baseball and basketball. The limited size of audience, therefore, would make TV companies reluctant to offer a better price. But being so confident that he was capable of running a gripping Games and attract an abundant audience, Ueberroth believed that TV rights were worth a good price. How did he solve this paradox? The key is segmentation differentiated pricing. He divided the final turning-up number of the audience into several groups. The programmes with the smallest audience (e.g. less than 50 million) would sell at the lowest price, whereas the medium size (e.g. between 100 million to 150 million) at the medium price and the largest (e.g. more than 150 million) at the highest price. The TV company wouldn't mind paying more for a larger audience, since more people watching TV meant more profits from selling more TV adverts. This brand-new game rule required that Ueberroth try his best to produce an engaging sporting event to draw in as many viewers as possible. The larger the audience, the higher the fee for TV rights.

To achieve this, Ueberroth implemented a series of steps, such as offering free participation to more countries and athletes for more exciting performances and involving ordinary local people in the operation to enhance the Olympics' reputation among the U.S. public, etc. It turned out that this Olympic Games became the most successful sporting games in U.S. history, with a record-breaking number of viewers and over \$200 million in revenue from TV rights fees.

Also, Ueberroth recognised that merely selling TV rights would not be sufficient for funding the Games, because TV was not yet universally used in early 1980s, especially in under-developed countries. For example, many Chinese went to their workplaces to watch the TV coverage of the Games, since they had no TV sets at home. Radio broadcasting, instead, was quite popular in those days. Ueberroth wisely sold radio rights and earned tens of millions of dollars.

“Creating” Scarcity

Sponsors had been involved in the Olympics for decades. Before the L.A. Games, it was



widely accepted that the more sponsors the better. There were 168 sponsors in the 1976 Montreal Games, 200 in the 1980 Moscow Games and 381 in the 1980 Winter Olympics in Lake Placid, U.S. (Before the 1990s, the Winter and Summer Games were held in the same year). In this last case of the Lake Placid Games, how much funding did the Games obtain from 381 sponsors? Less than \$10 million! As a matter of fact, no single Games before the L.A. Games secured funding of more than \$10 million. Although hundreds of sponsors funded each Games. This policy of “anyone who would like to join is welcomed” undervalued the sponsorship and therefore the sponsors did not desire to pay more.

It dawned on Ueberroth that only when the sponsors were convinced of the profitability of sponsorship would the Games get more funding. Value would rise with scarcity. If the opportunities became rare, corporate competition would then be generated and the true value of the Olympics sponsorship would be materialised. So, he reduced the number of sponsors by allowing only one sponsor from each industry. The threshold price he charged for sponsorship was \$4 million.

Being a patriotic American, Ueberroth was more inclined to have the sponsorship of American corporations and to promote their brands. He turned to Kodak, hoping that the company would be the exclusive sponsor from the film industry. However, having already taken over 90% of the U.S. market share, Kodak was not convinced of the prospect of earning more market share by investing \$4 million. It rather bet on \$1 million. The negotiation failed.

It was Fuji of Japan that took prompt action after hearing about the offer. Fuji, in those days, had a meager 3% market share in the U.S. and therefore was very concerned about its market expansion there. After a brief talk with Ueberroth, Fuji made a quick decision to pay the sponsorship fee of \$4 million and offered an additional gift of photo films worth \$3 million. The sponsorship in the L.A. Olympics provided Fuji an opportunity to stand among the world business giants, like Coca Cola and IBM. It resulted in the effective promotion of the Fuji brand and a sharp rise of its U.S. market share to 6% within a fairly short time.

Kodak, on the other hand, soon realised their folly and has become the exclusive film sponsor in every single Olympics since 1985.

The case demonstrates that apart from assessing the profits of an action (i.e., the regular analysis of input and output), an enterprise has to take into consideration the harms of an “inaction”, an action its rival takes instead. In other words, in the process of decision-making, an enterprise should not only maximise the profit, but also minimise the harms. In the case of Kodak, ignoring the latter offered Fuji the best chance to win. In this sense, the starting-point in the strategy-planning for any company is to minimise the harms.

In summary, Ueberroth “created” scarcity to lift the bar for sponsorship entry, which eventually increased the value of the Olympics sponsorship. As a result, the L.A. Games raised funding of \$180 million from 35 sponsors.

More Innovations

The Torch Relay is an important part of the Olympic Games. Before the 1984 L.A. Games, the relay participants were exclusively athletes and celebrities. While keeping this tradition, Ueberroth managed to involve many more ordinary US citizens. There were only two requirements for torch relay participants: First, they needed to have sound enough health for a one-mile run. Second, they would be charged \$3,000. Numerous people from throughout the country were qualified for the job and joined in the relay when the torch was passed from town to town, city to city. The event thus became a phenomenon, attracting the attention of many households and local media. Cleverly in this way, the Games were advertised free of charge, their reputation and popularity enjoyed a sharp rise, and the approach generated the extra benefit of tens of millions of dollars.

While tapping as many new sources as possible, Uberroth did his best to control the costs. Throughout the L.A. Games, only 3 tickets were respectively sent as gifts to Mr. Samaranch, President of the IOC, President Reagan, and the Mayor of Los Angeles.

As few as two sports venues were newly built specifically for the L.A. Games. The rest of the venues used by the Games were either rented or remodeled.

Another example of cost control was the practice of recruiting a huge number of volunteers. The two-week-long event involved over ten thousand staff, half of whom were volunteers, including Uberroth. Tens of thousands of dollars were then spared.

These new funding methods and cost-reducing measures finally transformed the Olympic Games from a financial failure to a major business success. The Games have become more and more popular ever since.

The core of marketing is to create value for the customer. In this sense, marketing is a process of value-creation. To profit from a business, the organisation has to create value for the customer and then to share part of the profits by leveraging the price. What Uberroth did was exactly that; creating multiple values for all participants, including TV companies and sponsors, and then securing a good price to achieve the "win-win".

Enlightened by Uberroth

The phenomenal accomplishment of the 1984 L.A. Games served to enlighten the IOC. They followed it up by making new strategies focusing on how to create more value for the customers (for example, the sponsors). The more value they could create, the more sponsor fees they would get. Against this background, TOPS (The Olympics Partner Programme) was born.

The Olympic Summer Games and Winter Games were originally held in the same year. So close together in timing, they actually hindered the brand promotion of the corporations. Having identified this problem, the IOC decided to separate them by a two-year interval. Traditionally, all potential sponsors had to negotiate with the Olympics Committees of each participating country, which consumed significant time and energy. With TOP, they negotiated with a single party -- the IOC. TOP successfully expanded the scope of the game: the time span was extended from one year to four years and the geographical scope was expanded from one country to the globe.

Expansion of the game led to the increasing of value.

Additionally, because of the growth of TV usage, the number of TV viewers of the Olympics has been increasing greatly. As a result, the transmission and adverts fees of the Olympics are soaring even higher. In the meantime, economic globalisation makes it increasingly important for multinational companies to find a good channel to promote their brands throughout the world. The Olympics Sponsorship is one way to achieve this. In conclusion: the marketing of the Olympics successfully keeps up with the global trend.

Chinese Companies: Competition and More Copetition

Chinese companies in various industries have much to learn from the marketing strategy of the Olympics.

The business competition in today's China has gone to an extreme. Price wars and malicious competition are frequently seen. For example, Chongqing is a motorcycle manufacturing base with large revenues from the industry. But struck by the regular price wars, one motorcycle can only sell at RMB50 right now. The same thing happened in the pharmaceutical industry. In Zhejiang, there is a listed pharmaceutical firm who produces a vitamin medicine product taking 22% global market value. Another privately owned company next-door to it boasts 18% international market share with the same product. That is to say, these two companies together enjoy 40% global market share. Instead of cooperating closely to bring out more profits for both, they engage themselves in a fierce price war globally, which led to a 70% drop in the exporting price of the vitamin medicine they manufactured.

Whatever size a corporation, it can never take care of every single step in the whole process of value-creation. On the contrary, it must collaborate with many more participants, including suppliers, manufacturers of complementary products and even competitors, so as to produce higher value for the customers. The relationship between companies should go beyond competition and head for more cooperation.

Overseas companies have internalised this wisdom. Take for instance Coca-Cola and Pepsi-Cola, who are traditionally rivals. Though their products contain very little technology content, they have both evolved for over a hundred years. According to a finding by the famous "60 Minutes", dur-

ing 52 successive weeks, Coca-Cola and Pepsi-Cola respectively dropped 26 FSCIs (Freestanding Coupon Inserts). Yet, they never did it within the same week, which is obviously the result of a tacit agreement between the two. Without this mutual co-ordination, the probability is 4x10⁻¹⁶, in other words, it would have been impossible. Now, Coca-Cola is the top brand globally, with a high equity of \$70 billion.

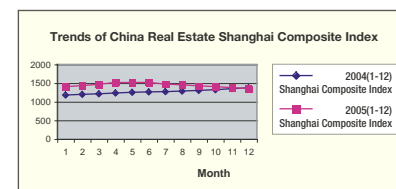
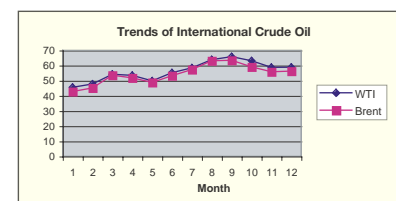
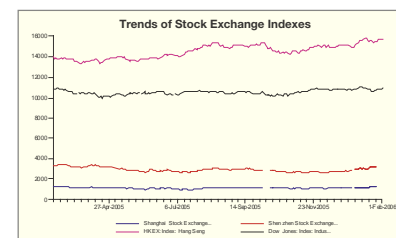
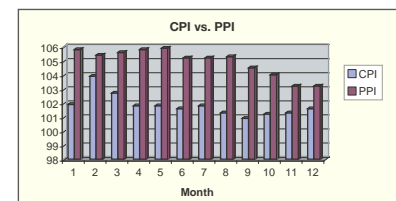
In a mature industry like carbonated drinks, Coca-Cola and Pepsi-Cola found opportunities to co-operate. In China's rapidly growing market, Chinese companies have no reason to refuse cooperation. Co-operation will help them to straighten and expand the market, whereas competition will enable them to occupy their own portion of this enlarged market.

Take the Chinese dairy industry for example. In recent years, MENGNIU Dairy has been noted for its huge momentum and great success. Is its victory established upon the defeat of its rivals? Not at all. In fact, Yili Dairy (the rival company of MENGNIU) has done better in the last year and Mr. Pan Gang, Chairman of the Board of Yili, as well as CEIBS' alumnus, is awarded "CCTV 2005 Business Figures" for his excellent work in Yili. Another CEIBS alumna, Ms. Wang Jiafen, Chairman of Shanghai Bright Dairy & Food Co., Ltd, also has been leading her company to achieve a steady growth in recent years. Despite the pace of development of China's dairy industry, there is still great potential for growth. Compared to milk consumption of 90 kilograms per capita internationally, China has an annual consumption rate of only 10 kilograms per capita, which means the industry has another twenty years to grow further.

The dairy industry is not an individual case. As a matter of fact, many consumer goods industries have similar growth potential, which also provides more opportunities for the development of the industrial goods sectors. The fast expansion of industries will naturally produce a bigger market pie and will generate more possibilities of corporate collaboration. It can be estimated that positive competition and co-operation will enable Chinese companies to make the best of the economic growth in the years to come and to expand and strengthen their businesses as much as possible. Then, they are well prepared to go global. **THELINK**

The author is Professor of Marketing at CEIBS. The article, based on Prof. Zhou's speech, is originally in Chinese. The English version is prepared by Cherry Zhong and Snow Zhou.

Economic & Financial Data		
MACROECONOMICS		
National Economy Indicators	range	accumulated
GDP(RMB 100 million)	2005 Q3	124,785
	2005 Q4	182,321
Investment in fixed assets (RMB 100 million)	2005 Q3	48,742
	2005 Q4	75,096
Current account(USD 100 million)	2005 Q3	685
	2005 Q4	1,021
National Economy Indicators	range	year-on-year growth
GDP growth	2005 Q3	9.9%
	2005 Q4	9.9%
Fix assets investment growth	2005 Q3	27.7%
	2005 Q4	27.2%
Price Index	Range	average
CPI	2005 Q3	101.3
	2005 Q4	101.4
PPI	2005 Q3	105
	2005 Q4	103.5
FINANCIAL DATA		
Currency	range	balance
M0 (RMB 100 million)	2005 Q3	22,273
	2005 Q4	24,032
M1(RMB 100 million)	2005 Q3	100,964
	2005 Q4	107,279
M2 (RMB 100 million)	2005 Q3	287,438
	2005 Q4	298,755
Stock Market	range	average
Shanghai Stock Exchange Composite Index	2005 Q3	1134
	2005 Q4	1118
Shenzhen Stock Exchange Composite Subindex	2005 Q3	2914
	2005 Q4	2734
SSE 50	2005 Q3	796
	2005 Q4	768
SSE 180	2005 Q3	2159
	2005 Q4	2095
ENERGY and HOT INDUSTRIES		
Oil	range	dollar/barrel (average)
West Texas(WTI)	2005 Q3	62.7
	2005 Q4	60.3
Brent Crude Oil	2005 Q3	61.3
	2005 Q4	57.1
Real estate	range	average
Shanghai Real Estate Composite Index (China)	2005 Q3	1448
	2005 Q4	1401
Data source:DRCNET, http://www.valuer.org.cn/index.php3/CEIC . Compiled by CEIBS Library.		



10 STEPS to build an ASIAN BRAND

By Martin Roll

The orientation of brand management has gone through substantial changes over the last decades, and has evolved as a more integrated and visible part of the overall corporate strategy. The evolution of the brand equity concept during the 1990s, development of advanced financial brand valuation methods and its adoption by advisors and their clients, and emergence of better brand tracking tools, have all facilitated the elevation of the branding discipline beyond the middle management and into the boardroom.

The Asian boardrooms generally lag behind this trend and tend to manage brand marketing from a bottom-up perspective instead of top-down perspective. There are a couple of reasons for this. As marketing and brand decisions traditionally have been managed in mid-level marketing departments among most Asian companies, a large emphasis have been

placed on tactical marketing activities as opposed to strategic branding approaches led by the corporate management. Branding has been widely perceived as advertising and promotions.

But several indications show rapid progression in the right direction for a selection of Asian companies where branding as a strategic tool has become more recognized and accepted within their boardrooms. This is also driven by the increasing attention on branding and its value-driving capability among stakeholders, media and opinion makers across Asia. Asian companies can have great intentions and aspirations to move up the value-chain through branding to capture the financial and competitive benefits described in the previous chapters. But to achieve these objectives successfully, Asian companies must follow a comprehensive brand strategy framework supported by a systematic process throughout the organisation. Successful implementation of these processes will

help Asian boardrooms in achieving sustainable revenue and cash flow streams for the future.

The brand vision, objectives and multiple marketing activities must be closely aligned with the corporate strategy. They must blend together as they serve the same purpose: Driving profitability and shareholder value. Branding is the entire sum of all parts and elements involved, so getting the strategic balance right between the brand, the corporate vision and the entire organisation is crucial. The boardroom must ensure that the brand delivers successfully and seamlessly at every customer touch point, so that the brand supports the overall strategic intentions.

There are 10 crucial steps to follow to build a successful branding strategy and manage its implementation (Table 1). The steps enable the Asian boardroom to focus its attention on the required areas, and serve as check-points which can be tai-

1. The CEO needs to lead the brand strategy work
2. Build your own model as not every model suits all
3. Involve your stakeholders including the customers
4. Advance the corporate vision
5. Exploit new technology
6. Empower people to become brand ambassadors
7. Create the right delivery system
8. Communicate!
9. Measure the brand performance
10. Adjust relentlessly and be ready to raise your own bar all the times

Table 1: 10 steps to build a successful Asian brand (Source: VentureRepublic)



lored to the individual company's specific needs and requirements.

1. THE CEO NEEDS TO LEAD THE BRAND STRATEGY WORK

The Asian business landscape requires a different path for Asian companies and their boardrooms to be successful. Companies need to achieve a fine balance between low-cost production (competitiveness), constant innovation (differentiation) and enhanced customer satisfaction (value capture through branding).

Brands are not only, if sometimes at all, built from traditional advertising and promotions, but are rather built using a comprehensive range of corporate-wide activities delivered by people throughout the organisation. Therefore, the crucial balance between brand promise and brand delivery has implications for all company functions and it becomes a managerial responsibility reaching far beyond marketing and communications departments.

Therefore, branding can no longer be delegated to the mid-level marketing function in the typical Asian organisation. Instead, the Asian boardrooms and the CEO must take charge of the brand strategy, lead the brand development, manage its implementation and be fully involved in performance tracking and benchmarking. Branding should be represented at the boardroom by a person responsible for branding so that he/she is able to participate equally with corporate executives like the CEO and CFO.

Naturally, there is a limit to the direct

involvement and supervision of the CEO in managing the marketing and branding activities. To ensure his continuous involvement in branding despite his other responsibilities, the CEO must be backed by a strong brand management team of senior contributors, who can facilitate a continuous development and integration of the brand strategy. The Chief Marketing Officer can serve as the crucial (and often missing) link in the Asian boardroom. It enables the corporate management to directly design and control the brand strategy, and also to allocate the required resources to successfully implement the strategies.

2. BUILD YOUR OWN MODEL AS NOT EVERY MODEL SUITS ALL

All companies have their own sets of business values and a unique way of doing things influenced by the company heritage and culture. There are many brand models available and more are being developed every year. Even the best and most comprehensive brand strategy model has to be tailored to these specific company needs and requirements. Often, only a few but important adjustments are needed to align these models with other similar business models and strategies of the company to create a simplified framework and toolbox for branding. It must be remembered that as branding is the face of a business strategy, these two aspects must go hand in hand very well for the company to become successful.

The corporate management should set clear and quantifiable objectives for the brand portfolio - and stick to them. Brand building is a long drawn process.

Therefore, companies need to take a long term view and not be discouraged by unrealistic expectations of achieving the results in the short-term. Brand metrics are important tools to measure performance and benchmark against several indicators.

The company must determine the brand identity, strategy and implementation plan, and make sure it is aligned with the corporate strategy. The entire process is important in itself as it forces the corporate management team to discuss and agree on crucial issues related to the brand and its implications for the company.

Branding requires the right and adequate organizational and financial resources, so the corporate management team needs to ensure that the brand promise and the brand delivery are aligned closely. This involves a thorough examination of the entire operational system of the organisation and how well it is equipped to deliver on the brand promise to be communicated to the market. A comprehensive customer touch point program play a crucial role in managing and measuring the entire process throughout the company.

3. INVOLVE YOUR STAKEHOLDERS INCLUDING THE CUSTOMERS

Who knows more about a company than the customers, the employees and many other stakeholders? This is common sense, but many companies forget these simple and easily accessible sources of valuable information as useful background information for creating and managing powerful brands.

It is important not to underestimate the value of market research. The company should get an external and unbiased view of the competitive landscape including the current brand image among stakeholders, the brand positioning and critical directions for the brand identity and strategy ahead. However, it is also important to add in own observations, cultural understanding and intuition to achieve a well-balanced platform for decisions. Research can very well comprise retail visits to get an understanding of a local market and its customers. It is important to have a constant pulse on market trends and watch the competitors' actions in the market place.

4. ADVANCE THE CORPORATE VISION

The branding strategy is an excellent rea-

son and channel for advancing the corporate vision throughout the company. It allows the management to involve, educate and align everyone around the corporate objectives, corporate values and future strategy of the company. It provides a guiding star and leads everyone in the same direction. The internal efforts contributes at least 50% in making a corporate branding strategy successful, and it serves as a platform for communicating the corporate vision internally as well as externally. By involving all the internal stakeholders, the corporate management can not only ensure a total buy-in for its branding initiatives, but can also use the entire exercise to motivate its employees and rejuvenate the corporate culture.

5. EXPLOIT NEW TECHNOLOGY

Modern technology must play an integral part of the branding strategy and it helps the organisation in developing, managing and measuring the activities of the brand.

A well-designed and constantly updated Intranet is a must in today's working environment which has become increasingly virtual with employees working from home, from other locations and traveling across the globe. An Extranet can facilitate seamless integration with strategic partners, suppliers and customers. It can help to avoid time consuming paper work and manual handling of many issues.

A company website is not only a must, but rather a crucial channel for any modern corporation regardless of industry and size. Many Asian companies still

under-estimate the power of the Internet as a communication channel to build its brands. If the corporation does not have a strategy for and is not accessible on the Internet, it does not exist!

Customer Relationship Management solutions (CRM) can be a very powerful tool for Asian companies to align the brand with distribution, customers and other stakeholders. It gives companies a well structured system through which they can monitor and manage the entire spectrum of customer interaction. CRM also enables companies to build strong databases which can be used in multiple ways to enhance customer experiences across all cross-functional touch points. The key to success is to get the relevant departments involved and implement the right systems and processes through ongoing training and adjustments, so motivation and accountability become drivers of the project.

6. EMPOWER PEOPLE TO BECOME BRAND AMBASSADORS

One of the most important assets in a corporation is its human resources. They interact every day with colleagues, customers, suppliers, competitors, industry experts and many others. But the company staff also interacts with an impressive number of people totally disconnected to the corporation in form of family members, friends, former colleagues and many others. Hence these staff members serve as the most important brand ambassadors of the company as their attitudes and behaviours will significantly

impact perceptions.

The most effective way to turn employees into brand ambassadors is to train everyone adequately in the brand strategy (including vision, values and personality etc.) and making sure everyone fully understands what exactly the corporation aims at becoming in the minds of its customers and stakeholders.

Internal branding should most importantly be carried out by getting a buy-in by all the employees. The company should treat all its employees the way they treat their customers and use this as a benchmark. A classic example is how Starbucks, despite hiring temporary workers gave them stock options. The logic was - if Starbucks wants to be seen as a third place (apart from work and home) for its customers - then it should make their employees also feel that way. So this way, the organizations should earn the loyalty and buy-in from its entire staff into living the brand.

7. CREATE THE RIGHT DELIVERY SYSTEM

A brand is the face of a successful business strategy and basically it promises what all stakeholders can expect from the corporation. The brand will add value only when these expectations are consistently met. Therefore, the delivery of the right products and services as promised is extremely crucial for companies as promise without delivery is of no value. Think of the cradle to grave concept of a lifelong customer and the value he/she will provide in such a time span. Companies should ensure that customers are handled with outstanding care according to internal specifications and outside expectations. The moment of truth is when the corporate brand promise is delivered well – and the ideal situation for the brand will be to exceed the customer expectations.

One of the challenges for companies in general and for diversified or companies that are on a growth expansion in particular is to put in place a systematized structure to deal with the many challenges. To ensure consistency in delivering brand promises, companies should establish some benchmarks and guidelines. These should guide all the different functions within the company. The guidelines just provide the blueprint. But the important aspect is to drive these initiatives to its logical conclusions. The ever changing market trends and customer mindsets makes the brand management process an

ongoing process. The process should act as a loop by constantly taking in inputs from the market and customers and evolving the branding processes.

8. COMMUNICATE!

According to a report from Accenture, 70% of marketing executives have difficulty capturing attention of customers due to noise and clutter in the market place. Gone are the days when a good product would sell itself in the market place. With the ever increasing number of products, proliferation of brands and over-communication in the markets, creating the right perceptions has become equally, if not more important, than the product itself.

Asian companies must realize that communications is not just about creative advertisements. Instead, it is a much more comprehensive exercise encompassing the entire mix of communication channels with the sole goal of connecting with the customers at both functional and emotional levels.

Companies should ensure that through their integrated marketing communications, the brand is brought to life and is made to resonate with its customers. All the brand messages should be consistent, clear and relevant to the target audiences and easy to comprehend.

More often than not, companies are focused on buying advertising campaigns. Instead they should buy marketing effect that will add brand value. By focusing on value creation, companies can establish long term relationships with the right communications partners like ad agencies, PR and media agencies etc. These partners should be made strategic partners with the brand and held responsible for their results.

9. MEASURE THE BRAND PERFORMANCE

An organisation must deliver shareholder value and be accountable. The same applies for brands. How much value does it provide to the corporation and how instrumental is the brand in ensuring profitability and competitiveness? These are some of the questions which need to be answered and which the corporate management will automatically seek as part of a constant commitment to run the strategy successfully.

Brand equity consists of various individually tailor-made metrics (including the brand value in financial terms) and

needs to be tracked regularly. A brand score card can help facilitating an overview of the brand equity and the progression of brand metrics as the strategy is implemented. Also, the company should have the right combination of qualitative and quantitative research tools to measure the brand equity.

There are two reasons for marketing decisions to be elevated to the board room: The marketing metrics conveys a powerful message to the CEO about the ability of branding to drive profitability, and also because a decision of that caliber would not have happened within the limited scope of the marketing department.

To elevate the discipline of branding into the boardroom level, it is required of companies to prove the financial implications of branding investments and its contribution to the overall company growth. Currently there are many measures used by companies which put a value on the brand and also track the return from branding initiatives. Over the long run, companies should adopt a method of tracking brand returns based on certain company and industry specific parameters instead of merely adopting some proprietary tools.

Ultimately, the CEO and corporate management should be remunerated based on the brands' strength, its performance measured through metrics like market share, product quality and customer satisfaction ultimately contributing to shareholder value. Only if business leaders are held accountable for their actions, will they take leadership and dedicate efforts to build strong brands.

10. ADJUST RELENTLESSLY AND BE READY TO RAISE YOUR OWN BAR ALL THE TIMES

The business landscape is changing almost every day in every industry. Hence the corporation needs to evaluate and possibly adjust the branding strategy on a regular basis. Obviously, a strong and resonating brand should stay relevant, differentiated and consistent throughout time, so it is the crucial function of maintaining a balance between all the parameters. The basic parts of the branding strategy like vision, identity, personality and values are not to be changed often as they are the basic components. Instead, the changes are rather small and involve the thousands of daily interactions and behaviors through the organisation, which the corpora-

tions employ as part of the brand marketing efforts.

Building any successful brand is very dependant on the buy-in from the shareholders of a company whom in the end must allocate the necessary resources needed for branding as well as evaluate the return on investment. This raises questions about the type of non-executive directors and their knowledge of and beliefs in branding as a strategic discipline. Most executives in Asian board rooms are elevated from technical, operational or financials career tracks. Hardly any from the brand and marketing tracks make it to the boardrooms in Asia. Asian shareholders and companies can benefit significantly from having 1-2 non-executive directors on the board with brand knowledge, tools and international experience as a balance to the traditional technical and financial over-representation.

Branding is potentially a strong tool for re-aligning a corporate strategy and ensuring that the corporation regardless of industry and size is leveraging adequately on the un-tapped internal and external resources. A strong CEO and a dedicated management team are always seeking to raise their own bars and be change agents for their corporations backed by a strong corporate branding strategy.

A well-drafted and professionally managed branding strategy and implementation plan can become a significant part of the Asian boardroom set of tasks in the future. It can help drive profitability and shareholder value aligning the interests of the stakeholders, the management and the company. **THELINK**

MARTIN ROLL – international brand strategist

Martin Roll is CEO of VentureRepublic, the leading strategic advisory firm on branding. He delivers the combined value of an experienced international branding strategist and a senior advisor to corporate boards and top-management teams in Fortune 500 companies. He brings more than 15 years of management experience from the international advertising and branding industry, and is a renowned keynote speaker at global conferences. Martin Roll is author of *Asian Brand Strategy*, and he is a frequent guest lecturer at INSEAD business school and a Visiting Professor at CEIBS.

www.venturerepublic.com



Asian Brand Strategy
– new book by Martin Roll

Asian Brand Strategy demonstrates how Asian boardrooms and senior leaders can create superior leadership and enhance shareholder value for Asian companies through strong brand strategies. The book includes theoretical frameworks, models and up-to-date case studies on Asian brands. *Asian Brand Strategy* is a must-read for anyone business leader interested in Asia and illustrates how Asia is shaping a winning formula.

www.asianbrandstrategy.com

- 16 A Never-Contented Heart
- 23 An Outstanding Contributor
- 24 A Devoted Pioneer
- 26 The Days When We Were Together
- 27 How Can One Person Do So Much,
So Well, and for So Long?
- 28 A Beautiful Life
- 30 Messages of Condolence

A Never-Contented Heart

In March last year, the alumni magazine – “*The Link*” – was revamped. A new column of “People” was added, which President Zhang Guohua was pleased to see. Rising from a humble origin, CEIBS now has become the No. 1 business school in Asia and widely-known throughout the world. According to President Zhang, the stories should be told of those who have contributed greatly to CEIBS over the years. But who could have become the “star” of the opening issue? We, the editors of the magazine, agreed unanimously that President Zhang, as one of the founding members of our school, was well justified to be given this honour. However, he disagreed, “Me? No! Aren’t there better options, for example, our faculties or our alumni? Aren’t they more valuable assets of our school?” Due to his insistence, the revamped magazine brought forward a series of “people” stories, successively featured an alumnus, the Executive President and a professor of CEIBS. Yet, we became more and more convinced that President Zhang’s story should be put in the fourth issue no matter how strongly he disliked the idea. ...Now, he is here with us, in this issue. But we can never hear his protest! –He has departed, forever.

Alas, the task unfinished, but the hero has gone...

By Snow Zhou

On January 9, 2006, the doomed Monday. President Zhang had been receiving treatment in Huashan Hospital since April, 2005, when he was diagnosed lymphoid malignancy. During the following ten months, his situation was never stabilised. The eight courses of chemotherapy treatment with normal dosage did not help, so the doctor used stem cell transplantation. January was a critical period for him after the second transplanting operation. Prior to it, some positive signals were detected, encouraging us to assume that there were hopes for him to recover. To our surprise, the early morning of January 9 marked a dramatic turn for worse. It threw him to a coma in such a sudden manner that he had no opportunity to leave any last words. Every effort was made to rescue his life but all in vain. This heart that had never been contented by any achievements stopped beating at 17.25 on January 10, 2006. Everyone who knew him was saddened to hear the grievous news. The whole school of CEIBS was plunged to a great sorrow for losing their leader forever.

No one can tell what he was thinking about before the death. But this is known to all who knew him that CEIBS was his "child" he never stopped caring about. To CEIBS he had given so much! We just need to imagine his boldness of quitting a secure job together with a great prospect and his courage of partnering a few European colleagues to start up a business school in the unpredictable circumstances in 1990s. Well-intentioned advice frequently reached him that it was not worthwhile giving up the highly-esteemed position of executive deputy dean of the Management School of Jiaotong University for the sake of a risky venture. Turning a deaf ear to all of them, he determinedly devoted himself to this "risky" undertaking. Probably, few people could really understand him: he was indeed born with an enthusiasm to break the boundary and an untamed nature to seek more challenges. His heart was never contented with any accomplishments.

A YOUNG WORKER

Young Guohua had been a top student all the way to high school. But his academic pursuit was ruthlessly disrupted by the Cultural Revolution, which demanded high school graduates to labour in the countryside for "re-education". Being the

second child of his family, Guohua was lucky to be sent to a steelworks instead. Giving no complaint, 18-year-old Guohua became an electric welder. Three-year apprenticeship and ten years' life of a worker imprinted something profound on his character. His master was a highly-skilled worker and was very strict with his young apprentice. Electric welding requires meticulous skills. To acquire them, Guohua often did exercises on abandoned steel plates in his spare time. This self-imposed training eventually made him an excellent welder. Later when he recollected this experience, the key words he kept repeating was "never stop improving". In fact, it was this work style that laid the foundation for his later management concept of "conscientiousness and excellence".

Despite the long and exhausting labour in the factory, Guohua never forgot the dream he had cherished for long. Whenever free, he would go to the library and buried himself into the extensive reading. It was his belief that knowledge had the power to change his life. Should he end up being a worker for lifetime, he would rather be an intellectual worker. For this, he was criticised by the factory leadership, who were not pleased with his "restlessness". Some even labelled him as "bourgeois intellectual", which was a serious accusation in those days. But he paid no heed to these accusations, and continued to take in more learning to gratify his hunger. Deep in his heart, he knew that one day China would respect knowledge again.

THE NO.1 APPLICANT

In 1977, China's economic reform was ready to be launched, accompanied by the restoration of university entrance exams that had been suspended for as long as 11 years. The news stirred up great enthusiasm among young people throughout the country. Guohua, in his early thirties, could not hold his excitement hearing the news that brought to him a new hope. Working in the daytime, he had to make the best of evenings to study and prepare for the exams. Years of self-teaching and extensive reading proved rewarding: with his solid academic foundation, he did so well in the exams as to become the No.1 applicant of the Electronic Engineering Department of Shanghai Jiaotong University, which enrolled him.

With experiences and unique perspectives, Guohua acted more maturely and steadily. Therefore he was highly respected by his fellow students. Throughout the

four years in the university, he had been the "senior" and the leader of his class. Anyone in trouble would turn to him for help. The role demanded lots of time, but he was never tired of it. Perhaps enjoying this work of organising and co-ordinating, he was actively involved in many important department events and class activities.

However, showing-off was never his intention. Journeying from a sweaty welder to a privileged university student, Guohua was keen in making up for the lost time. Having been away from the classroom for 11 years, he valued dearly this learning opportunity. Although he was much older than many of his peers and his memory was probably not as powerful as theirs, he never lacked a passion for learning, neither was his capability weaker than anyone. It turned out that he remained among the top in all subjects and his dissertation was given unanimous commendations by all teachers for the unique dimension and creative views it held. This paper even drew the attention of the international academic world.

Four years of university life gave a full play to his learning ability and leadership capability. In February, 1982, he graduated and was retained by the university to work as a class co-ordinator and the secretary of CPC's joint branch for political instructors and students of his department. This might as well be seen as the beginning stage of his involvement in education administration.

THE PILGRIMAGE TO THE WEST

Guohua later was transferred to the Office of the CPC Committee of Jiaotong University and served there as deputy director for 5 years until 1989 when he applied to be sent abroad for further study. Gaining full support from the university leadership, he took the English refreshing programme and again was wholeheartedly committed to the intensive learning process. According to the rules of state-funded overseas studying, all applicants had to pass the specifically-designed exams to get short-listed. These exams were like elimination competition, usually with half of the candidates knocked out. Guohua did not withdraw from this formidable challenge he was facing. He used every possible chance to strengthen his language ability and even moved to live on the campus of Shanghai Institute of Foreign Languages (which is now Shanghai International

Studies University) where the language programme was offered. All these efforts paid off soon afterwards when he passed the exams, and was enrolled in advance by Birmingham Business School of Birmingham University in the U.K.

Now in his forties, Guohua set off for England for further study in 1990. What he learned there made a huge impact on his later decision to run a business school and his ideas of management education. Though not ranked among top business schools internationally, Birmingham Business School presented to Guohua principles and models that were completely different from what he had observed back home on operating a business school. This was a revealing experience. It dawned on him that a huge gap existed between China's management education and international business schools in every dimension, be it faculty, facility, service, operation or mindset. His knowledge of business education was greatly enriched. But more importantly, his horizon, from then on, was broadened.

The year 1991 saw Guohua back to his home country after graduation. The next year, he was appointed executive deputy dean of the Management School of Jiaotong University.

A REFORM PIONEER

1992 was a crucial turning point for China's economic reform, when Mr. Deng Xiaoping delivered his famous "South China Talks" during his inspection tour around the region. This started a new chapter in China's reform and opening up. Thus, China's management education faced an unprecedented opportunity as well as challenge: China urgently needed many more excellent managers with global perspectives.

Equipped with the most advanced international management ideas, Guohua set out to pursue his dream. He took the initiative to step abroad and run MBA programmes with a Singaporean partner school. Meanwhile, he actively promoted the disciplinary construction and education reform in response to increasing demand for managerial competence in China. But the clumsy systems constrained the implementation of his ideas and plans. Though getting frustrat-

"We just started. We can't afford to lose. We have to excel at everything."





ed and even hesitated to continue, most of the time, he chose to persevere. He started to seek potential overseas partners, hoping that cooperating with international efforts would help to provide a solution to system problems of China's education.

In fact, it has always been Guohua's aspiration to find a way out for China's management education. His continuous strivings were rewarded soon. In the same year when Mr. Deng Xiaoping paid his well-known visit to South China, Mr. Jan Borjon, Director of China-EC Management Institute (CEMI, the predecessor of CEIBS), came to Shanghai to look for potential partners for talks on the possibility to set up a joint business school, which was a mission appointed to him by the European Commission. Before visiting Shanghai, he had had talks with related parties in Beijing but failed to achieve anything. This time in Shanghai, however, he met Guohua and discovered that they shared many similar views. The two became good friends. They both agreed that in the coming decades China would see a rapid increase in demand for internationally-oriented business leaders and executives, and that a modern business school meeting international standards would be the most viable solution to the critical shortage of human resources. The ideas were to obtain strong supports by the EC, the Chinese government, the

Shanghai government and all other relevant parties. After two years' strenuous negotiations, the Chinese government and the European Commission signed a memorandum on the establishment of the China Europe International Business School on February 28, 1994. Then in September and October of the same year, the EU and the Foreign Trade and Economic Cooperation Ministry of China successively signed the Financing Agreement. On November 8, 1994, Shanghai Jiaotong University and the EFMD (a not-for-profit international association for management education) signed the operation contract, announcing the inauguration of China's first Sino-foreign jointly run international business school. It marked the birth of a special education zone in China.

AN ENTREPRENEUR IN EDUCATION

The 1990s was an era of experimentation and exploration in China, when management education retained the nature of a planned economy. The government's educational arm set uniformed rules over the graduate qualification tests, the number of intake participants and even the curriculum design. Should the new-born school strictly follow this governmental rule and become the 27th MBA programme subject to the government, an even path would be secured with the cost of CEIBS operating

within the system; but if it desired to meet the international standards and to run in line with the market economy, CEIBS had to set off on an untrodden path beyond the system. The latter choice meant that, on one hand, the school could enjoy a higher-level of autonomy, and on the other hand, the CEIBS graduates would not receive degrees formerly recognised by the Academic Degree Committee of the State Council, which would be a stumbling block for many potential CEIBS applicants. "To be or not to be", this was a real question for school leaders like Guohua and Jan.

Guohua, with his foresight, had long seen the importance of establishing a business school with international practices; whereas Jan originally turned to Shanghai for potential partners with the same concept. Hence, both executive partners of the school agreed to choose a more difficult path, which was to organise its own entrance exams, to design its own curriculum and to issue its own degree.

This brand-new institute born outside of the existing system constraints immediately found itself in the middle of all kinds of problems and setbacks. Fortunately, after great efforts of communicating with relevant parties made by Guohua and other school leaders, a relatively friendly environment was eventually produced for the healthy growth of the new-born school.

Guohua had been playing a very significant role throughout the process of CEIBS' establishment, from the initial contact to the negotiations, from the implementation of the operation contract to the preparation of the programmes. After the school was set up, he was appointed vice president and co-dean, responsible for routine operations and academic programmes.

The first steps are always the toughest. In the early days of the school, it was lacking facilities, professors and reputation, but abounded with pioneering spirits and innovative ideas. Guohua, like most of the other staff in the school, took the shuttle bus everyday and shared a small office with the European vice president. He worked fanatically, day in and day out, with very few breaks. He looked after all sorts of matters in person, from faculty recruitment even to furniture purchase.

Shortage of facilities or human resources was nothing compared with the

lack of reputation. In the first couple of years, admissions of EMBA and executive programmes were the most formidable tasks for the school. Guohua had to spend a great deal of time visiting companies with his colleagues to promote CEIBS' concept and curriculum. He even undertook the PR job of building friendly rapports with government officials so that they would recommend suitable candidates for various programmes.

To keep up with international trend, he organised learning tours to the top business schools in the US and Europe. Each visit always filled him with great excitement and joy. He usually headed for the school right upon his return at the airport, for he could not wait to share what he had learned from the tours with the colleagues.

Another challenge for the school is the faculty. Guohua judged soberly that the faculty was the key as well as the potential bottleneck to a top-class international business school. Most domestic professors in those days were neither well-trained academically nor well-informed in business practices. So, in spite of limited financial resources in the early days, CEIBS still invested heavily in faculty development, recruiting renowned and respected professors from all over the globe. This ensured the high quality of CEIBS programmes right from the beginning.

As there was no ready-made models for CEIBS to follow, Guohua explored and experimented with every possible option. CEIBS' staff members were frequently reminded by Guohua that the entrepreneurial spirit was essential for the school to move forward. Encouraged by him, CEIBS created a number of "firsts" in the history of management education in mainland China: The first business school to offer an EMBA programme and international executive development programmes; the first business school to require an interview as part of the enrolment process; the first business school to have formal exchange programmes with top business schools abroad; the first business school to set up endowed chairs; the first business school to develop company-specific and international programmes; and the first business school to join the European Case Clearing House (ECCH)...

Years of labour at last reaped the harvest. In 2002, the inspiring news spread far and wide that CEIBS, with a his-

tory of only 7 years, was ranked among the world's Top 100 business school. In the meantime, the State Council Degree Committee issued formal approval for CEIBS's MBA degree. The CEIBS model featured by strong global dimensions, market orientations and a proprietary brand proved successful.

A PURSUER OF EXCELLENCE

While the school kept making stunning break-throughs, Guohua was never puffed up but remained sober. He often said, "Peking University and Tsinghua University are both privileged institutions enjoying over a hundred years' history. But we just started. We can't afford to lose. We have to excel at everything." This acute sense of crisis generated in CEIBS the strict quality control of both programmes and services, even to the point of harshness. Guohua spared no efforts to promote an assessing system in line with the international practices. The system required that programme participants score both the teaching quality of the professors and the quality of the school's services. In most international business schools, score 4 is seen as a high score, but it is not the case in CEIBS: score 4 is the "passing" line here.

When the quality awareness was raised in CEIBS, Guohua went on to advocate the participation of school's programmes in international rankings. He told media reporters on many occasions that the purpose of CEIBS' joining in the rankings was not to show off its achievements, but rather to identify the gaps between CEIBS and those top business schools in the world. The international rankings could help CEIBS to see in what areas it lagged behind and needed to improve. Then a clear goal could be set up for further efforts.

International accreditation, in his view, was another way forward. Accreditation by international authoritative agencies was a label of "excellence". More importantly, it would drive the school to keep improving its system, the process and the policies, in order to fulfil the mission of CEIBS. The year 2004 saw the school receiving EQUIS (European Quality Improvement System) accreditation to become the first business school in mainland China to get an international recognition as such. But instead of being boastful, Guohua set a new goal for the school to apply for AACSB (The Association of

Advanced Collegiate Schools of Business) accreditation.

In charge of the school's routine operation, Guohua laid much emphasis on institutional construction. He wisely recognised that in the first ten years, CEIBS fully leveraged its first-mover advantage and that in the future, this strength would gradually become less prominent in the school's growth. Therefore, he warned that the first-mover advantage had to be transformed into institutional advantage to secure CEIBS' leading position in business education.

It was under his influence that CEIBS developed a culture of conscientiousness, innovation and striving for excellence – the key to CEIBS' accomplishments.

TASKS UNFINISHED

In November 2004, the Board of CEIBS accepted the retirement request of the former executive president, Professor Liu Ji and appointed Zhang Guohua new president of the school. The new post placed on Guohua's shoulder more responsibilities but he took them with confidence. His ambition was to lead the school to step into the top 10 business schools in the world. To achieve it, he worked with the school's leadership to produce for the school a new strategy and a new definition of its positioning: CEIBS was to become a China-based international business school capable of offering the most authoritative interpretation of Chinese business practices in a global context. It meant that the school would shift from a knowledge disseminator to a knowledge creator, with the previous focus on teaching transferred to the emphasis on both research and teaching.

In the press conference, Guohua shared with reporters a number of initiatives that would be launched soon: CEIBS would continue its substantial input in faculty development to build up a comprehensive full-time faculty team that can carry out world class research to achieve world class scholarship; CEIBS planned to set up several research centres, aiming to become the think tank for the government and businesses in China; CEIBS would devote considerable resources to China-related case-writing to become a case centre of Chinese business; CEIBS would also strengthen its partnership with the corporate community by developing more cooperated programmes and research projects.



All these ambitious goals would not be achieved without abundant financial resources. Guohua understood that the income from tuition fees could not serve as a reliable source for CEIBS' sustainable development. Rather, a widely-spread social network as well as CEIBS' alumni should be fully leveraged to serve as the support base. So he used every opportunity to share this view with more people and did a lot of work to promote it. Finally, the CEIBS Education Development Foundation was established with Guohua as chairman of the executive council. He was looking forward to raising more funds

with his influence and initiatives for the school's sustainable growth and the realization of its ultimate goal of being listed among the world's top business schools.

Right at this moment when he was busy implementing all the ambitious plans, the illness struck him down relentlessly. Even being bounded in hospital did not stop him from thinking about his work. Work was the everlasting topic of the conversations between him and his colleagues who visited him. He deeply believed that he was able to go back to work some day, for there were still so many dreams to come true...Yet his

life was put to a sudden halt. 57 years, full of aspirations and actions, was taken back so unexpectedly and so cruelly.

A SUCCESSFUL LIFE

Zhang Guohua was a successful man. He witnessed how CEIBS started, how an idea was made into a project and then to a contract, and how a young school grew to a top educational institution. He was the indispensable part of CEIBS' story of success. CEIBS, founded on many joint efforts including his great contribution, has produced a large number of excellent business leaders and executives for China. Moreover, the school's development provided to China's management education reform with most valuable experiences.

Zhang Guohua was a thinker. He looked at things with a unique perspective. The way he operated the school gave a full play to his gift and wisdom. Knowing that "the more people collecting woods, the greater the fire will become", he always encouraged teamwork and made the best of it. Whenever the conflicts seemed inevitable due to different cultures and interests between the two executive parties of the school, he was always able to handle them with remarkable skills.

To students, staff members and alumni of CEIBS, he was a reliable friend. Anyone who asked for help would not be disappointed, for he was always there. He was greatly admired and respected by them.

For his family, he was a loving son, thoughtful husband and respectful father. He tried his best to find spare time to be with his mother of over 90 years old; he was supportive to his wife who was also an accomplished lady; he was committed to providing the best to his son.

He had never been contented. He was always perching high, looking far and wide and heading forward. He never gave up striving for the greater, the higher and the better. A life of 57 years might be short but his pounding steps during this brief journey would be forever echoing in the history of Chinese business education. He received many honours during his life, footnoting his accomplishments. Although tasks unfinished, he should have no regrets, for now his life remains a glorious chapter... **THELINK**

The author is Director of Marketing and Communication Department and Director of Translation and Publishing Department, CEIBS.

An Outstanding Contributor

By Joachim Frohn

We all heard with great sorrow of Prof. Zhang Guohua's death. With him the China Europe International Business School has lost one of its most influential personalities. We all – students, professors, administrators, and alumni – are extremely grateful for all his achievements.

I met Prof. Zhang for the first time in 1993 in Barcelona. He and Prof. Li Jiahao had been invited to a meeting of EFMD in Spain to present and discuss the idea of the foundation of the new business school in Shanghai. And we all were immediately very impressed by the precise imagination of our Chinese colleagues and the soundness of their proposals. Already at that time Prof. Zhang stressed strongly the importance of the living and studying conditions of CEIBS' students – a field he later became responsible for in the management committee of the school.

It was an unprecedented endeavour which we then started in November 1994: There had been no other independent international universities in mainland China. We wanted to combine the strength of China's excellent academic tradition with the newest developments of modern western management education. And we were very ambitious: CEIBS should become THE leading school in China, providing a model for other emerging business schools.

The school was organised along the lines of a fifty-fifty-joint-venture: two Chinese and two Western presidents co-operated in the management committee. This could only work on the basis of a full acceptance of the high objectives of our plan by all members of the committee and a strong sense of mutual understanding and trust.

From the very beginning Prof. Zhang was responsible for student affairs and human resource management within the school. I always was very much impressed by his solid and reliable judgement of the quality of potential employees for the school. Shortly after the start he in addition was appointed Co-dean and

therefore, together with me, responsible for the academic programmes of the school. From his experience at Jiao Tong University he had a very good knowledge of the strengths and shortcomings of the Chinese academic system; and he introduced his experience into the weekly meetings of the management committee. He was always caring for our students and our personnel, trying to improve the working and living conditions especially during the first difficult years on Jiao Tong University's Minhang campus.

In addition to that Prof. Zhang together with Prof. Li helped us very much in the negotiations with the administrative bodies of the Chinese and Shanghai governments. Without his (and Prof. Li's) ability for compromise and sometimes also his stubbornness many important features of our school could not have been realised.

I was very happy that Prof. Zhang continued to serve CEIBS in a very responsible position after Prof. Li had died and David Southworth and I had left the school. I knew that he would continue to strive for the high goals of our endeavour and would bring in the high spirit of the starting phase of CEIBS. The great success of our school is to a very great proportion due to his work.

We all will gratefully remember Prof. Zhang Guohua as an outstanding contributor to the development of CEIBS. Our sorrow is with his family.

The author is the first Executive President and Dean of CEIBS.

A Devoted Pioneer

President Zhang Guohua has done some pioneering work for China's modern management education. He is the man behind the amazing progress made by China Europe International Business School (CEIBS), which now is ranked among the first-class business schools in the world. In CEIBS' twelve-year history, his service was the longest on the Management Committee. He spearheaded the project since the very beginning, actively involved in the whole process of developing CEIBS. He was there when the project was initiated, and he was there when the agreement was drafted. He was there when the school launched the programmes with merely a handful of resources, and he was there when the school entered the global ranking list for the first time. Together with members of the management team, he worked day after day and year after year with little break or rest, developing systems, structures, strategies, objectives, as well as a faculty team and school culture for CEIBS. All these efforts made CEIBS a leading business school in Asia and in the world within fairly short time. It is within CEIBS that a great number of talented managers are produced for China.

By Zhang Weijiong

I myself worked with President Zhang for many years and was very impressed by three aspects of his working style: first, he had a strong sense of urgency; second, he possessed an innate entrepreneurial spirit; and last but not least was his conscientiousness in his work.

Regarding the development of CEIBS, President Zhang's sense of urgency was overwhelming. His frequent remark was, "Tsing-hua University and Peking University have a history of over one hundred years. They might afford to make mistakes and won't lose too much. But our school cannot afford a single error. We have little resources to rely on. A single mistake will destroy the whole venture." For this reason, being the best was always his aim, in every task, for every staff member including himself. Once the goal was set, he would spare no time or effort. His team was required to keep the same practice. "Be quick, never delay" had been his motto. He never lowered the bar of quality control in programme or operation, always benchmarking the first-class business schools' practice. His strictness eventually harvested fruit when CEIBS became a brand widely recognised both domestically and internationally.

CEIBS' school motto – "Conscientiousness, Innovation and Excellence"

—can not find a better practitioner than President Zhang. In developing CEIBS, he never stopped exploring new ways and innovating new models. He was the first to suggest that CEIBS should create a model featuring a proprietary brand, a strong international dimension and a combination of real business practice in China and the latest management knowledge in the world. He is the first to propose that a business school should be run in the same way a company is operated. He is also the first to advocate capitalising on global resources to advance the development of CEIBS. His entrepreneurial spirit set a role model for CEIBS, which itself became an innovator by creating a number of "firsts" in the history of management education in mainland China:

- The first business school to set up a career development centre, providing professional counseling for MBA students in their career development.

- The first business school to establish an alumni association, offering a platform where CEIBS alumni can share and exchange ideas to help each other.

- The first business school to have formal student exchange programmes with leading business schools throughout the world.

- The first business school to participate in MBA world rankings.

- The first business school to recruit faculty members from all over the globe.

There are some issues President Zhang perceived from a higher level as a management educator. In his view, if China had fifty business schools like CEIBS, the level of China's management education, as well as that of business management, would be improved significantly. Encouraged by President Zhang, CEIBS went as far as to offer training opportunities to faculty members of other domestic business schools free of charge. Well-intentioned warnings were passed to him that this practice would help CEIBS' competitors. But he turned a deaf ear to it, for he deeply believed that anything good for the country and for its management education was the right thing to do. Therefore, his innovative spirit contributed not only to CEIBS' development, but also benefited the reform and improvement of China's management education.

President Zhang was completely committed to his work. During his twelve years with CEIBS, he hardly enjoyed a single holiday. Believing that "success of an alumnus is success of our school," he always took the initiative to help alumni and went all over the country to visit them. As his friend and colleague, I spent a great deal of time talking with him. But most of our talks remained on the single topic of work. His favourite sport was playing golf, but he had little time for it. He loved taking photos, but had few opportunities to use his beloved camera. He enjoyed music,



but never had enough time to listen to the CDs he collected. One of his hobbies was watching movies, but he could afford little time playing them on the advanced television he had bought. Another senior member in CEIBS' management team with a similar devotion to work is the late president, Prof. Li Jiahao, who also was exhausted by over-working and passed away while in the position. People like President Zhang and President Li paid their own lives for the development of CEIBS. Their stories, on one hand, demonstrate how CEIBS people work strenuously for the school. On the other hand, they will keep driving CEIBS people to strive for more achievement.

During his last days of struggling with his illness, President Zhang was reminded by the doctor time and time again of the importance of having more rests and avoiding over-tiredness. However, he could not help thinking about the school. He asked for visits from colleagues so that he could share with them his ideas for the school's further development. I visited him several times, during which the majority of our talks were about the work. Having a wife who is a medical worker, he was fully aware of the seriousness of his illness. But he kept telling her, "What is the meaning of living without working?"

Now he is departed forever, leaving to CEIBS an abundant heritage but to himself lots of unfulfilled dreams.

In his opinion, a genuinely mar-

ket-oriented business school must identify and establish its own fundraising model. Hence, the CEIBS' Education Development Foundation (CEIBS Foundation) was established in March, 2005. It is expected to supply CEIBS with more international and professional means of encouraging and facilitating alumni to support the further development of CEIBS in various forms of donation. In this way, the school will be able to secure indispensable financial resources for building up a world-class business school. Sadly, President Zhang, as chairman of the board of the Foundation, left it forever, shortly after its inception.

Another aspiration he had was to recruit more high-quality faculty members, for the success of a business school lies in the faculty. He often mentioned to me that we needed to pay more visits overseas to headhunt the best professors for CEIBS. I was required to arrange for him to visit prestigious universities including Harvard University, MIT, Stanford University and Chicago University, etc. But now he has no time to make it.

It was his hope that CEIBS will have its voice heard in the decision-making process for key issues in national economic management. He expected the school to invest more in research and to play a more active role in communicating with the business world, especially exchanging ideas with leaders of influential companies. He believed a good

rapport, and even a strategic partnership, should be created with them so that CEIBS can both acquire more practical experience and also pass on to them cutting-edge management ideas. Several times, he proposed to set up a team for major clients and to pay visits in person to leading companies. But now he cannot make the step anymore.

One dream he cherished the most is none other than CEIBS entering the ranking list of top 10 business schools in the world. He rejoiced at every step forward in the global rankings of business schools. Each time the result of ranking was announced, the first job he did was to call together directors of all departments. After studying in detail the gap between CEIBS and those leading schools, he and his colleagues formulated careful measures and plans of improvement. Now, right after our EMBA programme successfully placed 13th in the international ranking, he went away forever.

Indeed he left us forever – but many are the things he left for us: a concrete foundation he laid for us and a target for progress he set for us. Surely we will not, and can not, desert these. It is our promise that we, faculty, students and staff in CEIBS, will press towards the goal he has made for CEIBS. No effort will be spared to fulfil his dreams. [THELINK](#)

The author is Vice President and Co-Dean of CEIBS.

The Days When We Were Together

One month passed since President Zhang left us. His departure was in such a hurry, leaving behind him the unforgettable memories of him, and CEIBS which he'd spent his life on. But we still feel his presence everywhere on campus: his laughter, his figure and his steps ...

On many important occasions, President Zhang repeatedly saying, "For a business school, only when her alumni succeeds, will she have the prospect of success. Look at those top business schools like Harvard and Yale, what fame and reputation they enjoy! There is no need to look for other factors. Just have a look at how excellently their alumni performs in every industry around the world!" Such was his attention and expectation towards the alumni and the work of the Alumni Relationship Development Department. To achieve this, he did set a role model by taking care of the alumni affairs as his own.

By Alumni Relations Office

It was in the winter of 2002. In order to set up the CEIBS alumni chapters, President Zhang took us to visit alumni in different provinces. In less than one week, he met with 55 alumni in 5 cities. The schedule was very tight and the journey was tiring; but President Zhang stayed in high spirit when talking with the alumni. He carefully listened to their opinions and suggestions on the work of Alumni Chapters and the Alumni Department, and paid attentions to their ideas on the future development of the school. The intensive itinerary nearly worn him out, but he still insisted visiting the alumni's companies, learning about their career development and the difficulties they were facing. These thorough and effective visits communicate to our alumni throughout the country a genuine care from the Alma Mater. Meanwhile we obtained the first-hand information of our alumni through the visits, which laid a solid foundation to the successive establishment of the alumni chapters in different areas.

In the days when we were working with him, President Zhang continued to infect us with his character and personality. Just as President Liu Ji said of him: he is hon-

est, diligent, meticulous, low-profile, and persistent. The past ten years have seen the increasing reputation of CEIBS in business education both domestically and internationally, but he was still what he used to be: down-to-earth, low-key, and moderate. As it was always the case, he supervised the overall management, but paid attention to the details as well. In his agenda, he had already marked out the launching date of alumni chapters in different places. From Suzhou to Xi'an, and from Shenzhen to Beijing. He was hectic in visiting different alumni chapters, updating the alumni with the progress of the school, and sharing with them his vision of the school's future. He painstakingly explained to the alumni the importance of establishing the CEIBS Foundation, encouraging and expecting them to actively support the Alma Mater.

Right after the Spring Festival of 2005, before President Zhang's illness deteriorated, the alumni in the Wuxi chapter invited him to join their New Year party. He just finished the previous meeting and had to rush there immediately. On arrival, he suddenly felt quite ill. The alumni took him to a room, asking him to have a break and not to take part in the party. But to

everyone's surprise, he appeared shortly after the party began. His smile, however, could not hide the emaciated look on his face. In spite of this, he had long talks with the alumni as usual and expressed the best wishes to each and every of them in the name of the Alma Mater. It was already midnight when he returned to Shanghai from the event. Now looking back, we can find no word to express our regret!

One of our alumni left the following message at President Zhang's condolence website that "no great cause is accomplished without sacrifices." President Zhang was the one who committed his very self to China's management education. In the blueprint he planned for CEIBS, he said: "To become a top business school in the world, CEIBS must secure continuous financial support from all walks of the society including our alumni. To establish a foundation is a must for CEIBS's further development." He also took the team overseas, visiting the well-established business schools and learning from them the mature practices in operating education foundation. Everywhere he went he made detailed inquiries, listened carefully to the replies, and collected various materials by all means. Once coming

How can one person do so much, so well, and for so long?

You are our greatest admission officer. In the pioneer days, you were almost our entire sales force, attending all the info-sessions and promotions, visiting all the key government agencies, talking to hundreds of candidates, and, after admission notices were sent out, answering literally thousands of phone calls from those not admitted.

How can one person do so much, so well, and for so long?

You are our greatest class coordinator. In countless holidays and evenings, you came to our student meeting and gatherings, listening to their concerns, answering their questions, soliciting their suggestions, advising their effort, guiding their learning. When our EMBA program was of a small size of 120 students, you could remember all their faces and names. We are still hearing you saying today, that quality, quality and quality was the lifeline of the EMBA.

You are our greatest academic commander. Although you did not teach much in the classroom, it is because of your efforts that so many of the world's best professors are here at CEIBS. In the global war of talents, who can count how many hurdles you have to overcome to bring in so many world class professors?

How can one person do so much, so well, and for so long?

You are our greatest diplomat. From EU to EFMD, from MOFTEC to Shanghai municipal government, from Jiao Tong University to Pu Dong, from labor certificate to tax policy, who can tell how many problems and regulations you have solved that have killed so many joint ventures elsewhere, to bring CEIBS to where it is today?

You are even our greatest logistics officer. From the dining hall to the student centre, from transportation to decoration, we can hardly find any thing in the school that you have not paid any attention to.

You are also our most frequent flier. Morning in Beijing, afternoon in Xi'an, and Shenzhen next morning, back in Shanghai for another meeting in the evening.

How can one person do so much, and so well? How can one person do so much every day, every month, every year, for eleven years?

Because that is who you are, President Zhang Guohua, our founding father.

*How can one person
do so much,
so well,
and for so long?*

From CEIBS EMBA Office

back to the school, he shared with the colleagues all knowledge and experiences he had gained. Even when lying in his sick bed, he still met with alumni coming a long way. He kept asking them to promote the Foundation among the alumni and suggested them to support the school in various forms. It is by his caring and working, the CEIBS Foundation started from scratch and once more created a precedent for Chinese business schools. Everyone who knows him understand that running a good foundation had been his dream. He never forgot to ask about the progress of the Foundation even when he was seriously ill. He insisted on reviewing all the gifts that would be presented

to the alumni and providing suggestions afterwards. At the initial stage of recruiting founding members for the Foundation, he asked his family to donate RMB 50,000 immediately. Now he passed away, but his name is forever engraved in the history of CEIBS and that of CEIBS Foundation.

President Zhang was a great man, creating with his colleagues many "firsts" one after another. But at the same time, he was also an ordinary man, a caring son to his mother, a supporting husband to his wife, a loving father to his son, and a kind teacher to his students. Once chatting with us on a business trip, he shared

with us, with a good sense of humour, the way to get along with the family members. Knowing that a younger staff was getting married, he happily accepted the job to preside over his wedding ceremony. Learning that another staff member was given an operation, he asked others to pass the word to him: "please do take care of your health", while his own situation was not yet stable...

President Zhang is gone from our sight, but not from our mind and our heart, where he resides forever. His uncompleted task will be carried on by CEIBS people from generation to generation. [THELINK](#)

A Beautiful Life

The day before President Zhang Guohua passed away, I was grasped by anxiety for no reason. That afternoon, Mr. Ge Jun, Director of the Management Committee Office, happened to have an appointment with me. Upset by my strange feeling, I asked him to take me with him for the visit to President Zhang. But this feeling was getting more unbearable when we arrived on the tenth floor of the hospital. There it was: President Zhang's wife, usually a strong lady, greeted us with a smile and tears! The man himself was in the special care ward, and therefore we had to catch a quick glimpse of him through the window before we withdrew hastily. Then we silently accompanied his wife on the seat for a while until we left in greater anxiety. The next day, I went again, only to find him in coma. He was surrounded by Professor Zhang Weijiong, Julia and other staff members of CEIBS, all in tears. Only then did I come to realise that the glimpse of him the previous day was doomed to be the last one. He is gone...

By Wang Hongxin

In the earlier stage of his illness, I kept visiting him every other week. Two weeks before he departed, Ms. Tao Aizhu, the former CPC Deputy Secretary of Jiao Tong University, Professor He Jia and I went to see him, which was the last time I saw him in consciousness. During that time, his health was quite unstable and had been staying in the special care ward for nearly one month, suffering from unbelievable agonies. We had to talk to him through the phone. He remained optimistic and even kept smiling. Before I left, he had a long conversation with me, telling me that Professor He Jia was a financial expert and that the financial affairs in our company would be greatly benefited from Professor He's consultation. Gazing upon his emaciated countenance, I tried to hold my tears, never knowing that this would be the last advice to me given by my mentor!

My personal contact with President Zhang could be traced back to 1998, in which he paid a visit to Shenzhen. I was managing stock investment in a fund company. We felt like old friends from the very start and had the most agreeable chat. CEIBS in those days had come to establish a good reputation in the business

world, even though it did not enjoy today's fame. He recalled, emotionally, the tough beginning of CEIBS: in the first admission effort in 1994, he led the team to visit almost all key government agencies to solicit applicants. Yet, in the end, nobody from these agencies applied to CEIBS. He also remembered that the first class opened by CEIBS was a short-term training programme with only a few attendees. The income from the tuition fee of this programme was less than half of the cost!

I did not take in the real implication of all these experiences of my mentor's until I myself joined Jiao Tong University as Executive Dean of its Overseas Education College and came to know many of his former colleagues. Only then did it dawn on me that the hardship CEIBS went through in its initial stage was far beyond what my mentor had recounted to me. There were system bottlenecks, human resource shortage, funding scarcity and especially conservative concepts. Each of them could have killed the baby CEIBS in the cradle. President Zhang and his colleagues never shrank from these challenges. Instead, they chose to persist with the high-quality education by recruiting the first-class professors, designing the first-class curriculum and admitting the first-class students. Their persistence reaped the harvest of today's achievement: CEIBS, by its existence, completely transformed the para-

digim of China's management education. The MBA and EMBA operation models created by CEIBS have left clear marks on current programmes run by the majority of domestic business schools. In this sense, China's management education might have to take another ten years to rise to the current level without CEIBS.

All my CEIBS alumni, are you aware of this past history when you hold the MBA certificate with much expectation and ambition? Do you know how our school rose up from the thorny ground and went on to create the miracle in the history of China's education?

"In fact, perseverance is the only way to success." This observation you made is still resounding in my ears. Prompted by your words, I ventured to share with you the idea I had been meditating on for long: With my years of work experiences in financial industry, I wanted to give it a try in financial innovation and financial-capital integration and to offer the alumni companies the service in this area. You nodded my proposal and circulated my action plan among the alumni companies. Still fresh is my memory of how you accompanied me to Nanjing for the business talks of this initiative. On the way back to Shanghai that night, you were exhausted but still kept urging me to persist despite difficulties. Eventually, our company was set up, sup-



"Let life be beautiful like summer flowers and death like autumn leaves"

ported by you and a few great alumni.

I know that deep in your heart, you take care of alumni's business as your own business, and regard alumni's success as your own success. Were I to tell of what you did for alumni, they would be too many to recount. Every alumnus who turned to President Zhang for help shared the same experience: he never gave any perfunctory reply to the appointment request; he would see them at the earliest possible time on the very day they came; or he would secure a later appointment. He was close to the point of exhaustion during the days when most of alumni chapters were successively

set up. In those days, travelling became a part of your life, about which your family had to complain for they were increasingly concerned about your health. Later in a conversation, you told me frankly that you were almost burnt out in the travelling. But what kept you going was the fact that all alumni showed such high respect to the school and were so earnest for face-to-face communication with the school leaders. In a health check-up three years before, the doctor had warned you that you were having "low immunity due to over-tiredness". I still remember my heavy-heartedness on hearing these words, but never realise, until now, that the over-working would one

day ruthlessly take its toll.

"Let life be beautiful like summer flowers and death like autumn leaves". Tagore's poem touched me deeply by reminding me of you, my mentor! The CEIBS, in a way, is retaining your life in its radiant beauty. When it is now standing confidently among the top international business schools, I am feeling, more freshly than ever, your presence with us. [THELINK](#)

The author is CEIBS EMBA98 participant. He is Executive Dean of Overseas Education College, Jiao Tong University.

He is like a candle, Burning his life to illuminate the world. Many more candles are lit, for him...

It was with great sadness that we learned of the premature passing of Professor Zhang Guohua.

Professor Zhang was a strong advocate of building of cultural and economic ties between China and Europe, and the links between our two schools and our two countries are stronger as a result of his untiring efforts.

— Professor Tom Begley, Dean of Michael Smurfit School of Business, University College Dublin.

I knew him and came to respect and admire him from my earliest days at CEIBS when the first MBA courses started in Shanghai. He is directly responsible for my continued involvement with CEIBS today. An amazing success story such as CEIBS does not occur simply by luck and hard work from many people; it also requires that those who are in charge make the right decisions and courageous decisions at critical junctures. It was my personal privilege to witness on more than one occasion the wisdom and courage of Professor Zhang Guohua. He did not merely build the school, he also protected the school, his baby. I was delighted when he became President of CEIBS and I am glad that at least that much was enjoyed by him. I am devastated he and us were then given time too short to build together upon prior accomplishments. I pray for him and hope that somewhere, somehow he can see us make his dreams for CEIBS come true for him.

— Willem Burgers

I don't know much about you... but, I thank you very much for the CEIBS I joined, for your efforts instilled on this school are giving me indescribable values.

— Gilbert Rhee

"Gone from our sight, but never from our memories - gone from our touch, but never our hearts".

— Heidi Cremer

For me, it is difficult to find the words to express the immense dedication and passion of Professor Zhang. He is the heart and soul of CEIBS. I have only known him for two years, and yet I can feel the legacy he leaves behind. He was always constantly paving a better way for the school. He attended alumni events even when he was not feeling well. During his last days, he was still searching for a better way to manage the school resources. I have never known such complete dedication.

Professor Zhang is first and foremost a people person. He is loved by everyone I have known at CEIBS. Even then I never failed to be impressed by the loyalty and commitment of fellow staff towards their commander-in-chief. He was their mentor, their friend, their confidante. He represented everything that was CEIBS.

— Aaron Low

Look at what CEIBS has achieved in Beijing, Shanghai, Shenzhen, and even in Europe and the North America. Without your commitment, CEIBS could never be what it is today. Though having just a brief encounter with you while attending EMBA 99 Beijing Class, I had your image permanently impressed in my heart: You are the leader of the best business school in China; yet you are incredibly easy-going, understanding, gentle, and humble.

I promise you that I would try my best to help CEIBS to achieve more.

— Zha Liyou

It has been a great pleasure to work with you for the past 11 years.

Both CEIBS and myself will miss your drive, dedication and enthusiasm which have been key success factors enabling the school to achieve its current high international status.

God be with you.

— Howard Ward

Professor Zhang will be remembered as a visionary who was deeply convinced about the importance of cooperation between the European Union and China in the area of business education. His substantial contributions to the development of CEIBS, now the leading school for business education in Asia, were widely recognised and highly appreciated by all.

— Franz Jessen, Charge d'arraires of the EU Delegation of the European

When I met him for the first time in the summer of 2001, my first impression of President Zhang is featured by his gentle speech, scholarly style, and comprehensive knowledge. It is his appealing personality and suggestions that made me choose CEIBS. Without him, I would not have a chance to learn so much from CEIBS within two years.

— Lü Bo

In 1997, the CEIBS EMBA Programme had merely one Chinese class and one English class. But today, it can boast the biggest EMBA programme in the world with 10 classes. Moreover, it is among the top 15 business schools in the global rankings. Behind this amazing achievement is the devotion of the pioneer!

— CEIBS EMBA 97 Class 2

CEIBS can be counted a pioneering project in China's management education. China's business world is fortunate to have CEIBS, who has been driving forward the development of Chinese enterprises management and will continue to do it.

President Zhang Guohua has made strenuous efforts and even paid the cost of his life for CEIBS. Surely he will reap the harvest he has sown: In the foreseeable future, the new generation of Chinese entrepreneurs and managers are going to lead Chinese enterprises to stride to the global platform, feeding on the "milk" produced by CEIBS.

Enterprises' growth is the key to China's development. The future of Chinese enterprises depends on the systematic management and effective operation. For this, CEIBS' name will be engraved in the history of China business management.

— Hu Mingpei, IT Managers

His short life is like a canon ball, dashing to the sky to make a thundering impact; like a firework, shooting to the air to perform a dazzling dance.

— Xian Sanzhong, Jinan Chapter of CEIBS Alumni

President Zhang commit-

ted all his time and energy to the management education in China. His selfless devotion to the job makes CEIBS the top business school within just ten years. With his honesty, patience, tolerance, and kindness, he founded CEIBS; with his cooperative and communicative spirit, his selflessness and perseverance, he developed CEIBS. His departure is a great loss to CEIBS, as well as the management education in China.

— Jin Zhiguo

He set a role model for every one of us by his humility and accomplishments. He achieved so much within 57 years of life. His life is worth celebrating.

— Wang Chunyan

I am an ordinary student at CEIBS. I have never met President Zhang Guohua in person. But during the two years here, I was standing on the shoulder of a giant. CEIBS is the milestone of my life journey. With his devoted work, CEIBS is growing every day. He is a candle, burning himself and illuminating the world.

— Yan Ying

A candle is now burnt out to release the remaining light, the light that will shine for CEIBS forever! You, the pioneer of China management education, we wish you a good journey...

— Zhang Yongbo



Baby-first Car Seat: From Export to Domestic Sales

Ningbo Baby-first Industrial Company Limited (hereinafter referred to as Baby-first) specialised in production of child car seats. Founded by Xu Lihong, a CEIBS alumnus of EMBA 2003 Programme, Baby-first had been primarily manufacturing OEM products with orders from overseas. Within a few years of growth, the company's annual export volume was nearly a million sets, with major markets in Europe, U.S. and Southeast Asia.

In the recent two years, with the rapid growth of domestic car market, Xu Lihong started to think seriously about how he could sell child car seats in China.

BABY CAR SEAT

According to statistics, over 2000 babies

and children died in car accidents each year in the U.S., and about 30,000 babies and children were seriously injured due to lack of proper safety precautions. More and more children deaths were caused by road accidents.

Many people thought that holding the child tightly with both arms would give them the best protection. But they overlooked the fact that according to traffic safety research, collisions at the speed of 48 kilometers per hour would produce a set forward force of 140 kilograms on a 7-kilogram baby. Under such circumstances, it would be almost impossible for an adult to protect babies/children properly.

Even seating the baby/child on a separate seat and buckling him/her up would be risky, since safety belts were designed for adults: they neither matched the ba-

bies/children's size, nor offered the due safety or comfort.

Child car seats were designed to solve this problem. Specially designed for the build and physical characteristics of babies and children, they were installed on normal car seats to ensure the safety of babies and children. Statistics from Australian Automobile Association (AAA) showed that between 1985 and 1990, 71% of the children in car accidents avoided incurring fatal injuries because of proper use of child car seats. Another research found that over half of the children who died in car accidents would have survived if they had used child car seats.

Child car seats were designed for babies and children under the age of 12; babies/children of different age groups should choose seats of different specifica-

tions to ensure maximum safety.

LAWS & REGULATIONS

U.S. Department of Transport (USDOT) formulated regulations on the use of child car seats in 1971, which was revised in 1981, and urged all states to follow up with proper legislation and execution. In Australia, Canada, UK, Germany, Japan, Singapore, Taiwan and many other countries and regions, there were definite laws and regulations about the use of child car seats. It was stipulated by laws of many countries that children under the age of 12 or under the height of 150cm must be safely seated in child protection devices that were formally approved for production (See exhibit 1).

Many developed countries and regions required that all the child car seats be tested for safety: the products had to be tested every time they reached a certain sales volume, rather than one test for good.

Globally, the European and American standards were widely acknowledged. But the two sets of standards were not completely compatible. In other words, manufacturers couldn't ship the same products to Europe and U.S.: they had to redesign to match the different standards. Even the widely acknowledged European and American standards were not accepted by all countries and regions.

The production of child car seats was

not complicated: there was no high technology barrier. The biggest obstacle for market entry would be that each country had its own strict safety standards and certification systems, with long testing cycles and high costs. Each new player entering the market would have long market development cycle, with high initial spending and risks. In other words, the cost for entering new markets was high.

The legal environment had a profound impact on the baby car seat industry: Singapore and Taiwan respectively demonstrated a positive and a negative case. In Singapore, the government did a good job in legislation, execution of law and advance coaching for child car seats. Market transition was smooth and Baby-first entered the market even before the government put forward the relevant laws, selling tens of thousands sets, leading to its current market share of 10% to 20%. While in Taiwan, the distributors stocked a lot of child car seats, based on expectation of the launch of relevant legislation; however, the launch was delayed, and distributors were forced to dump stock at largely

discounted prices. Though the regulations were issued later, the manufacturers and distributors had to stay with their largely reduced profit margin.

In China, the sales of family cars had been growing fast. But the legal environment for baby car seat was lagging behind the permeation of cars: there were no relevant laws or regulations. However, the Chinese government had noticed the problem and the relevant government bodies were organising Tsinghua University and other research institutes to do research in this regard. Relevant laws and regulations were expected to come out before 2008, with no specific timetable so far. At present, China was most likely to formulate its own baby car seat standard on the basis of American or European standard and with modification to match China situations.

MAJOR COMPETITORS

Europe and U.S. were the two most important regional markets for child car seats. The market capacity for Europe was about 15 million sets per year and that of U.S. is slightly lower.

At present, Europe was the major market for Baby-first. In Europe, Teamtax, Cam and the Italian brand Myster had similar market positions with Baby-first. These medium-sized companies were limited in Europe and did not have the capability to enter China market.

In addition, Britax, Maxcosi and Chicco were brands with higher market shares in Europe, with higher market positioning than Baby-first. These bigger brands had plans to enter the China market; some even already started trial sales in China.

Regarding pricing, top range child car seats were usually sold at more than 200 eu-



Exhibit 1: Regulations on the compulsory use of child car seats

Country	UK	Sweden	Germany	Netherlands	France	Italy	Israel
Age	<3	<7	<12	<12	<10	<10	<4

Country	South Africa	Japan	South Korea	Singapore	Australia	Canada	US
Age	<16	<12	<6	<8	<8	<5	<4

United States: Babies must be seated in car seats. Child car seats must be installed on the rear seats if the front seats have dual airbags. Any violation of this regulation would be fined USD 100-300.

Sweden: Since 1982 it had ruled out that cars must be equipped with baby protection devices if a baby/child under age 7 is in. By far baby protection devices had been installed on 95% of all the cars.

Canada: Children under the weight of 18kg (40 pounds) must be seated in child car seats. Heavier

children must have the safety belt fastened. Babies/children could not be seated in the front of the car if there were dual airbags. Any violation of this regulation would be fined.

Australia: Since 1985 it had ruled out that babies/children must be seated in child car seats. During 1985-1990, 71% of the babies/children in car accidents avoided incurring fatal injuries thanks to safety-tested child car seats. And it was also found that more than half of children deaths could be avoided should child car seats had been used.

Source: www.cheshi.com.cn/news/2005/5/10022.asp

This case was prepared by Research Associate Jason Shu under the supervision of Prof. Zhou Dongsheng at CEIBS. The case was prepared as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Certain names and other identifying information may have been disguised to protect confidentiality.

CASESTUDY

ros; mid-level products at about 100 euros and low-end ones at 60 to 80 euros. On average, the retail price for child car seats was around 80 to 100 euros.

On international market for child car seats, there were tens of players. Except for independent manufacturers, those large whole car manufacturers, like Volvo and Benz, also provided child car seats. The following were a few of the market leaders:

- **Graco/Century:** the largest baby car seat manufacturer in U.S., with over 50 years of history, offering the fullest range and specifications. The SnugRide model of Graco baby car seat had the best reputation and the highest sales volume in the U.S. Its combinatorial go-kart boasted novel design and convenient use. In addition, Graco/Century manufactured swing cradles, baby beds, boosters and strollers, etc.

- **Cosco:** Canadian furniture and baby car seat manufacturer with over 60 years of history. Cosco products were sold through Goodbaby Group in China.

- **Evenflo:** the second largest manufacturer of child car seats in U.S. with over 80 years of history. It offered a variety of baby, infant and child car seats. The best sellers were the newly launched models. It also carried other baby range products.

- **Britax:** a well-known baby car seat in U.K., producing child car seats since 1960s. It entered North American market in 1996. Its baby and child car seats had novel designs and received good feedback from the market. The follow-

ing statistics showed Britax's market share globally: U.K. 50%, Germany 65%, Australia 75%, U.S. 10%. In 2003, Britax entered China market.

Apart from these, a number of Japanese and Korean players also entered the China market. They mostly chose to set up a joint venture or WFOE. For instance, Combi from Japan set up Combi (Shanghai) Limited and opened plants successively in Jiangsu province and Yuyao, Ningbo.

By 2004, there were over a dozen baby car seat manufacturers in China. Apart from Baby-first, the major domestic manufacturers were:

- **Goodbaby:** a large children products manufacturer in Kunshan, Jiangsu Province. It produced baby strollers, cradle and children's apparel, etc. Goodbaby baby strollers took up about one third of U.S. market. Its child bicycle had over half of U.S. market. Goodbaby had a few brands of its own, such as Goodbaby, Geoby and Little Dinosaur, etc. It also manufactured for a few overseas brands and was the exclusive distributor of some foreign brands.

From 1994, Goodbaby group started setting up sales branches over China. By now, it already had 34 branches and 4 offices, which formed the basis for distribution, warehousing, delivery, customer service and management system. It had a sales network that consisted of over 20 franchise stores, 1000 showcases, 3000 distributors and nearly 10,000 outlets. Goodbaby Group's annual sales was about RMB2 billion, but the sales volume of child car seats was quite small.

- **Lerado:** founded in 1988, Lerado Group designed, manufactured and sold a wide range of infant and pre-school products. Lerado Group was headquartered in Hong Kong and set up manufacturing plants in Zhongshan, Guangdong Province and Shanghai. Its products were sold in mainland China under the brand of "Angel". In 2004, Lerado had a turnover of RMB 158 million, three quarters of which were from U.S. and Europe. Child

car seats was only one of the series, far from being the major product line.

- **Wonderland:** Wonderland Nursery Goods Co., Ltd started in Taiwan in 1983, specialising in the production of baby strollers, beds, car seats and baby walkers, etc. It had more than 700 product lines. In 1993, Wonderland built a factory in Dongguan, Guangdong Province: Duanguan Wonderland Infant Products Co., Ltd. An R & D Centre was later set up in Dongguan in 1998.

Wonderland child car seats had passed the safety standards of Europe, U.S. and Australia, making it the biggest OEM/ODM manufacturer of infant products globally. In U.S., Wonderland OEM/ODM products had a 63% market share. The size of Wonderland was slightly smaller than Lerado and it mainly exported to the U.S.

The domestic players in child car seats could be classified into three tiers. Goodbaby, Lerado and Wonderland were larger players. They had pretty extensive product lines with child car seats as only part of them. They sold hundreds of thousands of child car seats each year, mainly for export. These companies did not have the capability of designing child car seats and they mainly took OEM orders. However, they were all heading towards the ODM (Original Design Manufacturer) direction.

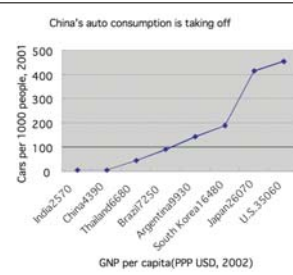
Baby-first was a medium-sized player, mainly focusing on child car seats. It had a full range of products, with complete specifications and various designs. Though mainly taking orders from foreign brands, it had its own brand. Comparing with the large players, despite its relative smaller size, Baby-first had expertise in the manufacturing, technology and design capacity of child car seats.

In addition, there were a number of smaller players. They were smaller in size and weaker in technology, only capable of producing two to three models.

DOMESTIC MARKET

China's baby car seat market had the greatest potential in the world. Apart from the large population, more and more households had cars of their own, esp. in the coastal areas and large cities. A report by the World Bank based on research on major countries showed that when GDP per capita reached USD 1000, the con-

Exhibit 2: China's auto consumption is taking off



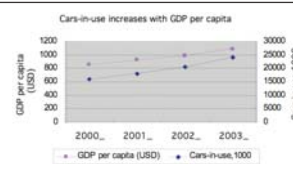
Source: World Bank
Verband der Automobilindustrie

sumption of cars started to take off. China was just on the verge of passing this hurdle, while the figure for coastal areas and some of the large and medium-sized cities was already USD 4000 to 5000 (See exhibit 2, 3 and 4).

Despite huge market potential and

BABY-FIRST

Exhibit 3: Cars-in-use increases with GDP per capita



Source: National Bureau of Statistics of China

good external environment, the sales of child car seats were much lower than expected by the manufacturers. Baby-first sold only several thousand sets in China market in one year, which was only a tiny fraction of its over 1 million export volume. The other players were experiencing the same situation, including those overseas brands that were already in China.

The baby car seat market was still

confined in some more developed areas, such as Beijing, Shanghai, Guangdong and Zhejiang. While in other places, most of the consumers didn't even know of these products.

At present, low sales volume would result in straight loss, making the manufacturers hesitant to launch large scale marketing campaigns. Xu commented,

"When those overseas brands entered China market a few years ago, they organized some marketing activities, but barely received any visible effects. After some setbacks, they now start to come down in profile and rely only on the dealers for sales. Their current strategy would be to lower costs and observe. They wouldn't take reckless action, nor were they willing to lose the potential opportunities."

Ningbo Baby-first Industrial Co., Ltd had over 200 employees. The founder Xu Lihong was general manager. Baby-first had a quite simple organisational structure, with six functional departments: HR, Finance, Export, Domestic Sales, R&D and Production.

The whole production process consisted of sourcing, modeling, assembling, clothing and packing. Baby-first mainly produced child car seats, while outsourcing baby beds, strollers and dining seats, etc. Baby-first was the first domestic manufacturer of baby car seat series and had many patents. It was also the first domestic manufacturer to pass the European ECE R44/03 safety inspection and to obtain both the European and North American safety certifications after passing both inspections.

With its own product design and development capabilities, Baby-first was capable of independent development of new products. In the R&D aspect, Baby-first, in cooperation with Tsinghua University, developed a simulation testing software. The software would simulate collision tests on computers, the result of which would feed back into modification in product design. Computer-simulated collision tests greatly reduced the time and cost involved in product development, empowering Baby-first to steer the industrial trends.

On the global market, Baby-first used to export to its primary dealer, who would sell to supermarkets or other secondary dealers. The primary dealer would be responsible for after sale services, logistics and warehousing, etc (See exhibit 5).

When Baby-first started in 1998, it only sold 40,000 to 50,000 sets annually. But it had a tremendous growth rate. In 2004, Baby-first sold hundred thousands of sets, accounting for 2% to 3% of global market. Its strategic goal was to enlarge its global market share to 10%.

From figures of the first three quarters of 2005, Baby-first would very likely achieve a 50% growth rate for the year, and the year 2006 may see yet another increase of 50% on 2005. The fast growth of year 2005 was mainly due to two factors: first, new products boosted sales in Europe; second, major breakthroughs were made in U.S., Japan, South Korea, South America, Middle East, Australia, Taiwan and Singapore markets.

In the global market, Baby-first would mainly go through supermarkets and exclusive stores. Since Baby-first products still positioned as middle to low end products, supermarkets were their main battleground.

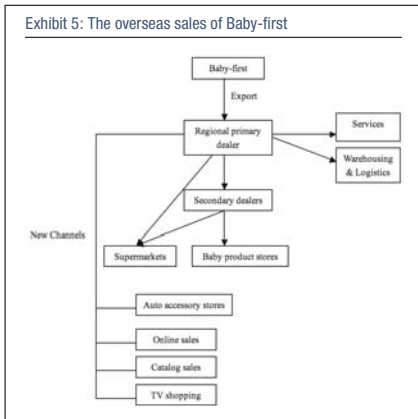
Baby-first had started to produce ODM products in large volume to develop overseas markets: Baby-first would design and produce products based on their research on the market and sell to over-

Exhibit 4: China's auto production and sales 2001-2004

Year	2000		2001		2002		2003		2004	
	Production	Sales	Production	Sales	Production	Sales	Production	Sales	Production	Sales
Units	607445	614411	703525	721463	1092762	1126468	2018875	1971601	2316000	2327000

Source: China Association of Automobile Manufacturers

Exhibit 5: The overseas sales of Baby-first



seas clients, who would label the products with their own brands.

In Europe, Baby-first offered OEM and ODM services for over 40 brands. In American market, Baby-first was not yet known to those local companies, so it had to start to market its brand. American market was quite unique: foreign companies were not allowed to submit products for safety tests. Only North American (Canadian, American and Mexican) companies were allowed to apply for tests. And the local dealers were unwilling to pay for the testing of foreign products. Thus it was difficult for foreign companies to enter the U.S. market. As a result, there were few foreign products in American baby car seat market.

DEVELOPING DOMESTIC MARKET

So far, most of Baby-first's products were for export. Though Baby-first set up its domestic sales company in 2001 with the brand "Baby-first", it did not perform well in the market. The domestic sales company was finally merged into the export department in 2004.

In 2005, bearing in mind the huge market potential in China and the possible interaction between domestic and global markets, Xu Lihong started the strategy deployment for domestic market: he set up a domestic sales department and started to staff the department. At present, the department had four people, with one stationed in Beijing, as Beijing had been the largest regional market.

Dai Yihui, Manager of the domestic sales department, was invited by Xu Lihong to join the team. He was formally on board on June 1, 2005. Dai worked for 8 years for Hangzhou Zhongcui Food Co., Ltd (a local bottling plant for Coco Cola.) before he joined an advertising company as marketing director. He had rich experiences in the marketing of FMCG. Dai's short-term goal was to sell 1000 sets of child car seats each month in 2005.

Regarding marketing Baby-first products in domestic market, Dai Yihui had his own idea:

"Level of acceptance of child car seats in China market is unlikely to change in the next three years. So our main task now is to build the sales network. This network should be similar to those of FMCG markets: it should be the traditional distribution and dealership mode. We should invest cautiously and properly in marketing promotion, paying extra attention to the method. For example, when choosing regional dealer or distributor, we would choose those with rich networking and industrial resources, such as those with women and children healthcare or automobile administration authority... Our goal is to be fully prepared for potential market opportunities that would arise after the launch of relevant laws and regulations."

He visualised two major categories of sales. The first was the traditional channel, including department stores, children's products stores and supermarkets, which were covered by local dealers and distributors. The second one was new channels, including TV shopping, catalogue sales, auto accessories stores, online sales and group order, etc. Targeting the whole China market Baby-first would cooperate with relevant channels.

An incident instilled new thoughts into Xu Lihong. In the first half of 2005, a well-known Chinese diary company came to Baby-first and ordered 8,000

sets of seats. This company intended to sell its children's breakfast milk products and use the seats in their promotion activities. After this, Xu started to consider if the seats can be sold around similar rationale. For instance, to cooperate with whole car manufacturers and pre-install child car seats in the cars, as an optional accessory or as a free gift to accompany the car.

Baby-first was first faced with the task of "ice-breaking" after launching the marketing campaigns in domestic market. It had to build the "Baby-first" brand image, establish new channels and straighten out the existing channels. Xu had already made preparations in products, human resources and capital, planning to start "ice-breaking" in September 2005.

Faced with such strong competitors as Goodbaby and Lerado, Xu also changed his perspective of product lines :

"Previously I classified product lines from the manufacturing perspective; now I do it from the consumer's perspective. Baby-first advocates the philosophy of 'healthy life, happy childhood' and emphasise that our products provide not only child car seats, but also safeguards. I classified children's safety into indoor, outdoor and traveling and offer different product lines in all the three categories."

Xu showed optimism in market prospects: he thought that the market competition was not intensive and Baby-first would be able to enter without too high costs. He had no intention to fight directly with Goodbaby and Lerado on price, either. He said,

"Baby-first looks for differentiation rather than price war. We can play the safety card: all our products will manifest this concept, regardless of design, quality control in production or after sales services. Goodbaby and Lerado are bigger than us, so it's not wise for us to fight a price war with them."

PROBLEMS & CHALLENGES

The first problem Baby-first faced was how to build a highly effective sales network at a relatively lower cost. Unlike Goodbaby and Lerado, Baby-first mainly produced child car seats, with quite small scale production of other relevant products. Goodbaby and Lerado had a

full range of children's products and already had their own sales networks. But to Baby-first, the baby car seat business could not bring in profit at present, so building and maintaining a national network would need large investment which was likely to impose pressure on the company's finances.

Baby-first would reposition its product lines as indoor, outdoor and traveling, around the core of "safety", based on Xu Lihong's concept of "healthy life, happy childhood". The expansion of product lines also brought new problems: would Baby-first manufacture new products or use OEM plants? How could Baby-first maintain their competitive advantage on those new products, without overly diverting attention?

The choice of channel was also an important question. Though Baby-first could market and sell its products via multiple channels, it would inevitably entail high costs. Baby-first had to have a focus in channel development. Would they choose the women and children's products channels or car accessories channels? Should they choose the traditional dealership/distributor mode or direct sales?

In addition, Baby-first had to build its brand in China market. In export, Baby-first produced for other brands and didn't have to think about the brand issue. But Xu already realized that in China, only by building its own strong brand could Baby-first advance in the market. But so far, Baby-first didn't have a clear brand strategy.

Those were not even the problems that Xu Lihong was most concerned about. The entry barrier for child car seats was not high: neither huge capital investment nor state-of-the-art technology was needed to enter the industry. The biggest barrier would be the complicated safety certification and testing procedures. But China had not yet built such a certification system. This meant, once the market started booming, a large number of competitors would enter the industry any time. When the consumers were not sophisticated enough to tell the difference, the new comers would sell the child car seats at low prices, messing up the price system, replicating the situation in Taiwan.

There were so many things to be done. What should I do first and how should I start? Xu kept thinking about these questions in mind... **THELINK**

Changing the Consumers' Concept



By Li Yun

Contrary to the accelerating growth of China's automobile market, the market of children's car seats looks gloomy. In my opinion, it is not because the domestic market of this product does not have a potential. Rather, the reason for this paradox lies in the fact that at this early stage of private cars ownership, consumers are not aware of the concept of seating children in the car safely, and therefore lacking the basic knowledge of child car seats.

The related laws and regulations are the determining factors of the development of child car seats market. Since the national laws regarding this won't come out until about 2008, and Baby-first currently has just a few competitors, most of whom target the high-end market; it would be recommendable if Baby-first considers seeking partners, and together they could lobby the government for the earlier promulgation of the related laws.

The relevant laws and regulations

need to be complemented by a set of safety standards and the corresponding safety testing systems. These will serve as the most formidable weapons for Baby-first to lift the bar for market entry and to prevent the malicious competition. According to the international practices, the safety standards and certification systems of child car seats are very strict, with a lengthy certification process and high testing costs. But Baby-first has the advantage of more than ten years of experience in the industry, during which they have successfully obtained both the European and American safety certifications. Technologically, Baby-first is in the leading position by cooperating with Tsinghua University to develop simulation testing software. As the government will need help from experts in establishing China's product standards and testing systems, Baby-first can play an active role with their cutting-edge technology and expertise accumulated from years of collaboration with Tsinghua to push forward the process.

Even though the laws and regulations have not yet come out, the current market potential of child car seats should be larger than several thousand sets a month. It can be predicted that this market will be expanded with an amazing speed once the laws and

regulations are promulgated. Hence, Baby-first has to be proactive in preparing their brand names and sales channels, in order to take the lead in the future market.

Car sales volume in China today has reached 300,000 per year, a good part of which is bought by households. Though no accurate statistics are at hand, it is safe to assume that many of these households have children. Therefore, the fundamental job for Baby-first is to change the consumers' concept by helping them to understand that car accidents could do greater harm to children passengers than to adults, and that child car seats are very effective in protecting the children. Normally, the households who can afford to spend tens or hundreds of thousands of Yuan on a car will not spare several thousand Yuan or even several hundred Yuan on a child car seat, once they learn that 71% of the children in car accidents have avoided incurring fatal injuries because of proper use of baby car seats.

It is much easier to define and locate the child car seats market. There are also various ways of disseminating the information about children's car safety to purchasing families. For example, transportation administration department can be invited to join the effort by issuing the info leaflets together with the license plates. Other ideal partners for information dissemination include those organizations where the target consumers can be found most easily, such as private kindergartens, schools and neighbourhood committees of luxury resident buildings.

The current market environment determines that Baby-first should focus on a few major cities with leading car sales volume instead of launching a wide-spread distribution. As the first child car seats manufacturer in China with over-ten-year-experience in OEM and ODM, Baby-first should stick to this product line. Given the fact that Baby-first's sales volume in 2004 accounted for 2% to 3% of global market, and that they are capable of independent product designing and development with many patents, manufacturing child car seats should remain the core competence of Baby-first. At the moment, Baby-first needs to make more efforts to develop the domestic market, apart from maintaining and expanding the international market. The great potential of the domestic market will provide plenty of momentum for Baby-first's further growth. Currently, this domestic market is practically untapped; hence, they should invest more efforts and

capitals in marketing, branding, and developing sales channels. In order to secure a share in the domestic market, they have to pool all resources in the core product line of child car seats.

Branding is also essential for Baby-first's market occupation and its sustainable growth. The brand image of "safeguard" is a good positioning, as Baby-first does provide safeguard for children in the cars by its product of child car seats. To establish a brand image is relatively easy when the domestic market is still immature and the consumers are not yet impressed by any other brand. In practice, Baby-first needs to define the target groups clearly and communicate the information to the consumers effectively. There is no need to make big investment on mass media. Rather, they can adopt the following ways: they may issue the leaflets to advocate children's car safety and put the Baby-first's logo and adverts on the leaflets; they may install child car seats on shuttle buses of kindergartens and schools so that people can learn more about the functions of the product and the brand "Baby-first" can be widely known; they may also exhibit and sell the product at the car retailers' and even play the advertising film of how to use the Baby-first products. Regarding the channels, the cooperation with auto manufacturers and retailers will only serve as complementary channels, for the bigger market lies in those who have their children born after buying a private car. This group of consumers rarely revisits the exhibition hall of the car retailers. Therefore, the stores of children's products are more economic and suitable channels than supermarkets, especially when baby car seats are regarded as accessory products of the high-end consuming goods like private cars.

It is an everlasting truth in business that resources are always limited. So the strategy of Baby-first should be "focusing": pooling limited resources in establishing product standards and safety testing systems; sticking to the core product line of child car seats; concentrating on the target consumer group—the households with children and private cars; and paying most attention to the market with the biggest car sales volume. Meanwhile, Baby-first has to look ahead and get ready for a quick expansion following the launch of child car seats market. [THELINK](#)

The author is EMBA 03 student, and currently works as Senior Product Manager in Hangzhou MSD Pharmaceutical Co., Ltd.

Building up Market Influence

By Jack Yu

China will soon become a children's car seats market with the biggest potential and the highest growth rate in the world. Yet currently Chinese consumers hardly have any idea of any brand. Also, the product supply is far from abundant. Baby-first is facing a golden opportunity, and the most important part of it is the period from now to the promulgation of national compulsory safety regulations. Obviously, Baby-first is confronted by two challenges: First, how can they build up market influence as much as possible in the current business landscape; second, how should they respond to the promulgation of national compulsory regulations in the near future.

Given this situation, to build up market influence in the current market, Baby-first needs to address three issues as followed:

I. PREPARE COMPLETE AND PERSUASIVE SALES MATERIALS

Baby-first has rich experiences in manufacturing, but is inexperienced in directly dealing with the end users. The business environment and the company's current situation make it impossible for the company to make huge marketing investment or sell the products through customer education. Therefore, before the products are launched, Baby-first should, in a virtual marketing scenario, prepare simple, clear and powerful evidences to persuade potential customers to buy the products. Particularly, Baby-first needs to answer three critical questions:

1) WHY IS A CHILD CAR SEAT NECESSARY?

At present Chinese customers are lack-

ing common sense and general knowledge regarding children's car seats. So, Baby-first must present to customers the reason why they need such a product to protect their children. The compulsory regulations in both European and American countries cannot be cited as reasons, but only as evidence. Baby-first needs to list more evidences and combine them into a text with enough persuasive power.

2) WHY IS BABY-FIRST RELIABLE?

After the customer accepts the concept of the product, Baby-first needs to further explain why its products are reliable and worthwhile. Because Baby-first is a brand new company to the market, the customers need a further explanation from the company to enhance their confidence before they accept

wallets no matter what strategy or model is adopted.

II. LOCK ON THE TARGET CUSTOMERS AND DISSEMINATE THE INFORMATION

The target customers of children's car seats are limited due to two key factors: safety awareness and consuming power. When the market lacks education in this area, the first group of child car seat users with safety awareness will be young, well-educated people influenced by western life style, who mainly live in major cities of more developed, coastal area. Fortunately, the target customers of children's car seats have obvious and easily accessible points for market entry. The most concentrated channels are hospitals for gynaecology and obstetrics and children's hospital.

The ones less concentrated include kindergartens, venues of parents-

models of products are needed to cater for different demands in different stages of a child's growth.

Baby-first must focus its resources on a few urban markets, seek as many as customer touch points and disseminate to its target customers interesting and compelling sales information as widely and persistently as possible.

III. ESTABLISH A GOOD CUSTOMER SERVICE SYSTEM

Baby-first must be prepared to answer any questions from the customers in two foreseeable ways: phone calls and the internet. The company must deploy well-trained customer service staff and set up simple and customer-friendly communication platforms. Through these two channels, customers will be able to get enough information and be encouraged to make final decision of purchasing. The last step for Baby-first to complete the transaction is to prepare good logistics and payment systems.



the products.

3) WHY IS IT THAT DIFFERENT PRODUCTS WITH THE SAME PROTECTING FUNCTION VARY GREATLY IN PRICING?

With this regard, Baby-first should explain the reason for price difference among different tiers of products, and help the customer to make correct purchasing decision by selecting the right product.

Before hurrying into discussion of strategies and models, the company must think clearly in the first place why the customer needs such a product and why he chooses our products instead of our competitors'. This is the precondition of any product marketing. If Baby-first fails to convince the customers in this respect before national regulations takes effect, they will not open their

and-child programmes and other places of children education. Still less are children's parks and entertainment parks, etc. All private car owners frequenting these places will be Baby-first's target customers. Middle and high-end private car owners become Baby-first's core target consumers for the reasons that the price per set is as high as 100 euros averagely and that at least two

Such a marketing & sales system can ensure low costs and an entire control by the company. Considering the large number of potential users and the control of effective channels to contact users, it will not be difficult for the company to achieve the sales goal of 1,000 sets per month.

However, what counts more important than sales volume during this period of time is that the company's brand will gain influence gradually. Baby-first is very likely to build up a brand image as a professional child car seat manufacturer. This is to lay the foundation for a huge market which will emerge after the promulgation of compulsory safety regulations.

Baby-first does not need to consider building a wide sales network. When the market size is limited, and the company has no other product lines, its sales network will not be able to survive all by itself, unless a large amount of long-term subsidiary can be secured from the company. More importantly, when the customers' purchasing habits have not properly developed, the sales network built today might be useless in the future.

Neither does Baby-first need to worry about the brand influence of its competitors. As to the competitors who are professional children's car seats manufacturers, their brand influence can be ignored, since they are all standing with Baby-first on the same starting line. As to those with a wide range of product lines, their brand assets accumulated in product lines other than children's car seats will not necessarily produce positive impact on their sales of children's car seats. The more influential the brand of their other product lines is, the bigger will be the chance that the sales of their children's car seats will be hindered. The natural extension of a brand is limited. In the opinion of ordinary customers, the importance and scientific contents of a child car seat is much higher than that of other children products, like children's bicycles.

However, it is not enough to take the above steps. A real feast will not begin until after national compulsory safety regulations take effect. Baby-first should not expect to affect the formulation of product standards defined by safety regulations. Such an effort would go far beyond its own resources and abilities. But Baby-first must take an active role in the process, such as appointing a staff following up the process and reporting to the General Manager directly. In this way, the company can surely become the beneficiary of the "information asymmetry" before national standards are formally issued.

If the company successfully builds up market influence and accumulates marketing experiences in current market vacuum and then seize the opportunity when national standards are promulgated, Baby-first might create another industry legend with its professional manufacturing capability and technological advantages. **THELINK**

The author is the partner of Foresight Brand Management Consulting Company.

Baby-first's Self-Appraisal

By Dai Yihui

PROGRESS:

After three months of marketing we find that it is not going as smoothly as we expected. As we near the end of the process, we come to realise that the sales of this product demonstrated three characteristics:

1. UNAIDED SALES WERE VERY SLOW:

In the current domestic market, consumers have little knowledge of the product. Purchases created by consumers' understanding of the product are minimal. This results in sluggish unaided sales at the point of distribution, whether they are franchise stores of children's products or automobile 4S stores. Hence, many retailers are unwilling to continue after the initial effort.

2. PROMOTION AT POINT OF SALE HAD LITTLE EFFECT:

To address the previous problem, we tried doing some promotion at the point of sale. The first challenge was that the majority of customers were not private car owners! This undoubtedly turned out to be a heavy blow to the sales assistants who had been greatly encouraged in the antecedent training sessions. Additionally, because sales volume was an index used to assess the sales assistants' performance and was also connected to their earnings, it was impossible to continue the promotion after several setbacks.

3. PREMIUM-PRICED IMPORTED BRANDS WITH BROAD PRODUCT LINES AND VALUE-TIER DOMESTIC BRANDS PRESENTED DOUBLE THREATS TO BABY-FIRST.

In various sales channels, Baby-first was facing formidable challenges:

- Challenges from international brands distributed in supermarkets

and children's product stores: Prestigious brands of children's products boast comprehensive product lines (including children's car seats), which support retailers with big sales volume. Moreover, they are equipped with well-trained sales assistants to ensure a smooth sales operation.

- Challenges from domestic brands distributed through wholesale channels of automobile accessories: By implementing a low price strategy, they sold their products at half the price of Baby-first. Taking advantage of the lack of national standards for children's car seats, those brands claim to "design and manufacture in line with the European ECE standard," catering to the consumer's demand for quality assurance. In the current domestic market such measures prove quite effective.

REFLECTIONS:

Feeling these pressures from the competition, we need to re-evaluate our marketing strategy. Our discovery is that the marketing strategy formulated in the early stages created the following paradoxes:

- We put our hope in unaided sales at the point of sale. This assumed some basic understanding of our products by the target consumers, but that was hardly the case in reality. Given that there are currently no domestic compulsory standards for manufacturing children's car seats, and assuming consumers to already have some minimal knowledge, Baby-first would still find it difficult to give a full play to its product and brand advantages. It was bound to be dwarfed by the international brands' strength of distribution and threatened by low-priced products in the wholesale market.

- Facing the current market landscape, we have always been aware of the necessity of developing the market. However, the need for a balanced budget, combined with a market full of uncertainties, results in Baby-first's hesitation to make a substantial marketing investment. It has not been able to establish a proper ratio between input and output to support a long-term action plan. Many are the martyrs

of market-developing ventures in a huge domestic market where a company would need to summon all its courage to decide on this risky project. Besides, this is a management concept alien to the corporate culture of our company.

While taking into consideration the challenges born from those realities, we recognise that compared to our competitors, Baby-first does have strengths in factors such as: business partners, the brand's positioning as a safeguarding product and technological capabilities. But as far as operational details are concerned; for example, point of sale materials, sales channels and pricing, Baby-first is disadvantaged on the whole. Therefore, were the marketing to be done along the same line as before, we would not create any competitive advantage even with solutions to all the problems mentioned above. The best we could achieve by sticking to the previous sales strategy would be only to stitch up some loopholes. What we have to do is to change the rules of the game by seeking an entirely different sales strategy that can make the most of our advantages.

PLANS:

Coming back to point of our re-evaluation: We have to communicate information effectively to the target consumers about the product and the Baby-first brand. Efforts should be made to improve the consumers' knowledge of children's car seats, to help them fully understand the value of Baby-first as a product and a brand, and to nudge them on towards a final purchasing decision.

Benchmarking the sales of mass consumption products, we found that children's car seats have a very limited size of consumer group in the current China market. Our communication should be more efficient. Only a highly efficient communication strategy can generate a reasonable and affordable ratio between input and output.

A further discovery is that when designing sales channels, we should, in practice, establish sales channels that follow communication paths if we genuinely accept the importance of communication efficiency. In other words, logistics has to follow communication paths. Only by doing so may we achieve a highly efficient marketing system.

Based on the above perceptions, we integrated various ideas of developing the marketing system into three words as the core of the action plan. They are listed below:

1. REACHING

To increase the communication efficiency, we will locate the places where our target consumers are the most concentrated and implement the promotions there.

- Defining the target consumers: families that have children aged between 0-6 and also own a private car
- Locations of concentrated target consumers: kindergartens, nurseries, early-education classes, venues of parents-and-children programmes, supermarkets, franchise stores of children's products, hospitals for gynaecology and obstetrics, etc.



2. INFLUENCING

We expect the communicated information to influence the target consumers' behaviour, specifically on the following aspects:

- "Obliging" (necessities)
- "Baiting" (good impressions)
- Trust (public credibility)

3. TRANSACTING

We must turn the communicating and influencing efforts into transactions, i.e., setting up sales platforms based on the information communication.

In summary, according to the above ideas, the domestic sales department of Baby-first hopes to establish a marketing system that breaks the ice by public relations and promotions and then fully demonstrates and capitalises on its own strength. This system will have the following features:

First, it will be highly efficient in the following ways:

- Identifying different traits of different age groups including newborns, children between 0 and 3 and those between 3 and 6. We will identify a variety of public relations and promotion paths where the target consumers are concentrated and commu-

nication efficiency is much higher.

- Direct promotions in these places will go through as few as one or two steps and therefore have much less information loss and fewer information errors than conventional paths do.

- We will design and establish sales channels in line with the communication paths (i.e., the promotion paths). This will produce a much more efficient promotion.

Second, the brand advantage of Baby-first will be fully played during the promotion. Simultaneously, by choosing promotional paths as major sales channels will avoid the weakness in selling through conventional paths.

To achieve all these goals, the first and foremost job is to transform the thinking and orientation of the domestic sales team. Setting up sales channels along a non-traditional path requires that the sales people work in a style totally different from the old one. A successful transformation of this magnitude will inevitably cause staff and position changes or team expansion and require training programmes. While improving the regional sales management system, the company needs to create new positions like a KA manager and a promotion manager. These new staff will serve as executives and managers of the sales channels or projects. They should, to a high degree, make up for the insufficient skills of sales staff in setting up a new sales system.

Regarding the action plan, we will fly on two wings. First, we should look for dealers with rich public relations resources and good promotion capabilities. The most important factor in this process is the sales staff's understanding of the new sales strategy and their abilities to make impacts, to organise and execute the promotion campaigns. Second, we will cooperate with national organisations to launch large-scale public relations and promotion campaigns. We hope that when the campaigns are located in various sales regions, local dealers will do a good job of collaboration and follow-up.

It is expected that the above plan will gradually develop a regional sales system within 4-6 months, employing public relations and promotions as major selling tools and selling through multi-channels. Hopefully, the sales team and dealers will be steadily trained, improving their abilities to operate the overall regional marketing. **THELINK**

The author is Manager of the Domestic Sales Department in Baby-first Co, Ltd.



Leading the Market with Expertise

By Woody Guo

It is shown in the case that Baby-first has gone beyond the infant stage. At the moment, it needs to find out how to grow rapidly and steadily under a long-term strategy. Having already successfully entered the overseas market, Baby-first managed to produce a strategy in response to the big potential of the domestic market.

Baby-first has gained a certain market share in the European and American markets by several years' efforts. Swimming in the mature markets like these, Baby-first has developed professional skills, even though its speed may not be as fast as those leading companies in the industry. Therefore, its advantage lies in expertise and technology. While continuing its development in the overseas market, the company can leverage the experiences and advantages acquired from the overseas market to become a leader in the domestic market within a short period of time.

Currently, the children's car seats market in Asia as well as in China is immature. The domestic business environment of Baby-first has the following characteristics: the market has great potential due to

China's huge population; the car industry is booming and the car consumption is rising sharply; there is big difference among different areas especially in purchasing power and consuming concept; the market of children's car seats is in the beginning stage; there are not many competitors and most of them are domestic manufacturers with inadequate designing, researching and developing abilities; there is no support lent by related laws and legislation yet.

Given such a business environment, there are some aspects Baby-first should consider:

PRODUCTS DESIGNING, DEVELOPING AND POSITIONING

Baby-first should try to become the technological pioneer in the domestic market by making the best of the experiences and technologies accumulated from its OEM service for overseas brands. In this way, it will be able to differentiate itself from other brand names such as Good Baby and to take the biggest share of this market segmentation. For example, when cars with small engines are becoming more and more popular in China, the feasibility of installing child car seats in these cars could be a major issue.

Despite being consumption goods,

child car seats should be presented to the market as a specialised product, because it is not something as simple as ordinary goods. When making the purchasing decision, the consumers mainly care about the safety and technological content of the product. Usually, these qualities cannot be judged easily from the product's outlook or even the manual book. So it is essential for Baby-first to stand for professional quality. Its strength can be demonstrated by the certificate issued by the European and American safety agencies. But more promotion could be done in this regard by running joint PR events with automobile manufacturers. Also, it is recommendable to multiply the function of the product. One example is to design something combining child car seats with push chairs, so that customers can enjoy one product with multiple applications. Further following it up, Baby-first may even build up renting market of this new product.

THE DESIGNING AND DEVELOPING OF SALES CHANNELS

For products like child car seats, the consumers' readiness of acceptance varies among different areas. It is also the case in China, where a few major regions with highly developed economy are very powerful in leading the consuming trend.

Therefore, building a brand and finding the channels in these regions would be very effective means of national promotion. Also, compared to other regions, there is a dominantly high percentage of car owners in these regions. Therefore, it is advised that distribution areas be further divided into segmentations according to various indexes such as the population, the percentage of private cars, the income, and the scale of the channels. Take for example the segmentations of area A and area B based on average income. Different channel operation modes, timetables and promotion methods should be adopted to address different situations. For instance, area A might need intensive cultivation with even more detailed segmentations and corresponding strategies of channel permeation. If supermarket networks are more complete in this area, Baby-first may set up a direct sales network as the major operation mode. The sales team may consist of the core team controlling from the headquarters and the executive teams operating in various stores. The core team is in charge of the negotiations with supermarkets and the promotion planning, whereas the executive teams implement these plans and pass

on to the headquarters the feedback about the channels and competitors. It will ensure a sound understanding of the market information and a spontaneous response, which is a must for a company in the current ambivalent business environment.

PROMOTION AND BRAND BUILDING

Children's car seats are new to most Chinese consumers, but they are not unacceptable. The key lies in how to communicate with the consumers. It is well known that different communication methods should be applied to different channels. To build up the brand, Baby-first can adopt the way of marketing ordinary consumption goods, such as supermarket display and shopping guide. But more importantly, it should fully leverage its professional advantage to make the differentiation. In practice, the joint promotion and PR events can be held in cooperation with franchise car stores.

Another idea worth mentioning is that franchise shops selling cartoon products could be invited to jointly run the promotion, given the fact that children are easily getting bored in the car seats. The

most popular cartoon images printed or attached to the car seats will effectively entertain the children and so keep them in seats.

Other recommendable practices include collaborating with franchise car stores and offering a free one-month trial to car buyers with children. Once they use the product, they will be more ready to buy it.

The opportunity of entering new market segmentation is very important. In the domestic market where the consumers are more inclined to products they first get familiar with, the companies with mature technologies can make the best of this consumer psychology and take the lead in this market. **THELINK**

The author is CEIBS EMBA05 participant and now works as General Manager of Shanghai Hermel Foods Corporation.

If interested in joining the discussion, please feel free to send your idea to alumnimagazine@ceibs.edu. Your input will be presented on CEIBS' website.



CEIBS

Accelerating Your Business Success in China

China Expatriate Programme
presented by Asia-Pacific's leading Executive Education provider
April 13 - 15, 2006 / September 14 - 16, 2006 **Shanghai**

For expatriate managers, the Chinese market presents both opportunities and challenges. You need special knowledge and skills, as well as the flexibility to adapt to a different and complex business environment.

The China Expatriate Programme, presented by the China Europe International Business School (CEIBS), the leading business school in Asia, has attracted hundreds of senior expatriate executives from multi-national companies in Asia.

What are the benefits of attending this programme?

- Fast track adaptation to the unique Chinese business environment
- Greater understanding of effective leadership in China
- Ability to refine your company's China development strategies
- Knowledge of the potential pitfalls of cross-cultural misunderstandings
- Vital, up-to-date insights into marketing, operational and regulatory issues in China

Contact us
For more information on CHINA EXPATRIATE PROGRAMME at CEIBS, please visit us at www.ceibs.edu or contact Ms. Elizabeth Kenyon on (T) 86 21 28905202, (M) 86 13601643789, or e-mail at kiz@ceibs.edu

"This course gives, in a very efficient way, astute insights into various aspects of doing business in China."
Anders Brostrom
President
Akzo Nobel China BV
Shanghai Rep. Office

"Very instructive, high quality learning! Will recommend it!"
Stefan Sommer
President
DSM (China) Ltd.



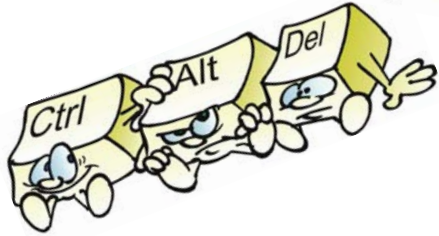
The only school in mainland China with EQUIS accreditation

MBA	EMBA	Executive Education
21 st Worldwide	13 th Worldwide	37 th Worldwide

CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL
www.ceibs.edu

IT Governance:

A New Challenge to Top Management



By Audrey Wu

The astonishing development of Information Technology made a profound impact on business performance by transforming conventional business models. In some cases, it has led to revolutionary changes. Corporate information assets can account for more than 50% of capital spending. A temporary paralysis of IT system, even for just a few seconds, could be a catastrophe for some companies, causing them astronomical loss. Highly efficient information sharing and information processing enable companies to reduce production costs, to improve customer services, to reduce both logistics cycle time and storage time, and in the end to maximise profits. Many companies, therefore, introduced IT system in a large-scale and went through profound transformation. It is very likely that IT system, once brought in, will come across various reactions from within the organisation. How could an organisation successfully go through the radical changes and keep running even more efficiently? How could it keep IT system from operational failure or more serious break-down? How could it oversee its IT system? To answer all these questions, the top management has to add to its task list a new job of IT governance, apart from traditional management issues like human resource development, marketing and strategic planning.

Professor Warren McFarlan, Senior Associate Dean and Baker Foundation Professor of Harvard Business School offered the first course of Management Information System as early as in 1962. He predicted, decades ago, the significant changes that IT would bring about and also recognised its potential challenges to the top management. On January 17, 2006, Professor McFarlan delivered a speech "The Transformed Organisation" in CEIBS Management Forum. He shared with the audience his views and recent studies on various issues including IT application and its implication to organisations, internal restructuring following the introduction of IT system and IT governance by the top management. Presenting the successful case of Otis Elevator Company, he emphasised the role played by the top management in promoting IT systems and handling all sorts of problems in the process. He also put forward four modes of IT systems and the corresponding strategies of IT oversight by the board of directors.

OTIS: A MODEL OF IT APPLICATION AND ORGANISATION TRANSFORMATION

Rapid IT development opens numerous opportunities for businesses. Thanks to novel technologies, companies achieved great cost savings: Lucent's "quote-to-cash" cycle dropped from 280 days to 160 days; Otis reduced "proposal-to-build" cycle from 340 days to 68 days; HEB's operation costs have been down by 3%; Gillette cut recruiting fees by 90%. The evidence can be found everywhere that IT benefits business op-

erations. Also, extended enterprises are accelerated, in which BPO (Business Process Outsourcing) counts for the most important part. Companies are outsourcing functions such as finance, human resource management and IT, in order to focus on core business development. IT applications brought about company boundary redefinition, service transformation, product transformation and electronic channels (B2B, B2C, C2C), accompanied by deep organisation transformation, which usually involves decision rights transfer, sharing and transformation.

Otis is the world largest elevator company of over 100 years old. Its return on sales went up from 13% in 2000 to 18% in 2004 and its proposal-to-install cycle went down from 340 days to 68 days. Though a manufacturer by culture, Otis benchmarked the Ritz Carlton, the Giant in service industry, and Federal Express, the leading logistic firm, and adopted some of their processes and approaches of customer service. The fact that they are not in the same field does not prevent Otis from recognising increasing similarities between them. Otis deployed e-logistics and was benefited in many ways: the field efficiency was greatly improved; the installation cycle time was reduced; less manpower was needed; the productivity of sales force was boosted. Most of all, the entire supply chain was affected in a profiting way. Customers love Otis' e-logistics for it made their lives much easier. It now has become the company's selling tool and a source of competitive differentiation.

The man behind Otis' initiative is Ari Bousbib, CEO of Otis Elevator Company, 43 years old. He acknowledged that there were challenges to this initiative from different levels. The first one is cultural challenge. In an organisation that was accustomed to product innovation, the effort to embrace what is essentially process innovation was naturally resisted. On the technical level, the company needed to deliver around the world over 20 thousand computers and support the volume with a robust system. On the deployment level, such a change involved a couple of thousand field supervisors and the similar number of sales people dispersed in 200 different countries and 1,800 locations, who needed to use the new tool on a daily basis. The most difficult challenge came from the managerial level. While standardising a set of processes globally, the company also tried to retain the local empowerment, motivation and accountability. Managing the trade-off balance between the two was not an easy job.

Since the initiative of e-logistics was pushed top-down in the company, Otis completely changed its old way of doing business, which had manufacturing, field operation and sales isolated on different sides. It is now aiming to become a much more integrated business model, with dynamic interactions between various functional parts and the enhanced process efficiency.

IT SYSTEM MODES AND THE BOARD'S OVERSIGHT

During the past 40 years, Professor McFarlan and his colleagues have observed the ever-changing IT strategies of hundreds of firms. They discovered that due to rapid IT advancement and its enormous impact on business, a lack of board oversight for IT activities put the firms at the risk in the same way that failing to audit its books would. Effective IT governance by the board helps the organisation to avoid risks and enhance competitiveness. Novell, Home Depot, Procter & Gamble, Wal-Mart, and FedEx, among others, have created board-level IT committees that are on a par with their audit, compensation, and governance committees. It does not mean that creating a board-level IT governance committee is the best practice all companies should adopt. The board's involvement can be defined according to different IT systems demanded by various companies.

Professor McFarlan categorised strategic approaches to IT into four modes: support mode, factory mode, turnaround mode and strategic mode. The first two modes are defensive systems with cost-effective, uninterrupted, secure and smooth operation. The last two modes are offensive systems providing new value-added services and products or higher responsiveness to customers.

For firms in support mode, IT system fundamentally exists to support employees' activities. So they have a relatively low need for both reliability and strategy. They won't suffer terribly if a system goes down. In these organisations, the audit committee can review IT operations.

Firms in factory mode need highly reliable systems, but don't really require state-of-the-art computing. If systems fail, however, they will suffer severe losses. Airlines and other businesses that depend on fast, secure, real-time data response fall into this group. Their top management and boards need to be aware of leading-edge practice and monitor the competitive land-

On January 17, 2006, Professor McFarlan was invited by the Executive Development Programme (EDP) in CEIBS to give a speech. The night saw the Petrochemical Auditorium packed with a large audience of over 300 people, who applauded the professor's lively presentation from time to time. The CEIBS' EDP is going to launch a brand new programme of "Senior Executive Programme for China" in August, bringing together an outstanding faculty team from Tsinghua University, Harvard Business School and CEIBS to provide senior executives with opportunities of learning and developing. Before he started his speech,

Professor McFarlan spent some time talking face-to-face with over 20 candidates of the programme, briefing them on the course and answering related questions.

Also, the "Global CEO Programme" developed by joint effort of CEIBS, HBS and IESE has finished admission and will kick off in mid-February in Shanghai. Among those who were invited to participate, over 50 managers/CEOs of leading companies in China signed up. Due to limited places, the admission committee will send admission notices to qualified candidates after the interviews.

scape for any change that would require a more aggressive use of IT. The board needs to make sure that disaster recovery and security procedures are in place.

Firms in turnaround mode often bet their success on new technologies. Technology costs usually account for high percentage of capital expenditures. New IT systems will enable them to achieve major process and service improvements, cost reductions and a competitive edge. They have a comparatively low need for reliability. But they have to undergo a significant re-engineering or outsourcing effort. It does not take a long time. Once the transformation is made, they move into factory or strategic mode. Board oversight is critical for companies in turnaround mode. Strategic IT plans must proceed on schedule and on budget.

Firms in strategic mode not only need reliability, but also aggressively pursue process and service opportunities, cost reductions and competitive advantages. Hence, their IT expenditures are large. Board-level IT governance is essential for firms in this mode. These organisations require a fully formed IT oversight committee with at least one IT expert as a member.

To conduct IT oversight effectively, it involves various duties such as inventorying the assets (all modes), assuring security and reliability (factory and strategic modes), avoiding accidents (factory, turnaround, and strategic modes), watching out for legal problems (turnaround and strategic modes), and keeping an eye out for fresh threats and opportunities (turnaround and strategic modes), etc.

To set up board-level IT governance, a company has to select appropriate members and the chairman, determine the group's relationship to the audit committee and prepare the charter. The IT oversight group

should be made up of independent directors. In support, factory, or turnaround modes, the chairperson should be a tough-minded, IT-savvy business executive, but not necessarily an IT expert. Whereas in strategic mode, the firm must have an IT oversight committee chaired by an IT expert. In any case, at least one person on the committee should be an IT expert who should operate as a peer at the senior management and board level. The IT expert must have not only a solid grounding in the firm's overall business needs but also a holistic view of the organisation and its system's architecture.

The board must learn to ask tough questions if it wants to have a profound understanding and effective control of IT systems operation. Meanwhile, a to-do calendar should be developed to carry out the defensive, offensive and administrative oversight tasks. Also, the relationship of the IT governance committee to the audit committee should be very close, because IT issues can affect economic and regulatory matters.

Given the dizzying pace of change in the world of technology, and the changes IT can force upon a business, top managers should understand the degree to which they must be accountable for technology, for project expenditures, for monitoring return on investment from IT, and for performance of IT operation.

Professor Warren McFarlan is Baker Foundation Professor of Harvard Business School. He served as Senior Associate Dean in HBS from 1991 to 2004. He offered the course of Management Information System in 1962. He has been a long-time teacher in the Advanced Management Programme. His newest books include *Seizing Strategic IT Advantage in China and Corporate Information Strategy and Management: Text and Cases*. [THELINK](#)

The Secret Formula of Yili:

MR. PAN GANG, CHAIRMAN AND CEO OF YILI GROUP, TALKS ABOUT HOW THE CHINESE DAIRY GIANT MAKES ITS WAY TO THE TOP.

The year 2004 witnessed ups and downs of Yili Group, a leading dairy company in China. Only after one year, however, the dairy giant has walked out of the shadow. Under the leadership of Mr. Pan Gang, the company has reaped a great harvest in 2005. Meanwhile, Mr. Pan has also won recognitions from the society, awarded "CCTV 2005 Business Figures". Media coverage on Mr. Pan can be found all over the places. Mr. Pan is CEIBS alumnus and is currently participating the CEIBS' global CEO programme. *The Link* took an exclusive interview with Mr. Pan to learn how he leads the company to the top in the highly competitive domestic dairy market.

By Audrey Wu

THE PASSION OF INNOVATION

THE LINK: The year 2005 is your year of harvest. You've got many awards for the year, for example, the prize of "CCTV 2005 Business Figures" (the highest award presented to individuals in the commercial and economic world to recognise their contributions). And it is also a year of harvest for Yili. It achieved an annual revenue over RMB10 billion with an annual growth rate of over 30%. You've done many things to promote the fast development of the company, among which the most eye-catching aspect might be innovation. Could you tell us something about this, for example, Yili's innovation on marketing or management?

PAN GANG: Yili's good performance in 2005 is due to two factors: the rapid development of the whole domestic dairy industry and the innovation system actively promoted by the company. The latter has become the powerful engine of Yili's business.

On the aspect of marketing innovation, most of the domestic dairy companies are focusing their businesses on the top-tier market, for example, in big cities like Beijing, Shanghai and Guangdong. The strategy, on one hand can bring out direct and instant return on revenue, but on the other hand, competitions in these areas are also increasingly intensive. The potential of the second and third-tier markets in smaller cities or less developed areas is in fact very big, but few companies want to expand their business to those places. Because the selling points in these cities are scattered, to enter the market and make the initial promotion would be costly. Besides, your investment might not produce some obvious or immediate effects. So, to enter these markets not only requires competence but also demands innovative marketing models and strategic views. Last year, Yili selected an area in south Zhejiang province to pilot the new marketing scheme. With our innovative marketing model, we achieved unexpected good results. The sales revenue in the area doubled in just 2 months. Until now, the new marketing model has played an important role helping Yili's expansion in the second and third-tier markets. Up to the third quarter of last year, the revenue in these areas has amounted to 20% of Yili's overall sales increase.

On the aspect of management innovation, Yili promoted the accuracy management system and takes the lead in implementing this system. Now Yili is enjoying huge benefits it brought out. Take the example of logistics, compared with 2004, we saved RMB200,000 just with one freight. Through the reallocation of resources and straightening of processes such as manufacturing and logistics, we saved RMB90 million in the first 9 months of 2005. We also adopted quantitative management, attached more importance to efficiency and process, and implemented an overall re-organisation. All these measures helped to improve the overall operation of the company. Yili has achieved many No. 1s in the dairy industry: No. 1 in scale, No. 1 in revenue, No. 1 in the pre-tax profits produced by its major business, No. 1 in taxation and No. 1 in commitment to charities.

2006 is a key year for the domestic dairy market. The Chinese dairy companies must give up the old extensive business model of merely pursuing speed and scale. Greater efforts should be made to improve management skills. Employing the accuracy management will be the next step for the Chinese dairy companies to take. Yili will continue to implement accuracy management, to produce high quality products and to take social responsibilities as much as possible.

THE LINK: How do you interpret the word "innovation"?

PAN GANG: Innovation is a systematic construction. We have internalised innovation in every aspect of our daily operations, so that it becomes the DNA of the company. Currently, Yili is working hard to produce more management innovations, technology innovations, marketing innovations, production innovations and many others. Innovation is the most essential mechanism to guarantee Yili's sustainable growth.

To lose the passion of innovation is what I fear the most.

THE LINK: How did you come up with these innovative ideas?

PAN GANG: The real significance of innovation is not grasped in just one day. Only after an overall assessment of the company's situation, the industry environment and the systematic theories, does Yili finally take innovation as the key component of its core value.

As to the specific innovations, as long as we create an effective incentive mechanism, numerous innovation ideas will emerge automatically.

THE LINK: How will Yili continue to sharpen its competitive edge and keep its leading position?

PAN GANG: The core value of Yili is "Innovate Constantly, Pursue Mankind's Healthy Life". So innovation has become the working guideline of all the Yili staff.

We have a good incentive system encouraging our staff to actively participate in the company's management. In the first quarter of last year, our staffs have put forward more than 2,500 proposals, and nearly 1,500 of them were adopted. Many of the proposals were produced in their spare time. This direct involvement in the company's operation gives them a sense of achievement and also maintains their innovative passion. For example, in one of Yili's yoghurt workshops, one canning machine is named as "Li Shengliang and An Liqiang's canning machine", because this machine is the product of the research conducted by these two Yili engineers. It saved the company RMB400,000 in buying a new machine. And the canning and sealing process is automatic. The company intentionally named the machine after them in order to commend their proprietary innovation. An Liqiang, one of the designers told that he felt very proud and happy each time when he passed by the machine.

YILI AND THE 2008 OLYMPICS

THE LINK: Yili became the exclusive sponsor in the dairy industry of the 2008 Beijing Olympic Games in November 2005. This is recognition of Yili's business competence. It can also be regarded as Yili's first step of going global. How will Yili use the opportunity to market its products? What benefits do you expect it to bring about?

PAN GANG: The core value of Yili is "Innovate Constantly, Pursue Mankind's Healthy Life", meaning that we aim to change Chinese people's life style to help their dreams come true. (The slogan of the 2008 Olympics is "one world, one dream"). Now as the sponsor of the 2008 Beijing Olympic Games, Yili is keen to internalise the Olympic theme in our daily operation, and materialise our com-

mitment to the Beijing Olympic Games in every details of our work. We will do our best to promote and support the Olympics, and more importantly to contribute to the Olympics spirit.

The experiences of the Olympics marketing revealed that the sponsor company needs to set a goal in accordance with the Olympic spirit, and what's more, it should integrate the commitment to the daily business. Being a sponsor of the Olympics also gives us the opportunity to show the competence of Chinese dairy and food companies: we already have the most advanced technologies and equipments; we are continuously making innovations in management and marketing; and we will persistently take our social responsibilities to make the biggest contribution to the society and the consumers.

EMPLOYEES IS YILI'S BIGGEST ADVANTAGE

THE LINK: The Chinese dairy industry just started. Although having huge potential, this is a market with intensified competitions. What will Yili do to consolidate its current leading position, expand its market and compete with the major competitors? What is Yili's advantage over its competitors?

PAN GANG: As the leading company in the domestic dairy industry, our major concern now is not competition, but how to offer healthier and more nutritious milk to more Chinese people. What we have achieved in the second and third-tier markets is a good example for this. In a meeting of our retailers at the beginning of this year, we redefined the responsibility entity with the retailers. This produced a more powerful partnership between Yili and our retailers to forge a Big Yili of "common existence, common win and common prosperity" and to expand the market even further. Currently, the branding department is working on a long term marketing plan. They will discuss with the regional salespeople and partners about different tactic combination according to the different local situations.

As to Yili's advantage, I want to tell you a story. When Yili was in crisis in 2004, the biggest pressure on me is from our investors and the media. For more than one week, I was facing the same queries, giving the same explanations and repeating the same words again and again. Then one night after I saw off a batch of investors, I went home. It was 2 o'clock

in the morning, when I was on my doorsteps. But I didn't want to go to bed. I told the driver: "Turn back. Go to the factory." The workers usually greeted me when they saw me, but that night, they were silent. They worked much harder than ever, all with a solemn look on the face. What employees we have! I think the biggest advantage of Yili is our employees.

GLOBALISATION MEANS OFFERING THE BEST TO HOME CUSTOMERS

THE LINK: Yili has set a goal to be ranked among the top 20 dairy companies in the world in 2010. Actually going global is a dream of many Chinese companies. What is Yili's action plan to realise this goal?

PAN GANG: With the rapid development of China's economy, the income of Chinese people is increasing, their food structure has been changed and their health awareness has been raised. These have guaranteed a great prospect for the growth of dairy industry. But it also means fierce competition. The assessment of the opportunities and challenges and the objective analysis of the development of the dairy industry and our current situation helped us to make a new strategic goal: Yili aims to be listed among the top 20 dairy companies in the world in 2010, and among the top 10 dairy companies in 2015; Yili will concentrate on the product lines of liquid milk, yoghurt, formula milk with high added value and ice creams. The year 2006 is where we start. So it is a crucial year. We will meet unprecedented challenges and opportunities. We will take the opportunity of sponsoring the 2008 Olympic Games to increase our product and brand awareness in the world.

I don't think that the globalisation of the Chinese dairy companies means competing to sell the products to the overseas market first. Instead, we should strive to sell the products with international standards to Chinese consumers first. This is what the Chinese dairy companies should do currently. In fact, Yili began to sell its milk to the Hong Kong and Macau markets as early as in 2001. Then in 2002, Yili began to sell ice creams there. Selling products in these regions serves as a test of our product quality, customer service, our marketing ability and network distribution. It is proved that Yili, with its world class manufacturing and management, can

provide world class products to the consumers. In fact, Yili and other leading Chinese dairy companies have already won many glorious victories and become dominant powers in an internationalised market, that is, the Chinese market. Almost all 20 world top dairy companies have stationed in China and set plans, which shows that overseas competitors are attaching great importance to the Chinese market. No matter how much we supplied to this market, we have never been able to meet the demand, so it is impossible for us to change our priority to the overseas markets at the moment. I have always emphasised the vastness of the Chinese market. But it appears fairly small at the moment. Why is it? Having the biggest population in the world, China therefore has the biggest population without access to milk. If we can fully explore the domestic market, it is very likely that a number of world class Chinese dairy companies will emerge.

Yili's interpretation of going global in the current stage is to compete with the international brands in the domestic market by actively introducing and absorbing the advanced technologies and concepts from the developed countries, and implementing the highest international standards of management and product. The product lines of the domestic dairy industry are very simple, with white milk comprising 80%-90% of the overall product lines. However, in the international market, there is no profit from white milk. The main revenue is from products with high added value such as yoghurt, cheese and butter. The Chinese people are not used to the flavour of cheese, so there are only a few domestic dairy companies producing cheese. Yili produces both cheese and butter, among many other product lines. The scale of Yili's unitary processing factory is very big, even bigger than those big international dairy companies. Yili has the most advanced equipments in the world. Some of our new equipments are not even used by major international dairy companies. Yili's workers, with their rich experience in the industry, have creatively modified many high technology processing equipments bought from abroad. In a sense, it is also a kind of internationalisation.

As the leading company in the Chinese dairy industry, we have a great responsibility. Together with other Chinese dairy companies, we hope to persistently make innovations and improvements and to offer quality milk to all Chinese people as



early as possible.

YILI IS A FAMILY

THE LINK: What are the characteristics of Yili's internal management?

PAN GANG: According to the survey by the "2005 CCTV Chinese Employers", the sense of belonging of Yili's employees is the highest among all the surveyed companies. It means that Yili is not only a working place, but also a happy family for them. For me personally, this award touched me the most, because it was based on the recognition from our employees. I am pleased to see the team work and to get a family feel. The greatest achievement of a company is like that of a good brand in that they both produce a sense of belonging. In other words, a company is not only a workplace, but also a home for employees in spirit and in values. Yili creates a harmonious and pleasant working environment for the employees through a corporate culture. Yili holds various spare-time activities for them. There are also regular communication meetings where Yili's employees are encouraged to speak out those tough problems concerning the work or interpersonal relationship. It can help the staff clear up the misunderstandings and enhance the efficiency of their work.

Yili is people-oriented. Given that many talents are reluctant to work in the Western regions, we bring forward the principle of "three-keepings" in talent recruitment: they can keep their "hukou", social insurance and work location in the cities they come from. They can also telecommute through the com-

pany's network systems and video conferences. These methods dispelled their concerns and help them settle in the company.

In Yili, employees are well looked after. A welfare system is set up for the purpose, including shuttle buses, child caring, free lunches, libraries, clinics and so on. We pay special attentions to employees' health, offering free medical check-ups, free gym and free psychology consulting. The sta-

tistics show that the turnover rate in Yili is as low as 2.8% in 2004.

As a matter of fact, what we do in Yili is based on the belief that when the company seriously takes responsibility for the employees and genuinely regards them as members of the corporate family, they will, in turn, be committed to the company.

A good company should give the employees a strong sense of achievement. Generally speaking, the company should create space for their development and also provide a healthy and efficient incentive mechanism. When they are filled with the sense of achievement, they will enjoy working.

In our opinion, the relationship between the company and its employees is not as simple as that existing between a master and servants. Rather, a company's growth is inseparable with the development of the individual employee. You need to trust in them and give them opportunities to perform their gifts. Then, you will see the improvement of both the company and the people in it. In Yili, there is an effective mechanism to encourage employees to try new things and to allow them to make mistakes during the process of innovation. It is often heard that foreign companies are the training base of professional managers. I would say Yili is a training centre of entrepreneurial managers. By this, I mean we prefer to have people who have basic professional skills, but more importantly, have entrepreneurial spirit so that they may enjoy becoming part of our enterprise, committing to it and growing with it.

Yili is committed to building up a "learning organisation" and developing an effective training system. The training payment in 2005 reached over RMB 8 million and the average training hours for individual employer is over 60 hours a year.

Both managerial staff and technology staff have plenty of opportunities of promotion. Moreover, position transferring and responsibility increasing gives them both horizontal and vertical dimension of personal development.

BUSYNESS IS THE EXCUSE OF THE LAZY

THE LINK: The media dub you "the gentlemanlike general". You look more like a scholar than a businessman. You are keen on learning, for we noticed that it is the second time for you to attend the CEIBS programme. In 1999, you became an EMBA student of CEIBS and now you are the participant of the CEIBS CEO program. Why is it? What did you get out of these programmes? And how do you re-charge yourself?

PAN GANG: In the rapid developing market, a company usually went through three phases: the first is to create the brand and occupy the market; the second is to expand and bring down the cost; the third is to concentrate on management and improve the efficiency. Yili has entered the third stage. It is urgent for us to find the best way to improve the operation and management and keep a fast and steady growth.

For me personally, I see the increasing demand for a better management, especially in the dairy industry. More thinking is needed apart from more speed. Many companies have their problems deeply rooted in the poor management. For us managers, the most fundamental ways of self-improving is practice and learning. Learning gives me time to stop and reflect on the practices whereas practice gives me a chance to use what I have learned. The two are entwined profoundly. As the business environment and the organisation are ever changing, I have to keep learning. Then, the management can be adapted and readapted to the real context.

I am busy. But in learning, busyness is only an excuse of the lazy. Anyone who truly hungers for more knowledge will take every possible opportunity to recharge himself and therefore will keep moving ahead. **THELINK**



Fosun Experience: HR Management is the Key to Business Success

By Liang Xinjun

VOICE FROM ENTREPRENEURS

I'm very glad to be here and to share my experience with all the guests. Since we founded Fosun Group thirteen years ago, we've gone through all kinds of HR problems at different stages of development. When we started the company, we had to find talent not only with intelligence but also with passion. With the growth of the company, we had to solve problems arising between old employees who helped us build the business and new employees who helped us expand the business. When the company reached a certain scale, we had to build a strong HR system. Now our company is ranked 40th by profit among the top 500 Chinese companies, and the biggest taxpayer among Chinese private companies for three consecutive years. I believe that the key success factor is the outstanding management team we have. We admire each other and cooperate with each other. I also believe that to become a world-class company, we need to have a strong HR Management.

DEVELOPMENT IS THE KEY: CREATE AN ENVIRONMENT APPEALING TO TALENT

Different from many other companies, Fosun started from nothing more than a vision. The founders of Fosun Group didn't have money, connections, or any special technologies. But we were ambitious, willing to take risks and worked hard, so the people we recruited were of the same kind.

At the very beginning, when we set up this company, we developed an HR Management Strategy as followed: Attract talent by offering them room for development; Retain talent by building a promising business; Develop talent by giving them challenging work; Evaluate talent by their performance. Since then, we have maintained this strategy, and we will stick to it.

At Fosun, there are more opportunities for employees to improve their ability and develop their career. It is not only the strategy for a small private company like us to compete with foreign or big state-owned companies, but also the main reason for us to be able to attract talented people. We always encourage our employees to "pay more attention to the ability to improve, to future benefits instead of current benefits or the sense of stability."

Since this company was founded, re-

cruitment has always been the critical part of our HR management. To assess the value of talent is a difficult job, so we developed a philosophy of "investing in talent". Recruiting high-level talent is like making an investment. You have to do some research on that. There are two important things to be considered: The first is the potential value a real talent can create for this company. Is his skill complementary to the company? The second is his market value. How much other companies would pay him? All these years, our experiences told us that the investment we made in human resources is the most rewarding. For example, our real estate company once hired a Taiwanese professional sales manager and paid him ten times higher than the market price. Although it was only a two-year term, the advanced managing system he brought to the company was worth three to five times more than consulting fees.

When we decide to make an investment in some other companies, the quality of the management team of that company is one of the key issues we will investigate. We will only invest in a good company with team spirit.

The other important part of HR management is training and retaining talent. We created an "80-day conversation & memo with direct boss", which requires that the direct boss have one conversation with the staff members every 80 days, and then write a memo about it. The conversation covers the issues like job satisfaction, salary and work environment. We're doing this to make sure Fosun is attractive to our employees.

TEAMWORK: TEAM COMPETITIVENESS OVER INDIVIDUAL CAPABILITY

Once you get the talent you want, the next step is to make those talented employees cooperate with each other.

Because there are small chances to find a versatile talent capable to do a variety of jobs, we stress the spirit of teamwork. Ideally speaking, a good team leader should have four kinds of abilities: strategic judgment, professional abilities; management skills and leadership. But in reality, it's hard to find such a person. Therefore we focus on building a managing team. We analyse everyone's speciality and make sure the team members are complementary to each other, so our company becomes more competitive within a relatively short time.

To build such a team, we have to go through four different stages: Self-perception (identifying one's own weaknesses); recognising other people's advantages; dividing the work; and evaluating the performance.

Self-perception is very important. We adopted the "360 degree evaluation" in 1997 and have been practicing it since then. Direct supervisors, colleagues and subordinates are asked to give each other anonymous evaluation about strategic judgment, professional abilities, management skills and leadership. The result will be compared to the person's self-evaluation. And then, the direct supervisor will have a detailed conversation with this person, helping him to identify his weaknesses and other people's skills and talents.

After having this done, we go on to divide the work. We want to make sure that everyone clearly understands his responsibility.

Based on it, we build the performance evaluation system for individuals and teams to solidify achievements. In many cases, a bonus is granted to the team instead of the individuals. With the consensus of the team, the team leader can decide on the exact percentage of the bonus that each member can get. The details have to be reported at the beginning of each year.

Up to now, at the Group level, in addition to five co-founders, we added financial, HR and legal experts to our board. And this management team has been working together closely for over 10 years. We're also planning to add some independent board members. They need to be very famous both in China and abroad with experiences in steel, pharmaceutical and finance industries. We build relatively stable teams in different industries and in various portfolio companies. Of course, we also examine our teams from time to time to improve the structure.

SYSTEMATIC TRAINING: FOSTERING AND IMPROVING TALENT

"Peter Principle" tells us that people will advance to their highest level of competence and consequently get promoted to a position where they're hopelessly inept. Unfortunately, Fosun is no exception. In order to solve the problem, you have to push a manager to divide his work, build a team, and use someone else's skills to make up for his own shortcomings. In the

long term, you can either fire him or make him learn more. Fosun began to promote "learning organisation" in 1997.

The difficulty of the "learning organisation" is how to keep everyone motivated. The pressure from the company is necessary. But an employee's self-motivation is more important. Therefore, we extend the "360 degree evaluation" from top managers to employees, so that they can identify their own weaknesses and improve in those areas.

The other problem Fosun faced after our first five-year growth is how to integrate the company pioneers with the professional managers.

The veterans who helped us to build the company are loyal and passionate. But some of them couldn't keep up with the company's development after a while. Professional managers have expertise in what they do, but they're only loyal to what they do, not necessarily to the company.

In China, a large company cannot be built simply by the effort of the founding team. Professional managers are needed to help the company to grow. You can tell whether or not the company is mature by the relationship between the company veterans and the professional managers. For the same reason, you can tell whether or not a private company with a high growth rate has entered a stable stage by the environment created for the professional managers.

In order to retain the founding team and also recruit professional managers, we did the "360-degree evaluation" for all the top managers, helping them to identify their weaknesses. It took us almost a year. Then we came up with the idea of "inviting teachers". We asked those veterans to recruit professional managers to be their leaders, teachers and supervisors, so they could learn new things from those professional managers, improve themselves and catch up with the company's development. In fact, although some professional managers kept coming and going, they helped Fosun to build an outstanding team consisting of hard-working veterans with strong learning abilities.

In addition to "learning organisation" and "teachers", we also provide many "internship" opportunities to those talented young people with potentials. At Fosun, there are a lot of people who are less than 30 years old with several years of manage-

ment experience. Some of them have become key leaders of Fosun Group.

Of course, during these years, business schools like China Europe International Business School offer us another option. Since last year, the board of the Group has asked all the subsidiary companies to make a plan of sending to business schools the employees with entrepreneurial potential. We have also sent employees from the same team to the same school to study at the same time. In this way, you can quickly improve the current team and effectively train the successive team leader. Many subsidiary companies of Fosun have become leading powers in their industry, for the leaders in those companies indeed improved themselves by studying management in business schools. For example, Ms. Wei Feiyan was a famous marketing expert in the pharmaceutical field even before going to business school. She turned a small product into one of the best sellers in the gynecology area. The systematic education in the business school did help a talented person like her to make a dramatic progress. In Fosun's subsidiary companies, there are many good general managers and chairmen with great potential. If their experiences are combined with cutting-edge management concepts, it is bound to benefit the company in an amazing way.

Since Fosun's business involves a variety of industries, it offers a unique opportunity to talented employees to get different experiences across industries. We call it "job rotation training". Fosun Group aims to become a conglomerate with the ability to professionally manage businesses across industries. So on one hand, we stress that our professionals and subsidiary companies should stick with their specialty; on the other hand, we encourage our managers to try more jobs at the Group level. Our managers have gained more experiences and become more capable in the management positions at the Group level after the job rotation. For example, one of our board members was a deputy director of a state owned electronics factory. He came to Fosun and became a director of the administration department of Fosun Pharmaceutical. Now he's the chairman of a big listed retail company and board member of Fosun Group, in charge of HR and administration. The management experiences across the industries contributed to his job at the Group level.

Fosun always wants to send such a message to all the employees: We want capabilities and passion. We don't care so

much about the background and academic achievements. What we care about is the resources, the profits, the improvement of management and the culture one can bring to Fosun.

We set objectives for our manager development as followed: Quick adaptation, innovative ability, cost efficiency, one specialty with multi-abilities, a serving attitude, high Emotional Quotient and a global mindset

CULTURE GENES: FOSUN HR TRADITION

Fosun luckily had a great team when it started with all the core team members from Fudan University. During the first few years, Fosun's culture was similar to the American "Garage Culture" in Silicon Valley. It was about passion and grasping the business opportunities.

Nowadays, our employees come from everywhere; some are from state-owned companies, some are from foreign invested companies; some are from Shanghai, some are from other cities of China; some come back from overseas, and some have foreign nationalities. Fosun's culture becomes diversified. We're facing the challenge of cross culture management. But on the whole, we have a Fosun Culture featured four core values:

1) SHARING

Fosun would like to share its achievement with the society and with its team members. In our opinion, the best management system highly aligns shareholders' and managers' interests. We respect the people who create value for the company, and in order to show our respect, we encourage good teams to become Fosun's shareholders.

2) OPENNESS AND DIVERSITY

Fosun pays a lot of attention to culture management. Large scale of recruitment and acquisitions will incur cultural conflicts. We need to be patient, open-minded and tolerant. We try to understand each other and join our efforts together to achieve greater success. When we invest in other companies, in many cases, we have majority shares. But instead of sending out chairmen or general managers, we give portfolio companies significant decision-making authority. Usually, we only send financial directors to those companies. With proper incentive mechanisms and fusion of the culture, the managers from the acquired companies would grad-

ually accept it that they're part of Fosun as well. In this way, we can smoothly re-structure the company to achieve a high growth rate.

3) APPRECIATION

Appreciation is in every Fosun employee's heart. We routinely hold morning sessions for all the employees. At the end of the sessions, everyone has to say "from now on, we have to appreciate others, curtail our personal demands, always do our best and cherish what we have!"

We emphasise again and again our company's social responsibility. For example, in 2004, we paid tax of more than RMB3.5 billion. In 2005, from January to October, it went over RMB3.1 billion (including more than RMB2 billion from the companies in which we have majority shares). Every employee pays tax of more than RMB50,000 a year. We're proud of such an achievement. We tell our employees that, in addition to supporting our own family, every employee in our company also successfully helps our government to support another family with a pretty good living standard. We encourage not only our companies to share the achievement with our employees, but also encourage our employees to value the company in the way Fosun values our society. We're actively involved in all kinds of charity activities to express our appreciation.

4) TRANSPARENCY

Transparency is the basic principle for Fosun to deal with all kinds of internal and external relationships.

Fosun is the first Chinese private company to hire Ernst & Young to do the auditing work. Fosun Group is not a listed company, but we provided the auditing result to all our creditors and supervising organisations. We're also the only private company in China to hire S&P and Moody to do our rating, so that the public, investors, and the government can see Fosun clearly.

For the same reason, we ask all the portfolio companies to be transparent and to obey the rules in business.

When it comes to personal relationships, we don't like "inner-circles". For example, most of the co-founders of Fosun are from Zhejiang and graduated from Fudan. When we just started Fosun, some employees asked for special treatment just because they're from Zhejiang or graduated from Fudan too. We asked them to



leave. We like simple relationships. We treat cases differently, but not employees. What we care about is contributions, not relationships.

I mentioned the "360-degree evaluation" earlier on. In Fosun, it has been very easy to promote this evaluation mechanism, especially among middle to lower level employees. We didn't hire any independent evaluator. The detailed conversation conducted between the direct supervisor and the employee worked perfectly well without any negative consequences. In Fosun, employees can report to a non-immediate boss. All the corporate emails can be copied to the biggest shareholders. These rules might scare some other companies' leaders. But at Fosun, they were adopted very quickly. The reason for it is Fosun's culture of transparency and honesty.

OUR CURRENT TASKS

We know we have to do a lot more on HR management, especially in the following areas.

- Succession planning. Fosun has realised the importance of having a talent pool of high-level managers. But we just started this job, and haven't set up the standards for related practice.

- Recruitment of global talent. We have some experiences in it, but given the

company goal of going global, we've got a long way to go. We might face bigger challenges of recruitment and cross-cultural management.

- The information management system hasn't been built up yet.

Fosun developed the idea of "boundless communication of information and resources". But we haven't really built up a sharing system across the portfolio companies, industries or areas.

- Fosun aims to become a conglomerate with the ability to professionally manage businesses across industries. The challenge in HR management is not only the specialty, but also the ability to restructure the resources in the portfolio companies. Only with successful HR management, can the advantage of Fosun's human resources be fully leveraged.

All the above are some thoughts and practices of Fosun's HR management. We sincerely hope all the experts here can give us more advice on Fosun's future development. **THELINK**

The author is Vice Chairman and Vice President of Shanghai Fosun High Technology Group. This article is based on the speech given by Mr. Liang at the CEIBS' "HR Leadership Forum" on December 16, 2005.

THE CEIBS MBA NO. 1 IN ASIA FOR THE THIRD CONSECUTIVE YEAR

A press conference was held at CEIBS in the morning of February 10, 2006, to announce that CEIBS had moved one slot ahead, to the 21st, in the *Financial Times* world's top 100 MBA programme ranking list. So far, CEIBS MBA programme has maintained the first place among Asian business schools in the ranking for three consecutive years, and has been listed in the FT 100 for five consecutive years.

The other two Asian schools listed this year are the Business School of Hong Kong University of Science and Technology (ranked 47th) and the Business School of National University of Singapore (ranked 92nd).



In this year's global MBA ranking, CEIBS moved ahead in 8 criteria, of which the following five got the greatest leap: weighted salary in the third year after graduation (ranked 9th), women students (ranked 16th), faculty with doctorates (ranked 48th), international faculty (ranked 8th), and FT research rank (ranked 71st).

Meanwhile, CEIBS remains strong in other traditionally well performed areas, like employment at three months after graduation (ranked 3rd), salary increase during three years after graduation (ranked 3rd), international experience at school (ranked 13th) and international directors (ranked 15th).

THE STRENGTH OF CEIBS PROVED AGAIN

— Professor Rolf D. Cremer, Dean and Vice President of CEIBS



Over the past few years, CEIBS' MBA programme has been continuously moving upwards in international rankings of business schools. In January 2006, CEIBS' MBA programme was listed 21st among the world's business schools in the most prestigious *Financial Times* ranking.

Each year, the *Financial Times* collects data from business schools and business graduates from all over the world. All sources of information are checked diligently by the *Financial Times* for accuracy. No school can afford to provide incomplete or inaccurate information. And no school will ever do, as the loss in reputation would not be recoverable.

This year's *Financial Times* ranking sees CEIBS' together with some of the finest business schools world-wide, for example UCLA's Anderson School of Business (USA) ranked 19th, Oxford's SAID Business School (UK) 20th, HEC (France) 22nd, and Erasmus University's RSM (Netherlands) 24th. Only two other Asian business schools are listed in the ranking: Hong Kong University of Science and Technology (47th) and the Business School of National University of Singapore (92nd). The Chinese University of Hong Kong which was in the ranking list last year does not appear this year. This means that CEIBS' MBA programme remains the first among Asian business schools.

What are the success factors that have taken CEIBS into this group of elite business schools?

There are four main factors contributing to CEIBS' success. The first factor is the success of our graduates. The survey takes the "market value" of graduates as an indicator. According to a survey carried out by McKinsey in China, over 70,000 managers are needed to meet the needs of the business sector. The search for quality managers is also reflected in the increasingly high salary our graduates can expect upon graduation. The value of our graduates enhances the value of China's whole business world and also adds value to China's whole society. Therefore, an important part of the success of CEIBS in the *Financial Times*' ranking has to be attributed to our graduates.

The second factor is the quality and

composition of CEIBS Faculty. Through the internationality of the CEIBS faculty, their high qualification and experience, and through the relevance and quality of their research, our Faculty has influenced the up-ward move of CEIBS in the rankings. For our clients, it is important that our research has a China focus and at the same time provides an international outlook. The results of the *Financial Times* 2006 MBA ranking show once more, that there is no other business school in the Asian region that has the same quality of international experience and international faculty that CEIBS has.

The third important factor that the *Financial Times* considers in its ranking of MBA programmes is how readily the market accepts the students; in other words, how quickly the graduates can find a job in the market after graduation. CEIBS graduates are more successful in this category

than the graduates of any other business school. We have been among the top three business schools in the world for several years already regarding this element of the *Financial Times* ranking.

Fourthly, in many countries it is still men that hold powerful and influential positions in the business world. CEIBS however has an excellent reputation internationally for its high percentage of female students. We are proud that we have trained these young women who are valued not only in the business world but also in society for their contribution.

CEIBS participates in leading international business school rankings to send a clear signal to the market about the quality of its students and faculty. Through this, the school contributes to the growing reputation not only of CEIBS, but of the quality of business education in China.

THE STRATEGY OF "BEING THE FIRST AND THE BEST"

— Professor Wang Jianmao, Academic Director of CEIBS MBA Programme

The secret of CEIBS' success lies in the persistence in the following areas: the principle of "conscientiousness, innovation, and excellence"; the approaches of serving the market, going global and targeting high-profile candidates; the global dimension that no other domestic busi-

ness schools can surpass; the Chinese perspective that no other international business schools can exceed; and the strategy of "being the first and the best" in every aspect.

In practice, CEIBS boasts several features that lead to our outstanding performance:

Firstly, CEIBS is the first business school in mainland China recruiting faculty globally. The rule of the market economy requires the business schools to provide what the market asks for. That is why business schools have to be market-oriented. Recruiting faculty from the international market guarantees the quality of the faculty team. Many of CEIBS' faculty members are academic stars in various areas of business and man-

agement. The Chinese professors take up over 50% of the whole faculty, while all the non-Chinese professors have over twenty years of experience of teaching in MBA programs.

Secondly, CEIBS is the first business school in mainland China to set up a closely-knit network of students and alumni. At the moment, the number of all our students and alumni has gone beyond 4,000. As far as the MBA network is concerned, there are three levels:

On the first level, the full-time MBA programme provides sufficient time of communications for students. Unlike the part-time MBAs, who normally go home right after the class, the full-time MBAs spend almost every day together. In this way, they improve their mutual understanding and develop friendship. In addition, we regroup the classes regularly to further promote the communications among them.

On the next level, students of different years could have six months overlapped time to know each other, since each individual programme runs for 18 months. Apart from it, various clubs consisting of students from different years and classes provide more platforms of communication. We even created, for the first time



in mainland China, the "mentorship programme", for more interactions between MBA and EMBA students.

On the third level, one can find the alumni department and the alumni associations throughout China, together with various activities organised by the alumni. All these are effective channels through which both students and alumni can learn more about each other. Also, because the EMBA programme at CEIBS has far more participants than the MBA programme does, the percentage of more senior, more experienced and elder alumni is far bigger than that of any other business school. Therefore, CEIBS can boast the most valuable alumni network among

the business schools in mainland China.

The next success factor lies in the scientific and rigorous enrolment procedure. We adhere to it that the applicants must have at least a bachelor's degree and a full-time working experience of two years. During the last 11 years, we have been applying a comprehensive, objective and fair system to the assessment of each individual candidate. CEIBS is the first business school in mainland China to introduce the essential procedures of interviewing and application verification, which very effectively identify the real abilities of the candidates to ensure the quality of our students and also prevent cheating.

Moreover, CEIBS is the first business school in mainland China to design some special courses so that the MBA curriculum can genuinely combine theory with practice, Chinese culture with Western culture, and hard tools with soft skills. One example among others is that Chinese Economics and Business Ethics are made compulsory courses. Also, we have established exchange programmes with over 30 world-renowned business schools, two third of which are ranked among the top 50 business schools in the *Financial Times* global ranking.

Last, but not least, CEIBS is the first business school in mainland China to set up a professional career development centre to serve our MBA graduates.

THE PUZZLE OF "WHAT TO CHOOSE?"

— Ms. Clara Tan, Director of CEIBS Career Development Centre

Over the last three years, CEIBS MBA graduates have been doing very well in the job market. Globally speaking, they are also in the leading positions in quite a few indexes. The number of companies coming to CEIBS for recruitment has increased by 44% in the last three years. Take this year as an example, more than 230 companies provided offers to our graduates. Some of them even set the presentation day two or three months in advance, in order to get the best timing to contact our students. All those companies brought numerous job opportunities. Hence, the graduates of MBA 2004

programme were facing the puzzle of "what to choose?" other than the question of "what are the options?". They wanted to know how to find the suitable job that would most help their long-term career development. In these three years, there has been a sharp rise in the number of both recruiters and offers. The annual salary of MBA graduates has been going up by 15% to 20% each year during this period. The average annual pre-tax salary of MBA04 graduates is close to RMB 300,000.

As far as this year is concerned, the top three sectors which the majority of CEIBS MBA graduates flow into are industry goods, consultation, and finance. Looking back to the last three years, one may find that the biggest number of graduates has consistently joined the industry goods sector. But the demands from consulting and financial sectors are rising, especially the demand of high-profile MBA graduates. This

reflects the increasing demand of talent in the service industry.

A simple analysis of statistics related with CEIBS MBA graduates reveals the following success factors. The first one is the economic factor. Economic globalisation and rising status of China push more and more multinational companies to move their Asia-Pacific headquarters, R&D centres and procurement centres to China. This generates a huge demand of well-qualified talent. After joining WTO, China gradually opens the markets, including those of logistics and finance. These industries, therefore, start to ask for more qualified employees. In addition, some medium or small size companies take turns to enter China's market and make big impact on the job market, for they begin to compete with those big companies in the same industry for the top talent.

Another factor can be found in the quality of our graduates. As Professor Wang mentioned earlier, CEIBS pays much attention to every aspect of the MBA programme, especially to enrolment and curriculum, so that the best candidates attend the MBA programme. We did a great amount of surveys among the employers and found out that they were all satisfied with the performance of our graduates. Our graduates excel in communication, analysis capability, learning ability, language proficiency, and international perspective. All these bring enormous value to the companies they serve.



THE QUESTION OF "WHAT COMES NEXT"

— PROFESSOR ZHANG WEIJIONG, VICE PRESIDENT AND CO-DEAN OF CEIBS

CEIBS MBA programmes has been moving forward rapidly in the international rankings in recent years. Up till now, it has been ranked the first in Asia for the third consecutive year. However, this movement seems to slow down while going further up. We are asked about the potential bottle-necks in CEIBS' future advancement in the rankings. Actually, this is a question

that keeps nagging us ever since the result of this year's ranking was announced.

It is fairly easy to achieve 80% of one's potential, if a correct method is adopted; but doubled efforts are needed to achieve 90%; for 95%, the efforts will be 4 or 5 times that of 90%; to reach 99% or even 99.9% of that potential, geometrically increasing efforts are required.



As to the top 20 business schools ahead of CEIBS in the FT ranking this time, they are all prestigious institutes with long history and abundant experiences, such as INSEAD, the London Business School, Kellogg School of Business at Northwest University, Columbia Business School, University of Chicago Graduate School of Business, the Wharton School of the University of Pennsylvania, Harvard Business School and IESE.

Regarding the faculty, the funding, the size, the history, and the environment of business education (i.e., the national development and research in management), there are gaps between CEIBS and the schools listed above. As I often said, the FT rankings only take into account 20 indexes whereas creating a good business school requires much more than that. Those ranked among the top 20 surely excel in more than 20 aspects!

Therefore, to move even one more slot ahead means multiplied efforts for CEIBS. First of all, we have to analyse all criteria in order to gain a profound understanding of the real situation: what are the areas that CEIBS could improve on; what are those that CEIBS cannot catch up with the top business schools within a short period of time; in what aspects CEIBS can make the best of China's fast development; and in which aspects we are stronger than others, etc. Based on this self-assessment, an action plan can then be made.

Practically speaking, we first need to do some solid jobs of improving the performance in every aspect, not just those related to the indexes used by the FT rankings. Next, we have to learn more lessons from schools ahead of us. One case in point is the kicking off of the Global CEO programme jointly run by CEIBS, HBS and IESE. Through this joint project, we can learn from both business schools the experiences of programme operation including curriculum designing, daily service, and faculty selection. Also, during the conference in the USA around the Spring Festival, our Administrative Director of the MBA Programme ran into MBA directors from other famous business schools like University of Chicago Graduate School of Business and Columbia Business School. She opened talks with them about establishing exchange programmes, which is another way of learning.

The MBA programme is the flagship programme of any business school. And we will continue to strive for greater progress. Being in the current position, CEIBS is facing more pressure and competition. But we will move forward steadily with full confidence and look forward to better performance next year.

<< THE PUZZLE OF "WHAT TO CHOOSE?"

The outstanding performance of our alumni in the job market and the satisfaction of their employers help greatly for the return of the recruiters to CEIBS.

The third factor is the effort on the school level. CEIBS has always been closely following up the trend and move of the job market, including the development and direction of China's economic development. The curriculum of the MBA programme is readjusted in line with the changes of the market. For instance, to accommodate the demands on both the financial and consulting sectors,

CEIBS offers a joint course with the well-known management consulting company A.T. Kearney. We also launch financial forum, add finance concentration to the programme, so that the students are provided with learning opportunities to acquire some systematic and professional knowledge before entering the financial sector.

In a word, it is the perfect timing, the helpful environment, and the great efforts that make CEIBS' achievement.

Treating Chinese Economists Fairly

By Liu Ji

How do we identify those economists who have done the best? I reckon that academic achievements acknowledged by the peers in the field are legitimate grounds for our recognition. It is unacceptable that a public opinion poll or a scholar in other disciplines gives the final say on this issue.

Recently, some media bombarded the public with "public credibility of economists". The story began with a comment made by a certain professor in Hong Kong that there were less than 5 qualified economists in China. It was followed by a poll conducted by a newspaper, who claimed to discover that over 80% of China's public supported the Hong Kong professor's observation. The poll also showed, according to this newspaper, that among many economists known to the public, only 2 of them won public credibility of over 10%. They are Professor Wu Jinglian and Mr. Lang Xianping who is in Hong Kong. The latter was unthinkable 40% ahead of the former.

First of all, we have to ask what an "economist" is. Strictly speaking, there is neither official definition nor professional certification for the title. However, it is generally accepted that many of these terms with the same affix of "-ist" refer to the following groups of people: professors appointed by universities and colleges; research fellows in well established research institutions; and members of



leading professional associations. These people all contribute to the academic weight of organisations they belong to. In this view, China has no reason to feel ashamed, for it has as many economists as scientists among other "-ists". Indeed, various economists make various academic achievements and various social impacts. Therefore the degree to which they are known to the academic world and even to the public is varying. Whatsoever, whether a person is a qualified or excellent economist has to be decided by his academic achievements acknowledged by his peers. It is not an issue that can ever be determined by any survey or any expert in other disciplines. Economics, as an academic discipline, is a serious topic. He who knows little about economics should pay due respect to an economist, as he does to a scientist or any other "-ist". This is what I regard as a "scientific attitude", or in other words, "a fair treatment".

The second question I would like to raise is what "public credibility" means. Again, no official definition or evaluating approaches could be found. A survey could serve as a way of measurement. But a survey itself is a science in the fact that it requires scientific methods and processes (e.g. the Delphi Method). It has to be painstakingly designed and in some cases the results need to be notarised. Such is a stark contrast to the practice of asking some random questions, issuing several questionnaires or making a number of phone calls. Take for example the target group in which the survey of economists' public credibility was carried out. The group should not be randomly chosen or blindly inclusive. Rather, the "public" here is expected to be related to economic issues in this or that way and have minimum knowledge of economics, such as people in business world, in economic arms of governments and in academic institutions connected with economics. Even if the opinion poll brings in those who are not related to economics in any way, they should be at least college graduates. Otherwise, how could they make rational judgment on economic issues? Also, given the disparity of responses from different groups, a weighted average should have been made to the preliminary result of the poll. In a word, without a scientific method, the so-called survey is very likely to draw an irrational conclusion misleading both the public and governments. The result of the recent poll on economists' public credibility claimed that the public in China accepted merely 5 economists as "qualified". I personally

doubted this "public opinion". I was even feeling sad that the Hong Kong professor won the highest public credibility. Though having never been well recognised by his peers around the world, this professor is adept at making his name known to the public. Has he done anything for China's economic reform and development in the last 30 years? I cannot think of any. What, then, does this "public credibility" come from? What on earth is the "public credibility" he earned? It could have been nothing other than his sensational observation in 2004 that state-owned enterprises could have excellent performance and did not need a transformation. According to him, China's economic reform caused a great loss of state-owned assets which were ruthlessly devoured by new bosses of those state-owned enterprises. Thanks to some media, more stories were spun off from all these comments. This professor originally came from Taiwan and did his degrees in the USA. I wonder why he never advocated state-owned enterprises or public-owned economy in the USA, Taiwan or Hong Kong, considering his undiminished enthusiasm towards state-owned enterprises in China. He has never lived for a substantial period of time in socialist China, neither has he ever worked or laboured in any state-owned enterprise in China. Never has he conducted any serious and systematic investigation on these enterprises. How then could he propose any accurate or even relevant suggestion on their reform? This reform is one of fundamental strategies formulated by the Communist Party of Chinese (CPC) and China's Central Government, counting the most essential part of building up a socialist market economy. True indeed that during this reform some state-owned assets were lost. It has been a disturbing problem raised by quite a number of Chinese economists over the years. I myself have done some related researches and discovered that there were as many as 27 ways to lose state-owned assets. Both the State Council and its Commission of State-owned Assets Supervision and Administration are continuously taking measures to prevent and correct the problem. I would like to know how many original and valuable suggestions this "renowned" professor has put forward to contribute to solving the problem. Ironically, nothing could be found in this regard. What then is the nature of the "public credibility" owned by him?

One thing I never doubt is that Chinese economists have made surpassing contribution to China's socialist economic

development and reform. It is Chinese economists that stood out in the earliest time to suggest that socialist China need to develop commodity economy and market economy. The most outstanding examples are Sun Yefang and Gu Zhun, who suffered from ruthless persecution by the extremist left line in the CPC even to the point of death. For the sake of the nation and the truth, Chinese economists like these have paid the highest cost of their own lives. Since the opening-up and reform, many more Chinese economists, among whom Wu Jinglian took leading as both friend and student of Sun Yefang and Gu Zhun, followed the path of their predecessors. They courageously endured unfair judgment and criticism from both the extremist left and right lines for the last 30 years (we only need to have a quick review at the overwhelming criticism of market economy in almost all newspapers and magazines during 1991). They spared no effort to advocate the market-oriented reform of socialist economic system and have been totally committed to working out related policies and measures. Wu Jinglian was dubbed "Market Wu" for this very reason. The CPC, led by Mr. Deng Xiaoping and his wise successors, has been pooling resources from all over the country, which of course includes the intellectual input of economists, to readjust the direction of China's socialist reform and development. Without such a collective effort, the 14th National Congress of the CPC would not have set the goal of reform as building up "a socialist market economic system", neither would China's economy have made such tremendous progress nor would Chinese people have benefited from considerable improvement of living standards. It is widely accepted in China that practice is the only way to examine the truth. In the same way, history itself has offered the most concrete evidence for the great public credibility enjoyed by Chinese economists.

In the last year and more, a strange and disturbing phenomenon has swept over quite a few newspapers. Several self-professed "grass-root economists" waged a war against what they called "mainstream economists". If they truly took economics as a science, they wouldn't have failed to understand that different academic views are generated as a very natural and healthy result of scientific research, and that all these views can be debated equally and rationally. Man is born equal before the truth. There is no such a thing as the distinction between "main-stream" and "grass-root", let alone the one between

“high” and “low”. Where is this “mainstream” economics from? Reading between the lines, I come to figure out that it refers to officially accepted economic theories, which are regarded by the public as the “mainstream”. In today’s China, “main-stream” economics would include all economic theories that support the epoch-making reform of socialist economy and the opening-up policy initiated by Mr. Deng Xiaoping. Those so-called “grass-root” economists wrote articles and boasted to be the school of “rethinking the reform”. They said that “mainstream economists misguided China’s reform”. It disclosed the genuine intention of their criticising “mainstream” economists: they are actually against China’s socialist reform initiated by Deng Xiaoping for the last 30 years. But it had turned out to be a doomed campaign, arousing little public attention. Then, more direct attacks on the economists followed. The Hong Kong professor I mentioned earlier made a shocking statement that less than five Chinese people could be counted as qualified economists, and that a few well-known economists could not even reach the standard of an American postgraduate. Seeing that the statement lacked substantial evidence, he tried to defend himself by excluding from the category those of older generation and those who got degrees from the USA. It only caused more confusion. The next to come was the public opinion poll on “public credibility” of Chinese economists carried out by a certain newspaper, designed to echo the comment made by the Hong Kong professor. Ironically, “grass-root” economists were also struck down by this survey. Adding to all these was a more aggressive notion from other media that economists had been corrupted and degenerated into the spokesmen of the interest group they belonged to. Reports were circulated claiming to have discovered some certain economist-millionaire and therefore denying his legitimacy of an economist-for-people. I have to acknowledge that any group has corrupted members. Chinese economists, as a group, are no exception. There is no guarantee that no one in this group is paid by an individual, an enterprise or an interest group to serve their selfish end. Disclosure with evidence will be more than welcomed. Nonetheless, I venture to say that generally speaking, Chinese economists keep a high moral standard. Their first and foremost concern is their country and their people, to serve whom they have devoted all their intellectual power. The majority of them live a humble or relatively comfortable lifestyle. Even if they are well-off

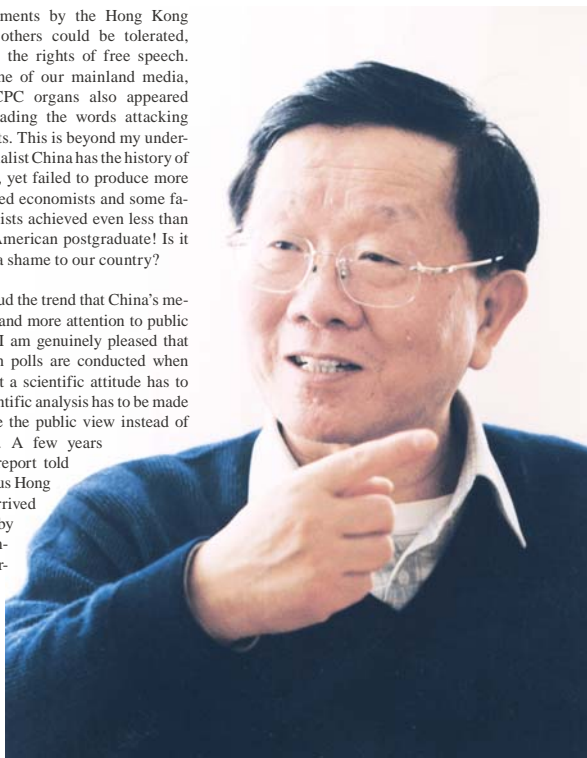
and counted as middle-income class by their honest work and intellectual contribution, what is the problem with it? Isn’t it in accordance with the very policy of “continuously expanding the middle-income class” clearly defined in the 16th National Congress of the CPC? Is it a good sign of China’s booming economy if professors in China failed to become the first group of middle-income class? Some writings by the opponents raised the point that economists worked as independent directors in a company and so were undoubtedly spokesmen of the capitalist employers. Obviously, the authors of these articles lack basic knowledge of independent directors. The system of independent directors is set by national laws. What are these people trying to attack? Most Chinese economists work as independent directors in state-owned enterprises. Who is the capitalist employer they stand for? Also the law requires that the legal duty of an independent director is to protect the interests of common shareholders and social public. It is no doubt that the Hong Kong professor earns much more extra money than mainland economists do. If honestly following their own logic, these writers should press the question further: who pays this professor to speak out?

Any comments by the Hong Kong professor or others could be tolerated, for they have the rights of free speech. However, some of our mainland media, even some CPC organs also appeared keen on spreading the words attacking our economists. This is beyond my understanding. Socialist China has the history of over 50 years, yet failed to produce more than 5 qualified economists and some famous economists achieved even less than an ordinary American postgraduate! Is it an honour or a shame to our country?

I do applaud the trend that China’s media pay more and more attention to public opinions and I am genuinely pleased that public opinion polls are conducted when necessary. But a scientific attitude has to be taken. Scientific analysis has to be made so as to guide the public view instead of misleading it. A few years ago, a news report told us that a famous Hong Kong singer arrived in Shanghai by air and was immediately overwhelmed by his fans who strived to shake hands

with him, to ask for his signature and to fly enthusiastic kisses to him. A contrast to this hustle and bustle was the quiet greeting from a few people of academia to Professor CN Yang who followed the pop star to step out the aeroplane. A reporter told some fans that the elderly person behind the star was a Nobel laureate in physics. Sadly, the young people responded, “What did he do?” They even added, “Winning a Nobel prize, so what?” If the survey on Chinese scientists’ public credibility was done among these young people, I bet Professor CN Yang would not be short listed. If a similar survey is conducted for Chinese news media, I am sure the score would be even lower than economists. What about Chinese politicians? I understand well that media never dare to do this. Unfortunately, the most secure target for public humiliation seems to remain Chinese economists. Isn’t it agreed by all that a scientific perspective of development is the fundamental principle in China? If so, why don’t we develop a scientific attitude to all that we are dealing with? Why can’t we treat our economists with such an attitude, i.e. treating them fairly? [THELINK](#)

The author is Honorary President of CEIBS.



Indian Experience & Chinese Perspective: International Expansion of Pharmaceutical Industry

By Aaron GONG

Despite the fact that China outpaces India in economic development, the Indian pharmaceutical industry excels in the international market while Chinese companies lag behind. Why is this? What lessons may the Chinese learn from their neighbour in this regard?

COMPARING THE PHARMACEUTICAL INDUSTRY IN TWO ECONOMIES

Continuous economic growth has made China the factory of the world. Close behind China, India is accelerating reform and developing its economy, with an ambition to catch up to, and even exceed, China. The 2005 research result of A.T. Kearney indicates that India has become the second most attractive foreign direct investment destination in the

world, behind only China (PAUL AND JONATHAN, 2005).

However, the economic development gap between China and India remains substantial. China’s economy is twice that of India. China has enjoyed a long term GDP growth rate of 9% - 10% versus India’s 6% - 7%, and China’s per capita income is more than double India’s. Moreover, China exports 6 times what India does (FORTUNE, Oct. 2005). The Indian economist, Dr. Swami, also an economics professor from Harvard University, believes that “the development of India is at least 10 years behind China”. However, Indian pharmaceuticals companies have established markets globally for their products, which is far ahead of their Chinese counterparts. More importantly, some Indian companies, such as Ranbaxy, are positioning themselves as a world-class enterprise with a real global vision. According to Dr. Jing Zhongren, “In developing international markets, Indian pharmaceuticals companies are three to five years ahead of China.”

Further examination finds that India has obvious advantages in regulation and registration, international marketing, overseas sales management and pipeline innovation. There is no Chinese product line or new chemical product that has been certified by FDA (Food and Drug Administration) while India boasts more FDA-approved labs and plants than any other country outside the U.S. (FORTUNE, Oct. 2005). In India, more than 20 manufacturers have received FDA certification and more than 100 products have been approved by the FDA (XU, 2004).

Also, products exported by the two countries are of different added value. Exports of the Chinese pharmaceuticals industry consist mainly of raw materials and API (Active Pharmaceutical Ingredients), which comprise more than 50% of the total export of raw materials, medicines, biological products and medical equipment. However, India exports 60% of the products it manufactures, and 15% of finished products are sold over-

seas, making a higher profit margin. This is because the leading Indian manufacturers have solved the problems of registration and certification.

Moreover, the market structure is different. Indian companies not only establish their businesses in America and Europe, but also sell many products to developing countries in Africa and South America. Ranbaxy, for instance, sells its products in more than 100 countries including Brazil, Russia, etc. In the past three years, almost 50% of Ranbaxy's sales revenue came from overseas market, and one-third from America.

Additionally, Indian companies are pushing ahead in translating their generics-manufacturing-based experience into branded products innovation, while China is still labelled as a raw materials supplier. On one hand, in India many of the newly launched products or under trial products are the fat patents expired in EU and America, or top fifteen blockbusters expected to be expired in five years. On the other hand, some Indian pioneer pharmaceutical companies like Dr. Reddy's, invested 15.5% of their revenue in R&D to identify and screen new molecules.

IDENTIFYING THE CRITICAL SUCCESS FACTORS OF THE INDIAN PHARMACEUTICAL INDUSTRY

The critical success factors of Indian pharmaceuticals can be examined from both the macro level of industry environment and the micro level of enterprises.

Among the macro factors the first to consider is that the Indian economic development model is more suitable to the growth of the pharmaceuticals industry. China's economy has been relying on its industrialisation, investing in manufacturing capacity and supplying the national demand. However, India's development is based on economic systems, and has emphasised service segments. (Table 1). Therefore, the potential of the Indian economy is driven by: a British-heritage-based language, the societal system, managerial techniques and the culture, while development of the pharmaceutical industry is driven by societal development and innovation. (Table1)

Second, the industrial environment helped boost the pharmaceutical business. The Indian government provides in-

Table 1: The Different Economic Structure Choice of Indian and China

The Economic Structure	India		China	
	1990	2000	1990	2000
First Industry Agriculture	31.3	24.9	27.0	19.9
Second Industry Industry	27.6	26.9	41.6	49.9
Third Industry Service	41.2	48.2	31.3	30.2

Source: Indian Ministry of Finance, Economic Survey

centives for exporting API, and waives, or exempts, export taxations to establish the international vision. To investors, India is more attractive than China because of its better corporate governance, more regulated financial disclosure, more transparent IPR protection and more business friendly, legalistic environment. In 2002, foreign direct investment in the Indian stock market amounted to seven billion dollars. Actively-involved overseas investment, together with government incentives and enterprise aggregated resources all contributed to development of the pharmaceutical industry.

Finally, uniqueness lies in the exceptional patent protection regulations in India. Since 1972, Indian companies felt free, even encouraged, to copy patented products and produce the generic version without worrying about accusation and prosecution. Cipla, the third biggest Indian pharmaceuticals company, is a beneficiary. In 1993, Cipla started supplying AZT products at a price 1/5 of that of MNCs to support the poor HIV/AIDS patients in developing countries. Since then, Cipla developed a 'three in one' combined therapy for cocktail treatment, and further reduced the treatment cost to 1/12 and 1/20 of that charged by MNCs. With support and certification from the WHO, Cipla is now selling its products to more than 90 countries including Africa. Even though TRIPS took effect on Jan 1, 2005 in India, the accumulated expertise in manufacturing and state-of-the-art facilities make today's India competitive and well-equipped with ready-to-rocket potential in innovation.

On the micro level of

enterprises, there are also huge differences between companies from China and India.

The ownership issue has to be addressed first. For China's SOEs (state-owned enterprises), unclear ownership and capital structure have prevented the enterprises from being revived. In recent years many POEs (privately-owned enterprises) have emerged. Due to the short history of POEs, most of them are facing difficulties such as inadequate industrial and managerial experience, weak technical preparation and inadequate capital aggregation. In India, more than 60% of listed companies have no government share and most big pharmaceutical companies are family-run but publicly listed, such as Dr. Reddy's. In such a context, the enterprise's property is directly related to private fortune and interests, therefore the resources are utilised better while the enterprise is more efficiently managed.

Second, different phases of development and entrepreneurship have obvious impacts on companies' vision and strategy. With a history of a market-oriented economy in India, private businesses were persistently encouraged and entrepreneur-



ship was continuously revived with ongoing privatisation. As a result, Indian companies have a longer history and a deeper understanding of international markets. They make better use of the regulations and policies of international markets as a result. Indian companies understand innovation better and develop their vision and strategy based on their years of experience in the industry and the market. (For details please refer to Table 2). Over the past thirty years, they went through a "three-stage-development":

- Stage 1: Copying patents and producing bulk raw materials and generics. At this stage, Indian companies aggregated extensive capital and experience, together with growing expertise and multiplied formulation capacities.

- Stage 2: Developing international markets. By taking advantage of specialisation in the international markets, companies reformed the industry and re-allocated their products and resources to cater to both domestic and international demands. During this stage, the big companies transformed themselves from bulk exporters to generics exporters and international marketers.

- Stage 3: Seeking extensive international cooperation in products and technology, including world-wide investing and financing (M&A), strategic cooperation (technology transferring), research cooperation (R&D or CRO) and manufacturing cooperation (licensed manufacturing and supply chain etc.). Meanwhile, they targeted R&D of new active molecules. For instance, in 2003 Ranbaxy acquired the ROG from Aventis, enabling entry to the French market. In 2004 Ranbaxy invested heavily on drug discovery as a part of its plan to increase the annual sales to \$5 billion by 2012.

On the contrary, Chinese private business owners lack managerial experience and sufficient information on overseas markets due to the short history of en-

terprises. Although most of them have expressed different considerations or commitments regarding international expansion, they still have to seek help and expertise to further expand and sustain their business. (Table2)

Third, Indian companies place a higher priority on applying technologies and expertise to business management which reward the companies with lower costs. For example, Ranbaxy has established a so-called 'superior-risk-management based on cost-effectiveness' model, which makes it possible to discover a new drug at the cost of \$1,200-1,800 million, while their counterparts in the West would need a budget of \$5,000-8,000 million.

Fourth, India has more talent available for business. The McKinsey report pointed out that India has more experienced executives and trained engineers available in terms of both quantity and international profiles. In addition to this, the Indians have the advantage of language background and deeper international understanding. In comparison, Chinese SOEs and booming POEs are lacking the resources to compete with MNCs in attracting and retaining savvy executives.

LEARNING LESSONS FROM INDIA AND PLANNING FOR CHINA

With a vision set on the international market, leading Chinese pharmaceutical companies declared "external learning from India, and internal learning from Hisun (Hisun is one of the largest bulk API manufacturers in China)" when planning their strategy. The question is: what are the lessons we can learn from India's success?

Core competence must be identified before entering the international market. In the three-stage-development process, Indian companies established different competencies and competitive advantages during different stages. From a realistic

point of view, the core competencies of Chinese companies probably include special API, low cost R&D, upstream supply chain or off-shoring service. Tasly, a Tianjing based top pharmaceuticals company, is striving to establish its competence in TCM (traditional Chinese medicine), R&D and formulation expertise.

A clear strategy tailored to specific enterprises should be created and well defined. Most Chinese companies simply take some vague slogans as their strategy and therefore have neither a map nor a compass for their risky journey into the international market. Gordon R. Orr pinpointed the problem that international expansion is good, but not for every company, "to most, the least appealing choice is to continue along the present lines and run the risk of becoming, at best, a leading regional player." Specifically for pharmaceutical companies, most don't even understand their own enterprises well enough. Mr. Lu Chunming, selling anti-malarial Dihydroartemisinin in more than twenty African countries, has a better understanding of the looming challenges: the bottleneck of Chinese companies is more than the registration barriers, as registration is only the beginning. The product pipelines, international marketing, cross-cultural branding and distribution all have to be tackled by inexperienced Chinese players. Therefore, once deciding to go global, the Chinese pharmaceutical firms should be committed to the venture by investing in market intelligence, product innovation, and continuous quality improvement so as to improve their core competence. Here is another case. Artemisinin, a Chinese-owned intellectual property, and HIV/AIDS products made in China have not received any WHO certification yet; as a result they are not qualified to bid for Global Fund procurement. However, Cipla, an Indian company, has already received WHO certification for all its generic HIV/AIDS products and is supplying their products to more than ninety countries. Being unfamiliar with international game rules is

Table 2: Indian Pharmaceuticals Companies Investment on R&D(2005)

Company	Revenues 2004 in millions	R&D as % of revenues	Drugs in human trials	Disease Focus
Ranbaxy	812	8.8%	4	Urology, malaria
Cipla	519	N/A	0	AIDS, malaria
Dr. Reddy's	362	15.5%	2	Diabetes, cancer
Nicholas Paramal	326	3.7%	1	Cardiology, diabetes
Sun	284	1.9%	0	Cardiology, neurology

Source: Fortune October 31, 2005 No. 19

Table 3: Dr. Reddy's Business Cooperation Matrix

Business /Geography	API	Branded Formulations/ Oncology/ Biologics	Generics	Specialty Pharmaceuticals	Custom Pharmaceuticals Service
North America	✓	X	✓	✓	✓
European Union	✓	X	✓	✓	✓
Rest of the World	✓	✓	X	✓	✓

Source: www.drreddys.com

still a barrier for Chinese pharmaceutical firms to further expand.

Learning from Indian experiences, Chinese companies should consider not only mainstream markets such as those in America, but also the niche markets in other continents and establish multiple alliances. Because the leading Indian companies have strategically extended their business in developing countries a big part of their overseas revenue comes from there. In the developing countries, barriers to entry are low while cost advantages are more obvious, with less competition, and higher profit margin. In China, Tiens and KPC China have found this strategy rewarding. In aligning partnership internationally, Chinese companies can refer to Dr. Reddy's business cooperation matrix. (Table 3)

Also, the shortage of talent has to be tackled. For complicated reasons, most Chinese enterprises don't have a system of nurturing, training and motivating talent. Rome was not built in one day. The ecosystem for professional executives can only be established by improving the management transparency, defining management boundaries and creating more space for career development. All in all, competitive compensation integrated with stakeholders' interest is both a benchmark in the market and a must-have for attracting and retaining the elites in management and research. Roland Berger, 2005 According to a Roland Berger report, Chinese companies approach this in two ways: One is to attract and train talent, preparing them for overseas business expansion. They may either send staff abroad for training, or employ expatriates, or recruit the "Sea-Turtles"(Chinese coming back from abroad with qualification and experiences); another is to localise overseas managers and staff. Dr. Jing Zhongren from Fosun Group believes that it is critical to have a reasonable "mixture" of human resources after overseas M&A, for the localised sales force is better for marketing while Chinese research staff costs less.

COMPETING AND COOPERATING

Chinese companies also have some advantages. Some APIs and antibiotics made in China have a strong cost advantage. In the late 1990s, rivals from China began selling Norfloxacin in India for half the price of Dr. Reddy's. Executives at the Hyderabad-based company realised that they couldn't keep up and soon abandoned the Norfloxacin business. With continuous efforts, TCM from China is also expected to be a growth segment in the near future. Moreover, globally speaking, China has a leading advantage in biotechnology such as gene tests, vaccines research and production, and gene treatment.

We can expect the unleashing of even more of the potential of China's pharmaceutical industry due to its ongoing reform. During the GMP re-certification, the industry has witnessed large scale M&A and a flood of investments from the private sector. On one hand, the reshuffle and reform of the industry have brought out new sizable pharmaceutical groups, which is good for developing core competence and making better use of resources. It is a more difficult and time-consuming task for the pharmaceutical industry in India due to its sheer size. There are 20,000 pharmaceuticals companies and company qualities are inconsistent. On the other hand, the established infrastructure, both physically and politically, creates a more solid foundation for further development of this industry in China. In the foreseeable future, it will gain more momentum with the improvement of corporate governance, the integration of industry with clear strategy in capital financing, technology and talents, more influx of Chinese 'Sea-Turtles', and the practice of motivation mechanisms (for example, the ongoing experiment of stock options).

China and India will surely benefit each other by cooperation in this area, but competition is also inevitable. For

example, during the past fifteen years India has raised the most (51%) dumping cases against China. However, as India is both an important buyer and supplier of Chinese raw materials, the two should strive to avoid a bitter pricing war and rather seek some kind of partnership. To make use of China's cost advantage and develop the China market, Ranbaxy and Dr. Reddy's have already respectively built their joint ventures in China. In the international market, Chinese pharmaceutical firms are also allying themselves with Indian companies. The Dubai-based joint venture between Holley China and Ipca India is a case in point. The business intention of this joint venture is to integrate the WHO certification and distribution channels owned by Ipca and raw materials and product formulation technology owned by Holley, so as to supply the products to Africa and cooperate in bidding for global procurements.

Cooperation, rather than competition, will not only be good for the industry but also for both nations. For instance, if a strategic alliance in biotechnology research and application is established between these two most populated countries, a series of exciting achievements will be made for human's common good: First, China and India can better identify the common application of biotechnology; Second, they can share the information, the talent and the limited biotechnological resources; Last but not the least, they can jointly develop differentiated biological products for common interests and application. Economically speaking, this will provide the best opportunity for both nations to materialise their goal of development. **THELINK**

The author is CEIBS MBA05 student. The article is an abridged version (with most references omitted) of "International Expansion of Pharmas—India's Experience and Sino-India Cooperation", which won the first prize at "Knowledge@Wharton International Essay Contest". For further details, please read the news report – "CEIBS MBA student came out the first at International Essay Contest".

New Faculty Members Join CEIBS

By Cherry Zhong and Audrey Wu

China Europe International Business School (CEIBS) embraced two new faculty members in the beginning of 2006.

Prof. Henri-Claude de Bettignies
Distinguished Professor of Global Responsible Leadership at CEIBS and AVVA Chair Professor of Leadership and Responsibility at INSEAD



Professor de Bettignies' heavy involvement in Asia began in 1961, when he went to Japan for the first time. He was working on a research project at the University of California (Berkeley), comparing the attitudes of chief executives and managers

in 14 different countries. At that time, research of this kind was fairly rare. Henri-Claude, then a young research assistant, found it hard to understand the Japanese data and decided to go to Japan to try to understand. He intended to stay for only a year, but it turned out to be stretched for another five years. He was able to observe, with great interest, Japanese management practices and the process of American influence on Japanese corporate behavior. He also travelled long and far to learn about the transfer of western management practices in Korea and in South-east Asia, particularly in Indonesia, Malaysia, Philippines, and Singapore.

When he returned to Europe to teach at INSEAD, his experience in Asia enabled him to identify a problem: Europeans were in great need of up-to-date knowledge about Asia. To solve this problem, he took the initiative to progressively develop some regional researches on Japan, China and South East Asia. Based on it, he created the Euro-Asia Centre, of which he was Director General until 1988. Apart from doing research, management development and networks building to bring together Europeans and Asians executives, the Centre focused primarily on education and knowledge development.

During his early years at INSEAD, he built the Department of Organisational Behaviour. With a background in social sciences, which he studied at the Sorbonne and at the Catholic University of Paris he had developed a great interest in influence and change at the individual, organisational and societal level. Henri-Claude is also the founder of the

Centre for the Study of Development and of Responsibility (CEDRE), which looks into the relationship between economic development and social responsibility.

For the last 30 years, Professor de Bettignies has shared his time (about equally) between Europe, US and the Asia Pacific regions, teaching, carrying research and/or consulting projects, while creating and running Executive Development Programmes. He is a member of several boards, including Jones Lang LaSalle, The Executive Centre for Global Leadership. He is also a consultant to several major organisations in Europe, the US and the Asia Pacific region.

Enlightened by his cross-cultural experience and very concerned by socio-economic development, Professor de Bettignies produced a number of books, in addition to more than 60 articles in business and professional journals. Among the books published under his name, there are *The Management of Change* (1975), *Business Transformation in China* (1996), *The Changing Business Environment in the Asia Pacific Region* (1997). He is on the Editorial Board of quite a few prestigious academic journals including the *Journal of Asian Business*, *The International Journal of Business Governance & Ethics*, and the *Asian Academy of Management Journal*, etc.

After years of commuting between Europe and Asia, Professor de Bettignies joined the Graduate School of Business at Stanford University where he taught MBAs and Executives for 16 years.

Talking about his lasting interest in China, Professor de Bettignies believe that educating MBAs and working with business leaders can create conditions to make this interface between decision makers easier, both in China and in Europe. For him CEIBS is a privileged place for contributing to this, given the root of the school in a partnership between Chinese and Europeans. Furthermore he sees CEIBS as becoming progressively a primary source of knowledge creation and

skills development for both Chinese business leaders and all managers working in or with China.

As far as Chinese companies are concerned, Professor de Bettignies suggests the development of four dimensions likely to enhance their capacity to compete globally: The first is “leadership”, the grooming of more leaders at different levels of organisations. The second is the “capacity to manage change” (internally and also in their transactions with the environment). The third suggestion is to enhance the “capacity to manage knowledge” as a key strategic resource to be developed and used professionally, not only in absorbing knowledge from outside, but also in leveraging the existing knowledge inside the organisation. The last proposition is to integrate responsibility into management, “to internalise the responsibility dimension” not only at the strategic but also at the operational level. Particularly in China, given the size and scope of the development problems, responsibility cannot be outsourced to government, but rather it has to be internalised into corporate practices that account for the “common good”. In the short term, the company investing in CSR may decrease the attractiveness of its bottom line but research suggests that – over a period of time – all stakeholders do benefit.

By joining the quality faculty team of CEIBS, Professor de Bettignies is looking forward to bringing a very modest – though, hopefully, not insignificant – contribution to the development of more responsible leadership in the management of companies operating in China. It will be a challenge. But he seems to have taken – successfully – quite a few others.

Dr. Bala Ramasamy,
Associate Professor of Economics at CEIBS

Born and brought up in Malaysia, Dr. Ramasamy is a third-generation Malaysian of Indian-origin. In 1987, after getting his first degree in Economics, he went to Macau working in an American company dealing with joint ventures in China. He did his master’s degree in the University of Macau and received his PhD degree at Leicester University in the UK. In 1995, he left for New Zealand to Massey University and stayed there for three years, at the end of which he returned to Malaysia. On the day he arrived, the infamous Asian Crisis of 1997-98 started and

hit the Asian region, as well as the world at large. But Dr. Ramasamy took it as an “interesting” time. He reckoned that for an economist, the crisis was like a windfall, giving him opportunities of looking into new things.

Dr. Ramasamy has been working in various countries including Macau, New Zealand, the U.K., Malaysia, and Singapore. The cross-culture experiences do help his teaching and research, for they provide him with a good perspective and the “feel” for the country. When one is familiar with the local economic and political systems, one would be able to know what to look for in his research. What’s more, his recognition of common life requirements shared by people everywhere makes his research more applicable and relevant. He deeply believes that whatever he teaches or researches, it has to benefit somebody. A totally alien or theoretical research, in his view, will be of little use for society or people at large.

While working at the University of Nottingham in Malaysia, Dr. Ramasamy also directed the Centre for Europe Asia Business Research. The Centre was intended to serve as a platform where ideas could be exchanged between Asian academia and European researchers. One of the areas the Centre has been actively involved in is Corporate Social Responsibility (CSR). Conferences were held, bringing people from Asia, Europe, and Australia to examine how applicable CSR was in Asia.

For Dr. Ramasamy, CSR remains one of the key areas of his research. One particular area that Dr. Ramasamy is interested in is consumer perception of CSR, in the last analysis, whether or not a company is CSR active depends on consumers. In his view, only when consumers demand CSR, companies will be forced to practice it. In Asia, to build CSR awareness level among consumers remains a pressing issue.

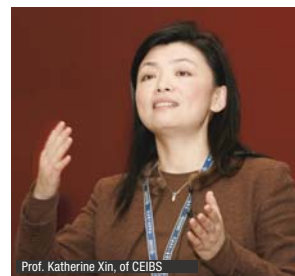
Foreign Direct Investment (FDI) in China, its relationship with wage rates and productivity is another research area for Dr. Ramasamy. He and Prof. Cremer, Dean of CEIBS, just completed a study on “New Zealand Business Investments in China: Experiences and Key Success Factors”. Interestingly, the study raised some other issues: how local companies in China compete with those who came to their doors? What strategies do they take? How do they decide on them? What is the



result of these strategies in the long-term? Dr. Ramasamy realised that answers to these inquiries will provide valuable lessons to all local companies in all Asian booming economies. His research has been published in *International Journal of Bank Marketing*, *Journal of Asia Pacific Economy*, *Journal of Applied Economics*, *Journal of Business Research*, *Technovation*, among others.

As an Asian scholar, Dr. Ramasamy always stands solidly on the ground of Asian development. Ever since he started his academic career in Macau, his research interest is Asia in general, of which China takes a significant part. In his view, the economic links between China and the whole of South East Asia can never be ignored. South East Asia as a whole has a population of 500 million, which is a sizeable market. By working and living in China, he is confident in playing a more significant role to strengthen this link.

When he was considering the move, CEIBS naturally comes on the top of the list. Having worked with Prof. Cremer, Dean of CEIBS, on a few projects, he had some knowledge of the school. Also, the fact that Shanghai is the most vibrant city in China convinced him that some more interesting research topics could be discovered here. [THE LINK](#)



HR Management in Chinese Context

By Audrey Wu, Nancy Dai & Ward Niu

The rapid growth of Chinese economy not only offers opportunities, but also presents challenges to business development in China. Companies in China are all facing intensive competition in both domestic and global markets. Adjustment is urgently needed for their further development. Against this background, the problem of HR management is becoming more acute. “What counts most in the 21st century? Talent.” This is not a joke, but rather it points out the issues that need to be addressed by business leaders in the new market-driven environment.

On December 16 and 17, 2005, “HR Leadership Forum”, co-sponsored by CEIBS Centre of Organisational and People Excellence and *Human Resource Management*, was successfully held in Shanghai. The forum provides a platform for a comprehensive discussion and sharing on current issues in HR management in China. There were over 100 participants, including renowned HR academics from within China and abroad, HR executives of various enterprises, and experienced professionals from consulting firms. The forum was chaired by Dr. Arthur Yeung, Philips Chair Professor

of HR Management at CEIBS.

The forum ran session by session, revolving around four topics, which were “Strategic HRM Issues and Challenges”, “Talent Attraction and Retention”, “Talent Development and Employee Engagement” and “Other HRM Issues in China”. Sessions were respectively chaired by the following three CEIBS’ professors: Dr. Arthur Yeung, Philips Chair Professor of HR Management, Dr. Katherine Xin, Michelin Chair Professor of Leadership, and Dr. William Mobley, Professor of Management. Each session opened with a keynote speech followed by discussion, which engaged both the speaker and the audience to better their understanding of the discussed topic. As stressed by Professor Yeung in his opening speech, one of the characteristics of the forum was the interaction among participants, which effectively promoted the mutual learning of academics, corporations and consulting professionals.

FOSUN EXPERIENCE AND HR DIFFERENTIATION

In the opening keynote speech, Mr. Liang Xinjun, Vice Chairman and Vice President of Shanghai Fosun High Technology Group

shared with the audience how Fosun came across different HR problems as it went through different stages from a start-up to a leading company in the industry. From the very beginning, Fosun set an HR strategy of “attracting talent by offering more room of career development, keeping talent by building a promising business, developing talent by giving them more responsibilities and evaluating talent by their performance”. This strategy has been persistently put into action during the development of the company. In order to recruit and retain talent, Fosun made great efforts to strengthen HRM system, including creating an environment that attracts talent, building competitive teams where members could be complementary to each other and unclog the bottleneck in individual development, providing a systematic training to foster and improve talent, and building up corporate culture to increase the cohesion of the company.

“HR differentiation is the key to success in China’s competitive business environment”. Such is the conclusion from the most recent research conducted by two world-class scholars in the area of international HR management, Professor Vladimir Pucik of International Institute for Management Development (IMD), and



Professor Katherine Xin of CEIBS. They presented two classical cases of HR practices adopted by Haier and Michelin, illustrating how these two corporations managed to build unique organisational capabilities through recruitment, cultural integration and career management.

Professor J. Stewart Black of INSEAD and Ms. Corinne Schuchard of FedEx Express suggested that a company's core values would make impact on its outcome and therefore inculcating them was a necessary practice. This was supported by the substantial data analysis based on HR practices of FedEx. The research was direct evidence that employees' identification with the core values of the organisation led to a stronger commitment to the company. Employees not only put extra efforts into their jobs, they also delivered economic benefits to the company and its shareholders.

TALENT ATTRACTION AND RETENTION

To attract and retain talent is an essential part of HR management. How did HR experts and scholars address current problems of HR practices in this area?

Ronnie Tan, VP of DDI Asia Region presented a study that looked into the realities of talent development in China. Through an extensive survey, he discovered that there were often gaps between the expectations of the HR managers and leaders of the organisation in four areas of talent development: selection, development, retention and performance of the talent. With the critical shortages in talent and rising turnover, Tan proposed that companies must be better in preparing their own leaders.

Joanne Liu, HR Director of Texas Instruments China, put forward her view of talent development from a unique perspective. She argued that talent development had to start from recruitment and recruiting was a constant process and not an event. The company and management had to create a place that workers want to return to each and every day. They should also differentiate the talent people by offering them differentiated compensation and aggressive development plans. She stressed the significant role a leader had to play in affecting an employee's intention of stay.

Anne Tsui of W.P. Carey School of Business, Arizona State University discovered from her study on the unique group of "middle managers" a novel way of motivating employees: the mutual investment

relationship between the employee and the organisation proved a powerful tool to motivate employees. Professor Tsui's findings demonstrated that both the employee and the organisation would win in a mutual investment relationship and this was a relationship that companies should investigate in this growing war for talent.

According to the research conducted by the team of Drs Hang-Yue Ngo and Chung-Ming Lau of Chinese University of Hong Kong, strategic human resource management will make positive impact on the firm's performance and employee relations climate.

TALENT DEVELOPMENT AND EMPLOYEE ENGAGEMENT

Apart from varying motivational tools, other important means of attracting, retaining and effectively managing talent include offering and securing talent development, enhancing employee engagement, and strengthening organisational cohesion.

Deng Tao, Vice President of HR in Whirlpool Asia observed that talent development and employee engagement in China were indeed facing big challenges. Engagement is an output of a combination of different factors. Through a systematic approach and careful management of various touch points, such as recruitment, training and performance management, one can impact the development and engagement of talent.

Professor Arthur Yeung of CEIBS carried out a study, comparing and contrasting the talent development practices of 20 China based MNCs and local companies. The study showed marked differences between these two groups: MNCs usually have systematic talent selection and development system and emphasise phased development through systematic training, mentoring and other means. Leaders of local companies understand much more deeply the critical importance of talent and invest substantial time and energy in building talent. Local firms also offer a lot of experience-based development opportunities. Professor Yeung suggested that as China continued to develop, both groups must learn from the strength of the other and adjust their approaches to talent development in China.

"Developing leadership competencies should be one of the key roles played by HR", noted Professor Rothwell of the Pennsylvania State University. His study implied that the HR function of the organi-

sation needed to develop and manage the leadership development process to ensure that the development activities and the competencies that the leaders focused on were consistent with the companies' strategic direction and business goals.

Meanwhile, Wayne Chen, General Manager of China, Hay Group, presented his findings on the leadership challenge in China from a cross-cultural perspective.

On the same issue of cross-cultural management, Professor William H. Mobley of CEIBS analysed some derailment factors of international executives in China through a few interesting cases. He also offered suggestions on minimising both organisational and individual derailment.

HR OUTSOURCING: ANOTHER WAY OUT?

When organisations are troubled by how to enhance the HR management efficiency so as to promote organisational performance, HR outsourcing has emerged as a new option. Will HR outsourcing help to improve the organisation's efficiency? Catherine Zhu of ExcellerateHRO and Bruce Near of Towers Perrin presented to the HR community a view into the North American practice of outsourcing certain HR functions. Although it is not a common practice in China, they reckoned that it had the potential of becoming a strategic part of HR management in the future.

Neither material motivational tools nor individual career development will be sufficient to bind together all staff in the organisation. Excellent organisational values and cultures will achieve the goal. Paul Mak, President and CEO of Mary Kay China shared with the audience his profound understanding of this side of HR management in the closing remarks. He gave a passionate presentation on the topic of "Singing a Long-term Agreement with Your Talent by Heart". He talked about the culture of Mary Kay China and how the company built a company culture that engaged employees and instilled higher values and purposes for the employees. Mary Kay China's strong company culture has enabled it to thrive in a difficult environment and enabled it to enrich many people's lives.

The forum brought together leaders and experts in HR management and offered cutting-edge knowledge and practices in this area. For all audience of the forum, such an opportunity is very rare. **THELINK**



By Audrey Wu

On February 12, representatives from the National Strategy Institute (NSI) of South Korea visited CEIBS, the last stop of the group's four-day visit to Shanghai from February 9 to 12. Led by Mr. Kyong Shik Kang, the Chairman of the Board of Directors of NSI and the former Deputy Prime Minister of Finance and Economy in South Korea, the group consisted of well-known figures from various arenas from politics, business to education, including former Ambassador of the South Korea Delegation to OECD, former Commissioner of Intellectual Property Office, former Minister of Health and Welfare, and former presidents of Samsung and LG group, etc.

Professor Rolf D. Cremer, Dean and

Vice President of CEIBS warmly welcomed the NSI visitors with a greeting speech briefing them on CEIBS' development. Professor Liang Neng, Director of the EMBA Programme and Ms. Seanie Comerford, Director of Development Department respectively gave an introduction of the EMBA programme and CEIBS' sponsors and corporate relationships. The visitors were impressed by CEIBS' rapid progress in becoming a world-class business school within a short period of time and also showed an enormous interest in CEIBS EMBA programme and its close partnership with the business world.

NSI is a non-governmental organisation, aiming to study and research government policies, and provide consulting services to its members on hot issues in such wide areas as politics, economics, diplomacy and technology, etc. Funded by major Korean companies, one-third of its members are former senior government officials, and two-thirds are top executives of major companies in South Korea.

Given the increasing close relationship between China and South Korea, the NSI visiting group came to Shanghai to gain a deeper understanding of China's development. The visit turned out to be very rewarding. After touring around and witnessing the rapid growth of Shanghai and the surrounding areas, they found that while South Korea provides experience for China to learn, the growing China also has many new things to offer to South Korea. Mr. Kang told the reporter that they were very impressed by the business-inviting model adopted by the Pudong Government and Suzhou Industrial Park. The latter co-operates with Singapore to attract MNCs and help them to settle in the park. Currently in South Korea, there is a project of setting up a similar development zone - Incheon Economic Special Zone. In the meantime, another project of building up an independent international business school is also in preparation. As the education in South Korea is still constrained by many problems of systems and policies, it will have to take



time to make the break-through. CEIBS, according to Mr. Kang, created a successful model for Asian business education with its uniqueness dubbed "a special zone of China business education", which provides experiences for other business schools in Asia.

Asked of the development of Korean companies in China, Mr. Kang reckoned that the performance of these companies in China would sharpen the overall competitiveness of Korean companies against the major competitors in countries like Japan and the USA. Regarding the fast growth of Korean companies, Mr. Se Hee Oh, Chairman of GreenWood 21 Corp and former CEO of a LG corporation, expressed his views. The investment and progress made by Korean companies in China's manufacturing industry are close to maturity. The next sector they should think of entering is the service industry, such as communication, logistics, and transportation. In spite of great success made by these companies, Mr. Oh suggested that they could have done better, should two hurdles removed: one is the communication difficulty caused by the language problem, and the other is different systems. More significant progress will be made if these two problems are solved. Therefore, more talents in South Korea need to be trained to strengthen the link between the two countries. Mr. Oh, a veteran in business world well educated in business school, commented that CEIBS

is a good place for training the much-needed talent. He especially agreed with CEIBS' perception that a business school should play an important role in the economic development of the country. He also thinks high of CEIBS' aspiration to enhance the overall level of China's business education by helping other Chinese business schools to improve.

Mr. Syoung Soon Song, President of Areko and former president of Kwang Joo Bank, have been in senior positions for years in banking industry of South Korea. Talking about the development and great potential of China's financial industry, Mr. Song told the reporter that Korean financial institutes were in transformation period and therefore would not make significant moves in China market in the new future. At the moment, a few Korean banks have opened their branches in China with the main purpose of serving Korean companies in China. But more Korean financial institutes are expected to enter China in the future and their business scope will also be expanded. Mr. Song was very optimistic towards China's prospective growth. But in order to have a share in this bright prospect, Korean financial institutes need to make greater efforts and to have more qualified personnel. Like Mr. Oh, Mr. Song also regarded CEIBS as an ideal training base to produce qualified people.

Quite a number of members in the visiting group shared the same view that

human resource was a crucial factor of the development of a country and that having world-class business schools was of great importance. They would like to know more about how CEIBS became the special zone of China's business education, how the curriculum was designed and how the sponsorship from so many MNCs was secured. Professor Cremer provided answers in the following three aspects: First of all, the lack of professional managers raised the awareness among MNCs of the necessity of having top-class business schools to train and store talent for them; Secondly, the very nature of CEIBS as a joint effort of China and Europe gains for CEIBS many supports from the EU and the European countries; Thirdly, CEIBS recruits the most renowned professors with expertise in the related areas so that companies will turn to them for professional advice when encountering any problems.

A business school won't be able to produce professional managers and business leaders without having a dynamic relationship with the business world. This is a point widely accepted in the visiting group of NSI. One member, however, noticed that currently no Korean company was found in the list of CEIBS' sponsorship partners and he also expressed the hope that next time when he visited CEIBS, he could find some Korean companies on the list, and that more and more of them could join CEIBS' partnership [THE LINK](#)

NEW APPOINTMENTS



Prof. Liang Neng



Prof. Lydia Price



Prof. Wang Jianmao

On March 6, Professor Rolf D. Cremer, Dean and Vice President of CEIBS announced on behalf of the Management Committee that Prof. Liang Neng, Prof. Lydia Price, and Prof. Wang Jianmao had been appointed as Associate Deans of CEIBS. The appointments take effect on 1 April 2006.

Dr. Liang Neng has been Professor of Management and Director of the Executive MBA Program at CEIBS since 2002. He began teaching at CEIBS as a Visiting Professor in 1998. Previously he was a Professor of Management at Loyola College of Maryland, USA, and at the China Centre

for Economic Research (CCER), Beijing University.

Dr. Lydia Price has been Associate Professor of Marketing at CEIBS since 2003, and Subject Area Coordinator (Marketing) since 2005. She began teaching at CEIBS as a Visiting Professor in 1996. Previously, Professor Price held faculty positions at the Hong Kong University of Science and Technology, and at INSEAD. She has also been a Visiting Professor at New York University, Beijing University, and at the Catholic University of Lisbon, Portugal.

Dr. Wang Jianmao joined CEIBS in 1998 as Director of MBA Programme and held this position until 2000. He has been Director of the Case Development Centre since 2001, and has been appointed as Academic Director of MBA Programme again since 1 October 2004.

The overall expectation of the Management Committee is that appointing Associate Deans will strengthen the school's capacity in relationship building, will provide senior faculty with public clout, and will contribute to better planning and faster implementation.

Dean Cremer Appointed EQUIS Committee Member

Prof. Rolf D. Cremer, Dean and Vice President of the China Europe International Business School, has been appointed as a member of the EQUIS Committee. EQUIS stands for European Quality Improvement System. CEIBS is the first and still the only business school in mainland China to have received EQUIS accreditation and is now in the process of obtaining AACSB accreditation (Association of Advanced Collegiate Schools of Business, see *The Link* 2005 winter, pp. 40 - 41).

The EQUIS Committee approves the

eligibility of institutions that are applying and advises the EQUIS Director in the definition and monitoring of the EQUIS process of candidate schools. The Committee also proposes candidates to the EQUIS Awarding Body.

Prof. Price Appointed MBA Academic Director

On March 6, Professor Rolf D. Cremer, Dean and Vice President of CEIBS announced on behalf of the Management Committee that Professor Lydia Price had been appointed as Academic Director of the MBA Programme. The appointment takes effect on 1 April 2006.

Professor Lydia Price follows Professor Wang Jianmao, whose 18 months' appointment as Academic Director of the MBA Programme ends on March 31 2006.

Professor Wang Jianmao has done excellent work as MBA Director. Under his direction, CEIBS implemented significant changes, including the increase of the MBA by fifty per cent, the new curriculum, the new MBA academic year starting in September, the new practicum, and the new policy on Chinese Language.

It is expected that the CEIBS MBA Programme will continue to grow under the new leadership.

CEIBS RESEARCH COMMITTEE MEETING ANNOUNCEMENT

On March 8th, 2006, the CEIBS Research Committee met and reviewed ten research proposals submitted by the faculty. Seven proposals are approved out of the ten.

The seven approved research projects are:

“HRM Practices of MNCs in China”

by Prof. Gerald Fryxell with the budget of RMB24,000;

“A Book and Two Projects (CEOs and Boards)”

by Prof. Liang Neng with the budget of RMB134,000;

“How to Enhance Competitiveness of the Manufacturing Industry in the Yangtze River Delta”

by Prof. Wu Jinglian with the budget of RMB100,000;

“Multinationals and China's Export Structure”

by Prof. Xu Bin with the budget of RMB200,000;

“Institutions, Trust, and the Development of Small Enterprises in China”

by Prof. Zhang Weijiong with the budget of RMB100,000;

“Competitiveness of Chinese Textile Industry and RMB Exchange Rates”

by Prof. Zhang Yimin with the budget of RMB90,000;

“The Puzzle of the Closed-end Fund Discounts in China”

by Prof. Zhao Xingde with the budget of RMB67,500;

The CEIBS Research Committee consists of Prof. Chun Chang, Prof. Katherine Xin, Prof. Xu Bin, Prof. Zhang Yimin and Prof. Zhou Dongsheng, chaired by Prof. Chun Chang.

EMBA DISCIPLINARY COMMITTEE MEETING ANNOUNCEMENT

On March 15, 2006, EMBA Disciplinary Committee met and reviewed all EMBA disciplinary cases investigated in 2005.

For the 15 cases investigated in calendar year 2005, two were convicted of cheating in exam, eight plagiarism and five were found innocent. Among the ten convicted cases, four were from the Shanghai EMBA 2004-04 class, two from Shanghai EMBA 2003-3, two from Beijing EMBA 2003-3 class, and one each from Shanghai EMBA 2004-2 class and Beijing EMBA 2003-2. Five of the violators were given a penalty of an “F” of the course, paying additional tuition to retake the course, and one-year delay in graduation. Five others were given the penalty of doing another equivalent assignment, and receiving a minimum passing grade, C+. All the discipline action documents are kept as part of the violator's

file. The disciplinary committee carefully reviewed all above cases and unanimously approved the actions taken.

The committee wishes to take this opportunity to re-emphasise the moral and ethical dimension of EMBA education, to which academic honor code is an important element. Violation of academic honor code will be fully investigated and prosecuted; convicted cases will normally carry a minimum penalty of an “F” of the course, paying additional tuition to retake the course, and a one-year delay of graduation. Depending on the circumstances, the violator may be expelled from the program.

The EMBA Disciplinary Committee consists of two faculty representatives, two student representatives, and the EMBA program director.

NEWS BRIEFING

FACULTY

Executive President Nueno Invited to Spanish Parliament Hearing

The Spanish Government is drafting a new law on the pharmaceutical industry, which has sparked a controversy in the public. At the request of the Pharmaceutical Industry Association, a hearing was held on February 17 at the Spanish Parliament to listen to different voices.

Just five days before the hearing, Prof. Pedro Nueno, Executive President of CEIBS, received a request from the Parliament to attend the hearing and give his expert advice. Prof. Nueno had been invited for his industry knowledge and neutral position. Interestingly, the hearing was done through a video conference, since Prof. Nueno was in Shanghai for the School's CEO programme. At the hearing, Prof. Nueno introduced his ideas of a good healthcare system and answered the questions raised by different political parties and interest groups.

“The invitation represents not only the democracy of the Spanish Government in law making, but also the School's increasing importance in the international community,” as commented by Prof. Nueno after the hearing. CEIBS is the first business school in China that has launched a hospital management programme and the Healthcare Management Forum, both of which have become the most influential events of the industry.

VISITS

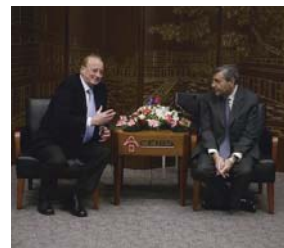
EU Commissioner for Energy Policy Visited CEIBS

On February 21, Dr. Andris Piebalgs, EU Commissioner for Energy Policy visited CEIBS. During his visit, the Commissioner had a chance to discuss current energy issues relevant to China as well as the global community with CEIBS MBA students.



Prior to visiting CEIBS, Dr. Piebalgs had delivered a keynote speech on the occasion of the 6th EU China Energy Conference held in Shanghai on February 20-21, 2006.

Guests from Spanish Congress Visited CEIBS



On January 21, H.E. Mr. Jordi Vilajoana Rovira, visited the CEIBS. CEIBS' Executive President Prof. Pedro Nueno, and Vice President and Co-dean Prof. Zhang Weijiong met with the delegation after showing the guests round the campus.

During his visit, Mr. Rovira spoke highly of CEIBS' great achievements since its establishment only 11 years ago, as well as the close and fruitful cooperation between Spain and China during CEIBS project. He also commented that since China is facing a critical phase of development, Spain and the EU should, as always, support China's efforts in international cooperation and entering the global economy.

Prof. Pedro Nueno believes that CEIBS is a successful model for international educational cooperation in the new ages. He said, “China is in its transitional period, so it needs a huge amount of world class enterprises and entrepreneurs with international thinking. Chinese enterprises' going abroad will not only expedite the real rise of China's economy, but also benefits the booming development of the global business.”

The First European Commissioner of Information Society and Media Policies Visits CEIBS

On January 16, Ms. Viviane Reding, Member of the European Commission responsible for Information Society and Media, came to the CEIBS' main campus in Shanghai and talked to an audience of about 50 attendees on “ICT (Information and Communications Technology) are new opportunities for social inclusion, participation, business, growth and



jobs in the EU and China”.

As the first European Commissioner responsible for both the Information Society and Media Policies, Ms. Reding spoke to an audience that included CEIBS faculty members and students, as well as Consulate Generals from Belgium, Germany, Hungary, and Ireland. She explained the vital role of ICT in Europe's continuing modernization. ICT is a highly innovative sector, responsible for more than a quarter of Europe's R&D effort and also creation of growth and jobs. Through the i2010 Initiative, a strategic framework bringing together all relevant EU policy instruments including regulation, research, and partnerships with the member states, industry and other objectives, the EU hopes to significantly increase investment in ICT research.

Explaining her mission for her visit to China, Ms. Reding has met with her Chinese counterparts and industry players from both the EU and China and discussed with them promotion of bilateral relations and industrial co-operation with the key element in trade and investment.

Prince Felipe Met with Prof. Liu Ji

On December 15, 2005, meeting between H.R.H. the Prince of Asturias and Prof. Liu Ji, Honorary President of CEIBS was held at Zarzuela Palace in Madrid.

On the occasion of the Fourth Euro-China Forum, H.R.H. Felipe de Borbon,



Prince of Asturias met with Prof. Liu Ji in the Zarzuela Palace in Madrid. H.R.H. the Prince of Asturias and Prof. Liu Ji exchanged views on CEIBS, the relationship between Spain and China, and the relationship between the European Union and China. H.R.H. Felipe de Borbon and Prof. Liu Ji believe that CEIBS is an important bridge between Europe and China.

FORUMS

The South-China Executive Forum: “Market Buster” by Professor Rita McGrath



Nearly every company has an ambitious growing plan, but few of these plans can practically generate sustainable and profitable growth. What is the success formula of those companies who broke through the bottleneck and realise the market busting?

On March 2, 2006, about 200 CEIBS' students, alumni and clients attended the South China Executive Forum held by CEIBS in Shenzhen. Prof. Rita McGrath, CEIBS' visiting professor and world-renowned expert in corporate strategy, gave a talk and had discussion with the attendees about strategies for sustainable corporate growth.

Presenting the latest international research and business cases, Prof. McGrath brought in brand new perspectives for Chinese managers. According to an “Organic Growth Study” on companies with market capital of over \$1 billion, there are only 538 US-based and 348 non-US-based companies with the annual growth rate barely exceeding 5%. It is even tougher for big companies to achieve the organic growth. The majority of corporations resort to M&A for expansion. But there are others who find unconventional ways to become the market busters. Many of them are in the industries usually labelled as “mature”, which means having no new growth opportunities.

However, in the view of Professor McGrath, hidden beneath these paradoxes are potential ways to drive forward the corporate development. She discovered that there could be five strategies for market busting: 1. Transform the customers'

experience; 2. Transform the offerings, i.e., products and services; 3. Redefine the profitability measures; 4. Anticipate or exploit industry shifts; 5. Create New Markets.

Professor McGrath brought in the cases of Mexico's CEMEX and Finland's ROCLA to show that changing the products and services could create differentiation in the offerings, produce new business models and eventually lead to growth. Then, the attendees of the forum, with their own experiences in different industries, engaged in a dynamic, in-depth and down-to-earth dialogue with the professor on various issues including relocating the revenue source of the industry, transforming traditional competition models, and achieving market busting.

The discussion was followed by the speech titled "Management Education and CEIBS" made by Professor Liang Neng, Director of the CEIBS EMBA Programme and Professor of Management. Professor Liang updated the audience with the latest development of the CEIBS EMBA Programme and shared with them some of his findings in management education. He also explored the weaknesses of Harvard-style case studies and went on to envisage the prospect of China's management education.

An increasing number of CEIBS' alumni have been coming to South China since 1995 and the alumni network has been continuously enlarged. In 2005, CEIBS officially launched the EMBA Shenzhen classes. The EMBA Shenzhen 2006 participants will graduate in March. In this way, the professional management leadership in the economic region of South China gained the full support by CEIBS, the No.1 business school in Asia.

CEIBS Executive Forum: The Future Direction of Logistics and Shipping

On February 23, 2006, Mr. Henrik Anker Olesen, Transport & Logistics Leader of IBM Asia Pacific delivered an excellent speech titled "The Future Direction of Logistics and Shipping and the Impact of China" at the CEIBS Executive Forum today.

Regarding the significant changes in shipping and logistics industry these years, Mr. Olesen shared with approximately 200 audiences the findings of IBM CEO Survey and points of view on the container shipping and the freight logistics industry. Analyzing the reasons of major industry consolidation's taking place and the drivers of change and the strategic rationales for these acquisitions, he expected the industry 10 years later "to be

freer, more concentrated, and more focused on customer relationships". Mr. Olesen said, "China has fast become the world factory. There are both challenges and opportunities coexisting in China's logistics."

Mr. Olesen has an extraordinary track record within general management and the delivery of transformation. He has strong experience within programme management, mergers & acquisitions, cost cutting & restructuring, sales & business development, logistics & shipping, supply chain strategy, development and execution of business plans. Key engagements include A. P. Møller-Maersk, DHL, IBM, Hanjin, Citibank, H&M, Michelin, Reebok, Ikea, Target, Federated and SAP.

PROGRAMMES

Second Round Cooperation with Schneider - The in-company DIMP opened again for Schneider management team in China

On March 3, 2006, 33 middle and senior level managers of Schneider Electric (China) Investment Co., Ltd. gathered on the Shanghai campus of CEIBS to start a modular programme specifically designed for Schneider's people development needs. The first three-day module received high evaluation from all its participants, who were selected by both Schneider and CEIBS.

Schneider Electric is a leading company devoted to electricity and automation management. It holds a forefront global position in electrical distribution, ultra terminal solutions, secured power, building automation and security, industrial control, PLCs, sensors and actuators, as well as other automation specialties. As an industrial leader, it supplies China with advanced technologies, equipment and services. Widely recognised in the world, and well serving the company's strategy, a wide-spectrum of its brands, including the ones that lead in either global or local markets and the ones of specialists, delivers highly value-added services to its customers.

With the rapid development of China's energy industry, investment in power infrastructure is growing tremendously, providing Schneider China with an opportunity for fast expansion. To meet the challenges for talent development and managerial enhancement, Schneider China has been cooperating with CEIBS to offer executive education programmes, such as Young Executive Programme and the Diploma in Management Programme, since 2003. There have been nearly a hundred middle and senior level managers that have been

learning relevant management knowledge and skills from these programmes. The newly started DIMP is featured with the facilitation by Schneider's e-learning platform and the addition of elective courses and group consulting projects. Prof. Juan Antonio Fernandez is the academic director of this one-year programme, and all modules will be taught by CEIBS' world class faculty team.

Schneider's management believe that the best investment they are doing in China is to develop business talent. This is why they have chosen CEIBS as the preferred partner for developing their cross-board business executives. In the end of last year, the two parties signed an agreement for Schneider to join the group of CEIBS sponsorship partners.

CEIBS Executive Education aims to become a preferred strategic partner of excellent enterprises in Asia-Pacific region. In the process of developing managerial forces for Chinese enterprises to serve their enhancement of international competitiveness, CEIBS also serves multinational companies in China for their enhancement from being "good" to "great". CEIBS has helped them understand China and invest in China by developing their executives who have strategic responsibilities for their China operation. The school has built strong cooperation relationships in open and company specific programmes with global, regional and Chinese headquarters of over a hundred multinational companies, including Emerson Asia Pacific, GE Healthcare, IBM Asia Pacific, Henkel Asia-Pacific, Sony, Volkswagen, Infineon, Saint-Gobain, Visteon and DSM. Some industry-specific programmes have been designed and delivered to meet the needs of these companies. CEIBS welcomes more and more Chinese enterprises and multinational companies to become its strategic partners.

CORRECTION: In the News Briefing under the column "School Updates" of the Winter Issue of *the Link*, a report said that Professor Wu Jinglian was "the first Chinese to enter IEA executive committee since its establishment 55 years ago". It should be "the first Chinese to enter IEA executive committee in the last 15 years". We do apologise for the mistake caused by an erroneous reference. (by the editorial of *the Link*)

For more, please visit www.ceibs.edu

CEIBS in the Eyes of a Korean EMBA Student - An Interview with Mr. Doug Ho Song

Doug Ho Song, Vice President of Deloitte Consulting Korea, began his EMBA study at CEIBS in March, 2005. Ever since then, he has repeated the monthly trip, flying all the way to Shanghai from Seoul to attend the four-day course. Why does this Korean top executive take great trouble to do this? With his recommendation, the representative group from the National Strategy Institute of Korea visited CEIBS on February 12, and was deeply impressed by the school. Why did he recommend CEIBS?

"In every flight to Shanghai for CEIBS, my heart is full of expectation for what I will learn from this module. And in the flight back to Korea, my head is full of new insights and thoughts. No exception." This remark from Mr. Song might help you to understand what CEIBS means to him. At the end of the interview, when he was heading for the classroom, Mr. Song added that he "enjoyed" studying at CEIBS. His study experiences here, in his words, are "invaluable assets".

THE LINK: What role did you play in the visit paid by the NSI to CEIBS?

Song: Many Koreans are visiting China, including Shanghai. Most of them stay in China three to five days. During their stay in China, they normally visit tourists' attractions. But I don't think just a few days visit will give them much understanding of China. China and Korea are neighbouring countries. China means more and more to Korea and to the world. So Korean people need to know more about China

Building a good business school is one of the ways that a country can develop its economy. I believe that CEIBS is of strategic importance for China economic development and also one of the achievements made by China. Learning about CEIBS, then, is learning about China. If the NSI would like to arrange a tour which is of better quality than other tourist companies do, CEIBS should be included in the schedule. That is why I recommended CEIBS when they planned to come to China.

THE LINK: Why did you choose CEIBS for your EMBA study? How did

you get to know about CEIBS?

Song: To Korean people, China is a very important country. Two countries have a close relationship for over a thousand years. We share similar cultures and have a dynamic trading today. So, I wanted to have an opportunity to learn about China. A friend of mine, who had studied about China for long, recommended me to apply for CEIBS. He said that CEIBS should be the best place to study for a business person.

I have a working experience of over 20 years in many fields such as consulting, accounting and business management. I think I can work for another 20 years. So it is the time to recharge myself in every aspect. An MBA degree for younger people could be a way to get more opportunities for their career. But for me, it is not the case. To attend EMBA is to review what I have done, both those done successfully and unsuccessfully, in the course of modules and to derive insights and thoughts. These will be surely helpful for my work in the future. Moreover, I just enjoy that experience.

I also want to know more about China. But my Chinese is very poor, which is a problem. CEIBS is the best option, for it provides me with the chance to learn business knowledge, to learn Chinese, to learn more about China and to make friends. All these can be done at the same time at CEIBS.

THE LINK: Having done some modules of the Programme, what do you think of it, for example the curriculum, the faculty, the students and the school, etc.?

Song: My major of undergraduate study was business. Therefore, at the beginning I did not expect to learn much about it. Contrary to my expectation, the learning of business knowledge is the most valuable aspect of my study here. Although I learnt something years ago, actually I did not understand it very well at the time without any practical experiences.

The four-day course every month turns out to be very intensive. The programme is well structured and the teaching is very vivid. All the professors have high teaching skills. For example, they teach from the very basic and go deeper and deeper systematically. Although we are sitting in the classroom the whole day from 8:30 to 5 or 6 in the afternoon, I don't feel bored. I keep excited for four days. It needs very good teaching skills. They mix together the lecture, the case study and the discussion. That's very effective. It helps greatly to motivate my study.

Almost one year has passed since I began the study here last March. I feel very comfortable with my 60 classmates. All of them are very friendly. We are meeting once a month. It's a fun. I tell my friends in Korea that I have 60 friends in Shanghai that I can ring and meet with. These are invaluable assets for my life and career. I also try to attend as many dinners and activities as possible with the students in other classes, so that I can know more about them and have good rapport with them. Sometimes a small group of us with 2 to 3 people have dinners together to talk about business and there are also other personal activities. These all help to improve my understanding of China and Chinese companies.

Although I don't take systematic language classes here, my Chinese has been improved ever since I came to CEIBS. I come here regularly, so I can practice and use Chinese from time to time in the Chinese language environment. CEIBS

teaches many cases about Chinese companies, which also gives me very interesting learning opportunities, for I can discuss with the Chinese business people about the real issues.

THE LINK: Apart from the NSI, whose representative group visited CEIBS recently, have you ever talked about CEIBS with others in your country?

Song: Now people around me in Korea regard me as an expert of China. I am invited to any event related to China. When the NSI people talked about Shanghai visit, they said, "Oh, Mr. Song is an expert in China. Why don't you give us some idea about where to go and what to do in Shanghai?"

I always try to tell people around me about CEIBS as much as possible. One of them is working for Doosan Group as a member of top executives. The Doosan Group will send 2 people to attend CEIBS EMBA in 2006. I can't say that it is because of me that they come to CEIBS, but most probably my sharing with them about CEIBS may have some effect.

THE LINK: What is the current situation of Korean students studying MBA/EMBA in China according to your knowledge? Is the study helpful in their career development?

Song: There are more than 30,000 Korean students studying in China. Most of them are learning Chinese language. There are also many MBA students in those prominent universities in China. But EMBA students are very rare. Attending MBA/EMBA in China is a strategy of "two birds with one stone". Earning MBA degree is an important goal. But at the same time, learning about China is also important.

Even if they don't do business with China or in China, the knowledge they learn at CEIBS can also be useful, because what CEIBS teaches is the same as what other international business schools do. By coming to CEIBS, we earn more than an MBA degree; we end up with gaining a better knowledge of China. That is an added value to their MBA study.

THE LINK: Could you tell us more about the NSI?

Song: I would like to talk about the NSI from my personal point of view. I have

been a member of the institute for more than 10 years and am currently a member of the Operations Committee. I have kept the membership because the NSI is a good place where I can meet with various people and learn about various topics. The NSI's weekly lecture covers current politics of Korea, international and domestic economic situations, and other hot issues like technological development. They are always inspiring. Once or twice a year, the NSI arranges touring programmes, either within the country or abroad. They are also very good learning opportunities. By taking part in the NSI activities, I can meet people, most of whom have more experiences than me. I learned a lot from them.

THE LINK: We could see from the NSI visit that China/Shanghai is becoming more and more important to Korea. What impact will this special visit make?

Song: I believe that CEIBS will be more widely known in Korea as a result of this visit. Although only 70 people visited CEIBS, they will talk about our school to several hundred people, most of whom are opinion leaders of the country.

THE LINK: Did you get any feedback of the CEIBS visit from the members of the visiting group?

Song: There were two immediate feedbacks. The first one was to ask me to persuade their son/daughter/nephew who is considering MBA study abroad to come to CEIBS instead. Secondly, they said they did not understand before why I was spending that much of time and money attending CEIBS. Now they understood. I was highly commended for having made such a decision.

THE LINK: Could you say something more about yourself?

Song: China and Korea are neighbouring countries. Both countries have benefited from the economic cooperation. At the same time, there are and will be many issues that both countries have to face with. I would like to learn more about China and to play a role in preventing prejudices and enhancing mutual understanding between two countries.

Every time when I fly to CEIBS, I am expecting what I will learn this time.

I enjoy studying at CEIBS. **THE LINK**



Your Dream Comes True: CEIBS Entrepreneurship Supporting Platforms

By Elaine Zhang

To be an entrepreneur is a dream of many people. In recent years there is a popular saying at Harvard Business School, the cradle of MBA education: If you don't have a start-up idea, you are nobody.

The successful entrepreneurs not only bring great wealth to themselves but also bring wealth, impetus, and influence to the society. Those who can seize the new commercial opportunities have made great impact on business models and people's life style apart from accumulating huge amount of wealth for themselves and their companies within a short period of time. Take an example of the Chinese entrepreneurs who gained huge success in the booming internet industry like Ma Yun (Alibaba), Ding Lei (Netease), Chen Tianqiao (Shanda), and Ma Huateng (Tencent).

People who want to make big achievement and maximise their value should connect their personal career with the development of the society. The Chinese economy is experiencing a rapid growth and there is huge room for further development in every industry, especially the service sector. There are undiscovered needs and new market opportunities in every segment, waiting for the exploration of the most excellent and the bravest entrepreneur mind.

Among the essential qualities of a successful entrepreneur, courage is one of the

most important. Prof. Liu Ji, Honourable President of CEIBS, indicates that an entrepreneur not only needs high IQ and EQ, but also high CQ (courage quotient). The role of MBA education is to develop their IQ, EQ, and CQ. Mr. Liu Chuanzhi, Chairman of Lenovo Group, also agrees on the opinion. He said: "I don't think I am born to be an entrepreneur. Actually I've never thought I could be an entrepreneur... I become what I am through continuous improvement." The improvement of China market system presents bigger challenges to entrepreneurs. Through the systematic training and education on business theories and the cultivating of IQ, EQ, and CQ, the MBAs are now better equipped to run their own business.

Starting up one's own business is more of a life style: one with confidence, openness and readiness to take risks. It is arduous, but the process to turn a dream into reality through hard-working is enjoyable. The freedom and sense of achievement are something those non-entrepreneurs could rarely taste. Prof. Per V. Jenster, Director of the Centre of Entrepreneurship of CEIBS said: "The risk of start-up is that once you've enjoyed the freedom, it's hard for you to return to the routine office life in a big corporation. It is like a roaming cat who cannot live without the free air any more."

As for why some MBAs choose start-ups, Prof. Jenster suggested that "never start up for the mere sake of start-up". You should do what you like and are familiar with, which is forever a golden rule of entrepreneurship. It is not enough to be equipped with theories learned from class.

You'd better have real experiences in the related area, which makes it much easier for you to run your own business. Besides, a good network is even more important than financing. CEIBS has a large alumni network. This can be the most valuable assets for the MBA entrepreneurs.

Starting up one's own business is such an enriching and colorful experience that will totally change your life. Are you interested in it? Are you open-minded, ready to take risks, persevering in failures, full of confidence and persistence? Do you happen to be in a good timing? Why not give it a try then?

CEIBS ENTREPRENEURSHIP SUPPORTING PLATFORMS: CEIBS MBA ENTREPRENEUR CLUB:

The club is aimed to provide MBA students – the energetic future business leaders – a sense of community and to help and support them in chasing and realising their dreams. The club offers its members a supporting platform through idea-sharing, communicating, resources and channels. The club activities include social activities, lectures, entrepreneurship salons, brain storming, etc. All these activities are designed for the students to gain entrepreneurship drive, aspirations and insights.

CEIBS CENTRE OF ENTREPRENEURSHIP

The centre aims to provide support and

guidance to the students and alumni who are either interested in start-ups or have already started, to promote the entrepreneurship education in China and to establish an academic platform to promote the academic research on entrepreneurship. Through start-up investment forums, business planning competitions, entrepreneurship case seminars, and other activities, the centre will strengthen the interaction with entrepreneurs and experts in venture capital funds and start-ups. The centre is committed to serving the student and alumni, and serving the society in the meantime.

CEIBS ALUMNI ENTREPRENEUR CLUB

The Club is working closely with the Alumni Relations Office. It is where the entrepreneurs among CEIBS alumni meet with each other and exchange ideas. It uses CEIBS' network and management advantages to promote a safer, quicker and more effective development of CEIBS entrepreneurs. Activities include forums, discussions, case studies, dinner parties, tours, sport games, etc. The topics cover various entrepreneurship practices and theories. At the same time, the club also encourages the members to produce ideas for new start-ups and joint projects. The main body of the members includes business owners and partners in alumni companies and those who are going to start up their own business.

CEIBS ENTREPRENEURSHIP FOUNDATION:

CEIBS is the only Chinese business school to have such a Foundation. It is funded by international investors to support the entrepreneurship practice of CEIBS MBA and EMBA alumni. This year, CEIBS is planning to look for candidates among the on-campus MBA students and invite them to take part in the foundation management. It is expected that CEIBS' educational idea could be implemented in a more concrete way by involving MBA students in the management of venture capital investment. Thus, they will be more prepared to undertake the future roles of entrepreneurs or venture capital investors.

If you are interested in joining the management team or want to learn more about the clubs and the foundation, please feel free to contact the CEIBS MBA Entrepreneur Club at zqing.m052@ceibs.edu. [THELINK](#)

The author is CEIBS MBA05 student, President of CEIBS MBA Entrepreneur Club.

Virtual Business in Metersbonwe

By Rachel Wang

Virtual Business is not what is commonly known as "handbag companies" (a dub name for those companies that have few assets to start from and earn much from scalping business). Neither does it refer to complete outsourcing or e-business. Rather, it is an innovative way of doing business in which a company leverages its core competence or advantages to virtualise some functions through non-ownership partnership, such as outsourcing or alliance, and by the means of virtual and IT technologies.

— Wang Quangeng, CEIBS EMBA Shanghai 2004 participant, VP of Metersbonwe



The idea of "virtual business" was first raised in 1991 by an American. Merely 5 years later, Metersbonwe adopted the concept. Within the next ten years, it increased its sales volume of RMB 5 million in 1995, when the company was launched, to RMB 3 billion in 2005, with a steady annual growth rate of more than 80%. Globally, there are other enterprises, such as NIKE, who made the similar achievements by "virtual business". The management ideas emerging in recent years, like outsourcing and supply chain management, are all going along the same line. What is the magic of the "virtual business" model? How can a company apply it to its own business? These were the questions that prompted CEIBS EMBA 2004 participants to visit the Shanghai Headquarters of Metersbonwe on March 2, 2006. The discovery

trip was made by over 40 members, led by Professor Zhang Weijiong, Vice President of CEIBS.

Mr. Wang Quangeng, CEIBS EMBA Shanghai 2004 participant and VP of Metersbonwe, showed the group around the company headquarters, including the R&D centre, the information centre, the Company College and Chinese Traditional Clothes Museum, etc. The tour presented to the group in a vivid way the Metersbonwe model of "virtual business" and its formidable competitiveness as the most rapidly-growing Chinese brand in casual clothes industry.

After the tour, CEIBS EMBA students kicked off a workshop on "virtual business" model, prelude with a dialogue between the students and Mr. Zhou Chengjian, Director and CEO of Metersbonwe. Mr. Zhou shared with his audience how the company innovated a new management model: they applied the new business model to the company by focusing on the high value added links such as R&D, channels and logistics, and outsourcing the low value added links such as manufacturing and sales; in this way, Metersbonwe eventually took the dramatic leap to become a leading company in the industry of fashion and leisure clothes.

Professor Zhang sang high praise to the management innovation by Metersbonwe and talked in more details with Mr. Zhou about the company's growth model in the future. Mr. Zhou responded with his vision of China's clothes industry and his deliberation on how to rise to the challenges: Given the fact that the cost advantage of Chinese clothes manufacturers is weakening, the brand advantage should be given a full play. For this reason, the development strategy for the following five years has to pay more attention to regional segmentation of the products, the improvement of product circulation and the innovation of capital structure. Mr. Zhou went further to tell the group that Metersbonwe were considering to create new brands targeting the customer groups different from the current ones through M&A and to bring in strategic investors or initiate public offerings.

The CEIBS EMBA students in the visiting group came from a vast range of industries, including logistics, retailing, laws and finance. They engaged themselves in the intensive discussion with Metersbonwe management team on a va-

riety of issues.

Quite a few members in the top executive team of Metersbonwe are attending CEIBS EMBA programmes. Mr. Wang Quangeng is one of them. He joined the company in 1995 and now is its VP responsible for information management, logistics, supply chain, manufacturing and procurement. He created the Metersbonwe Information Management System, which is widely recognised in China. In 2003, he won the award as one of "five top CIOs in China" by the International Digital Company (IDC), an American evaluation agency with global authority.

Mr. Wang gave a talk to update his EMBA classmates with the implications, models, operation elements, options and procedures of "virtual business". He explained that in a "virtual business", the company's core competence came from R&D, marketing and information technology. It means for a company to manage well the invisible high value added assets; to outsource manufacturing or do OEM; to outsource the sales or do franchise; and to outsource the management to professional consulting companies. In the case of Metersbonwe, they integrated the core capabilities with the ability to reorganise resources and the complementary advantages of the partners, so that the core competitiveness of the supply chain was eventually generated. The elements of a successful virtual business include not only "hard-wares", e.g., virtual and information technologies, but also "soft-wares", e.g., some core capabilities like R&D and marketing capabilities, partnership networks with high credibility and a long-term interest-balancing system of double win.

The last topic of discussion in the workshop was both intriguing and inspiring: what was the five core competitiveness Mr. Zhou suggested? The conclusion made by Mr. Wang was revealing to many EMBA students in the strategic executive position of their companies: resourcefulness (to grasp market opportunities), courage (to engage in a business battle), steadiness (to build teams and train staff), perseverance and conscientiousness. [THELINK](#)



On January 21, CEIBS MBA 2004 Class of 126 students celebrated their graduation at the CEIBS Shanghai Petrochemical Auditorium after their 18 months of studies. This year, the severity of hunting for CEIBS MBA graduates in the job market is no less than that in the previous years. A total of 235 companies have provided 730 offers, and the number of recruiting companies increases by 46% compared with the same period of last year. The world's top recruiters include GE, Honeywell, Intel, Johnson&Johnson, Bayer, CICC, HSBC, Adidas, RolandBerger, and Mercer, etc. According to the survey so far, the average annual pre-tax income of this class is close to RMB300,000 (about US\$ 37,500).

The school's vice president and co-dean Prof. Zhang Weijiong warmly congratulated the graduates on their successful completion of the programme study. In his speech, he attributed the increase of both average offer and package to the rapid development of the economies of Shanghai and China, as well as CEIBS' brand well established on the basis of rigorous quality control of enrolment and teaching.

Prof. Zhang said, "Owing to the outstanding performance presented by all MBAs of our previous classes, more and more companies are becoming our recruiters." He hoped the graduating class "will keep the school's motto of conscientiousness, innovation and excellence, and apply what have been learnt at CEIBS to their future business practices."

The executive president Prof. Pedro Nuño, and dean and vice president Prof. Rolf D. Cremer attended the ceremony together with Prof. Zhang Weijiong, conferring the MBA degree certificates to the graduates. They also conferred the awards of "Outstanding Student of the Year" to 8 graduates. They are Liu Chang, Henrik Gunnar Johansson, Stefan Josef Baumann, Zhao Xin, Song Xujun, Paul Foo, and Zhai Liming. The representative of the graduates presented a collection of essays entitled "Life at CEIBS" to the school as a commemorative gift. Mr. Samuel Zhu delivered a speech on behalf of his fellow students, extending gratitude and appreciation to CEIBS for its education over the last two years.

CEIBS MBA STUDENT WON FIRST PRIZE AT INTERNATIONAL ESSAY CONTEST



Aaron Gong, CEIBS MBA 2005 student, who came out first at "the Knowledge @Wharton International Essay Contest". The contest lasted for about 5 months, with up to 1,000 participants from both China and India. Aaron Gong and Lu Ruquan (CEIBS MBA2004) entered into top 20 in China. On January 14, the Award Ceremony was held in Beijing, and Aaron was awarded the First Prize.

The theme of the contest is "What can China and India learn from each other?" Participants came from various high educational institutions such as CEIBS, Peking University, Fudan University, Shanghai Jiao Tong University, Chinese University of Hong Kong and so on. Participants analysed and explored from different perspectives the comparison between the development of China and India, including social environment, economic development model, culture, industry development, corporate governance, enterprise competitiveness, population



and education, etc.

Aaron Gong is a CEIBS MBA 05 student who was the recipient of the EU's first-prize scholarship. His prize-winning essay was titled "International Expansion of Pharmas —India's Experience and Sino-India Cooperation". He used to work in the pharmaceutical industry and was the managing director of Huali Pharmaceutical Co., Ltd. in Africa. He told the news reporters at the Award Ceremony that many Chinese pharmaceutical companies are facing severe competition from India companies. This forces him to think what drives those Indian companies to outperform its Chinese competitors. As an MBA student, what he learnt at CEIBS provides him with an advanced methodology and analytical framework when he works on his essay.

The Appraisal Committee for this contest consists of senior people from various industries, including professors from Wharton and senior executives from Boston Consulting, Lenovo, Sina and the Economic Observer.

This is the second time that CEIBS MBA students have performed outstandingly at international contests since last November (CEIBS MBA students won the first prize at Confluence 2005 International MBA Competition). Again, they are demonstrating their competitiveness as MBA students of a world-class B-school.

THE CEIBS MBA "STUDENT AMBASSADORS" IN SOUTH KOREA

The CEIBS MBA Office kicked off the "Student Ambassador" programme in September 2005, aiming at providing a platform of dialogue between current participants and prospective applicants. Korean students of CEIBS MBA05 organised a CEIBS MBA06 applicants work-

shop at Seoul in December 2005 when they went home for holiday. This marks the first overseas MBA Info Session in CEIBS' history, making a significant impact on MBA students, alumni and prospective applicants in South Korea.

The workshop was attended by three MBA students, Gilbert Rhee, Joshua Lee and Elise Lee, one alumnus of MBA03, Kook. Soongwook, and altogether 20 prospective applicants. They discussed a broad range of issues, such as the academic value of CEIBS MBA programme, its strengths and weaknesses, its global competitiveness, the background of Korean students at CEIBS, and their life and job opportunities in Shanghai.

Despite different views on some topics, all four CEIBS MBA students present at the workshop all shared the same idea that it was a correct decision to study at CEIBS, for CEIBS enabled them to get to know many excellent people from both within China and overseas. It is at CEIBS that they got the best MBA education in Asia.

CEIBS MBA STUDENTS SUCCEEDED IN ENTERING THE SEMI-FINAL OF "L'ORÉAL E-STRAT CHALLENGE 6"

On February 3, the CEIBS team consisting of three MBA05 students, Ruby Chen, Cao Jun and Sam Yu, was successfully short-listed as semi-finalist in the "L'Oréal E-STRAT CHALLENGE 6". It is the biggest online business strategy contest, jointly organised by international cosmetics leader, L'Oréal and the giant Internet service provider, Microsoft MSN. Meanwhile, it boasts the only business game open to the university students, including MBA students, all over the world. The "L'Oréal E-STRAT CHALLENGE 6" attracted almost 13,000 teams from over 2,000 universities and colleges in 125 countries.

"Everything Starts With Education"

— Interview with Mr. Dominique de Boisseson, Alcatel

In 2000, Alcatel became the first international company to establish its Asia Pacific Regional Headquarters in Shanghai. What were your expectations then and have these been fulfilled?

In 2000, Alcatel's Product Line Vice Presidents for the region were based all over the globe and it became necessary to establish a real HQ in the region versus the then virtual model based out of Sydney. Shanghai was chosen as more than half of our employees in the region were based in Pudong Shanghai. We were the first company to do it. There were initial difficulties with the move, e.g. transportation and environmental problems. But overall, the move saved 20-30% in management time and increased efficiencies so our expectations have been fulfilled. We received strong support from the local Shanghai Government; we both learned a lot from each other from the experience and have since worked closely to encourage other multinationals to base their regional HQs in Shanghai. Today, between 140-160 companies have their regional HQ in Shanghai and better systems are now in place than in 2000. More work needs to be done in assisting multinationals, e.g. in addressing issues like what is the best structure for a company setup here. We are currently looking at this and related matters through the EUCCC (European Union Chamber of Commerce in China).

Alcatel Shanghai Bell went into operation in 2002: what was the strategy behind this move and what is your strategy today?

At the time we were two parallel organisations; Alcatel and Shanghai Bell were selling different products in the same competitive environment. We had a long-term relationship with SB. We knew each other well and it was the right time to merge. Once we started our R&D operations in 2002, we used SB for regional manufacturing. This created

good synergies and was a winning partnership. On one hand, Alcatel brought the technologies and a strong brand; on the other hand SB brought Chinese expertise, personnel and excellent customer relations. Our strategy today is a strong commitment to R&D in Shanghai and use China as the base for our APAC operation.

What advice would you give today to companies thinking about doing business with Chinese and working in China?

This, of course, depends on the size of the company and situation of the industry. In general terms, to compete in and with China, you need to be based in the country to have the same cost base and to understand the environment. To succeed you must have Chinese staff whom you trust and who trust you; this takes time to build. Respect and equality of opportunities are essential elements. At Alcatel, all expatriates are encouraged to localise as soon as possible and our Chinese colleagues know that their career prospects with the company do not stop at the borders of China.

You believe "everything starts from education"; what has been your experience with "Project of Hope" and the "Alcatel Hope School"?

Corporate Social Responsibility is our collective responsibility at Alcatel and these projects are actually run by our employees. The projects assist the poor in remote areas of the country to gain access to education. Our employees donate more collectively than Alcatel as a company and their financial aid assists in the building and equipping of primary and secondary schools, which are regularly visited by the employees.

Alcatel has been a strong supporter and a Corporate Sponsor Partner of CEIBS since 2000. How has this re-

lationship benefited Alcatel and your operations in China?

Traditionally, companies sent their high potential employees abroad to receive international management training; this had many negative consequences as people lost touch with the realities in China and found it hard to re-adapt if they came back to China. With CEIBS, there is no longer a need to go abroad; CEIBS programmes are at a high international level; they are in-depth and practical with strict academic criteria and demands. (*The Link*: Alcatel SB Central Operations Director, Mr. Chen Weimin is currently attending the CEIBS EMBA programme)

You have witnessed many developments in management education and training in China, which should be encouraged or discouraged?

We encourage our employees to become a Partner of the customer, and to really know their customer's industry and business, not just their product, so that they become an adviser to the customer on strategy and positioning as well as on their product.

You hold a Masters in Engineering and a Master in Sciences. What influenced your career path so that most your roles, from your IBM days and since joining Alcatel in 1987, were in fact in the areas of marketing and business development?

In the late 60s I didn't have enough money for an MBA. So I did just a Master of Sciences at Stanford University. Encouragement from my teachers and family directed me initially to engineering, but I found I loved sales as it put many of my skills to good use: planning and advising customers how to be successful and how to develop their own strategy. In order to be a successful business development manager, the key elements are: to understand the business of the customer and to translate that into what you want to sell; to understand your product thoroughly and to understand the application of the product for the customer; and to have a strong and close relationship with both your customers and your team.

What is the best advice you would give to a MBA student today?

Be modest. You learn theory and must understand reality. An MBA is an excellent tool but in order to succeed, listen to your customers and team, co-operate with people at all levels.

You have been lauded with many

Name: Mr. Dominique de Boisseson
Nationality: French
Education:
 • Master of Sciences Stanford University (California)
 • Master of Engineering
 Ecole Centrale des Arts & Manufacturers (Paris)
Current Position:
 • Chairman & CEO, Alcatel China Investment Co., Ltd
 • Senior Vice President, Alcatel
 • Vice President, EUCCC in China
Years in Alcatel: 19
Years in China: 9



CORPORATE PARTNERSHIPS FURTHER STRENGTHENED AT CEIBS



CEIBS is proud to confirm the extension of the school's long-term corporate partner relations with ABB, L'Oréal MDC Asia and AXA.

ABB has been a staunch supporter in the development of CEIBS dating back to the CEMI days in Beijing circa 1993. Since then ABB has sent over 300 executives to CEIBS management development programmes. Commenting on ABB's relationship with CEIBS, Mr. Peter Leupp, Chairman and President of ABB China Ltd said: "ABB is proud to be associated with CEIBS. In the past decade, CEIBS proved its ability to deliver competent graduates that effectively meet the changing business needs. CEIBS has also been a good partner with ABB in training and developing business leaders and

professional managers in China. We wish CEIBS success in the future."

L'Oréal, the world's leading Cosmetics Company has had a close working relationship with CEIBS since 1994. In April 2005, the L'Oréal MDC Asia (Management Development Centre) was launched in Shanghai as one of the L'Oréal's four global MDCs. L'Oréal aims at training close to 2,000 Asia based executives every year. This year, L'Oréal MDC Asia, managed by Mr. Charles de Brabant, will continue to design, develop and deliver programmes in cooperation with the CEIBS executive development team under the mentorship of Professor William H. Mobley, Professor of Management and Academic Advisor to Executive

Education Programmes at CEIBS. Mr. de Brabant commented, "L'Oréal Asia is proud to be associated with CEIBS. Over the past decade, CEIBS has proven to be a strong partner for L'Oréal in training and developing professional managers in China. We now aim to go one step further by working closely with CEIBS to develop managers throughout Asia."

Entering into its 4th year of corporate relations with CEIBS, AXA, the largest French insurance company and one of the largest in the world, attaches great importance to the partnership with CEIBS to influence and assist the development of management education in the financial services sector in China as well as to develop a talent pool for growth of AXA and AXA Minmetals Assurance Co. in the region. Mr. Fabrice Lorillon, General Representative for AXA in China commented, "As part of its HR strategy in Asia and in China more specifically, AXA is establishing alliances with business schools and universities to enhance its brand image and recruitment activities in the employment market. AXA is very proud to co-operate with CEIBS which since its establishment, has offered M.B.A students, managers and senior executives of companies operating in China, the latest knowledge of local and international management best practices."



CEIBS AND BAYER JOINTLY INAUGURATE NEW CHAIR IN STRATEGY & MARKETING AND CEIBS CENTRE FOR HEALTHCARE POLICY & MANAGEMENT:

New learning platform aims at strengthening teaching and research in health care marketing, strategy and policy



Dr. Juergen Dahmer, President Bayer Group Greater China

On March 15, 2006, CEIBS and Bayer jointly inaugurated the Bayer HealthCare Chair in Strategy & Marketing and the CEIBS Centre for Healthcare Policy and Management.

In a formal ceremony attended by over 130 hospital and pharmacy directors as well as CEIBS faculty and Bayer employees, the new Chair Professor, Dr. Willem Burgers, together with Dr. Udo Oels, Member of the Board of Bayer AG and Dr. Juergen Dahmer, President of the Bayer Group in Greater China, unveiled a plaque for the Bayer HealthCare Chair in Strategy & Marketing.

In his congratulatory remarks, Dr. Oels highlighted the crucial role innovation and a pioneering inventor's spirit play in achieving progress: "With academic pioneers such as Chair Professor Burgers, we want to explore new ways of marketing & strategy for health care professionals. With our involvement in the Centre we hope to contribute our experience with the Chinese health care system to the research. We believe that a comprehensive health care policy can only be achieved if the views of all stakeholders are reflected".

During the ceremony, Prof. Dr. Rolf D. Cremer, Dean and Vice President of CEIBS, Dr. Wolfgang Plischke, Member of the Board of Bayer AG and Chris Lee, Head of Bayer HealthCare China, together with Ms. Fengxia Lu, Vice Director of Evaluation Centre for Drugs Pricing of the National Reform

and Development Commission, unveiled a second plaque for the CEIBS Centre for Healthcare Policy and Management.

Pointing to the importance of effective, accessible and affordable healthcare in any society, Prof. Dr. Cremer summarized the rationale for the partnership, "Through the partnership with Bayer, CEIBS is breaking new ground in the area of health care management and policy. The Bayer HealthCare Chair in Strategy and Marketing under the leadership of Professor Willem Burgers, and the CEIBS Centre for Health Care Policy and Management enable both Bayer and CEIBS to make a constructive and meaningful contribution to the development of the health care sector through fundamental and applied research as well as through teaching and training. As a leading business school, we achieve this best in partnership with world-leading companies, such as Bayer."

The Bayer HealthCare Chair in Strategy & Marketing is endowed at CEIBS for 1 million EURO over a total period of 10 years. Under the guidance of Bayer HealthCare Chair Professor Willem Burgers, CEIBS will concentrate on teaching professional skills in strategy and marketing to future professionals in the health care industry.

The CEIBS Centre for Healthcare Policy and Management is designed as a platform to develop innovative and joined research. Findings from that research will find entrance into open seminars, forums, publications and optional courses for CEIBS students as well as interested professionals. The centre is established under sponsorship of Bayer and will be open to other sponsors in the future.

<< "Everything Starts With Education"

prestigious awards from both the Chinese and French Government for your contribution to the development of China and to Sino-European relations, including the Magnolia Memorial Award, the Magnolia Honorable Award, the Friendship Award as well as the Chevalier de la Legion d'honneur. Which of these awards means most to you and why?

Every recognition is an honour. The most important is that the contribution has been useful and that relations are being developed to build something together for the future.

You have lived and worked in Shanghai for 9 years. What has most surprised you about living and working in China, and in Shanghai specifically?

I felt at home after two weeks in Shanghai though some practicalities existed nine years ago, e.g. it was difficult to find butter! But these disappeared after time. What has been permanent is the good attitude of the majority of Chinese people towards foreigners and their strong ambition to develop and progress.

LVMH LAUNCHES SCHOLARSHIP PROGRAMME AT CEIBS

On February 13, 2006, Ms. Vanessa Ribes, HR Development Manager for LVMH Asia Pacific, visited the CEIBS campus to launch the LVMH Asia Scholarship Programme, making CEIBS the first Chinese institution selected by LVMH to participate in this initiative.

In 1986, the LVMH group created the LVMH Asia Scholarships on the proposal of Professor Henri-Claude de Bettignies, Distinguished Professor of Global Responsible Leadership at CEIBS, Aviva Chaired Professor of Leadership and Responsibility at INSEAD, to give a carefully selected group of students from business and engineering schools in France the opportunity to develop their interest in Asia. Over the past 20 years, more than a hundred men and women have



Left: Mr. Florent Gogroire, Human Resources Manager (LVMH Scholarship Laureat 1991)

Right: Ms. Vanessa Ribes, Human Resource Development Manager (LVMH Scholarship Laureat 1999)

had the benefit of the LVMH Asia Scholarships.

In 2006 the LVMH group generously agreed to enlarge the programme and to offer these scholarships to students in China and exclusively to the CEIBS MBA Students. Under the programme, the LVMH group will offer a scholarship to three CEIBS MBA students interested in the luxury goods business. The three Laureates will gain the opportunity to spend 6 weeks as an intern, within one of the LVMH Group companies in Europe.

Each Laureate will receive 3,000 euros before their departure and an additional 1,000 euros once they have completed their internship and report. A final grant of 1,000 euros will be offered to the best of the three Laureates. Applicants to the scholarship are requested to write an essay on "Luxury goods on the Internet: Is it possible in China to sell luxury goods on the Internet? Why?" The three Laureates will be announced in March 2006.

CEIBS Alumni Association Taiwan Chapter Established

On the evening of 26 January 2006, two days before Chinese Spring Festival, about 30 Taiwan alumni and current program participants, including newly admitted 2006 students, got together at Asia Pacific Club Taipei, to witness the establishment of Taiwan Chapter of CEIBS Alumni Association. Up to date Taiwan Chapter is the 20th regional chapter of CEIBS Alumni Association. Ms. Julia Li, Director of the Alumni Relations Office, attended the opening ceremony on behalf of the School. She conveyed warmest congratulations on the establishment of the chapter and introduced recent developments of the School to the attendees.

DEEP SORROW FOR PRESIDENT ZHANG GUOHUA

To express sadness for the passing of President Zhang Guohua, who made great contribution to the School and the Alumni Association, all the attendees rose and observed 30 seconds silence at the beginning of the ceremony. And they all expressed that they would continuously support the development of the School in every possible way in memory of President Zhang. He has given tremendous support to the development of the Alumni Association, trying to be present every time when a new regional chapter was launched, always asking about alumni's career development, and listening to their needs.

DISCUSSION ON THE ARTICLE DETAILS

Prior to the election, all the members carefully studied the draft articles of the chapter, and discussed particularly over the article about whether a member could entrust a proxy to attend the member meetings. They voted for it by a show of hands and passed an amendment which allowed a member to entrust one and only



one proxy to attend a member meeting in full representation of him/her when he/she was absent.

ELECTION FOR THE CHAPTER COMMITTEE

EMBA 013 alumnus Mr Hu Shijie and EMBA 033 alumnus Mr Xu Junyi, who are now respectively working in mainland and Taiwan, were elected president and vice president of the Taiwan chapter. Their commitment of providing Taiwanese alumni with the best service won them full support and applause from all the attendees. And MBA 2001 alumna Ms Du Jiale, was appointed secretary general. After the election, the trinity went down to work immediately, discussing the agenda for the New Year and starting to recruit new members on site.

WARM GATHERING BETWEEN ALUMNI AND NEW COMERS

A warm gathering was held between the alumni and the current participants before the ceremony ended. The introduction by the alumni about their lives at CEIBS inspired greater yearning for the School life among the new participants. All the attendees expressed their hope that the Taiwan chapter could not only help its members enhance their career development and foster friendship among them, but also become a link between Taiwanese alumni and alumni in other regions. They also hoped that the Taiwan chapter could assist the school in its promotion and admission activities in Taiwan, and help it enhance its reputation and influence, as well as expand its financing channels. Two local media were invited to report on the event and the school, which was the first time that alumni event news of a mainland based business school was released by Taiwan media.



My Gateway to China



By Michael Schwartz

Now more and more CEIBS' international students have found right jobs in China. One of them expressed his gratitude to the school's education when he gladly learned the news that CEIBS has yet again improved its ranking to 21st globally and has remained number one in Asia.

As you know CEIBS is the only internationally accredited MBA School in China and has made tremendous leaps in the last few years in academic curriculum, research and student body, I am honoured to be an alumnus of the school.

Frankly speaking, CEIBS was in fact not my first choice as an MBA school, actually not my last either. Initially it never crossed my mind to study for my MBA in China, but as you will see this was probably one of my better career and life decisions.

My initial MBA applications went to

the US and Europe's top 10 schools.

I had the intention to come to China for language study as a way to give me an advantage in my future career. Before commencing my MBA degree, it happened that while searching for language schools I had an opportunity to read about China and Shanghai in more detail. I was awed by the potential awaiting in what is called "the land of unlimited opportunities".

On one hand, the environment and location are all secondary to those who attend business schools, for by all means they will graduate, enter a corporation and gradually rise to a senior management position. On the other hand, CEIBS presented me with much more: a new cultural interface, a new approach to business, language and network of future business leaders of a rising nation. CEIBS as an integrated part of the Chinese future business community provided a combination not available in any other business school.

With this mindset I applied to CEIBS. And within 6 weeks I was stepping off a plane in HongQiao airport without a word

of Chinese, or any acquaintance. If there was any second of doubt of my decision to come over to China and study in CEIBS, the students, location and course curriculum helped to clear the cloud. I was greeted by the best of Chinese hospitality from my classmates, a city of lights and sky scrapers, and most of all, a curriculum which not only stressed international business but also Chinese economy and history, China business cases, and insights into doing business in China. Where else can one learn about economics and politics while being able to see the property market growing by 200% percent? Where else can one learn daily the meaning of "guanxi"?

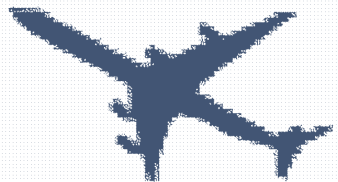
Thanks to my time at CEIBS, today I can manage many parts of my job in Chinese. I have a rich network in the business community throughout China in numerous industries. It helps not only in my business career but also in my personal life through information sharing and opening the right doors through a phone call or email.

When all this is considered, the contribution of CEIBS is apparent.

In terms of career, CEIBS career development was an integral part of finding my first job in China. Through their company liaisons and presentations, I was offered a position in a MNC in China. I am now working for a Fortune 100 company at an Asia Pacific Manager level within less than 3 years from graduation in a new country, new culture, new industry and a new language.

I believe that beyond the assistance of finding a position in China, the education which is comparable to any other top ranking MBA programme, CEIBS has contributed to my fast acceptance of the Chinese culture and business environment, to my close network of friends, and to my ability to remain here and make my home in China in the last 4 years. I consider CEIBS as my "gateway to China". [THELINK](#)

The author is MBA2002 graduate, now working as Supply Chain Manager Asia Pacific, Honeywell Asia Pacific. The article is adapted from his speech at the press conference on February 10, 2006.



Taking off from CEIBS

By Alan Xiao

After graduating in 1995, I went to work in Shanghai Baosteel where I stayed for three years as a quality engineer. In 1999, I was enrolled in CEIBS MBA programme after some training in language and management. Upon graduation, I took a job as an investment manager in a venture capital investment firm located in Shenzhen and worked there for another three years. In 2002, it occurred to me that I could start up my own business. Later, some friends and I managed to raise RMB10,000 and registered a cable company. As a matter of fact, I had suggested my former boss in the venture capital investment company that we should invest in this project. But he did not accept my suggestion, for cable manufacturing was not the state-of-the-art technology.

Our company, Shenzhen Kingsignal Cable Technology Co., Ltd., mainly serves mobile communication and aero-space projects. Though a small company established in 2002, our products are now used by major national projects like Shenzhou Spaceship Series. And our customers in mobile communications include global giants such as Ericsson, Nokia, Emerson, and

HuaWei, etc. Kingsignal boasts a young management team with complementary skills and gifts, consisting of cable technology experts, marketing and managerial professionals. The company expects to achieve the sales volume of RMB150 million in 2006.

For many people, MBA is prepared for professional managers. In fact, I held the same view when I first came to CEIBS. My dream, at that time, was to become a senior executive of one of the top 500 companies. Now I set off on a very different journey by starting up my own business. Although I was not a top student, surely I am standing in the frontier now, representing another rapidly growing city in China and another group of business people who initiate new ventures.

There are some forces driving me towards the enterprise of start-up: First of all, at CEIBS, I was educated to be more adapted to this commercial world. A good example for me is a CEIBS alumnus from an alien country. He chose to stay in China after graduating from CEIBS and excelled among his colleagues in just a few years. He has been adapted to this country and this continent. He told us that he did want to escape when he first arrived in China. I had a similar experience. My life after university had been spent in Shanghai until I came out of CEIBS and moved to another city utterly

strange to me. Shenzhen is totally different from Shanghai, with a distinctive style and a mainstream commercial mindset. But it is my study at CEIBS that enabled me to be quickly readjusted to the new environment, and even to take a further step by actively joining in the hustle-and-bustle of this city, i.e., starting up my own business.

The second reason for my decision lies in vast opportunities offered by the overall environment of the country that is rarely found in China's history. Now is the perfect timing, when the whole society is encouraging new business ventures, especially to the entrepreneurs with MBA degrees. My career experiences and education background made it possible for me to play both roles as a business leader and a professional manager at the same time in my company.

Of course, luck did play a part.

When asked of my study at CEIBS and how it has helped my career, I have more to say. Though five years have passed since I graduated, the memory of those days are as fresh as before whenever I am back to the campus. It was a normal practice at that time to keep studying till midnight. But when looking around and seeing light on in every window, I would feel energised again to continue my work.

Before studying at CEIBS, I was an engineer and had just a little understanding and practice in a very limited part of the technological field. It was my days at CEIBS that enriched my knowledge of the comprehensive dimensions of business operations. It would be embarrassed for me to tell you my scores in the accounting exams at CEIBS. But today, I am not only a member of the Board, but also the Chief Financial Officer of our company. We have had some very innovative practices in finance. What CEIBS taught me is more than theories. The practical knowledge has helped us to acquire many application skills.

For example, there was a course of Business Ethics, which is another version of "Politics" or "Morality" lessons for many people. But our lecturer, Professor Georges Enderle, is a renowned professor in this area. He taught us to analyse situations from macro, medium, and micro perspectives. Macro dimension applies to the analysis of the entire society; medium dimension to that of the corporate environment; and micro dimension to the individual. Although he was teaching the methodology in Business Ethics, it actually is applicable to many other is-



sues. Also, the course gave us a good understanding of the "social responsibility" and "common good". Every professor of CEIBS instilled in us something that is invaluable for lifetime such as Professor Wu Jinglian, Professor Xu Xiaonian, and Professor Xie Jialun, etc.

To summarise what I gained at CEIBS, the first is an unforgettable experience full of intensiveness and enjoyment. The second is some systematic knowledge of business management. And the third is a lifetime alumni network.

Private start-ups would encounter numerous problems. But the widely spread networks of our alumni have given me spiritual supports apart from professional helps in different industries. In almost all our client companies, we may find CEIBS alumni or students on managerial positions. Every time I was stuck in some troubles, the first thing I would resort to is the alumni network. In my off-work social contacts, 70%-80% are my alumni. To communicate with CEIBS alumni has become our lifestyle, or at least, my lifestyle. The supports from CEIBS and alumni of CEIBS have turned to a major driving force behind every move I made.

CEIBS, with its unique education model, also offers us a lifetime learning platform. We are given an environment and opportunity to keep updated with the cutting-edge management ideas and knowledge, and to continue our reflections on issues like corporate social responsibility and business ethics.

Finally, I would like to discuss whether it is true that "to kill a chicken one does not use an ox-cleaver". An MBA programme aims to pass onto the attendees the most advanced management theories and practices, which I dubbed "the ox-cleaving skills". As a result, MBA graduates mostly work for well-established enterprises like

the top 500 companies in the world, where their skills can be given a full play. But my personal experience demonstrates that the same skills can also be effectively used in "killing chicken" when adapted for applications in private start-ups like Kingsignal.

Right after being enrolled in CEIBS MBA programme, we were given lessons of career development planning. Later in Kingsignal, I adopted the same practice. It is not only applied to so-called "white-collars", i.e., university graduates, but also to ordinary workers, or what they call "blue-collars". In Guangdong province, most migrant workers are regarded as cheap labourers and they themselves come to accept this as their identity. However, this is neither helpful for company development nor good for social stability. Therefore, we keep telling our workers that "you are not short-term cheap labourers in our company, but rather, you are starting a career with prospect". Hence, we offer them career development education and encourage them to compete for the desirable posts. Doing this, we expect that the most excellent talents among them can be retained and would work for the company until retirement. In our recruitment, we borrow from CEIBS its unique screening method. The university graduates who are interested to work with us are told that if they succeeded in the interview with us, they would succeed in any interview. All these practices prove to be very effective. Compared to the high turnover rates in Shenzhen, our company has a very low turnover rate both among university graduates and workers. Currently, there is few loss of human resource due to payment complaint or lack of confidence in the company's prospect. This is, in a way, an achievement we made. **THELINK**

The author is CEIBS MBA99 graduate. He is now a board member and Chief Financial Officer of Shenzhen Kingsignal Cable Technology Co., Ltd.

CEIBS' RECOMMENDATION



Micromotives and Macrobehaviour

By Thomas C. Schelling. New York : Noton, c1978.

Schelling is 2005 Nobel Prize Laureate in Economics. He explains the world of externalities with fun examples, supported by economic logic and mathematical models. First published in 1978 when economics of information was taking shape, this book falls within the realm of public policy with economic analysis foundations of strategic complementarities and expectations. Schelling provides an intuitive and stylised account of many more irrational macrobehaviors led by personal, and sometime contradictory or rational micromotives. His prose is delightful, his selection of examples is easy for anyone to relate to, and the way he writes, you forget that your brain is getting an intellectual workout.

First In, Last Out

By John Salka & Barret Neville. New York : Portfolio, 2004.

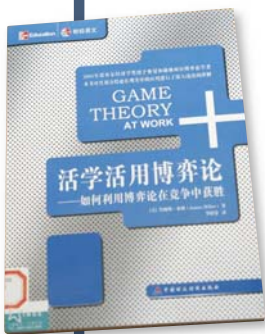
Salka, an FDNY battalion chief in the Bronx, has spent 25 years with the department, rising from firefighter to his current rank. He shares his insights on managing people, coping with crises, mentoring, decision making, adjusting to change and more. While Salka uses his experiences fighting fires, he clearly shows how his work has applications in almost any corporation. Salka discusses how he works with his firefighters and how managers can use his tactics. The book covers key aspects to leadership—establishing trust, connecting with employees, decision making, engaging employees, dealing with crises and nurturing new leaders—in a logical fashion. Overall, this is a solid look at leadership.



Game Theory at Work

By James Miller. New York: McGraw-Hill, c2003.

Game theory—the study of how competitors act, react, and interact in the strategic pursuit of their own self-interest—has become an essential competitive tool in today's business arena. This book provides examples of how businesspeople can use this time-proven approach to successfully meet competitive challenges and, more often than not, claim the upper ground in each battle before it begins. Case studies, puzzles, and games demonstrate why unexpected and often paradoxical results are the norm when humans compete, and help you use this fact to your advantage. Everything in life is competitive in one way or another, and game theory has revolutionised the art and science of what to look for—and how to act—when engaged in competition. Game Theory at Work studies the use of game theory in today's hard-fought business arena, and shows you how to use it to gain maximum advantage in every professional encounter, whatever your role in that encounter.



The End of Oil – On the Edge of a Perilous New World

By Paul Roberts. Boston: Houghton Mifflin, 2004.

This Book brings the world situation into fresh and dramatic focus for business and general readers alike. A vitally important book for the new century, The End of Oil centers around one irrefutable fact: the global supply of oil is being depleted at an alarming rate. Which energy sources will replace oil, who will control them, and how disruptive to the current world order the transition from one system to the next will be are just a few of the big questions that Paul Roberts attempts to answer in this timely book. As Roberts makes abundantly clear, the major oil players in the world wield their enormous economic and political power in order to maintain the status quo, whereas nearly half of the world's population lives without the benefits of fossil fuels and they desperately want to be among the haves. Though there is much to be pessimistic about, Roberts does uncover some positive developments, such as the race for alternative energy sources, notably hydrogen fuel cells, which could help to ease us off of our oil dependence before a full-blown energy crisis occurs. The book is a remarkably informative and balanced introduction to this pressing subject.

Lexus – The Relentless Pursuit

By Chester Dawson. Singapore: John Wiley & Sons (Asia), c2004.

Toyota is the best car company in the world. From a truck-maker in World War II to a carmaker in the 1950s to a Lexus maker in the 1980s, it excels everywhere. Chester Dawson is a Japanese-speaking investigative reporter who brings to life the story of Lexus. He tells the story with drama, vision and insider detail. This tale of invention, innovation, consumer insight, dedication and resolve unlocks the keys to how Toyota took a vague idea and turned it into a flagship brand and a new automotive icon. This remarkable success story is a must-read not only for car buffs, but for any manager or executive who wants to understand any manager or executive who wants to understand how to create, sustain and expand an elite brand.



The Future of Multinational Enterprise

By Peter J. Buckley & Mark Casson. New York: Palgrave Macmillan, c2002.

This is one of the most influential studies of multinational enterprises ever published. As a book that revolutionized the field, it includes a critical examination of empirical observations about FDI, offers a long-run theory and other alternative theories of the multinational enterprise, as well as looking at the world's largest firms and offering predictions and policy implications. This resulted in the internalization theory that has influenced much research on FDI since it was first published in 1976. To mark the 25th Anniversary, the authors have included a new introduction, which reflects on the enduring impact of the book. Peter J. Buckley is Professor of International Business at the University of Leeds. Mark Casson is Professor of Economics at the University of Reading.





CEIBS MANAGEMENT COMMITTEE

Professor Pedro NUENO, Executive President
Professor Rolf D. CREMER, Dean and Vice President
Professor ZHANG Weijiong, Vice President and Co-Dean

CEIBS BOARD OF DIRECTORS

XIE Shengwu
Chairman of the Board
President, Shanghai Jiaotong University
Gerard VAN SCHAİK
Vice Chairman of the Board
President, EFMD
François BAYROU
President, Union for French
Democracy (UDF)
Jan BORGONJON
President, InterChina Consulting
Federico CASTELLANOS
Vice President of Human Resources,
IBM Europe Middle East Africa
Gabriel HAWAWINI
Dean, INSEAD
JING Shuping
Chairman, China Minsheng
Banking Co., Ltd.
WANG Qi
Deputy Director, Shanghai
Municipal Education Commission
YANG Dinghua
Secretary General,
Shanghai Municipal Government
ZHU Xiaoming
Deputy Director, Standing
Committee, Shanghai Municipal
People's Congress

CEIBS ACADEMIC COUNCIL

Professor Alfredo PASTOR,
Chairman, IESE, Spain
Professor CHANG Chun, CEIBS, PRC
Professor Rolf D. CREMER, CEIBS, PRC
Professor Arnoud DE MEYER,
INSEAD, France
Professor David C. SCHMITTLEIN,
Wharton School, USA
Professor Luigi Vittorio TAVA,
SDA Bocconi, Italy
Professor Dominique TURPIN,
IMD, Switzerland
Professor Juergen WEIGAND,
WHU, Germany
Professor Katherine XIN, CEIBS, PRC
Professor ZHANG Weijiong, CEIBS, PRC

CEIBS FACULTY MEMBERS

Kwaku ATUAHENE-GIMA, Ph. D.
Marketing and Innovation Management
Willem P. BURGERS, Ph. D.
Marketing and Strategy
Bayer HealthCare Chair in
Strategy and Marketing
Thomas E. CALLARMAN, Ph. D.
Operations Management
CHANG Chun, Ph. D.
Finance
ABN AMRO Chair Professor
of Risk Management
Professor of Finance, Carlson School of
Management, University of Minnesota
Rolf D. CREMER, Ph. D.
Economics
Henri-Claude DE BETTIGNIES
Management
AVIVA Chair Professor of Leadership
and Responsibility, INSEAD
DING Yuan, Ph. D.
Accounting
Associate Professor of Accounting
and Management Control, HEC
Juan A. FERNANDEZ, Ph. D.
Management
Gerald E. FRYXELL, Ph. D.
Management
GAO Yan, Ph. D.
Finance
Per V. JENSTER, Ph. D.
Management
LIANG Neng, Ph. D.
Management
William H. MOBLEY, Ph. D.
Management
Pedro NUENO, Ph. D.
Entrepreneurship
Seung Ho "Sam" PARK, Ph. D.
Strategy
British American Tobacco Chair
Professor of Marketing
Alfredo PASTOR, Ph. D.
Economics
Spanish Chair Professor of Economics
Professor of Economics, IESE
Lydia J. PRICE, Ph. D.
Marketing
Bala RAMASAMY, Ph. D.
Economics
Jaume RIBERA, Ph. D.
Production and Operations Management
Port of Barcelona Chair in Logistics
Professor of Production and
Operations Management, IESE
Linda G. SPRAGUE, Ph. D.,
Manufacturing and Operations Management
Wang JIANMAO, Ph. D.
Economics
WU Jinglian, Ph. D.
Economics
Baosteel Chair Professor of Economics
XIAO Zhixing, Ph. D.
Management
Katherine R. XIN, Ph. D.
Management
Michelin Chair in Leadership and
Human Resource Management
XU Bin, Ph. D.
Economics and Finance
XU Dingbo, Ph. D.
Accounting
XU Xiaonian, Ph. D.
Economics and Finance
Arthur YEUNG, Ph. D.
Management
Philips Chair Professor of Human
Resource Management
Professor of Business Administration,
University of Michigan Business School
ZHANG Weijiong, Ph. D.
Management
ZHANG Yimin, Ph. D.
Finance
ZHAO Xinge, Ph. D.
Finance
ZHOU Dongsheng, Ph. D.
Marketing
ZHU Tian, Ph. D.
Economics
ZHU Yu, Ph. D.
Finance

RESEARCH CENTRES:

Centre of Chinese Private Enterprises
Director: Professor ZHANG Weijiong
Centre of Entrepreneurship
Director: Professor Per V. JENSTER
Centre of Organisational
and People Excellence
Director: Professor Arthur YEUNG
Co-Director: Professor Katherine XIN
Centre for Emerging Market Strategy
Director: Professor Seung Ho "Sam" PARK
China Centre for Financial Research
Director: Professor CHANG Chun
Case Development Centre
Director: Professor WANG Jianmao