

A close-up portrait of Javier Solana, a middle-aged man with glasses and a slight smile, wearing a dark suit, white shirt, and patterned tie. He is gesturing with his right hand.

Javier Solana

**DRIVING FORWARDS THE
CHINA-EU STRATEGIC
PARTNERSHIP**

PEOPLE

**Taking Charge: Journey to
becoming an HR GURU**

KNOWLEDGE@CEIBS

**The Paradox of Managing
Innovation in China**

**Sunk Cost Fallacy-Will persistence
necessarily lead to success?**

MESSAGE FROM THE EDITOR

In today's world, innovation is the key word for the growth and success for business organisations. As Prof. Kwaku Atuahene-Gima—the leading expert in innovation in Asia-Pacific—points out, the ability to innovate sharpens a company's competitive edge and secures its long-term success in the market. However, he argues that big “I” (i.e. innovation in business model) is more crucial than small “i” (i.e. innovation in product or service) for a company's sustainable growth. To this end, the company should cherish innovation as an organisational culture and mindset.

Associated with innovation is China's booming high-tech market. Dr. Scott Ward, a visiting professor at CEIBS from Wharton, advises that China should not simply become the “workshop of the world”, exporting low cost goods. The next step is for Chinese firms to enter world markets and establish strong global brands. A key need is to complement formidable skills in low-cost production with capabilities to innovate and develop next-generation technologies, rather than simply adopting existing technologies and producing them at low cost for the local market.

While financial bottom line remains a key measure of a business's performance, “Corporate Social Responsibility” (CSR) has become a trendy international business philosophy. Never before have companies been under such critical scrutiny of the way in which they conduct business. There has been a significant increase in the expectations of a wide range of stakeholders—consumers, employees, investors, communities, and governments—in regard to their companies' commitment to socially responsible business practices. At a recent workshop at CEIBS, leading experts, government officials, and business executives from a variety of industries explored how CSR can significantly improve business performance and “soft competitiveness”, how to incorporate it into the company strategy, and how to drive it throughout the organisation.

“Sunk Cost Fallacy”—the propensity to be influenced by what you have already paid—can be found everywhere in our life, according to Prof. Christopher Hsee. Through a number of real-life examples, he argues that we should not allow sunk cost to affect our future decision. The amount of time, effort, or money already invested in a project does not justify the investment of yet more time, effort and money in order to complete the project.

International accreditation and ranking is considered as an important measurement of a business school's commitment to continuous quality improvement. Last March CEIBS became the first business school in Asia to receive EQUIS accreditation, and soon afterward, it began working towards obtaining a second accreditation from AACSB. By obtaining EQUIS and AACSB accreditations, CEIBS will be able to realise its mission and better serve its various stakeholders through improved systems, policies and procedures. The same exciting is the newly released *Financial Times* EMBA global ranking which has again demonstrated CEIBS' solid position in the business education market: the school moves up 7 slots to the top 13th place as compared to last year. CEIBS distinguishes itself from other business schools in the world by its alumni's seniority in the companies, faculty diversity, and China-related research, ensuring the top quality of its EMBA programme.

Christmas and the time before New Year is always warm and pleasant for every family round the globe. Though celebrated differently by the various countries and cultures, it is the most important festival for family reunion and great fun. The new issue of *The Link* is a Christmas gift for everyone who has a real interest in CEIBS, and we sincerely wish all of you a Merry Christmas and Happy New Year!



Zhang Guohua

Editor-in-Chief

President of CEIBS



CONTENTS



6

THE LINK

2005 Winter

PEOPLE

Taking Charge

Journey to becoming an HR GURU



24

THE LINK

PUBLISHER: CEIBS

EDITOR-IN-CHIEF: Zhang Guohua

MANAGING EDITOR: Zhou Xuelin

Senior Editor: Cherry Zhong

CONTRIBUTING EDITOR: Du Qian, Audrey Wu

ART EDITOR: Lin Yun

PART-TIME EDITOR: Suzanne Updike

CONTACT US:

Editorial office: 699 Hongfeng Road,
Pudong, Shanghai 201206, P.R.C.

Tel: 86-21-2890 5501 Fax: 86-21-2890 5273

Email: alumnimagazine@ceibs.edu



CHINA EUROPE INTERNATIONAL BUSINESS SCHOOL

中欧國際工商學院

CEIBS SHANGHAI CAMPUS

699 Hongfeng Road, Pudong, Shanghai 201206, P.R.C.

Tel: +86-21-28905890 Fax: +86-21-28905678

Website: www.ceibs.edu

BEIJING REPRESENTATIVE OFFICE

3/F Raycom InfoTech Park Tower A, 2 Kexueyuan South
Road, Zhongguancun, Beijing 100080, P.R.C.

Tel: +86-10-82861688 Fax: +86-10-82861678

E-mail: bj@ceibs.edu

SHENZHEN REPRESENTATIVE OFFICE

Room.2303B, 23/F, Han Tang Building, Overseas Chinese
Town, Shenzhen, 518053, P.R.C.

Tel: +86-755-26935750 Fax: +86-755-26935743

E-mail: szo@ceibs.edu

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30

KNOWLEDGE@CEIBS

13 The Paradox of Managing Inno-
vation in China

19 Economic and Financial Data

20 Sunk Cost Fallacy: Will persis-
tence necessarily lead to success?

EXECUTIVE FORUM

24 Driving Forwards the China-EU
Strategic Partnership



13

27 Marketing High-Tech Offerings:
An Interview with Scott Ward, Pro-
fessor of Marketing from Wharton

VOICE FROM ENTREPRENEURS

30 Victory in Business Competi-
tion: Learning from "The Art of War"

33 Winners Never Cheat

FEATURES

36 CEIBS Jumps to the 13th Place
in FT EMBA 2005 Global Ranking

38 CEIBS in the *Financial Times*
Rankings

40 Accreditation: What it is and
why it is important?

IN FOCUS

42 Georg Kell: Why the Global
Compact Hits the Board Room?

44 Wang Zhile: Strengthening Cor-
porate Responsibilities and Improv-
ing Companies' Soft Competitive-
ness

46 Benjamin Cashore: Towards
Non-State Global Governance

BUSINESS PRACTICE

48 Tapping into China Luxury Market

52 Quality Management: Going
Beyond the Boundary

SCHOOL UPDATES

56 The Musketeers in CEIBS

58 2005 China Automotive Forum
at CEIBS

60 CEIBS Alumni Programme Going
Overseas

62 News Briefing

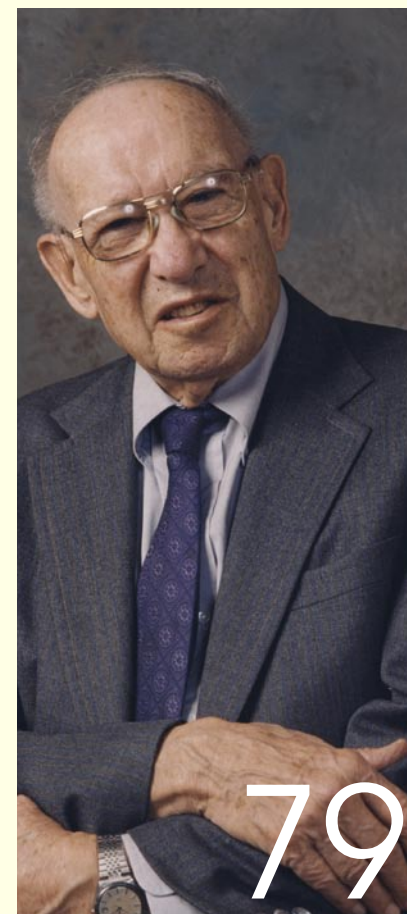
SUPPORT CEIBS

65 SCHNEIDER ELECTRIC Joins
CEIBS Sponsor Partner Network

65 Double Sales and Triple Profits
in 3 Years



33



79

ON CAMPUS

66 Champion from CEIBS: CEIBS
MBA Team Wins the First Prize at
Confluence 2005

68 A Mayor Student

70 "Ready, Steady, Go!": My Expe-
rience of Career Development

72 "Mentorship Programme" Goes
Ahead Smoothly

72 Recent MBA Students Activities

73 Greater China Greater Chal-
lenge International Competition

74 A Date with Destiny

ALUMNI ACTIVITIES

75 Ideas Open the Way: The Mar-
keting Strategy of "Super Voice Girl"
Contest 2005

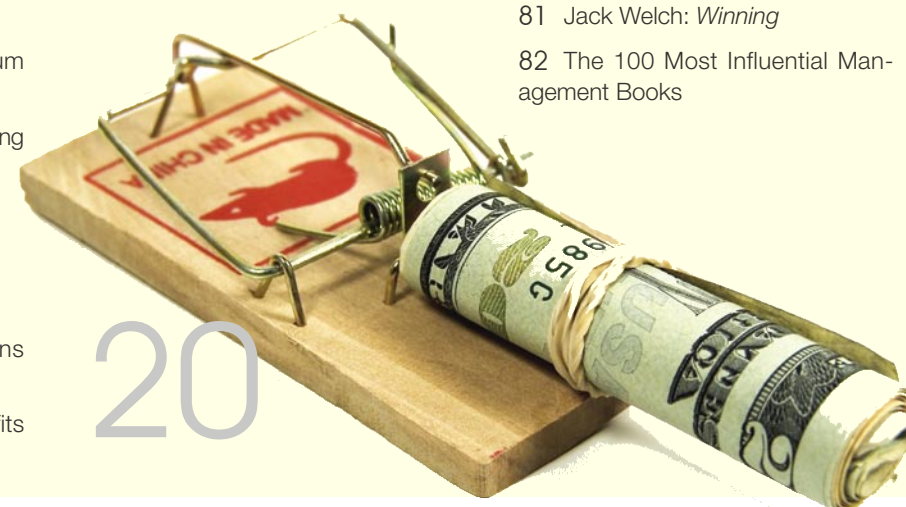
WORDS AND THOUGHTS

79 Drucker and Our Era

NEW BOOKS

81 Jack Welch: *Winning*

82 The 100 Most Influential Man-
agement Books



20

TAKING CHARGE

Journey to becoming an HR GURU

By Audrey Wu

The story began about 30 years ago. A young kid from a poor family in Kowloon of Hong Kong said “No” to his parents in a determined manner, which eventually secured for him an opportunity of further education. Without such a determination, the global Chinese community today would have lost a distinguished scholar in business management, whereas the crowded Kowloon would have one more skilful repairer of watches.

Arthur Yeung

Philips Chair Professor of Human Resource Management

Professor of Management

Director, Centre of Organisational and People Excellence

Academic Advisor, Executive Development Programmes

Professor, University of Michigan Business School

Major academic achievements by Professor Arthur Yeung

COMPETENCY MODEL OF HUMAN RESOURCE PROFESSIONALS

One of the largest empirical study with more than 10,000 participants which led to the granting of Yoder-Henemann Personnel Research Award by Society of Human Resource Management in the U.S.

TRANSFORMATION OF HUMAN RESOURCE FUNCTION

This study led to the granting of Best Research Paper of the Year by Human Resource Planning Society.

ORGANISATIONAL LEARNING CAPABILITY FOR CORPORATE RENEWAL AND TRANSFORMATION

This is a world-wide empirical study covered more than 1,000 participants that resulted in several books.

ORGANISATIONAL CAPABILITY FRAMEWORK FOR STRATEGIC EXECUTION

This is a proprietary framework developed by Professor Arthur Yeung based on extensive research and consulting experience. The framework is widely recognised and used among senior executives and HR professionals in China/Asia.

STARTING FROM SCRATCH

It was six o'clock in the morning, and Professor Yeung already started preparing for his class. Thinking through the whole lecture in his mind, he had to assure that it would be flawless. Then off he went. One and a half hours later, his distinctive voice was heard in one of the CEIBS classrooms, accompanied by laughter and applause from the audience.

Over the past thirty years, it had been not unusual for Arthur Yeung to get up before dawn to prepare his work for the day. Arthur was from a humble family of six children. His father was the sole bread winner of the family and made a living by selling fruits on the street. Almost all his siblings started to work after graduating from primary school. Now it came to the time when he finished primary school. His father had made a plan for Arthur to be trained as a watch repairer. Instead of being obedient as he had always been, Arthur was determined to say "No". Though a teenager at the time, he envisioned that without further education, there would be no greater hope for his life. He decided to take charge since early age and control his own destiny.

The parents finally compromised with Arthur's imperviousness. Arthur worked very hard and was granted full scholarship to go on to secondary school. During the following years, he had been

a top student and secured full scholarships, which took away the financial burden his parents could not afford. Such was the only first step in his long journey to becoming an outstanding scholar.

At the age of twenty-nine, Arthur Yeung received his Ph.D. from the University of Michigan Business School, and thus accomplished the goal he set for himself many years ago. He taught in Michigan for two years and went to work as associate professor in San Francisco State University in 1992. There, Arthur was attracted by the booming economy of the Silicon Valley where the University was located. Soon, he came up with a novel idea. The Silicon Valley is the breeding ground of many world-class high-tech companies. Wouldn't it be great if he could form a learning platform where the top HR executives of these companies could learn and share with each other their best practices and rich experience? Of course, in the process, Arthur could also have first hand access to the innovative HR practices of all these great companies. Arthur took prompt actions by visiting various companies. His "audacity" was joked about. Few believed that a recently graduated Chinese Ph.D, who was not widely known in the Silicon Valley, would ever be able to bring together senior executives of these global enterprises to join a consortium with an annual membership fee of US\$7500. However, it was not long before The California Strategic Human Resource Partnership was established. Thirty-one renowned corporations in California, in-

cluding Intel, Hewlett-Packard, Oracle, Sun Microsystems, and Apple had signed up as founding members. In California, where many prestigious universities like Stanford and UC Berkeley were located, setting up a high-level consortium of this type had never been proposed by anyone except this young associate professor from Hong Kong. More than that, he even succeeded.

For the following three years, the reputation of the California Strategic Human Resource Partnership spread quickly in the Silicon Valley. Arthur Yeung collected a great deal of valuable material on business management which led to more advanced research. In 1994, he was granted the Presidential Award on Professional Development by the university which enabled him to take a sabbatical leave in Stanford to conduct some research. Such arrangement was very unusual as sabbatical leave was only granted to professors only after seven years of service in his university.

In 1995, when the California State University was about to grant him a tenured full professorship, Arthur decided to give up the comfortable life together with abundant sunshine in California. He was ready to take up yet another bigger challenge. He moved the family back to the cold Midwest to work as one of the three core HRM professors in the University of Michigan Executive Education Centre.

After one year in Michigan, Arthur felt that he could now take a new move. For a



long time he had been watching China's growth with great interest. When he learned that the University of Michigan Business School was interested to become more active in Asia-Pacific region, he took the initiative to set up a regional office in Hong Kong where he served as the founding Executive Director. It provided him with a new platform. In addition to setting up the operations, he also launched another brand new Asia Pacific HR Partnership comprised of 30 leading MNCs in the region. Since then, he conducted collaborative research with member companies on Asian human resource issues and his reputation spread globally in the field of business management.

Meanwhile, Stan Shih, the chairman of Acer Group, the leading computer giant in Taiwan, was searching for a qualified candidate to head his new corporate university -- Aspire Academy. For several years, he could not find anyone fit for the post as President for he explicitly specified six requirements of the candidate: graduated from a world-class university, well recognised in his/her academic discipline, strong network and resource in executive education, entrepreneurial, with corporate or consulting experience, and finally less than 40 years old. To find someone to fulfil all these requirements seemed a "mission impossible" until Arthur Yeung came into the view. Arthur was invited to meet Shih in his home and within one hour both agreed to work together to launch Aspire Academy. But it was no accident. Before the meeting, Arthur

had actually involved as a consultant in Acer's General Manager Development Programme, helping Acer to develop 200 general managers for the company. During that time, Shih had already been impressed not only by Arthur's research and teaching capabilities, but also by his entrepreneurial spirit. Thus, Arthur was formally appointed President of Aspire Academy on January 1, 1999 and embarked on a new milestone in his professional career.

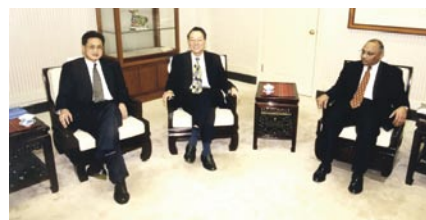
The first two years in Acer were relatively "relaxed" for Arthur. He was then the Chief Learning Officer of Acer Group as well as President of Aspire Academy. By then, Acer had been founded for nearly 25 years. The whole organisation and operation started to suffer common problems of "aging." In face of turbulent and competitive business environment, a crisis was imminent. At the end of year 2000, the accumulated problems burst out under the pressures of disappointing business results. A radical reform was needed urgently. Shih turned to Arthur Yeung again. Arthur was asked to join the 5-member Transition Management Team and served as Acer's Chief HR Officer to transform the company. He accepted the appointment, but with some hesitation, for he knew what a tough task it would be to reform this giant corporation. Since then, Arthur was deeply involved in a battle of revitalising the company together with other four business leaders in the Transition Management Team. After one and a half years' painful trans-

formation, Acer was reengineered and gained new life. It started to grow at the speed of 50% per year since 2002 and upgraded its ranking again and again in the computer business world. Now, it ranks No.4 in the world, behind Dell, Hewlett-Packard and the new Lenovo which recently merged with IBM.

After "building" one initiative after another, Arthur Yeung has solidly built his reputation among HR profession in the U.S. and Asia. In 1999, Professor Yeung was recognised by *Business Horizon* magazine in the U.S. as one of "the next-generation Executive Development Guru". In 2002, he was awarded "HR Executive of the Year". In 2004, he was awarded "Outstanding Achievement Award" by *Smart Fortune* magazine and Asia Pacific Human Resource Research Association. Also, he serves as the associate editor of *Human Resource Management Journal* in US, a member of Editorial Advisory Board of *Harvard Business Review* (Chinese Edition), and one of the four Regional Judges for selecting "Best Employers in Asia" (Hewitt Associates). These are part of the dream dreamt by young Arthur in Kowloon many years ago. However, he will never stop here. A greater vision is there for him to pursue.

MADE IN CHINA

Arthur Yeung is a person of strong will. Once a goal is set, he will give it 100%. As early as when he was in secondary school, he made a ten-year plan for his



life and since then has been continuing the same practice.

In December 1981, Arthur Yeung visited the Nanjing University as a member of the student exchange programme from the University of Hong Kong. For the first time in his life, he suddenly felt the pride of being a Chinese and developed the vision of helping the motherland to modernise. It was this vision that prompted him to go to the States for Ph.D. degree. His purpose was to get better equipped to contribute to China's modernisation and growth.

Therefore, he had always been interested in the research on business issues in mainland China. When the transformation of Acer was accomplished, he felt that it was the right time to come to mainland. Up till then, he had been accumulating a great deal of experience both in academic and business world. Now he could spend some time to organise and reflect all these experiences and then share them with many more business leaders and executives in the motherland.

Once the goal was set, the action was taken. CEIBS came on the top of his list. While he was with University of Michigan, he came across CEIBS, in 1997 as a member of Academic Council.

Later, he was invited to teach in the Executive Development Programmes and the students sang high praise to his lecture. Then, he started teaching MBA and EMBA students. After working several years in the corporate world, Arthur Yeung formally rejoined CEIBS as a permanent professor on September 1, 2004.

After coming to CEIBS, Professor Arthur Yeung founded the Centre of Organisational and People Excellence (COPE) together with Professor Katherine Xin, another renowned Chinese scholar in business management. Every year, the Centre identifies one or two business issues of strategic relevance to firms in China and conducts in-depth research around those business issues. The goal is to generate relevant and practical knowledge that can help Chinese firms succeed in global business arena.

As the Academic Advisor of Executive Development Programmes (EDP) in CEIBS, he strives to upgrade the positioning of EDP among MNCs and firms in China. He launched the "CEO Learning Consortium," bringing together 15 prominent CEOs from multi-national companies to learn from

each other. He also offers advice and resources to enhance the quality of CEIBS executive programmes.

"Although we lived in the States for many years, we truly feel at home here in China," Arthur said emotionally. Truly, he is "Made in China." After settling down in CEIBS, he cannot wait but start launching new initiatives immediately as he did elsewhere in the last decade.

NO PAIN, NO GAIN

When asked about his formula of success, Arthur attributes his success to three critical factors: sense of responsibility, diligence and clear direction.

Arthur jokingly mentions that he is neither intelligent, handsome, humorous, nor gifted in language (such as English, Mandarin, etc.). But, he admits that he is indeed a responsible and hard working person, totally committing to every single task he is entrusted with.

"When you are reliable, people will trust you and assign to you more responsibilities. Then you will get more opportunities for your personal development," Arthur Yeung observed. While pursuing doctoral studies in Michigan, Arthur was invited to work with his professors in

consulting projects for Fortune 500 companies. This was a rare practice for these business gurus usually didn't involve their students in consulting work. But it was a different case for Arthur. He was the one they trusted and it enabled him to learn from these gurus how to conduct consulting works. David Ulrich, one of Arthur's mentors, kept saying, "I know you will do a great job." For the same reason, Stan Shih of Acer entrusted Arthur with the critical tasks of transformation. As a professor, Arthur always gets up early in the morning and rehearses the lecture in his mind to make sure that nothing may go wrong, even if the course content is not new to him. For him, he is accountable to his students as they entrust their precious time with him.

It was hard work that enabled him to obtain a master degree from Hong Kong University within the minimal requirement of 21 months before going to the States for Ph.D. study. His score was outstanding among Ph.D. candidates from all over the world and was admitted by three prestigious business schools in the States. He finally chose the University of Michigan Business School which ranks No. 1 in human resource management in the world.

Arthur Yeung is a determined person. He said, "I never say 'I cannot' without really trying. How do you know you can't if you haven't tried? Many so-called obstacles or difficulties exist in your mind rather than reality. I don't easily believe what other people say as impossible. I need to give it a try first. What we have to break through from time to time is none other than our self-imposed limits."

Deeply involved in Acer's transformation as Chief HR Officer, Arthur Yeung was having tremendous pressure. He always joked about a few grey hairs that came out during those days. Although the transformation was planned and implemented very cautiously, no one could guarantee success. While the company was yet to be turned around, he could not help but persist in the efforts based on the faith that positive results would come soon if the overall direction was correct.

"Challenges and setback are my best way of fast learning," commented Arthur

Yeung, reflecting on his personal growth journey. Another challenging moment for him occurred in 1995, when Arthur left California and went to University of Michigan to work as one of the three core HRM professors at Michigan. During that time, his other two colleagues were already established gurus in the HR field as well as his ex-professors. In face of very senior HR executives who expected greatly from the programme and overshadowed by his colleagues, Arthur, as a newcomer in executive education, faced overwhelming pressure. But when looking back, he recognised that it had been one of the most fruitful years in his life.

Last but not least, it is important to position yourself right. Arthur often describes himself as a "man of hybrid." In the academic world, he is a professor with strong corporate experience. In the business world, he was an executive with excellent academic background. While in the U.S., he was widely recognised for his expertise and experience in Asia. In Asia, he was renowned for his cutting-edge research in the U.S. Such a distinctive background secures for him a path rarely trodden which leads to his exceptional success.

KNOWLEDGE THAT MATTERS

As a professor in business management, Arthur Yeung lays great emphasis on making real impact on business world. As a result, his research is very much application-oriented, helping companies understand and overcome the key challenges they are facing. Starting from his early initiative in setting up California Strategic Human Resource Partnership to work full-time in Acer as corporate executive and subsequently as advisors to numerous corporations, he always maintains close contact with corporate world. It is through such interaction with corporations that he generates much useful insight and knowledge for his research and teaching.

Arthur believes that a good case study or article cannot be written without deep understanding in the internal operations of the company. As an advisor, he has immediate access to all real problems

and challenges of the companies, helping him understand and address those business problems in a realistic and pragmatic way.

Ever since "the Centre of Organisation and People Excellence" was founded, Arthur Yeung has been focusing on the issue of globalisation of Chinese companies. It is the topic of research for the Centre in 2005. He brought together five Chinese companies who are pioneers in going global, including CIMC, Galanz, TCL-Thomson, BenQ and Trend Micro. Together, they formed a Globalisation Research Consortium and detailed company documents and information of each of the five companies were carefully reviewed and studied. In addition, the Centre also conducted first hand interviews with more than 30 senior executives and CEOs in these companies. Based on the research above, an interim research report was prepared to summarise and evaluate the globalisation strategy and capability in each company. In the near future, a more thorough survey research will also be used to assess the "organisational readiness" of these companies to go global. The whole research will eventually lead to five case studies, two book publications with one in Chinese and one in English, and a new executive development programme will be offered next May to senior executives of Chinese firms that aspire to globalise.

Talking about the challenges of global competition Chinese companies are facing, Arthur Yeung thinks it unavoidable for them to undertake transformation, no matter whether they are state-owned or privately-owned companies, and whether they are going global or not. For many privately-owned companies that have grown in both scale and complexity after 10 or 20 years of development, it is important that business owners go beyond traditional decision making based on intuition and management control based on personal supervision. The companies need to be more systematically and professionally run to sustain continued growth. For the state-owned companies, many of them are under restructuring pressure to deliver business results and shareholder value under a more market-driven business environment. For companies that decide to go



global, the learning challenges and transformation will be even greater as many Chinese companies have developed specific strategies and management practices that are well adapted to the particular environment in China. For example, many Chinese firms excel at cutting cost, not creating value. They are good at fighting “guerrilla warfare”, not “organised warfare.” However, as they go global, it is critical for these companies to unlearn and relearn new strategies and management practices that are required to succeed in different markets. Open-mindedness, quick learning, ability to attract and retain global talent, etc. are some critical success factors. The challenge is to develop a business and management approach that can fully leverage the strength of Chinese firms on the one hand while work effectively on global arena on the other. That requires a lot of experimentation and trial and error.

To keep himself relevant and related to business world, Arthur is currently serving as a board member of Kingdee International Software, whose chairman, Xu Shaochun invited him to join the board after taking an executive programme from CEIBS. He also serves as advisor for both multinationals like TSMC, Philips, Mary Kay and ING Antai and leading local firms like TCL-Thomson, and Lian Hua Supermarkets.

In the 1980s, Japan emerged to be a major player in global economy. As a result, theories on Japanese management received a lot of attention in academic world. Arthur Yeung predicts that the rapid growth of China economy, in the same way, will lead to the birth of its own management theories. Based in China at the right time, he looks forward to partici-

pating in and contributing to the formation of this new wave of theories.

LIFE-LONG STRATEGIC PARTNER

As he became more recognised in his field, Arthur Yeung is often interviewed by the media. The one that he mentions frequently during his interviews is his wife, Jenny Yeung. For Arthur, every crucial decision cannot be made without consulting Jenny. She, he said, is his “life-long strategic partner”. Without her full support, his journey wouldn’t have been as smooth as it is. He is able to concentrate on work as she provides for him a harmonious family.

Jenny was Arthur’s classmate in the University of Hong Kong. When he paid his first visit to the Mainland, she was with him. He can never forget the moment when Jenny accepted his proposal in the Christmas of 1987. During that time he was but a second-year Ph.D. student and financially hard pressed. On the other hand, coming from a much better off family, Jenny was already working in a consulting company in Hong Kong after obtaining her MBA from France. But she was still willing to give up her bright career and comfortable life, joining Arthur in the freezing Midwest of the United States. Ever since then, she followed him everywhere he went, interrupting her career time after time.

Family comes first for Arthur Yeung. In his view, even if one earns the whole world but loses his family, he still fails. Arthur tries his best to pay more attention to his family even though his work involves frequent travelling. When it comes to time for any major career move and relocation, he always consults the

whole family and gets their approval before hand. If the family is not supportive, he will rather wait until the right moment. In the last 15 years, the family relocated 7 times, shuttling between Michigan, California, Taiwan, Hong Kong, and Shanghai. Jenny has been very supportive of the relocation decisions. In addition to overseeing the relocation process, she also made real efforts to help the whole family adjust to the new environment so that Arthur could put all his energy to the work. To Arthur, family comes first. He is not willing to separate his family in different places. Work is work and opportunities will come and go. However, the integrity of the family needs to be maintained at all costs.

Growing from a very humble background to a successful career, Arthur also tries to develop his children with



right character. For example, he gives them very little pocket-money so that they become careful in how to use their money. “It is very important to develop children with right character, especially their sense of responsibility. Whether the children are intelligent or not is not critical. What really matters most is to make sure they are diligent and responsible. The best way to develop the character of children is through the role-modelling of parents,” said Arthur. With the formation of right character, Arthur deeply believes that their children will be on the right track to an abundant life. **THELINK**

THE PARADOX OF MANAGING INNOVATION IN CHINA

By Kwaku Atuahene-Gima



China is a complex and highly fluid business environment. The changes that are occurring in technology, markets, and customer needs and preferences – along with the very intense competition – are unprecedented. Underlying this complex market environment is an emerging economic system with nascent laws on intellectual property rights, consumer rights, R&D, competitive behaviour, and the acquisition and use of human capital. Professor Haiyang Li of Rice University and I have argued that the market environment in China is characterised by dysfunctional rather than functional competition. However, for the creative person or company this rather gloomy assessment of the Chinese business environment is actually indicative of the tremendous opportunities that it has to offer. Think of the rapidly developing middle class, the sustained growth of the economy, the highly qualified and talented but relatively inexpensive labour force in manufacturing, and, perhaps more importantly, in science and technology. Your ability to take advantage of these opportunities depends on your ability to innovate.

WHAT DO I MEAN BY INNOVATION?

Here, I mean innovation with both a small “i” and a big “I.” By innovation with a small “i”, I mean any new product, process, service or business activity that creates a unique and compelling solution valued by customers. By innovation with a big “I”, I mean innovation in management – an organisational culture and mindset that promotes the creation of new value from customers along the entire value chain of a business. Innovation involves more than just new products and services; it is a culture that values the creativity of all employees and an organisational competency that sees the possibility of new value creation in all stages of the value chain. Unfortunately, many foreign and local firms in China tend to view innovation only in terms of the small “i”. Consequently, they neglect innovations in marketing, manufacturing, distribution, and customer service; innovations in building business and

personal relationships, selecting and dealing with partners, and developing and implementing business models; and innovations in human resources management, in hiring, rewarding, and retaining key employees.

However, the picture is not completely gloomy. Some local companies recognise innovation as a company-wide competency that involves every function and every manager. For example, Mr. Baoguo Zhu, the Chairman and CEO of Shenzhen Taitai Pharmaceutical Industry Limited, stated:

“Innovation, to me, has two meanings. The first refers to product and technology innovation, and the second to innovation in management. I emphasise innovation every time we hold a management meeting. I tell every manager that we need innovation and that they must take risks. If a firm does not innovate, then it will be out of business . . . I ask managers to make progress every year in their strategic plans. For instance, a few days ago the sales director submitted sales strategies for 2000. Although there were some changes, the strategy was very similar to that of last year. I returned it to the director and asked him to put in some new ideas and new methods. He asked: ‘Why?’ and I said: ‘Because the market in 2000 will be different.’”

THE GRAND PARADOX OF INNOVATION

In recognising innovation as the key to the success and survival of his company, Mr. Zhu is in good company, because in a survey of firms in China, 95% of CEOs agreed that the future success and survival of their companies depended on innovation. Unfortunately, only 15% agreed that they had a vision and strategy for innovation, processes for the management of generating and managing new ideas, the facilities to train managers in cross-functional teambuilding skills, the necessary formal metrics to assess the creativity and innovativeness of employees, performance metrics for innovation, and most tellingly, formal reward and recognition systems for innovation. In short, in almost each of the essential elements for building a sup-

portive environment for innovation, many companies in China, both local and foreign, appear to fall short. This is the grand paradox of innovation in China. Although recognising that innovation is invaluable to the survival of their companies, most CEOs pay more attention and put more resources into other elements of the business which may actually impede innovation. In particular, many CEOs believe that success in China largely depends only on cost efficiency and productivity gains. These will certainly remain important parameters for business success, but research shows that a company will gain little in the long run in this rapidly changing environment if it neglects innovation. What is the cause of this malaise? Not many CEOs will admit to this, but I think that the major cause is what I call the FUD factor – fear, uncertainty, and doubt:

The fear of the unknown in terms of national and local government policies, local dysfunctional competition, piracy, counterfeits and imitations;

The uncertainty about the changing nature of the Chinese market, customers, and technologies;

The doubt about current and potential partners, in addition to self-doubt about the company’s own ability to navigate the turbulent economic and political landscape in China.

Many CEOs and their companies know that innovation in China is right for them, but fear doing what is right. As Confucius said: “To see what is right and not to do it is a want of courage.” Emerging from this FUD epidemic that is afflicting corporate China are a few more innovation management paradoxes which I will briefly describe. Managing these paradoxes effectively lies at the root for corporate innovation and competitive advantage in any industrial economy.

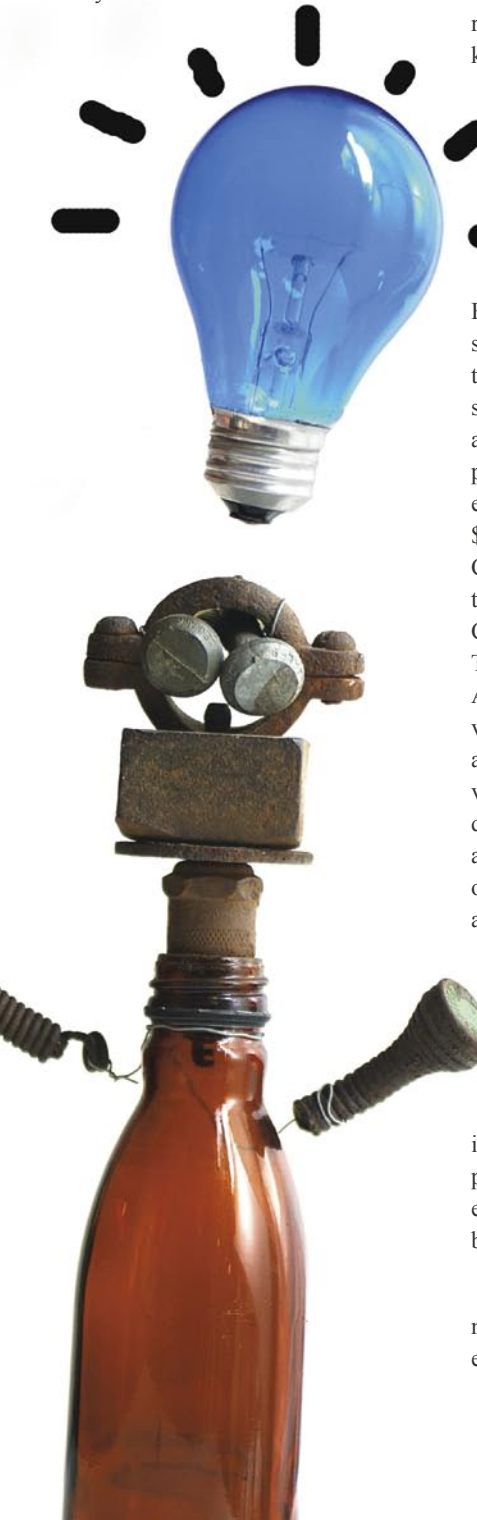
R&D STRATEGY PARADOX – EXPLOITATIVE AND EXPLORATORY RESEARCH

For many firms, the Chinese marketplace is ripe for the taking merely through the exploitation of their current R&D com-

petencies. To the extent that new competencies are developed they are aimed at adapting current products to the Chinese market. The paradox here is that too much of a focus on adaptive research blinds a firm to the emerging needs of the increasingly sophisticated Chinese consumer, the cultural and behavioural nuances that shape consumer choice, and, perhaps most tellingly, the ability to build new competencies for the future environment. R&D exploitation needs to be balanced by R&D exploration that is geared toward the development of entirely new technological, marketing, and other competencies for the future.

My recent research on this issue in China was published in the world’s leading marketing journal – *the U.S. Journal of Marketing*. I found that firms in China tend to focus more on exploiting their current competencies in innovation than on developing new competencies. However, the study also suggests that firms that are able to strike a mutually reinforcing balance between exploitation and exploration in innovation are more likely to succeed in producing the appropriate new products and services that Chinese consumers want. Companies such as Huawei – with its cost-effective R&D model, Philips – with its open innovation strategy, and P&G – with its customer intimacy approach to the study of customer needs – are examples of emerging best practice in China. Why are these companies able to achieve this while others are not? The reasons are many, but my study suggests that the most likely answer lies in the differential abilities of companies such as these to understand the Chinese customer, their competitors, and the complex Chinese environment, and, more importantly, their ability to interpret the market information that they obtain as an opportunity, rather than a threat. My study suggests that best practice companies that tend to interpret customer and competitor information as an opportunity become more risk-seeking, develop greater internal political support for new investments, and therefore invest resources to develop the new internal and external R&D competencies that are necessary

to discover and meet existing customer needs and to create new business models that ensure the success of the new products. In contrast, companies that interpret the Chinese market environment as threatening develop an environmental risk aversion mentality that places status quo efficiency over innovation. The issue of courage is clearly revealed here. A good example of this lack of courage is the ambivalent attitude of GE to the Chinese market over the years. If you consider entering an entirely new market as an innovation – and you should – then you will see what I mean.



The world’s most admired company has consistently been scared of the Chinese market. In spite of many exploratory visits by the top brass of GE in the 1980s, it did not make a major investment here until sometime in the late 1990s.

CLOSED AND OPEN INNOVATION

A close cousin of the R&D paradox is the paradox of closed versus open innovation. More often than not, the FUD factor causes companies to develop closed innovation strategies in which all of the research, design, development, and marketing are done in-house. However, in an increasingly global world, not all the smart people will be working for you. Particularly, in China the ability to access the capabilities of local scientists and engineers, universities, and local companies is a key driver of innovation success.

Forming mutually beneficial relationships in China will ensure that you are at the forefront of developments in local research and knowledge, because you gain access to Chinese problem-solving expertise and research opportunities. This explains why Philips has invested around \$50 million in the Phillips Innovation Campus in Shanghai in partnership with the Shanghai Science and Technology Commission and the Shanghai High-Tech Park United Development Limited. As with most best-practice open innovation companies, Philips believes that achieving innovation across the entire value chain, not just in products, requires the courage to share knowledge and competencies with universities and other industrial partners. This proactive and exploratory approach to innovation management is rare in China, where there is a constant moaning about intellectual property being stolen by local partners. The interesting thing is that emerging research in the West is increasingly suggesting that you safeguard your intellectual property more securely by sharing, rather than by putting it in an anti-nuclear bunker, but that is another story.

This is not a new paradox and is by no means symptomatic of the Chinese environment. It has been examined

by several people in several countries. Indeed, I completed my doctoral studies examining this paradox and its potential solutions among engineering firms in Australia. What is new and perhaps surprising is that although everyone agrees that internal R&D is vital but is only one piece of the innovation management puzzle, few companies have developed appropriate strategies on when and how to appropriately deploy an open innovation strategy. Again, one core reason is the fear of patent infringements and other intellectual property rights issues in China. However, I suggest without a portfolio approach to innovation involving markets, time, and sources that sees intellectual property not as a defensive wall but as a currency, a company's success in China will be limited. With an open innovation approach, internal R&D is managed in concert with inward and outward licensing efforts within corporate innovation culture that understands that the "voice of the customer" cannot be heard and responded to by one company alone. This leads me on to the next paradox, which is the paradox of responsive versus proactive customer orientation.

THE PARADOX OF RESPONSIVE AND PROACTIVE CUSTOMER ORIENTATION

We all know the three key factors for success in real-estate investment: location, location, and location. As it happens, innovation has something in common with real-estate investment: the success of innovation is also driven by three factors: customer, customer, and customer. Time and again companies are advised by academics, the business press, and consultants to start and end the innovation process with the customer, and CEOs everywhere champion a customer-focused corporate culture. Even Enron claimed to put the customer first! Businesses conduct numerous customer satisfaction studies, and it would appear that the customer really is king. But is this really the case? It seems that when it comes to innovation, customers are given less than royal treatment, as

can be demonstrated by abundant examples in China and elsewhere. Research carried out some years back in China showed that the key success factor for new products in China is product quality, yet every firm that you talk to will say that they produce products of the highest quality that customers want. If this is true, then product quality should be a neutral driver of new product success in China. The question is: Why is product quality a driver of the success of a new product both in China and elsewhere? The answer is that many companies merely pay lip service to the product quality needs of the customer.

Why? Because listening to the "voice of the customer" involves one of the most intriguing paradoxes in innovation management. Should you respond to the needs and desires that are articulated by customers, or attempt to be proactive in discovering and satisfying needs of which customers are as yet unaware? Business research has found that firms that balance between being responsive and proactive to customers have better innovation performance than those that lack such a balance. The problem is that the responsive and proactive approaches to meeting customer needs require different organisational processes, and each approach requires different internal and external conditions for successful innovation to take place. It is likely that in China the situation may be more complicated still, given the rapid expansion of the market and the continuing fluidity of the economic and institutional environment.

Again the key to this managerial paradox is to have processes that allow a firm to stay close to the customer while at the same time ignoring the customer. For example, P&G scientists and cross-functional teams live with customers to understand their unarticulated needs and preferences. They watch people doing their laundry at home or brushing their teeth aboard a bus with specially designed bathrooms. Did you know that Chinese customers like different toothpaste flavours? That they want a lot of foam in their mouths, but at the same time want the foam to dissipate quickly? That when washing their clothes most

Chinese prefer suds to be generated and removed at rates that is different from those of detergents that are sold in the U.S.? You get to know the deeper needs of customers through proactive customer-oriented techniques, yet few firms train their R&D and marketing staff in the use of market research tools that uncover the latent and difficult-to-articulate needs of customers.

The insight here is one of balancing the approaches, or of taking a middle path. You need to carefully balance your focus on the articulated needs of your market and paying attention to emerging and unarticulated needs. To do this, managers need to refine their thinking on how to conduct and evaluate their R&D in China. Over-emphasising technical product performance, patents, and other measures of internal R&D efforts, rather than perceived customer value, is a mistake. When you have a research centre in China, you should emphasise performance measures that ensure R&D and marketing collaborate effectively to uncover emerging trends in the customer's deepest wants and desires, as they vary across market segments and regions. It is the only way that you can be both responsive and proactive to the needs and problems of customers and be able to move slowly and quickly at the same time in your market access plans in this rapidly changing marketplace.

Your company's capacity to move simultaneously slowly and quickly to meet market needs in China requires attention to yet another paradox: value creation versus value appropriation.

PARADOX OF VALUE CREATION AND VALUE APPROPRIATION

As I have argued earlier, companies that put great emphasis on innovation often focus on innovation with a small "i" and neglect many aspects of innovation with a big "I." In doing so, their strategies for value creation become disconnected from their strategies for value appropriation. We have all heard stories of companies coming up with innovative products but losing the market to follow-

ers. The classic example is Apple, which has a habit of pioneering new products and creating new markets but is usually unable to appropriate the value that it has created for itself and for its stakeholders – the PC and pen-based computing are examples that readily come to mind. It would seem that Apple has learnt its lessons with iPod and iTunes, but don't hold your breath – the vultures at Wal-Mart, Sony (despite its current troubles) and Microsoft are circling above waiting for Apple to slip up once again. Why is it that some companies that create very useful innovations for customers manage to get frozen out of the markets that they create? The answer lies in their inability to recognise the importance of the difference between value creation and value appropriation. The paradox is that it is possible to pursue technical or product innovation at the expense of business model innovation that ensures the lasting success of the business, that is, new ways and processes of distribution, marketing, pricing, promotion, and branding that allow the effective appropriation of value from technical innovations. I suggest that in China firms that think through their business model innovations alongside their technical innovations will reap the greatest benefits and profits from the new products and services that they produce.

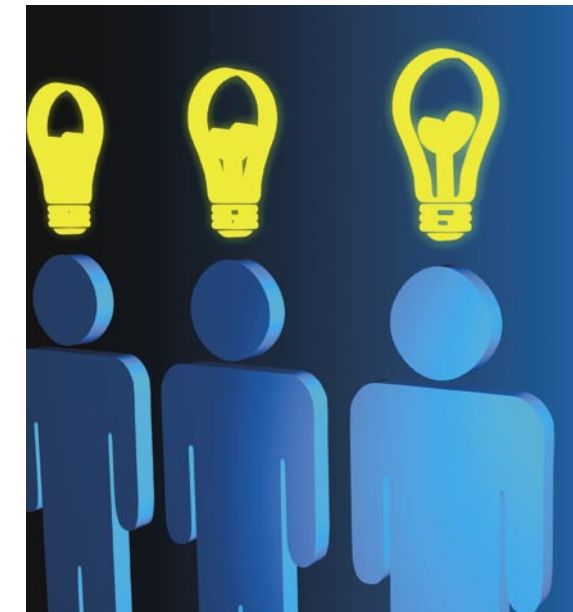
Is bottled water an innovation? You bet it is! Contrast Nestlé and Danone's business models in the bottled water market, which started around 1997, with the increasing health consciousness of the growing Chinese middle class. Nestlé set up its own water-bottling plant in China and added a second in 2000. Initially, it stuck to the high price end of the market and emphasised the same meticulous approach to quality as it uses for milk. It sets up a chain of retail shops and delivered water jugs to homes and offices using its own fleet of trucks. However, it is only seventh in the market – why? It pursued the wrong business model in a business in which low costs and an instant response are crucial to market dominance. Now let us look at Danone. It tapped into local resources through the establishment of joint ventures with two local companies. It quickly gained control of 17 bottling plants, which gener-

ated benefits such as economies of scale, efficient delivery systems, lower prices, and the No. 1 spot in the market. In 2002, Nestlé scrapped its original business model. Thinking of business model innovation brings to mind another paradox in innovation management, which I call the paradox of the value at the bottom and top of the pyramid

VALUE OF THE BOTTOM OF THE PYRAMID

The market in China can be viewed as a pyramid that reflects the size and purchasing power of segments of the population – high income, middle income, and low income. Of course, like any emerging market economy the bottom of the pyramid constitutes the largest potential market. This segment contains aspiring customers who desire the same products and brand experiences as the other two segments but has a totally different value curve. The experience of profitable low-cost airlines shows that, given the differences in value curves of airline customer, it is possible to make money by looking after the needs and problems of the bottom of the pyramid. Yet, many companies tend to ignore this market in their innovation process and marketing strategy as unprofitable and unwanted. Because of this neglect, any successful innovation in China or elsewhere is likely to be quickly imitated or pirated by companies who understand the value curves of this market segment. If this is not the case, then how can you explain the frequent moaning that counterfeits (illegal) and imitations (legal) drain billions of sales from branded – mainly foreign – products in China?

I read in the *Bloomberg* recently an opinion that China's capacity to innovate and its ability to create jobs for millions of people depends on its ability to protect the ownership of innovative products and associated intellectual property rights. The same article argues that clamping down on imitations and counterfeits is hard for the authorities because, among other things, the factories that produce and sell such products provide jobs and livelihood for millions of people. You see the dilemma of the analyst. What is



the key issue here? It is the lack of recognition of the value of the bottom of the pyramid during the innovation process among companies in China. I submit that until corporate China, in particular foreign firms, recognises the value at the bottom of the pyramid and develops business models that successfully provide the brand experience to which this group aspires at affordable prices, the counterfeit problem will persist. In a country such as China, the bottom of the pyramid has problems, needs, and aspirations that will be satisfied one way or another, and the ingenious company should find innovative and profitable ways of responding to this. Remember that not long ago the music industry was wringing its hands over the billions of dollars stolen by users through free downloads on the Internet. Then Apple came up with iTunes, which many observers see as its first foray into business model innovation. In essence, iTunes is a novel marketing, distribution, and pricing arrangement that allows users to pay for songs, rather than stealing them. This innovation convinced the recording industry to support digital music delivery. I suggest that managing innovation in China requires the creative interplay of internal and open R&D. It also requires careful development of a business model that allows you to ensure appropriate degree of market coverage. This is because your ability to develop a new product with differentiated value propositions at attractive price points for the different levels of the pyramid is

your ticket to success in protecting your intellectual property rights. Nothing more and nothing less! The marketing function has a crucial role to play here, as indeed it has in the entire innovation process. This process requires a collaborative cross-functional creativity and a diversity of perspectives on the market environment, which leads to the last important paradox: the paradox of human capital in innovation.

THE PARADOX OF HUMAN CAPITAL

We all know that the success of innovation and all other activities comes about through the use of human capital. Specifically, innovation relies not only on individual creativity, but also on cross-functional diversity, which means allowing strategic disagreement, debate, and creative analysis in interpreting market and technology developments and customer requirements to design and develop new products. The paradox is that in a culture that values and places interpersonal harmony and consensus over conflict and open debate, the potential for strategic disagreement or debate to spiral into personal, emotional, and relationship conflict is very high. This is exactly what Haiyang Li and I found in a study of R&D and marketing teams in high-technology firms operating in Haidian District in Beijing, which was reported in the November 1999 issue of *the Journal of Product Innovation Management*. We found that when there was conflict in the teaming process, marketing people adopted several strategies to influence their R&D counterparts. Unfortunately, the least effective of these strategies, such as appealing for the intervention of the top boss and persistent pressure, were more frequently used than the more effective strategies, such as recommendation. This occurred because although companies spend millions on developing the technical expertise of their scientists, designers, product development, and marketing personnel, they tend to give little thought to the development of the management skills that are necessary to obtain the maximum value from the innova-

tion processes. Most managers with strong technical capabilities appear to lack basic training and knowledge in how to manage cross-functional team processes, how to manage conflicts during product development, and how to harness a diversity of perspectives to enhance creativity in innovation.

In China, this is not helped by inadequate control and reward systems for R&D teams and for the people who sell new products. For example, we reported in another paper that was published in *the Journal of Marketing* in July 2002 that the control systems, attention and help that sales managers use to build a trusting relationship with salespeople are the very same factors that led these salespeople to shirk their responsibilities in selling a new product in China. The key lesson for innovation in China is that the creativity of R&D, marketing people and other personnel is harnessed through effective controls. Contrary to conventional wisdom, you get more creativity out of your employees when they know clearly the boundaries within which they are supposed to apply their ingenuity.

INNOVATION MANAGEMENT: THE NEW CEO AGENDA IN CHINA

I suggest that China itself, “Zhong Guo”, “the middle kingdom” by definition is a paradox. Managing innovation is a complex undertaking in any business environment requiring the integration of technology, marketing, and management. However, the complexities and problems that are associated with the management of innovation in developed economies in Europe, North America, and elsewhere are multiplied tenfold in paradoxical China. Nevertheless, these problems are not insurmountable. To succeed in China, a CEO must lead the innovation effort and put political, financial, and moral muscle behind the development of a supportive environment for innovation. To ensure a balanced focus on efficiency for today and innovation for tomorrow, you have to be like the Roman god Janus. You need two sets of eyes: one pair

that is focused on what lies behind and the other on what lies ahead. You must constantly look backward to attend to the products and processes of the past to ensure efficiency and productivity, but at the same time you should gaze forward to build the organisational environment and competencies that are necessary for the creation of innovations that will define the future of your business in China.

Remember also that an innovative product (the small “i”) can win you awards but does not generate growth by itself: only innovation in management (the big “I”) can achieve this. So, take a more balanced approach to developing innovation management skills. Technical R&D capabilities are important, but the management of innovations in marketing, manufacturing, building personal and organisational relationships, and attracting, developing, training, and retaining human capital are the generators of the growth potential that is inherent in the end-products of R&D. In other words, pay attention to business model innovation and don't be an Apple of yesterday – great at creating technical innovations but lousy at value-driven business models.

Finally, you have to have courage. Building an innovative enterprise is risky, costs a lot of money and is politically demanding. However, you probably haven't got much choice. As Peter Drucker told us a long time back - innovation is the only core competence of any business organisation. If you agree, then you should start your innovation building effort today. There is no time to waste. It will define your ability to lead a workforce that is comfortable with managing paradoxes. If you are successful in this endeavour, you and your company will be able to give a positive and persuasive answer when the Chinese customer asks “What's new from your company and why is it good for me?” **THELINK**

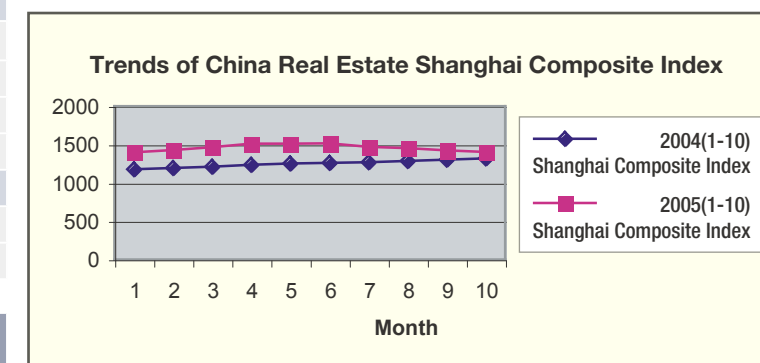
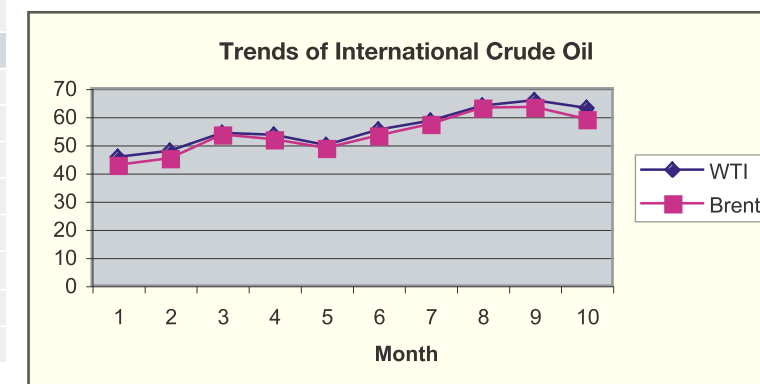
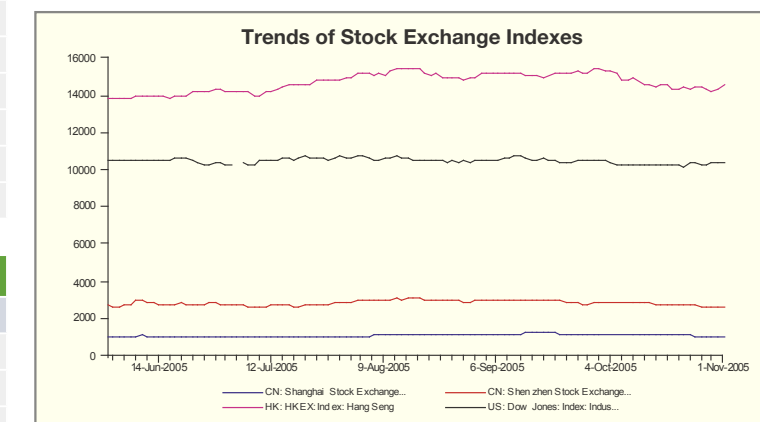
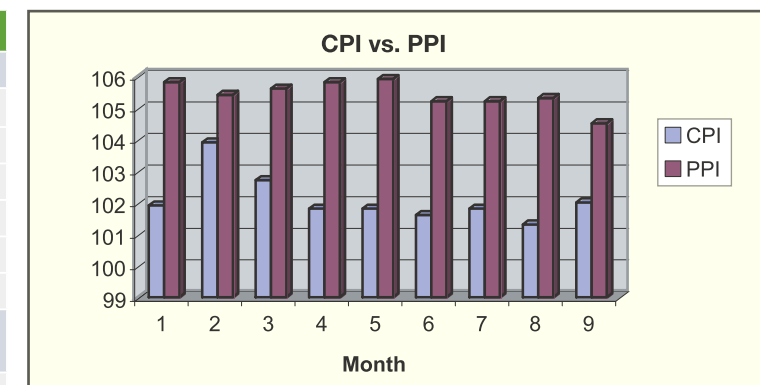
Professor Atuahene-Gima is Professor of Marketing and Innovation Management at CEIBS. The article is adapted from his speech delivered for the BENELUX Business Association in Shanghai on October 13, 2005.

MACROECONOMICS		
National Economy Indicators	Range	Accumulated
GDP (RMB 100 million)	2005 Q2	67,422
	2005 Q3	106,275
Investment in fixed assets (RMB 100 million)	2005 Q2	27,967
	2005 Q3	48,742
Current account (USD 100 million)	2005 Q2	398
	2005 Q3	685
National Economy Indicators	Range	Year-on-year growth
GDP growth	2005 Q2	9.5%
	2005 Q3	9.4%
Fixed assets investment growth	2005 Q2	27.1%
	2005 Q3	27.7%
Price Index	Range	Average
CPI	2005 Q2	102.4
	2005 Q3	101.7
PPI	2005 Q2	105.7
	2005 Q3	105

FINANCIAL DATA		
Currency	Range	Balance
M0 (RMB 100 million)	2005 Q2	20,849
	2005 Q3	22,273
M1 (RMB 100 million)	2005 Q2	98,601
	2005 Q3	100,964
M2 (RMB 100 million)	2005 Q2	275,786
	2005 Q3	287,438
Stock Market	Range	Average
Shanghai Stock Exchange Composite Index	2005 Q2	1100
	2005 Q3	1134
Shenzhen Stock Exchange Composite Index	2005 Q2	2906
	2005 Q3	2914
SSE 50	2005 Q2	772
	2005 Q3	796
SSE 180	2005 Q2	2094
	2005 Q3	2159

ENERGY and HOT INDUSTRIES		
Oil	Range	Dollar/Barrel (average)
West Texus (WTI)	2005 Q2	47
	2005 Q3	62.7
Brent Crude Oil	2005 Q2	51.3
	2005 Q3	60.26
Real Estate	range	average
China Real Estate Shanghai Composite Index	2005 Q2	1509
	2005 Q3	1448

Data source: DRCNET, <http://www.valuer.org.cn/index.php3>, CEIC. Compiled by CEIBS Library.



Sunk Cost Fallacy



Will Persistence Necessarily Lead to Success?

By Christopher Hsee

Here is a question for you:

Every staff member in your company is given a free concert ticket. The seats are all in the middle of the front row. Each ticket is worth RMB300 but you get it free. Unfortunately, a blizzard comes on the very day, causing temporary suspension of transportation. Despite all these, the concert is going ahead as planned. If you really want to go for it, you have to walk for half an hour in this terrible weather. What will be your decision?

to go **not to go**

Now, suppose that the ticket is not given free of charge by the company, but is bought by yourself for RMB300, what will be your decision?

to go **not to go**

Most people won't go to the concert in the first case, for they don't count it as "waste of money". But in the second case, people will be reluctant to give up

the ticket. Instead, they will choose to go in spite of the cold weather and lack of transportation. Your intuition will tell you that the ticket given freely by the company is an "extra gain", which you won't feel too uncomfortable to lose. But the ticket which you queued in line for and spent money on is something you "cost" a great deal. That is why people make different decisions in different situations. What I am going to analyse further is the reason why people are more motivated to go to the concert when they pay the price for it.

Such a phenomenon is called "Sunk Cost Fallacy" in behavioural decision theory. In the decision-making process as to whether or not to take a certain action, one does not only take into account the costs and benefits one will encounter, but also the costs one has already incurred and cannot recover. The past irretrievable cost is called "Sunk Cost."

From a rational perspective, sunk cost should not play a part in our decision-making, because no matter whether you go to the concert or not, the money you paid is gone. As a rational decision maker, you should consider only expected future costs (e.g., the storm you have

to suffer from) and benefits (e.g., the enjoyment of the concert). Whether or not you are going to the concert, the money has been spent. It should be counted as a constant and should be ignored in your decision making.

A friend of mine often wears a tie. Its colour is embarrassingly odd. I could not bear it and eventually told him that the tie was not suitable for him at all. His answer was astonishing. "Actually I feel the same as you do. But I have no choice. I spent over RMB500 on it. How can I leave it aside lying on the bottom of the drawer? What a waste would it be?"

This is quite a common phenomenon. When people are making a decision of purchase, they take into account many other factors than the expected utility value of the product. They might be lured by the promotion sale or even go for the simplest reason that they haven't bought anything after a whole day's shopping!

Behavioural decision research indicates that normal people are less than rational. When we say "Since we've bought this tie, we might as well wear it", or "Since we have bought the ticket, we might as well go for the concert",

what we really mean is that we want to earn back the sunk cost by "keeping the course of action". But I would like to ask, "What is your purpose of buying a tie?" If the tie you bought does not fulfil your purpose, what will you gain? The ultimate gain is your happiness whereas merely wearing a tie or going to a concert is not a real gain. If wearing an unsuitable tie or going to the concert in a blizzard brings negative effects on you, you will not "take back" the cost already sunk. Instead, you will end up with getting into more troubles and wasting more money. RMB500 has been wasted in an ugly tie. Yet, we continue to wear it simply for the sake of money already "sunk". What a real "waste"! As to the concert, RMB300 has been paid for the ticket. But if we choose to go, we will have to struggle for a good hour in the freezing cold, which might totally spoil the happiness brought by the beautiful music and result in catching cold and being sick for several days. We are not against your wearing an unsuitable tie or going to a concert. The point we are trying to make is this: Do not let the sunk cost affect your rational decision. What needs to be taken into account is the costs and profits of an action itself, whereas the antecedent cost related to the action should be ignored.

GETTING STUCK DEEPER

What will be your answer?

You are the CEO of a pharmaceutical company and start a project of developing a new painkiller. Then you are recently informed that another pharmaceutical company has already developed a similar painkiller. If the project keeps going ahead, there will be a large chance of losing \$5 million, with a small chance of gaining \$25 million. It is in the beginning stage of the project and the company has not spent much yet. To put the product on the market will cost another \$500,000. Will you continue the project or abort it?

to continue **to abort**

In this case, there is 10% chance of gaining \$25 million and 90% of losing \$5 million. Also, no substantial cost is made in the project. Should you continue or abort? Normally, people will choose to give up, which is quite reasonable.

But what about the following case?

You are the CEO of a pharmaceutical company and doing a project of developing a new painkiller. Then you are recently informed that another pharmaceutical company has already developed a similar painkiller. If the project keeps going ahead, there will a large chance of losing \$5 million, with a small chance of gaining \$25 million. The project has been going on for quite a while and the company already has spent \$5 million. To put the product on the market will cost the company another \$500,000. Will you choose to continue or abort?

to continue **to abort**

Except that you have spent \$5 million in the project, the second case is exactly the same with the first one. Given my earlier explanation on "Sunk Cost Fallacy", you are expected to give the same answer as you do with the first one.

However, both in the States and in China, when I asked CEOs from various companies the above questions, most of them chose to abort the project in the first case, and continue the project in the second. They deem it worth all efforts to retrieve the cost, which is \$5 million already cost. They don't seem to understand that for the sake of the sunk cost of \$5 million, they risk 90% chance of wasting yet another \$500,000 instead of taking back the past cost.

Therefore, be careful when you are making an investment: If you find it an erroneous decision, you should stop right at the point and turn back. Never add more mistakes to the error already made for the sunk cost. As a matter of fact, there are many cases where more investments are made in the hope that the sunk cost could be recovered and these decisions only lead to more losses.

Many companies persist in continuing the project, in spite of the knowledge that there is no great prospect. The only reason for such a persistence is the mere fact that they have spent a large sum of money on it (sunk cost).

An error we often tend to make as consumers is that we choose to do something we are not willing to do just because money has been spent on it. The idea is that money spent on something can only be compensated for by genuine consumption. But you become even more irrational by continuing a wrong investment. The similar case of "adding more to the wrong investment" can be found in business world as well as in our daily life.

Nowadays, most parents expect their kids to have music talents and are able to play a musical instrument. It is a good way of cultivating the character and developing the intellectual potential. Lily's Mum is one of these parents. After consulting other people, she decided to buy a keyboard which cost her RMB2,000. But despite Mum's enthusiasm, Lily was not keen on it. Lily would rather play outdoors with other kids after school till it was time for dinner. After dinner, she had to do homework. Little time was left for her to play keyboard. Although for the first few days, playing keyboard was a fresh experience for her, soon she lost the interest. She is a sporty girl, but not musical. Now when parents kept nagging her to play keyboard, she tended to become much more disobedient than ever. In the end, the keyboard was covered by a layer of dust. Then one day, a colleague of Lily's Mum told her about a piano teacher in the Academy of Music and recommended him to tutor Lily. Do you think it necessary to have a tutor for Lily at this point?

Lily's Mum discussed it with her husband. "The keyboard is ready for her. Why not make her keep learning? We might as well have a tutor to teach her. Otherwise, the keyboard will be wasted." Hence, they made the decision to invite the tutor and to pay him RMB500 for ten hours per month. Lily's interest in playing keyboard was gradually killed when she was forced to learn it. Leisure or a hobby, as it should be, now

became an extra burden. Lily was more than reluctant. She made little effort and took every opportunity to escape the exercise. After half a year, her parents had to give up the “training project”. They ended up with wasting the tuition fee of RMB3,000, for they did not want to “waste” the keyboard!

Many people remain addicted to smoking despite the knowledge that smoking harms their health. In the same way, most people are addicted to “Sunk Cost Fallacy”. It may mislead you to cost more than you should. In some more serious cases, it might result in catastrophe and bring about great loss of life and property.

Never be controlled by “sunk cost”. Since it is of past tense and cannot be undone, we had better leave it aside. A helpful parable is that when you waste much time and have no way of getting it back, you had better not keep regretting it. At the very moment of your regretting, much more time slips away. Let us suppose we start from a new beginning

and from now on, we only choose to do things benefiting us most.

BREAK EVEN OR SELL?

“Break Even” has always been a fundamental policy for most businessmen. It appears so natural and reasonable to say, “At least, we have to break even”. Yet, this is a flawed concept. The idea itself involves “Sunk Cost Fallacy”. Many retailers tend to refer to the wholesale price when setting the base line for the retail price. They will not sell with a price lower than what they have paid. This is not right. Suppose you are a computer retailer. You purchased 100 Pentium III at the unit price of RMB8,000. Now these Pentium III are outdated. A school offers to buy them at the unit price of RMB4000. Will you accept the offer? Most retailers will not. If you are a rational decision-maker, you will not take into account the original price of RMB8,000, for it is irrelevant to your present decision. What you should

consider is whether or not you can sell those computers with a price higher than RMB4,000. If the answer is “No”, then RMB4,000 is the best price you may get. Why not take the offer?

I still remember the story during my study in Yale. My parents bought a one-bedroom apartment at \$72,000. When I graduated, the property price of New Haven (where Yale is located) was undergoing a drastic drop and the prospect of the market was bleak. Someone offered to buy our property at \$58,000. I strongly advised that we accept the offer. But my parents decided that the bottom line of the property price should be \$72,000, for they held to the idea of “breaking even”. They rejected the offer. I obeyed their decision. But what was the result? We never found anyone who offered higher price than the one I mentioned above. We ended up with selling the property at \$38,000.

SUMMARY

This article mainly discusses “Sunk Cost Fallacy”. People normally want to retrieve what we call “sunk cost”, which has been made and is impossible to be undone. And it leads to irrational behaviours. How can we correct such a fallacy? After you happen to make an irrational purchase, you should forget about it together with the “sunk cost” you have made. Take only into account the efforts you will have to make thereafter and the benefits entailed. Then, you can make an estimate as to whether or not some positive effects will be brought about. When making an investment, you need to look ahead and evaluate the whole situation. If you find out that it will not earn any profits, you really should give it up as early as possible. Never hold onto the cost already made, such as effort, time and money, etc.

“Sunk Cost Fallacy” can be found everywhere in our life, exerting negative influences, but sometimes functioning as check-and-balance. If we know how to play with it smartly, it will be able to serve us. In all the

cases we discussed earlier, people are reluctant to give up an action rationally, for there is “sunk cost” involved. However, there are other cases where people give up something irrationally. Then, the sunk cost will help push you to act more rationally and become more purpose driven. Many people made “sunk cost” purposefully in order to control their own behaviours. In fact, it is a very effective way, for “Sunk Cost Fallacy” is indeed difficult to do away psychologically.

Here is a practical example. Many people make plans of physical exercise, such as doing aerobics three times a week in a gym. But most of them cannot stick to the original schedule, not because they do not put enough emphasis on the exercise, but because they have many other commitments including job, housework and entertaining friends. I suggest that you purposefully make a sunk cost so as to help you hold onto your original plan. You choose an expensive gym and pay a hefty non-refundable membership fee. Then you have the gym remind you every week how much you have paid and how little you have used. Thus, you will persuade

yourself to go to the gym even when you are quite reluctant, for you have already paid! (Of course, the influence of the sunk cost will be diluted gradually as time goes by. So you’d better not pay a lump sum of five-year fee in advance, but rather pay monthly or twice a year.)

The following is another interesting example. A girl loves her boyfriend so much that she desires to have him forever. What should she do? One thing, among many others, is asking him to buy her expensive gifts frequently. Then, her boyfriend will become more and more reluctant to leave her, given the fact that he has already “cost” so much on her. **THELINK**

Professor Christopher Hsee is Theodore O. Yntema Professor of Behavioural Sciences and Marketing in The University of Chicago Graduate School of Business, and Director of Centre of Behavioural Sciences at CEIBS. This article is adapted from his book *Don't Be A Normal Fool*, originally written in Chinese. The English version is prepared by Cherry Zhong.



DRIVING FORWARDS THE CHINA-EU STRATEGIC PARTNERSHIP

By Javier Solana

Every time I visit China, I am impressed by the pace of change and by the dynamism and determination of China's political and business leaders. I am especially pleased to make my first visit to China Europe International Business School. I have closely followed its development as an international centre of excellence.

Tony Blair, José Manuel Barroso and I had excellent meetings yesterday with President Hu Jintao and Premier Wen Jiabao. It would be too much perhaps to say that we saw eye to eye on every issue. But even on the few issues where we disagreed, we had an open, frank exchange of view. This is exactly as it should be among close partners.

The last time I was in China for an EU Summit was two years ago. Then, the EU and China launched a strategic partnership. The way our meetings went yesterday proved that we really do have a partnership, which is growing both wider and deeper.

Our goals are converging across a wide range of international subjects. That is why it makes sense to intensify our co-operation. Of course, we do also have some differences. But there is a lot more that unites us than divides us.

My aim today is to give you a progress report on the state of our bilateral relationship. But before I do that, perhaps it is worth reminding ourselves why we call this relationship a strategic partnership.

I see two reasons. First, the issues which we discuss together and on which we push action forward are global strategic issues. To give some examples, there are issues such as the proliferation of weapons of mass destruction and international terrorism. And also there are questions related with global security of energy supply, regional crises and the environment.

Second, we are partners with significant global strengths, capabilities and responsibilities. China is rapidly emerging as a world leader and a positive actor on the global stage. We in the EU warmly welcome that.

The rationale for partnership is easy to state: when we work together, we can achieve big results. And if we also involve other international players, including the US, Canada, India and Japan, we could achieve even more.

The same is true for some other regional organisations such as Association of South East Asian Nations (ASEAN), the African Union and MERCOSUR. Today's problems are far too great and far too complex for any country to solve alone. International partnerships are essential. This is not a nice sounding diplomatic slogan, but a statement of fact.

Of course, working with other countries and organisations to achieve shared objectives is not always easy. It takes time and entails compromises. It always requires considerable efforts. But the re-

sults are worth it. The outcomes are always better than what we could achieve through unilateral action.

Multilateralism and respect for international law are fundamental tenets of the EU's foreign policy. And I know the same is true for China. Together we need to convince our other partners to put these principles at the centre of their foreign policy too. Reform of the United Nations is an important part of this process. I very much hope that agreement can be reached on the issue of the reform of the Security Council. But, important as it is, it is only one part of the wider reform package proposed by the Secretary General Mr. Kofi Annan. That package also included good ideas for a Peace Building Commission, a reformed Human Rights Council, an agreed definition of terrorism and a renewed impetus for reaching the Millennium Development Goals.

Let me move away from principles and turn to concrete action. What are the EU and China doing to promote our common objective?

The proliferation of nuclear technology and the accompanying risk of the proliferation of weapons of mass destruction is a key threat to our peoples and to the international security in general. China and the EU have both taken a lead on this issue. We are engaged in difficult and lengthy negotiations, with North Korea and Iran respectively, to limit the risks that each country poses to the non-proliferation regime. And the EU and China have both expended considerable diplomatic effort to support what the other is doing in this field. This has strengthened both our hands. This is a strategic partnership in action.

But we are still a long way from resolution in both situations.

We have had a difficult summer on Iran. In early August, the European states presented Iran with proposals for the most substantial development in bilateral relations since the Islamic Revolution in 1979. This package also included measures to assist Iran with the development of civil nuclear technology, provided that Iran gave us objective guarantees on the civilian nature of its nuclear programme.

Regrettably, these proposals were rejected. Since then Iran has also recommenced the process of uranium conversion. The Board of Governors of the International Atomic Energy Agency will address the issue in the next couple of weeks.

Yesterday, we also discussed North Korea. I know that China has similar frustrations there. Again, the issue of trust is paramount. So too is our shared determination not to put international security and stability at risk. The EU will continue to follow closely the development of the Six Party Talks. We very much hope the talks can reconvene soon. The EU also remains willing to support the talk process in whatever way that its participants feel would be most helpful.

Proliferation is not a one-way street. Nuclear and Weapons of Mass Destruction (WMD) programmes can be stopped and even reversed. The path chosen by Libya in surrendering its nuclear technology, in exchange for reintegration into the international community, proves that there is an alternative and beneficial way ahead. We need to continue to encourage Iran and North Korea to go down that same path.

Terrorism is another key mutual concern for China and the EU. The attacks in London on 7 July and those in Madrid last year underlined for the EU the need to be continually on our guard. These attacks, and those in Bali and New York before that, were attacks against the whole international community, our cultures, our structures of society and our way of life. Those who died came from countries all around the world.

Terrorism is now a global phenomenon, hitting both the developed and developing world. It knows no boundaries and respects no rules. It has to be defeated, using all means at our disposal: diplomatic, socio-economic, intelligence and co-operation.

Similarly, we must forge and maintain the widest possible international co-operative alliance. And while we seek to arrest and disrupt terrorist groups and individuals, we should also shrink the "recruitment base". That means tackling the underlying factors that drive people to adopt the

terrorist discourse and their agenda of violence, extremism and hatred.

I very much welcome that China, the EU and others want to intensify the dialogue between cultures, religions and civilisations, to promote better mutual understanding. Through our aid and development efforts we must continue to address the issues of education, social exclusion and poverty. Some terrorists are well-educated, others are not; some are poor, others are not. But by working to eliminate their base of support, we can hope to undermine their activities.

Let me also briefly mention capabilities. With those we turn our aspirations into action. China and the EU both know that sometimes we need to put our troops and civilian personnel into arms way, to ensure international stability and development. China now has more personnel deployed on UN operations than ever before. I applaud this.

In only a few years and starting from scratch, the EU has developed a good record of military and civilian operations in the crisis management. We play a leading role in maintaining stability in the Balkans. We are active in the Congo, in the areas of police and security sector reform. We are helping to build up the structures of law and order in Iraq. We are also assisting Palestinian police for-

es to increase their operational effectiveness. And with a large support package, we are also helping the African Union in Sudan. Last, we have now also begun to help deliver peace in Aceh in Indonesia.

Perhaps this demonstrates, far better than any declaration could, that the EU is committed to promoting peace and stability around the world, not just in our backyard. We do have a long-lasting commitment to stability in the Balkans, and the integration of these countries into the EU. But we also have a real interest in Asian security and stability, going beyond our involvement in the ASEAN Regional Forum (ARF) and Asia Europe Meeting (ASEM) processes. Of course, promoting stability requires more than just boots on the ground. In Aceh, the EU is also financing significant development projects to help create the conditions for a lasting peace. Development, security and good governance are all inter-linked. That is why our aid and development budgets are an integral part of our wider policy mix. This is true for our work in Indonesia, but also in many other countries around the world.

I believe that there is great potential for China and the EU to work more closely in this area too. China has been supporting many worthwhile projects, in Africa, Central Asia, Latin America and the Pacific. So has the EU.

If we co-ordinate our efforts even more, we could achieve even greater results. We have already begun to consult more closely on our policies and programmes. I very much hope that this co-ordination can continue and intensify.

Let me conclude. Clearly, the key challenges which we both face are largely the same. What is more, China and the EU have the same broad agenda in seeking to address them. We are natural partners in many ways. We both prize international stability and order. We are both strong supporters of multilateralism and international law as the best means to achieve this. Consultation with each other, and other partners, is the rule for us, not the exception. We know that this brings us strength. We are also both willing to take the lead in trying to tackle international problems, including through the deployment of our military and civilian personnel. We are also consulting more on our regional policies and programmes. To my mind, this is what a strategic partnership is all about.

There is a lot that the EU and China have already achieved together. But there is ever more work to be done.

Thank you very much. **THELINK**

Javier Solana is EU High Representative for the Common Foreign and Security Policy. This article is based on the speech given by Mr Javier Solana during his visit to CEIBS on September 6, 2005.



An Interview with Scott Ward, Professor of Marketing from Wharton

Marketing High-Tech Offerings

By Audrey Wu

China's booming high-tech market gives rise to a huge demand for improving skills of high-tech marketing. To meet this demand, CEIBS began to offer "Marketing High Technology Offerings" in its 2005 EMBA programme. During the course break, The Link interviewed Professor Scott Ward, who was happy to share his insights with the readers.



THE LINK: The recent years have witnessed a rapid growth of high technology worldwide. What trend do you observe in China's and global high-tech market? What opportunities will emerge from this sector?

SCOTT WARD: Firms have long marketed “high technology” products, going back to the early days of phonographs, radios, televisions, and electro-mechanical calculating machines. In recent decades, the pace and nature of technological innovation has dramatically increased, so specific interest in marketing high technology offerings has emerged, especially in China, which is a “hotbed” of high technology production. In the past, developing economies typically emerged from exporting raw agricultural products, to growth through direct foreign investment, transferring that knowledge to developing home-grown industries. The process took many years. In China, the pace of this typical route to economic development has been dramatically speeded up. From being the “workshop of the world”, exporting low cost goods, China has attracted foreign investment from many kinds of businesses, including high-tech firms, and has formed many home-grown high-tech firms. Foreign high-tech firms that hope to profit from marketing in China are rapidly matched by Chinese firms that invest in competitive high technology products. The next step is for Chinese firms to enter world markets. A key need is to complement formidable skills in low-cost production with capabilities to innovate and develop next-generation technologies, rather than simply adopting existing technologies and producing them at low cost for the local market. It is also critically important for Chinese firms to establish strong global brands.

The acquisition of IBM's PC business by Lenovo is a case in point. I say that it is Lenovo that is to lose. They bought a very high equity brand. In five years when they are no longer using the IBM brand name, the question is: “Will people be ready to buy and have the same trust in the Lenovo name?” The major challenge for Lenovo is to build a brand as strong as IBM on the world wide basis. That is no simple task. I understand that Lenovo

may market two products—a premium “ThinkPad” brand, and a low-cost but trendy Lenovo brand. That could be a very wise move, since it reflects market segmentation and leverages the considerable brand equity in the “ThinkPad” sub-brand name. The Lenovo brand would leverage the firm's advantages in low-cost manufacturing.

What I advocate is that Chinese firms strive to grow their own brand equity. A good example, though not in high-tech sector, is Haier. It is becoming a global brand. They were very wise. They came in the US market with a wine cooler. High income, high education people buy their product. Therefore, they are building their brand in an affluent and well educated market segment, which is very smart. So, Haier is not becoming known as a low-cost, low-price brand, but as a premium brand. Another good example

SCOTT WARD

Scott Ward is Professor of Marketing at the Wharton School (University of Pennsylvania) where he teaches courses in Marketing Management. He designed and directed the 5-day seminar, “Marketing High Technology Offerings” in Wharton's Executive Education programme. He is consistently among the top-rated instructors in Wharton's Executive Education programmes.

Before coming to Wharton in 1980, Ward taught at the Harvard Business School. He received his Ph.D. from the University of Wisconsin in 1968, after working for an advertising agency in his hometown of Pittsburgh, PA, and in New York. In his advertising career, Ward worked on both consumer and industrial accounts.

Ward has been among the most-cited authors in Marketing. He is recently completing a book, *Making Marketing Decisions*, which he hopes to help students and managers understand how to craft effective marketing plans combining qualitative and quantitative analyses.

is Samsung in South Korea. They are building a global brand on the basis of innovated products. They may not be revolutionary innovations, but they are next-generation such as high-tech TV and cell phones. It is a good lesson for Chinese high-tech firms as well.

THE LINK: What are the characteristics of the high-tech market, products and services? What do you think are the critical factors for successfully marketing high-tech offerings? Could you give us an example?

SCOTT WARD: High degrees of market and product uncertainty, and rapid product life cycles are distinguishing characteristics of high-tech markets. Also, in contrast to consumer goods, consumers often don't know and can't verbalise what their future needs are. Traditional market and consumer research is of limited usefulness. The most successful high-tech marketers anticipate customer needs, even before customers know they have them. Consumer marketing is the process of determining customer needs and developing products to satisfy those needs. In other words, demand drives supply. In high-tech markets, markets are often unknown and unknowable, especially for “new to the world” technologies. The result is that technology offerings can drive customer demand, but a danger is assuming that a new technology is a sufficient condition for market success. It can take many years for new technologies to gain acceptance, much less market success. Since many high-tech offerings are based on the intrinsic value of technologies more than expressed consumer needs, high-tech marketers may be deluded into thinking that high-tech products are “so good” they will sell themselves, and that traditional market analysis and planning is not applicable. It is more difficult to craft marketing plans for high-tech products than for typical B2C products and services, but high-tech marketers proceed at great peril if they fail to engage in insightful market and customer analysis and do not craft marketing plans.

That is a unique challenge for high-tech companies. A high technology does have the potential to drive demand, but

cannot guarantee it. The question is: “Is the marketer capable of several years of market development with substantial expenses, even as competitors enter the market?” That is a major issue. In many cases, it is foresight and diligence that matter. For example, Chester F. Carlson, the man who invented Xerox, was told not to make the machine, because initial research came back saying that people didn't want it. They were satisfied with current technologies like mimeograph machines. But he persisted and it proved to be a successful technology. Another example is James Dyson, the inventor of vacuum cleaner. He had thousands of failures. But he stuck with it and invented a better technology. Dyson is selling very well at high premium prices. High-tech markets are filled with the stories of people with wisdom, foresight and persistence.

THE LINK: In your class, you will teach how to use the framework of 5Cs-4Ps to market high-tech offerings. Could you give us some ideas here?

SCOTT WARD: The 5Cs-4Ps framework is an elaboration of typical marketing planning frameworks. It is important to define the marketing problem, and the context, markets and customers, competitors, company strengths and weaknesses, and collaborators as a way of sizing up the current situation. In many marketing plans, this is called the “situation analysis.” Based on the 5Cs analysis, marketers then turn to strategic alternatives and objectives to carry out strategies. Finally, a “4Ps” marketing plan—product, price, promotion and place (distribution) is specified to carry out the strategy and achieve objectives. My framework stresses the concept and tool I call “funnel logic,” to define, size and value markets, identify target market segments, and then set objectives to move target customers from unawareness to various cognitive and behavioural stages leading to purchase, and post-purchase states (such as customer satisfaction and loyalty). By setting objectives in the “consumer funnel” marketers can monitor success in achieving revenue and profit objectives and make changes to the marketing programme as needed. Today, marketing planning must

be based on quantitative as well as qualitative analysis, and specify quantitative outcomes in order to demonstrate marketing's “return on investment.” It's no longer acceptable to propose marketing expenditures without sound quantitative metrics to measure marketing's effectiveness.

THE LINK: Could you please give an example of how “the funnel theory” works?

Scott Ward: First, we have “market funnel”. Suppose there are 0.3 billion people in the United States. Of them, 20 million are joggers and runners. Of them, 15 million are affluent. In this way, you pick a target market segment, funnelling down from the overall market. The other funnel is the consumer funnel. If my target market segment is 4 million affluent and serious joggers for my running shoes. Of them 80% I want to make aware of it. 40% I want to become interested in it. 50% go to the stores. Of them 20% buy it. You size the market in this way and make your marketing programme. Then, you set objectives, hire marketing and sales people to achieve these objectives. You can measure how your marketing programme is doing by those objectives and make changes accordingly. It is all part of a global trend that marketing is becoming transparent, accountable and quantitative. Marketing must show its return on the investment.

THE LINK: If Chinese high-tech companies want to sell their products and services to the US and Europe markets, what should they do to secure their success?

SCOTT WARD: In my opinion, the most important skills for Chinese firms as they move to world markets are to build skills at developing innovative products, and in market analysis and brand management. Chinese markets are so large that it's amazing to me that I had so many students in my course, “marketing high technology offerings.” The key needs for high-tech firms in China now are obtaining capital and having sufficient production capacity to respond to demand—Chinese markets are very large and growing very rapidly. The Deloitte analysis of the “fast 50” high-

tech firms in China show annual growth rates in the thousands. For several years to come, many high-tech companies in China can prosper merely by responding to local demand. Far-sighted firms will invest in innovation, improving quality, choosing world markets to serve, and carefully crafting effective global marketing plans.

THE LINK: We found in your teaching outline that you use some cases of Chinese companies. I also know you have very rich experiences in Executive Education. How do you manage to cater to the needs of the local students?

SCOTT WARD: I have not taught in China before, although I have taught in other countries in Asia and Europe for many years. It is always risky to use “local” cases because students may know (or believe they know) something about the company which contradicts information in the case study. This can sabotage a case discussion, but the two Chinese cases I taught worked quite well. It is important for Chinese students to be able to relate to local examples. Foreign faculty can bring a broad perspective to a class in a different national environment, but it is important for the faculty member to do some “homework” on a foreign market in order to understand the context and issues, and to have credibility in the classroom.

THE LINK: What is your impression of Shanghai and CEIBS?

SCOTT WARD: I find Shanghai to be as I expected—huge, vibrant, and fast paced. My EMBA students have been a pleasure to work with. They are prepared, eager to learn and open to ideas, concepts and tools. I especially appreciated their level of preparation for case studies, and their willingness to engage in dialogue. CEIBS is a wonderful idea. Business is becoming more global, and truly global business schools like CEIBS are at the cutting edge. **THELINK**

VICTORY

in Business Competition



LEARNING FROM “THE ART OF WAR”

By Zhang Tianfu

THE PATTERN OF VICTORY AND DEFEAT

In the chapter of “Fire Attacks” in “The Art of War”, Sun-Tzu said, “When one gains victory in battle and is successful in attacks, but does not exploit those achievements, it is disastrous. This is called waste and delay. Therefore, I say the wise general thinks about it, and the good general executes it.”

Sun-Tzu seems to warn leaders that they need to watch out for the potential defeat following a glorious victory. The

same effort must be made, as they did before the battle, to strengthen the foundation, and build capabilities for further development. If they fail to do so, achievements will be “wasted” and disaster is sure to follow. The same is true in business world, as we find that much of the failure stems from the following factors which should have been detected and prevented in the due diligence.

Loss of human resource

A major team member rebels and sets up his own team after victory of a great battle. This is not unusual in Chinese history, even in modern business com-

petition. Part of the division can be attributed to the lack of ethics of the individual, but more often to the problematic leadership.

Some business leaders, for example, can fight side by side with their subordinates, supporting each other to go through hard times. But when the business grows, profits increase and financial situation improves, those leaders start to isolate themselves from the subordinates by becoming boastful and self-complacent. They attribute the success to their own competences or capital investments, and their subordinates are rewarded merely with money for their

previous contribution. Deprived of the sense of achievement, the subordinates end up with leaving the company. This is the example of wrong attitudes, while in some other cases, leaders feel threatened by the capabilities of their subordinates, and consequently try to play politics against them. Such is the example of intolerance.

Collapse of foundation

What is the very foundation of success in a war or a business competition? The first factor is the team, and the second one is the people you fight for or the customers you serve.

At the entrepreneurial stage, a business leader can often work closely with his team and put the customer’s needs in the foremost place to secure success. When the business grows, however, the leader tends to overstate his own competence, and ignore others’ contributions and customer’s needs. By doing so, he completely upsets his relationship with his team and his customers and damages the very foundation of business success, with destruction as the only consequence.

Self-complacency

Some leaders become self-complacent and conservative after initial progress. They are buried in past, refusing to accept new ideas and adapt to new changes. Consequently, they have been ruthlessly ruled out by history.

Loss of Control

Bureaucracy tends to corrupt a team with a long record of achievements and a great reputation. The British-based Barings Bank is a case in question. In 1995, it went bankrupt because of a single trader of 28-year-old, Nick Leeson, who took unauthorised speculative positions in Nikkei futures. When the Japanese stock market went down, Barings Bank was struck by a huge loss and went bankrupt within a month. Given the fact that Nick Leeson kept unauthorised trading without being questioned by and interfered with from the headquarters, people might conclude that Barings management has many loopholes. However, we can go further to ask

what has generated those loopholes, for the futures were not something novel in 1995. The top executives were either unaware of the problem, or turned a deaf ear to it. Both are the characteristics of bureaucracy.

DEMO DIAGRAMS OF PATTERNS OF SUCCESS

Sun-Tzu said in “Calculations” of “The Art of War”, “There are five factors determining a nation’s survival or destruction: the first is “Way”; the second is “Heaven”; it is then followed by “Earth”, “General”, and “Law”.

In modern language, these factors can be interpreted as follows:

The “way” to success is to serve the public.

“Heaven” and “Earth” suggest that we do everything according to natural and social laws.

“General” suggests the importance of human resource. We shall recruit qualified personnel.

“Law” means good management and organisation, including efficient institutions with hierarchy of responsibilities and carefully structured systems. In a word, “law” is scientific management.

In order to fully understand the pattern of success in business competition, we now demonstrate it using the following diagrams.

Setting up the Diagrams

Here are some basic assumptions behind the diagrams:

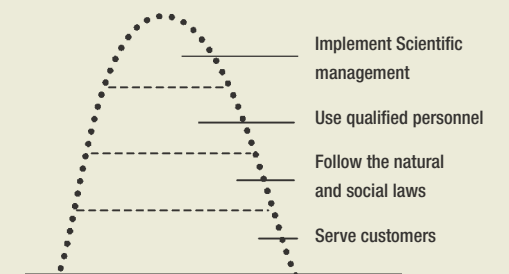
The success achieved by a team is like a hill. There are altogether four levels from the bottom to the top of the hill - “to serve the customer”, “to follow the natural and social laws”, “to use qualified personnel” and “to implement scientific management”. The contour and the levels of the hill can be in dotted lines or solid lines, with the former implying the weakening process of those four levels and

the latter indicating their further developments.

Expounding the Diagrams

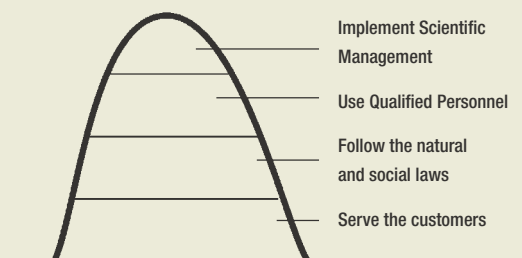
We can divide among three types of success pattern:

Type I: “Aging” Model



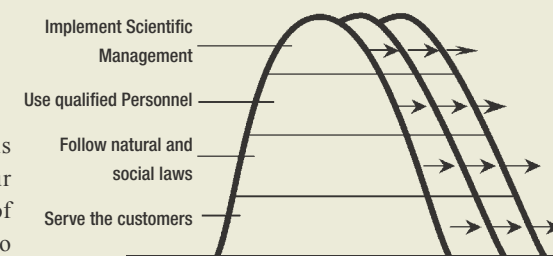
In Diagram 1, all four levels of the “hill” are in dotted lines, indicating that success is like an aging man who has burned all his energy or like a shooting star which is short-lived.

Type II: “Preserving” Model



In Diagram 2, four levels of the “success hill” are in solid lines, implying that the team of success preserves its vitality and has a solid foundation for further development.

Type III: “Advancing” Model



In Diagram 3, all four levels of the hill keep moving forward, showing that the succeeding team not only retains the vitality, preserves the fruit of success, but also continues to expand in size.

PRINCIPLES OF SUSTAINING SUCCESS AND PREVENTING FAILURE

Principle A: Adjusting Attitudes

KEEPING LOOKING AHEAD

It is destructive for a leader of a team to become boastful of the success already achieved. People with great accomplishments, without any exception, never feel complacent with what they have achieved, or rely solely on past experience for future decisions. They strongly believe that all factors contributing to success keep changing and that success rests upon continuous efforts.

As Sun-Tzu commented in his “Art of War”, “one should always sustain the carefulness like at the beginning of the battle even after a great victory.” Likewise, a business leader should maintain the same attitude and cautiousness at any time when he leads his team forward.

REMAINING INNOVATIVE

When one starts up, he is ready to take risks; but when he achieves something, he becomes more conservative and tends to avoid risks and challenges. Such a mentality often affects the whole team and hinders innovation.

Success is often associated with risks. Without risk-taking or failure, there will be no final success. A winning team encourages innovation and tolerates mistakes and failure. The strength of a capable leader lies in his courage of taking risks.

REMAINING HUMBLE AND PRUDENT

Zeng Guofan, a great general in Qing Dynasty, observed, “A gentleman is wiser than others in that he is more humble.” Simple as it is, he concluded it from the reflection of his own experiences. If one desires to move forward and continue to achieve something, he has to remain humble. Why? It is just because a humble person is ready to accept and to be accepted.

A complacent person is too proud to make any progress. Instead of focusing on further progress, he begins to offend others and hence sow the seeds of disaster. A successful man should keep himself away from this path of destruction.

KEEPING THE CUSTOMERS IN MIND

There is always a motive behind whatever people do. Two different persons might start the same business motivated by different purposes. One might do it for the sake of money, while the other for the sake of serving people. The disparity in motives determines the success or failure of an enterprise.



To put the people or customer first, one pursues customers’ satisfaction with the service. When customers’ needs are satisfied, the reward is sure to follow. More people get satisfied, more rewards will entail. As a result, more achievements will be made. To put money first, one pursues maximum reward with minimum cost. He tries to get as much as possible, while the customers often have to pay more for less. In the end, all customers leave, and the business collapses.

It is a common symptom of many business leaders to be generous at the beginning and to get greedy after success. A person with real ambition has to watch out for such a “disease”.

Principle B: Improving Decision-making Process

In the early stage of development, a leader is often a decision maker and a team player as well. He serves as a role

model for other team members by leading and sharing. He treats every team member equally and encourages them to speak out their mind. Additionally, he depends on collective wisdom for decision-making. However, when the business is successful, the leader tends to become bossy, dictating commands, while the subordinates tend to rely more on the leader’s dictation and stick to the old ways of doing things. If this continues, the chance of failure increases.

Different teams, especially businesses with different asset structures should have different decision-making mechanisms. But in spite of these differences, an efficient decision making process should be in place for any organisation. The following two ways can help improve the process:

DEMOCRACY OF DECISION-MAKING

It is of vital importance to listen to different voices and opinions. The same important is to try to integrate expert advice with popular ideas. Usually, expert advice is more profound but less comprehensive, while popular ideas have more varieties but lacks depth. Lastly, it is worth encouraging and protecting rivalry arguments. Reasonable arguments lead to right knowledge.

DECENTRALISATION OF STRATEGY AND TACTICS

To distinguish macro strategy from micro tactics is necessary. The leader is responsible for the former and the line staff is responsible for the latter. The leader needs to communicate clearly with his subordinates, making his intentions well understood. He should leave his hands away when the subordinates exercise their power and responsibilities. A Western strategist once observed that a good army commander should be intelligent and “lazy”, whereas a qualified chief of staff should be intelligent and “diligent”. **THELINK**

The author is CEIBS EMBA01 participant and served as former Vice Commander of Zhejiang Military District.

This article is extracted and adapted from his book entitled *Learning to Be More Competitive from Sun-Tzu*.

Winners Never Cheat

By Jon M. Huntsman

Today, I might surprise many of you suggesting that money may not be the most important thing in your life. There are many other aspects of your life that are more important than money.

I was asked to write a book on ethics to help people understand how important to be ethical in our business relationships. In my opinion, the most important quality of a person going into business is to be honest and ethical in their dealings. The person who is not so will not stay in business very long. People will not do business with them. Their reputations will spread fast, if they do not adhere to certain guidelines or principles that are essential. I will mention some of the points I discussed in my book.

“LIFE IS NOT FAIR, BUT WE

MUST BE FAIR.”

In your business life, there will be many times when events and transactions are not fair to you. But it does not mean that you must be unfair and play by the rule that others play. When you get frustrated and emotional with people, and use your energy, the only one you will hurt is yourself. I would rather suggest you think through the problem, use your mind to tackle it and try to be fair at it. Then you will be more at peace with yourself.

Winston Churchill is my hero. During the World War II in 1940s, the country of Great Britain was almost demolished. Churchill rallied the people and motivated them. Even though the odds were slim that they could win, Churchill kept persevering. One day, he made a great statement. “If there is no character, then no other human trait matters.” If you lose personal character and integrity, you can still work hard, get good grades, put long

hours, or make a lot of money, but lose the battle of life.

Guard carefully your character and integrity. You can never replace them. Once you have made mistakes, have cheated somebody and used bad ethics, then you will be regarded as a person of dishonesty. Each of us has inside our heart what is called moral compass. Each of us knows what is wrong and what is right. In the United States, several multi-billion-dollar companies fell apart and went bankrupt because the leaders were not honest and ethical. All those people who brought down those giant companies knew exactly what they were doing. There were plans thought through carefully as to how to cheat the system and how to make millions and millions of dollars illegally and dishonestly. These were no mistakes made. As human beings, we all made mistakes. We stumble and get up again, learning from the mistakes. Yet, that is very different from planning to hurt somebody else or to take

something that does not belong to you.

In 1984, I had to sell part of our business to Great Lake Chemical Company. I wanted to sell 40 percent for 54 million dollars. It took six and a half months for the attorneys to complete the contract. However, our profit margin had gone up substantially by then, because the cost had gone down. The value of 40 percent of our business was now 250 million. The President of the GLCC came to me, suggesting that he pay 125 million to buy 40 percent of our business, for nothing legal had been signed yet. But I said, "I have a better idea. Why don't I charge you 54 million dollars, because that is the price I shook your hand and said it was a deal." I would rather be known as a man who kept the words, even though I knew it was worth 250 million dollars. We shook hands and that means more to me than money. People in the chemical industry all said Mr. Huntsman was out of his mind. I was one of the two people who were invited to give a speech at the man's funeral. His wife told me that he had always regarded me as the fairest man he had ever met.

GRACIOUSNESS IS NEXT TO GODLINESS.

Many people might earn a lot of money, but are not gracious to others. It is a simple and wonderful trait to be kind, charitable and thoughtful. People want to deal with honest and gracious people. I learned it not only from my faith background, but also from the experience I had in leading the funerals. I already led 200 funerals in my church. When a person dies, he cannot give his own version of his story. Rather, other people will do it for him. I noticed that no one, at the funeral, would say that this person made a lot of money, or belonged to many organisations. People only discussed that this person was kind, gracious, having character and integrity. For those who are not kind, thoughtful, gracious, or honest, they have short funerals, for no one had anything good to say about them. Therefore, I suggest we start planning our funerals when we are young. When we get older, we have already established the type of personality we will be known by in the business world. Start planning for a good funeral by being gracious, by smiling and by being kind to and thinking of others.

Our company has been growing rapidly, for we bought many other companies over the years. People asked me about the stories behind all those successful acquisitions. In every acquisition we have had, I went to the employer and gave a talk, telling people about our philosophy. It's amazing how big companies don't want you to get their people laid off. They want someone to look after the people. So, we will convince them, during the negotiation, that we might not pay as much money as they want, but we will take good care of the people, build the site, make their company environment-friendly, and that we will be honest in keeping all the promises. As a result, we did unusually good deals, despite higher bids others might have offered. All 35 acquisitions were done because employers like to deal with us and people like to work for us. I call employees associates. I like to get letters from them, their children and grandchildren. I always bring a piece of paper and a pen with me, writing thank you letter to tell people that I love them and thank them. Without them, I am nothing. Therefore, I set apart packets of money for them, making good employment programmes, good medical programmes and good retirement programmes. Also, our family has given away all the money to set up charities to help others.

LOYALTY FIRST, COMPETENCE SECOND.

In my book, I also listed four bullet points with which I evaluate people working for me: Adherence to the proper values, loyalty to the CEO, loyalty to the company, and competence. This personal opinion of mine has been challenged quite often. There are high points as well as low points in your business life. Without loyalty, your team will leave you and go to a company in its high point. I keep telling my people that I will take care of them at low points, but also ask them to take care of me in those times. I would rather have a loyal person who has average intelligence and maybe only 3 years of college, but is absolutely loyal to me. I will train him or her to be competent. I can't train them to be loyal. That comes from within a heart. Therefore, for me, loyalty is in a unique position.

FAMILY MATTERS

Most important aspect of our life is our family. Money does count. But if you made all the money of the world and lost your family, you might not have had the right priority. I have seen many people who have earned lots of money but are not happy, because that is all they focused on. I told my employees that their No.1 concern is their family, not the company. If they ever put their company ahead of their family, the priority is wrong. When the married staffs learn to love their family, they will become excellent staffs, for they have peace and stability.

These may sound simple principles. But to make decisions to live correct principles are the most difficult assignment. You have to decide what type of man or woman you would like to be, how you would like to conduct your life, how you want to be regarded, what type of character you want to have and what type of respect you should be given.

There is a creed which we are trying to live by: "No man is an island/ no man stands alone/ each man's joy is joy to me/ each man's grief is my own/ We need one another/ so I will defend each man as my brother/ each man as my friend." **THELINK**

Mr. Jon M. Huntsman is the chairman and founder of Huntsman Corporation.

Founded in 1970, Huntsman Corporation has more than US\$12 billion in revenues per annum, going public in early 2005. During Nixon's reign, Huntsman served as a special assistant to the president in the White House. He is the first American to own a controlling interest of a business in the former Soviet Union, and is the chairman of the Board of Overseers for the Wharton School at the University of Pennsylvania, his alma mater. Mr. Huntsman has also served on the boards of numerous major public corporations and organisations, including the U.S. Chamber of Commerce and the American Red Cross. The Huntsman Cancer Institute was founded under his name, and is the leader in the prevention of, early diagnosis, and humane treatment of cancer.

This article is based on the speech given by Mr. Jon M. Huntsman at the CEIBS Executive Forum on September 12, 2005.



中欧 EMBA 连续 5 年跻身
英国《金融时报》排名世界 50 强
2005 年跃居全球第 13 名
新闻发布会



CEIBS Jumps to the 13th Place in FT EMBA 2005 Global Ranking

On October 18, 2005, the British-based *Financial Times*, released EMBA 2005 global ranking. CEIBS moves up 7 slots to the 13th place as compared to last year. This also marks a fifth consecutive year that CEIBS EMBA programme has made it to the world top 50, demonstrating the school's solid position in the global business education market.

16 criteria are adopted in the FT EMBA ranking, among which CEIBS has remarkable performance in three aspects, including Salary Today, Work Experience, International Faculty and Research. According to the FT survey, the actual salary and salary increase of CEIBS EMBA alumni three years after graduation ranks 6th and 4th respectively. The salary of those in financial and consulting sectors ranks 5th and 3rd globally. Standardised by conversion to US dollars with PPP (Purchasing Power Parity Exchange Rate) published by the World Bank, the average salary of CEIBS EMBA alumni three years after graduation reaches \$191,000, of which the real figure is 515,000 RMB. CEIBS also distinguishes itself from other business schools in the world by its alumni's seniority in the companies, for most of them are very successful in various professions. With regard to the diversity of the faculty, CEIBS EMBA ranks 8th with the percentage of its "International Faculty" as high as 63%. 93% of the faculty hold doctorate degrees from prestigious universities in the world. CEIBS' rank in FT Research Rating goes up by 21 places to a historical high. All these demonstrate the strength of CEIBS EMBA programme in the aspects of faculty and research.

In the newly released FT rating, CEIBS EMBA overtakes many prestigious business schools who have established joint programmes in China, such as Marshall School of Business of the University of Southern California's (ranked 23rd) and Olin School of Business of Washington University in St. Louis (ranked 28th). Moreover, CEIBS EMBA programme surpasses some top-level business schools in Europe and America, including IMD (ranked 18th) and UCLA Anderson School of Management (ranked 32nd).

Five years ago when CEIBS EMBA was ranked for the first time among the world's top 50 EMBA programmes by the *Financial Times*, there were few EMBA programmes in China. Today, however, EMBA programmes in China have amounted to 40, among which there are quite a number of joint programmes supported by internationally prestigious business schools. It is a miracle for CEIBS to make such a leap in the

intensive competition. Professor Zhang Guohua, President of CEIBS, pointed out, "There are many excellent EMBA programmes in China. But most of them lay their strength on the established programmes of century-old universities overseas, or rely on the degrees issued by the partner school of the joint programmes. What CEIBS feels proud of is the fact that we build our international fame and programme strength on our own ground and earn the rank of 13th in FT rankings with world-class teaching quality."

CEIBS Vice President Zhang Weijiong offered three factors of the great progress CEIBS EMBA made in FT rankings. "First, we shall thank to the booming economy of mainland China, which creates a huge market demand for management education. Many European and American top tier schools don't have that. Secondly, we benefit from a high level of autonomy in operations, which distinguishes us from other business schools run by domestic universities. As an independent business school, we enjoy many preferential policies offered by the government. It enables us to go beyond the limit of traditional educational institutions and operate in full accordance with the innate law of management education and market demand. Good policies and mechanism secure plenty of room for us in the market. Thirdly, the achievement today results from the efforts made by all our staff. CEIBS has always been focusing on building up the strength of faculty. We recruited 7 professors within a year and will continue to recruit more next year. At the same time, we keep reinforcing the research work and increasing our research capacities. Though in the past we focused more on teaching, we now aim to balance teaching and research. To date, the school has established a permanent faculty of 35, among which more than 50% have publications in the 40 Journals listed by the *Financial Times*. Over 80 China-related cases have been produced and are being exchanged round the globe through the European Case Clearing House. CEIBS' faculty are both excellent teachers and capable researchers with sound academic background. The advance of CEIBS in FT rankings this year proves the effectiveness of the measures we take in this respect."

Angela Watkins, Financial Time's Marketing Director in Asia, commented at the school's press conference, "The *Financial Times* released its first global ranking in 2001 and it has been the 5th consecutive year. As early as in 2001, CEIBS was ranked among the top 50 business schools in the world. During these 5 years, CEIBS EMBA programme has been continuing to move upwards in the rankings and now enters into the top tier of world-class EMBA programmes. It does prove to be the best place to study for entrepreneurs and executives in Asia-Pacific area."

CEIBS EMBA programme is of the biggest scale in the world. Its international-oriented curriculum, profound understanding in Chinese market, first-class teaching quality, first-class students and extensive alumni networks all benefit its students in long-term. It is clearly shown by career development and salary increase of the graduates from the Programme. As a matter of fact, EMBA students of CEIBS have been growing in their management knowledge and skills ever since they came to CEIBS. Many of them apply what they learn from the class to practice in their own jobs. In this respect, CEIBS makes direct and lifelong impact on them. Jin Zhiguo, President of Tsing-tao Beer Ltd, who graduated from CEIBS EMBA 2002 programme observed, "What CEIBS delivers is more than knowledge. It offers wisdom. The knowledge it provides is very practical, combining international theories and China context. The wisdom it generates is the advanced concepts and methodology, which continues to guide our work and lead to great innovations."

The *Financial Times* Ranking is recognised as one of the most authoritative rankings in international business management education. Its EMBA ranking started in 2001. Based on questionnaires filled by the schools and their alumni, the FT ranking is produced with 16 indexes, including the alumni's career prospect, diversity, international experience and the school's research achievements, etc. All qualified business schools in the world participate in the competition. **THELINK**

CEIBS in the *Financial Times* Rankings

By Julia Zheng

Rankings play a critical role in building up a business school's international reputation. Nowadays few business schools can ignore the impact of rankings: their value in the eyes of the public fluctuates with where they stand in rankings by various publications. The newly released *Financial Times* EMBA 2005 global ranking has again demonstrated CEIBS' solid position in the business education market: it moves up 7 slots to the top 13th place as compared to last year. CEIBS' outstanding performance in the *Financial Times* ranking has also aroused the public's interest in getting to know more about the school in the *Financial Times* rankings, for example, how the schools get ranked, what is CEIBS' strength in the rankings, which is also the topic of this article.

Let's start from the *Financial Times* MBA ranking. To be considered for the ranking, a business school must be EQUIS or AACSB accredited, have a full time MBA/EMBA at least 5 years old with at least 30 graduates. This year the *Financial Times* ranks 100 business schools, out of a total of 147.

DATA FOR THIS RANKING ARE COMPILED FROM TWO MAIN SOURCES

- The school survey completed by each participant business school. To ensure the validity of the school survey data, every year FT will select about 25 business schools for auditing conducted by KPMG, which will report on the results of obtaining evidence and applying specified audit procedures relating to selected data provided for the FT MBA survey ranking of the year. Early this November, CEIBS has passed the audit conducted by the KPMG as engaged by the *Financial Times*.

- The alumni survey completed independently by the alumni who graduate three years ago. Each alumnus is assigned a unique password by the *Financial Times* via email to access the online alumni. For a school to be ranked, the FT needs at least 20 per cent of the alumni to respond. Otherwise, the school would be disqualified from the rankings.

A total of 20 criteria are adopted to determine the final MBA rankings, among which the first eight relate to the area of the alumni's career development and purchasing power, and carry 55% of the total weighting. The second nine fields account for 25% of the weight and measure the diversity of the school and its programme. The last three factors evaluate the school's research capabilities and take up the rest 20% of weight.

Data collected over the 20 criteria are converted to z-scores, which consider the difference between each business school and the spread of scores between the top and bottom school in a single criterion. Finally, weights for the 20 criteria are multiplied with the z-scores for each school. The sum of the weighted z-scores across all criteria determines the final rank position.

CEIBS' MBA programme is rated 22nd worldwide, 1st in Asia Pacific.

The school's strength in the FT MBA rankings lies in four areas, namely, salary percentage increase of the alumni three years after graduation (ranked 2nd), placement success rate of the graduates three months after graduation (1st), international experience of the students (4th), and international faculty of the school (13th).

Next let's move on to the FT EMBA ranking. The methodology is almost the same as the one used in the MBA ranking: barriers of entry is the same, i.e. AACSB/EQUIS accredited, 5 years of programme history, and at least 30 graduate per class. This year the *Financial Times* ranks 75 EMBA programmes out of a total of 95 worldwide.

The ranking table is also compiled from the responses to two surveys: the school survey completed by each school, and the alumni survey completed by each school's alumni who graduated three years ago. A minimum of 20% of response rate is also required for each business school in the alumni survey.

16 criteria are adopted in the ranking to measure each business school's EMBA programme in three categories: the career success of alumni (5 criteria with a total weighting of 55%), the diversity of the school in its students, faculty and board members (8 criteria weighing 25% together), and the school's performance in research (3 criteria carrying 20% of the total weighting). Finally data in all the 16 criteria are converted into z-scores. The sum of the weighted z-scores across all criteria determines the final rank position of each school.

CEIBS' EMBA programme is ranked 13th worldwide, 2nd in Asia Pacific by the *Financial Times*. Different from HKUST's joint EMBA programme with the Kellogg, which is at the top 2nd place worldwide, CEIBS does not rely on external aid from other established programmes, but rather builds the international fame and programme strength on its

own ground. CEIBS' strength comes from three aspects: salary today earned by the alumni three years after graduation (ranked 6th), salary increase of the alumni three years after graduation (4th), and international faculty of the school (8th).

Finally let's talk about the FT Executive-Education ranking. The *Financial Times* ranks international non-degree executive education in open and custom programmes. A combined rank is produced for schools which run both types of programmes. The open and custom programme ranking is based on two surveys: the school survey and the client survey. 17 criteria are used to measure the programme. The first 11 criteria look into the customer satisfaction and take up 80% of the total weighting. The rest 6 criteria examine the school diversity and account for 20 per cent of the total weight. For the final ranking, all data points are converted to z-scores. The sum of the weighted z-scores across all criteria determines the final rank position.

CEIBS' open programme is ranked 37th worldwide, 1st in Asia by the *Financial Times*. It is required that, to join in this ranking, schools must have at least \$2m of business in each category. Restricted by this threshold of entry, the number of eligible schools for the FT Executive Education ranking is much lower than that for MBA ranking (147 participants in 2005) and for EMBA (95 participants in 2005): it is only 48 for open programme (46 participated in the ranking, the rest two, Harvard and Wharton, decided to withdraw from any kind of ranking in 2004.), and 60 for custom (58 participated, Harvard and Wharton, didn't participate for the same reason as above). So it is a great achievement already for CEIBS to get short-listed for participation. The school is competitive in three areas: faculty diversity (1st), repeat business & growth (3rd), and partner schools (13th). **THELINK**

ACCREDITATION

What it is & why it is important?

By Rolf D. Cremer & Claudia Schäfer

Last March CEIBS became the first business school in Asia to receive EQUIS accreditation. Soon afterward, we began working towards obtaining a second accreditation from AACSB. Because the accreditation processes requires substantial investments of both human and financial resources, it is important that the Management Committee explain what accreditation is and why it is important that we obtain them.

ACCREDITATION

The purpose of accreditation is to ensure that a business school has the systems, policies, procedures and resources necessary to carry out its mission.

Our mission is:

“To prepare highly competent, internationally-oriented managers who are capable of adapting to the driving forces of business globalisation, international competition and international cooperation”.

An important point to emphasise here is that because these accreditation systems are mission-based, obtaining ac-

creditation does require a school to adopt a particular or prescribed model of business education. This is especially important for us at CEIBS because we operate in the unique and dynamic environment of China where, in fact, modern business schools did not meaningfully exist when the school was founded in 1994. Thus, the aim of these accreditation bodies is fundamentally helping us do what we aim to do better and not to impose specific objectives, curricula or performance outcomes on us.

As just one example, in order “to prepare highly competent, internationally-oriented managers ...”, CEIBS must take great care to select the very best students from among a large pool of applicants. Obtaining accreditation will help us ensure that our MBA and EMBA programmes have clearly defined, transparent, objective and well-documented selection procedures that accomplish this. The accreditation process will help us improve such systems by facilitating self assessment, but also by permitting schools to learn about, and then benchmark against, the best practices of other leading business schools. Moreover, the process does not stop there. In order to maintain these accreditations we will be

expected to make further improvements in the spirit of continual improvement.

While accreditation will provide such benefits to CEIBS as an institution, it will also provide clear benefits for our key stakeholders by signalling to the market that we have been examined by an outside organisation and found to be capable of fulfilling our mission. Obviously, the value attached to any particular accreditation depends on the reputation of the accrediting body. Those from particularly respected bodies, such as EQUIS and AACSB provide a valuable “seal of approval” such that students and employers have greater confidence that their investments of time and money are worthwhile. Governmental bodies and agencies will also have greater confidence in the value that we bring to the community and we will be the favoured partner for collaboration in the region. Indeed, the benefits of being accredited may be very tangible. For example, students will generally find that it is easier to obtain loans to attend an accredited school.

ACCREDITATION BODIES

Although there are many accreditation

bodies (indeed, many countries have national accreditation bodies), arguably among the most influential international accreditations are those given by the European Foundation for Management Development and the Association of Advanced Collegiate Schools of Business.

EQUIS (European Quality Improvement System)

Since its founding 7 years ago, 86 institutions in 28 countries have received EQUIS accreditation. EQUIS’ accreditation criteria include such matters as a school’s national standing, mission, governance structures, the scope of programmes, strategy, resources, faculty, students, student services, and research. EQUIS focuses on degree programmes only and does consider executive education. Compared to other accreditation programmes EQUIS puts special emphasis on “internationalisation” and its “connections with the corporate world”. Here “internationalisation” refers primarily to the mix of nationalities among faculty and students, but also to curricula content and pedagogy. “Connections with the corporate world”, on the other hand, refers to having a strong customer orientation, substantial contacts with both leading national and international companies and a sufficient degree of recruiter satisfaction with the quality of graduates.

Once the eligibility of a school is established, a candidate school must prepare a “self-assessment report” under the guidance of an EQUIS Advisor. Once this report is finalised, a Peer Review Team will come in and meet with the management of the institution and determine the likelihood of obtaining accreditation. Should this seem likely, the school will implement an “action plan” which specifies how it will upgrade its systems, policies, procedures and documentation. When the school is deemed ready, a peer review team will conduct an on site audit and make recommendations. A decision for or against accrediting the school will subsequently be made by the EQUIS Board Members. Accreditation may also be granted subject to specified

conditions. Once given, EQUIS accreditation must be renewed every 5 years. More information about EQUIS accreditation can be obtained at the EFMD website (www.efmd.org)

AACSB (Association of Advanced Collegiate Schools of Business)



Founded in 1916, AACSB was the first organisation to accredit business schools. Over the years their approach to accreditation has substantially evolved. Most recently, in 2003 the Association’s membership approved a revised set of standards “relevant and applicable to business programmes globally which support and encourage excellence in management world-wide”. These new standards substantially internationalised the body from its previous focus on North America. AACSB accreditation applies to both undergraduate and graduate business administration and accounting programmes. As of today, 509 business schools world-wide have received AACSB accreditation.

Similar to EQUIS, AACSB standards are also “mission driven” which permits substantial variation among business schools. Applicants are subject to a rigorous and comprehensive peer review of 21 aspects of their operations that fall into three broad categories: First, those related to the strategic management of the school which include the school’s mission and

overall resourcing. Second, those related to faculty and students including such matters as admission policy, faculty qualifications and student support services. Third, those related to the learning process including the learning goals, curricula, specialised degrees and pedagogy.

The accreditation process begins with membership in AACSB and the submission of an “Eligibility Application”. A “Pre-Accreditation Committee” will then review the application and assign a mentor to provide guidance in preparing an “Accreditation Plan” which is self-assessment against the requirements with a list of actions which the school commits to undertaking for further improvement.

If the Accreditation Plan is approved by the Initial Accreditation Committee, the school may begin implementing it. When ready, a “Peer Review Team” visits the school, provides assistance and prepares a recommendation for the Initial Accreditation Committee and then it is passed on to the AACSB Board for final approval. More information about AACSB accreditation can be obtained via the AACSB website (www.aacsb.edu)

SUMMARY

By obtaining EQUIS and AACSB accreditations, CEIBS will be able to realise our mission and better serve our various stakeholders through improved systems, policies and procedures. Accreditation provides a potent signal to the market place that we can deliver on our promises. This serves to enhance our reputation and foster meaningful collaborations. Thus, the attainment of accreditation is both confirmation of the high standards of CEIBS and a commitment to continuous improvement.

I can also say that so far these accreditation processes have been and continue to be an extremely positive experience. **THELINK**

Dr. Rolf D. Cremer is Dean and Vice President of CEIBS. Ms. Claudia Schäfer is Deputy Director of Dean’s Office at CEIBS.

Georg Kell

Why the Global Compact Hits the Board Room?

By Georg Kell

I would like to share with you the experiences we have made so far with the United Nations' Global Compact. There are some lessons and observations which, I hope, will be useful and relevant. We are going to have, on 30th of November and 1st of December, a major UN conference in Shanghai, "the UN-China Summit Meeting on the Global Compact". We expect a large number of foreign and Chinese executives to meet and embrace the corporate citizenship as a broad-based effort to achieve a more harmonious development, where business is part of the solution. The UN Global Compact is initiated by the UN Secretary-General, Kofi Annan. It is based on an assumption that it is in the interests of business

to be proactive on the environmental, social and increasingly, governance issues, to internalise the universal principles which long have been recognised by governments everywhere, but whose implementation is always lagging behind around the world, and to show a commitment that principles can be introduced into organisational changes and then articulated in approaches, initiatives and support measures.

When we start the Global Compact in 2000, there were 47 corporations who stepped forward. DaimlerChrysler and Deutsche Bank are two of the founding participants. Today, more than 2400 corporations from over 80 countries have joined the initiative. CEOs, by taking a public stand, in-

forming their employees, empowering them and taking actions throughout the organisational changes, are often major partners in initiatives and approaches. In all 80 countries where the Global Compact is taking root, universal principles are taken as source of actions and inspirations to drive organisational changes. Business in today's world has a responsibility which is more than what many conceived 20 or 30 years ago, because business has the leverage, the know-how, the technology and the means, and because, increasingly, business realises if the societies are strong, business can grow.

There are some lessons we have learned from a corporate perspective,

as we observe from a privileged global position.

First, voluntary initiatives do make a difference. They are important complementary tools to do what governments do or don't do. But they cannot be a substitute to what governments do; they can make the case for, but can never be the solution to everything. They give business a position of experimenting and show the way forward.

Secondly, we are now in the phase where the "why" is no longer a question. The question is increasingly "how". We need to know which of the initiatives has the highest impact, which is on the key level, which can be replicated, and which can be brought up to a higher impact.

Thirdly, business understands today that once they get into wrong, the cost can be tremendously high. Yesterday, I got the news that one of our participants was accused of corruption charges. Immediately, the share price has dropped by 15%. In today's transparent world, it is important to open to talk and to show that the actions are implemented.

On the other hand, getting into right can be rewarded. It is increasingly seen as a strategic tool to be at grip with environmental, social and governmental issues. With growing exposure and growing interdependence, comes the challenge that environmental and social issues are no longer the sort of the issues which can exclusively be dealt with by communications people. They are strategic to long-term value creation

Another lesson is also important. This is not a static undertaking. Striving to improve the performance is an ongoing process. You can hardly say, "I have achieved it". If you have achieved it, the quest goes along. How we can improve the environmental, social and governance performances is never a bench mark that says "Now I am No.1. Next year, I will automatically be No.1". Continued efforts are required. So it is an ongoing change process.

Now I am going to make some observations from a more public sector level, as the UN is a public institution. Here, two lessons stand out.

The first is that voluntary initiatives, such as the UN Global Compact, can be very significant complementary approaches. But they are not the absolute answer at the end of the day. The hope is always that through the corporate performance, a global social change agenda can be introduced. The notion of business as a part of the social change process plays a key role. How can business performances reinforce and support what the public sector wants to do? Where are the overlaps? How are the boundaries working out in the daily practices? Business as a part of the solutions is increasingly important for many governments around the world. Public institutions are looking to business to show the way forward and to implement. Governments are increasingly the frame providers. But business is also looking to the governments to provide the right framework, to provide incentives and to be competitive themselves. In many countries around the world, we are told by business leaders how we can be more competitive, if the public sector institutions are not competitive. So, with the growing exposure to the outside world, there is a growing trend, pressure and incentive, on both sides to recognise its respective roles.

Secondly, from a public sector perspective, it is also important to see that the corporate responsibility (or corporate citizenship) is a way to connect to the global market. It is a way of gradually engaging and integrating in. It allows us, on a voluntary experimental basis, to engage in the issues which are debated on the major consumer market, where transparent measures and critical consumer voices always are ready to criticise. The mutual recognition of public and private sectors that both need each other is at the fundamental heart of such initiatives. Business can only grow if societies succeed. Business will fail if societies fail. Business expects a strong government to provide the incentive structure to reward the performances and vice versa, the public sector increasingly expects business to be explicitly part of the solution. It is about a search for striking a harmonious and balanced relationship between

public and private sectors. Within the Global Compact, we are proud and happy that in many countries, this kind of dialogue is leading to innovative solutions, it is building into more competitiveness and it is strengthening harmonious developments

Looking into the future, I dare to predict that so long as economic liberalisation and technological changes, which are the foundations of performance and improvement of business, can work hand in hand harmoniously, there will be growing need and growing premium for environmental, social and governance issues. The world is becoming more transparent. Being more competitive at the world stage increasingly means mastery of these issues. There are already strong indications that long term investors, such as pension funds and financial institutions, recognise the material dimension of environmental, social and governance issues. It will help to develop a principle-based approach to look for harmonious relations between public and private sectors.

All these presume that, growing into interdependence, the world economy will continue to advance in a harmonious way. You cannot take it for granted. The history tells us again and again, that economic openness needs to be embedded in some sort of social and environmental understanding to earn the legitimacy of people everywhere, but also to be strong and robust. Economic and social issues, indeed, go hand in hand. If initiatives such as the Global Compact are taking root, then there is greater chance of robust expansion, which ultimately is the only way to help people all around the world. **THELINK**

Mr. Georg Kell is Head of Global Compact Initiative of UN.

This article is based on his speech delivered at the Joint Forum of "New Partnership between Politics and Economics—Corporate Responsibility and Sustainable Development" on October 14, 2005, at CEIBS.



Wang Zhile

Strengthening Corporate Responsibilities and Improving Companies' Soft Competitiveness

Concerning "Corporate Social Responsibility" (CSR), it is essential to set a role model for Chinese companies by observing those leading multinational corporations. We need to know what they are doing, how they are doing it and why they are doing it.

In recent research on CSR, we take a group of Chinese companies to visit the headquarters of over 30 MNCs located in Japan, South Korea, Europe and the United States. We found that these MNCs have all reinforced their CSR practices over the last two to three years. It has become a new trend among them. During our visit, apart from the annual report, these multinational companies provided us with an additional report, which they entitled "Social Responsibility Report", "Corporate Citizenship Report" or "Sustainable Development Report". Though with different titles, they all involve three aspects: the responsibility for stakeholders, the social and environmental responsibility.

None of these MNCs are charitable

organisations by nature. Why, then, did they do that? Their foremost purpose, as we were told, is to improve the corporate competitiveness and to overtake other rival companies.

The second phenomenon we came to notice is that such a trend has already expanded to China. The concept and the practice of CSR have been introduced by MNCs in the following four ways. First, they improve CSR management within their branches in China by applying more strict rules of social and environmental responsibilities. Secondly, they raise the threshold to Chinese vendors. In the case of Wal-Mart, it bought commodities worth 18 billion dollars directly from 6000 Chinese vendors. But since 2002, Wal-Mart has rejected 40% of them, for the reason that those vendors did not adhere to CSR rules properly. Wal-Mart established a team of over 100 people, whose job was none other than investigate the CSR practice of individual vendor. If a vendor was found to fail to comply with the rules, it would be deleted from the list or demanded to reform. Thirdly, MNCs in China apply stricter import standard

to China products. The EC Directive on WEEE (Waste Electrical and Electronic Equipment) demanded that companies exporting electrical appliances to Europe offer take-back service. Ministry of Commerce of China has been negotiating with EC, trying to lower the standard for Chinese products. But the chance of EC's compromise is indeed minimal, for the take-back service is an obligation. Fourthly, there are various laws regulating the behaviour of Chinese companies who are listed abroad. There is a new bill passed in the United States in 2002. It has been, for the last three years, harnessing the American companies. The same bill applies to Chinese companies listed in the States. According to this law, President, CEO or CFO will be sentenced as many as 20 years in jail, if he is found to have committed fraud deliberately. It is through all the above practices that the trend of CSR has been expanded to China by MNCs.

However, there are many obstacles in this process.

One obstacle lies in the fact that our government holds a different view on the issue.

We found in our research that the following opinions particularly affected the development of CSR in China one year ago.

First, state asset management departments are concerned that emphasising CSR will exert negative influence on the effort of reinforcing corporate responsibility for the stakeholders. Companies in China have made great progress over the last 20 years in that they are striving to fulfil their responsibilities for the stakeholders. But many people have mistaken it as merely a responsibility for the company. One reason for it is that most textbooks of business management are introduced from the United States. What one can find in these textbooks are mostly American business models, whereas European models are quite different. The result is that many European companies in China have to face the dilemma of how to balance between their responsibilities for the stakeholders and that for the society. Also, MNCs strengthen CSR on the basis that they have already solved the problem in stakeholder responsibility. Domestic companies in China, however, start from a very different point.

Secondly, state asset management departments are also concerned that strengthening corporate social and environmental responsibilities might increase the cost of Chinese products and weaken their competitiveness.

Another obstacle in the progress of CSR development in China is set by business themselves. They suspect that strengthening corporate social and environmental responsibilities will increase burden to the companies. It resulted especially from some promotion campaigns improperly conducted by MNCs and some misleading media exposure. They also led to the misconception that CSR is nothing but donating money to charities.

Then, when is the appropriate time for a company to develop its CSR? Should it wait till getting stronger? Surely not. It is because the first and foremost aspect of CSR is its responsibility for its staff, not donating money to charitable organisations. For example, in DaimlerChrysler's CSR report, half of the content is about its responsibility for the staff. From this perspective, a company is born with CSR.

The above are some setbacks, which prevented the wide adoption of CSR in China despite the efforts made by MNCs in recent years.

To promote CSR in China, one key is to indigenise it, making it more Chinese, i.e., more tailored to China context.

How do we achieve it? One thing we should do is to integrate different concepts, including social responsibility, sustainable development and corporate citizenship, etc, and make them into one concept, which is "Corporate Social Responsibility" (CSR). What distinguishes CSR from social responsibility? The former integrates into one concept three aspects including the responsibility for stakeholders, social and environment responsibilities. And all these three responsibilities have to be taken by the company. This is a right direction to head for. In our research, we found that three globally known MNCs adopt this concept. They are Siemens, GM and IBM. Chinese companies have to combine these three responsibilities. By doing so, they will come to understand that social responsibilities are not extra burdens but obligations, such as the responsibility they have to take for their staff.

Secondly, we need to emphasise that the purpose of strengthening CSR is not to promote charities, but to enhance the competitiveness of the company. The company will be the beneficiaries. Over the last 20 years, China underwent three stages of development. In 1980s and 1990s, a great quantity of equipments were introduced from abroad and therefore helped to upgrade the "hard wares" of Chinese companies. After 1993, by going into the stock market, Chinese companies established management infrastructures and especially the governance systems, which could be seen as an institutional upgrading. Now, they are facing the third stage of development. It requires a change of perceptions and recognition of responsibilities. Without a shift in this aspect, Chinese companies will not be able to compete with those most developed MNCs. Ministry of Commerce of China is now changing its attitude. An explosion hit a dynamite plant run by a Chinese company in Zambia and led to death of 51 local workers. Ministry of Commerce went to Zambia to sort out the case and discovered that the accident

was mainly caused by chaotic management, negligence of social responsibility and disregard of human life. When MNCs are importing advanced ideas into China, Chinese companies are exporting outdated ideas overseas. If failing to transform their concepts, how could these Chinese companies truly go global? How could they compete with rival companies in the intensely competitive global market? Therefore, it is a must for Chinese companies to change their concept.

In respect with the government, we can proactively involve the government by integrating CSR with new development strategy produced by the central government, which is "putting people first, balancing the interests of all parties and emphasising sustainable development". As a matter of fact, these two concepts innately coincide. But the newly made strategy of the central government has not been elaborated, especially on the issue of sustainable development of corporations. If CSR is contextualised appropriately, the government will be ready to play a part in it. Another piece of good news is that the State Council has approved to entrust the Ministry of Commerce with the task of bringing together seven ministries and commissions to produce a standard rule of CSR for Chinese corporations. The exact time of completion is not yet forecasted, but the project is already launched and can be seen as a positive posture by the government to show its change of attitude on the issue, and more over, to demonstrate its determination to promote CSR in China.

The above views are expounded in my recent book entitled *Soft Competitiveness: on the Concept of CSR Adopted by MNCs*. In this book, I included case studies on 15 giant corporations, reviewing their operations globally and locally in China, and their perceptions of CSR. I also gave a detailed explanation of the advantage of integrating different concepts into the idea of CSR. [THELINK](#)

Mr. Wang Zhile is Director of Multinational Company Research Centre of China's Ministry of Commerce. This article is adapted from his presentation at the Joint Forum of "New Partnership between Politics and Economics - Corporate Responsibility and Sustainable Development" on October 14, 2005, at CEIBS.



Benjamin Cashore

Towards Non-State Global Governance

Thank you for the opportunity for me to come here today to speak about my research on “Non-State Market Driven Global Governance” and its relevance to this conference. We do have a challenge in defining what is “Corporate Social Responsibility (CSR)”. I don’t think there is only one definition. There are many examples, from the Global Compact to the Equator Principles, to many coded conducts that industries have themselves developed in different sectors, to ecolabeling programmes, to environmental groups campaigns where they target individual companies like Nike about what they permit to occur in other countries in terms of labour standards and the conditions in factories. Recently, political sciences have become very serious about these initiatives. Many books have produced on these issues.

I want to argue that we can categorise all these topics into six groups, which

will help us to understand what is going on, and help firms, governments and NGOs to be able to assess better not just the present but also the future. We do know that what CSR looks like today will not be what it looks like in ten years from now. All the empirical studies in the world will not help us figure out what might be going on in ten years. So, I would like to review with you these six categories in my limited time.

The first feature is the word of “the state”. State authority, in the last 400 years, has defined most of the binding and durable policy choices. Governments have that authority. You can look at those organisations and ask yourself a question: Is the state involved, either directly or indirectly using the sovereign authority? This is important, because if the state is involved, either directly or indirectly, there is a certain compliance aspect to it. The state might say to the corporations that if they don’t act or behave properly, they will be regulated. It is a centred effort

to have corporations to develop a rule and to move everything ahead towards environmental and social responsibility. But it turns out that in many of these CSR initiatives, the state is not there, either directly or indirectly. For example, in the case of forest certification, in environmental groups and social groups, there are no governments involved, because they were upset in the way the governments were acting internationally or domestically. They decided that they would create their own governing authority. This practice has been emulated and entered other sectors, from coffee production to agriculture, to sustainable tourism, now even to sweat shop campaigns.

It leads to the second feature. There are developments of institutionalised governance mechanisms. When looking at those CSR initiatives, you may ask the questions: Do they have governance mechanisms? Are the procedures involving stakeholders in the policy deliberations? Are E-NGOs (environmental groups), social and labour groups, governments and

businesses part of the process? In the case of Forestry Stewardship Council, which is one of the leading forest certification systems globally, there is a three-chamber format of environmental groups, social groups and businesses, each of which by itself cannot dominate the policy process. They must develop consensus, one of the appropriate ways in which forestry operations are to be conducted.

It leads to the third category. What are the rules about? In these cases, all the rules are governing social and environmental problems, for which businesses otherwise would not act. Then, why does a business act to develop a regulation that limits its own economic interest? Why would self-interested profit maximizing companies support rules that would increase their costs?

The answer lies in the fourth category. That is the role of the market. In these cases, you can assess whether or not those profit maximizing firms are receiving some kind of economic benefit in obeying the rules, however abstract it might be. In the case of forest certification, the effort was to provide a market advantage to firms that promote the responsible forestry. Instead of placarding the firm, you ask it to do the job and then give it a label and say, “Now you can access to the world market”. In theories, such mechanisms work in a way that the need to be environmentally and socially responsible is embedded in the market itself.

Are social and environmental groups actively promoting and demanding the companies to act according to their rules? Are the companies being targeted? Are the firms along the supply chain being asked to demand products from

responsible sources? If they are, they begin to see the institutionalisation of these systems in the market place.

The sixth category is the enforcement capacity to these systems. Is there an outside group monitoring the firms’ behaviour and deciding that they are truly practising the adherence to the rules?

If all those six features exist, we can have a very special kind of Corporate Social Responsibility that I call “Non-State Market Driven Governance” or NSMD. What does it mean today? You will find the answers by asking the following questions: How can you get a governance system out of the self-interest evaluation on the part of firms? How can they move from self-interest to governance? How can a pragmatic evaluation move to intersect with a moral evaluation? So, over time, you can move from those short-term aspects into “cognitive legitimacy”, in which the very idea that you embed in the market these practices becomes engraved in our cultures globally. It is otherwise unthinkable. When that occurs, we have a true “Non-State Market Driven Global Governance”. **THELINK**

Benjamin Cashore is Associate Professor, Environmental Policy and Governance, specialising in Sustainable Forest Policy, at Yale University’s School of Forestry and Environmental Studies. He is Director of the Yale Programme on Forest Certification.

This article is based on the speech Professor Cashore delivered at the Joint Forum of “New Partnership between Politics and Economics— Corporate Responsibility and Sustainable Development” on October 14, 2005, at CEIBS.



Addressing CSR in China

On October 14, 2005, a forum was held on “New Partnership between Politics and Economy—Corporate Responsibility and Sustainable Development”, co-organised by Daimler Chrysler, the Alfred Herrhausen Society of Deutsche Bank, and CEIBS. With the increased awareness and necessity for corporate responsibility and sustainable development in China, the forum marked an important step forward in this area. ,

Attending this event were over 150 participants from the corporate, government, and research sectors. Senior executives from Daimler-Chrysler and Alfred Herrhausen Society of Deutsche Bank expressed how they were delighted with the event and the quality of local and international media coverage to raise awareness of the issues of CSR in China.

The forum was broken into two sessions, “Corporate Social Responsibility: The Bottom Line”, and “Instruments and Tools for a New Partnership between Business and Society”. Each of the sessions was followed by a very enthusiastic questions and answers period.

The event also marks an opportunity for local Chinese companies to understand what CSR really means, as well as for MNCs located and investing in China to practise responsible behaviours for sustainable development.

Tapping into China Luxury Market

By Matthew Wang

There are quite a number of stories recorded in Chinese history describing how people of fortunes competed to be the wealthiest. However, during the last 50 years, Chinese people have been stereotyped as economically diligent, socially introverted, and psychologically modest. Nowadays, Chinese are dramatically reinventing themselves again both externally and internally.



A SNAPSHOT OF CHINA "LUXURY" MARKET

The "opening up and reform" policies in the 1980's and gradual privatisation over the decades have helped foster a group of people who got rich quite quickly. This group consists of entrepreneurs from real estate and manufacturing industries; private bosses, owners of township factories; movie stars, actors, celebrities and social elites. Those mysterious "rich" are keen on purchasing luxury goods.

The aspiration to wealth trickles down to common people and the "suddenly affluent" further creates a psychological hunger for showing off financial success as well as social achievement through luxury goods.

These newly emerging people of fortunes have transformed the stereotype of Chinese, giving the China "rich markets" some peculiar local characteristics. The group is of younger age than ever, generally between 30-45 years old. They come from diverse backgrounds, including so-called middle-class people such as marketing directors, general managers, CEO/CFO/CIO, intellectuals, ads freelancers, overseas returnees, even local white-collar members in JVs.

The growing middle-class further expands the "rich markets" and already shows significantly strong purchasing power. This group are called "mass-tige (vs. prestige)" people with monthly income ranging from RMB10,000 to RMB100,000, and the majority of them possess private cars, and high-class apartments or villas. They also know how to take good care of themselves by seeking premium lifestyles. Contrary to the traditional image of social introversion, these people are actively involved in diverse social or commercial events.

Luxury goods tap into people's life in various forms, including fine wine & liquor, tobacco, top-class cars, fashion clothing, jewellery & watches, perfume & cosmetics, overseas trips, high-executive education, golf playing, club houses, boating parties, and even private jets and antique auctions.

The per capita income of Chinese has gone beyond US\$1,000, whereas the mainland market of luxury goods has already exceeded \$2 billion, comprising more than 3% of the global market. More stunningly, its annual growth rate is the fastest now, falling somewhere between 20%-30%. According to some statistical prediction, the luxury population size in China could reach approximately 250 million by the year 2010. If this prediction is fulfilled, China will be ranked the 2nd in terms of market size and the 1st with regard to customer base.

Or to put it simply, if a huge luxury market is created when everybody in Hong Kong, Taiwan, and Japan possesses at least one or two luxury goods, what will be the market potential for the neighbouring China, which is among the most populated countries in the world?

CUSTOMER ANALYSIS OF CHINA LUXURY MARKET

Chinese consumers of luxury goods hold a somewhat contradicting feeling. On one hand, they enjoy the pride brought by luxury goods. But on the other hand, they experience a sense of "guilt" over luxury expenses. There is a deep-rooted desire of self-fulfilment that can be gratified by having luxury goods. "Glorifying the face", as it is put in Chinese expression, is what drives them to break the bondages of traditional social codes and decide to spend on fancy goodies.

Here are a few real examples, offering us a better understanding of various types of consumers in China market of luxury goods.

He came from Wenzhou, Zhejiang Province, and started up a small businesses back to early 80's. When his business in real estate development suddenly boomed in Shanghai, the whole family moved there. He was further encouraged by the constitutional amendment at the 16th People's Congress that all private properties will be legally protected. Already buying himself a Bentley (which was purchased without any kind of loan arrangement), he is now considering getting a BMW 5 for his wife and a sports Benz for his daughter who will go abroad for higher education.

She is one of the baby boomers in the 1970's and narrowly escaped the one-child policy. She was brought up strictly by her parents to study hard for her own good. She succeeded in getting into Fudan University and majoring in English & American Literature. She felt a bit hesitant to work as a secretary with a sweet English name in a foreign marketing research firm. But soon she got excited about the bonuses and professional skills she acquired in the job. She decided to run her own research company, bridging the information gap between multinational clients and local contexts.

He was born in the 1950's and was proud to grow up under the "red flag". But then he got disillusioned during the campaign of "Re-education in Countryside" in the 1970's. He struggled to climb up to the position of General Manager in a state-owned enterprise in Xi'an. He was prompted by various motives when deciding to have further education in a business school. He carries around a PDA, which updates him about news of MBO (Management Buy Out).

AN EXPANSION STRATEGY

It is observed that China luxury market demonstrates some unique characteristics:

The current China luxury consumption is still at an early stage of evolution, despite the fact that Chinese consumers are keen on identifying themselves with those well-recognised international brands, even the top grades within that brand, sometimes at the cost of using up several-month's salary.

However, luxury purchase is only occasional, partial, and gradual in China. Local consumers learn to sample and taste those luxury goods, far from a full adoption.

It is interesting to note that there is an increasing demand for services, communications, socialisation and other forms of enjoyment such as value experiences, emotional fulfilment and cultural appreciation, which all go far beyond physical properties of luxury products.

These characteristics of China luxury market determines that we shall make a comprehensive marketing initiative, which we name as “China Expansion Strategy”. The table below (Table 1) illustrates the idea:

Lifestyle Symbol	Service Privilege	E-Touch	Chinese Flavours
	China Expansion Strategy		
	Club Bond	Mass-tige	

Table 1: China Expansion Strategy

As we can see, there are many dimensions in the marketing mix shown above. These dimensions can work either independently of or collaboratively with each other. The following diagram (Diagram 1) shows the inter-relationship among the marketing mix. I will give further explanation of how they work.

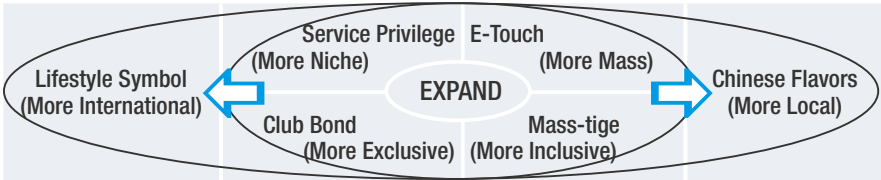


Diagram 1: The Inter-Relationship among the Marketing Mix

The inner circle of expansion is based on a matrix growth further comprised of four quadrants: Service Privilege is a more niche approach for those heavy purchasers, while E-Touch is more for the masses and is able to cater to those diverse segmentations; Club Bond has a more exclusive nature, tailored for social elites, while Mass-tige offers a more inclusive approach for the ready-to-be population; On the left side of the diagram, customers relate to luxury brands more physically and more personally. Nevertheless, on the right side, customers relate to luxury brands more virtually and more collectively; Of course, there should be an optimal balance between different dimensions!

The outer circle of expansion pulls the inner ones into two opposite yet complementary directions.

It is a common phenomenon that the more western or Occidental means being more international, while, the more eastern or Oriental means being more local. Nowadays, Chinese people are willing to associate themselves more with foreign brands rather than local Chinese brands.

Foreign luxury brands, especially those with European, American origins, are the essential building blocks of their upscale lifestyle. However, we shall not neglect the intensifying sense of Chinese identification. When expanding foreign luxury

brands, we should be able to manoeuvre harmoniously and swiftly along this cultural spectrum!

I will spend the following pages elaborating on these marketing mix dimensions.

Service Privilege = Service personnel should adopt the roles of “both media and

message” of the brand and make this dimension as an essential part of “luxury consumption”!

WHAT TO MAKE

To capture your customers right on the spot via effective sales & service forces; to project brand image and transmit product knowledge via personal experiences; to enhance customers’ loyalty, encouraging more frequent patronage by pervasive consultancy; to nurture a discernible brand differentiation from competitors through “just feel good”.

HOW TO DO

Service personnel are of symbolic values of brand in the eyes of customers in addition to clean, bright and elegant retailing environment. Therefore, their physical appearance, work uniform, disposition, attitudes, words & deeds all have an impact upon customer perceptions, and consequently, customer behaviours. Service personnel should also function as a smart adviser. They are good at identifying customers’ needs accurately and clearly. They are quite knowledgeable about

market trends, usage tips, product functionalities, brand history and competitive situation; Service personnel needs to demonstrate a genuine passion for the brand. They feel proud about introducing this brand to customers and are cheerful about customers’ decision of choosing the brand. They are to convince customers that buying the products of this brand is an emotionally rewarding process.

E-Touch = E-Touch is a lot more than “luxury website”!

WHAT TO MAKE

To add modern touch into “classically isolated” image of luxury brands; to strengthen constant communications with customers in addition to their “pleasant yet transient in-store experiences”; to personalise your messages to unique customer needs as well as their preferences; to keep track of the exact purchase patterns of your loyal customers.

HOW TO DO

We can make a full e-profile of customers, including demographic distribution, contact details, lifestyles, and current states of consumption of luxury products or brands. Furthermore, we can put into our database those information of when, where, what, how and why customers make their purchases of our brand.

We can send e-greetings on their birthdays, send thank-you letters, deliver invitations to exhibitions, among many other communication means such as posting wrapped gifts, making phone follow-ups, offering store visits, providing warm receptions, etc.

We can keep an electronic record of cumulative consumption mileage based on the individual customer’s regional or even international purchase.

We can inform customers of the latest articles, seasonal discounts and unique collection items. We can also recommend to our customers related BBS or other e-communities so that they can be actively involved in sharing experiences, comments, and suggestions.

Club Bond = Club is expected to be a social

home for those who desire to be identified with “luxury” brands!

WHAT TO MAKE

To recruit core customers, enhance brand loyalty and then develop into brand advocates; to create more occasions and deeper needs for consuming luxury goods.

HOW TO DO

Club Houses can be built or sponsored with a holistic approach. For instance, we can have a brand gallery, product zone, taste sample, and/or a business centre. The customers may find a kind of tangible evidence for emotional belonging and enjoy within a personal space the sense of being rewarded, full release from work or life stresses and temporary escapism. Furthermore, Club Houses can be used as socialisation catalyst to entertain clients, to build business networking, to produce commercial opportunities, or to just have fun. Of course, club annual membership fees should be imposed to raise threshold. Or we may alternatively charge on event basis. Parties are the highlighted part in customers’ club experiences. Party themes centre around brand messages, enabling members to feel a lively atmosphere and a vivid brand world. Clubs can serve as educational platforms. In clubs, customers may share brand stories such as country of origin, historical heritage, interesting events, special craftsmanship, and consumption manner. The transmission of product knowledge can be done via a kind of mild contest. We may also invite domestic or international celebrities to the club. By showing up at the party, those celebrities will lend full support to the brand. We should give full attention to critical details such as coffee shops, Deluxe rooms, formal written invitations plus phone confirmations, car parking arrangement and premium refreshments.

Mass-tige = Mass-tige can make “luxury” more prestigiously!

WHAT TO MAKE

To guide those newly emerging consumers through an authentic brand journey; to cater to the desires of massive middle-class population; to turn “luxury appre-

ciation” into “luxury fashion”.

HOW TO DO

Window shopping is insufficient. Those entry level products of luxury brands are necessary to retain customers’ interest. Otherwise, they will get frustrated very soon. An alternative way they often choose to take is to find “participating pleasure” in chatting “luxury stories” exposed by the media reports. We can make use of mass media, either TVC or portal website, to enhance brand visibility. BMW is already a household name in China, even a child has the knowledge that BMW stands for ultimate status and success.

Those who cannot afford to buy “set” products of luxury brands are usually keen on seasonal discounts, on-sales promotion of tiny luxury accessories such as neckties and purse. We should offer more products signifying social status. Some young girls are obsessed with buying luxury handbags for the simple reason that those goods are much more visible and therefore earns some sort of social recognition for them. Some Chinese households have small wine bureau to store and display imported spirits in their meeting rooms for the same purpose.

Lifestyle Symbol = Fit “luxury” into the world of brands!

WHAT TO MAKE

To leverage the synergy of luxury brands; to develop “luxury culture” into a way of life.

HOW TO DO

Chinese buyers use luxury brands to market themselves. Some executives or company owners capitalise on luxury products to promote themselves. But their educational backgrounds in general and product knowledge in particular are far from being adequate. In the past, they were simply satisfied with possessing luxury goods. Now they seek a luxury lifestyle, for achieving it requires investment of both time and material. We shall design individual marketing kit tailored to their personal features. It will help to win the trust of their business partners. It is called “image investment”.

At present, luxury consumption is mainly based on “individual” clothing, perfume,

wine, watches and other tangible possessions. To modify the image of “shallow, simplistic and showing off” of luxury consumption, we can design series of “cultural” programmes or sponsor premium social events. For instance, we may organise car exhibitions, concerts in Shanghai Grand Theatre, factory visits, company tours, overseas Luxury One-week Trips and Deluxe visits to Monaco Show of Luxury Brands & Products & Services.

Chinese Flavours = Chinese luxury products might serve to complement their western counterparts!

WHAT TO MAKE

To show respect towards local culture and values; to have a local touch in addition to exotic appeals.

HOW TO DO

Though foreign brands snatch more than 80% of total sales in the China luxury market, Chinese luxury products, brands and services have already emerged. For example, Chinese liquor manufacturers progressively put into the market products in deluxe gift packaging or business packaging, which are saturated with Chinese traditional aspirations to wealth, fortune, status, and power. For instance, “Maotai King” is sold above RMB 1,000 while “National Well-1573” ranges from RMB 1,700 to RMB 2,000. Spiritual consumption can be a luxury too. A Psychological Clinic Centre in affiliation with Beijing University charges RMB 1,200 each hour for consultancy therapy. Therefore, association with Chinese luxury brands is no longer producing negative impacts. On the contrary, we can benefit from the richness of Chinese culture. It will be much appreciated by Chinese customers if western luxury brands are more sensitive to “big events” in Chinese society, such as traditional Spring Festival, 2008 Beijing Olympic Games & 2010 Shanghai World Expo. [THELINK](#)

Matthew Wang is EMBA04 student at CEIBS. This article is adapted from an essay he authors which wins “Special Commendation” in the 2005 Financial Times/ Moët Hennessy Essay Prize. He works as Qualitative Research Director in MAP (Marketing Analysis Partner).

QUALITY MANAGEMENT

Going Beyond the Boundary

By Luo Liming

I have done quality evaluation and consulting for nearly 100 companies. Talking about quality management with company owners, VPs in charge of production, quality managers and chief engineers, I found that they quite often came across the following puzzles:

- The quality of our product is up to the national/industrial standard, but customers keep asking for more.

- Quality controls ensure that every batch of products complies with the technical standard. But customers continue to complain that the products fall short of quality in use.

- It is impossible to satisfy some requirements made by customers, for they remain technically unsolvable in the whole industry.

- The improvement of product quality always lags behind the rival company or customer requirements.

- The effort we make in keeping up with current trend of quality management turns out exhausting and we end up with losing more customers.

The key to the solution lies in a correct understanding of the essence of quality. It involves the following questions: What does quality originate from? What does quality focus on? Who finally judges quality?

Simple as these questions may appear, the perception of them determines quality strategy, product strategy and even the fate of a company.

WHAT DOES QUALITY FOCUS ON?

The answer to the question of what quality is usually refers to the compliance of the product with the technical standard and prescribed requirement. As to the evaluation of quality, the indexes usually involved are percent of good yield, defects rate and complaint rate. What do

we get here? The focus of quality is nothing more than product.

Most companies have been accredited by ISO9001. It is their common knowledge that an essential principle of ISO9001 is to focus on customers. The definition of quality set by ISO9001 is concise, containing profound implication. But if it is literally interpreted, people tend to transfer, in practice, the focus from customers to product. Table 1 below shows the point.

Various gurus hold various definitions of quality. But they all agree on one point that quality is all about customers, for customers finally judge the quality of a product.

I personally commend the definition set by Crosby, which tells the truth in

Definition Provider	Definition	Focus
Crosby(Quality Management Guru)	Quality is "conformance to requirement".	customers
ISO9000:2000	A set of characteristics that meet customer requirements.	customers
People puzzled by common conceptions of quality	Conformity with technical standards	products

Table 1: Various Definitions of Quality

a simple and precise way. According to Crosby, quality is all about customers. Quality is "conformance to (customer) requirement".

One might ask:

- What is the problem with focusing on product? Isn't it product that customers pay for?
- Is it practical to meet "all" customer requirements?

When customers are the priority of the concern, the company will take into account the potential impact on current customers and target customers when making any customer-related decisions, including developing new products, improving current products, handling customer complaints and reducing cost, etc. By doing so, the company is able to make plans that benefit both customers and the company. On the contrary, if product is the biggest concern, only lip service will be paid to so-call "putting customers first" and the company's profit becomes the sole concern. Even when customers are involved in this case, it is merely out of practical consideration of doing a better promotion. That is the reason why many companies attach much importance to marketing but fail to deliver products with real values, i.e., quality and service.

There are many quality management tools, helping companies to focus on customer requirements. Quite a number of companies are using these tools, which we should applaud. But it is people who man all tools. Without a corporate culture that puts customers first, a desirable and long-term success can never be achieved. Crosby once gave an illustration. You provide a driver with the best possible training in driving skills and in traffic rules, and also equip the vehicle with the most advanced technologies. However, whether or not he will make drunk driving or speed does not depend on the training or equipment. Rather, it is determined by his consciousness, i.e., whether or not he always puts other people's life in the foremost place. In the same way, "putting customers first" needs to be rooted in the company's consciousness and to become its culture, which cannot be actualised by simply a few tools, campaigns or teams. It has to become a daily guideline for all actions taken by top executives and all staff members, and a criterion to measure all decisions of the company. If adhering to this principle, the company will eventually develop a culture in which customers are the real focus. According to Toyota's Long-term Operation Philosophy, the company grows by increasing customer value, even at the expense of short-term financial goals. Such is the difference

between paying lip service to "customers first" and setting it as principle and guideline.

Focusing on customers doesn't mean meeting all requirements of all customers. Any product of any company has its own target customers. When a company targets its customers, what follows is to make effort to realise and increase customer values. When a company does focus on its customers, it will come to understand their thoughts and detect their requirement changes. However, if product is the focus, the company will not be even aware of the loss of customers.

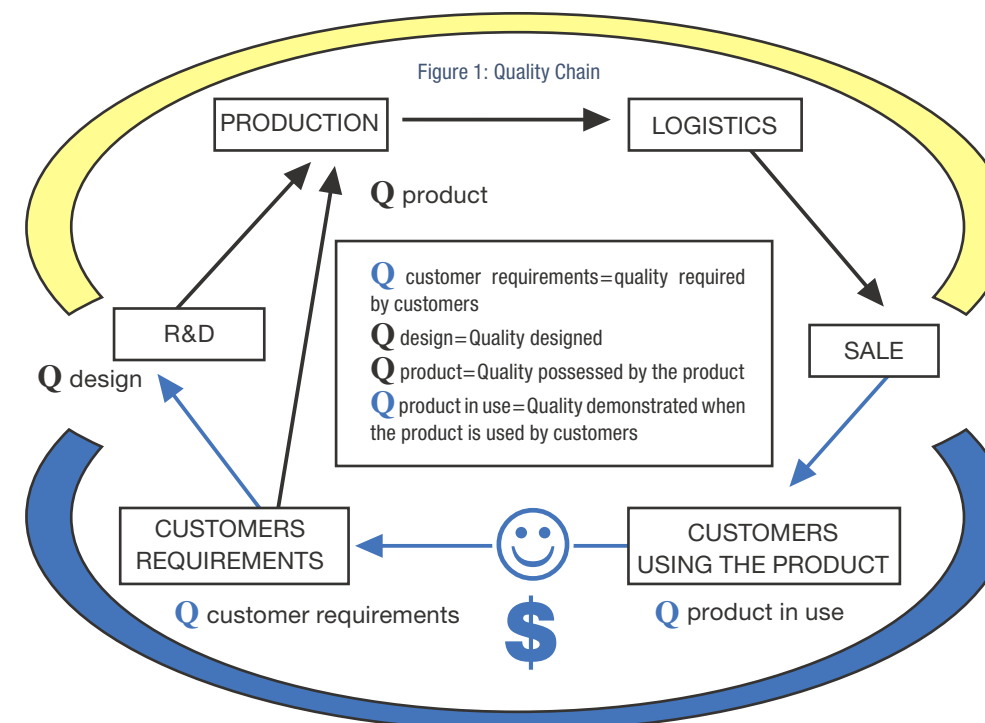
THE BOUNDARY OF QUALITY MANAGEMENT

Changing the focus of quality from products to customers, we then need to redefine the boundary of Quality Management.

Figure 1 illustrates the origin and the flow of quality. If every staff member and every department in the company strive to meet customer requirements, a quality chain will be developed to connect every link.

When the focus of quality is on product, quality management is limited within the company (yellow circle), and customers are ignored (blue circle). Although many companies do leave some room channelling customer complaints, it merely serves as a passive response. When the focus of quality is on customers, quality management system is completed (yellow circle and blue circle).

Let's come back to a basic question: why do customers buy our product? It is because they think or believe that the product or service we provide will meet their requirements (which realise customer values). How does quality work? A customer puts forward a quality requirement, which might be in written form (such as the standard stated in the purchase contract), or in other forms, such as the case where an ordinary consumer is purchasing the goods. Only until after he uses the product, does he know whether or not his requirements are met. In Table 2 below are different consumer responses to product quality.



Product Performance in Use	Customer Response
Product in use Always>= customer requirements	Loyal and good customers are always generated from here.
product in use Almost= customer requirements	Customers will choose a better one when given the options.
product in use Always< customer requirements	Customers leave. Or it is more appealing to those who care more about price.

Table 2: Consumer Response to Product Quality

In order to meet customer requirements, every link in the quality chain is of vital importance: To thoroughly understand the requirements of target customers, including those clearly stated or buried underneath (Q customer requirements); To effectively actualise customer requirements through product designing (Q design); To manufacture in full accordance with the requirements, ensuring that the product quality conforms with the designing requirements (Q product); To find out, after they use the products (Q product in use), if customers are satisfied with the product and if their expectant requirements are met (Q customer requirements).

There are many issues in the links related to customers that tend to be neglected:

- Customers' expectation is dynamic, not static;
- Not all expectations can be put to words;
- Most of the time, customers do not fully understand what they want, or are not able to put their expectations into technical terms;
- The R&D people in the observing position will never understand the feeling of customers, but they always think they do.
- ...

A key to solutions is to experience, to understand (instead of merely observing and asking questions) how customers are using the products, and to take initiatives, finding out what customers feel after using the products (instead of waiting passively for their complaints). The following conceptions are of great help in gaining better understanding of customers:

- The product is used as a whole by customers. They don't use technical indexes.
 - The reason why customers have various requirements can be found in the way they use the products.
 - Customers themselves are under increasing pressures.
 - Not every customer is willing to spend time complaining when he is not satisfied.
 - Not every customer will let you know before he is ready to leave, nor will he give the reason for his leaving.
 - Customers are not obliged to tell you about his new requirements.
 - ...
- Lastly, let's look into two cases which demonstrate the significance and functions of the quality management which put customers in the foremost place.

1. When I worked in Pepsi (China), we invited some quality managers of our vendors and trained them in the factory. Part of the training programme was to help them understand how our products were manufactured, how materials they provided were used in the products and also what impact they would make upon our customers. By doing so, we hoped to extend our quality management to the level of vendors. After the training, these quality managers came to realise why Pepsi had various requirements, for example, the requirements of improving the materials. All these requirements, they now learned, originated from customers. The training programme also helped them to understand that customers did not raise issues without good reasons. When you complain that customers ask for

too much, it is you who fail to understand your customers.

2. In 2002, I went to a conference of quality management in the United States. The man who sat next to me was a professor in a university in the States. When he learned that I worked in Pepsi, he was pleased to tell me that his favourite drink was Pepsi. He added that Pepsi tasted good in any place and in any time in the world. I was very proud to disclose the "secrecy" behind it. In order to protect its own brand, Pepsi has a third-party company to conduct a regular random sample survey. They would send the sample to a testing centre appointed by Pepsi to be tested. Apart from physical and chemical indexes and microbiological index, the test also included sensory index (testing the flavour customers might feel). Pepsi already developed, many years ago, a system to test the drink flavour. This system continues to be improved. What lies behind this practice is that customers drink Pepsi as a holistic product. Neither physical or chemical or microbiological index can ever replace the flavour that customers might sense. Hence, the sensory index is essential and indispensable. Such a practice does not demand advanced technology. What it needs is the idea that customers are the most important. It means that the boundary of quality management should be extended to customers. In addition to the technical index, customer requirements have to be taken into account.

When customers come into the focus, quality management will, then, breaks through the boundary of product by completing a quality chain, where customers' need is well looked after in every link. By achieving this, a company will no longer be troubled by customers' "novel" and "undue" requirements. Moreover, it will be able to offer to its customers "surprises" one after another even before their "novel" and "undue" requirements emerges. Hence, the product will not get "outdated" and will not lose to your competitors'. When a company succeed in "understanding customers more than they do themselves", it is sure to win many more loyal customers and keep them. **THE LINK**

The author is DIMP05 student at CEIBS. She works as an independent quality trainer and consultant.

EXECUTIVE EDUCATION PROGRAMMES

Programme	Location	Version	Dates	Fee (USD)
COUNTRY INTRODUCTION				
China Expatriate Programme	Shanghai	English	Apr. 13-15	4,150
	Shanghai	English	Sep. 14-16	4,150
TOP MANAGEMENT				
Board and Corporate Governance Programme	Beijing	Chinese	TBD	2,950
Mergers and Acquisitions	Shanghai	Chinese *	May 26-28	2,250
SENIOR MANAGEMENT				
Advanced Management Programme (Modular)	Shanghai	Chinese *	June	10,800
CFO Programme (Modular)	Shanghai	Chinese	July	9,800
Diploma in Hospital Management Programme (Modular)	Shanghai	Chinese *	July	17,000
GENERAL MANAGEMENT				
Diploma in Management Programme (Modular)	Shanghai	English	May	17,000
Family Business Programme (Modular)new	Shanghai	Chinese *	TBD	TBD
JOINT PROGRAMME				
CEIBS-Columbia Business School Joint Advanced Marketing Management Programme	Shanghai	English	Jul. 27-30	2,850
CEIBS-Harvard Business School-IIESE Business School Joint Global CEO Programme (Modular) new	Shanghai/Boston/Barcelona	Chinese *	February	RMB 350,000
CEIBS-Harvard Business School-TSEM Joint Senior Executive Programme (Modular) new	Shanghai/Beijing/Boston	Chinese *	August	36,000
CEIBS-INSEAD Joint Managing Multinationals Programme new	Shanghai	English	TBD	TBD
CEIBS-McKinsey & Company Joint Telecom Industry Leadership Programme (Modular)new	Shanghai	Chinese *	TBD	TBD
CEIBS-Michigan Ross School of Business Joint Diploma in Management Programme (Modular)	Beijing	English	July	17,000
STRATEGY & LEADERSHIP				
Building Organisational Capability for Strategic Implementation	Shanghai	Chinese	TBD	2,250
	Beijing	Chinese	TBD	2,250
	Shenzhen	Chinese	TBD	2,250
Competitive Strategy	Shenzhen	Chinese *	Aug. 23-26	2,850
Going Global: Strategy and Implementation new	Shanghai	Chinese	May 31-Jun.3	4,150
Leadership and Change Management	Shenzhen	Chinese	May 24-27	2,850
	Shanghai	Chinese	Nov. 1-4	2,850
Management for Managers - Becoming a Master Managernew	Shanghai	English	TBD	2,250
Management of Negotiation and Decision-Making new	Shanghai	Chinese	Jun. 19-22	2,850
	Beijing	Chinese *	Jun. 15-18	2,850
Strategic Leadership	Shanghai	English	Nov. 30-Dec. 3	2,850
ORGANISATION & MANAGEMENT				
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	Beijing	Chinese *	Jul. 20-23	2,850
	Shenzhen	Chinese *	Dec. 8-11	2,850
MARKETING & SALES				
Advanced Industrial Marketing Strategy Programme new	Shanghai	English	Jun. 22-26	3,450
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Project Management	Shanghai	Chinese *	Sep. 1-4	2,850
Winning the Manufacturing Race	Shanghai	Chinese *	Jul. 13-16	2,850

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For further programme information, please contact:

Executive Education Programmes CEIBS
699 Hongfeng Road, Pudong, Shanghai, 201206 P.R.China
Tel: +86 21 2890 5197
Email: exec.ed@ceibs.edu
Fax: +86 21 2890 5183

CEIBS Beijing Representative Office
3/F Raycom InfoTech Park Tower A
2 Kexueyuan South Road, Zhongguancun, Beijing, 100080 P.R.China
Tel: +86 10 8286 1677
Email: bjio@ceibs.edu
Fax: +86 10 8286 1678

CEIBS Shenzhen Representative Office
Rm.2303B, 23/F, Han Tang Building
Overseas Chinese Town, Shenzhen 518053 P.R.China
Tel: +86 755 2693 5750
Email: szo@ceibs.edu
Fax: +86 755 2693 5743

Chinese * courses are delivered in English with sequential Chinese interpretation. Tuition fees could be paid in equivalent RMB. You are welcomed to visit us at <http://www.ceibs.edu/execute/index.shtml>



The Musketeers in CEIBS

By Audrey Wu & Helen Wang

PROFESSOR XU DINGBO

Walking into the classroom with vigorous steps, Professor Xu Dingbo is ready to teach students who have been waiting in anticipation.

Accounting is boring and hard to digest for many students, particularly for those without a financial background. One might suspect that he would absorb nothing after a few hours of lecture. But such worry dissolves after only five minutes in Professor Xu's class. The professor has the magic to capture everyone's attention within a few minutes.

In every class, students are contaminated by the professor's vigorousness. The class usually lasts several hours, with only a few short intervals, yet students remain enthusiastic and engaged throughout. It is very unusual. How does the professor deliver such a vivid, practical and in-depth lecture in a subject as monotonous as financial accounting?

The magic behind it is the fact that Professor Xu updates the content of his lectures frequently. He has a profound understanding of the operations of companies and makes a thorough analysis of them. Based on his own theory and research, his predictions about the development of companies are quite often verified and the students

marvel at it. He expounds the complicated financial concepts with practical cases and designs the framework of his course in a very orderly and reasonable way. Even a student without any financial background is able to absorb everything he teaches with his logic and precise presentation. Before the class, he asks about the students' backgrounds so as to cater to their varying needs. By the end of the class he is able to call students by their names. Another feature of his class resides in his humorous style. The students burst into laughter while simultaneously catching the instructive message he delivers. A joke is usually a practical example and helps to inspire the students.

Professor Xu never teaches doctrines

from the textbook. He watches closely the moves of companies and conducts a great deal of research and preparation for his class. It is not unusual for him to work until late at night or even stay up until dawn. A case he offers to the class might cost him a whole month's study.

His approach in the class results in effective learning. When he is analysing the practical cases, the students are engaged by the immediate applicability of the lesson to their real-life business challenges, including their own mistakes in budgeting and investment. That is why the Professor is often seen encircled by his students after class.

Easy-going and open-minded, Professor Xu wins popularity among the students.

PROFESSOR XU XIAONIAN

Without a long-winded introduction, Professor Xu Xiaonian always begins his class with simple words, "Let's now start".

Widely known in CEIBS, Professor Xu Xiaonian has attracted more and more class participants. Those who miss the opportunities lobby for extra lectures to make up for their loss.

No vehement speech is given in Professor Xu's class. He is a man of gentle manners. His tone remains even, without much rise and fall. But every word he utters strikes home the root of the problem. The students are completely convinced. His presentation might not be exciting, but is truly inspiring.

Being a genuine scholar, the professor emphasises the importance of "bold hypothesis and prudent verification". The first and foremost requirement in economic research is to clarify the definition and the hypothesis. This lays a firm foundation on which a model can be established. Any models have to be verified by empirical evidence. Once failing to be verified, the old hypothesis has to be abandoned and a new one has to be set up. One has to be very prudent in the research. The professor also pays a great deal of attention to methodology. The content of four-day lecturing might be easily forgotten. That is why he talks about Macroeconomics and Policy Analysis, which differs greatly

from ordinary Macroeconomics lectures. In his class, detailed analysis and scientific methodology are the two focuses, for he recognises that a good methodology benefits the students in the long-term. He gives concrete evidence and data, probing deep into the issue. There is never an over-complicated model beyond the students' grasp. The accurate data and simple format makes it accessible to the students. His profound knowledge of Chinese economy makes his research penetrating.

His class lasts four days and includes topics such as traditional theories, financial policies, monetary policies, exchange rate, inflation, etc. His presentation in the class is clear, precise and well-knit. His theory is succinct, combining various theories with empirical experiences. Several classic works are usually recommended for further reference relating to every single topic. They can amount to a long list of classic economic works after every class.

To executives from various companies, Professor Xu's class is particularly appealing. Many of them took the Macroeconomics course when they were studying in universities but they have not fully grasped the strength of the methodology and theories of Macroeconomics. Neither have they learned to put them into empirical context or to conduct policy analysis. They feel enlightened by Professor Xu's rich experiences, comprehensive knowledge, unique insights and appropriate answers.

PROFESSOR DING YUAN

Professor Ding Yuan is a gentleman of French style with a well-known beaming smile. He is also famous for his shrewd analysis of financial statements.

A characteristic of Professor Ding's class is the quantity of cases he offers. During the EMBA programme's four-day course there are over 25 case studies in Financial Statement Analysis. Strangely, the students never feel overwhelmed or disorientated, for the professor keeps a reasonable rhythm in his presentation. Some cases are mentioned briefly, and others are studied more closely. There are usually 3 or 4 cases on which he expounds. The case studies represent different types of situations and relate closely

to reality, for they are all taken from annual reports of various companies and are edited in a way that everything irrelevant is removed. It makes them distinct from case studies in the Harvard style.

Professor Ding works painstakingly in his class. He first differentiates Chinese Accounting Standards from American and International ones, and then presents a case against these various backgrounds. It helps students to have a comprehensive understanding. Also, he conducts extensive research into Chinese cases, creating profound analyses of the operations of Chinese companies.

Professor Ding's commitment to work is well known. Consistently, when financial news emerges, he takes prompt action by searching on the web to collect information regarding the company's financial statements and data. He is a meticulous scholar, looking into every detail in preparation of his teaching materials. In every case he offers, he produces an Excel spreadsheet to facilitate the analysing work of the students.

For most students, what is remembered about university level Financial Statement Analysis is nothing but loads of formulas, ratios and calculations. But the professor reverses the whole process by introducing concepts and methodology first, explaining through case studies the practical basis and problems of financial operations of companies and in the end brings in financial ratios. In his view, financial ratios are based on financial analyses and what is more important is to thoroughly understand financial statements and to grasp the economic implications behind them.

Gary Biddle, Professor of Accounting in Hong Kong University of Science and Technology and visiting professor of CEIBS, often comments that "Accounting is an art". Professor Ding is able to help his students to appreciate "the art of accounting".

These are the stories of our three skilful "swordsmen" in CEIBS. With their skills as well as characters, they cultivate the fields of CEIBS, where their students are re-educated, enlightened and inspired. All three professors won "The CEIBS 2005 Teaching Excellence Awards". But you are bound to be surprised at how many excellent teacher you may find here in CEIBS. **THELINK**

China's Automotive Industry: WHO WILL BE THE WINNERS?

Automotive Industry Leaders Gather at CEIBS for the Third Consecutive Automotive Forum



On November 28 and 29, the top-ranked China Europe International Business School (CEIBS) is hosting its third consecutive China Automotive Industry Forum at its campus in Shanghai.

Building on the success of the last two forums, this year's forum is addressing the question: In a market of stagnant sales, decreasing prices, and increasing competition, who will be the winners?

This forum has been established as the most important and influential automotive conference in China, bringing together industry leaders, senior government officials and top ranking academics to discuss issues and make decisions that impact the Chinese automotive industry.

300 people are gathering to hear over 20 industry experts discuss strategies for operating in an increasingly challenging market. Eight sessions spanning two days cover all aspects of China's automotive industry. Topics of discussions include: Macroeconomic and automotive industry policies, global harmonisation, automotive industry structures, China's auto consumers, future developments in China's automotive market, developing trends in China's commercial vehicle sector, and movement towards a competitive auto component industry. The closing session positions China on the global stage, both as one of the most important domestic markets and as a potential source of low cost exports to the rest of the world.

Through this forum CEIBS serves as a bridge and platform for representatives of different segments of the automotive industry to exchange ideas, communicate needs, offer predictions and express opinions on doing business in the world's third largest automotive market.

In addition to speeches on macroeconomic and automotive industry policies from Bao Steel Chair Professor of Economics at CEIBS, Wu Jinglian, and Mr. Chen Qingtai, both of whom are Research Fellows of the Development Research Centre of the State Council of PRC, Mr. Malcolm Harbour, a member of the European Parliament, spoke on the political opportunities of global harmonisation and expressed his hope that the forum could be the start of a process to create



a political initiative. Mr. Zhang Xiaoyu, Chairman of the Society of Automotive Engineers of China, talked about the auto industry's contribution to the construction of a harmonious society.

Dr. Christian Mohrdieck, Director of Fuel Cell Drive System Development at the DaimlerChrysler Research and Development Technology Division, who spoke about environmental and energy consumption regulations and their implications on the industry said, "This is the right point in time to talk about new technology, especially in this country where I see huge opportunity for co-operation." Mr. Nobuo Okubo, Chief Technology Officer of Nissan Motor Co., discussed the process of technology transfer in the development of the Chinese automotive industry and emphasised that the long process of localisation is not unique to China.

Mr. Zhao Jie, Vice President of Geely Holdings and President of Geely International Company, one of China's most successful privately owned car companies, shared his experience of being the first Chinese car company at the 61st annual Frankfurt Auto Show as well as the challenges Geely faces in exporting their vehicles.

Professor Bernd Schmitt, Professor of Business at Columbia University in New York, emphasised the importance of understanding the experiential world of the Chinese Consumer, while Dr. Christoph Stark, President and CEO of BMW Group Region China, gave detailed insight on building a premium brand in the Chinese auto market.

The final presentation was given by Mr. Paolo Monferino, Chief Executive Officer of IVECO, who spoke about China's role in the global commercial vehicle industry. "China is a fast growing large-scale market and is a platform for global operations as well as Asia Pacific markets. China is a good quality, low cost suppliers' base, as well as an innovation driver that will make strong impacts on world competition," said Mr. Monferino.

This was the first year that the Forum included in discussions the commercial vehicle sector. Many agreed the inclusion was timely. "The commercial vehicle sector will keep growing at a rate slightly higher than GDP growth rate for a relatively long time in the future, in which the heavy truck segment has the largest growth potential," said speaker Xu Changming, Senior Economist and Director of the Information Resource Development Department of the State Information Centre. **THELINK**

CEIBS, recently ranked as the world's top 13th business school by the London-based Financial Times EMBA rankings, was praised by several speakers for providing the opportunity to discuss some of the most timely and important topics of today's automotive industry, topics relevant to both China and the rest of the world.



CEIBS Alumni Programme Going Overseas

On the 4th of December, CEIBS Executive Education Department and Alumni Relations Office kicked off the school's first overseas alumni programme co-designed and led by Prof. Pedro Nueno, CEIBS' Executive President, and Prof. Arthur Yeung, CEIBS' Philips Chair Professor of Human Resource Management and a widely popular professor among the alumni.

Fourteen CEIBS alumni from the CEO, EMBA and DIMP programmes from Beijing, Shanghai, Wuxi, Zhejiang, Guizhou, Qingdao and Hong Kong, attended the three-day programme of "Globalisation of Chinese Firms: Opportunities and Challenges" at Harvard University.

INSIGHTS FROM WORLD-RENOWNED SCHOLARS

On the first day, Prof. Nueno pointed out that in order to become a global champion, attention must be given to legal

framework, role of the government, market size, labour market, capital market, regulations, ethical standards, education, social recognition and economic climate, etc. Based on his profound knowledge, Prof. Nueno shared with the alumni his view that "to be a champion today one has to be a global champion."

Prof. Arthur Yeung updated the alumni with the latest research on Chinese enterprises going global. He then provided some guidance and organised detailed discussions on the cases of Trend Micro Enterprise and TTE. He also analysed various ways of going global such as organic growth, strategic partnership, merger and acquisition, etc. The alumni had extensive discussions about the role played by the "hybrid team" at Trend Micro Enterprise in running trans-national operations and in decision-making.

On December 6, Prof. Robert Solow, the Nobel Prize laureate from MIT presented the concept of the economic cost of natural disasters he recently focused on. He used the examples of Hurricane Katrina, 911 and SARS to suggest that the government should take more responsibility. Prof.

Solow also gave suggestions on how to extend the welfare system and the insurance system in a bid to prevent or reduce the economic cost of natural disasters.

Prof. Solow is a leading mainstream economist in the US. He depicted both the positive and the negative scenarios of the mid- and long-term prospects of the US economy. He pointed out that the main potential problem of the American economy is how long the combination of budget deficit, negative savings and foreign debt could sustain. He also devoted some time to explaining issues of common interests to the alumni in a simple and easy-to-understand way. Commenting on the problem that consumption accounts for less than 45% of China's GDP, Prof. Solow suggested that it might be caused partially by people's uncertainty about healthcare, pensions and education.

In the afternoon, Mr. Stephen Roach, Chief Economist from Morgan Stanley, delivered an excellent speech to the alumni. He believed Chinese economy should be transformed into a consumption-driven growth. In the transition from investment-driven to consump-



tion-driven, the growth rate might be moderated from 9.5% to less than 7.5%. He also suggested a steady revaluation of the RMB about 3-5% per year. Following that was the excellent presentations about global acquisition given by Mr. Louis Walter, Senior Partner from KPMG and his team. Also, Prof. John Quelch, Senior Associate Dean of Harvard Business School, delivered a concise but insightful lecture on global branding, which benefited the alumni a great deal.

LEARNING HOW TO DO A LEVERAGED-BUY-OUT (LBO) ON THE SITE

On the morning of December 7, the alumni went to the suburb of Boston to visit American Instrumentation Laboratory Company, a high-tech company specialised in the production and distribution of medical equipment, and a global leader in critical care and haemostasis products. This company represents a classical leveraged-buy-out in the US. Professor Nueno invited Mr. José Blanco, the lawyer from Cuatrecasas Lawyers, who participated in the whole process of acquiring Instrumentation Laboratory 15 years ago, and Mr. José Rubiralta, the CEO of Instrumentation Laboratory, to share with the alumni the whole case of this trans-national acquisition.

Before the acquisition, Instrumentation Laboratory was a financial conglomerate in the New York Stock Exchange and had a

much larger size than the buyer. Mr. Blanco explained every detail of this international transaction which involved more than 10 jurisdictions, covering all procedures from preliminary negotiation, acquisition preparation, efforts to organise financing to the finalisation of the deal.

This case was very illuminating to our alumni. Mr. Xu Qiang said: "This case is very practical and helpful to my job right now." Our alumni wished if only they could have more time to communicate with the executives and lawyers of the company.

Prof. Charles Waldman, Professor of Marketing from INSEAD, designed an experiential session for the alumni. The class began from a shopping tour in the most unique shopping mall in Boston, the Prudential Centre. With Prof. Waldman's analytical framework in mind, the alumni went shopping to gain the first-hand experience of ordinary American consumers.

Back in the classroom, Prof. Waldman discussed with the students the American retailing market and customers from different aspects, including purchase modes, customer types, the ways to translate retail positioning into action variables, and retail orientations. In this session, our alumni succeeded in getting perceptions, which went far beyond mere knowledge.

ACCOLADES FROM THE ALUMNI

Ms. Shi Xiaoyan from Class 2 of the CEO Programme commented: "I am very

pleased to attend this alumni programme. It is very compact in structure. It is a worthwhile tour where my time is well spent. I really feel sorry for my classmates who couldn't spare the time to come here."

Developed in 2003 jointly by Executive Education Department and Alumni Relations Office of CEIBS, the alumni programme has hosted more than 100 alumni from programmes in Shanghai and Beijing. The purpose of the alumni programme is to provide a life-learning opportunity for our alumni, strengthen their management skills, help them translate cutting-edge management ideas into core competency for their companies and provide them a platform to get to know each other. Eligible candidates for the alumni programmes are exclusively CEIBS alumni, including all participants of MBA, EMBA, DIMP, CEO, AMP, CFO and exchange programmes, as well as those from CEMI (China Europe Management Institute, the CEIBS' predecessor). **THELINK**



President Hu Talks with Prof. Nueno

On the evening of November 14th, Chinese President Hu Jintao had a talk with Prof. Pedro Nueno, Executive President of CEIBS, on the sideline of the grand welcome dinner hosted by Spanish King Juan Carlos in Madrid.

President Hu told Prof. Nueno that the influence of CEIBS in management education in China has been very important. He con-

gratulated CEIBS on its success and encouraged CEIBS to continue to develop at the same speed. Prof. Nueno gave him the best regards on behalf of all colleagues of CEIBS, and President Hu asked Prof. Nueno to return his best regards to all staff and faculty at CEIBS.

In addition, in the speech of King Carlos during the dinner, he made reference only to one project in China

and that was CEIBS.

President Hu arrived in Madrid on November 13 to for a 2-day state visit to Spain.

Around 100 guests including Chinese accompanying officials, members of the Spanish royal family, ministers of the Spanish government and personnel from all circles of the Spanish society were present at the dinner.

Mr. Laslzo Kovacs, visits CEIBS



On November 16, Mr. László Kovács, EU Commissioner for Taxation and Customs Union visited the China Europe International Business School's main campus in Shanghai and gave a speech.

He explained to the audience how he was happy to have this opportunity to come to CEIBS and speak to future business leaders of China about the importance of customs coop-

eration between the EU and China to forge a strong strategic partnership between the two as the smooth working of customs administrations across borders is essential for the healthy functioning of the global economy. Last year, the enlarged EU became the biggest trade partner of China, and for the EU, China is their second biggest trading partner.

As a strategic partner of the EU, the European Commission is actively

pursuing cooperation with China in customs matters. Agreements made earlier this year in April between the EU and China aim to improve customs co-operation in order to facilitate trade and to increase security. It also constitutes a strong incentive to promote the most advanced customs standards and, more generally, customs co-operation between the EU and other Asian countries.

Under this agreement, the EU-China Joint Customs Cooperation Committee had its first meeting in Beijing on 14th with encouraging signals for readiness of further cooperation. Madam Wu Yi, Vice Premier of China, worked with Mr. Kovacs and his delegation, agreeing on the importance of working closely together in the protection of IPR and particularly in the fight against counterfeiting through customs action.

Mr. Kovacs finally made the comment that his visit to CEIBS helped him to realise that this prestigious institution will contribute to the strategy between the EU and China, with the diversity of the CEIBS MBA and EMBA programmes of local and international students, which will allow each other to know one another better for now and in the future.

INSEAD Dean visits CEIBS

On October 27, Professor Gabriel Hawawini, Dean of INSEAD Europe Campus and Mr. Claude Janssen, Chairman of the International Council and Honorary Chairman of the Board both visited CEIBS. They were received by Professor Zhang Weijiong, Vice President and Co-Dean of CEIBS.

Dean Hawawini had visited the campus before but was very impressed by the development since he last had seen it which was before the completion of phase two.

CEIBS recently has been hosting a group of MBA students from INSEAD Singapore campus who ran a workshop of case analysis together with CEIBS MBA students. Besides, CEIBS Executive Education has jointly organised a programme with INSEAD for IBM in Singapore.



NEWSBRIEFING

Fourth Euro-China Forum

On December 12 and 13, the Fourth Euro-China Forum took place in Barcelona, Spain. It is a process initiated by Academia Sinica Europaea in 2002 and aims to create conditions for a comprehensive dialogue between the two edges of Eurasia in Europe. In cooperation with the Casa Asia and the CIDOB Foundation, this year's forum researched and debated 1) the EU/China relationship in a changing world 2) EU and China on a "cooperative Eurasia" and 3) the triangulation between the EU/US/China and its dynamics.

Mr Liu Ji, Honorary President of CEIBS and former vice president of the Chinese Academy of Social Sciences, Mr Laurent Fabius, former PM of France and Mr Narcis Serra, former vice president of the Spanish government opened the Fourth Euro-China Forum by keynote speeches.

MBA Marketing Club Activity - Workshop on IT Product Marketing

The first workshop organised by the Marketing Club MBA 2005 was held on November 9. Harvey Lin, the former senior product manager of Start (which is a leading listed IT company in China), was invited as a key speaker while 41 MBA students joined the workshop and shared their perspectives.

Harvey delivered an insightful speech covering 1) what is a typical marketing job; 2) how is marketing activity done in an IT organisation; 3) what are the critical factors for a successful marketing job, specifically, for a product manager. He also shared his experience of a consulting project ex-

ecuted by McKinsey in Start in 1998.

Participants consisted of students from diverse functions, mainly sales and marketing, and companies including local companies such as Haier and MNCs such as Microsoft and IBM. Most participants showed a keen interest in marketing and provided plenty of food for thought. Their active participation and contribution made the workshop fruitful and interesting as well.

The workshop was initiated by the new core team of the Marketing Club. Yolanda Zhang, president of the Marketing Club, mentioned that there would be more club activities for MBA students in the days to come.

Passionate Entrepreneurs Gather Together: CEIBS Opened Its Second Class of Advanced Management Programme

On November 2, CEIBS opened its second Advanced Management Programme (AMP). Mainly coming from newly established start-ups, participants in the positions of General Manager/President or Deputy GM/Vice President from mainland China, Hong Kong, Taiwan, and Korea attended the class.

The AMP is a comprehensive management programme specially designed for fast growing local enterprises. The programme was developed after research of about 20 fast growing enterprises. Executives that took part in this study expressed their interest in a systematic business education. Due to their full working schedules, they wanted

to take part in a practical and immediately applicable business programme rather than full-time programmes for MBA degree.

To meet this market need, CEIBS launched the AMP this June. The AMP is just like a condensed edition of the EMBA programme, covering core business modules including Introduction to Management, Management Accounting and Corporate Finance, Organisation and Leadership Development, Operations and Supply Chain Management, Marketing Management, as well as Strategic Management and Execution. International principles including Mintzberg's "practical management education" are adopted as guidelines for conducting courses so as to help participants immediately apply what they are learning to reality. The whole programme is arranged with a series of practice-oriented activities, which are compromised of reviewing the past for the future, learning lessons from others to avoid the same mistake, practicing what is being learnt, and combining theory with practice.

Professor Zhang Weijiong, Vice President and Co-dean of CEIBS, spoke out what the participants were thinking at his welcome speech, "Every entrepreneur will at some time feel a moment of crisis once they have fulfilled their goal of initial development. They may be puzzled by how to formulate the next strategy, how to manage the differences among team members, or perhaps how to retain their key customers? In reality many start-ups fail to cross this barrier after their first move. So I hope the AMP can help you find new approaches to these issues and in turn become a turning point for you and your company."

Mr. Liao Jiangnan, General Manager of the

Shanghai Hengyuanxiang Knitting Wool Company, also a participant of the school's AMP 2005, shared his experiences with his fellow participants, "The AMP has changed my mind-set, broadened my perspective, and equipped me with a brand new way of problem-solving. I have attended numerous training programmes, but the most beneficial ones are offered by CEIBS."

Mr. Hobbs Liu, Executive Director of CEIBS Executive Education, revealed some know-hows for successfully completing the learning journey at CEIBS, including preparation of case studies before class, involvement in class discussions, sharing knowledge and practice with peers, and rethinking what is taught after class.

As one of CEIBS' flagship programmes, the AMP holds two classes per year. The next AMP will be offered in June 2006.

Mr. Juan Arena Tells Know-how for Being Different

On October 31, Mr. Juan Arena, Chairman of Bankinter, delivered a wonderful speech titled "Being Different" at the CEIBS Executive Forum. He discussed the case of Bankinter developing from a small bank into one of five leading banks in Spain based on its differentiation strategy.

Thanks to its transition from a traditional bank into an integrated e-bank, Bankinter was able to differentiate itself from numerous competitors by turning itself into an e-banking business. Mr. Arena pointed out that Bankinter focused huge efforts on IT application to customer service, and paid much attention to the IT systems' integration. He stressed that the key success factors of Bankinter were product and service innovation. In his view, what differentiated Bankinter with others is its unique way to organise and combine together various complicated activities. A bank will succeed if all resources such as manpower, information, technology and all conditions such as compensation system, challenges and opportunities, are leveraged to release enormous energy from the small cosmos of the bank.

Professionals from banks and financial institutions in Shanghai, and MBA students from some local business schools attended today's forum. Most of the audience believe that Bankinter's development experience shared by Mr. Arena could be a good model for small and medium sized banks in China.

Students Organise "Chinese M&A Abroad"

On October 13, "Chinese M&A Abroad" seminar was held in CEIBS. This event was co-organised by the CEIBS MBA Entrepreneurship Club and the INSEAD Alumni Entrepreneurship Club, and

sponsored by the Italian Chamber of Commerce. Participants of this event discussed the trends and challenges of Chinese companies making acquisitions overseas.

Invited speakers including Wang Qunbin, President and CEO of Fosun Pharma; Hermes Pazzaglini, solicitor, Barlow Lyde & Gilbert; Katherine Lui, Managing Partner China, BKR Lew & Barr Ltd.; Ruggero Jenna, Managing Partner of Value Partners; and Maurizio Forte, Director, Italian Trade Commission, discussed their views and experiences on the latest development in Chinese M&A abroad with the objective of helping participants understand how both Chinese and foreign companies can profit from this trend.

Mario Dimitri, 35 years old, Italian, MBA student graduating at CEIBS in December 2005 and President of the CEIBS MBA Entrepreneurship Club says: "I'm proud to see the enormous interest this initiative is attracting and I hope it will bridge real business opportunities for Chinese and foreign companies and challenging job opportunities for my fellow MBA participants".

CEIBS EMBA03 Beijing Class's European Learning Tour

The eleven-day course of European Culture and Management for CEIBS EMBA03 Beijing Class was completed in October. The goal of this course is to help EMBA participants learn politics, economy, society and culture of main European countries through vis-à-vis exchanges with European politicians, business people and academics. It is not only aimed at broadening the participants' perspective, but also making them understand the thoughts, systems, histories and cultures behind the emerging and developing of European business, so as to challenge and even break the existing thinking modes and devise management approaches addressing their own business reality.

The delegation, comprised of 37 EMBA participants from various industries and different areas of the country, was led by Mr. Ma Yusheng, Assistant President of CEIBS. The delegation visited University of Geneva, INSEAD, and IMD, where they listened to lectures given by the professors from those prestigious institutions. The lecture topics included "Napoleon: Leadership and Justice Procedures", "Cross Cultural Management", and "Switzerland and Swiss Businesses". They also visited three long history industry leaders, Peugeot-Citroen, ABB and Novartis.

Wu Jinglian is elected member of Executive Committee of IEA

INTERNATIONAL ECONOMIC ASSOCIATIONS (IEA) held its 14th World Congress in Morocco in



August, 2005. A new executive committee and Chairman were elected. Wu Jinglian became the member of the new committee, the first Chinese to enter IEA executive committee since its establishment 55 years ago.

Wu Jinglian currently serves as Baosteel Chair Professor of Economics at China-Europe International Business School (CEIBS) and Senior Research Fellow at Development Research Centre of the State Council of China.

CEIBS Welcomes Another Group of Exchange Students

In October, CEIBS welcomed yet another group of MBA exchange students. They came from various business schools overseas, including LBS, INSEAD, IESE, SDA Bocconi, Rotman School of Management at University of Toronto and Desautels Faculty of Management at McGill University.

The exchange programme lasted for over 8 weeks. Apart from the CEIBS MBA programme, the exchange students were provided a course specifically designed for them, "Chinese Specific Programme", which is expected to help them better understand Chinese culture and Chinese business world. All exchange students anticipate developing a genuine global perspective through the programme.

CEIBS has always been attaching importance to enhancing its own international diversity by more communications with overseas business schools. There are currently over 30 international business schools running exchange programmes jointly with CEIBS. Among them, 20 schools are ranked top 50 by the *Financial Times* MBA Global Ranking.



SCHNEIDER ELECTRIC JOINS CEIBS SPONSOR PARTNER NETWORK

Schneider Electric, one of the world's leaders in power distribution and industrial control, has just signed a three-year sponsorship agreement with CEIBS. Through their support to the school's development fund, Schneider Electric joins an elite network of companies who work closely with the school through membership on CEIBS Corporate Advisory Board; priority access to CEIBS' students for recruitment, group consulting projects and internships; close association with CEIBS' faculty for the development of case studies and company specific management education programmes as well as on-going access to the campus facilities.

Schneider Electric has been a business partner of CEIBS since 1995 through CEIBS' Executive Education Department. Since 2003, the school has designed and delivered the Schneider Electric Diploma in Management programme and this successful collaboration will continue into 2006.



Commenting on the new Sponsor Partnership, Mr. Guy Dufraisie, President of Schneider Electric (China) Investment Co. Ltd. said:

"Schneider Electric, as a world leader in Electrical Distribution and Automation, we believe that the best investment we are doing in China is to develop our people, especially our managers. In the last 3 years, many of our Chinese managers have been trained in the CEIBS executive programmes, some of which are specially designed for us. Nowadays, CEIBS is one of the best business schools in Asia and has been one of our partners for developing our key resources in China. We are proud to be part of this great institute in China and to support its expansion of the new campus in Beijing."

DOUBLE SALES AND TRIPLE PROFITS IN 3 YEARS

On November 15, Mr. John Hoerner, Chief Executive of TESCO Central European Clothing shared with a large audience of over 150 of CEIBS' MBA students, Alumni and corporate partners, how he led the TESCO UK clothing team to double sales and triple profits in 3 years, 2001-2004.

Mr. Hoerner noted that the success was due to a combination of smaller wins, including gaining commitment from the board for resources and support; creating a culture of change management as an ongoing process amongst management and employees; and the ability to influence other department managers within TESCO to adapt their own working processes.



During the lively speech and questions and answers session, Mr. Hoerner also commented that TESCO had been slowed down by the EU textile quotas and that TESCO's clothing business would continue to grow but not necessarily at the same rate as in previous years.

TESCO is the largest retailer in the UK and has a 50% stake in Taiwan based Tsing Hsin International Group's Hymall business in mainland China which currently operates over 35 stores and plans to open 150 stores by 2008. TESCO Hymall is a Corporate Sponsor of CEIBS contributing to the school's development fund. Earlier in 2005, CEIBS' MBA students completed a successful group consulting project for TESCO in the area of Sustainable Paper Sourcing.

Champion from CEIBS

CEIBS MBA Team Wins the First Prize at Confluence 2005

By William Wu

After four days of intensive competition, the CEIBS MBA team won the championship at Confluence 2005 hosted by the Indian Institute of Management in Ahmedabad (IIM-A), the top business school in India. With the overall ranking high on the top, the CEIBS team stood first among a total of 76 teams from IIM-A, Stanford, Harvard, Purdue, MIT's Sloan, UC Berkeley, UCLA, UMICH, Haas, Tuck, Ivey, Esade, etc.



CASE CONTESTS: CHALLENGES OF REALITIES

The Competition was made up of two parts. The first part is "case contests", which began in earlier October. The cases and regarding rules were put on the web to all participating teams to access. Marketing & Promotion, general management and investment venture were the topics covered by the cases. Only one week was allowed for every team to prepare the material before sending the final report to the panel of judges. After examining hundreds of reports, the judges selected six teams in each case for the final round of competition.

In the final round, every team was asked to give a presentation and then to take questions from the judges. Interestingly, those who were involved in the cases were assigned judges, and most of them were company executives and government officials, who had come with practical problems in their work. Therefore, any constructive and feasible advice contributed by the contestants would be adopted to help with the real situations.

It is worth noting that CEIBS team was ranked 1st in both case contests: "Management Beyond the Obvious" and "Growth – the Eternal Paradox". Their impressive performance won extensive media exposure. For example, in reporting the first contest, which focused on the

development of Ahmedabad, the local media commented that "the presentation (of CEIBS team) threw up a comprehensive formula for making Ahmedabad a world-class city like Shanghai". William Wu and Jenny Jing in CEIBS team started with SWOT analysis of Ahmedabad city and then moved on to give their suggestions on education, infrastructure, transportation and other areas. Their major concern was on mass transportation system that the city lacked. They suggested that western part of the city should be developed into a commercial hub and eastern part into a research and education centre. To respond to the funding problem raised by the judges, the team produced various solutions including issuing government bond.

INTERACTIVE MANAGEMENT GAMES: MISSION IMPOSSIBLE

The Games were designed to test if the teams had innovativeness, team spirit and capabilities to solve practical problems. Prior to the final, four rounds of competition were held to kick out half of the contestants. In every round, minimum of 15 to 20 minutes were given to the team, who had to read the question and come up with an answer or a solution.

In the Game of "Marketing – Today and Tomorrow", the teams were required to complete 30 multiple choices within 20 minutes, covering all sorts of marketing knowledge. Those teams who survived entered the next round, in which they were asked to persuade a bald man played by a judge to buy the hair brush they were selling. If they were lucky enough to succeed, what lied ahead was the task to develop, within 20 minutes, a strategy of entering India market for someone who wanted to start up fast food business. The last 5 teams emerging from this round had to design an advertisement within 15 minutes and to perform it in front of the panel of judges. The last mission for the surviving team was to hold a mock press conference to address a crisis caused by a negative report on certain food material causing disease. The whole contest, from beginning to end, lasted no more than 3 hours. It was an ultimate challenge to all contestants' efficiency, quick response and team work.

CEIBS team won the 5th place in this Game, the 7th place in "Innovations on the Horizon", and the 6th place in the Management Stimulation Game, which eventually led to their final success.

A TALENT SHOW

The CEIBS MBA team consisted of one MBA2004 student (William Wu) and four MBA2005 students (Eduardo Julio Casado, Jenny Jing, Siddhartha Sarkar, and Thorsten Seeger). They represented a real international and professional variety and diversity: five team members of four different nationalities from different professional backgrounds.

William Wu is the only one from MBA2004 Programme. Having worked in an MNC for seven years, he is experienced in marketing and financial areas. His sound theoretical background, strong analytic ability and gift in presentation all contributed to the team's outstanding

performance in the case contests.

Jenny Jing's strength lies in her innovativeness and skilful hands. She often came up with novel ideas to improvise when needed. A case in point is that within 15 minutes, she made everything ready for the advertisement with only paper and pen, including a hat, costumes and coupons, etc.

Eduardo's engineering background made him a real star in a game of model designing. His advice saved resources for the whole team and helped to win the top place. This model was also reported extensively by the local media, cited as a classical example of innovation.

Thorsten has consulting background, with high intelligence and powerful persuasion skills. His negotiation helped the team to buy rare resource at lower price in an international trade game.

Siddhartha is a native Indian. He is good at numerical analysis and has first-hand understanding in local situation. His unique insights benefited from an Indian perspective were of great significance.

CEIBS IN THE SPOTLIGHT

Excellent performance of CEIBS team put in the spotlight the strength of the school's management education. All five participants in the team agree that what they have learned in the school proved to be well matched with the spirit of entrepreneurship and practical application of management concepts emphasised by the Confluence. The event did serve as a best platform, where CEIBS succeeded in earning even wider recognition and respect internationally. **THELINK**

MAYOR student

Only half an hour ago, he was one of the EMBA04 students at CEIBS, taking notes in the class. Now he “resumes” his position as a mayor, talking with his alumni about the investment-inviting projects of Huai’an.

This is Fan Jinlong, Mayor and Vice Secretary of CCP of Huai’an Government. On the night of October 23, he brought into CEIBS a special group to host an unusual banquet. The group consisted of 20 famous Huanyang Cuisine chefs and an investment-inviting team of over ten people. Apart from those traditional

dishes of Huaiyang Cuisine, one could also find on the banquet menu a list of 30 business projects for the CEIBS alumni to have a view.

INVESTMENTS “INVITED” BY CUISINE

“Inviting investments on campus by way of Huai’yang Cuisine” is a new idea which dawned on Fan Jinlong during his stay at CEIBS. In Fan’s view, the school is a huge resource reservoir, for most alumni of CEIBS are renowned entrepreneurs. If he introduces

the business projects capitalising on his alumni network, the chance of success will be great.

“The planning and preparation for this investments-inviting has been going on for almost three months. We came to Shanghai to hold a similar event several times before. But this is the first time that we brought chefs with us and swept into a campus,” said Ni Jianhua, the Vice Director of the Merchants Bureau of Huai’an Government.

Ever since he was appointed Mayor of Huai’an, Fan has been busy with inviting investments. During his study in CEIBS,

he persistently represents Huai’an to his classmates. He believes it to be the most urgent task to attract investments and to stimulate the local economic development. As a mayor, the biggest challenge he has to face is none other than taking the initiative to boost the economy.

Ni told us that these 30 projects presented to CEIBS alumni had been carefully selected and that all of them were of great importance to the strategic goal of “industrialisation and urbanisation” of Huai’an’s development. Among key projects listed by the Merchants Bureau of Huai’an Government, there were four main categories: the salt chemical industry’s exploitation of the local resources; the reconstruction and reformation of the remnant assets of state-owned corporations; the refining of agricultural and sideline products and resources, and the construction of infrastructural facilities for the city.

This list was put on the internal web of the CEIBS before alumni registered for the event. Therefore, of those who took part in the event, some had already shown interest in investing in over ten projects and were ready to visit Huai’an for further talks. “Actually, we didn’t set any specific target for this event,” said Fan. “I think it is more important to make initial contacts, get some understanding and invite the potential investors among our alumni to come and have a look around Huai’an.”

THE ADVANTAGE LYING IN THE BACKWARDNESS

The northern area of Jiangsu Province has been developing relatively slowly. Agriculture dominates the economy and hence limits the progress. Huai’an is facing the same problem. While the situation generates huge pressure on Fan, it also presents a different perspective. “If measured by absolute data, the economic aggregates of Huai’an are probably less than that of a county in south Jiangsu. However, Huai’an’s advantage lies in its backwardness, which will create a new opportunity for development.”

For Fan, this new opportunity was none other than embracing the gradual

transfer of the labour intensive industries from the Yangtze River Delta. He recognises that in the following ten years, the labour intensive industries are bound to be relocated to new areas such as North Jiangsu, Anhui, the Middle and West of China, due to lack of land and resources in the Yangtze River Delta. For this reason, Fan puts the labour intensive industries on the top of the list of investments-inviting projects.

“If we describe the cycle of economic development of an area as a parabola with the starting, the ascending and the descending curves, then we can say that Huai’an is in a stage of rapid ascending,” said Fan. “The biggest advantage we have to attract the domestic and overseas investments is wide scope, low cost and high efficiency.”

Wenwu, President of Shanghai Non-ferrous Metals Company, also one of the classmates of Fan’s, was “persuaded” by Fan to pay a visit to Huai’an and eventually decided to make an investment. For Wenwu, the reason for him to choose Huai’an is not only because Fan is his classmate, but more because as a labour intensive industry, the aluminium product and furniture plant he is to open requires cheap land, low cost labour, convenient transportation and easily accessible industrial chain to facilitate the manufacturing. Huai’an is able to meet all these basic requirements.

In addition to embracing the relocation of labour intensive industries, Mayor Fan also defines the current economic development strategy of Huai’an as “export-oriented and investment-driven”. He goes on to explain that, because of the innate deficiency of local development, the industrial progress of Huai’an has to start from scratch. During this stage, securing the investments from outside is the most important link.

GOVERNMENT ADMINISTRATION BY THE CONCEPT OF BUSINESS MANAGEMENT

As a government official studying at CEIBS, Fan is often asked why he came

to CEIBS. He never hesitates to tell people that he believes a government official needs to learn the concept of business management to better administer the government.

He gives a simple example. In a market economy, every local government is facing competition between different areas and different cities. Such a fierce competitive environment demands that a government official should be sensitive to the demand of domestic or even global markets. “A crucial issue is that the government has to understand what the businessmen are thinking in order to develop the local economy more effectively. During the process of inviting the investments, if what the government is talking about is totally different from what the businessmen are thinking about, then it is bound to end up with nothing,” Fan observes.

“That’s why the Mayor has always emphasised the importance of understanding the thoughts of businessmen,” Ni added. “In order to help us do the job in a more professional way, the Mayor took the initiative to divide the Merchants Bureau into 10 sub-branches so that we could learn to research the thoughts of ‘target customers’ and the type of market environment that appeals to them.” The careful study of “customers” leads to a thorough understanding of their thoughts.

This autumn the joy of the harvest is realised from Huai’an’s investments-inviting events. The following are some statistics from the Merchants Bureau of Huai’an. Among all projects successfully securing investments from January to September 2005, there are 800 projects whose capital assets in each individual case is more than RMB5 million. The gross investment on the contracts reaches RMB23 billion, of which 12 billion Yuan is already in place. Fan tells us that the gross investment of 2005, according to the contract, is over RMB30 billion. It is increased by 50% compared to 2004. **THELINK**

(The article is based on a report in *China Business News*.)

“Ready, Steady, Go!”

My Experience of Career Development

By Victor Zhang

It is my belief that no single event in our life is isolated, but rather it is connected with other events in a way of cause-and-effect. Therefore, every time before taking up a new task, I spend a great deal of time making preparation and estimation. I did the same with job-hunting.

Getting a good job is of great importance to ordinary people. But what is a “good” job? A job with high income and high position, of course, could prove the social recognition of your value. Yet, is it necessarily a job suitable for you? Will it help you to achieve the ultimate goal of your career development? In my opinion, this might be a more essential and fundamental way of defining a “good” job, especially for those who want to change their careers.

I am one of them.

My previous job was in an investment bank, which is seen as an ideal starting point of one's career development. However, I came to realise that this was not a job fit for me. There were two reasons. First, I preferred a lifestyle that is balanced between work and family. Secondly, an investment bank is more on the side of providing financial support to a company whereas I hoped to have a more comprehensive knowledge of core content and procedure of business operation. My long-term career goal is to become a professor in a business school or a trainer of business operation.

Before I went to CEIBS, I set an objective that my new profession would be in private equity investment or in managerial consulting. My final choice was the latter, because the life style of a managerial consultant would be quite similar to my previous one in the investment bank. However, a job in private equity investment would not only earn enough to meet my life requirements, but also enable me to have an in-depth understanding of the enterprises we invest in and to conduct further analysis of their operations. Besides, this profession would require a knowledge structure similar with that in the investment bank. Hence, my previous work experience and knowledge structure could be capitalised on as fully as possible. It could save me much time of learning.

Once the goal was set, I started to work for it. Taking CEIBS MBA programme was an important step. I learned that both private equity investment companies and managerial consulting companies preferred MBA graduates. Both sectors will be developing with a drastic speed in China, and the localisation of human resources will be a general trend. CEIBS is one of the top business schools in Asia-Pacific area and

its graduates are sure to be more competitive in China job market. I once commented on a well-known BBS for MBA candidates that an MBA graduate from CEIBS will probably have larger chance of entering McKinsey than his counterpart from HBS.

When studying at CEIBS, I spent much of my spare time learning about private equity and venture capital investment. I read many books related to the topic. I also joined CEIBS MBA Financial Club and CEIBS Alumni Financial Club, and consulted the advisors in CEIBS Career Development Centre. They provided me with various platforms where I became acquainted with professionals and learned about their jobs and lifestyles. The most helpful was the exchange programme jointly run by CEIBS and LBS (London Business School). In LBS, I selected the course of “Private Equity Investment”. During the course, the professor shared with us his first-hand experiences and many well-qualified professionals gave us lectures. It helped me to develop an overall understanding of private equity investment. All these knowledge and experiences secured for me a successful access to my desired profession. But what counted more is my own first-hand experience.

In February 2005 when I was still in London for the exchange programme, I began to make phone calls to my friends back home, asking them to update me with any internship opportunities. At the same time, I sent my CV to the professionals I got to know at CEIBS. Soon, I got an internship placement in a private equity investment and venture capital firm in Shanghai sponsored by AIG. The boss of the firm happened to be invited by CEIBS MBA Club to give a speech in 2004. Although this firm was of a small size and newly opened, with many aspects under developed, I took the job readily, for it meant that I practically stepped into the profession. I was quite happy with the job, making full use of knowledge and skills I acquired in my previous job. I helped to make a number of project plans and financial models. The boss was so satisfied that he provided me an offer by the end of my internship. But I discovered that there were many problems in its business orientation and personnel make-up and that its prospect didn't look very promising. It happened that another friend of mind recommended to me another internship placement. In June, I started

the second job in my desired profession.

This time, it was a totally different case. The firm I worked for was the biggest private equity and venture capital investment firm funded by overseas sponsors. Although the firm was newly established, its boss and executives were all experienced bankers from Goldman Sachs, CSFB (Credit Suisse First Boston) and J.P. Morgan. I was quickly adjusted to my new job. My conscientiousness and efficiency were greatly appreciated by my bosses. After one month, I was offered a position in this firm. But I hesitated, for I was not sure whether or not I was qualified enough to do the job. In the business of private equity investment, it is a normal practice that one or two people work as a project team. They are responsible for targeting a project, conducting investigations and having negotiations in the early stage. There will be little training and few instructions. Then, among other things, they have to make further plans independently, deliberating on how to compete or co-operate with other firms and what negotiation strategies to take. My previous job in the investment bank mainly involved executing tasks and therefore I personally had little experience in project targeting and negotiations. I thought seriously about going back to the investment bank to get more training before transferring to another profession. I discussed the issue for over 2 hours with my former partner, who is now on VP level. Finally, he said that one had to take a decisive step to overcome the barrier in his career development. It was better to do it earlier, he added, because I was still young and could afford mistakes. He also suggested that since it was a job I liked, I should grasp the opportunity. I eventually followed his advice and accepted the job.

It has been 5 months since I took up my new job. Though it was hard to work and study at the same time, my confidence in this job is being built up gradually. 2 years passed since I thought of a career change. It is careful preparations during these years that secured for me a successful shift in my career development. In order to achieve my long-term goal, I will make further preparations on new foundation, because, as I said earlier, no single event is ever isolated. **THELINK**

The author is CEIBS MBA2004 graduate.

"Mentorship Programme" Goes Ahead Smoothly



On November 18, the second "Mentorship Programme" was initiated by the MBA and EMBA offices. Successful "matches" could be seen everywhere in the Student Centre. MBA Academic Director Prof. Wang Jianmao, MBA Operations Director Ms. Yvonne Li, EMBA Course Director Prof. Liang Neng, and students from both MBA and EMBA programmes were all excited to be in one room, providing a good start for this programme.

Prof. Liang pointed out the key to the mentorship programme: "Learning is not just taking courses, learning areas are not just in classes, and our teachers are not just the professors". Although there are many MBA and EMBA programmes in China, CEIBS is the first and only school that has been able to establish an active communication channel between the two programmes. The purpose of the mentorship programme is to provide an effective networking platform, promoting mutually beneficial relationships between the MBA and EMBA students.

As early as in November 2004, CEIBS held the first mentorship activity. Many MBA and EMBA students were eager to participate. This year, the scope of this programme continues to be expanded. There are altogether 156 MBA students and 200 EMBA students who asked to participate.

As everyone knows, the course load for CEIBS students is very heavy, so why do they still want to spend time to participate in the mentorship programme? Sheng Yimei, IBM China's Software Management Consulting General Manager, jokingly indicated, by participating in this programme one

can find good talents and save a lot of cost related with using head hunters. Of course, there is another driving force behind the mentorship programme: the EMBA and MBA programmes want to work hand in hand to help the further development of CEIBS. "We hope the EMBA programme can enter the world's top 10, and the MBA programme can leap forward greatly as well." The words of Sheng Yimei showed the hope and confidence of many students.

According to the plan, every EMBA student will voluntarily form a group with one or more MBA students according to similar career backgrounds and interests. Both will participate in school organised or student organised events. For example, an MBA student may work part-time for the company of the EMBA student, or the EMBA student would provide an opportunity for the MBA student to access his/her social network. By participating in the mentorship programme, not only can one expand his/her social network, but also the EMBA students can improve their abilities to lead the new generation of professional managers, and the MBA students can use this opportunity to train him/herself to collaborate with someone with more business experience. This is indeed a game of double win.

At the banquet of the opening ceremony, EMBA and MBA students exchanged business cards, and the atmosphere was cordial. The director for First Financial Media Hu Xiaolin set a goal for her new friends on the spot: to help her plan and produce the famous TV series "Brainstorm". Other EMBA students showed great interest in their matched-up MBA students, hoping they could send in resumes. So is this an indication of a valuable internship opportunity?

A week after the kicking-off, 67 EMBA students and 120 MBA students matched successfully. The 3rd and 4th groupings of mentoring programme will be held shortly in 2006.

RECENT MBA STUDENT ACTIVITIES

Student Ambassador Programme

Launched by MBA Office for the first time at CEIBS in September, 2006, this programme aims at utilising student resources to help prospective applicants gain insight into the CEIBS experience - from the students' perspective. Student responsibilities include: talk with prospective applicants about their MBA programme experience, support CEIBS Info Sessions and Week-end Campus Visit, pre-confirmation counselling, receive applicant visitors, and other CEIBS MBA programme related activities.

Over 60 students volunteered to participate in this programme. Till now, we have already over 10 students supported MBA Info Sessions in nearby cities, Week-end Campus Visits and our promotions at New Oriental School. One Korean student even volunteered to organise an informal CEIBS 2006 applicant workshop at Seoul in December when she goes back home.

Our students (and alumni) are quite popular on our Info Sessions. A lot of questions at Q&A session were addressed directly to them inquiring about why they chose CEIBS, what their life and study at CEIBS are like, their evaluation of the programme quality and their advice to future applicants. Our students played a very positive role in our promotion activities and gave a high recognition of the school, the programme and faculties which they say "are beyond their expectation".

2004 Student Book to be published next March

Purpose of the book is to promote CEIBS MBA programme, enhance 2006 Admission as well as genuinely reflect students' versatile life and study at this school and serve as a memoir for those who have lived and studied.

MBA Office, MBA 2004 students and MarCom (Marketing and Communications) together have been planning a book and working on it since

Greater China Greater Challenge International Competition



Greater China Greater Challenge (GCGC) is a student initiative event that is supported by the school, which will put CEIBS MBA on the map internationally. If successful, this event will greatly enhance CEIBS exposure among students of international business schools. This will increase our reputation and brand awareness all across the world.

GCGC will be the only China based business simulation competition in the world. Not only that but it will make us the first and only MBA school in the world facilitating online business game simulation. It will also be quite unique in that it will have both Chinese and English versions.

It is tentatively to be launched early in 2006 and will be completed by the end

of June. At the moment, the GCGC team consists of 15 CEIBS MBA students and has accomplished the fundamental work of preparation, including:

- Setting up teams of various functions such as financial planning, marketing, sponsorship, media and IT support.
- Designing the advert of the competition and getting it printed
- Making the budget
- Designing the related website

You are all welcome to join us in the competition!

For more information, please go to www.GreaterChallenge.com

September. This will be the first book in China to address students' life and study at CEIBS. Articles have been written by MBA 04 students and alumni and also there are interviews of them. Contents will cover: academic studies as well as their social life and placement experiences. There are also stories about their life and career development after MBA. All articles and interviews are to be completed by December 20 and editing done by January. It is planned to be printed and published before February followed by formal news release and sales/distribution in March 2006.

Student volunteers at Case Writing

MBA office and Case Centre has organised EU Scholarship winners to volunteer for Case Writing at CEIBS. Case Centre has now 5 volunteers from 05 MBA students working on 3 cases led by Prof. Amy Shuen, a visiting professor from Haas Business School of UC Berkeley.

Club Activities

Four new clubs added to the original 22 existing ones, making a total of 26 now. A Club Fair was held in October by 2004

club committees to brief 05 students what they do in each club and to attract new club members. Clubs were handed over from 2004 students to 2005 students in November.

Fair for International Exchange

MBA Office organised an Exchange Fair on November 11 in two classrooms supported by both exchange students from partner schools and CEIBS students who were exchanged out. Each school has one representative providing detailed information about that school and addressing inquiries and concerns from 2005 students. The fair lasted for about 2 hours, attracting over 100 05 students and got very positive feedback from students. The fair works as a prelude to the exchange bidding in January.

Reunion with 2002 MBA alumni

There is a 2 year graduation reunion party for 2002 MBA students organised by 02 and 05 students together and supported by MBA Office and Alumni Office. The activity was held on November 28, with more than 40 02

alumni coming back and over 50 05 students and faculties attending. It turned out to be a great success.

"KISS"

This Student quarterly newsletter was resumed in December after ceasing for 2 quarters due to 04 students' international exchange, GCP and following busy placement season. The KISS Editing Team was formed even before Media Club's job transfer and the December Issue will be available in late November. There are news about GCGC International Competition, 04 students' placement activities, Faculty interview, and new Student Committee introduction etc.

Sun Cup MBA Student Sports Meeting

This October, both 04 and 05 students formed a team representing CEIBS and participated in the Sun Cup MBA Student Sports Meeting held at Dong Hua University. They competed with students from 7 other business schools in basketball, soccer, badminton and table tennis and won the 2nd in badminton and the 3rd in basketball, soccer and table tennis.



A DATE WITH DESTINY

By Siddartha Sikkar

On Saturday the 5th of November, twenty eight MBA singletons took part in a matchmaking event, “the Dating Game”, organised by the International Club of CEIBS. Sid, an 05 MBA student, was one of the lucky ones struck by Cupid’s arrows.

I was late, as usual. But what was unusual was that I had this sensation of having a fluttering butterfly in my stomach. The fluttering was still rampant as I walked in to the Student Centre with Ben, about ten past seven, a good half-an-hour late.

The prospect of facing a dozen and a half women and being watched by scores of people as I struggle for words and try to figure out why I had so many limbs is never appealing. It was only the sight of the bottles of red wine and the meaningful we-are-on-the-same-boat look on the face of my fellow male contenders that I was to a certain extent reassured!

I took a seat at the far end of the room, away from the women only to find, on my return from the mini-bar with a cup of wine, that my seat was taken by contestant number 5, or maybe 6 – this is really not of essence here – and that I was to sit right in front of the row of girls. Dash it, I wished I could melt into the furniture, but alas the alchemy was not possible.

Cornered! My last hope was my cup of wine – that it would act fast and disentangle my highly convoluted state of mental degradation.

Luckily, the wine worked wonders! The Dating game began. Men were asked to offer red roses to ladies with the same numbers on their placards seated opposite to them. A cup down, another in hand, I wasn’t in a mood for numbers – I thought the girl on the far left looked simultaneously familiar and gorgeous, and deserved this rose of mine!

I gave her the rose, exchanged a few pleasantries and would have continued exchanging further pleasantries had Paul, as part of his organising responsibilities, not reminded us that after the due delivery of the roses, men were recommended to saunter back to their original positions.

Back to my seat again, gloating over the satisfaction of a job

well-done, in this case a rose well-delivered, I attended to the cup of wine. A few refills later, and after a blitzkrieg introduction by all men and women, it was time to vote. I voted for the lovely Jocelyn, the goddess on the far left in possession of my red rose. I consulted with Ben who was seated to my right and found out that we converged on our pick of ladies. Ben had voted for J too! Being great friends, Ben and I, we agreed that the best man should win – Ben called ‘Heads’ and it was ‘Tails’ and I won! Ben, a man of his words, continued voting some other damsels all through the evening.

As the evening set in, contestants put their talents on display - some sang, some danced and I did push-ups! Inappropriate, as this may seem to you, to the occasion, which demanded a more tender display of talents, a dearth of visible talent in me prompted this drastic measure.

“Do you cook?” - A barrage of soul-searching questions from the organisers, the audience and the contestants held back the grand dénouement for a while. I wanted to answer all the questions – even the one for the ladies regarding their culinary expertise. Someone ought to have reminded me that there were no extra points for class participation!

The finale – Hector walks to a girl and gives her a red rose. Again! He gets photographed with her this time around. They are declared matched. A round of applause! Well done, boy!

Next, I am asked to give a red rose to the girl! And I had no idea which girl!! I mean, I knew that I had voted for my princess three times in the running, but I wasn’t quite sure that I had received as many votes from her! Mustering my failing senses, I walked up to Jocelyn, again, to offer her the rose! She accepted!!! Phew, for a minute, I thought it was a close shave!

Curtains – an evening of expectations, fulfilled and crushed, drew to an end. Kudos to the International Club.

THELINK



IDEAS OPEN the WAY

The Marketing Strategy of "Super Voice Girl" Contest 2005

By Sun Jun

In the summer of 2005, a super mass entertainment show in China seized the hearts of all the audience. Men and women, from young to old, were fascinated by it. But it is more than a super entertainment show. It is indeed a successful case of marketing and promotion.

“SUPER VOICE GIRL” IS “SQUEEZED” OUT

“Super Voice Girl” came out by accident. It was “squeezed” out of me by my former boss in MENGNIU. I was the sales manager in MENGNIU at that time. When I first joined the company, the sales amount was RMB6.3 billion. I was given the task the next year to increase the sales to RMB10 billion. Given the fact that the potential growth of the sales of ordinary milk was quite limited and that its profit margin would only continue to decrease in the foreseeable future, we targeted two products as the potential areas of growth, which were Yogy Milky drink and breakfast milk. Yogy Milky drink was the most difficult to deal with, for its sales only amounted to RMB0.7 to 0.8 billion, while Yogy Milky drink of Yili, our rival company, reached the sales of RMB2.5 billion. These two Yogy Milky drinks were actually quite identical. They both targeted the same consumer group, which consists mainly of teenage girls, primary school students and people in the secondary and third tier markets. More interestingly, the packagings of these products were exactly the same. In the case of MENGNIU’s Yogy Milky drink, its profit rate was about 30% at that time and continued to drop. Apart from many similarities with its rivalry product, MENGNIU’s distribution network was far less sophisticated. As a result, many stores were not keen on MENGNIU products, for they had already had Yili, whose taste and packaging were identical with MENGNIU, and whose popularity was quite good. Why, then, did they need MENGNIU? However, our boss set the goal for us to uplift the sales to RMB2.5 billion, because that was what Yili had achieved. Such a goal was not unrealistic, for it is always believed, in MENGNIU, that ideas open the way.

SOUR AND SWEET: WHEN TASTES BECOME EMOTIONS

When I accepted the mission, I was not worried, because my understanding in MENGNIU told me that its decision-making was not based on intuition and

that it had strong executive power to implement the strategy. In addition, I myself saw the opportunities in China’s soft drink market. For some products, like milk, it is impossible to double or triple the sales within a year. But for some other products, like soft drinks, such chances are much bigger. A soft drink could become something of fashion, and when it does, it will thrive in an explosive way. But how could we achieve it? The only way was to make those teenage girls recognise that the very act of drinking our Yogy Milky drink was a fashion, a lifestyle and a must. They would drink nothing else but our Yogy Milky drink in the summer of 2005. Only by this means, we could rise up in the market in a short period of time. How, then, could we make it possible? The only way was to find something they like, and associate it naturally with our product. Once a new lifestyle was molded out of such an association, doors would open for us.

In those days, I kept thinking about the kind of TV shows that would help us to achieve the goal. The show itself had to be in full accordance with the product in spirit so as to be able to stand for it. We specified several basic requirements: First, it could be anything but a CCTV show, since CCTV shows do not appeal to teenage girls of 14-18 years old. CCTV stands for authority. It is usually dressed in formal with males in suit and females in night dress. They are not tailored to the taste of young girls. Secondly, those born in 1980s are individualistic and highly self-esteemed. The show had to demonstrate all these characteristics.

I had been reading various newspapers and magazines. One of my favourites was “*News Week*”. It mentioned, in one issue, the most innovative TV show in China in 2004 called “Super Voice Girl”. I went back to collect more information and found that it might be what we wanted. The show was not paid much attention to and ranked only seventh or eighth in Hunan Satellite TV when I first visited it. I had a talk with Wang Ping, the director of the show. He commented that there was much more room for the show to develop. A characteristic of the show was that it was a mass entertainment, whereas most entertainment shows at that time featured stars. Those girls appearing in

the show were all individualistic. They despised traditions and authorities, and they got very excited to have an opportunity to show their uniqueness.

I was convinced that the show was exactly the one we needed. It occurred to me that the show and our target product were indeed associated innately. Yogy Milky drink was sour and sweet, with the former taste representing failure, or a defeat, while the latter standing for the joy of success. The show was all about these feelings of sour and sweet. When one was voted out, she felt the sourness of defeat. But at the same time, she certainly felt proud of herself for she succeeds in proving herself. In that sense, none of the participants ever failed. It entailed a sweetness. In this way, the flavour of Yogy Milky drink could be extended to become a unique feature of the show. Flavours were then associated with emotions inherently.

We can promote a product from functional perspective or emotional perspective. Many advertisements of Nike fall into the second category. Nothing is said about the good quality of the trainers. But once you wear them, you feel like walking faster and jumping higher. Actually, you are not jumping any higher than usual. Something emotional makes you feel different. In the case of Yogy Milky drink, the taste became an emotion when a girl said to herself, “I love ‘Super Voice Girl’ and all ‘Super Voice Girls’ love Yogy Milky drink.” “I Am Sour and Sweet”, the product slogan said. It was what the girls were thinking when they drank our Yogy Milky drink and watched the show.

UTILISING EVENTS AND NETWORKS

To do a good promotion, you can utilise big events. Pepsi made many eye catching advertisements. But the cost of an advertisement is as high as RMB30,000 for 15 seconds. To launch big events costs huge efforts. To make good use of big events is MENGNIU’s preference. The most recent example is the space shuttle, SHENZHOU 6. The new packaging was ready before SHENZHOU 6 landed. Once the space journey was accom-

plished and the astronauts hit the ground, all shops were filled with MENGNIU products in new packaging the next day. In the same way, the show of “Super Voice Girl” was closely connected with the product. Through the performances of those girls in the live shows and the replays, the target product continued to be interpreted and its cultural connotation reinforced. Therefore, the best way to promote is to utilise big events instead of initiating them.

The biggest strength of “Super Voice Girl” lies in the idea of “three nets in one”. There are three network systems in China, including television network, Internet, and the tele-communication network, i.e., the mobile phone network. TV network is the most entertaining one at the moment. Internet, although serving as a communication platform, cannot determine the fate of the contestant. Mobile phones can help one to express his opinion and to vote for or against a contestant. In this show, no individual group could ever dictate the destiny of a contestant. The audience judges, the professional judges, and mobile phone votes added together to make the final decision. Why did Li Yuchun win in the end? The simplest reason was that she was “the champion of text messages”. All her fans are teenage girls. On the contrary, those who like Ji Minjia are much older and that is why she did not win.

Lastly, I would like to talk about interactive marketing. Now we have entered a multi-media age. Various media come closer to the consumers to engage more interactions. “Super Voice Girl” is an experiment and a very good starting point. Modern business patterns shift very quickly. The great Microsoft was easily overtaken by Google, the new business Giant. In this times of changes, consumers’ behaviour changes quickly as well. If we keep doing marketing in traditional ways, we probably will fail to hit the target. If I could do “Super Voice Girl” for a second time, I would do it better. I might create a game, a super PK. We might be able to earn much more profits through the game than we could through the advertisement.

MENGNIU STRATEGY

In the early stage of “Super Voice Girl”, MENGNIU launched a large number of public campaigns throughout its distribution network in the whole country. Then, we started the first round of contest in Guangzhou in March, because it was getting warmer much earlier than other areas and soft drink market was therefore boosted first. In April and May, Chengdu and Hangzhou saw the launching of another two rounds. The last one was in Zhengzhou, where there was a huge market. And with its convenient location, Zhengzhou attracted a large number of contestants. In order to give full support to the show, MENGNIU created a website and also displayed the advertisements on lamp boxes and on automotive bodies.

On our own website, we put on our web various links, colour rings, games and reports. Of course, the product itself was improved as well.

We were directly involved in the production of the show, working together with the team to deliver the best performance. The advertisement of MENGNIU Yogy Milky drink was not put up explicitly in the show, for the consumers dislike adverts. The more adverts put in the show, the smaller audience would have watched the show. Both parties involved in the show, namely, MENGNIU and the TV show team, reached a tacit agreement on it.

Besides, without a strong executive power, it is impossible to do the marketing in China. The boss of MENGNIU keeps saying that the change of one staff member will double the efficiency of the whole business; the change of the work process, ten times; and the change of the culture, a hundred times. The executive competence is indeed a key to a consumer goods company.

MORE SECRETS OF THE SUCCESS

The success of “Super Voice Girl” can also be attributed to the efficient procedure of decision-making. When I told Yang Wenjun, who was in charge of the project, about the show, he was uninterested in it,

but after I had explained the situation and convinced him that the chance of success was big, he agreed to go to Changsha with me to negotiate with the producer of the show. We reached an agreement right after the talk. So, decision-making is indeed vital. Of course, to make this decision required more than audacity. There were many careful and detailed preparations involved, for it was the first time for the show of “Super Voice Girl” to be put in a market as big as China. I always emphasise that marketing is based on accurate numbers, I mean, on careful evaluations and analyses. You can’t rely on your intuition and do without all those analyses. It was after careful preparation and packaging design that we became confident of the success.

Another reason for choosing “Super Voice Girl” is that the year 2005 began with a piece of blank paper, with neither big sports events, nor sensational political news, nor disasters. It was an opportunity to create a focus for a vacant platform and to attract the attentions of as big audience as possible. It was really unusual for a show like “Super Voice Girl” to catch such a huge audience, given the fact that the show was open to anyone who can sing.

“Super Voice Girl” was not made by me alone. There was a great team behind it. MENGNIU made it possible by investing the money. Hunan Satellite TV did the production, for MENGNIU is not an expert in doing a show, although it knows how to make milk products. The goal of RMB2 billion sales drove me forward and forced me to come up with some ideas. Also, the show itself was already there for us to use. So many people were involved, from the top executives to the front line staffs, as well as media and designers. I was only a team member. What I could do is limited. You had better pool together all the resources and listen to different advices. For example, the slogan, “I Am Sour and Sweet”, was made up by a vendor.

But it is true that “Super Voice Girl”

is a milestone. It brings about inspirations for those who do marketing and those who produce TV programmes. It makes them think about how to industrialise the entertainment and to utilise all resources in the industry.

The biggest advantage of “Super Voice Girl” is that it can benefit everyone. Entertainment is an industry. Perhaps just because it is an industry poorly developed in China, we were able to emerge as a huge success. Looking back at the impact made by the show and the way various media worked, there are a lot more we can learn. Now I entered new media industry and discovered many new ways of doing business. For example, when people were voting for Li Yuchun, they surely would be happy to pay two Yuan for downloading one of her songs if given the chance. In the future, many mobile phones will be simultaneously MP3. There are at least 0.8 billion TV audience in China, among whom 0.4 or 0.5 billion people have seen or listened to the show and 0.2 billion of them might be the fans. Selling them those songs of “Super Voice Girl” will be easy.

Q&A

Q: Could you tell us more about your jobs in MENGNIU and Linktone?

A: I am actually a passer-by in MENGNIU. I can't identify myself with its culture. I prefer more innovative work. Before I left MENGNIU, Mr. Yang, the VP of MENGNIU, said to me, “It is a shame that you leave. But you don't belong to us. You are not the type of person MENGNIU would have produced, for you have divergent thinking, and our system cannot handle it.”

As to Linktone, it is a listed company, although it is small. We do Internet and mobile phones. Mobile phones will be a strong product. Human beings created many things, of which I think mobile phone is among the top three. A modern person might be OK without surfing the Internet or watching TV for a few days. But it is bound to be unbearable for him to live 24 hours without his mobile. Mobile phones bring tremendous opportunities including new media, new entertainment and new business models.

able for him to live 24 hours without his mobile. Mobile phones bring tremendous opportunities including new media, new entertainment and new business models.

Q: Quite a few companies were involved in “Super Voice Girl”. Did you have competition with others? You said you were “forced” by MENGNIU to come up with the idea. If nobody pushes us, how shall we keep digging out the potential of this huge market?

A: Our life is like a PK game. I will never leave this platform where I play a real PK every day.

In some aspects regarding “Super Voice Girl”, we did a great job. But in some other aspects, we did not do well enough. There are some lessons we can learn. Even if you have a wonderful strategy and plan, you will not succeed when you fail to do any of the following jobs, such as putting together all resources, fully understanding the media operation, paying enough attention to every detail, spotting a good timing, materialising the concept of the project, and having the ability to carry out the plan. There are numerous opportunities in China's market today, and will be more in the future. Also, the emerging of Internet, mobile phones and 3G will all bring about business opportunities. “Super Voice Girl” is nothing but a starting point.

Q: Pan Gang, the president of Yili is now a student at CEIBS. Suppose you were Pan Gang this summer when “Super Voice Girl” saw the unprecedented popularity, what would you do to respond to the challenge?

A: Up till now, Yili's Yogy Milky drink still sells more than MENGNIU does, for they have laid a firm foundation. For example, distribution is still an essential factor. Though MENGNIU's products sell quickly, but its distribution is not as good as Yili's. There are some places that Yili reached but MENGNIU didn't. One thing I admire them is that you can find Yili's products even on the top of Yellow Mountain. Pan Gang is originally from Coke Cola and is very good at setting up a good distribution network. He is excellent. He is even younger than I. Yili did

try many moves in the summer. They put up adverts in Hunan Satellite TV. In fact, most adverts in the show were Yili's. But then they found that it did not help. So they went to Anhui Satellite TV instead and planned to make a show as well, but ended up with nothing. If I were Pan Gang, I would focus on basic and fundamental jobs and do them better. By doing so, I might not be able to overtake MENGNIU for the moment. But as long as I strengthened my distribution network and kept all the vendors, I could fight back next year, for it is impossible to create a show like “Super Voice Girl”. If I could not come up with a novel thing, I had better consolidate what I have already gained. It does turn out that Yili took such a policy leading to the sales of RMB2.8 billion, while MENGNIU earned RMB2.5 billion.

Q: You mentioned earlier that you have had experience of over 10 years in marketing. What about your study at CEIBS? Apart from practical experience, did the knowledge you learned here help in “Super Voice Girl”,?

A: I worked in Kodak for nine years and opened my own business twice: one was an advert company, the other was a vendor. Then I stayed in MENGNIU for one year. Now I started to do Internet business. Up till now, I have tried most business areas emerging over the last 20 years after China opened the door. These experiences help me to see things from different perspectives. If I never ran a business or never failed before, I would surely be kicked out by MENGNIU. They would have decided that I was crazy spending RMB100 million in the project!

Certainly, my study at CEIBS helps a lot. I studied for two years and made many friends during that time. CEIBS is a best platform of communication. In those days, I learned many things even when chatting with friends at CEIBS. **THELINK**

The author is an alumnus of EMBA97. He now serves as VP of Linktone Ltd. based in Shanghai.

Sun Jun was invited in November by the Marketing Club of CEIBS to share with his alumni his experience in planning “Super Voice Girl”. This article is based on his speech.

Drucker and Our Era

By Gary Liu

Peter Drucker's profound influence on modern management unequivocally proves that thoughts of a great thinker can be enduring forever in history. Zhang Ruimin, CEO of Haier, refers to Drucker's works as a beacon, and he even innovated, on the basis of Drucker's “MBO (Management by Objectives)”, a management system known as “OEC (Overall, Every & Clear)”. As a matter of fact, what really matters is not how many Chinese entrepreneurs have read Drucker's works but the fact that no one could have built up an excellent organisation without following Drucker's management laws. Jim Collins, one of the authors of *Built to Last: Successful Habits of Visionary Companies*, puts into simple words the greatness of Drucker's works is fundamentally true. It is not an exaggeration that all rise and fall of enterprises are within the explanation of Drucker's theories. When many Chinese entrepreneurs are crazily quoting Jack Welch, they might not know that Welch is a keen follower of Drucker and a practitioner of his theories. Many people are familiar with GE strategy of “No.1 or No.2”, without knowing how it progressed to “Redefining Market” and further to “Providing Solutions to Consumers”, let alone the fact that Drucker's “The Theory of The Business” is the very theoretical foundation of GE's strategic evolution.

China's opening & reform released relentless energy for the emerging of a large group of excellent enterprises, including Haier, Huawei and Lenovo. However, their successes largely rely on the gorgeous market opportunities created by the opening & reform rather than strong organisation capabilities. In other words, these companies succeeded not because they have done excellent jobs but because all others have done too lousy jobs. It is no wonder, then, when these companies went to the global stage only to find out that what they have is nothing more than cost advantage. The *Business Week* was outspoken in commenting on the deal of Lenovo buying IBM's PC arm. It says that the whole deal is more like Lenovo outsourcing its management to IBM while IBM outsourcing its manufacturing to Lenovo. When a foreign student asks, "If MNCs become more localised and fully capitalise on China's low cost resources, will there be any advantages left for Chinese domestic companies?" I find it hard to comfort Chinese entrepreneurs.

From a historic perspective, of course, it is not difficult to understand this embarrassing situation of Chinese companies. Both the turbulence caused by "Cultural Revolution" and setbacks generated by ideologies in education prevented China from accessing to modern management science for a considerable period of time. But now, China is transitioning from the stage of "factor-driven" and "investment-driven" to the stage of "innovation-driven", with MNCs like Dell are swarming in to compete with domestic companies. Chinese entrepreneurs have no choice but to face up to the utmost importance of management. The mushrooming of domestic business schools reflects the desire of Chinese managers to have more management knowledge. Fortunately, we have Drucker. Drucker's thoughts are like a huge mirror, helping us to spot our weaknesses and guiding us to enhance our organisation.

The three tasks, five jobs and eight areas Drucker identified for managers demonstrates how comprehensive, fundamental and pragmatic his theories are. Numerous Chinese companies practice these theories, whether consciously or unconsciously. Drucker points out that customers deter-

mine what a company is like. A varied version given by Ren Zhengfei, CEO of Huawei, says that the sole reason for the existence of Huawei is to serve its customers. Haier gave another version by producing washing machines specially designed for farmers in Chengdu to wash vegetables. Lenovo manufactures PCs affordable for ordinary households, while Galanz's microwaves make way to thousands of households with very low price. Nonetheless, only a few aspects in Drucker's system are put to practice by Chinese companies, may it be Lenovo's "management selection, strategy development and team building", or Huawei's "Basic Law" or Haier's OEC. More worrying is the fact that leading Chinese companies are still in the visible or invisible hands of first-generation leaders (founders), with no exception of Haier, Huawei, Lenovo or Galanz. It is high time for Chinese entrepreneurs to find a way of setting free the organisations from the shadow of the founder's ego, and building up sustainable and innovative organisation capabilities. The solutions can be found in Drucker's works.

Chinese companies will come to have a sense of inferiority when looking into the mirror of Drucker's thoughts. Drucker observed that a great enterprise must have a unique mission to guide its business and on this basis go on to establish its core competence. But Chinese companies are more devoted to increasing their sales revenue so as to enter the list of top 500 companies. Drucker pointed out that social responsibility is one of the three tasks of a corporation, while many Chinese companies are busy claiming to be "clean" in making fortunes, which few people ever believe. Drucker identified "five habits" that an effective manager should have, while more Chinese executives equal busyness to high efficiency. Drucker said that a core quality of any company is innovativeness while more Chinese companies are sophisticated at copying and waging price wars. Drucker points out that a company has only one true resource: people, while Chinese government is afflicted by the task of obliging irresponsible companies to pay the overdue wages of migrant labours. When Yu Yaochang, the vice president of Galanz, commented that French workers work 24 hours a week, but we do 24 hours a day, shall we feel proud of Chinese diligence

or feel sorry for Chinese toil? Just because of lacking knowledge of management and business operation, Chinese companies pay more attention to external factors, and take "guanxi", M&A and marketing tactics as major sources of competence. The result is the short-lived stars such as D-long, Sanzhu and TCL Mobile. In fact, competition in business world is an enduring war, and the company which owns the most powerful organisation capabilities will be final champion.

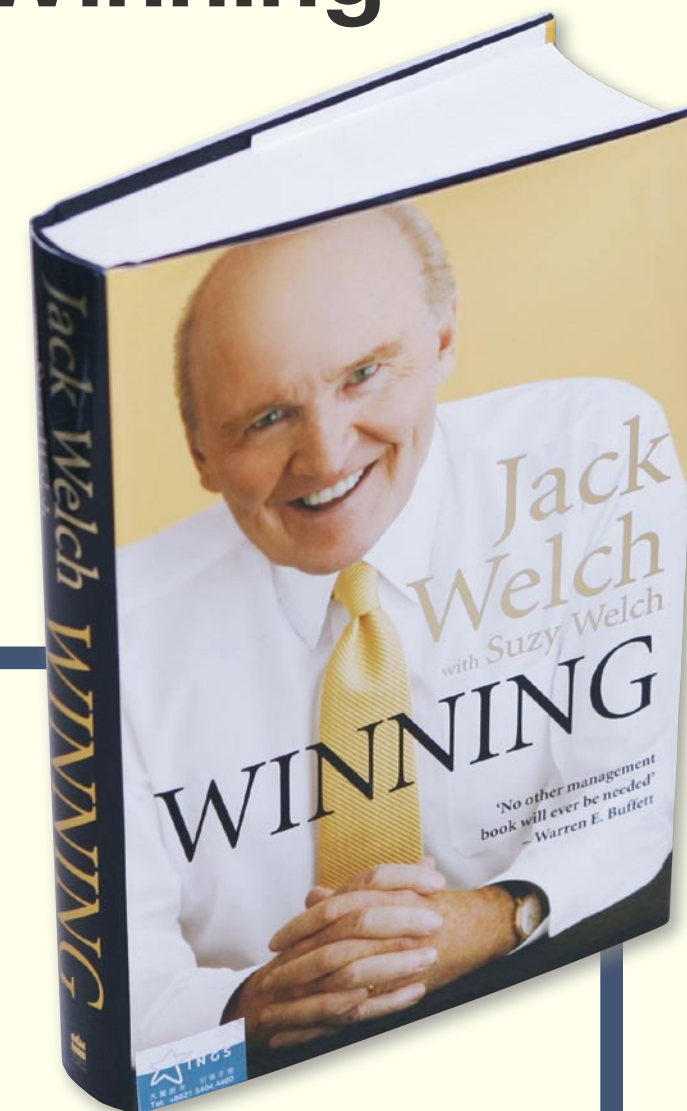
Taking a closer look, we will find that every single idea of Drucker is stinging the nerves of Chinese managers. We Chinese do no lack intelligence. What we are short of is the profound understanding of organisations and business operation. If holding onto the old ways, which might have led to earlier success luckily, Chinese companies are to lose sadly when competing with MNCs. It is a must for Chinese companies to seriously follow Drucker's instructions, to grasp his works, such as *The Practice of Management* and *Management: Tasks, Responsibilities, Practices*, and to build up strong managerial capabilities. We should put aside our oriental pride, have less vain talking and ask more practical questions: What does our company exist for? What shall we do and not do? Do we have core competence? What is our strategy? Is our corporation a good corporate citizen? If a Chinese company is fortunate enough to thoroughly grasp Drucker's theories and put them into practice, then it is not a dream to surpass GE and Jack Welch.

Drucker is an internationalist, disseminating his theories on the global stage with every effort and encouraging people everywhere to adapt those theories to local realities and to make innovations. Japan is a good example for applying Drucker's theories, where executives greatly worship Drucker. As for China, Drucker gave the insightful observation that the central challenge for China's development is to have a pool of effective executives.

We have enough reasons to feel lucky to live in Drucker's times. Although the guru is now gone, he will never be alone. **THELINK**

The author is Assistant Director of the Case Development Centre at CEIBS.

Winning



Here's a passage from Chapter 5,

Leadership: It's Not Just About You.

'One day, you become a leader.

On Monday, you're doing what comes naturally, enjoying your job, running a project, talking and laughing with colleagues about life and work, and gossiping about how stupid management can be. Then on Tuesday, you are management. You're a boss.

Suddenly, everything feels different - because it is different. Leadership requires distinct behaviors and attitudes, and for many people, they debut with the job.

Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.'

Jack Welch has become one of the most quoted author in business world. After the success of two memoirs, *Jack: Straight from the Gut* and *Jack Welch & The G.E. Way*, he is back at the writing table and produced a book entitled *Winning*, co-authored by Suzy Welch. The Massachusetts native who fought his way to the top of the world's most valuable company was in many ways the embodiment of *Winning*. In this latest book, he strives to show why.

Winning describes the management wisdom that Welch built up through four and a half decades of work at GE. He starts with a foundational section on motivation and philosophy, giving an overview of cultural values such as candor, differentiation among employees, and inclusion of all voices in decision-making. In the second section he covers issues around one's own company or organisation: the importance of hiring, firing, the people management in between, and a few other juicy topics like crisis management. From there, Welch moves into a discussion of competition, and the external factors that can influence a company's success: strategy, budgeting, and mergers and acquisitions. Welch takes a more personal turn later with a focus on individual career issues--how to find the right job, get promoted, and deal with a bad boss. He spent the final section on what he calls "Tying Up Loose Ends." Those interested in the human side of great leaders will find this last section especially appealing. Welch's optimistic, no excuses, get-it-done mind-set is riveting. Packed with personal anecdotes and written in Jack's distinctive no b.s. voice, *Winning* offers deep insights, original thinking, and solutions to nuts-and-bolts problems that will change the way people think about work. **THELINK**

Adapted and revised from the Editorial Review at Amazon.com

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