In mainland CHINA, there is only ONE world-class MBA programme ranked among “Top 100 Full-time Global MBA Programmes” for 5 years by the Financial Times.
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. Zongsheng, 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.

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
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- To attract world-class faculty
- To ensure continuous improvement
- To attract the best students
- To provide an inspiring environment
- To innovate world-class research

For Further Information on CEIBS Corporate Sponsorship Projects and Programmes, please contact:
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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 Business School, 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 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 Financial Research under the leadership of ABN AMRO Chair Professor Chang Chun, or in the Euro-China Centre for Leadership and Responsibility under the leadership of Professor Henri-Claude de Bettignies.

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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. The Olympic Games are 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 Los Angeles. The 1980 Moscow Games were seen as a failure by the IOC, and a huge deficit was expected to be covered by the host city. The bid for the 1984 Olympics was won by Los Angeles, but with the condition that the city had to guarantee that the games would be profitable.

Financial disaster used to be a recurring theme throughout the Olympics’ 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 1980s, when interest in the Olympics was at its peak, the 1980 Moscow Games were said to suffer a huge loss, although no detailed statistics were provided.

It was not until 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 arises: how does the change take place? Why was the Olympics treated 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 of the Olympics, made a huge profit of over $200 million! How did Los Angeles make the games a viable proposition and a marvelous business success?

To achieve this, Uberroth implemented a series of steps, such as offering free participation to more countries and athletes for more exciting performances and increasing the number of events to draw in as many viewers as possible. The larger the audience, the higher the fee for TV rights.

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Also, Uberroth recognised that merely selling TV rights would not be sufficient for funding the Games, because TV was not yet universally used in early 1980s, and was not the most popular medium. Instead, he sold radio rights and earned tens of millions of dollars.

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To achieve this, Uberroth implemented a series of steps, such as offering free participation to more countries and athletes for more exciting performances and increasing the number of events to draw in as many viewers as possible. The larger the audience, the higher the fee for TV rights.

Also, Uberroth recognised that merely selling TV rights would not be sufficient for funding the Games, because TV was not yet universally used in early 1980s, and was not the most popular medium. Instead, he sold radio rights and earned tens of millions of dollars.
While tapping as many new sources as possible, Uberroth distinguished to control the costs. Throughout the L.A. Games, only 3 tickets were respectively sent as gifts to Mr. Bannister, President of the IOC, President Reagan, and the Mayor of Los Angeles.

As far 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. Tons 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 has 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 by making new strategies focusing on how to create more value for the customers. As a result, the IOC had to negotiate with the Olympics Committees of each participating country, which consumed significant time and energy. Though Uberroth had negotiated with a single party—i.e., 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.

All in all, the game led to the increasing value of the Olympics.

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 advertising fees of the Olympics are soaring even higher. In the meantime, economic globalization 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 despite the strict price wars, one motorcycle can only sell at RM800 right now. This same thing happens in the pharmaceutical industry. In Zhengan, there is a listed pharmaceutical firm who produces a vitamin medicine priced at 1% of its 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 41% 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 values for the customers. The relationship between companies should go beyond competition and head for more cooperation.

Expansion of the game led to the increasing value of the Olympics. As a result, the transmission and advertising fees of the Olympics are soaring even higher. In the meantime, economic globalization 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.
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 organization 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 marketplace.

**4. ADVANCE THE CORPORATE VISION**

The branding strategy is an excellent realisation 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 has 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 benefit 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 organization. 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 overall 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 tailored 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.

Table 1: 10 steps to build a successful Asian brand (Source: VentureRepublic)
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 Intranet can facilitate teamwork between 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 underestimate the power of the Internet as a communication channel to build its brand. 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 on-going 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 and suppliers, and also communicate with experts and many others. But the company staff also interacts with an impres-sive number of people and groups such as current and potential customers, stakeholders, competitors 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 employees adequately in facilitating the branding processes.

Internal branding should most im-portantly be carried out by giving a buy-in and buy-back of the ability of brand communication. The company should treat all its employees the way they treat their customers and use this as a common language. A classic example is how Starbucks, despite hiring tempo-rary 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 its 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 company. It is the brand promise which need to be consistent, clear and relevant to the target audiences and easy to comprehend.

Companies should ensure that through training and development of certain employees, the brand will be brought to life and it is made to resonate with its customers. All these initiatives need to 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 invest in strategies that will add brand value. By focusing on value creation, companies can establish long-term relationships with the right customers and partners. The shareholders 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 company will be to exceed the customer expectations.

One of the challenges for companies in general and for diversified or compa-ny specific suppliers, companies should es-sentially deliver on the brand promise and in-clude the brand promise in the core of the strategy. The goal is to develop and establish some benchmarks and guidelines. These should guide all the different func-tions within the company. The guidelines must provide the blueprint. But the impor-tant aspect is to make sure that the company is consistently delivering the value to all its stakeholders.

8. MEASURE THE BRAND PERFORMANCE

Asian companies need to deliver shareholder value and be accountable. The same ap-plies for brands. How much value does it provide to the corporation and how in-ternal stakeholders and customers can use this value to create a competitive advantage? The brand management process must answer these questions.

Asian companies must realize that communications is not just about creative advertisements. Instead, it is a much more comprehensive and strategic discipline encompassing the entire mix of communication chan-nels with the sole goal of connecting with the customers at both functional and emo-tional levels.

One of the most important assets in a corporation is its human resources. They interact every day with colleagues, customers and suppliers, and also communicate with experts and many others. But the company staff also interacts with an impres-sive number of people and groups such as current and potential customers, stakeholders, competitors 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.

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To elevate the discipline of branding into the boardroom level, it is required of companies to prove the financial im-plications of branding investments and their 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 the return on certain company and industry specific param-eters instead of merely adopting some proprietary tools.

Ultimately, the CEO and corporate man-agement should be remunerated based on the brands’ strength, its performance measured through metrics like market share, share of voice and share of profit. This is the only way to make sure that the top management will automatically seek as part of a constant commitment to run the strategy successfully.

The business landscape is changing al-most 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 co-ordinated branding strategy should stay relevant, differ-entiated and consistent throughout time, so is the crucial function of the brand to balance between the parameters. The basic principles of the branding strategy like vision, identity, personality and values are not to be changed often as they are the ba-sic components. Instead, the changes are rather small and aimed to improve the brand’s image, share of voice, image awareness and reputation.

Building any successful brand is very demanding. The only way to ensure that the shareholders of a company whom in the end must allocate the necessary re-sources 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 boardrooms are often skeptical of the financial returns based on certain company and industry specific param-eters instead of merely adopting some proprietary tools.

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The most effective way to turn employees into brand ambassadors is to train employees adequately in facilitating the branding processes.

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Branding is potentially a strong tool for re-aligning a corporate strategy and ensuring that the corporation regardless of industry and size is leveraging the financial returns based on certain company and industry specific param-eters instead of merely adopting some proprietary tools.

Asian boardrooms and senior leaders can create superior leadership and enhance sharehold-er value for Asian companies through strong brand strategies. The book includes theoretical frameworks, models and up-to-date case stud-ies on Asian brands.

Asian Brand Strategy is a must-read for anyone business leader inter-ested in Asia and illustrates how Asia is shaping a winning formula.
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.

A Never-Contented Heart

By Snow Zhou
Studies at 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. “What I learned at the university greatly enriched my knowledge of business education and especially broadened my horizon,” he said. 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” in his southern trip. During the trip, he stated that 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 cultural gap demanded the implementation of his ideas and plans.

“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 new system stirred up great enthusiasm among the younger generation throughout the country. Guohua, in his early twenties, could not hold his excitement hearing the news that brought him to 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.

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 moved to living on the campus of Shanghai Institute of Foreign Languages (which is now Shanghai International Studies University) where the language programmes were taught. After several efforts paid off soon afterwards when he passed the exams, and was enrolled in advanced study at 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 in the world, Birmingham Business School presented to Guohua the principles and models that were comparable to 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.

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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 apprentice-ship and ten years’ life of a work er imprinted something profound on his character. His master was a highly-skilled welder 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 “irresponsible”. 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 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 competitions, 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 programmes were taught. After several efforts paid off soon afterwards when he passed the exams, and was enrolled in advanced study at Birmingham University in the U.K.

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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 southern tour and kicked off 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 cultural gap demanded the implementation of his ideas and plans. Though getting frustrat-
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 national education 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 untried path beyond the system to a self-reliant model. On one hand, the school could enjoy a higher-level of autonomy, and on the other hand, the CEIBS graduate 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.

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 these days were neither well-trained ac- ademics nor experienced practitioners. Fortunately, a case in CEIBS was immediately found in the middle of all kinds of problems and setbacks. Guohua, by communicating with relevant parties made by Guohua and other school leaders, a rela- tively fresh and energetic group eventually produced for the healthy growth of the new-born school.

Guohua had been playing a very sig- nificant role throughout the process of CEIBS’ establishment. The ratings were consistently high, mainly due to his close contact to the negotiations, from the im- plementation of the operation contract to the preparation of the programmes. The school was set up, he was appointed vice president and co-dean, responsible for routine operations and academic pro- grammes.

The first steps are always the toughest. In the early days of the school, it was lacking facilities, professors and reputa- tion, 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 re- sources was nothing compared with the lack of reputation. In the first couple of years, to obtain access to the world’s Top 100 business schools. In the meantime, the State Council Degree Committee issued formal approval for CEIBS’s MBA degree. The CEIBS model was also featured by strong global dimensions, market orientations and a proprietary brand proved successful.

In charge of the school’s routine op- erations, Guohua laid much emphasis on institutional construction. He wisely rec-ognised 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 busi- ness education.

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

At the press conference, Guohua shared with reporters a number of initia- tives that would be launched soon: CEIBS would continue its substantial input in the area of education; CEIBS would contribute more to the corporate community; and the first business school to join the European Case Clearing House (ECCH) …

ed and even hesitated to continue, most of the time, he chose to persevere. He started to seek potential overseas partners, hop- ing that cooperating with international ef- forts 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 continu- ous striving was rewarded soon. In the same year when Mr. Dong Xiaoping paid his well-known visit to South China, Mr. Jan Borgonon, Director of China-EC Management Institute (CEM), the pred- ecessor 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 busi- ness school meeting international stand- ards would be the most viable solution to the critical problem of education. The ideas were to obtain strong supports by the EC, the Chinese government, the Shanghai government and all other rel- evant parties. After two years’ strenuous negotiations, the Chinese government and the European Commission signed a memo- randum 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 succes- sively signed the Financing Agreement. On November 9, 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.

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Shortage of facilities or human re- sources was nothing compared with the lack of reputation. In the first couple of years, admission of MBA and executive pro- grammes were the most formi- dable tasks for the school. Guohua had to spend almost all his time visiting com- panies with his colleagues to promote CEIBS’ concept and curriculum. He even undertook the job of frequently rapping with government officials so that they would recommend suitable candi- dates for various programmes.

To keep up with international trend, he organised visits 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 air- port, for he could not wait to share what he had learned from the tours with the colleagues.

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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 establishing an independent international university in China. After a great amount of preliminary work, CEIBS was then established in November 1994: There had been no other independent international universities in mainland China. CEIBS had been a 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 cooperated in the management committee. 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 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.

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 realisation 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 confined to 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 of all influential personalities. We all – students, professors, administrators, and alumni – are extremely grateful for all his achievements.

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.

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 proudings during this brief journey would be forever echoing in the history of China’s 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...

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

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 due to a very great proportion 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 Director of Marketing and Communication Department and Director of Translation and Publishing Department, CEIBS.

An Outstanding Contributor

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The school was organised along the lines of a fifty-fifty joint-venture: two Chinese and two Western presidents cooperated 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 and his capacity to handle with the quality of potential employees for the school.

But we have not only to praise Prof. Zhang’s efficiency as far as the development of CEIBS is concerned: For me he was a very reliable, open minded academic with high moral and ethic standards – and he was a friend.

An OUTSTANDING CONTRIBUTOR

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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’s 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, “Tsinghua 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 strategies 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 counselling 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, China had fifty business schools like CEIBS, the level of China’s management education, as well as the quality of business education, 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 alumnuis 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 Jiahua, 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 work. He often told her, “What is the meaning of living without working?” 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. It 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 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 fulfill his dreams.

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

The LINK 2006 Spring
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 wore 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. From Suzhou to Xian, 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. 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 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 understood 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 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.

By Alumni Relations Office

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 perform 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.

Only great men can accomplish great things. Because that is who you are, President Zhang Guohua, our founding father.
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 un-believable 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 at that time 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 bottleneck, 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 paradigm 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 resonating 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, supported 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 alumni 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 realised, 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.

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 know 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.

– Howard Ward

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

“Come 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.

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 Liyao

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.

Good 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.

– Liu 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 strides 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.

– 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

He is 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

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.

– Lü Bo

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 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 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 wish to express my deepest gratitude to President Zhang Guohua. 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.

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Baby-first Car Seat: From Export to Domestic Sales

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 babies/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 specifications 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, U.K, 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 hugely 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 child car seats were growing fast. But the legal environment for baby car seat was lagging behind the penetration of cars there were no relevant laws or regulations. However, the Chinese government had noticed the problem and the relevant government bodies were organizing 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.

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

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<tr>
<th>Country</th>
<th>UK</th>
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<th>Germany</th>
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<tr>
<td>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 violence of this regulation would be fined USD 100-300.</td>
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Sweden: Since 1992 it had ruled out that cars must be equipped with baby protection devices if a baby/child under age 7 is in. For car protection devices had been installed on 95% of all the cars.

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.

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

- **GracoCentury**: the largest baby car seat manufacturer in U.S., with over 50 years of history, offering the fullest range and specifications. The SimgRide 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, GracoCentury manufactured swing car seats, 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.

- **Eventlo**: the second largest manufacturer of child car seats in U.S. with over 80 years of history and 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.S., producing child car seats since 1986. It entered North American market in 1996. Its baby and child car seats had novel designs and received good feedback from the market. The following statistics showed Britax's market share globally, such as "Europe" of 50%, "Germany" of 65%, "Australia" of 75%, "U.S." of 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 WOFE. 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, cribs and children's apparel, etc. Goodbaby baby strollers took up about one third of U.S. market. Its bicycle had 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 start- ed setting up sales branches over China. By now, it had nearly 54 branches and 4 service offices, which formed the basis for dis- tribution, warehousing, delivery, cus- tomer service and management system. It had a sales network that consisted of over 20 franchise stores, 10000 showcases, 3000 distributors and nearly 100000 outlets. Goodbaby Group's annual sales was about RMB 2 billion, but the sales volume of each baby car seat was quite small.

- **Lerado**: founded in 1986, Lerado Group de- signed, manufactured and sold a wide range of infant and pre-school products. Lerado Group was head- quartered in Hong Kong and set up manufactur- ing 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 155 million, three quar- ters 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 walk- ers, etc. It had more than 700 product lines. In 1993, Wonderland built a facto- ry in Dongguan, Guangdong Province: "Dongguan 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 big-gest OEM/ODM manufacturer of infant products globally. In U.S., Wonderland OEM/ODM products had a 63% mar-ket 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 thou-sands 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 OEM (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 com- plete specifications and various designs. Though mainly taking orders from foreign brands, it had its own brands competing with the large players, despite its relative smaller size. Baby-first had expertise in the manufacturing, technology and de-sign 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- 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 confined in some more develop- ment capabilities, Baby-first was capable of independent development of new prod- ucts. In the R&D aspect, Baby-first, in cooperation with Tsinghua University de- veloped a simulation testing software. The software would simulate collision tests on computers, the result of which would feedback back into modification in product design. Computer-simulated collision tests greatly reduced the time and costs 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 quar- ters of 2005, Baby-first would very likely achieve a 50% growth rate. The year 2006 may see yet another increase of 50% on 2005. The fast growth of year 2005 was mostly due to two fac- tors: 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 ex- clusive stores. Since Baby-first's products still positioned as middle to low end prod- ucts, supermarkets were their main bat- tleground.

Baby-first had started to produce OEM products in large volume to develop overseas markets: Baby-first would de- sign and produce products based on their research on the market and sell to over-
sets of seats. This company intended to sell its children's breakfast milk 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: 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 baby and 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 prospect: he thought that the market competition was not intensive and Baby-first could enter the market with 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, packaging, after sales services. Goodbaby and Lerado are bigger than us, so it’s not wise for us to fight a price war with them.”

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 manufacturers? Should they choose the traditional departmental distributor mode or direct sales?

In addition, Baby-first had to build its brand in China market. In export, Baby-first had to sell products for other brands and didn’t have to think about the brand issue. To sell its own strong brands, the company needed to have a national network. 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 products lines as indoor, outdoor and traveling around the core of “safety”, based on Xu Lihong’s concept of “healthy life, happy childrens.” The expansion of product lines also brought new problems: how could Baby-first maintain their competitive advantage on those new products, without overly diverting attention?

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 after 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 considered 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 tests for child car seat 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 its 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 expected. Xu 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 protecting their brand names and 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 it is an everlasting truth in business that resources are always limited. So the strategy of Baby-first should be “focusing”: to clearly define the target groups, focusing on mass media. Rather, they can adopt the following ways: they may issue the leaflets to advertise Baby-first’s products 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 complimentary channels, for the bigger market lies in those who have their children born after buying a private car. This group of consumers rarely revises 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.

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 overseas market 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.

China will soon become a children’s car seats market with the biggest potential and the highest growth rate in the world. Yet current Chinese consumers hardly have any idea of any brand. Also, the product supply is far from abundant; awareness is still quite low. As the opportunity, most parents are 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 promotion 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:

1. Prepare complete and persuasive sales materials

2. Why is it that different products with the same protecting function vary greatly in pricing?

3. Why is a child car seat necessary?

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

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 current Chinese consumers hardly have any idea of any brand. Also, the product supply is far from abundant; awareness is still quite low. As the opportunity, most parents are 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 promotion 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:

1. Prepare complete and persuasive sales materials

2. Why is it that different products with the same protecting function vary greatly in pricing?

3. Why is a child car seat necessary?
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 need to be as large as it is 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 its competition. As competitors to the company, who are professional children's car seats manufacturers, their brand names are already well-known. Since they are still competing 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 products 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 higher than that of other children's 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 compulsory standards via national regulations. Such an effort would go far beyond its own resources and abilities. But Baby-first could certainly join in the process, such as appointing a staff member following up the process and reporting to the General Sales Director. 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 induct business advantage. The enormous potential in the market is not the only motive force. The success of competitors, their capabilities and the conditions of the market will also be the barriers to their developments.

First, it 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.

Second, the brand advantage of Baby-first will be fully played during the promotion. 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 systems and processes, the company needs to create new positions like a KA manager and a promotion manager. These new positions will assist the company and the sales managers or project managers to do it. To a high degree, it is essential for the sales teams to have both the sales and promotion capabilities.

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.

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. This challenge was that the majority of customers were not private car owners! This undoubtedly meant 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 competition. The big drivers of the market are not only the advantages of domestic and children's product stores: Prestigious brands of children's products boast current-prehensive product lines (including children's car seats), which support retailers with large and profitable sales. 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, these 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 assumption was based on the belief of customers' knowledge of children's car seats, to help them fulfill the unique value of Baby-first. However, this failed to nudge them on towards a final purchasing decision.

Benchmarking the sales of mass consumption products, we found that children's car seats are a 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 low-price sales chains can easily fit into 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 the fact that the market is still not mature, results in Baby-first's hesitation to make a substantial marketing investment. It has not been able to decide the current marketing investment.

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 the fact that the market is still not mature, results in Baby-first's hesitation to make a substantial marketing investment. It has not been able to decide the current marketing investment.

Based on the above perceptions, we implement a variety of sales strategies that the target consumers are concentrated and communicate efficiently with the target consumers.

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. TRANSACTIONS

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 the target consumer group, the marketing system into three words as the core of the action plan. They are listed below:

   1. REACHING
   2. INFLUENCING
   3. TRANSACTIONS

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

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.

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**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 consumers 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 example, 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.

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

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IT Governance: A New Challenge to Top Management

By Audrey Wu

be 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 a substantial financial loss. High efficiency 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 to increase their profit margin. 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 breakdown? How could it oversee its IT system? To answer all these questions, the top management has to do its task to add a new job of IT governance, apart from traditional 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 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 Transformational 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; HEIR’s operation costs have been down by 3%; Gillette cut down on its computer utilities by 50%; Lucent’s localisation of a single IT project can be completed in 66 days by using IT system. 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 the Elevator Company, 43 years old. He acknowledged that there were challenges to this initiative from different perspectives. The organisation 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 20 thousand computer and the corresponding strategies of IT oversight by the board of directors.

The system’s change involves 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 different geographical zones. While standardising a set of processes globally, the company also tried to retain the local empowerment and flexibility and the change management ability. Managing the trade-off balance between the two was not an easy job.

Since the initiative of e-logistics was pushed top-down by the top management, Otis completely changed its old way of doing business, which had manufacturing, field operation, and sales procedures. The new IT system is now aiming to become a much more integrated business model, with dynamic interactions between IT systems and manufacturing and operation and the enhanced process efficiency.

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 committee. It does not mean that creating a board level IT governance committee is the best practice. It must be a rollout of new culture. 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 all customer-oriented: cost-effective, uninterrupted, secure and smooth operation. The last two modes are offensive in nature: new value-added business services and products or higher responsiveness to customers.

For firms in support mode, IT system fundamentally exists to support employees’ activities. 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. IT systems fall, however, under these two categories. On the other side, the companies using IT system need to be fast and agile. Real-time data response is expected and the changing market require a rapid response to keep pace with the market. Managing the trade-off balance between the two was not an easy job.

On January 17, 2004, Professor McFarlan was invited by the Executive Development Programme (EDP) in CEIBS to give a speech. The right time for Professor McFarlan to publish his book "IT Governance: A New Challenge to Top Management" was at the right moment when he was picked with a large audience of over 300 people, who applied the professor’s idea on their business. The CEIBS EDP is going to launch a brand new programme of "Sino-Executive Programme for China" in August, bringing together an outstanding forum of top managers, CEOs of leading companies in China Business School and Harvard Business School. He is going to hold various workshops with executives with opportunities of learning and developing. Before he started his speech, Professor McFarlan spent some time talking with the audience on his recent research and 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 applied, 100 will be invited to participate. Dr. Tung Meng and his colleagues are among the candidates. The admission committee will send admission notices to qualified candidates after the intermediate interview.

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 list 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 are impacted. IT systems offers a tremendous opportunity for companies to transform themselves by deep organisation transformation, which usually involves decision rights transfer, sharing and transformation.

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 of all the company’s IT infrastructure and take a long time. Once the transformation is made, they move into factory or strategic mode. Based on the ongoing process, the board’s oversight committee 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 of the board 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 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 architecture.

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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 alumni 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 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 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 individu- als in the commercial and economic world to recognise their contribu- tions). And it is also a year of harvest for Yili. It achieved an annual revenue over RMB15 Billion with an annual growth rate of over 30%. You’ve done many things to promote the fast de- velopment 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 man- agement?

PAN GANG: Yili’s good performance in 2005 is due to two factors: the rapid de- velopment of the whole domestic dairy in- dustry 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 innova- tion, most of the domestic dairy compa- nies 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 mar- kets in smaller cities or less developed ar- eas 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 in- novative 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 in- novation, 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 synthetic- tion of resources and straightening of processes such as manufacturing and logis- tics, 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 indus- try. No. 1 in scale, No. 1 in revenue, No. 1 in the pre-tax profit produced by its ma- jor business, No. 1 in tax and No. 1 in commitment to charities.

2006 is a key year for the domestic dairy market. The Chinese dairy compa- nies must give up the old extensive busi- ness model of merely pursing 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 compa- nies to take. Yili will continue to imple- ment accuracy management, to produce high quality products and to take social responsibilities as much as possible.

THE PASSION OF INNOVATION

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 op- erations, so that it becomes the DNA of Yili. It is an integrated innovation 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 envi- ronment 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 management mecha- nism, 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 en- couraging 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 yogurt 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 buy- ing a new machine. And the canning and sealing process is automatic. The compa- ny intentionally named the machine after them in order to commend their propri- etary innovation. An Liqiang, one of the designers told that he felt very proud and happy each time when he passed by the machine.

THE LINK: Yili became the exclu- sive sponsor in the dairy industry of the 2008 Beijing Olympic Games in November 2005. This is recognition of Yili’s business performance. How did you 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 lifestyle 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-
Yili is committed to building up a “learning company” by establishing an effective training system. The training payment in 2005 reached over RMB 8 million. Only a small number of the individual employee 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.

BUSINESS IS THE EXCUSE OF THE LAZY

The media dubbed 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, when the market is in two phases: the first is to create the brand and occupy the market; the second is to expand and claim more market. The third is to concentrate on management and improve the efficiency. Yili has entered the third stage. It is important to combine the previous two phases 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 business environments and conditions are ever changing, I have to keep learning. Then, the management can be adapted and readapted to the real context.
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, recruitment 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 developed 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 specialty 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 IMPROVEMENT 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 an employee to divide his work, build a team, and use someone else’s skills to make up for his own shortcomings. In the
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 TRIP

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 industries. Fosun has become a leading power in its industry. 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 subsidiaries should stick with their specialty; on the other hand, we encourage our managers to try more roles 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

We emphasise again and again our company’s social responsibility. For example, in 2004, we paid $100 million to help the poor and the needy. We also pay 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 and have shown our appreciation.

3) APPRECIATION

We treat cases differently, but not employees. We care about appreciation. 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.

4) TRANSPARENCY

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 managers significant decision-making authority. Usually, we only send financial directors to those companies. With proper incentive mechanism and fusion of the culture, the managers from the acquired companies would grad-

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

I mentioned the “360-degree evaluation” earlier. On 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.

THE 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 “boundaryless 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.

The author is Vice Chairman and Vice President of Shanghai Fosun High Technology Group. This article is based on a speech given by Mr. Liang at the CEIBS “HR Leadership Forum” on December 16, 2005.
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 business 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 management. 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 next level, students of different 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 the consecutive years.

Financial Times’ ranking sees CEIBS’ together with some of the finest business schools world-wide, for example UCLA’s Anderson School of Business (US) ranked 19th, Oxford’s Saïd Business School (UK) 20th, IESE (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.
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 Economists 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.

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 head offices 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.

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 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.

CEIBS MBA programmes have 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%; for 99%, the efforts will be 100 or even 99.9% of that potential, geometrical-ly increasing efforts are required.

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.

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 indicators, and of which a 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 is our potential in 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 those areas not related to the indices used by the FT rankings. Next, we have to learn more lessons from the top 20 schools. One case in point is the kicking off of the Global CEO programme jointly run by CEIBS and Peking University. 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.
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 “-ist”. 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. Whatever, 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 measuring. But a survey itself is a science in the fact that it requires scientific methods and processes (e.g., the Delphi method). The results are painstakingly designed and in some cases the results need to be noted. 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 a 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 and fallacious conclusion misleading both the public and governments. The result of the recent poll on economists’ public credibility in China, it makes us wonder whether China has 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 academic achievements, he had been so adept at making his name known to the public. Has he done anything for China’s economy 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. The CPC, led by Mr. Deng Xiaoping and his wise successors, has been pooling resources from all over the country. 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 reforms as building up “a socialist market economic system”, neither would China’s economy have made such tremendous achievements as would Chinese people have benefited from considerable improvement of living standards. It is widely accepted in China that truth is the only way to examine the truth. In the same way, history itself has offered the most concrete evidence to our 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-proclaimed “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 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 “-ist”. 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. Whatever, 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”.

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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 pharmaceutical 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 pharmaceutical 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. 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).

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 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 flew enthusiastic kisses to him. A contrast to this hustle and bustle was the quiet greeting from a few people of academia to Professor C.N. 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 C.N. 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, but it is 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?

The author is Honorary President of CEIBS.
in 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. So 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 entrepreneurs. 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. (Table 2)

Table 2: Indian Pharmaceuticals Companies Investment on R&D (2005/2006)

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenues 2004 in millions</th>
<th>R&amp;D as % of revenues</th>
<th>Drugs in human trials</th>
<th>Disease Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranbaxy</td>
<td>812</td>
<td>8.8%</td>
<td>4</td>
<td>Unintestin</td>
</tr>
<tr>
<td>Cipla</td>
<td>519</td>
<td>N/A</td>
<td>4</td>
<td>AIDS, malaria</td>
</tr>
<tr>
<td>Dr. Reddy’s</td>
<td>362</td>
<td>12.6%</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Nicholas Piramal</td>
<td>326</td>
<td>2.3%</td>
<td>4</td>
<td>Cardiology, diabetes, neurology</td>
</tr>
<tr>
<td>Sun</td>
<td>284</td>
<td>1.9%</td>
<td>0</td>
<td>Cardiology, diabetes, neurology</td>
</tr>
</tbody>
</table>

Source: Fortune October 31, 2005 No. 19

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 the perfect MNCs 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 Indian enterprises are more clearly 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 Channing, 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 pipeline is far from being filled with 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 long haul by building their own vig- ilence, product innovation, and continu- ous quality improvement so as to improve both the macro level of industry environ- ment and the micro level of enterprises.

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 pharmaceuti- cal industry is driven by societal development and innovation. (Table 1)

Second, the industrial environment helped boost the pharmaceutical business. The Indian government provides incentives 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 IP protection and more business friendly, logisticistic environment. In 2002, foreign direct investment in the Indian stock market amounted to seven bil- lion 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 excep- tional patent protection regulations in India. Since 1972, Indian companies felt free, even encouraged, to copy patented products and produce the generic ver- sion without worrying about accusation and prosecution. Cipla, the third biggest Indian pharmaceutical company, is a beneficiary. In 1993, Cipla started sup- plying 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 of that charged by Indian 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 ac- cumulated 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.
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, barri- ers to entry are low while cost advantages are more obvious, and also higher profit margin. In China, Tiens and XPC China have found this strategy rewarding. In aligning partnership internationally, Chinese companies can refer to Dr. Reddy’s business cooperation ma-trix. (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 tal- ent. Rote was not built in one day. The ecosystem for professional executives can only be established by improving the management system, defining man- agement boundaries and creating more space for career development. All in all, companies have to put more effort to attracting talents with stakeholders’ interest is both a bench-mark in the market and a must-have for attracting the talents. To strengthen the man- agement and research. Roland Berger, 2005. According to a Roland Berger re- port, Chinese companies approach this in two ways. One is to attract and train tal- ent, preparing them for overseas business expansion. They may either send staff abroad for training, or employ expatri- ates, or recruit the “Sea-Turtles” (“Chinese coming back from abroad with qualifica- tion and experiences); another is to local- ise overseas managers and staff. Dr. Jing Zhuo of the 3G-Group has a theory that it is critical to have a reasonable “mixture” of human resources after overseas M&A. Incentive and sales force are bet- ter for marketing while Chinese research staff costs less. 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, Rainbay and Dr. Reddy have already respectively built their joint ventures in China. In the international market, Chinese pharma-ceutical firms are also allaying 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 inte-grate the WHO certification and distribu-tion channels owned by Ipca and raw materials and product formulation tech-nology owned by Holley, so as to supply the products to Africa and cooperate in bidding for global procurements.

Cooperation, rather than competi- tion, will not only be good for the indus- try but also for both nations. For instance, if a strategic alliance in biotechnology research and application is established between these two most powerful coun- tries, a series of exciting achievements will be made for human’s common good: First, China and India can better identify the common application of biotechnol- ogy; Second, they can share the informa-tion, the talent and the limited biotechno-logical 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.
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 “fed” 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, for 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, Technocation, 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, he has been actively involved in sharing his knowledge and experience with the local academia and business communities. Ever since the start of 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 came 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.

SCHOOL UPDATES

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 inauspicious Asian Crisis of 1997-98 started and 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 for 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 using 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

By Audrey Wu, Nancy Dai & Ward Niu
Talent Development and Employee Engagement

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 strengths 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 organisation 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 company’s 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 M. Molloy of CEIBS analysed some derailing factors of international executives in China through a few interesting cases. He also offered suggestions on minimising both organisational and individual derailing.

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 ExcellerateHR 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 the 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 “Signing 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 anyone familiar with the forum, such an opportunity is very rare.

By Audrey Wu

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 areas of 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 Cumford, 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-investing 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 prepara- 

California State University discover- ed that middle managers are 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.

SCHOOL UPDATES

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time to make the breakthrough. 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.

Prof. Ryo 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

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Dean Cremer announced that CEIBS was seeking to obtain 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 on the definition and monitoring of the EQUIS process of candidate schools. The Committee also proposes candidates to the EQUIS Awarding Body.

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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 RMB243,000;
- **“A Book and Two Projects (CEOs and Boards)”** by Prof. Liang Neng with the budget of RMB134,000;
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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.

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**CEIBS RESEARCH COMMITTEE MEETING ANNOUNCEMENT**

**Faculty Meeting Announcement**

**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 program. 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,” commented Prof. Nueno after the hearing. CEIBS is the first business school in China that has launched a hospital management program 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-Jean 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 15 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.

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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.

**Visits**

**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 General from Belgium, Germany, Hungary, and Ireland. She explained the vital role of ICT in Europe’s contemporary 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 2010 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.

**Principe Felipe Met with Prof. Liu Ji**

On December 15, 2006, 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.

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**NEWS BRIEFING**

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**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 exams, and plagiarism and five were found innocent. Among the ten convicted cases, four were from the Shanghai EMBA 2004-0A class, two from Shanghai EMBA 2003-3, two from Beijing EMBA 2003-2, one from Shanghai EMBA 2004-2 class, and one 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, Cs. 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-emphasize 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 violators 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.

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**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 secret of those companies who broke through the bottleneck and realize the market busting?

On March 2, 2006, about 200 CEIBS’ students, alumni and clients attended the South China Executive Forum held by the School 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 broad new perspectives for Chinese managers. According to an “Organic Growth Study” on companies with market capital of over $1 billion, there are only 593 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. There are five strategies for market busting: 1. Transform the customers’
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, Cibanka, HSBC, Michelin, Flexibloc, Asia, Target, FedEx and SAP.

SCHOOL UPDATES

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 pointed out the dramatic 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, Cibanka, HSBC, Michelin, Flexibloc, Asia, Target, FedEx 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 high voltage and energy management, etc. 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, the spectrum of its brands, including the ones that lead in either global or local markets and the ones of specialists, delivers highly valued-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 Programmes, 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 to join the group of CEIBS’ sponsors partnership.

CEIBS Executive Education aims to become a preferred strategic partner of excellent enterprises in Asia-Pacific region. In the process of developing managed 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, GIE Healthcare, IBM Asia Pacific, General Motors, Infinion, Sinotoban, Vision and DSB. Some industry-specific modular programmes have been designed and delivered to meet the needs of these companies. CEIBS welcomes more and more China enterprises and multinational companies to become its strategic partners.

SCHOOL UPDATES

On Campus

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?

“The 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”.

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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 long friendship. So Korean people need to know more about China.

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 I have always tried to learn as much as possible from other people. Some experts, such as Bosch, have been coming to South China since 1995 and the alumni network has been continuously enlarged. In 2005, CEIBS officially launched the EMBA Shanghainese classes. The EMBA Shanghainese 2006 participants will graduate in March. In this way, the professional management leadership in the economic region of Shanghai and the Eastern China will be strengthened. I am one of those who were selected to be the first group of EMBA Shanghainese.

CORRECTION:

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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 China. 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 a life-changing one. The Programme is well structured and the teaching is very vivid. All the professors have high teaching qualities, 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. They are more than just classmates for me. They are 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 other 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 four times a year, so I can improve my Chinese 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: 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 prestigious universities in China. But EMBA students are very rare. Attending CEIBS is a strategy of the NSI is to build a bridge between CEIBS and the NSI. They did not understand before why I was spending that much of time and money attending CEIBS. Now they understand. I was highly recommended 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: 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, the information about CEIBS was interpreted to several hundred people, most of whom are opinion leaders of the country.

THE LINK: Did you get any feedback from 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 my son/daughter/nephew who is considering MBA study abroad to come to CEIBS. 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 recommended for having made such a decision.

THE LINK: Could you tell us more about the NSI?

Song: China and Korea 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. 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. I always try to tell people around me.

By Elaine Zhang

THE LINK: Could you say something more about yourself?

Song: My major of undergraduate study was business. Therefore, at the beginning I did not expect to learn much 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 in 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.

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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
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 Guangeng, 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 companies, such as Nike, which 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 Guangeng, 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 Culture Museum. The tour presented to the group 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, preluded 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 outsourced the 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 fashion industry and his deliberation on how to rise to the challenges. Given the fact that the cost advantage of Chinese companies has disappeared, the competitiveness of Metersbonwe is due to the ability to manage well the invisible high value added assets, to source outsourcing and to manage the risk of supply chain.

The company’s core capabilities include the ability to organise 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 are 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.

Quite a few members in the top executive team of Metersbonwe are attending CEIBS EMBA programmes. Mr. Wang Guangeng is one of them. He joined the company in 1995 and is now 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 source outsourcing and to manage the risk of supply chain.

The CEIBS EMBA students in the visiting group came from a vast range of industries, including logistics, retailing, law and finance. They engaged themselves in the intensive discussion with Metersbonwe management team on a variety of issues.

On January 21, CEIBS MBA2004 Class of 126 students celebrated their graduation ceremony at the CEIBS Shanghai Petrochemical Auditorium after their 18 months of studies. This year, the severity of hunting for MBA Metersbonwe graduates in the job market is no less than that in the previous years. A total of 48 companies, including 70% domestic companies and 30% overseas companies, 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, Aflasia, Roland Berger, and Mercer, etc. According to the survey so far, the average annual pre-tax income of this class is close to RMB310,000 (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.”
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 Education: The CEIBS Experience in Indonesia". He used his experience in the pharmaceutical industry and was the managing director of Huai Chemical Pharmaceutical Co., Ltd in Africa. He told the news reporters that the belief in the importance of education for many countries is a force that would drive the Indian companies to perform to their best. As a CEIBS MBA student, he believed his knowledge and abilities had been enhanced, which would benefit him in his future work.

The workshop was attended by three CEIBS MBA students, Gilbert Rhee, Joshua Lee and Elie Lee, one alumnus of MBA03, Kook, Songwook, and altogether 20 prospective applicants. They said they had 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 presented 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.

Aaron Gong, CEIBS MBA 05 student, who came out first at "the Knowledge @Wharton International Essay Contest". The contest lasted for about 5 months, with over 1,000 participants from both China and India. Aaron Gong and Lu Ruqian (CEIBS MBA0204) 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.

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CEIBS is proud to confirm the extension of the school’s long-term corporate partner rela-
tions 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 Leuppf, Chairman and President of ABB China Ltd said: “ABB is proud to be associated with CEIBS. In the past decade, ABB proved its ability to deliver competent graduates that effectively meet the changing business needs. CEIBS has also been a great 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 MOOs. L’Oréal aims at training close to 2,000 Asian 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 mentor- ship of Professor William H. Moliterny, Professor of Management and Academic Advisor to Executive Education Programmes at CEIBS. Mr. de Brabant commented, “L’Oréal Asia is proud to be associ- ated 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 re-
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 Mméttes Assurance Co. in the region. Mr. Fabrice Larnit, 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 employ- ment 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 man-
germent 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

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, the Chair will provide a platform to develop innovative marketing concepts in the health care sector.

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. William Burgers, to-
gether 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 teaching and research in strategy and marketing. Such an initiative will play an important role in shaping the future of the health care sector for the benefit of patients the world over.”

The Bayer HealthCare Chair in Strategy & Marketing is endowed at CEIBS since 1994.

With this new Chair, CEIBS has joined companies such as ABB, L’Oréal and AXA as a leading business school, achieve this best in partnership with world-leading companies, such as Bayer.”

On March 15, 2006, CEIBS and Bayer jointly inaugurat-
ed the Bayer HealthCare Chair in Strategy & Marketing and the CEIBS Centre for Healthcare Policy and Management.

In strategic marketing and policy research, Bayer HealthCare Chair in Strategy & Marketing will work closely with the CEIBS Centre for Healthcare Policy and Management.

On February 13, 2006, Ms. Vanessa Ribes, HR Development Manager for LVMH Asia Pacific, vis-
ited the CEIBS campus to launch the LVMH Asia Scholarship Programme, making CEIBS the first Chinese insti-
tution selected by LVMH to partici-
pate in this initiative.

In 1986, the LVMH group cre-
ated the LVMH Asia Scholarships on the proposal of Professor Henri-Claude de Bettignies, Distinguished Professor of Global Responsible Leadership at CEIBS, Asia Chair Professor of Leadership and Responsibility at INSEAD, to give a carefully selected group of stu-
dents from business and engineer-
ing schools in France the opportu-
nity to develop their interest in Asia. Over the past 20 years, more than a hundred men and women have
had the benefit of the LVMH Asia Scholarships.

Every year, 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 scholar-
ship to three CEIBS MBA students interested in the luxury goods busi-
ness. 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?”

Prof. 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 teaching and research in strategy and marketing. Such an initiative will provide a platform to develop innovative marketing concepts in the health care sector.

Left: Mr. Parent Gregoire, Human Resources Manager (LVMH Scholarship Laureat 1991)
Right: Ms. Vanessa Ribes, Human Resource Development Manager (LVMH Scholarship Laureat 1999)
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 remains 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 seduced 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 contribute to the economy and subsequent growth of the nature of their job. On the other hand, the immediate and long-term benefits of 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 part by attending seminars and MBA recruiting, 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 able to advance quickly to 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”.

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.
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 Shanghai 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 to 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 aerospace projects. Though a small company established in 2002, our products are now used by many major national projects like Shenzhoun Spacecraft 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 forefront 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 not 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. Shanghai is totally different from Shenzhen, with a distinctive style and a mainstream commercial mindset. But it is my study at CEIBS that enabled me to be quickly readapted 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 background provided me with a certain understanding of management and 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 emphasised for me to tell you my scores in the accounting exams at CEIBS. But today, I am not only a member of the Board of Directors and 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 analyze 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 issues. 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 skills and knowledge 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 fully put into 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 adapted the same practice. It is not only applied to so-called “white-collar”, 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’s 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 no human resource due to payment complaint or lack of confidence in the company’s prospect. This is, in a way, an achievement we made.

The author is CEIBS MBA99 graduate. He is now a board member and Chief Financial Officer of Shenzhen Kingsignal Cable Technology Co., Ltd.
Micromotives and Macrobehaviour
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 some-time 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
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
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 businesses 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
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
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
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 internationalization theory that has influenced much research on FDI since it was first published in 1978. 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.
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