

CKGSB

CHEUNG KONG GRADUATE SCHOOL OF BUSINESS

FALL 2011



CHINA GOES WEST

CKGSB OPENS LONDON OFFICE
NEW EUROPEAN
ADVISORY BOARD ANNOUNCED

HOW DOES CORPORATE
TRANSPARENCY INFLUENCE
STOCK RETURNS?

CHINA'S SUPPLY CHAIN
MANAGEMENT CHALLENGES

DO BEIJING'S VEHICLE
RESTRICTIONS DAMPEN
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CKGSB
长|江|商|学|院MESSAGE
FROM
THE DEAN

At CKGSB we know that the future of management education will belong to those organizations that establish global learning platforms. It was, therefore, with great pleasure that we celebrated the ceremonial launch on September 6 of CKGSB's European branch in London—the first milestone in CKGSB's transformation into a truly global institution.

It is fitting that CKGSB is the first Chinese business school to embark on this westward journey. After all, we are ourselves unprecedented: China's first independent, not-for-profit and faculty-governed business school. In Europe we will continue building an international platform to bridge the knowledge gaps that frustratingly remain between nations with different cultures, resources and levels of development.

These intellectual bridges are being built by CKGSB's world-class faculty. Fixtures in the world's top academic journals, CKGSB professors use their deep expertise to generate original insight on Chinese business and management. As authorities on China, they not only know the dynamics of competition and collaboration between state-owned enterprises, joint ventures and multinational corporations, they also grasp the implications of China's emergence on the world economic landscape. As Chinese businesses globalize and emerging markets move to center stage, our faculty is playing a crucial role in helping companies from around the world adapt and thrive.

Leveraging this world-class faculty and its insights on China and other emerging markets, CKGSB already offers innovative executive education courses with top business schools throughout the world. CKGSB's new European branch will offer executive education programs that link Western executives with business leaders who are shaping China's economy directly, as well as linking Chinese executives to global business leaders. China's economic transformation does not just affect companies with operations in China, but also companies in Europe and around the world that want to understand the impact of China's entry into global markets.



Our unrivaled alumni network provides a tangible link between East and West. CKGSB's more than 4,000 alumni include leaders of industry and pioneers of China's new economy—they have on-the-ground experience in the world's most exciting emerging market. For them, China's past thirty years of reform is no abstract phenomenon, so they are well-placed to lead this next phase of China's economic growth. Whether publicly listing on stock exchanges, acquiring equity in companies or partnering with other firms, our alumni are increasingly integrating into the fabric of global business.

After fewer than ten years, not only has CKGSB's westward move placed us at the forefront of a new model of global business education, we are also pioneering the teaching of social conscience in Chinese business. At CKGSB, we inculcate our students with more than just the strategies—the "how to"—of financial success. Our curriculum also integrates humanities courses to help ask the more important question of "Why do we do business?" We nurture a long-term, values-based view of business education because we know that with China's growing economic heft also comes responsibility—a view that I believe the rest of the world will appreciate. ■

CKGSB Dean Xiang Bing

CKGSB GOES WEST

“The emphasis thus far in business education has been what the West can export to the East—and China has perhaps been too modest about its own role as a creator and disseminator of knowledge,” said Sir Victor Blank, Business Ambassador for UK Trade and Investment, at CKGSB’s ceremonial launch in Europe on the evening of September 6. “CKGSB is at the leading edge of this movement.”

CKGSB’s official entry into the European market was a crucial milestone in the school’s globalization. Such endorsements from Sir Victor, among other high-level business leaders, politicians and non-profit representatives, were key to ensuring that CKGSB came to Europe with strong support.

With the launch of the London office, CKGSB’s goal in the European market is to broaden the reach of its executive education programs, and eventually, to offer globally focused degree programs in Europe. It does so with an eye towards filling knowledge deficits in the West about Asia and emerging markets—thereby contributing to a global business environment of mutual cooperation, respect and prosperity.

Speakers at the launch ceremony praised CKGSB’s mission of bridging gaps in knowledge and culture in today’s shifting global economic order—especially with regard to China, the largest emerging power of all. The speakers included Lord Green of Hurstpierpoint, UK Minister of State for Trade and Investment; Lord Patten of Barnes, Chairman of the BBC; Liu Xiaoming, Chinese Ambassador to the UK; and Solina Chau, Director of the Li Ka Shing Foundation.

“The role of business schools in general is much more complex, much more subtle, much broader than it used to be, as they seek to train the leadership of today and indeed the leadership of tomorrow,” noted Lord Green in his address.

Liu stated of the European launch ceremony that, “What we witness today is a new milestone in commercial and educational cooperation between China and Europe.” He went on to say that CKGSB has, “every potential to become a thought leader in China-Europe business cooperation.”

Solina Chau and CKGSB Dean Xiang Bing laid forth CKGSB’s vision of a sustainable and socially responsible future. “If entrepreneurs see the creation of social value as equally important to the creation of wealth, they can develop innovative solutions to global problems,” said Chau.

In his speech, Dean Xiang stated, “We’re concerned with far more than just how to make more money. We’re concerned about the issue of why we do business in the first place.”

The high-caliber speakers were matched by the audience. A group of 40 CKGSB EMBA students in attendance comprised an impressive showing of current and up-and-coming Chinese business leaders from a range of industries. Among the European business leaders in the audience, several, such as Sir Victor, were also incoming members of CKGSB’s newly formed European Advisory Board. ■

“The emphasis thus far in business education has been what the West can export to the East—and China has perhaps been too modest about its own role as a creator and disseminator of knowledge,” said Sir Victor Blank.



To mark its new presence in Europe, CKGSB announces its European Advisory Board, whose members have deep global business experience.

Sir Victor Blank

UKTI Business Ambassador

Country Advisor in the UK to TPG Capital, Sir Victor Blank has made significant contributions to the UK banking and finance sector over an extensive career in a diverse range of fields. Under each of the last two governments, Blank has served as Business Ambassador for UK Trade and Investment.

Charles-Edouard Bouée

President

Roland Berger

Charles-Edouard Bouée is the President of Roland Berger Strategy Consultants, Asia and a member of the firm’s Global Executive Committee. Bouée is also an economic advisor to the French Government (Conseiller du Commerce Extérieur) in China, and a member of the Shanghai board of the European Chamber of Commerce in China.

Dr. Karl-Ulrich Köhler

CEO

Tata Steel Europe

Dr. Karl-Ulrich Köhler is the Chief Executive Officer and Managing Director at Tata Steel Europe. Dr. Köhler is a former member of the executive committee of the World Steel Association, the Vice Chairman of VDEh, the German Iron and Steel Institute and has held many leadership positions within the steel industry.

Michael Queen

CEO

3i

Michael Queen is Chief Executive of 3i, a global private equity investment group with over \$20 billion in investments worldwide. Queen specializes in the healthcare and financial services sectors and from 2000 to 2003 was Chairman of the British Venture Capital Association. ■

James Richards

Group Director China

De La Rue PLC

James Richards has been the Group Director at De La Rue PLC, China since 2010. Richards has previously held advisory and directive roles at Rolls Royce and diplomatic positions with HM Diplomatic Service, working closely with prominent British leaders such as Margaret Thatcher as an official Chinese interpreter.

Dr. Ralf Speth

CEO

Jaguar Land Rover

Dr. Ralf Speth is the Chief Executive Officer of Jaguar Land Rover (JLR Group – Tata Motors). Dr. Speth has over 22 years of experience in the European auto industry having held previous positions at Land Rover (BMW), Ford Ltd. and the Linde Group.

Malcolm Sweeting

Managing Partner

Clifford Chance

Malcolm Sweeting is the Managing Partner of global law firm Clifford Chance. He has been a partner in Clifford Chance’s Finance Practice since 1990. He has also been a leader of the London Banking Group and was previously a member of the Firm’s Partnership Council (1991-1993).

Sarah Turvill

Chairman

Willis Group

Sarah Turvill is the Chief Executive Officer and Chairman of Willis International, part of global insurance broker Willis Group. Turvill has previously worked in the Emerging Markets and International Operations subsidiaries within Willis Group. Ms. Turvill has been Chairman of Willis International Holdings Limited since November 2006 and serves as its Director. ■

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Prior to the launch ceremony, Alan Coppin, Chairman of The Retail People, former Chairman of the Prince's Foundation and CEO of the Historic Royal Palaces gave a presentation on organizational effectiveness to CKGSB EMBA students.



In his speech, CKGSB Dean Xiang Bing reaffirms the school's commitment to corporate responsibility.

THE EVENING IN PICTURES

On September 6, CKGSB held a ceremonial launch for its European office at Spencer House, London.



CKGSB Associate Dean of Global Programs and Professor of Marketing Sun Baohong delivers a talk on the business implications of social media in China.



Introductions between Solina Chau, Director of the Li Ka Shing Foundation [left] and Liu Xiaoming, Chinese Ambassador to the UK.



Lord Patten of Barnes, Chairman of the BBC Trust and Chancellor of Oxford University with Stephen Barter, Chairman of London and Shanghai Holdings Ltd.



Lord Green of Hurstpierpoint, UK Minister of State for Trade and Investment, spoke about the importance of UK-China ties.



From left to right: Patrick O'Connell, President and CEO, Federal and Central Transformations at CH2MHILL; Stephen Barter, Chairman of London and Shanghai Holdings Ltd; Xiang Bing, CKGSB Dean; and Jack Yu, International Policy Advisor, North Asia & Pacific at The Law Society of England and Wales.



CKGSB EMBA students enjoyed tea in Spencer House prior to the start of the launch ceremony.



CKGSB Assistant Dean Andrew Luo [center] at the EMBA tea in Spencer House's dining room.



CKGSB Assistant Dean Zhou Li.

SUN BAOHONG



Associate Dean of Global Programs
Dean's Distinguished Chair Professor of Marketing
Ph.D., University of Southern California

WHAT CAN A CHINESE BUSINESS SCHOOL OFFER THE WEST?

Associate Dean Sun Baohong shares CKGSB's goals with its unprecedented move westward.

After nearly a decade of innovating management education from within China, CKGSB has now taken the next step by establishing a platform in Europe for its expertise and networks, based out of a new office in St. James's Square, London. CKGSB Associate Dean of Global Programs, Sun Baohong shares her thoughts on what this unprecedented move means for CKGSB, and for China. Sun was born and raised in China before going on to earn her Ph.D. at University of Southern California. Before joining CKGSB as Dean's Distinguished Chair and Associate Dean of Global Programs, Sun was Carnegie Bosch Professor of Marketing at the Tepper School of Business at Carnegie Mellon University, and consultant to some of the West's most recognizable brands.

CKGSB is the first Chinese school to expand westward with the September 6 launch of its European operations. What does the school hope to achieve with this move?

After nine years of rapid growth in China, CKGSB is ready to go global with a platform that links our China and emerging markets insight to the global economy. CKGSB is a pioneer in this respect. Many are surprised to hear that a Chinese business school is moving into Europe, which runs counter to the trend of Western universities expanding into China.

To help people better understand CKGSB's global initiative, we need to explain our targeting and positioning strategy. We are not a Chinese business school – we strive to be a global business school with an emphasis on East Asia and emerging markets. Our mission is to develop knowledge on global business and understand how Asian and emerging markets integrate into the global economy. The opening of the Europe branch will

facilitate research, teaching and exchange activities that help us achieve this educational mission.

How can the expansion bolster CKGSB's global knowledge base?

Our European branch will be an international platform that connects the research and business communities in Europe and China with our world-class faculty and influential alumni network in order to facilitate the identification, development and exchange of new knowledge on global business management. We have identified three broad knowledge areas where CKGSB can offer particular insight.

First, as China's domestic economy continues to grow, many multinational companies face new competition from local companies. Gone are the days when foreign companies could make double-digital growth by simply identifying a business opportunity and exporting a product and strategy to China. In order to continue their legacy in China, MNCs need to develop deep and insightful knowledge on local "grassroots" Chinese consumers and companies.

Second, the ranks of Chinese companies with global aspirations will increase over the next decade. CKGSB aims to support Chinese companies and alumni going West. We will foster collaboration between European and Chinese companies and develop knowledge on international collaboration, managing global brands, catching up on R&D and improving the global competitiveness of Chinese companies.

Finally, since it was founded CKGSB has partnered with leading global business schools, and we see a lot of potential with this move to continue developing strong relationships with top European institutions. This expansion will significantly enhance our collabora-

tive abilities by delivering our unique knowledge, world-class faculty and influential alumni network directly to our European partners. We also have a nascent North American operation based out of New York that will do the same thing there.

Western universities are eager to establish operations in China – it has become an imperative to have a presence in China for businesses and universities alike. What is CKGSB's advantage as a Chinese business school in the West?

When Western universities expand into China, most of them adopt a brand extension strategy. They offer their educational services and MBA/EMBA diplomas to Chinese students without much adaptation of the content. As the first Chinese business school going West, our mission, target audience, content and value propositions are very different from Western universities going East.

Our mission is to generate and deliver knowledge about the global economy with an emphasis on East Asia and emerging markets. Our target audience is high-level decision-makers from the West who want to know what new role China and other emerging markets will play in the new decade—not the role they played in the past or are now playing. The insights delivered by CKGSB's faculty into the transformation of Chinese businesses in the global economy are unrivaled because our faculty is the most qualified to speak on this subject.

The bulk of our faculty members were born and raised in China and have established their careers at top U.S. or European business schools. After establishing their careers abroad, they have returned to CKGSB for resources and direct access to study Chinese business in the same way they once studied leading Western companies. After nine years, we have accumulated a great wealth of insightful research related to China, East Asia, emerging markets, and the global economy. As authorities on global business, our faculty also know China and Asia from inside out. They carry global perspective with them into their classrooms at CKGSB. Many business executives who have taken classes in China greatly appreciate our faculty using their own cases to explain China-specific situations and bring in guest speakers from our strong alumni network to share their best practices.

Also of importance, CKGSB has established a strong and influential global alumni network. As our alumni include key industry leaders and innovators in Chinese business, this is a unique advantage that CKGSB offers to the West. Among our alumni are some of the West's best-known Chinese business leaders, including Jack Ma of Alibaba. Equally crucial are our numerous alumni whose names are not widely recognized in the West, but who are in various capacities—from manager to CEO—helping to reshape entire industries in China. The companies and brands that CKGSB alumni are building today will be global players tomorrow. Our unique alumni network will afford CKGSB extraordinary opportunities to foster mutual understanding and cooperation in the global business community.

You bring a great deal of expertise on the differences in Chinese and Western conceptions of branding. From your perspective, what



is CKGSB's short- and long-term strategy for entering the European market and establishing itself in the global market?

In the short term, we will offer customized executive training and open enrollment programs targeting high-level executives. In the long term, we will work with top European business schools to develop a global EMBA program. This will offer students opportunities to gain 360-degree insights into global management education—to include economics, political and legal environments, culture, and the humanities. With original content, new values and innovative features designed into these programs, what we offer will be one-of-a-kind in global business education.

CKGSB will be different in terms of brand management strategy. As a non-profit educational institute, CKGSB's global mission is to generate new knowledge and create impact among business leaders. Like all of those who are the first to tread a certain path, we will meet unexpected challenges along the way. Even though our brand is strong in China, we are still new and relatively unknown outside China. We want to gain international recognition as a global business school with unique insights into East Asia. To achieve this, we will work closely with our European Advisory Board to identify new business challenges faced by multinational companies going East and Chinese companies going West. Our faculty is well positioned to address these new issues through rigorous research. We will host regular events for business leaders from Europe and Asia, our world-class faculty and influential alumni to share ideas and find areas for potential collaboration. Our goal is to build an international platform that enables continuous knowledge generation, idea exchange and business networking opportunities. ■

CKGSB Associate Dean Sun talks with Alan Coppin, Chairman of The Retail People, former Chairman of the Prince's Foundation and CEO of the Historic Royal Palaces at CKGSB's September 6 Ceremonial Launch at Spencer House, London.

“Demand among Chinese companies with global aspirations will increase over the next decade and we want our global growth to be a platform for that in the future,” says Sun.

MICHAEL QUEEN



Chief Executive, 3i

CKGSB European Advisory Board Member

EMERGING MARKETS ARE IMPORTANT TO EUROPE-CHINA TIES

CKGSB's progress in the European market in coming years will be aided by key figures such as Michael Queen, Chief Executive of UK-based international investment firm 3i and a member of CKGSB's newly formed European Advisory Board.

Michael Queen's position on the board was announced September 6 at CKGSB's ceremonial launch in London, along with board members Sir Victor Blank, Business Ambassador of UKTI; Charles-Edouard Bouée, President, Asia of Roland Berger; Dr. Karl-Ulrich Köhler, CEO of Tata Steel Europe; James Richards, China Group Director of De La Rue PLC; Dr. Ralf Speth, CEO of Jaguar Land Rover; Malcolm Sweeting, Managing Partner of Clifford Chance; and Sarah Turvill, Chairman of Willis International.

Queen joined 3i in 1987 and is currently the Chief Executive. He was previously Managing Partner of 3i's Infrastructure business and Global Head of Growth Capital. Queen is also a member of the British Prime Minister's Business Advisory Group.

We caught up with Queen in London at the European launch and asked him to share his thoughts on CKGSB's presence in Europe.

How did you first learn of CKGSB and what led you to accept the offer to serve on the European Advisory Board?

Having followed CKGSB since its inception in 2002, it is clear to me that it has huge potential and a lot to offer the global business community. I saw parallels between my role as an investor in businesses, where there is a significant focus on growing companies (often through international expansion), and the opportunity to serve on the European Advisory Board.

What role do you envision the Advisory Board playing in CKGSB's growth in Europe?

Together we bring substantial business experience and understanding of operating at the international level. I hope that we will be able to use the lessons that we have learned from our successes (and failures) to help guide the expansion of CKGSB. As senior members of each of our organizations, each of us also has an extended network of contacts. I expect that knowing whom to call on and when is something that will be of great use to the school in this phase of its development.

How can UK and other European business leaders benefit from CKGSB's presence in Europe?

CKGSB is offering direct access to China, a country which will shortly regain its position as the world's largest economy. This is a relatively unique position among business schools and I think there is a great opportunity for CKGSB to capitalize on this. That you now have a European branch will make it easy for business leaders to

tap into this resource – whereas before CKGSB in Beijing may have seemed a long way away from London, it will now be hard to ignore a valuable resource on our doorstep.

Many western business schools have set up operations in China, but CKGSB is an early mover going from East to West. What unique challenges do you think CKGSB will face in expanding into the West?

As with any business, breaking into a new market can be a tough task. Name recognition is an important aspect of the business school culture and CKGSB is going to find itself competing in a market with well-established Western brands – the likes of Harvard, INSEAD and London Business School to name a few. However, CKGSB has some natural advantages, particularly the quality of its faculty – which for the large part has been sourced from precisely those names just mentioned. Through successful partnership with European and U.S. business schools, I am confident that CKGSB will rapidly become a widely known and respected name outside of China.

As the leader of 3i, the first European firm allowed to raise private equity in China, what general advice do you have for companies looking to enter the Chinese market?

Companies need a detailed understanding of the geographies that they do business in. From my own experience, you will rarely find 3i making investments in countries where we do not have a local presence – we find we do much better deals when we fully understand what we are getting ourselves into! This is even more relevant for China, where there are great opportunities, but they are not the easiest to take advantage of – you really need to develop that local level of knowledge before you can hope to make a success of it.

It now seems all but certain that emerging economies, especially in Asia and the BRIC nations, will be the pillars of global economic growth for many years to come. What will Western business leaders need to do to adapt to this new economic dynamic?

You are right; a recent study showed that the combined GDP of the world's seven largest emerging economies is likely to overtake the GDP of the G7 on a PPP basis within the next 10 years. China itself looks set to displace the US as the world's largest economy sometime around 2018. However, this doesn't mean that Western countries will stop growing; they will still move forward, just at a slower rate than the emerging economies.

To succeed in the coming decades, Western businesses will need to embrace the growth of the emerging world rather than see

it as a challenge. As trade barriers fall, internationalization is going to become an increasingly vital factor in the success of any business and European companies need to be open to this.

You might easily take my own company, 3i, as an example – up until the 1980s, we invested almost entirely in UK business and had been doing exactly that since 1945. However, as financial markets became more international, so did 3i. We saw some great opportunities for investment across the globe, and expanded to take advantage of them. Such international growth has been a fundamental driver of our business in recent years and we now operate across four continents.

What do you see as the major knowledge deficits among Western businesses about doing business in emerging economies? And in China, specifically?

Companies need to be cautious not to show naivety when doing business in emerging economies. It is very easy for Western businesses to try and enforce business models that have succeeded in their home markets on emerging markets, but often there are fundamental differences, whether institutional or cultural, that prevent this from working. This is especially true for China, which has a very unique business environment that needs to be fully understood by any company wanting to do business there.

As a CKGSB advisory board member, can you share some advice on how the school can fill these knowledge deficits and contribute to a global business environment that is underpinned by mutual understanding, cooperation and prosperity?

I would advise the school to focus on its ability to educate Western business leaders on doing business in China. CKGSB is in an excellent position to be able to bridge the gap between businesses' ambitions to do business in China and the understanding required to be able to do so. Through well-designed executive education and experience, these two factors can be brought closer together. ■

It is very easy for Western businesses to try and enforce business models that have succeeded in their home markets, but often there are fundamental differences, whether institutional or cultural, that prevent this from working.

GAN JIE



CKGSB Professor of Finance

Ph.D., Massachusetts Institute of Technology

“Transparency, Price Informativeness, Stock Return Synchronicity: Theory and Evidence,” Sudipto Dasgupta, Jie Gan, Ning Gao, *Journal of Financial and Quantitative Analysis*, vol. 45, issue 5, 2010.

“Housing Wealth and Consumption Growth: Evidence from a Large Panel of Households,” Jie Gan, *The Review of Financial Studies*, vol. 23, issue 6, June 2010.* (Lead article)

*2011 Barclays Global Investors Michael Brennan Award Second Prize Winner

HOW DOES CORPORATE TRANSPARENCY INFLUENCE STOCK RETURNS?

CKGSB Professor of Finance Gan Jie has debunked the assumption that companies with less public disclosure have stock prices that reflect more market-wide information and less firm-specific information. Along with Sudipto Dasgupta and Ning Gao, Professor Gan has argued that stock prices are more affected by unknown information. Less transparent firms' stock prices will react more to new firm-related information than market trends, so their stock return synchronicity, the part of the variation in the stock return that can be explained by market information, will be lower. Investors will naturally have greater information about more transparent firms, so such stocks' price synchronicity will be higher.

In developing economies with imperfect information disclosure like China's, most stock prices tend to rise when the market is up and fall when the market is down. Financial economists have typically seen this as a clear case of less transparency causing higher stock synchronicity. The authors challenged this assumption.

“Our point is that a more transparent information environment can lead to higher rather than lower stock return synchronicity because stock prices respond only to announcements not already anticipated by the market,” the authors said.

The authors used rigorous quantitative analysis of seasoned equity issues, American Depository Receipt (ADR) listings and firm age to support their proposition. They examined corporate data that greatly varies over the short-term like earnings and data that change only slowly over the long-term like managerial quality. Large releases of short-term information before equity issues drive higher stock return synchronicity as uncertainty is dispelled. This is especially true when publicly listed companies issue new equity (seasoned equity offerings or SEOs) and cross list shares on other stock exchanges in addition to their original one.

According to the authors' research on U.S. firms from 1976-2004, facts that only change slowly over the long-term such as managerial quality have a greater impact on synchronicity for older firms because it takes many years for the market to discover and digest this information. ADRs lead to a 4% increase in stock return synchronicity after the ADR year, in contrast to being 4% lower in the year before the ADR listing. SEOs have a smaller impact, boosting stock return synchronicity by 1% in the one to two years after the SEO, in contrast to being 1% lower in the year prior to the SEO. Basically, synchronicity decreases before the information releases associated with ADRs and SEOs, but increases afterward.

“ADR listings are likely to be bigger information events than SEOs as the listing firms need to, in addition to usual disclosure, comply with SEC regulations that typically require more disclosure than exchanges in their home countries,” the authors said.

“Our model suggests a dynamic response of return synchronicity to an improvement in the information environment. At the time when new information is disclosed and impounded into stock prices, the firm-specific return variation will increase. But since a big chunk of relevant information is already reflected in stock prices, the firm-specific return variation of SEO and cross-listed firms will be subsequently lower,” they said.

Confounding the conventional wisdom, increased disclosure by public companies leads to their stock prices varying more due to market-wide data in the future than due to company-specific information. This is because their transparency today decreases the chance of surprise tomorrow. For investors, this is a welcome finding in volatile markets. For managers of public companies, it may lead to more pressure from investors for open disclosure and stable stock prices. ■

WHAT HAPPENS TO CONSUMPTION WHEN HOUSING PRICES DROP DRAMATICALLY?

Professor Gan Jie explored this question by examining the fluctuating real estate market in Hong Kong from 1992 to 2004. “Suddenly housing prices declined, followed by a drop in consumption that was larger than expected in relation to GDP.” But why was this? What does the housing market have to do with what we, as customers, consume?

Gan explored the effects that housing wealth and consumption have on each other in her article, “Housing Wealth and Consumption Growth: Evidence from a Large Panel of Households.” Gan's article was published as the lead article in *The Review of Financial Studies*. In addition, she was one of The Barclays Global Investors Michael Brennan Award winners for the article. She is the first female professor from CKGSB to win this prestigious award.

Gan's objective was to identify the effect of housing wealth on consumption. This area of research is important because the relationship between the two has not been fully understood and the topic has yet to be widely explored. Gan explained that one reason for this is a lack of relevant household data. “Previously, the effects of housing wealth on consumers weren't documented, since there wasn't good data on household consumption,” said Gan.

Initially, Gan also found it hard to secure data. Working closely with Hong Kong banks, however, she was given access to mortgage and credit card data that proved invaluable to the task. This data tracked the housing wealth and credit card spending of 12,793 individuals in Hong Kong. Encompassing nine Hong Kong districts, the dataset included 1.5 million housing transactions and 2.1 million mortgage loan originations between 1992 and 2004. Gan also tracked consumption growth through household credit card information provided by five large credit card issuers in the autonomous region.

While other research has tended to be based on small panel datasets, Gan's investigation was able to make full use of this detailed and large panel dataset. Although challenging at times, Gan realized the importance of her research. “Overcoming this challenge in data [collection] makes this research project academically valuable,” said Gan.

In her research, Gan focused on two main possible reasons why housing wealth has had an impact on consumption: the liquidity constraint and the precautionary saving motive. The liquidity restraint refers to the concept that increases in housing wealth relax borrowing constraints, resulting in a positive consumption response. The precautionary saving motive refers to higher housing value

that reduces the need for precautionary saving and thus increases consumption. In her research, Gan describes the liquidity constraint effect as being limited to individuals who refinance their mortgages, whereas the precautionary saving effect can potentially affect all households.

Gan found that housing wealth has a significant effect on consumption. The overall findings point to the importance of the precautionary saving motive that kicks in when housing value fails to appreciate. The paper suggests that in the absence of refinancing and relaxation of credit constraints, housing wealth can have a substantial impact on consumption.

This research has been important because not only is it applicable to China, but to other countries as well, especially those facing tough economic times. “The results in this paper illustrate a powerful channel through which housing price movements can be transmitted into the economy. In particular, they suggest that the current slowdown in the housing market in the U.S. may have an amplifying effect on economic growth due to reduced consumer spending,” Gan writes.

Gan's research was groundbreaking in the world of finance as no one had completed conclusive research on this topic. Not only was the vast amount of research impressive, but also the fact that it was conducted by a solo author.

Next, Professor Gan would like to turn her hand to researching the mainland Chinese economy. “My future research will also probably focus on Chinese economic issues,” she said. “The uniqueness of the Chinese economy is that if you dig deep enough, you can acquire great insights that can be applicable elsewhere and challenge conventional wisdom.” ■

In the absence of refinancing and relaxation of credit constraints, housing wealth can have a substantial impact on consumption.

BRIAN VIARD



CKGSB Assistant Professor of
Strategy and Economics

Ph.D., University of Chicago

MBA, Stanford University

“The Effect of Beijing’s Driving
Restrictions on Pollution
and Economic Activity,” by Brian Viard
and Fu Shihe, forthcoming.

POLICY FOCUS: DO BEIJING’S CLEAN-AIR VEHICLE RESTRICTIONS DAMPEN ECONOMIC ACTIVITY?

CKGSB Assistant Professor Brian Viard studied key trends in the economic and air quality effects of various driving restriction policies instituted by the Beijing government in the lead-up to and after the Beijing Olympics period in 2008.

EVEN EFFECTIVE POLICIES HAVE COSTS

Health-conscious Beijing residents were able to breathe a little easier soon after their city finished hosting the 2008 Olympic Games—but the fresher air may have come at a direct economic price to the city.

In October of that year the city announced that, following a brief lull, it would once again begin regulating the number of automobiles allowed on its streets, potentially lowering levels of harmful air pollutants.

In reality, these new post-Olympics driving restrictions were a near-evisceration of the rules that Beijing had earlier imposed leading up to and during the Olympics. Those restrictions had daily barred half of all private automobiles from roadways in the sprawling downtown area, except from midnight to 3 a.m. In contrast, the current incarnation of the restrictions would only bar one-fifth of vehicles on a given weekday and only from 6 a.m. to 9 p.m. The restricted time was subsequently reduced again to between 7 a.m. and 8 p.m. and remains in place today.

Nevertheless, CKGSB Assistant Professor of Strategy and Economics Brian Viard and research partner Fu Shihe of the Wang Yanan Institute for Studies in Economics at Xiamen University have demonstrated in a forthcoming paper that the current driving restrictions have in fact improved Beijing’s air quality. Though

other research has shown improvements in the city’s air quality, theirs is the first study to demonstrate the specific impact of driving restrictions while controlling for other pollution-reducing factors such as factory closures and upgrades in mass transit.

Drawing conclusions from statistical analysis of nearly three years’ worth of data from dozens of municipal air quality monitoring stations, Viard and Fu estimate that the current driving restrictions have led to an average 8% reduction in levels of particulate matter—one of the most harmful types of air pollution.

The immediate benefits to public health of even such a modest drop in pollution are indisputable: cleaner air means healthier lungs and fewer illnesses. But through the eyes of an economist, even well-intentioned and effective policies can carry concealed costs and inefficiencies—as is suggested by the title of the paper: “The Effect of Beijing’s Driving Restrictions on Pollution and Economic Activity.”

“It was clear that the driving restrictions had [lowered] pollution levels,” says Viard. “So we started looking in more detail at exactly what were the ramifications of the driving restrictions.” One possible effect, explains Viard, was depressed economic activity: simply put, driving restrictions make it more difficult for people to get to work, causing them to spend more time at home and leading to an overall decrease in hours worked.

Most workers are required to be at work by a cer-

tain time and will turn to public transit or carpooling when faced with driving restrictions. So of particular interest were people with flexible work hours—a group that would be more likely to curtail working time in response to the inconvenience posed by driving restrictions.

The challenge was finding a reliable method of estimating changes in working hours; a set of data that could serve as a proxy for the daily behavior of Beijing’s millions of workers.

As it turns out, Chinese marketers have for some time used quite sophisticated and accurate tools for measuring television viewership. Controlling for other factors, a rise in television viewership that correlates to restricted driving hours is evidence that the restrictions are causing people to not go to work as often. Viard and Fu obtained a trove of viewership data and went to work.

The data indicated that the driving restrictions had no significant effect on workers with non-flexible work hours, but that there was an 11% to 15% rise in viewership during restricted driving hours by self-employed workers who generally have flexible work schedules. Driving restrictions were keeping those workers home.

Self-employed people are important to economic activity because that category tends to contain many entrepreneurs or people who manage others. “It’s not only the magnitude that matters, also the types of jobs these people are in, as they ultimately innovate and create jobs that affect other people,” says Viard.

With cities around the world continuing to grapple with congestion and air pollution, Viard and Fu’s paper lays important groundwork for future research.

THE ROAD AHEAD

Exploding car growth in China’s less developed second-tier cities means that they could soon be facing many of the same issues as Beijing. In the future, policies implemented in Beijing could filter down into other cities making the capital a harbinger of congestion- and pollution-easing strategies around China.

Viard predicts that despite high levels of compliance for the Beijing driving restrictions, such policies will become less effective over time and that alternate methods of reducing congestion should also be considered.

“As China’s economy is growing, more and more people buy cars over time, so we expect the stock of cars to go up,” says Viard. “When you put driving restrictions in place, it reduces the number of people on the road because when you’ve effectively forced some people off the road, congestion decreases. When people see the congestion is lower, more and more people buy cars and that congestion

is going to start to fill up again...you somehow have to continue to increase or ratchet up the intensity of the restrictions because we know the total stock of cars will go up over time.”

The current restrictions may leave something to be desired in terms of economic efficiency. They are enacted arbitrarily, based on the final digit of a car’s license plate. During the Olympics period, cars with even-numbered final digits could not drive on even-numbered dates, while odd-numbered cars were barred on odd-numbered dates. A similar license plate-based system now dictates that cars stay off the road for one out of every five weekdays.

Alternative methods for reducing the number of cars on the road include increasing the price of fuel and increasing the price of licenses and vehicle registration to raise the overall cost of driving.

These steps could reduce pollution and congestion because only those who have the desire and financial means to drive would take on the expense. This method, Viard argues, would be more effective than driving restrictions based on numbers.

The Beijing government has begun to institute additional driving restriction policies to limit the stock of vehicles on Beijing’s roads—including instituting limits in late 2010 on the total number of new licenses that can be issued each year.

“It remains to be seen how effective that is,” says Viard. “I haven’t seen data yet on how much they have restricted the number of licenses; if it’s not terribly restrictive then we’re not going to see a very big change. But if it is, then we should see a much greater effect on decreasing pollution.”

THE BOTTOM LINE

As China’s auto fleet grows and ages, the air pollution produced by vehicles will continue to contribute to an increasingly severe pollution management situation. Viard and Fu’s trailblazing research shows that it is important for policymakers to keep economic considerations in mind, even as they guide us toward open roads and blue skies. ■

Viard and Fu estimate that the current set of driving restrictions have led to an average 8% reduction in levels of particulate matter—one of the most harmful types of air pollution.

JING BING



CKGSB Associate Professor of Marketing
Ph.D., University of Rochester

“Exogenous Learning, Seller-Induced Learning, and Marketing of Durable Goods,” *Management Science*, June 2011.

If customers know that a product will afford a high price in the future, they will pay more for it now than they otherwise would, even if they do not yet know whether it is worth it to them or not.

HOW CONSUMER PRODUCT KNOWLEDGE AFFECTS PRICING STRATEGIES

New research by Associate Professor of Marketing Jing Bing sheds light on the effects of seller-induced learning and reveals when companies should invest in consumer product education.

In a competitive market, companies are often desperate to distinguish their products from those of rival products. As a result, many companies resort to “seller-induced learning” — methods that allow customers to get to know their products first-hand. These methods, including training seminars, downloadable demos, trial periods and “experience centers,” let potential customers see what features new products have that are different from the competition and may persuade them to part with their cash.

What if a product is completely new and there is no real competition for it? In such a case, does it still make sense for a company to invest in seller-induced learning (SIL), or should it instead rely on customers’ initial conceptions of the product and what they read about it in the trade press — the effect known as exogenous learning (EL)? And what marketing and price-setting strategies should the company

adopt in this situation?

Those are the questions that Jing Bing, CKGSB Associate Professor of Marketing, addresses in his paper. Jing realized that while there has been research on the effect of SIL within a competitive environment, there’s

been much less done on its effect on pricing and market strategy in a vacuum. What he found was surprising. He expected to learn that an environment where customers could learn a lot about a product (whether through EL or SIL) could enable a company to charge a higher price to informed customers, this was confirmed through his research. He also discovered that customers anticipating this high price are willing to pay a higher “early-bird” price — even before they know much about the product themselves. Therefore, under certain conditions, companies can actually earn higher profit by investing in SIL and releasing a product to uninformed customers before that SIL has had a chance to take effect.

THE MODEL

Jing decided to focus his research on complex durable goods: expensive purchases that are difficult to replace. These products, like new cars, washing machines, software packages, or commercial equipment represent a large investment for customers (whether individuals or companies) and are replaced infrequently. Unlike more disposable products, therefore, it is unusual for a customer to buy it, try it out, then try something else; Instead, customers rely much more on learning (whether exogenous or seller-induced) to figure out what a durable product’s value is to them.

For his research, Jing created a hypothetical two-stage model. In the first stage, customers know only generally what the value of a given complex durable product is for them — they know it falls within a certain range (say, \$2 million to \$10 million) but not

exactly what it is. At this stage, the company can see how EL exists in the marketplace (i.e., what fraction of customers will be reached by EL opportunities), and can choose to invest in SIL to raise that fraction. Customers are also aware of learning opportunities, but have not yet had a chance to take advantage of them. As a result, the estimated value of the product for any given customer is the mean of the range of possible values (in the above example, \$6 million). The company sets a price for the product at this stage, and can choose whether to release the product at that price or hold off until learning has had a chance to take effect.

In the second stage, customers are divided into two groups: those who have been exposed to learning opportunities and know the true value of the product for them, and those who do not know the true value and use the mean customer valuation. The company can then set a new price, which it can keep relatively low to appeal to uninformed customers (potentially getting more sales, but at a lower profit margin) or raise to appeal to the informed customers with high “true” valuations (possibly a smaller group, but with a higher profit margin per customer). If the company hasn’t released the product yet, it does so at this point.

Using this model, Jing sought to answer two questions:

- 1) For a certain amount of learning in the marketplace (whether SIL or EL), what pricing and release strategy should a company use?
- 2) Given the answer to the first question, when does it make sense for a company to invest in SIL?

RESULTS

Jing’s research shows that the amount of learning in the market affects prices in two ways. One of these effects he anticipated: the more customers learn the true value of a product for them, the higher the price that a company can charge for that product in the second stage of the model (since more customers will know that the product is good for them and will therefore be willing to pay that higher price).

The second effect was unexpected. Because customers in the model are aware of the amount of learning in the marketplace, they recognize that if they wait until Stage 2 to buy a product, they end up facing a higher price. Therefore, Jing found that the more learning there is in the marketplace, the more customers are willing to buy the product during Stage 1 while still uninformed — and, therefore, the higher the price that

a company can charge during Stage 1.

In other words, according to Jing’s research, if customers know that a product will afford a high price in the future, they will pay more for it now than they otherwise would, even if they do not yet know whether it is worth it to them or not.

Whether this effect comes into play or not, however, depends on how high the unit cost of a product is compared to its average valuation by customers. Jing used the model to examine three possible cases: when the unit cost is high, when the unit cost is low, and when it falls somewhere in between.

For the scenarios where the unit cost was either low or high, Jing’s results were fairly intuitive. For low costs, companies can make enough money per sale even by charging prices close to the mean valuation; that it’s more in their interest to maximize volume than to maximize profit margin percentage. Therefore, the model suggests, companies should release their product early at the lower Stage 1 price. In contrast, if unit costs are high, releasing the product early at Stage 1 prices squeezes a company’s margins; therefore, companies should generally wait until Stage 2 to release the product, when it can charge higher prices to informed customers.

Jing found, however, that the results for medium unit costs were more intriguing. In this situation, the secondary effect of learning that he observed came into play. If the marketplace is full of learning opportunities, says Jing, then a “buying frenzy” takes place during Stage 1; as a result, companies are able to raise their Stage 1 price to the extent that it actually becomes more profitable for companies to release early to these uninformed customers than it does for them to defer release and charge a higher price to the comparatively fewer informed customers with high valuations that they could reach in Stage 2. On the other hand, if few customers expect to learn about the product between the two stages, then they know the company’s Stage 2 price will be relatively low; therefore, they become less eager to save money by buying in Stage 1, and so the company’s optimal Stage 1 price also drops.

As a result, the company’s optimal strategy is to defer its product release to Stage 2, when it is optimal prices (and therefore profit margins) are higher. In this case, Jing’s research suggests, the secondary effect he discovered overwhelms the primary effect, and thus contradicts the more intuitive idea that an environment with more learning should lead to a deferred release in a

more profitable Stage 2, and vice versa.

Given these results, when and how much should a company invest in SIL?

If unit costs are high and the company plans on deferring release, Jing found that the decision is fairly straightforward: a company should invest in SIL up to the point where the cost of additional investment outweighs the added revenue from additional customers brought in. For higher unit costs, Jing found that lower SIL investment levels were optimal.

For low or medium unit costs, though, the situation is more complicated. In these cases, Jing found that a company’s optimal strategy depends on how much EL is already in the market. If EL is low, Jing’s research indicates that companies should accept the low-information environment, as the investment needed to change the situation through SIL would outweigh any benefits it might bring. On the other hand, if EL levels are already high enough to spark a buying frenzy in the Stage 1 environment, then Jing’s model indicates that further SIL is superfluous. Only when the amount of EL falls between these extremes does Jing’s research indicate that a company should invest in SIL. In this scenario, it makes sense for a company to invest just enough to push the total amount of learning over the threshold that will spark a Stage 1 buying frenzy, enabling a company to release early and therefore reap the benefits from both stages.

IMPLICATIONS

Jing admits that his research only captures certain situations in the marketplace. First, as mentioned earlier, Jing focused his analysis on complex durables where pre-purchase learning (via SIL and EL) plays a more significant role than the post-purchase learning seen for non-durable goods. Furthermore, monopolistic situations like the one modeled in Jing’s paper rarely occur in the “wild,” where competition is the norm in many product categories. Wildly new inventions, highly innovative products or pieces of software protected by patents might fall into this category, suggests Jing.

Nevertheless, Jing’s research sheds new light on the role that learning plays in customers’ decision-making and on the ways that companies can use SIL to shape that role. The next step, Jing says, is to integrate this new understanding of SIL into a non-monopolistic environment, to explore how the effects he uncovered change when companies use SIL to differentiate their own products from those of rivals offering similar products. ■

HENRY HUNING CAO



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“Taking the Road Less Traveled By: Does Conversation Eradicate Pernicious Cascades?” Henry Cao, Bing Han, David Hirshleifer, *Journal of Economic Theory*, July 2011.

DOES CONVERSATION ERADICATE PERNICIOUS CASCADES?

How do people make choices to invest in a certain company, or buy a particular product? Do they make rational choices or do they just follow the crowd? Do their choices get better if they witness the outcome of decisions others have made?

In the article “Taking the Road Less Traveled By: Does Conversation Eradicate Pernicious Cascades?” in *Journal of Economic Theory*, CKGSB Professor of Finance Henry Cao and co-authors, Bing Han and David Hirshleifer show that people are inclined to copy one another even in making the same mistakes. Moreover, witnessing and discussing the outcome of other peoples’ decisions doesn’t necessarily stop us from making bad choices.

JUMPING ON THE BANDWAGON

The herd mentality – jumping on the bandwagon, following fads and fashions – is a human characteristic that behavioral scientists are keen to understand. In finance, it is a key reason for stock and asset bubbles and crashes. Although many such events seem irrational, it is still possible to gain useful insight into why they happen. Behavioral scientists do this by bringing together theories from psychology and economics, and statistically analyzing their findings.

THE INFORMATION CASCADE

Rather than making individual choices, people are often drawn towards taking certain actions by those around them, by observing their behavior and its outcomes, and engaging in conversation. This is the social learning part of decision-making. It is seen as sensible to do what other people are doing, as their actions are presumably based on favorable information. In turn, those who follow us believe our actions are informative, too. When this happens to a chain of individuals time and time again, this phenomena is called an information cascade.

The problem with information cascades is that they often result in uninformative outcomes as the data is not representative of all participants in the cascade. Observing the actions of others and

making choices based on those observations alone can lead to arbitrary or incorrect decisions. Often, a long time has passed since the logic of following a particular path was actually examined.

A lack of information regarding alternative choices means that further down the line, people have even less information on which to base a potentially dissenting decision. “I don’t know why I did it, it’s always been like that,” sums up this line of thought.

RATIONALIZING THE “SHEEP MENTALITY”

Maintaining the view that people are rational, scholars have come up with a number of reasons as to why information cascades continue to flow despite repeated sub-optimal outcomes. Often, they are taken not as the result of individually weighing the costs and benefits and actively selecting the path to greatest personal benefits, but simply by following “received opinion.”

Many have suggested that something blocks our access to the independent information we need to base decisions on. That barrier appears to be the behavior of the people who made decisions earlier on. The information cascade theory has been analyzed with models permitting different degrees of access to information surrounding a decision. In earlier analysis, “society is trapped in mistaken choices until an external shock arrives,” as nothing but the previous decision is known.

In their study published in the *Journal of Economic Theory*, Cao, Han, and Hirshleifer feed additional information into the model. They allow for observation of and conversation about payoffs. Given this extra information, they find that the probability of an information cascade lasting indefinitely is lower. When individuals consistently make sub-optimal decisions, new information from payoffs, which help explain the real value of any project, sometimes jostles subsequent players into experimentation.

INFORMATION BLOCKAGE

However, society can settle into patterns of continuously making sub-optimal decisions that information shocks are not strong enough to disrupt. Information blockage needs only limited restrictions to observation or conversation in order to occur. Information

is aggregated inefficiently because of externalities.

The first externality is that individuals fail to see the benefit to later decision-makers of adjusting their actions. The second is that the quality of payoff information affects the quality of later decision-makers’ choices.

Positive developments in society are harmed by a lack of experimentation on “the road less travelled.” Consider the example of scientific research grants: although individual researchers may benefit from having a small number of broad funding channels, society will gain from having more diversity of funding organizations. This could enable more research into less frequently investigated areas.

A LITTLE LESS CONVERSATION

Observation of payoffs does not necessarily help reduce bad decision cascades. The earlier payoff information becomes known, the sooner a re-enforcing cascade will start up. Conversely, if there is less conversation at the start, more information will be available for aggregation by later players before “cascades clog the flow of information.”

Moreover, conversation about payoffs doesn’t seem to help. Conversation is often “noisy,” meaning that it lacks factual substance. Engaging in conversation makes it hard to pick out the real payoff information.

The rise of mass media and interactive communication technology has made it easier to observe the payoff outcomes of others. Although this seems to offer the decision-maker more information on which to make a choice, this is true only at the beginning of a chain of decision-making. Decisions further up the chain are seen as opaque. For these people, it makes sense for them to follow prior decisions. The void of information about alternatives means that they might be stepping off a cliff if they do not. ■

Conversation is often “noisy,” meaning that it lacks factual substance. Engaging in conversation makes it hard to pick out the real payoff information.

Rather than making individual choices, people are often drawn towards taking certain actions by those around them, by observing their behavior and its outcomes, and engaging in conversation.



HOW WILL CHINA *SHAKE UP* SUPPLY CHAIN MANAGEMENT?

CKGSB's Supply Chain Thought Leaders Roundtable gathered 30 prominent researchers and leading Chinese executives for two days to discuss supply chain management in China.

Although current supply chains are optimized from East to West, China's burgeoning middle class and rising consumer power require a re-optimization of supply chains from East to East.

As labor costs rise in China, global manufacturing firms increasingly look to supply chain management for new opportunities to reduce costs. What are the main challenges they face in developing sustainable supply chains in China? How can companies find qualified Chinese suppliers in an environment of cost-cutting and weak transportation and logistics infrastructure?

From July 20 to 22, 2011, CKGSB brought together 30 of the world's most prominent researchers on supply chain management and leading Chinese executives for a roundtable discussion on these key questions. Organized by CKGSB Professor Chen Fangruo, the roundtable provided participants with an open and intimate atmosphere to share research and information on pressing supply-chain management issues facing Chinese businesses today. These international leaders of research and industry shared strategies across sectors to foster future collaborations between research and practice.

Roundtable participants included leaders from Wal-Mart China, IBM Asia Pacific, Yihaodian, TAL Apparel Limited and Creditease. Leading professors from University of Michigan, University of Pennsylvania, Cornell University, Stanford University, UCLA, Kobe University, Eindhoven University of Technology and Tsinghua University also attended the roundtable.

CKGSB Associate Dean of Global Programs and Dean's Distinguished Chair Professor of Marketing Sun Baohong delivered welcoming remarks highlighting the key questions framing the roundtable. As multinational companies expand in China and local businesses scale up, a key challenge is to develop and manage a sustainable supply chain in a rapidly changing economy. How do businesses develop quality suppliers, adapt to a product-service economy, integrate e-commerce and still sustain growth?

Participants broadly agreed that China's supply chain management is at a crossroads as it faces several

“Every competitor out there is building their own delivery capabilities. I do not think that this is efficient for a whole industry, a whole economy. My opinion is that this was not done by choice — somehow we need to help the industry develop,” said Junling Liu, CEO of Yihaodian.

key challenges. Among them is that although current supply chains are optimized from East to West, China's burgeoning middle class and rising consumer power require a re-optimization of supply chains from East to East.

As China's rapid economic growth and mass-scale urbanization drive up labor costs, manufacturers must consider shifting production inland. Participants pointed to trends that suggest that as China's manufacturing moves inland, coastal regions must adapt to a product-services industry.

As Lou Zhou, Director of Client Service Procurement of IBM Asia Pacific pointed out, there is potential in China to inject more services into traditional manufacturing models. Although a product-services model gives companies opportunities to integrate proactive maintenance, performance contracting and asset ownership, this adaptation also comes with its own challenges.

Business leaders cited developing and retaining talent that is suited to the product-services economy as a major hurdle, while researchers asked if business school curriculums are properly training students to fill this growing need in leadership, project management and client services.

Another key challenge to effective supply-chain management in China is poor logistics infrastructure. While China's e-commerce and mobile technology trends are shaking up traditional bricks-and-mortar retailing supply chains, China's fragmented distribution and logistics infrastructure means that Internet retailers still need to expend resources building self-delivery systems or outsourcing to third parties.

“Every competitor out there is building their own delivery capabilities. I do not think that this is efficient for a whole industry, a whole economy. My opinion is that

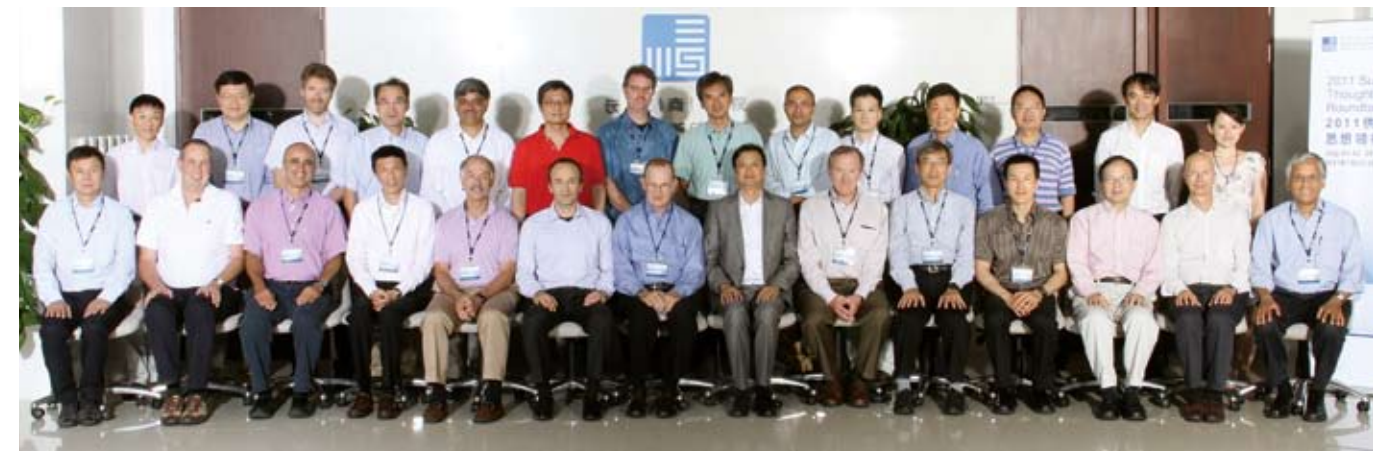
this was not done by choice — somehow we need to help the industry develop,” said Junling Liu, CEO of Yihaodian.

Retailers like Walmart China addressed the key question of sustainability. How can companies build a quality supply base to deliver high quality goods to customers without compromising on price or losing to cheaper e-commerce alternatives? Soft marketing of sustainable products can provide the education necessary to help customers develop sustainable consumption habits.

A strategy taken by home furnishings company Yuan Zhou Decoration Group, led by Tai-yan Li (CKGSB EMBA 14th Intake), is to focus on integrating upstream and downstream partners in the supply chain. Li aims to standardize residential floor plans and interior furnishings suppliers and build a digital database of layouts for urban clients.

“The most interesting thing to me is the notion that China is at a tipping point and is changing the way we perceive it in the U.S. from being a source of manufacturing products and low-cost labor to now a more complex society where service is more important, where white-collar labor issues are more important. China is becoming more like western countries in that regard, so in terms of the areas of service and supply chain, it's quite relevant,” commented Professor Morris Cohen of the Wharton School, University of Pennsylvania.

Participants agreed that as China continues at its current growth rate, Chinese companies and MNCs will benefit from more information-sharing on supply-chain management challenges and strategies. Giving scholars from leading universities and Chinese business leaders this forum to produce new collaborations is a vital step towards understanding China's growth. ■



Participants from the 2011 CKGSB Supply Chain Thought Leaders Roundtable included Professors Marshall Fisher and Morris Cohen of the Wharton School, University of Pennsylvania; Edwin Keh, Former COO Global Procurement of Walmart; Junling Liu, CEO of Yihaodian; and Lou Zhou, Director of Client Service Procurement of IBM Asia Pacific.

CHEN FANGRUO



CKGSB Visiting Professor
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PROFESSOR CHEN FANGRUO TALKS ABOUT SUPPLY CHAIN CHALLENGES IN CHINA

As multinational companies expand in China and local businesses scale up, a key challenge is to develop and manage a sustainable supply chain in a rapidly changing economy. CKGSB Visiting Professor Chen Fangruo, a participant in the school's recent Supply Chain Thought Leaders Roundtable, shares his thoughts on how China can shake up global supply chain management.

Why is it important to bring supply chain thought leaders to China? What role will this topic play in determining the sustainable development of Chinese businesses?

This conference is about looking for the next big thing in supply chain management, with a focus on China. The conference gives [participants] the opportunity to look at the supply chain problems here in a systematic way. The roundtable plays a significant role in both the way companies practice supply chain management as well as in how supply chain management is researched and taught.

What are China's main supply chain challenges and what do you think needs to happen structurally in the next five to ten years to address these issues?

I think Chinese companies are beginning to see that it is not just about managing your operations well and reducing costs, but it also means working well with upstream and downstream partners.

I think companies are making that change and that going forward, the next step will be how to use information to rationalize the decisions on the supply chain. The next challenge is how to make use of that wealth of information to improve supply chain management.

What are some common problems MNCs face in developing sustainable supply chains in China? How do they differ from the problems that local companies face?

In general, the problems they face are similar but MNCs might have some prior experience they can bring to China. Local companies are starting from scratch especially considering their supply chain management. In the U.S., there is a consistent way of doing business along the supply chain so it is easier to coordinate. Though they have experience that may work in overseas environments, it may not work directly here so they still need to adapt.

What are the implications of the current trend towards servicization in China? How does the shift to a product-services business model affect China's manufacturing industries?

The implications for manufacturing include the different capabilities and challenges of a company. How do you manage knowledge within the company? You accumulate experience from projects and the experience stays with the people who manage these projects. If they are gone, then your experience, expertise, and capabilities are gone. As the business model evolves from primarily manufacturing to service to service plus manufacturing, firms need to update their knowledge and think about how to develop their key capabilities. ■

“The era of cheap labor is gone and manufacturing, logistics and distribution people have been looking for new ways to reduce costs, and I think supply chain management offers a great opportunity,” says Chen.

WANG YIJANG



CKGSB Associate Dean

Professor of Economics and
Human Resource Management

Ph.D., Harvard University

*The Wealth of the Chinese People:
Discussions on Development and
Distribution*, China Citic Press, 2010.

IS CHINA RICH?

Professor Wang Yijiang hopes that his new book *The Wealth of the Chinese People: Discussions on Development and Distribution* will serve as a wake-up call for the Chinese public and push the economic pendulum toward market-oriented reform.

To many, including many Chinese, the answer to the question, “Is China rich?” would be an unqualified yes. Look at the immense resources wielded by the Chinese government; its powerful state-owned banks, investment firms, and corporations; its shining infrastructure; its massive and successful organization of the Beijing Olympics and the Shanghai World Expo. Look at the new generation of Chinese billionaires, second in number only to the United States. How could China not be considered wealthy?

But to Wang Yijiang, Associate Dean and Professor of Economics and Human Resources Management at CKGSB, that analysis misses the point. More importantly, he argues, that perspective is based on a misconception dating well into China's past, a misconception at the root of economic and fiscal policies that have prevented China's boom over the past thirty years from achieving its full potential: that governmental wealth and popular wealth are invariably linked.

This idea, Wang feels, not only is a brake on China's economic growth, but is also a serious danger to its long-term social and economic stability. He believes it has been used to justify severely flawed policies that emerged in the wake of Deng Xiaoping's economic reforms. The goal of his latest book, *The Wealth of the Chinese People*, is to challenge these policies, correct the misconceptions by which they are justified, and prescribe policies that will better ensure balanced and sustained growth for the Chinese economy.

The book's title is a bit of wordplay: Wang adopts the term “wealth of the people” (in Chinese, *minfu* 民富) as a contrast to the more established *Wealth of Nations*. While Adam Smith's influence has caused the latter term to be tied in Western countries to the promotion of free enterprise, Wang argues that the term in China has been interpreted quite differently: when Chinese use the term *guofu* 国富 (“national wealth”), he says, they mean the wealth of the ruling dynasty – or, these days, the ruling party-state. This mindset, Wang argues, has been used to justify flawed economic policies that evolved during China's early reform and opening period in the 1980s.

Wang does not discount the tremendous progress that China has made since Deng Xiaoping abandoned the Maoist planned economy. Deng's reforms did open

the space for private entrepreneurship to develop in China, which Wang argues is responsible for raising the standard of living for even the poorest Chinese far above where it was only thirty years ago.

But Wang also argues that, far too often, Deng's policy of “let a few become rich first” has too often meant in practice “let companies and individuals with ties to the government become rich first.” As a result, Wang believes, state-owned enterprises and government agencies and officials have flourished and created vast amounts of wealth, filling government coffers; but private entrepreneurs and poorer segments of society have been left behind, unable to compete. This is the root cause, Wang feels, of the seeming paradox of China having trillions of dollars in reserves even as its per-capita GDP remains relatively low. While Wang does not feel that the common flawed understanding of “national wealth” is necessarily the reason for this unequal growth, he does believe that this misconception provides a justification for the policies behind it. As a result, Chinese policymakers have thus far failed to come to grips with the serious challenge these inequalities pose to the country's economic and social stability.

The problem lies, Wang argues, in the assumed connection between this “national wealth” and greater prosperity for the masses (as defined by a high per-capita income and a relatively low level of inequality), a connection that dates back to imperial China and in traditional conceptions of the relationship between the government and its subjects. In the traditional Confucian world order, the role of the people was to sacrifice for the greater good of the country, giving of their time and resources; in exchange, the government would bestow its benevolence to benefit its people. For example, imperial governments would draft their citizens to provide corvée labor for infrastructure projects and governments would then provide for citizens during times of famine. Initial privation on the part of the people would be rewarded by later prosperity. Much as Americans speak of “a rising tide lifting all boats,” Chinese political economists spoke of “first filling the main channel, then filling the tributaries.” Increased government revenue, managed by a wise government with the people's interests in mind, would be the fastest route to prosperity.

Nor was this rather paternalistic mindset eliminat-



China's inefficient and inequitable growth, particularly in cities like Beijing, is discussed in CKGSB Professor Wang Yijiang's new book *The Wealth of the Chinese People*.

ed by the Republican revolution of 1911 or the Communist takeover of the country in 1949. On the contrary, Wang maintains, the Maoist regime merely replaced the dynasts as the focal point of popular hope. He points to the campaigns of the 1950s in China, such as the collectivization of agriculture and industry, as examples of times when citizens were asked to devote their own resources to the government's efforts, even to the point of famine, in the hope of a prosperous future where the country could "surpass England and equal America."

Wang devotes one part of the book to debunking this theory. From a historical perspective, he argues, no economic system has come anywhere near to free-market economies in ability to promote widespread growth. While the details have varied from place to place, he says, all developed countries have achieved success by combining guarantees for civil and property rights with support and encouragement for private enterprise. Other countries have tried alternative methods—the Soviet model of centrally planned development, the Yugoslav model of "socialist self-management," the Israeli kibbutz movement, or India's democratic planned economy—but none achieved anywhere near the success of the free-market model. While these models could achieve staggering levels of growth for a certain amount of time, their funda-

mental inefficiencies acted as a brake.

For example, while the Soviet government's control over its country's resources to achieve centrally desired goals allowed it to essentially mandate industrial development for a time, the gradual depletion of those resources caused the system to stretch until it eventually "snapped like a rubber band" in the 1980s. Wang says no example has yet been found of a non-market system that produces stable economic growth over the long term. Only governments that protect individual freedoms, create a wide space for private enterprises to develop and expand, support the ability of their populations to achieve wealth, and raise the educational standards of their citizens have been able to achieve both sustained and equitable growth.

To many in the West, this argument may not need proving. But in his book, Wang addresses several current Chinese economic policies that he contends are justified by the traditional model.

For example, Wang argues that China's level of taxes, at 30% of GDP, is the product of a desire to centralize resources rather than a desire to redistribute wealth to poorer segments of society. While Chinese Finance Ministry officials point out that this level of taxation is standard in Western countries, Wang rebuts that when those

countries were at China's stage of development, their taxes were much lower. Moreover, the bulk of taxes in developed countries go to support their welfare systems, while in China the tax budget is diverted to government investment. The key economic policy debate in developed nations, Wang points out, is between parties that advocate higher levels of taxation to support higher levels of welfare — thus favoring equity over efficiency — and parties that support cutting both taxing and welfare spending, favoring efficient economic growth over equitable economic development. But because the fiscal system in China is built on a model that involves centralizing resources with the national government, it combines high taxes and relatively low welfare spending.

As a result, Wang asserts, growth in China has been both inefficient and inequitable despite all the country's massive development over the last 30 years. He points out China's per-capita GDP is still "in the ranks of lower middle income countries, even as we've seen a startling rise in inequality," as measured by the country's Gini coefficient.

Wang also describes the challenges that private enterprises face in many sectors due to advantages given to state-owned companies and companies with ties to government officials.

According to the traditionalist mindset, the success of state-affiliated companies

"Deng Xiaoping's policy of 'let some get rich first' has become, in practice, 'let companies with ties to the government get rich first,'" says Wang.

would not be a problem: why should the government's chosen bodies not create wealth first, if such wealth will invariably trickle down to the rest of society? But Wang argues that these advantages actually warp the free market and permit state-affiliated companies to succeed despite inefficiencies and uncompetitive practices, retarding China's levels of economic growth.

His book also delves into the ways that China's legal system and regulatory environment, particularly its failure to protect individual and corporate property rights and its meddling in the labor market, have acted as barriers to the development of an environment where private companies can flourish. Therefore, the government's current policies are not only inequitable, but also drag down overall economic development.

Wang does not assert that Chinese economic policies today have no room for private enterprise. Private Chinese companies have grown in strength and influence over the last thirty years, in spite of the challenges they face. But Wang sees China as caught on a pendulum between the reformist mindset in favor of decentralization and the traditionalist urge to centralize, and he hopes his book will serve to push the pendulum toward market-oriented reform.

In particular, he hopes that his book will serve as a wake-up call for influential segments of the Chinese public. He has been heartened by growing popular calls for tax reform, and believes that recent decisions by the Chinese government to lower taxes and to divert additional funding to education and other welfare systems are a direct result of this popular demand. But he argues that the government is still not moving fast enough, either in changing its tax policies or in improving the market environment for private enterprise. He hopes that *The Wealth of the Chinese People* will contribute to turning these popular demands into irresistible tendencies. While the Chinese government's decision-making process does not have room for direct popular input the way that Western democracies do, Wang suggests that Chinese leaders do have their fingers on the pulse of important interest groups within society. Therefore, as demand for these reforms continues to build, he believes that the government will not choose to oppose them.

Most importantly, Wang argues, Chinese leaders — and the Chinese people — should not feel complacent as their country posts continued growth figures while the developed world struggles with sovereign debt crises. The Chinese treasury may be full, and European states may hover on the edge of default. But as long as developed countries in Western Europe have per-capita GDPs on average ten times the size of China's, while supplying welfare systems that fulfill basic needs for even their poorest citizens, Wang believes that China has a long way to go until it can truly call itself rich. ■

CHINESE LEADERSHIP IN AN AGE OF SUSTAINABILITY AND GLOBALIZATION

SHALOM SAADA SAAR



CKGSB Professor of Managerial Practice
Ph.D., Harvard University

“There is nothing wrong with searching for examples of successful business models and human aspects of motivation, but at the end of the day China needs to find its own solution to its situation,” says Saar.

Over the last two decades, Chinese companies have achieved great success and growth, leading China to overtake Japan as the world's second largest economy. As the 12th Five-Year-Plan sets China on a course to become the world's largest economy, Chinese leaders must strategically navigate through new opportunities and obstacles in order to achieve sustainable growth. We asked CKGSB Professor of Managerial Practice Shalom Saada Saar to share his expertise on China's growth and integration into the global economy and its implications for business leaders.

In your experience in teaching leadership and management, what would you consider to be the three consistent qualities of effective leaders that are needed as Chinese companies expand globally?

Most effective leaders that I have worked with from all over the world are propelled by a very clear sense of purpose. They have a crystal clear vision of what they are after. They are determined that they will make this company number one, or the company is going to expand into a new market, or be more innovative. Leaders have a very clear purpose in terms of where they are headed.

Leaders also have a unique, if not superb, ability to communicate. Not only do they have the vision but they also have great communication skills in their words, interactions and ability to listen. I have always been fond of the Chinese character to listen. It has three components: listening with the ear, listening with the eye, and listening with the heart. Leaders must listen to the words, watch the body language and listen to the heart of the communicator. A good leader mobilizes people through the power of communication and the integrity of the vision in a way that makes people want to join that vision.

What really distinguishes a leader from a manager is their abil-

ity to coach. The worst kind of leader limits the talent of the team to their own talent. A great leader has the ability to coach so that the collective sum of the team talent and skills become far more powerful than any individual participating in the team. This requires teaching, coaching and flexibility. A leader is a coach who is able to take people to a place where they never thought they could get to.

China is now in a period of steep growth, innovation, and competition. Can you share any insights for managing the changes that Chinese leaders will begin to face now that the Five-Year Plan calls for reducing China's reliance on exports and creating more environmental sustainability?

China is a different ball game. For the last five years that I have been in China, I have been against taking Western solutions and imposing them on the East. There is nothing wrong with searching for examples of successful business models and human aspects of motivation, but at the end of the day China needs to find its own solution to its situation.

I think China is facing both management and leadership challenges. Management refers to their ability to have a very clear strategy of wanting to go global and sticking to that with long-term goals in mind. You cannot only focus on the immediate goal, or the quick gain, if you want success in the long haul.

In the past, what did you find challenged leaders the most, and in China are you seeing these challenges change?

One of China's biggest challenges is to create structure in a way so people do not feel its boundaries. If you feel walls surrounding you, then you will not be creative. Creating a structure so people know the boundaries but do not feel stifled will be critical to fueling growth and innovative thinking.

Leaders have to focus on talent. Chinese people honor authority and very often when you honor authority you are submissive. Even though you may know how to do things better, the structure, or the culture, does not

“The greatest quality of future leaders in China, besides listening, will be finding ways to unleash the talent and potential of the people that come into their organization.”

encourage you to take action. For China to grow, they must come up with ways to break through this submissive approach to authority. This is going to be, in my view, an uphill battle. Innovation requires not just processes but also the removal of constraints caused by fear of failure.

Is there one vital skill that is needed for future leaders and innovators right now that would not have been in the mix 10 years ago?

To listen more and also be willing to change in light of what they hear. The success of Chinese leaders is credited to their ability to focus. You see a piece of land today and it is a high rise building tomorrow. They are execution driven. This is a great quality but if you want to grow, you have to slow down to listen to the people around you. Sometimes the solution is bigger and more powerful than the individual.

Leaders must also implement more participation and more inclusion of people and their ideas. When I teach, I use the Chinese example of when people come to leaders they come with a gift. Their gift is their talent, but this gift is wrapped. The role of the leader is to help them unwrap their gifts in order to reach their full potential and demonstrate their talents. The greatest quality of future leaders in China, besides listening, will be finding ways to unleash the talent and potential of the people that come into their organization.

Since you have helped organizations articulate strategic direction and identify core competencies all over the world, how would you advise leaders in these growing Chinese companies as they compete with experienced global players?

Brand reputation is going to be very critical for Chinese companies. In the 1970s, “Made in Japan” was junk and you did not buy it. Today when you talk about “Made in Japan,” it is almost like “Made in Germany.” The brand reputations of Lexus and Sony are similar to when you talk about Mercedes or BMW.

I think this is the greatest lesson to learn from, as well as one of the greatest challenges for Chinese companies to achieve global success. To succeed at global expansion and achieve sustainability, leaders must have the clear vision that quality will be in the DNA of Chinese products and services.

As Chinese companies move outside of China, leaders will also have to adapt and adjust to a universal culture. The human spirit is universal, inspiring people to do the right thing and unleashing their full potential is universal. Chinese companies and their leaders will need to predict whether they are perceived globally in a welcoming

manner. They have to be perceived as more than their investments and as exporters or importers of money. They need to be perceived as exporters and importers of knowledge, sustainability, compassion and social responsibility. Reputation, branding, quality, sustainability and universal standards are going to be the makers and breakers of Chinese expansion.

As you are currently writing a book on the importance of both teamwork and leadership, can you share with us some of the challenges this relationship faces as more domestic companies in China branch out internationally and global management teams are put into place?

Problems are becoming far more complex than they used to be. Today we have issues with the environment, of sustainability and within the human condition. I do not think there is one person who can address these problems alone. I do not think there is a dichotomy between leadership and teamwork — in fact, they are complementary. A great leader can engage people around the challenge through collective brainstorming, listening, and honest dialogue. It does not take power away from the leader to say, “I have listened and let's take a vote.”

On the other hand, a good leader can also distinguish if the issue is an emergency and is able to find a direction while taking both the risks and benefits. It is a balance, yin and yang. At times, the leader must be soft and willing to listen. At other times, the leader must be bold enough to take initiative. Leaders must always take the consequences of their actions no matter what the outcome.

As more Chinese companies go global, do you have advice for dealing with cross-cultural differences in leadership?

My secret regarding cultural differences is that I think we use it as an excuse when things do not go well. It is an excuse for when you don't want to take responsibility for lack of sensitivity, elegance or perception. I talk about the human condition in my book as the last unconquered frontier. Most leaders have been able to fully understand all of the diverse needs and beliefs of people and their surroundings. In the Chinese military text *The Art of War*, military general Sun Tzu says, “A great general is the one who adapts to the terrain like the water adapts to the ground.”

A leader must be sensitive to their surroundings and be able to adapt and adjust. Great leaders do not impose their values, but take their time to understand their surroundings. They listen more than they talk. Are there cultural differences? Sure, but I think we make a far bigger deal of them than we need to. ■

PROGRAM FOCUS: THE CKGSB OVERSEAS PROGRAM, LONDON MODULE

EMBA students reflect on the need for international perspective as they lead their companies' globalization efforts.

On a crisp September day in London, a group of CKGSB Executive MBA students stroll about and admire Westminster Palace. Although these 40 students were up late celebrating CKGSB's ceremonial launch in Europe the previous evening, their energy levels visibly lift at the sight of Big Ben—the palace's famous clock tower—framed against a clear blue sky and scudding clouds.

The previous night this group of influential Chinese executives from a wide range of sectors met with knights, European CEOs and high-level politicians to launch CKGSB's European operations. Today they are visiting the House of Lords at Westminster Palace for a private tour and a talk on China-UK relations and social entrepreneurship delivered by the UK's sole lord of Chinese ancestry, Lord Nat Wei. Tomorrow they will visit London Business School for lectures from world-class business professors.

It is an extraordinary amount of UK access and insight within a short period of time—but it's a typical experience for participants in a module of CKGSB's EMBA Overseas Program.

The Overseas Program started in 2004 with a partnership between CKGSB and France's INSEAD business school in which CKGSB's EMBA students traveled to France to broaden their understanding of the country. These days, EMBA students, EMBA alumni and qualified CKGSB executive education alumni can choose a 12-day module in one of eight different countries, each of which features classes at a prominent partner business school.

Each module varies widely depending on the country, but three primary types of activities remain constant: lectures from faculty at top partner business schools, visits to prominent companies and in-depth cultural learning about the host country.

"I came to CKGSB because I knew I needed to grow professionally to keep up with my company's growth. This overseas module is helping me gain crucial international perspective," says Yin Jianfeng of Shenzhen Keybridge Communications.

"This pressure for quick results and maximized profits makes us harried and leaves few chances to consider whether or not our practices have any problems," Lei says. "The overseas modules are usually in places with rich histories and cultural heritage. In these locations we can take time to slow down and free ourselves from the hastiness and rashness of the commercial market."

Lei's classmate Yin Jianfeng, also sees the overseas module as a good way to expand his global perspective. Yin is a co-founder and vice chairman of Shenzhen

For many students an Overseas Program module is the highlight of their EMBA degree and they are eager to experience different countries with the exclusive networking opportunities that CKGSB offers. During a walk through the corridors of the House of Lords as part of the private tour, London participant Lei Wenyong, founder and chairman of agricultural products company Sichuan Tieqi Lishi Group, said, "This is my third time participating in a CKGSB module. The previous modules were to the U.S. East Coast and Spain—and there were new experiences each time. The visit to the United States Military Academy [West Point] and the courses at Columbia University both greatly impressed me."

Students tend to see such opportunities for cultural understanding as one of the key takeaways from an Overseas Program module.

"I like historical and cultural places," says Lei. "They allow me to broaden my thinking and see the bigger picture when I think about issues related to my own company's management."

He notes that the current business environment in China is overly focused on producing fast and predictable results and is conservative when it comes to untested techniques and processes.



CKGSB EMBA students participated in the school's ceremonial launch before starting a module with the London Business School.

Keybridge Communications, which provides networking solutions for mass-transit systems, industrial systems and electrical grids.

"My company went public in 2009," says Yin. "I came to CKGSB because I knew I needed to grow professionally to keep up with my company's growth. This overseas module is helping me gain crucial international perspective."

Both Yin and Lei agree that beyond academics and cultural understanding, the networking aspect of the module is also crucial. While spending their days together in a foreign country, the executives have an opportunity to bond and develop lasting relationships with each other, an important advantage as they continue to grow their own businesses globally.

The executives have an opportunity to bond and develop lasting relationships with each other, an important advantage as they continue to grow their own businesses globally.

"My classmates have similar backgrounds to me, and common interests," says Lei. "We also face similar opportunities and challenges, so we have a lot in common to talk about during the trip—and this leads to mutual exchange and the chance for self-improvement."

At one point in the tour of the House of Lords, the EMBA students stop to admire a portrait of King Henry VIII as the guide regales them with the bloody and salacious history of the King's reign. Portraits of his six wives flank his own.

Does learning about Henry VIII's execution of his second wife, Anne Boleyn, translate into business success? It is hard to say for sure, though it is the type of historical and cultural perspective that the executives are seeking as global business leaders. ■



HOW DOES A CHINESE COMPANY INTEGRATE CSR WHILE SUSTAINING GROWTH?

As a leader in China's garment industry, CKGSB CEO Program 4th Intake alumnus Zhou Shaoxiong has established a well-known clothing brand, Septwolves, with eleven years of impressive growth in market share. Zhou has managed to combine his passion for corporate social responsibility with a strategic growth plan for Septwolves.

At the 2010 China Corporate Social Responsibility Summit, Fujian Septwolves Industrial Co., Ltd. received the "China Corporate Social Responsibility — Most Outstanding Business" award. Septwolves Director Zhou Shaoxiong says, "A company that manufactures a quality product that genuinely serves the people is a company that is socially responsible. How much you have donated or how many charitable causes you support does not necessarily mean you have fulfilled your social responsibility. The question I ask is: what values do you use to guide the operation of your business?"

CONVEYING SOCIAL RESPONSIBILITY THROUGH BRAND VALUES

"Basically, competition in today's garment industry consists of brand wars and culture games," says Zhou. He believes that if a company wants to consider long-term development, it needs to focus on developing its culture and brand to support its operations. Brand-building will give the company's products a distinctive personality, as well as help gain customer loyalty.

Under Zhou's direction, Septwolves has successfully marketed itself as a socially

responsible enterprise. "When major disasters or emergencies occur, people want to see companies take initiative and help as an expression of their social responsibility. Good businesses have a responsibility to lead and influence others to take action," explains Zhou.

In 2010, Septwolves gave substantial aid to flooded regions in Fujian and Hainan provinces, in addition to donating 20 million yuan to the China Foundation for Youth Entrepreneurship and Employment to promote entrepreneurship in Chinese youth. Septwolves also collaborated with Beijing University's Research Center to establish the Septwolves Cultural Development Foundation, which supports education and philanthropy. These significant contributions have helped shape its image as a socially responsible corporation.

Zhou believes that gaining consumers' approval and sustaining its own development are important incentives for building a company's corporate social responsibility. As consumer trends shift towards environmentally friendly and low-carbon lifestyles, Septwolves is responding by integrating more sustainable materials into its manufacturing process and ensuring quality sources with its suppliers.

"We dedicate a department to testing our designs and materials to ensure our operations are environmentally friendly. Our clients want a simpler and more natural way of life. They are interested in practical designs and they are starting to pay more attention to quality materials and comfort. So we use our brand values to help lead them towards a healthier lifestyle — this is an important aspect of fulfilling our social responsibility." Zhou also says, "We focus on using environmentally friendly materials and ensuring our production process follows standards for carbon emission reduction. We aim for efficient operations while doing our best to conserve energy and reduce pollution. All this embodies social responsibility for us."

INTEGRATING SOCIAL RESPONSIBILITY INTO DAILY OPERATIONS

Zhou interprets corporate social responsibility broadly to include a general concern for society's most vulnerable groups in addition to a company's responsibility to create quality products for its customers. Zhou also believes that nurturing employees' development, creating gainful employment and adding value to society, while utilizing environmentally sound production processes are all key tenets of corporate social responsibility.

With Zhou at the helm, Septwolves is integrating those key tenets of social responsibility into its daily operations. In addition to providing consumers with high-quality products and using its brand values to guide its consumers to a healthier lifestyle, Zhou believes in developing his employees to be leaders, thereby creating a more meaningful and fulfilling corporate culture.

By institutionalizing opportunities for them to learn and develop at work, Zhou's

goal is for employees to realize that their development is tied to the company's growth. "We want our employees to understand the significance of their work. We are creating a business together with the same vision and hopes," says Zhou.

In the following interview, Zhou Shaoxiong explains how he is leading Septwolves's current growth while integrating key tenets of corporate social responsibility.

Septwolves recently teamed up with Xinhua News Information Center and Xinhua News Network to organize the 2010 China Corporate Social Responsibility Summit and was awarded the "Most Outstanding Business" award. As director of Septwolves, how do you define corporate social responsibility?

Corporate social responsibility must exude from within an organization. A company's core values, how you help your employees fulfill their maximum value, are all part of social responsibility. A business should make money because it is a necessary task, but it must also consider how its existence benefits and creates additional value for consumers and society. Only when this is achieved will a company achieve sustainability.

Why did you decide to donate to the China Foundation for Youth Entrepreneurship and Employment?

Septwolves has always been involved in student employment and youth entrepreneurial projects. I want to encourage young people to start businesses and I hope that I can help in some way. They have energy and ideas but they lack funding and experience. These two things are precisely what we have. We can provide the experience to help them succeed and achieve their goals.

The funds that these young people receive are all donations. When young entrepreneurs need mentors or management experience, we can provide guidance and learning opportunities. We are also considering establishing a related organization to manage this program more systematically in order to institutionalize and foster public service.

How does Septwolves develop its employees?

Employee development is one of the most important parts of building sustainability, which is why Septwolves invests a lot in employee training. We have a department dedicated to improving training and systematically ensuring each employee receives the right training.

We encourage our employees to be leaders so we set up a platform for them to develop their entrepreneurial ventures. If an employee has a business venture, Septwolves will help develop the idea and provide training. If the employee passes training and has potential and still wishes to start his own business, we can invest in him. We can help him open a store and later his own company, and help him find other investors. If an employee has the vision and confidence, we try to nurture him with professional development opportunities. We already have a few employees that have been successful in their own business ventures. ■



MBA ALUMNUS GAINS GLOBAL INSIGHT IN SWEDEN



Robert Zhenhua Wang, MBA '07, was selected to join the Swedish Institute Management Program.

Before joining CKGSB's MBA Program in 2007, Robert Zhenhua Wang worked in sales-based roles for a number of large Chinese organizations. With the ambition to move up into higher levels of management, Wang recognized his need for further development. "My long-term career goal is to be

"Local [Chinese] management strategies tend to focus on the short-term profit of the company, the bottom line, whereas global management strategies reflect a long term focus," says Wang.

a top leader at the CEO level. While I had experience in sales, I wanted more training in finance, marketing, and operations. I joined the CKGSB MBA Program so that I could prepare for a more challenging role in the future."

Wang saw that CKGSB's alumni network and school vision complemented his own career goals and was attracted to CKGSB's long-term approach to cultivating executive level leadership and innovation.

While an MBA student, Wang was also selected to attend the competitive Swedish Institute Management Program (SIMP), which focuses on enriching executive level talent and developing ties between Sweden, China, Europe and India. Wang believes the long-term approach to learning and management that he experienced at CKGSB prepared

him with an expanded view of management possibilities. This complemented his experience in Sweden where Wang was exposed to Swedish management styles.

Wang was particularly struck by the different approaches Chinese and Swedish companies took to corporate social responsibility. "People in China believe that CSR is synonymous with charity, donations and contributions to the community. In Sweden, CSR is a basic responsibility and should be integrated into the core business of a company. Companies should provide quality products to their customers, safe working environments for employees and must accept responsibility for their environmental impact. On top of this, companies must also make an ongoing positive contribution to society."

This conceptual difference also translates to the overall managerial styles Wang observed in both China and Sweden. "Local [Chinese] management strategies tend to focus on the short-term profit of the company, the bottom line, whereas global management strategies reflect a long term focus. Profit, of course, is very important. Global strategies, however, require patience to ensure that the company will be sustainable in the market now and in the future."

After graduating with his MBA in 2008, Wang has a long-term leadership plan in his current role. Now as the Sales General Manager for South, Southwest and Northwest China for Shell Tongyi, Wang says, "CKGSB gave me the knowledge and skills to get to this point very quickly, I have the knowledge, skills and power to develop the right strategy for the company, and I can also link CSR to this strategy to ensure the long-term viability of the business." ■



BARRY CHIEN MBA 2010 CLASS PRESIDENT

"Sun Tzu once wrote, 'Strategy without tactics is the slowest route to victory; tactics without strategy is the noise before defeat.' I have been a strategist all my life. Strategists anticipate long-run implications and the end game, and strategists see the big picture and choose their battles carefully," said MBA 2010 Class President Barry Chien. At 29 years old, Chien is an aspiring entrepreneur prone to quoting Sun Tzu. He has also crafted a bold career plan centered on helping the globalization of Chinese companies.

After graduation from the CKGSB MBA Program in October this year, Chien has ambitions to join the high-growth technology, new media or retail and consumer goods sectors, which account for over 25% of post-CKGSB MBA careers. "China is a high-growth environment; this fact is already reflected in the consistently high stock valuations in China. I plan to assist Chinese firms to interface with international firms and ultimately aid in the globalization of Chinese firms. I want to help develop a sustainable strategy for Chinese businesses," says Chien.

The first step in Chien's bold vision is to assist in closing investment contracts at a boutique investment bank. "My entrepreneurial spirit is strong. In a world where too much capital exists, it would make sense to join a startup company with equity participation. At the end of the day, both private equity managers and captains of industry derive the bulk of their wealth from their equity."

With a solid foundational executive business knowledge and access to an extensive network of professors and fellow alumni, Chien is on the verge of the exciting next step in his career. Chien believes the challenge he faces along with the graduating class of 2010 will be to use the skills and vision they have cultivated throughout the CKGSB MBA program to identify the next big thing.

"In business, I'm looking for big-wins. I could become a great matchmaker between smart money and quality projects," says Chien. ■

TO REFORM TRADITIONAL ATTITUDES TOWARDS PHILANTHROPY

From government official to academic researcher,
Wang Zhenyao (EMBA 16th Intake) embarks on a new chapter in his professional career.

Last year, 56-year-old Wang Zhenyao (EMBA 16th Intake) became Director of the Ministry of Civil Affairs (MCA) in China's Department of Social Welfare and Philanthropy. He then unexpectedly left this role to direct a newly established research center at the Beijing Normal University's School of Social Development and Public Policy. The center, called One Foundation Public Interest Research Institute, is where Wang advocates for the development of the public interest sector in China.

Under Wang's leadership, the One Foundation Public Interest Research Institute not only provides Chinese NGOs with project support and consultation, but more importantly, it generates and spreads research to help educate others about philanthropy and civic responsibility. In this role, Wang is discovering that he can play a major role in spreading the values of philanthropy while also achieving professional fulfillment.

As his first act as Director, Wang Zhenyao proposed that each billionaire in China ought to donate one million yuan to a philanthropic cause. While at the ministry, Wang did lead social welfare initiatives, but he could not make such bold suggestions. As a government official, Wang pushed for the establishment of autonomous village elections, helping 900 million farmers participate in village elections. He also supported the establishment of a four-tier emergency response system for natural disasters, in addition to a more transparent system of disaster management and response. Wang also pushed for a minimum childcare standard for orphans and for the establishment of urban social security and welfare systems.

Now as a leader of an academic institution, Wang enjoys the newfound freedom to advocate for social action and to educate others about social responsibility. To address the recent negative attention paid to philanthropic activities in China, Wang actively engages with media to offer academic insights and commentary to increase public awareness and understanding. "Wealthy people and philanthropy are inherently linked – the greatest philanthropists are usually very wealthy. From a 2008 report, it was found that half of the thirty richest people in the world are involved in some sort of charitable activities. The proportion of wealthy people participating in charity is higher than other economic groups. For those with the resources, philanthropy becomes a mission, but if making donations attracts speculation and investigation

into the business practices of individuals such as Chen Guangbiao, how could they be expected to take the risk?"

Wang believes that while NGOs need to be accountable to the community they are serving, the private business sector can offer some lessons on organizational structure and brand identity. This past June, the Red Cross Society of China suffered a public credibility crisis when a young woman claiming to work for Red Cross Commerce posted pictures of herself in decadent living conditions on microblogging service Sina Weibo. Wang is not against the mixing of philanthropy and commerce: "Traditionally,

public philanthropy should have no relation to business practice, but modern social organizations should utilize best practices from the private sector, including business models and methods, to develop." He explained, "The Red Cross is a nonprofit (organization) and ordinary people need charity; in this case, through attracting advertisers, philanthropic organizations should be able to merge these two parties together."

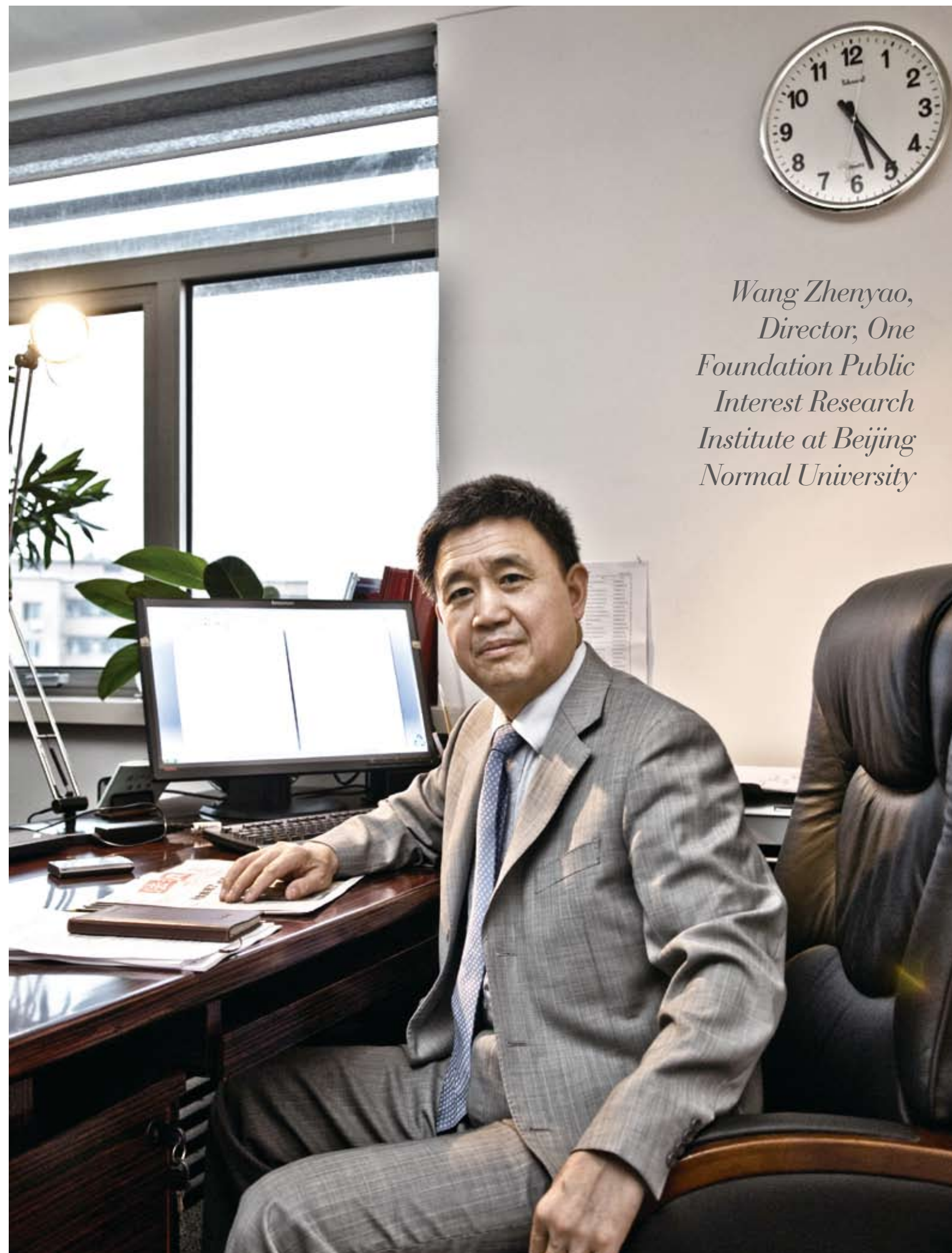
Wang also cited Cao Wangde, who was awarded one of the 2010 Top Ten Philanthropists in China prize. "According to current regulations, Cao Wangde's registered charity should pay 500 million RMB in taxes, but if the stocks had been listed under Cao's name as an individual, the taxes would not apply. There was no legal or industry precedent for stock donations like Cao's, which is why research institutes like ours should offer some policy recommendations and guidelines."

Wang says he has greater influence now as a private scholar than he did during his days as a government bureaucrat. "In the past I was promoting policies; now I am advocating changes in society and coming up with effective solutions." At One Foundation, Wang is hoping to reform the traditional Chinese attitude towards charity – as something that should be anonymous, unstructured, and independent of government financial support – into standardized processes that are transparent and efficient. Wang also wants to train more leaders and experts in philanthropic practices to better guide struggling charities into maturity, in addition to linking charities with businesses for program development.

"Chinese companies rarely have a CSR arm because, to them, charitable activities are simple – they think it is only about donating money. Donating a little money is simple, but when giving on a large scale, it becomes complex to manage so we need to develop a system and strategy to ensure impact and accountability." ■

"In the past I was promoting policies; now I am advocating changes in society and coming up with effective solutions," said Wang.

*Wang Zhenyao,
Director, One
Foundation Public
Interest Research
Institute at Beijing
Normal University*





“I love books, but I don’t have any at home. There aren’t any at school either. When my brother and I want to look at books, we walk through the mountains to get to town,” says Bian Yusuo (8 years old, Qinghai Province).

UPDATE ON THE RED SCARF CHILDREN’S LIBRARY PROJECT

A full year into the project, CKGSB’s first major charity is nearly halfway to its final goal. The CKGSB Red Scarf Children’s Library Project has established 238 libraries in primary schools across China, half of the 500 libraries planned at the charity’s launch last October. Located in undeveloped parts of 23 provinces, municipalities and autonomous regions, these libraries provide young children in China’s least-developed regions with a space to explore a range of donated books, from novels to study guides.

CKGSB has announced that so far, 16 million RMB has been raised by alumni and staff for the Library Project. The funds have been gathered by the China Communist

Youth League, CKGSB’s co-sponsor in the project, and are now being used to establish and stock the libraries. A new transparency drive, in light of recent charity scandals in China, enables donors to check their donations all the way to their final destination.

For many donors, contributing to the project has involved much more than giving money. From its initial phase, when children and teachers were consulted about the books most in-demand, to the opening of each library, nearly 500 CKGSB EMBA students and alumni have spent time working with children and teachers to make sure the right books get into the right hands. By volunteering, they have gotten to know the children, many of whom are the same age as their own, albeit with very different life experiences.

With many of the new library bookshelves fully stocked in time for the 2011-2012 school year, around 30,000 students are already directly benefiting from this project, a source of great satisfaction for donors.

Since fall of 2010, EMBA students at CKGSB have been required to volunteer for projects over the course of their studies. Since this new policy was implemented, EMBA students and alumni have contributed more than 1,416 total work hours to public service activities. Those who do, have their names posted on CKGSB classroom walls and on the CKGSB website, a public display of their efforts. Students often need no encouragement. For many, volunteering at the schools has been a moving experience, bringing home their reasons for placing such a high value on education.

In recent lectures, CKGSB Dean Xiang Bing has reiterated the school’s commitment to cultivating business leaders with a sense of social responsibility. He has stressed that when it comes to corporate social responsibility, business leaders need to do more than merely give money. They need to contribute management expertise and time in order to create innovative and transparent models of philanthropy. Speaking to incoming EMBA students in June 2011, philanthropist Peggy Dulany-Rockefeller told students that as globalization develops, entrepreneurs needed to embrace a new type of leadership capability, and contemplate how to help others and serve society as a whole.

The CKGSB Red Scarf Children’s Library Project has produced a large number of offshoot outreach projects. The CKGSB Jiangsu Alumni Association is helping to pay university tuition for a group of university freshmen. One group of EMBA students trekked out to a remote school to start a library project. Another travelled to the Qinghai Plateau, bringing books and gifts to Tibetan children at the source of the Yangtze River. ■

CKGSB COMMUNITY DEVELOPMENT ACHIEVEMENTS



- April 29, 2011** CKGSB Jiangsu Alumni Association held a public service event in Yangzhou. They donated libraries to three schools in Yizheng.
- April 29, 2011** Over 30 CKGSB alumni and their families visited the town of Mafang in Pinggu district to celebrate World Book Day.
- May 3, 2011** CKGSB faculty, staff and alumni produced a music video to promote charity at CKGSB.
- May 7, 2011** The CKGSB Anhui Alumni Association walked to Guangming Primary School in Chaohu City to establish a library and bring sports equipment to students.
- May 11, 2011** Fourteen members of the CKGSB Shanxi Alumni Association participated in a ceremony for the establishment of libraries in primary schools in Jinyang County, Jinzhong.
- May 18, 2011** Alumni from CKGSB’s EMBA 17th Intake along with the CKGSB Shaanxi & Shanxi alumni associations held a donation ceremony for the Children’s Library Project in Xi’an.
- May 27, 2011** Fifteen members of the EMBA 17th Intake spent the day with students at Machang primary school in Pingba county, Anshui City, Guizhou Province.
- May 28, 2011** On the first anniversary of the establishment of the CKGSB Hubei Alumni Association, members celebrated by volunteering at a local school.
- June 1, 2011** Representatives from the CKGSB Shanghai Alumni Association launched a library project at Chongming Migrant Children’s School.
- June 8, 2011** Over thirty alumni from CKGSB’s EMBA 17th Intake in Shenzhen volunteered for the Children’s Library Project.
- June 8, 2011** Over thirty alumni from CKGSB’s EMBA 15th Intake launched a Children’s Library in Beijing at the Yuquan Road Primary School.
- July 13, 2011** Students from the EMBA 17th Intake and 80 students from the 18th Intake visited the Nuo minority primary school in Jinghong, Xishuangbanna, Yunnan Province.
- August 5 -11, 2011** Students and teachers from Panzhihua Hope Academy came to Beijing for a summer camp hosted by students from the EMBA 18th Intake.
- August 16, 2011** Students from the EMBA 16th Intake visited a Tibetan school on the Qinghai Plateau to open a Children’s Library.
- August 27, 2011** Students from the EMBA 18th Intake visited Xiahe in Gansu Province to deliver books to five schools in the area.
- August 27, 2011** EMBA students from the 18th Intake visited Hulunber in Inner Mongolia to visit two already established Children’s Libraries.
- August 28, 2011** Students from the EMBA 16th Intake visited a school in Balinyouqi prefecture in Chifeng, Inner Mongolia, to officially hand over funds for school reconstruction and e-learning. ■



Pictures drawn by students from the schools that participated in the CKGSB Red Scarf Children’s Library Project.

CKGSB STUDENTS & ALUMNI IN THE COMMUNITY



Hubei: On May 28, the CKGSB Hubei Alumni Association celebrated its first anniversary by reading 3D and picture books with schoolchildren on Children's Day.



Yunnan: In July, students from the EMBA 18th and 17th Intakes visited a Nuo minority primary school in Jinghong, Yunnan. The CKGSB students donated books for seven libraries and 200,000 RMB to improve learning conditions.



Gansu: A group of EMBA 18th Intake students visited Xiahe county in southern Gansu Province in August, delivering extra-curricular books to students at five area schools.



Beijing: Members of the MBA Class of 2010 attended a graduation party in Beijing, auctioning a range of things from home-cooked dishes and hand-designed t-shirts, to tickets for shows. They raised 20,000 RMB, enough to establish a Children's Library.



Inner Mongolia: Just in time for the start of the new school year, a team of EMBA 18th Intake students visited Xinbaermyouqi, Hulunber to view two libraries being established by CKGSB.



Guizhou: Members of the EMBA 17th Intake visited Machang Primary School in Pingba County. The students received gifts and shared with the CKGSB group their hopes for the future.



Qinghai: CKGSB's Library Project has reached the Qinghai plateau, home to the source of the Yangtze River. Tibetan children put on a performance for EMBA 16th Intake students who visited them in August to open a Children's Library.

Chifeng, Inner Mongolia: Mongolian children in poverty-stricken Balinyouqi prefecture in Chifeng, Inner Mongolia received a donation of 670,000 RMB from CKGSB students. The money will be used for school reconstruction and e-learning equipment.



Beijing: For a week in August, a group of students and teachers from Panzhibua Hope School took part in a summer camp in Beijing hosted by EMBA 18th Intake students. Panzhibua Hope School is a recipient of a Children's Library.



Jiangsu: In August, members of the CKGSB Jiangsu Alumni Association came together with university students in Nanjing. Forty students received tuition support from a fund of 200,000 RMB donated by CKGSB students.

CKGSB & COLUMBIA BUSINESS SCHOOL PARTNER FOR "GLOBAL BUSINESS STRATEGY: CHINA"

From August 29 to 31, CKGSB and Columbia Business School held a joint program called "Global Business Strategy: China" for leading executives from the U.S., Europe, and Africa eager to learn more about China. This was the second event between the two schools to offer open enrollment geared towards multinational corporate executives. CKGSB and Columbia Business School's top professors, with their common global perspective and understanding of China gave students insights into China's economy, society, businesses and commercial enterprises. They discussed how multinational corporations position themselves in the market and how they formulate development strategy in China.

"In the next decade, the world's main force of economic growth will be Asia, with China at the center of economic development. Future experts on the growth



Ferrari North America CEO Marco Mattiacci speaks at "Global Business Strategy: China."

of the global economy must have a profound understanding of China and win over the Chinese people," said CKGSB Dean Xiang Bing. CKGSB Associate Dean and Professor Economics and Human Resource

Management Wang Yijiang introduced students to China's continuously developing institutional and trade environment. CKGSB Professor of Strategy and Innovation Liao Jianwen gave a talk on the changing competitive environment for multinationals in China.

Highlights for participants were discussions between Ferrari North America CEO Marco Mattiacci, Huamei Group Chairman Dominic Ng, Harry Winston CEO Frederic de Narp, and Charlotte Chairman and CEO Jenny Ming who shared their insights into the changing Chinese consumer market and the nature of government and commercial relationships. They also discussed the effect that U.S.-China trade relations have on MNC operations and how MNCs can establish good working relations with domestic companies.

LEADERS DISCUSS CHALLENGES AT CEO DIALOGUE

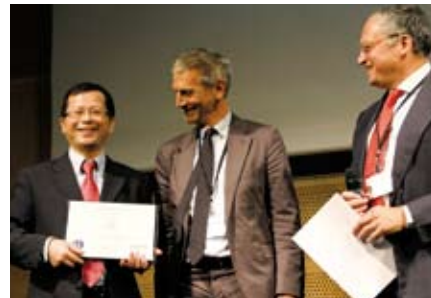
On June 23, CKGSB partnered with The Conference Board to present "Dialogue with CEOs: CEO Challenges 2011." Dr. Bart van Ark, Senior Vice President and Chief Economist of The Conference Board shared findings from the 2011 CEO Challenge Survey, an international survey in which CEOs identify their most critical challenges. CKGSB Professor of Managerial Practice Shalom Saada Saar, Professor of Economics Li Wei, Associate Dean and Associate Professor of Strategic Management Teng Bingsheng and CKGSB alumni participated in a breakfast roundtable and an afternoon roundtable and panel discussion. The conference brought together top managers of multinational corporations operating in China and the Asia Pacific region to discuss the rising business challenges they are currently facing and effective ways to address them.

PROFESSOR HENRY CAO RUNNER-UP TO SPÄNGLER IQAM PRIZE

Chair of the CKGSB Finance Department and Professor of Finance Henry Huining Cao has received the runner-up prize to the 2011 Spängler IQAM Best Paper Prize for his paper, "Fear of the Unknown: Familiarity and Economic Decisions," that was recently published in *Review of Finance* (volume 15, issue 3, July 2011). Professor Cao accepted the prize at the Annual Meeting of the European Finance Association in Stockholm, Sweden on August 19, 2011.

The Spängler IQAM Best Paper Prize is an annual prize given by the leading international journal, *Review of Finance*. The three best papers from the journal's previous four issues are awarded a first place prize and two runner-up prizes.

Professor Cao's paper offers a model to help explain why individuals tend to focus on worst-case scenarios when contemplating a decision that deviates from the status quo. This model of familiarity bias is used to examine the endowment effect, portfolio underdiversification, home and local biases and the implications for equilibrium asset pricing. The paper predicts that a modified capital asset pricing model holds wherein the market portfolio is replaced with a portfolio of the stock holdings of investors not subject to familiarity bias.



Professor Cao accepts the runner-up prize to the 2011 Spängler IQAM Best Paper Prize at the Annual Meeting of the European Finance Association in Sweden.

DEAN XIANG MEETS WITH BRIC COUNTERPARTS IN MOSCOW

CKGSB Dean Xiang Bing attended the fifth anniversary celebrations of the Moscow School of Management Skolkovo in Moscow from September 16 – 17. Prior to the celebrations, Dean Xiang met with leaders from the host school, as well as the deans of two other top-rated BRIC (Brazil, Russia, India, China) nation business schools: the Indian School of Business, commonly known as Hyderabad, and Brazil's Fundação Dom Cabral (FDC). By forming strong alliances with leading business schools in emerging economies that will be engines of global growth in coming years, CKGSB is helping shape the next wave of global business education.



CKGSB Dean Xiang Bing meets with deans of business schools from BRIC countries.

CKGSB DEAN XIANG BING SHARES INSIGHT AT ERNST & YOUNG'S INAUGURAL GLOBAL GROWTH FORUM

CKGSB Dean Xiang Bing spoke at the Ernst & Young Inaugural Global Growth Forum in Washington, DC on June 6. Dean Xiang shared his views on emerging markets in China, globalization, and the numerous changes Chinese businesses are currently facing in investment, trade, and production. Dean Xiang also emphasized the importance of a new, broader definition of success for Chinese executives: one that goes beyond wealth creation and instead focuses on wealth application.

The Ernst & Young Global Growth Forum provided a platform for top business executives and experts leading the world's most powerful institutions to share knowledge on growth optimization and market potential within current global trends in business.



CKGSB Dean Xiang and Henry Kissinger, former U.S. Secretary of State, at the Ernst & Young Inaugural Global Growth Forum.

Other speakers at the Forum included Gordon Bajani, former Prime Minister of Hungary; Henry Kissinger, former U.S. Secretary of State; A.G. Lafley, former Chairman, CEO and President of Procter & Gamble; and James S. Turley, Chairman and CEO of Ernst & Young.



INSEAD Dean Dipak C. Jain and Associate Dean Liu Jing.

CKGSB HOSTS INSEAD DEAN DIPAK C. JAIN

On September 6, INSEAD Dean Dipak C. Jain and INSEAD Deputy Dean Peter Zemsky visited CKGSB to meet with CKGSB Associate Dean Wang Yijiang and Associate Dean Liu Jing. They discussed with Dean Jain CKGSB's unique faculty-managed school structure. INSEAD, an international business school with campuses in France, Singapore and Abu Dhabi, and CKGSB have long enjoyed a friendly relationship fostered by such informational visits for idea exchange.



CKGSB KUNMING SUMMER FORUM FOSTERS INCLUSIVE GROWTH

CKGSB and the Yunnan provincial government co-hosted the 2011 CKGSB Summer Forum at the Memorial Hall of Victory in Kunming, Yunnan on July 15. Over 1000 participants, including CKGSB alumni, experts, scholars and business leaders gathered to share knowledge and insights on innovative models for new development in western and southern China and the ASEAN member countries.

CKGSB Dean Xiang Bing delivered a talk titled “Global Business Courses – Inclusive Growth” that focused on how China can bridge the gap between economic growth and a peaceful society. Dean Xiang said that although China’s economic growth has captured the attention of the world, China must focus on increasing workers’ salaries, narrowing income disparity, building China’s middle class, and ensuring stability. CKGSB Economics and Human Resource Management Professor Wang Yijiang spoke on the wealth of the masses as a fundamental part of a country’s economic development.

Additional speakers included Former Vice Minister of Commerce and China Center International Economic Exchanges Secretary-General Wei Jianguo; Malaysian-Chinese business leader and Country Heights Holdings Berhad Chairman Li Jinyou; Yunnan Provincial Party Committee Secretary and Provincial People’s Congress Chairman Bai Enpei; CPC Yunnan Provincial Committee Deputy Governor Luo Zhengfu; and China Securities Regulatory Commission Inspection Division Director Nie Qingping.

The CKGSB Summer Forum has been held in Yunnan annually for the past three years. As one of the most important provinces in western China, Yunnan links the western region’s economy to the rest of China and Southeast Asia. Yunnan is not only crucial to inter-regional communication, the region’s unique culture, abundant funding sources and headquarters of many overseas Chinese businesses makes it a center for western China’s economic growth.



CKGSB Dean Xiang Bing and Kunming government leaders.

PROFESSOR CHO DONG-SUNG DISCUSSES STRATEGIES OF CORPORATE LONGEVITY

On August 24, 2011, CKGSB and the Korean Chamber of Commerce in China co-hosted a seminar called “Strategies of Corporate Longevity.” CKGSB Professor of Strategy Cho Dong-Sung and two experts from Seoul National University’s L&S Center for Corporate Longevity shared insights and discussed the characteristics of corporate longevity.

The two experts from Seoul National University’s L&S Centre for Corporate Longevity shared insightful analysis of management concerns for international corporate longevity. Over 40 Korean entrepreneurs in China took part in the CKGSB and Korean Chamber of Commerce’s Strategies of Corporate Longevity seminar. During the three-hour seminar, CJ Group’s Chief Representative and President of the Korean Chamber of Commerce, Geun-tae Park, other Korean entrepreneurs, and CKGSB professors participated in the energetic exchange.



Professor Cho shares his insights at an open seminar with the Korean Chamber of Commerce in China.

CKGSB RELEASES ITS MBA 2009 CLASS CAREER REPORT

Average MBA salaries continue to rise, with a focus on China experience and global perspective.



Gavin Liu emphasized that while the 100% increase in average salary following an intense year of English-language full-time MBA study is a gratifying result, it is even more important to consider the pronounced value of an MBA education over a period of five and ten years.

The CKGSB MBA Alumni Five-Year Career Survey showed that alumni achieved an average salary increase of 283% in the five years after graduation. Liu attributed this to the MBA program’s focus on providing students with the foundation to develop their own long-term strategic vision and entrepreneurial spirit. In addition, over 60% of CKGSB MBA graduates switched industries or functions upon graduation. Although these transitions certainly influence the starting salaries of these students, transitioning to growing industries or upper management positions offers them greater platforms for professional development in the long-term.

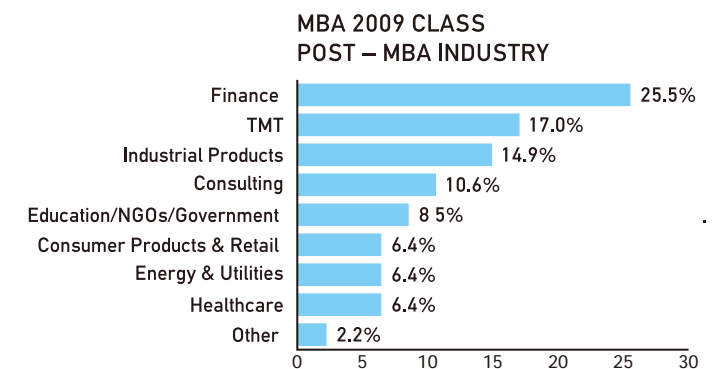
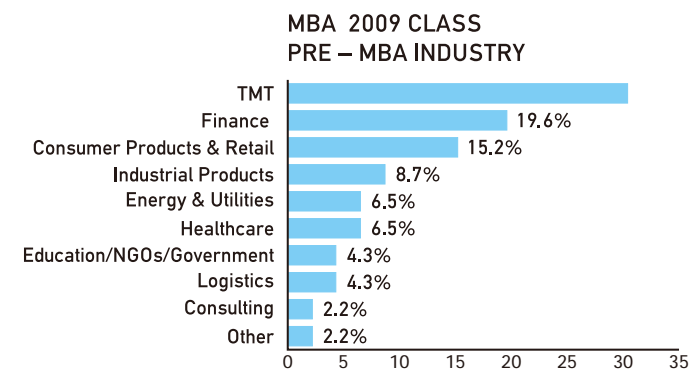
A highlight of the CKGSB MBA 2009 Class Career Report was the success of international students in pursuing professional opportunities in China. Their employers included well-known multinational companies and rapidly expanding Chinese enterprises. Malaysian graduate Jin Keat Lai joined Booz & Co as a senior consultant; MIT alumnus Charles Van Buren, leveraged his experience in the American Internet market to join Touch Media as director of CRM; and Korean student Jack Jung is now a sales manager in charge of major Korean accounts at Bekaert (Asia).

As the Chinese economy globalizes, CKGSB’s MBA program offers the world-class faculty and insights into Chinese and emerging markets to equip graduates with the capacity to respond to the demands of the labor market.

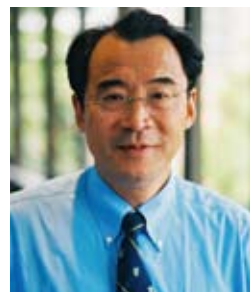
CMC Manager Zhang Jiewei said that Chinese enterprises looking for applicants for high-level placements are increasingly interested in an applicant’s industry experience, English ability, and global strategic vision. As Chinese enterprises develop, they would be best positioned to lead the enterprises in possible bids to go public or expand globally.

The CKGSB MBA Career Management Center (CMC) released its MBA 2009 Class Career Report based on the data from 55 students six months after their 2010 graduation. The report features a comparative analysis of the industries, functions and occupations of the graduates before and after their participation in the CKGSB MBA program.

CKGSB MBA 2009 class graduates earned an average annual wage of 348,000 RMB, constituting an increase of 100% over pre-MBA salaries. Finance, new media, manufacturing and consulting were the four industries employing the greatest numbers of graduates. The four most common functions were general management, finance and accounting, marketing, and consulting, respectively. CMC Senior Manager



LI LODE



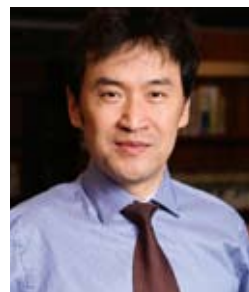
LI WEI



LIU JIN



CHEN LONG




EXPANDED FACULTY FOR 2011 – 2012

CKGSB announced its expanded roster of tenured faculty and visiting faculty for the academic year 2011 – 2012. In addition to having China's most influential alumni network and offering unrivaled insights on China through key business programs, CKGSB continues to bolster its world-class faculty as listed below.

- Professor CHEN Long is Professor of Finance (formerly of Olin Business School, Washington University in St. Louis)
- Professor GAN Jie is Professor of Finance (formerly of HKUST)
- Professor HE Hua is Professor of Financial Practice
- Professor LI Lode is Professor of Operations Management
- Professor LI Wei is Professor of Economics (formerly of Darden Business School, University of Virginia)
- Professor LI Xiaoyang is Assistant Professor of Economics and Finance
- Professor LIU Jin is Professor of Accounting and Finance (formerly of Anderson School of Management, UCLA)
- Professor OU-YANG Hui is Professor of Finance
- Professor Shalom Saada SAAR is Professor of Managerial Practice
- Professor SONG Zhongzhi is Assistant Professor of Finance
- Professor SUN Baohong is the Dean's Distinguished Chair Professor of Marketing (formerly of Tepper School of Business, Carnegie Mellon University)

CKGSB warmly welcomes new and returning visiting professors as listed below:

- Professor Jack CHEN is Visiting Associate Professor of Marketing
- Professor CUI Haitao is Visiting Assistant Professor of Marketing
- Professor Jennifer HUANG is Visiting Associate Professor of Finance
- Professor LI Haitao is Visiting Professor of Finance
- Professor Vicki TANG is Visiting Associate Professor of Accounting
- Professor LIU Xiaolei is Visiting Assistant Professor of Finance
- Professor LI Xuenan is Visiting Assistant Professor of Finance
- Professor ZHANG Hong is Visiting Assistant Professor of Finance
- Professor Juliet ZHU is Visiting Associate Professor of Marketing

CKGSB professors are widely acknowledged for their important research contributions. They rank sixth per capita in a global ranking of publications in top academic journals. CKGSB faculty, through their innovative research and close relationships with leading domestic executives, provide global thought leadership on both the theory and the practical reality of business in China. They have generated important insights on subjects such as the globalization strategies of Chinese companies and competition and collaboration among state-owned enterprises, private business and multinationals. Most of CKGSB's faculty members were raised in China and studied and taught in the U.S. or Europe before returning to join CKGSB. Other faculty members hail from Korea, Japan and North America. CKGSB professors' diverse backgrounds and extensive overseas experience have left them ideally positioned to interpret global businesses in the context of China and the West. 

CKGSB UPCOMING EVENTS

OCTOBER 13 SCHOOL OPENING CEREMONY

On October 13, CKGSB will hold its Opening Ceremony at Diaoyutai State Guesthouse to welcome new and returning students to the new academic year. Over 900 incoming and outgoing students will share the day, along with CKGSB Dean Xiang Bing, faculty and dignitaries. The 2011 intakes include over 200 executive MBA students, 60 finance MBA and 50 MBA students. The ceremony will also graduate 200 EMBA students, 55 FMBA students and 40 MBA students.

OCTOBER 21 CKGSB EXECUTIVE SUMMIT IN NEW YORK

A group of 80 EMBA students will join CKGSB faculty, over 300 executives, government officials, entrepreneurs, and economists from China and the U.S. in New York on October 21 for the Eighth China Institute Executive Summit. This year's speakers include Kurt M. Campbell, U.S. Assistant Secretary of State for East Asian and Pacific Affairs and Julie Nixon Eisenhower. As a co-organizer with China Institute, CKGSB EMBA students will have the opportunity to serve as panelists and share their views on China in the global economy.


NOVEMBER 4 ERNST & YOUNG ENTREPRENEUR OF THE YEAR

On November 4, the annual Ernst & Young Entrepreneur of the Year awards will be held at China World Summit in Beijing. The ceremony which will award the best new entrepreneurial talent of 2011 will feature presentations from past winners, Liu Yong Hao and Guo Guangchang. CKGSB Dean Xiang will engage in round table discussions moderated by CKGSB Associate Dean and Associate Professor of Strategy Teng Bingsheng and Associate Dean and Professor of Accounting and Finance Liu Jin.

NOVEMBER 7 GLOBAL CHINA BUSINESS MEETING IN VALENCIA, SPAIN

After a highly successful collaboration in 2010, CKGSB professors and students will attend the Global China Business Meeting this November in Valencia, Spain, where CKGSB will partner with Horasis. This will be the seventh Global China Business Meeting, which will bring together 400 business leaders from around the world to discuss the Chinese business climate with the theme "Globalizing Chinese Firms." Sixty participants from CKGSB's 2011 China CEO Program and CKGSB faculty members will attend and share their thoughts on CKGSB's own European launch as part of a larger globalizing trend.

JANUARY 8, 2012 CKGSB SANYA FORUM

The annual CKGSB Sanya Forum held at the Sanya Sheraton is an exclusive gathering of alumni, business leaders, academics and visionaries from China and around the world. The weekend conference is held at the tropical resort city of Sanya on southern China's Hainan Island. The conference generates powerful new insights into the changing face of business in China as well as its impact on the global economy. Check www.ckgb.edu.cn for upcoming registration details. 



Scan this code with your phone to be taken directly to our website to stay updated on upcoming events.

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You want the inside track on local business.**

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The China Country Manager Program was designed for people like you: high-ranking executives who need to understand and anticipate changes in the fast-moving Chinese business landscape.

The program offers insights you need to map out strategy for your company's next stage of growth.

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The program focuses on business at three different levels: macro, corporate and individual. Two days of classes in Beijing focus on global economics and China's policy environment. Learn how to tap new markets and create growth opportunities for your company in China.



Three days of classes in Shanghai focus on emerging market strate-

gies. Get the know-how you need to collaborate and compete with a rising generation of ambitious Chinese companies.

Two days of classes concentrate on leadership skills and are held in conjunction with CKGSB's annual forum in Sanya. Network with top-level Chinese business executives, government officials and business leaders from other multinational companies.



World-class Faculty

CKGSB, founded in 2002, is a non-profit, private, independent Chinese business school. With financial support from the Li Ka Shing foundation, CKGSB has recruited professors from some of the world's best management schools, including Wharton, Stanford and INSEAD.

Our faculty provides a rare and

valuable combination of international experience and on-the-ground insights into China business.



A Powerful Network of Decision Makers

Gain perspective on your own business strategy as you meet and share experiences with your classmates and alumni – the powerful network of China executives who will be your partners and competitors.

The Right Choices

Our China Country Manager Program is the course of choice for executives of multinational companies seeking a competitive advantage in China's complex business environment.



For inquiries about the program please email cm@ckgsb.edu.cn
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China From The Inside

A Global View for Global Executives



**Short-term programs,
long-term payoffs**

CKGSB provides customized programs that offer EMBA students and business executives a first-hand view of China's unique business context. The academic sessions are led by our renowned professors, combining in-depth lectures on China-specific business topics taught by prominent experts with interactive company visits and cultural events.

CKGSB offers:

- In-depth insights into the unique opportunities and challenges of China business
- Interactive sessions with prominent experts on China-specific business topics
- Company visits to gain first-hand insight into doing business in China
- Analysis of successful strategies for competing and collaborating in China
- Networking opportunities with other high-level business executives in the CKGSB alumni network



"I was hugely impressed by the extent to which China has progressed from a planned economy to a market economy and the influence Chinese companies are having on global competition."

—UCLA Anderson School of Management EMBA participant



"The depth of insight and experience of your faculty is incredible and provides us with a great context to better understand China."

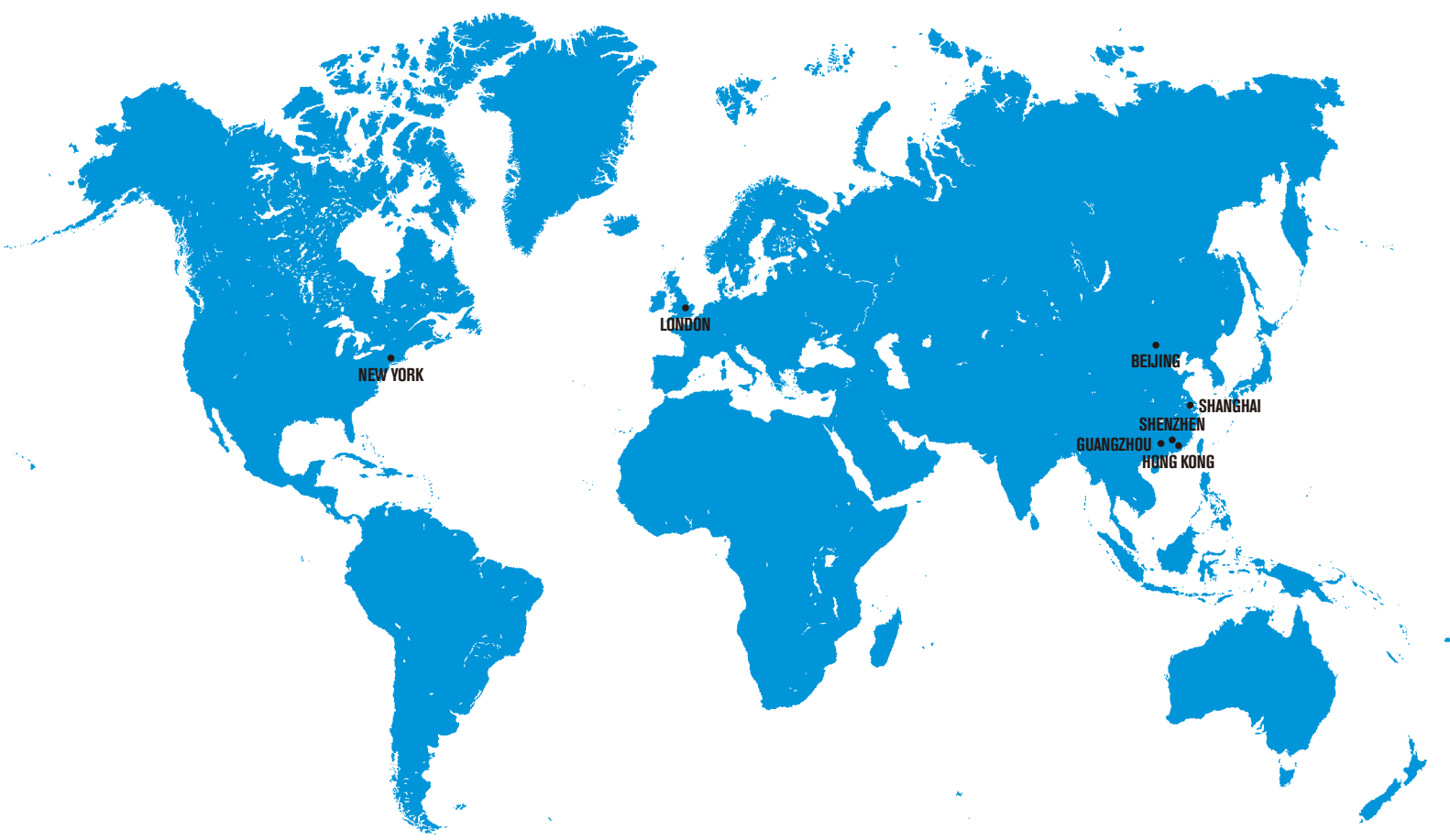
—Tony Arrell
Chairman & CEO, Burgundy Asset Management Ltd.

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Know China as it is
Other MBA graduates

Know what's
next for China
CKGSB MBA graduates

Success belongs to the few.

The CKGSB MBA Program is a leading boutique course designed to cultivate the next generation of business leaders with unsurpassed global perspective and local insights.

The CKGSB MBA is a full-time, 12month program based in Beijing and taught in English, with courses delivered by international professors who have served on faculties such as Wharton, Stanford, Harvard and INSEAD. Our faculty ranks sixth among worldwide business schools in research contributions and our professors take up advisory roles in global policy-making bodies. We pride ourselves on unrivaled research and hands-on knowledge of the Chinese market. We are at the forefront of Chinese business education in the next economic superpower. The CKGSB MBA Program is your ideal guide into the new opportunities of this emerging giant.

Know What's Next.