INSIGHT.

The Journal of the American Chamber of Commerce in Shanghai - Insight March/April 2017

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MANAGING IN CHINA

A look at management in China's evolving business environment, including experts' insights into attracting and retaining talent, employee development and navigating cultural differences.


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AMCHAM SHANGHAI

Shanghai Centre, Suite 568
1376 Nanjing West Road
Shanghai, 200040 China
tel: (86-21) 6279-7119
fax: (86-21) 6279-7643
www.amcham-shanghai.org

FEATURES

POLICY PERSPECTIVES

MEMBER NEWS

CHAIRMAN'S LETTER

Ker Gibbs

KER GIBBS
Chair of the Board of Governors

We are now well into the first 100 days of the Trump administration. His supporters expect major changes in the China relationship. They voted for a man who promised to impose a 45% tariff on Chinese goods and slap China with the currency manipulator label on day one (a threat he later rescinded). Mr. Trump's critics, on the other hand, braced for rough handling of a delicate relationship. Many were horrified by what they perceived as fumbling of the one-China policy even before he took office. Thus far, President Trump has not met the expectations of either side and true to form, he keeps us guessing.

Given his reputation for volatility and his rough treatment of America's traditional allies, a sigh of relief could be heard around the world after President Xi concluded his first phone call with Mr. Trump as president. Reports indicate the call was cordial, with China receiving the assurance they wanted regarding the one-China policy. Prior to that, Mr. Trump had managed to put China on the defensive by accepting a phone call from Tsai Ing-wen, the leader of what China calls the "renegade province" of Taiwan. Even Mr. Trump's harshest critics had to admit that by making the call during his last days as a private citizen he had cleverly put this delicate subject in play without provoking a direct confrontation. What will America receive as a result of this display of Trump's legendary deal-making skills?

Mr. Trump's move to withdraw from the Trans-Pacific Partnership (TPP) was another gift for China. Obama's "pivot to Asia," of which the TPP was the economic aspect, was poorly understood and disliked in China from the start. The 12-nation partnership left China noticeably outside. Even if China would eventually be invited to join, the agreement established standards for labor and intellectual property that would be difficult for China to meet.

Trade negotiators and business people have long understood the value of bringing gifts when dealing with China. This tradition goes back at least as far as 1793, when Lord Macartney famously brought clocks and other gifts from Britain in his failed attempt to open a trade route. Perhaps Mr. Trump had this in mind by creating the issue over one-China, then backing away from it with nothing to show in return?

The American business community in China is patient, and we are still in the early days of the new Trump administration. Now that China has what it wants, what can America expect in return? Will Mr. Trump get the cooperation he wants from China to contain North Korea? Can American manufacturing workers expect to get their jobs back? It's unclear what form that might take in terms of a China deal, but post-election expectations are still high.

The Obama administration had its own way of extracting agreements from China, and timing was key. Mr. Obama waited until the eve of what China covets most – the state visit, complete with 21-gun salute. Knowing this, some speculate that Obama's negotiators deliberately waited until Mr. Xi's plane was about to depart Beijing before demanding that China come to the table on cybersecurity. We may never know what actually happened, but reports show that industrial espionage has fallen sharply since this agreement.

As for what Mr. Trump has planned for China policy, we still have no clear view. Here at the Chamber we are trying to discern who in the administration we should look to for clues. Peter Navarro has been an outspoken critic of China and provided most of the ideas behind candidate Trump's campaign rhetoric. Secretary of State Tillerson would naturally have the foreign policy agenda. Mr. Tillerson will be familiar with China from his time at Exxon, an AmCham Shanghai member. Will this guide his thinking? Or should we keep our eye on Treasury Secretary Mnuchin, who would take the lead on China's currency?

Here at the Chamber, we continue to push issues we hope to see at the top of the administration's agenda. These include market access, China's industrial policies, opaque regulations and unfair benefits for domestic companies. Cybersecurity and faster financial sector liberalization are specific key concerns. Foreign banks now have 1.4% market share and the trend line is negative. We also hope this administration will continue negotiating a high quality Bilateral Investment Treaty. We fully support the calls for more balanced benefits in the relationship and are eager to engage with the new administration to help bring those about. I

Movers and Shakers highlights major personnel changes within the Chinese government at various levels and senior management-level movements within multinational companies in China

PRIVATE SECTOR

WELLS FARGO

Wells Fargo & Company appointed **Jafar Amin** as regional president for its Asia Pacific (APAC) region. In this role, Amin will work with other Wells Fargo business leaders to serve commercial, corporate and financial institution customers across APAC. He will also represent the interests of Wells Fargo to regional regulators, government officials, central banks and financial institutions in the region. In addition to his role as regional president, Amin is also in charge of Wells Fargo's Global Financial Institutions (GFI) business in APAC.
Most recently, Amin served as executive vice president and head of Global Financial Institutions Europe. Before joining Wells Fargo in 2012, Amin worked at HSBC for more than 12 years. He holds a bachelor's degree in political science from the University of Toronto.

GOGO

Gogo, the global leader in providing broadband connectivity solutions and wireless entertainment to the aviation industry, named **Patrick Carroll** Asia Pacific (APAC) regional president. Carroll is a 30-year aviation veteran, with experience in a variety of operational and management roles in the APAC region at Airbus and BAE Systems. He is also a certified flight instructor, chartered engineer, and was awarded an OBE, an honor from the Queen of England for services to the aviation industry.

ALLEGION

Allegion, a leading global provider of security products and solutions, announced the appointment of **Jeff Wood** as president of its Asia-Pacific region, based in Shanghai. In this role, Wood will lead more than 400 employees in China, Korea, Singapore, Australia and New Zealand. Wood has been with Allegion for more than three years and served as vice president of global supply chain. Prior to Allegion, Wood was senior vice president of supply chain for Schneider Electric. His career has also included 12 years at General Electric in operations, materials and quality, where he earned the prestigious Six Sigma Master Black Belt process improvement certification.

TROUTMAN SANDERS

Troutman Sanders is expanding its Energy Practice in China. **Lynia Lau** joined Troutman Sanders recently as a consultant. Most recently, Lau was partner and head of Energy & Resources at Stephenson Harwood. She has over 10 years' industrial experience in oil and gas, energy-related M&A, logistic operations, strategic planning, project development, finance and operations.
Lau was a commodity trader and business development manager with BP Amoco and Sinopec in China, Hong Kong, Philippines, Thailand, Indonesia, Singapore, Australia, UK, and the U.S. She also assists Chinese banks with disputes arising from project and shipping finance.

GOVERNMENT

Yang Xiaodu was named minister of supervision. Yang most recently was deputy secretary of the Central Commission for Discipline Inspection. He became vice-chairman of Tibet Autonomous Region in 1998. Yang served as deputy mayor of Shanghai from 2001 to 2006, and also held other positions in the city, including the head of local discipline commission, before joining CCDI in 2013.

Che Jun was appointed governor of Zhejiang province. From 2010 to June of 2016, Che was the vice party secretary of Xinjiang Uygur autonomous region. In 2008, Che became the vice secretary of Hebei provincial committee. Before moving to Hebei, Che was a standing committee member of Anhui province and the party secretary of Hefei, the capital city of Anhui.

Xu Liquan was promoted to chairman of the Anhui Political Consultative Conference (APCC). Xu has worked and lived in Anhui province all his life. From 2003 to 2005, Xu served as the vice governor of Anhui. Following that, he joined the Anhui provincial standing committee and became vice-chairman of APCC in February of 2016.

If your company has executive personnel changes, please contact Junling Cui at junling.cui@amcham-shanghai.org.

The New Normal of Executive Management

Attracting and retaining senior executives in China

By Doug Strub

A maturing market, increased domestic competition, and structural changes as the economy continues to shift from an export-oriented model toward domestic consumption are all redefining what is required of a senior manager in China

Ten years ago, companies expanding into China could count on rapid growth, low costs, limited competition, and a generally favorable policy environment. The government was also offering tax breaks and other incentives to lure in foreign companies in an effort to spur development and contribute to technology transfer. But, most multinational companies' China operations contributed a relatively minor portion of their global revenue, relegating them to a secondary concern in the minds of leadership back home.

In recent years, almost all of these conditions have reversed. Growth has slowed, labor and other costs are rising, domestic competition is proliferating, and policies aimed at attracting foreign companies are being replaced with ones championing domestic players. And in the wake of decades of high growth and a global financial crisis that hit the West much harder than China, the once negligible revenues coming from multinational firms' China operations in many cases have grown to a significant portion of their global revenue.

These changes to business conditions are redefining what companies look for when hiring senior management. Add to this the speed of change in China – where new technologies are often adopted more rapidly than in more developed markets and consumer preferences shift just as quickly – and what emerges is a new set of qualifications needed for corporate management in China. In recent years, there has been an emergence of what Simon Wan, chief executive at executive management recruiting firm Cornerstone International Group, calls "the new normal of HR executives" - younger, more diverse, open to new ideas, capable of adapting to a constantly changing environment, and often more tech savvy. It's not just companies that are changing, but candidates as well. Today's executives often seek more diversity of experiences and move from company to company more frequently.

New management for a new business environment

While slowing economic growth presents the most obvious challenge today, many other changes are impacting how companies manage their China operations, and thus affecting the qualities they need in their senior management. "The biggest challenge right now is the evolution of the market here in China," says David Nagy, managing partner, Asia Pacific Industrial Practice at DHR International, an executive recruitment firm.

In the early days of China's reform era in the 1980s, the lower level of development meant that businesses coming to China were generally entering a wide-open market, and rapid growth was often the key objective. But now that China's markets have matured, the strategies employed by companies must also evolve. "Previously we had a lot of need for opening new plants, opening up new offices, growing the team from 1,000 to 2,000," says Linda Zhang, partner at Heidrick and Struggles, an executive recruitment firm. "Today they are probably focused on how best to look at cost structure, where they can consolidate their teams, where they should put their product portfolios." All of this is affecting the kinds of decisions that managers must make. "It's probably easier growing a company from 100 to 1,000," Zhang adds, "but it's hard to manage a company from 500 to 250, where you need to make a lot of tough decisions."

At the same time, overall revenue flows from China have grown dramatically. "Some companies now have 50% or 60% of their revenue coming out of China or Asia," Zhang says. "The size of the China business makes a huge difference in the intervening from HQ. If your business (the

China branch) only makes up 1% of the global business, they don't really care much. But if your business is $1 billion, then they pay attention and get involved."

Cornerstone's Wan adds that executives' preferences are changing as well. "People don't stay in the same company for as long as they used to," he says. "It used to be 7, 10, 15 years. Now if a person's stayed at a company for 3-5 years, that's not bad. Some people have three different bosses in five years, which is actually quite normal now."

Finding the right fit

AmCham Shanghai's *2016 China Business Report* found that "talent retention and capabilities" was viewed as the biggest challenge, with 91% of respondents citing it as a difficulty. Attracting and retaining talent has long been difficult in China, but the reasons are changing. In the early days of China's opening process, the under-developed environment and suboptimal living conditions provided significant barriers to attracting talent. But now, at least in China's tier-1 cities, living conditions have improved and access to quality healthcare and education for family members is readily available.

But today's business environment poses new challenges to finding the right management fit. "I would say in each state of the economy, the needs in the market are different, so that's why there's always a continuous shortage," Zhang says. "For example, right now we talk a lot about digital marketing talents, FinTech and e-commerce. These are new requirements driven by the market's need, and there's definitely a shortage in the market."

A maturing market, increased domestic competition, and structural changes as the economy continues to shift from an export-oriented model toward domestic consumption are all redefining what is required of a senior manager in China. Furthermore, Nagy says, "increased expectations from corporate about efficiencies, productivity and profitability" are contributing to a more demanding hiring process. "I think from a hiring perspective, decision-making has become more cautious," he adds.

"It's probably easier growing a company from 100 to1,000," Zhang adds, "but it's hard to manage a company from 500 to 250, where you need to make a lot of tough decisions"

According to Nagy, prior to the global financial crisis that started in 2008, hiring decisions for multinationals' China operations moved quickly, and companies were often content to hire a candidate who was an 80-90% fit, if they met the culture and budget. "Now what we see is more layers of assessment and consideration and evaluation, really trying to make sure they're as close to 100% in meeting the requirements," he says.

▲ Postmodern headhunter

"The situation today is different from five years ago," says Kasper Cheung, managing director at Cornerstone International. Whereas companies used to focus more on finding someone who could successfully manage growth, now "they are looking for people who can advance the company to the next stage." In the current age of breakneck technological advancement, Cheung adds, key traits that companies seek are the willingness to learn and the ability to adapt to the digital era.

Zhang echoes this, saying that candidates today must "have an open mind, be open to new information and open to new ways of doing things." The combination of rapid technological adoption and changing consumer preferences can make it impossible for executives lacking these qualities to succeed in China. "The China market moves a lot faster than some of the more developed markets. Tastes change very quickly. People are going after new things, new trends," Zhang says, adding that the key will be figuring out "how to capture the new generation."

While these traits are clearly important, DHR International's Nagy also stresses the need for a successful China executive to be a good communicator. "Candidates need to excel with communications and relationships," he says. "Both up to headquarters – being able to have that credibility and trust with people who are halfway around the world, 12 hours behind – as well as down, with the local team, being able to inspire and motivate." One of the biggest challenges and key requirements for a senior executive at a multinational in China, Nagy says, is "being able to balance the challenges and the realities of the local market here in China with the expectations of headquarters."

Retention challenges

Besides the tendency of the current generation of senior managers to change jobs more frequently than past generations, another emerging challenge in China is the trend of executives at foreign multinationals leaving to work for domestic Chinese firms. These companies often offer new opportunities and a more exciting and less bureaucratic environment. Decision-making tends to be quick, and leaders are not beholden to the directives of a headquarters back home that may be unfamiliar with local market conditions. "Working for a foreign company, you are always following their strategy, you're not the one who's making the strategy," Zhang says. "Working for a Chinese company, if you've got the trust of the owner, you are the person who's setting the rules. The sky is the limit."

Not only are executives at foreign firms increasingly open to the idea of working for a domestic company, but Chinese firms are more aggressively pursuing such candidates. "Local companies have grown up," Zhang says. "Previously they had their own system of using their own people that grew up in their own company. Now they've realized that if they want to compete with MNCs, especially if they are going outside of China, out into global markets, they need people who can compete with the MNCs."

This trend can be seen in the shifting composition of recruitment firms' clientele. "Now we probably do 65% MNCs and 35% local companies," Zhang says. "Five years ago it was probably 90% MNCs." Cornerstone's Wan has noted this trend as well, saying that now about 30% of their clients are local, a significant rise from years ago.

There are several steps foreign multinationals should be taking to combat this trend and keep their best managers. The most important are building a culture, empowering the local team, and showing employees a clear path forward through learning and advancement opportunities. "The mission is not just to make money," Wan says. Instead, companies should "make people's jobs more interesting, and create some sort of value proposition. People don't stay just for money." Maybe most important of all, Wan adds, "Be more flexible and adaptable. Give people fewer reasons to resign."

Retention has always been an issue, but Nagy suggests that in many ways it is improving. "Companies have gotten a whole lot better with their engagement programs," he says. "And candidates' basic needs are met. They have a house, maybe have a family, a car, are able to travel and eat well. 20 years into their careers, they are not going to make a change simply for a little more money – they're really looking for something fulfilling." This is why, he says, it is so important to effectively communicate a vision of what the company is trying to achieve and to offer a clear sense of purpose.

Managing the future

While rapidly changing market conditions and the business environment in China have resulted in corresponding changes in what companies seek from their management, this shift may just be getting started. "I think China is probably one of the countries which really has disruptive technologies that are affecting society on all fronts," Zhang says. "I think the fast change in the economic environment has really brought new requirements into the market." With China's current focus on innovation and technology, continuing change seems inevitable. I

Doug Strub is associate editor for AmCham Shanghai's publications and communications department.

Unbottling Talent

Coke's Glen Walter on uncovering and developing future leaders

By Ian Driscoll

When Glen Walter arrived in China four years ago to lead Coca Cola's Bottling Investment Group's operations, the American drinks industry veteran was taken by surprise. Expecting a country still struggling with the shackles of socialism, he instead saw a land more brazenly capitalist than his own. Other preconceptions melted away quickly, too. "I had a stereotype in mind, and I was overwhelmed by the openness and friendliness of the people," he says.

Walter soon embarked on a tour of the company's bottling operations and customers. He sensed vast opportunity, but he also saw – as he had been forewarned - that managing a consumer business in a country where consumption and logistic models are changing with unrelenting speed would be a challenge.

Early advice

Prior to coming to China, Walter solicited the input of Coke veterans of other foreign postings as well as seasoned China hands at other companies. As expected, there were cautionary tales about heeding cultural differences. People also highlighted the fast-changing consumption patterns and preferences that he witnessed in those first weeks in China, and which bore little resemblance to those in the U.S.

These ideas fed into other advice they offered, which he summarizes as follows: "Sweat the strategy; get the strategy right first, then be disciplined about prioritization. you really need to be thoughtful around your messaging and communication, and execute all the above with excellence, and consistently over time."

The other wisdom he brought to China, he learned from mentors at E&J Gallo and InBev earlier in his career: that in any company, there is a risk that your appetite to do more will outpace either the resources of your organization or the capabilities of your team. "Always under commit and over deliver," he says.

Beyond these lessons, however, Walter would also abide by three principles of his own, or his 3Ps: passion, perseverance and purpose. His philosophy, he says, is to lead with charisma, imbue colleagues with passion for Coca-Cola's corporate culture and products, make a difference in the world, and put people development at the forefront of his leadership mission. He talks about the latter with almost missionary zeal.

Managing change

Fast-forward four years, and Walter speaks candidly about Coke's competitors and the challenges of

▲ Spreading the dream

"I'm a strong believer in the idea that a strong leader has to build a compelling and inspirational vision for the company"

a constantly reshaping marketplace. "The level of local Chinese competition, the capabilities they have today, the speed at which they are able to bring products to market – which doesn't mean they are all successful – they are formidable," says Walter. "Then there is the Chinese consumers' appetite for new things at a high frequency rate, and the way in which consumers buy brands and how they shop; it's completely blurred."

In response, Coke has amended almost every aspect of its business model – innovation, products, commercial capabilities, supply chain capabilities and data analytics. The upheaval, says Walter, is not unique to China, but the pace and scale at which they are happening is.

Not surprisingly, the changes have created tension in Coke's business model, requiring the company to shift investments as it evolves its growth strategy for China. Letting employees understand the impact of the changes is essential. "You have to articulate what's happening in the economy and how we are positioning ourselves for growth," says Walter.

Still, Walter believes the competitive environment has strengthened Coke and made it more nimble. As the economy continues shifting from infrastructure-based spending to consumption-based spending, he is certain that Coke's business model is increasingly well-placed. "It's about local people consuming, going out to eat more, going to movie theaters, going to theme parks, attractions and shopping malls, and that's been core to how we have built our brands over the last 131 years," he says.

Favorable market dynamics alone, however, will not ensure Coke's success. What Walter argues is that it is also necessary is to have a workforce imbued with a sense of mission and guided by leaders who understand their daily work issues.

Coke breaks

Like many other CEOs, Walter necessarily spends much of his working day with direct reports and others just one or two layers below him. To get a wider and deeper view into the company, he has instituted "Coke breaks", meetings at which he sits down with a cross-section of men and women from the front lines of every job function and asks them about their work: what are the challenges they face, where are the areas they can improve?

Some employees proffer the answers they think Walter wants to hear. But by changing the question mix, listening for patterns and by bringing in a true cross-section of people, he eventually hears answers that validate or identify gaps in his communication. Sometimes the issues raised can be simple ones about resources. At other times, he may learn that a decision he took earlier has descended three or four levels deep into the organization and been amended, misinterpreted or taken in a very different direction from the one he intended.

He also uses "Coke breaks" to infect employees with his passion for the company. "I'm a strong believer in the idea that a strong leader has to build a compelling and inspirational vision for the company, but in order for that to become something more than just ethereal, every person in the company needs to have some kind of feeling of how they can be connected to that vision," says Walter. "It's called our dream, and if you're the man or woman working in one of our factories in the third shift on a Sunday night, it's important to me that you know what our dream is for China, and that you as an individual know how you can make an impact on our dream. And in our Coke breaks, you can pick up whether that sentiment is coming through."

Walter's China staff have taught him a lot. He praises their ability to think about all the elements of the value chain, their consideration of the potential consequences of their decisions, and how they often execute decisions to the highest levels of quality, safety and integrity. All of these have been integral to Coke's success in China. But he wants to inculcate Coke's employees with ongoing leadership and management development.

"Where I have really tried to help, is meeting them half-way with a Western style of leadership: being more collaborative, being okay with the idea of losing face, so that when you come up with an idea that people don't agree with, you know that this is a safe place to lose face, that our company is better because we have heard a diverse set of views," says Walter. "That is something we still work on."

The talent equation

The management credo that has stuck with him the longest – and which he relays most often to others – is that if you want to grow your business, you have to grow your people. To which he attaches two codicils: "Allow people to grow at the pace of their potential" and "Surround yourself with people who can be better than you are."

Like many multinationals, Coke invests heavily in recruiting management trainees. It's a task to which Walter dedicates considerable time, as he does to the training of middle or first-time leaders versus senior

Companies will need business models that teach people the fundamentals of a business and build their capabilities, but where work is structured differently and people are exposed to senior leaders earlier

leaders. He reasons that these people are the future of the company.

"It's important that senior leaders are managing the positive turnover in our company to create the openings for those people to continue to reach their potential. Many organizations will wait until they have an opening and then talk about what they will do for succession," says Walter. "We will spend time proactively talking about people, development and succession, and we will give people a set of experiences to continue their development."

Walter splits talent development broadly into informal and formal training. Examples of the former can be positive enforcement of someone's efforts when she is doing something right, or when something is not right, a simple course correction that can also build trust. Then, after taking account of any potential misunderstandings stemming from language differences, everyone should know where everyone stands.

As for formal training, Coke uses a variety of methods to unearth and train its next generations of leaders. Many programs are similar to those used in its markets elsewhere. But in China, a culture where respect for hierarchy is deeply imbedded through filial piety and education, one program in particular gives junior managers an opportunity to impress the leadership earlier than might otherwise happen. It also allows the company to spot talent without imperiling production lines or a brand's marketing strategy.

"We have a program where we select high potential talent to spend 30 or 40 days thinking of a problem outside of their scope of work," says Walter. These are people two or three levels below the leadership team but who have been identified in our succession planning as high potential."

The participants are assigned tasks that cut across functions or take people into work areas in which they have no experience. So a supply chain manager may be tasked with showing how big data could improve Coke's service to supermarket customers like Carrefour.

A month or so later, the employees present their findings to Walter and other senior leaders. No Power Point slides are required, and the presenters are told that there is no right or wrong answer to their research; they simply spend 40 minutes talking about what they learned.

Onlookers are often surprised by the results. "The audience, the leadership team, it absolutely changes their mindset about how they view people, it changes unconscious biases," says Walter. "It reminds people not to let someone's role define their capabilities, and it helps showcase

▲ Management by walking around

people who may not have been exhibited by the normal process."

Identifying talent early is something that Walter argues multinationals must do more. Young professionals today are unwilling to spend 15 years working their way up a management hierarchy. Companies will need business models that teach people the fundamentals of a business and build their capabilities, but where work is structured differently and people are exposed to senior leaders earlier than before. And unless their contributions are recognized, the young will go elsewhere.

"Stereotypes come with big multinationals like Coke, so we have to break them down," says Walter, who, among other things, is an advocate of flexible working hours for parents, female or male.

Navigational aids

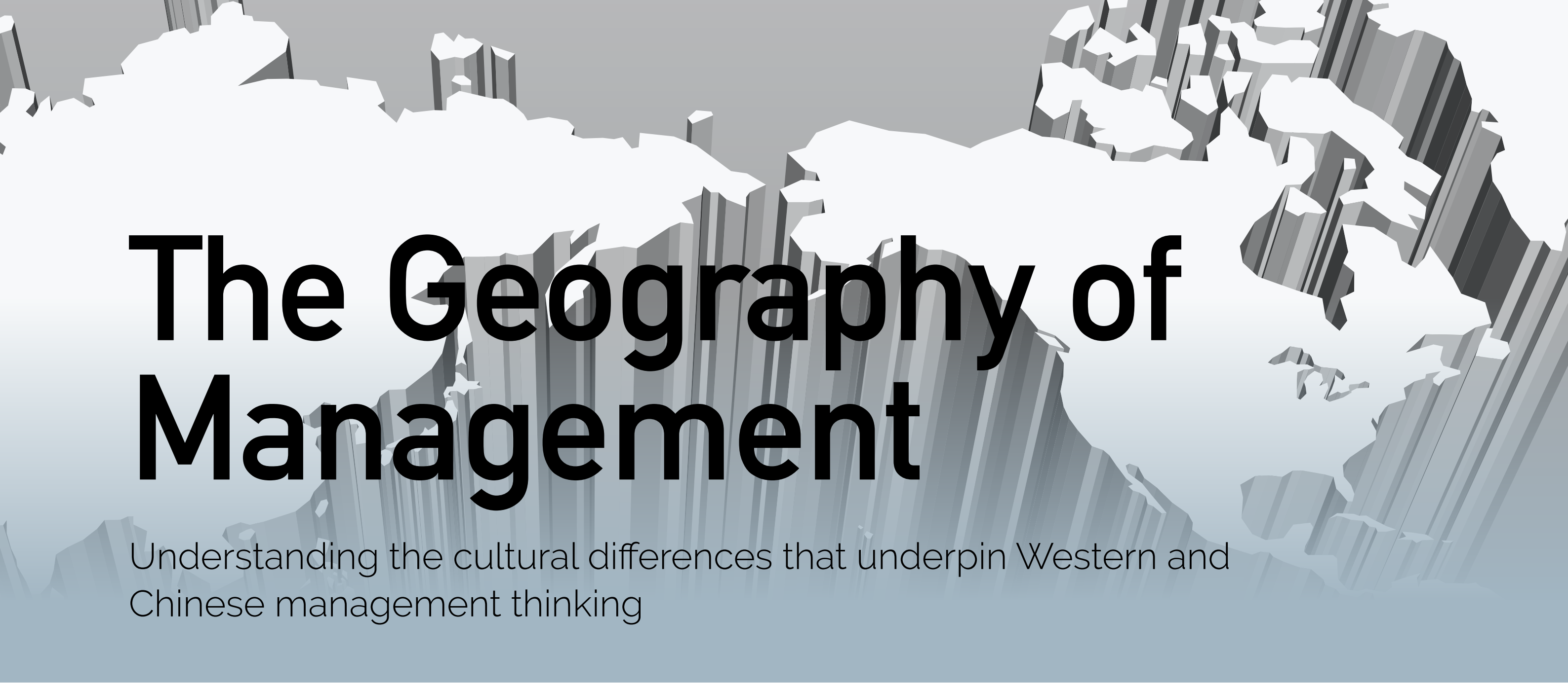
As our discussion ends, Walter turns again to his first few weeks in the job. Despite visiting bottling plants, walking the productions lines and meeting with managers two or three levels below his immediate advisors and colleagues, he says that it was important to quickly identify the people who would act as his cultural, commercial and managerial guides.

Outside of Coke, Walter found many of these via AmCham Shanghai, where several China business veterans have acted as sounding boards for some of the more difficult issues he has faced.

Within Coke, he identified people who he could trust to give candid advice. "You have to find a diverse group of people who can really keep you grounded. Spend enough time with people and you will find two or three who will tell you the way it is. In any culture or company this is difficult to do with your own team, and this why I like the skip levels and Coke breaks, when you can talk to the front line team directly" says Walter.

"That's the difficulty of leadership. You want to have your antennae up, you want to be filtering, and in the end you have to make the decision you feel is the best with the information you've got." I

Ian Driscoll is director of communications at AmCham Shanghai



The Geography of Management

Understanding the cultural differences that underpin Western and Chinese management thinking

By Wei Yen

Wei Yen is the author of *From the Great Wall to Wall Street: A Cross-cultural Look at Leadership and Management in China and the U.S.* He previously worked at American Cynamid Co., Rothschild Ventures, Lehman Brothers, Moody's and, most recently, as head of the finance unit at CITIC Pacific in Hong Kong.

Americans are often baffled by Chinese behavior. They hear what the Chinese say, but are unsure of what they really mean. They watch what the Chinese do, but second guess what they want. They often view Chinese people with a Western mindset in the belief that one day the Chinese will be just like them, even though the Chinese have lived their own way of life for thousands of years. Their leadership and management styles are also quite different from the West.

When Westerners solve problems, they often use the Socratic method they learned in schools. This method is logical and powerful, but also somewhat context-independent. The Chinese prefer a more context-dependent approach, one that works well in the domestic market. Because of these differences, Westerners' conclusions about China don't always match the facts.

The collapse of the Chinese financial system, a reasonable outcome based on the Western experience, hasn't happened and is unlikely to happen in the drastic fashion many analysts have predicted. This is not because the debt level in the Chinese financial system is not high or there are not stresses everywhere. Rather, the attitude of the players towards debt and obligation is different, being harmonized by a culture of co-dependence. Today, with China rising rapidly in world power and a new U.S. administration eager for a different approach to its engagement, it behooves us to take a fresh look at this old culture.

Richard Nisbett, in his book *The Geography of Thought,* argues that Western and East Asian people (Chinese, Korean, Japanese) perceive issues and make decisions differently from their Western counterparts. He attributes this to their common Confucian heritage. Asians emphasize group identity and social harmony; Westerners, who were brought up as individuals and make decisions on their own, don't consider their larger group as much.

I found these cultural differences quite pronounced in the U.S., where I worked in the Chinese executive suites I visited when I was a banker with Lehman Brothers, a Chinese bank analyst for Moody's Investors Service, and as an executive of private Chinese and SOE- owned companies. In order to demystify how Chinese management works, I researched the subject and wrote From the *Great Wall to Wall Street: A Cross-cultural Look at Leadership and Management in China and the U.S.*, to pass on my perspective.

Westerners' modern way of life comes from the Greeks. In particular, Socrates popularized critical thinking and Aristotle invented logic. In this culture, man is independent of nature. He studies nature and exploits it for his own benefit. This leads to massive scientific advances, industrial revolutions and wealth creation. Westerners' belief in logic is unshakable. If something is illogical, then it must be wrong. What is black cannot be white, and vice versa. However, this can also lead to the unfortunate conclusion that if one is not a friend, then he must be an enemy. In this type of thinking, one is forced to make a choice, for or against, just because of how the question is asked. As a result, many things Westerners do drift into a contest of two opposites.

In an adversarial contest, there can only be one winner, and the winner takes all. There is little compromise, or middle ground, between the opposing sides. In order to be different, contestants only take opposing views that become further polarized as the contest goes on, to the point that small differences can become overwhelming and the issues that the majority cares about go unheeded.

The Chinese world view comes from the nature-inspired philosophies of Confucianism and Taoism. In these ancient schools of thought, which continue to dictate Chinese daily life, man is a part of nature and dependent on it. In the Confucian world view, humans should live according to nature's order. They should observe the set of reciprocal relationships between parent and child, husband and wife, siblings, and so on. Everyone is related to everyone else and what a person does can impact others. So he or she ought to be careful. In the Taoist world view, nothing is absolute. Only change is constant. Progress is achieved by making win-win changes together and less by beating one's opponent into submission. A successful outcome is one where both parties exchange gives-and-takes over a long and deliberate process. These concepts are very different from the general Western belief that man is an individual put on this Earth to do God's work. He is accountable to himself, his creator, and no one else.

The Chinese style that relies heavily on senior management involvement runs counter to the foreign worker's need for responsibility and accountability

Smoothness is a traditional Chinese trait; aggressiveness is not. The Chinese martial art of Tai Chi and the board game Weiqi (Go in Japan) all follow this principle. In these games, a clever player uses the opponent's power to overcome him. The more aggressive a player is, the easier he can be defeated. This is very different from the West, where Carl von Clausewitz, author of the military classic, *On War*, advocates using overwhelming force to destroy an enemy. Sun Tzu, who wrote *The Art of War,* another perennial favorite, advocates psychological warfare to fighting a war. Clausewitz would seek out where the enemy is most concentrated, i.e. the center of mass (an adaptation of Newton's concept in mechanics), and strike hard at it. Sun Tzu, on the other hand, likens military strategy to water, which has no fixed form and flows naturally according to the path of least resistance. He avoids where the enemy is strongest and instead looks for its weakest place to strike. The outcome of a war is more a factor of how cohesive an army is, and less about its size or its technical advantage in weaponry.

These cultural differences have a great deal of influence on how the two sides conduct business affairs in China or overseas. Chinese managers often follow some basic cultural rules. For example, they eschew direct conflicts, but prefer to work behind the scene to find the opponent's weak points. They rarely attack each other openly or use the word "no". This may appear slippery to Americans unfamiliar with the culture. Also, unlike the Western decision-making process, which is linear and logical, Chinese decisions are more holistic and therefore fuzzy.

> "Cultural differences have a great deal of influence on how the two sides conduct business"

Traditional Chinese businesses are hierarchical Confucian organizations where the head man makes all the major decisions. He got to where he is because of his age and experience. His charges look up to him as a surrogate parent who knows everything. American organizations, on the other hand, rely on the professional manager who has authority over his work only. Today, even though many Chinese companies are corporatized, the family management style still dominates. One of the key aspects of a family business is mutual support, which is an important source of strength. It is also one of the reasons why Chinese property prices are so high and the slumbering SOEs continue to survive.

Cultural factors are responsible for much of the Chinese success at home. However, these factors are absent overseas where business fundamentals take center stage. In addition, legal and regulatory regimes are more advanced in developed countries. The chummy relationship Chinese companies have with their domestic regulators is rare in established markets like the U.S., Western Europe or Australia, where governments that welcome Chinese investments have little sway over their regulators.

Labor relationships are also rarely collegial. Instead, they are often confrontational, whereas in China management often demands respect. The Chinese practice of *Gong Jian* (fighting hard), where a huge number of staff led by the head guy get together to solve a difficult problem, rarely works overseas. In the West, each employee has a specific job function and he relates with his coworkers through functional rather than hierarchical relationships. Financing options are also limited for overseas Chinese companies, as Chinese banks don't have much of a presence overseas. Credit support for an overseas Chinese subsidiary is also getting tougher to come by because of tighter government policies.

Work culture is also different. The Chinese style that relies heavily on senior management involvement runs counter to the foreign worker's need for responsibility and accountability. Since practically all decisions must be vetted by the home office in China, efficiency is sacrificed. Also, since most heads of companies are not proficient in foreign languages, nuances in communication are often lost. This can mean that the Chinese are taken advantage of by the locals.

The work rules of Western companies are also different. While Chinese managers are expected to be on call 24/7, American, European and Australian managers turn off their office cell phones after work, making them inaccessible to the head office many time zones away in China. Moreover, since most Chinese companies operate at the whim of the head man, video or conference calls are often arranged at the last minute, to the dismay of their foreign employees.

If Chinese companies wish to be successful in overseas markets, they should give their professional managers authority and hold them accountable. For American managers in China, they should try to appreciate the country's traditional culture, its current revival and manifestations. I

Bamboo Ceilings and Sticky Floors

Opportunities and challenges for mainland-born rising executives

By John Van Fleet

John Darwin Van Fleet serves as Ass't. Dean/Exec. Director for the USC-SJTU Global Executive MBA in Shanghai. His second book, *Squabbling Siblings*, on the relationship between China and Japan from antiquity to 2020, will be published this summer.

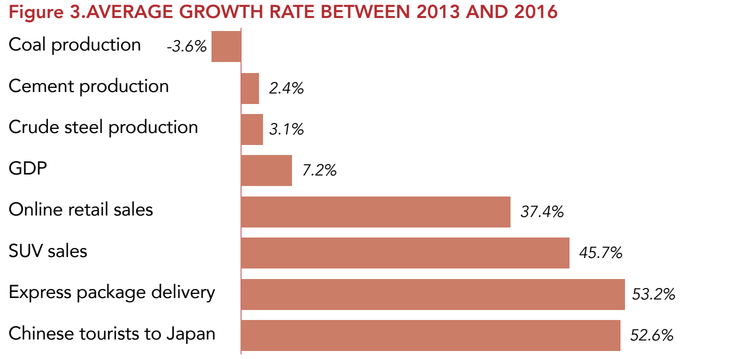
For as long as multinationals have been in mainland China, the business communities have considered, discussed and often struggled with the concept of promoting locally born and raised team members to higher posts of responsibility and leadership. The structural aspect of this issue has hardly changed over the years: a desire to become more locally relevant, as well as to reduce HR costs, versus the need (sometimes a prejudice) to have globally reliable and capable leaders holding positions of responsibility in the China business. But some aspects of the dilemma have evolved substantially over time, and particularly since the global financial crisis nearly a decade ago. In this article, we consider the question as it exists in 2017, and what both rising local leaders and the enterprises that hire them can and should do in response.

A changing landscape

A number of macro factors suggest that mainland-born aspiring global leaders are in a promising situation:

- While net inflow of foreigners to China, especially into Shanghai, has steadily increased over the past several years, fewer higher-level expats are coming to China, and more are leaving. Over the course of the past several years, China has gone from a top-three destination for relocation (2013), to sixth (2015) to eighth (2016), according to global relocation company Cartus' Top Ten list (based upon their move volume). Ryan Hull, Cartus' Strategic Development Director, China, says, "China is no longer a country where local top level executives are less expensive than their overseas counterparts, and the additional costs of supporting a high level expatriate, including housing and international education expense, are harder to justify, as foreign-trained Chinese nationals are becoming more able to accept positions of ever increasing responsibility. Furthermore, as the rising costs of supporting international assignees in first tier cities such as Beijing and Shanghai continue to grow, foreign firms are increasingly moving their operations to second and third tier cities where the challenges for expatriates and their families are even greater." Research published in Santa Fe Relocation Services' *2016 Global Mobility Survey Report* indicates that China is the most challenging destination for expats among all the destinations Santa Fe reviews, with language and cultural differences leading the list of challenges.

Figure 3. AVERAGE GROWTH RATE BETWEEN 2013 AND 2016



Sources: CEIC, Japan National Tourist Office

▲ From *What a Boring Year*, Sinology by Andy Rothman, Matthews Asia, 20 January 2017

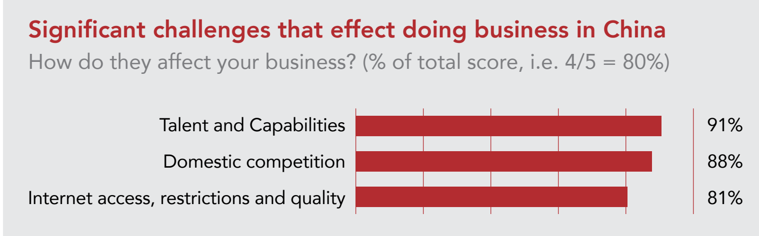
- Mainland-based enterprises, whether locally headquartered or divisions of global organizations, widely seek to promote locals to leadership roles, and say so loudly, if these enterprises are not already led by locals. In part this is because of cost, but also because the tectonic shift of the Chinese economy away from manufacturing for export and toward domestic consumption, including services, raises the imperative for business leaders with an intimate understanding of the local environment. Andy Rothman, investment strategist for Matthews Asia, states, "The structural rebalancing of the Chinese economy continued down its uneventful path last year, the fifth consecutive year in which the services and consumption (tertiary) part of the economy was bigger than the industrial (secondary) part, according to data published on January 19, 2017."

An effective talent strategy consistently ranks at the top of the list of challenges enterprises face here

- According to surveys of enterprises in China conducted by both AmCham China and AmCham Shanghai, an effective talent strategy consistently ranks at the top of the list of challenges these enterprises face here.

- Reflecting the demand for well-qualified leaders, and a shortage of them, ECA International projects that 2017 mainland compensation increases, adjusted for inflation, will be top five in the world. Commenting on ECA's Managing Mobility Survey 2016/2017, Lee Quane, Regional Director – Asia, says, "The fact that [mainland-based] companies continue to offer inflation-busting salary increases, that are substantially higher than the regional and global averages, suggests that the need to attract and retain staff is still a key challenge for many employers in China."

With these factors pushing strongly toward more local hiring for key leadership positions in globally-focused enterprises, why is there still a discussion? Why haven't locals long since filled the overwhelming majority of such positions? For mainland companies with a steadily increasing global footprint, such as Huawei and Chery, mainlanders do fill such roles. (Perhaps to their detriment, to some degree – in the previous edition of *Insight*, James McGregor, chair of APCO Worldwide Greater China, said, "I have yet to see a Chinese company do a good job at hiring foreigners and keeping them – especially SOEs. I haven't seen a senior foreign executive last more than a year at any SOE.") But for ex-China multinationals with a presence in the mainland, we still see plenty of foreigners in such roles.



▲ The top three responses from the *2016 China Business Report*, American Chamber of Commerce Shanghai. As the AmCham China research also indicates, the talent challenge has been a top-three issue for survey respondents for many years now.

The challenges for the rising local would-be leaders

The list of reasons why mainlanders face 'bamboo ceilings and sticky floors', the first term popularized by Jane Hyun's *Breaking the Bamboo Ceiling: Career Strategies for Asians* (2005), has long been a commonplace among business leaders in China. These reasons include:

- Lack of critical thinking, collaborative and innovative skills. The list of blame targets for these perceived shortcomings is both China-specific (a government that often looks upon critical thinking as a threat) and region-wide (standardized test-oriented education systems and parental pressure to conform);
- Lack of globally relevant management/leadership education and exposure;
- Language.

And these challenges for locally-raised, would-be global leaders are, apparently, becoming more critical. A comparison of ECA's Managing Mobility data from 2012 versus 2016 offers one illustration of why. When the survey asked companies to identify the four most-valued skills, the respondents indicated:

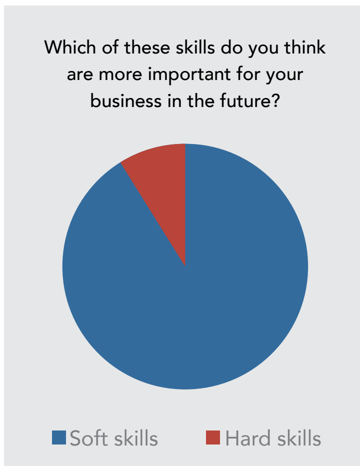
2012

Skill required	Importance
Technical	1
Experience in similar role	2
Leadership	3
Managerial	4
Communication / interpersonal	5

2016

Skill required	Importance
Adaptability	1
Communication / interpersonal	2
Experience in similar role	3
Problem solving	4
Technical	5

The soft skills of adaptability and communication have risen to the top of the list, compared with four years ago. Research from the *Economist Corporate Network Report Skills 4.0* supports this concept as well.



▲ *Economist Corporate Network, Skills 4.0*

An Inconvenient Truth:
The matter of trust

We hear frequent discussions about rising managerial-level salaries in China, language challenges, and a perceived lack of critical thinking/innovation skills. Less often discussed, at least in public, is the issue of trust. Every day expat business leaders discuss the definition of acceptable business, and the notion that locals have a different set of assumptions about what's ethical.

For aspiring local leaders, there's no easy solution to this challenge – the only way forward is to understand the ethical assumptions of the enterprise, and specifically the reporting manager(s), and to work aggressively to demonstrate adherence to them. The burden is, unfortunately, on the employee.

Foreign-based organizations, on the other hand, have no choice but to adopt compliance practices in China that they might not find necessary at home, if for no reason other than to ensure that the various stakeholders' concerns, even prejudices, are salved.

Chronology influences this dynamic. Prof. Patrick Moreton, a veteran of business education in China and currently the Associate Dean for Graduate Programs at Duke Kunshan University, says, "China's investment in overseas education is just starting to pay some real dividends, as the foreign-trained managers mature into positions of authority." Moreton's comment may impel some to wonder whether the mainland education and leadership development options, primarily offered by mainland business schools, are capable of developing globally ready leaders. Assessing such educational outcomes in a statistically robust manner is notoriously difficult anywhere in the world, but anecdotal evidence from hiring managers and HR leaders in China suggests that the local schools have some way to go in their capabilities.

If you're a locally raised aspiring leader, what can (must) you do to excel?

First, prepare yourself, to prove you have the soft-skill attributes that are so widely sought by multinational enterprises. Perhaps the first step is to take responsibility – waiting passively for your employer to suggest training or development options is precisely the wrong thing to do, and it indicates that you don't have the initiative or problem-solving spirit that enterprises clamor for. More than 30 years ago, Jack Welch asserted, "leadership is taken, not given." One head of China HR for a leading multinational says, "I never cease to be surprised at the number of mid-career managers I encounter who are content to 'sit on their hands' and wait for the company to provide them with suggestions for career development. By doing so, they indicate that they're not ready or able to take the initiative we need from our high-potential managers." So first find, and then work to gain buy-in for, training and development opportunities that are aligned with your career goals.

Once you've done so, you should have the confidence you deserve to seek out a great boss and/or mentor, to help you blossom into a truly capable global-level leader. If you're unable to find such a nurturing environment with your current employer, that probably says something important about the boss, the enterprise or both, something not to their credit.

And don't let the industry or market define you – too many aspiring global leaders accept/demand promotions they aren't ready for, and damage their reputations, sometimes fatally, within their organizations and the industry when they are unable to meet the demands of the new role.

What can HR leaders and their companies do?

It's often said that employees join companies but leave bosses. Surveys of HR leaders commonly suggest that compensation is the driving force of employee departure, while

Overview of a Successful Career Path

▲ Yang, Gene (杨劲松)
President Asia Pacific, Flint Group

"I graduated from a provincial mainland university, back in the early 1990s. I think I had a number of fortunate developments in my career – one of which was being in the right place at the right time. My career has tracked the development of China from the pre-WTO period forward.

"By 2007, I was managing the China business of a division of Avery Dennison, with $50 million annual revenue and a team of 400 people. I could sense that it was time for me to develop myself further, and the company agreed, so I joined an executive MBA program, a collaboration between the University of Southern California and Shanghai Jiao Tong University.

"The experience in the program and my track record served as a springboard for my next career steps. After my graduation in 2009, I took various leadership positions in Los Angeles, Boston and Hong Kong. By 2016, I was VP & GM of North Asia for the company, responsible for more than 10,000 people and nearly $1 billion in revenue.

"Today, based in Singapore, I am leading the Asia Pacific region for the Flint Group, a $2.9 billion global chemical company with substantial M&A projects. I am grateful that I've had the opportunities I've had – they have been the result of some good career moves, some great leaders and mentors, and a great, globalized advanced business education experience."

Anatomy of a Career Sidetracked

Zhang Guohua (not his real name) now lives in Canada, working independently as a consultant for mainland Chinese seeking to immigrate.

"After I graduated from college, a top one in China, nearly 20 years ago now, it seemed that the sky was the limit. China's economy was growing so fast – all my friends were getting promotions and big pay rises rapidly – it seemed that nothing could go wrong.

"At one point, about ten years ago, I had a job that was rather good, and I liked my boss. I'd been there about a year when a headhunter contacted me with an offer that was about 40% higher than my compensation at the time, and with a more prestigious title as well.

"My boss at the time suggested that I might not be ready for such a position – that I was taking a risk. They offered me a 10% increase in compensation, but my friends all suggested that I take the bigger offer.

"The global financial crisis didn't have a massive effect on my new company, but it did seem to focus their attention on performance – more focus than they'd had before. Truth be told, I wasn't doing such a good job – I was in over my head, and I knew it. Organizational changes led to my reporting to a new boss, who rather quickly showed her lack of respect for me.

"After 16 months in the new company, I found another opportunity – not a promotion, more of a sideways move, but it got me out of a work situation that seemed increasingly risky to me. I took the offer and shifted again. But after I was there for about a year, my role in the new company became untenable as well."

"By this time I'd been in three companies in four years, with no real track record to show in any of them. I didn't see any way to return to my initial career trajectory – it seemed I had to consider something new.

"So I took a family opportunity to relocate to Canada and establish my own business here. We do OK – nothing spectacular, but I can pay the bills. But I often think of what might have happened had I stayed with that company where I was making good career progress, with a supportive boss and culture. I might have accomplished a lot more."

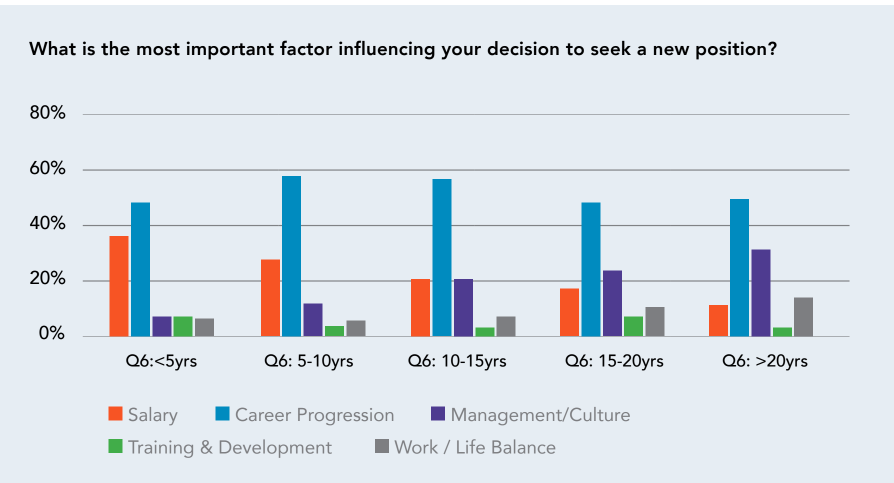
surveys of employees indicate lack of opportunity for training/development to be the biggest driver of departure. While HR leaders sometimes suggest that this claim is disingenuous, China-specific research from Hays, a global specialist recruitment consultancy, bears out the latter: employees across age groups identify career progression as the most important factor impelling them to shift. For more experienced employees, salary isn't even second – finding the right management and culture is.

Therefore, any strategically-oriented enterprise should focus time and other resources on career development for their promising team members. Some steps are simple: because local employees are naturally less willing/confident to contribute ideas in a second language, organizations that seek to gain development of such employees, as well as the incremental value they can add when their views are fully considered, need to design in some meeting practices and other communications platforms that foster communication. Organizations have a broad menu of other, longer-term and more substantial development opportunities for their high-potential employees, such as overseas assignments and formal training programs. The point is to make these strategic and integrated, rather than reactive and defensive, as late-stage retention tools trotted out with a counter-offer to a valued employee who has indicated a desire to leave.

A related challenge is for HR managers themselves – we hear constantly the suggestion that 'HR should be a strategic business partner, not just an order-taking function'. Yet in most companies it's the latter. A fair portion of the responsibility must be borne by HR managers themselves (the Welch quote comes to mind), but organizations are equally at fault.

Key takeaways

- Plenty of success stories, and plenty of failures – learn from best/worst practice
- Longer-term trend is inevitable – more locals in leadership positions
- Solid, strategic approach becomes more than just a success for the individual and the company, it becomes a paradigm for others in the organization and beyond
- Inertia works against most individuals and organizations – which means those who can overcome it have unusually bright prospects. I



▲ From Hays 2017 Salary Guide

Developing Management in China

The gradual embrace of executive coaching

By Sarah Gehlhaar

Twenty years ago, the idea of executive coaches was likely to elicit uncomprehending looks or quizzings about credibility and economic benefits. Today, their value in helping nurture leaders has been completely reappraised. A growing number of companies are seeking their help to prepare senior and mid-level managers for more senior roles or to more effectively operate in their current roles.

However, the services of executive coaches are still scrutinized by skeptical finance departments. To help pass muster with the financiers and maximize the utility of this investment, there are guidelines to which organizations should adhere. And in the absence of quantitative ways to measure coaching effectiveness, organizations need to know what they want the coach to achieve – and ensure that the coachee knows too.

From Aristotle to Buffett

Influential leaders, politicians, and even military generals have always depended on trusted advisors for feedback and guidance. Alexander the Great was tutored by Aristotle, Genghis Khan by Yelü Chucai, and Bill Gates informally drew on the wise counsel of Warren Buffet. Coaching in its most fundamental form helps leaders change their behavior, under the assumption that different behavior will bring different results.

"All coaching is, is taking a player where he can't take himself," the American Football Coach Bill McCartney famously said. The principle remains very much the same in business. Or as Socrates observed, "I cannot teach anybody anything; I can only make them think."

Purpose

The purpose of coaching is for executives to develop strategic level communication skills, diplomacy and interpersonal savvy. This provides for exploration of their emotional intelligence as business professionals no longer focused on task-oriented responsibilities. It also allows executives to unburden themselves, share their worries and challenges to a trusted advisor in a wholly confidential one-to-one environment or identify areas of weakness or pain points that have previously been neglected or unidentified.

Most commonly done with no formal program, coaching is discreetly arranged on a case by case basis as part of an individual development plan. A transition in leadership position makes for effective use of a coach, which is why, for example, coaching is frequently used when people are moving from China to APAC-level responsibilities. Here, change management skills and cultural sensitivities are paramount. The professional must learn to manage up to headquarters and manage down to all country teams; this requires a shift in mindset and changes in leadership style.

In companies with an established coaching program, high potential employees are targeted for accelerated growth and the leadership pipeline. Alternatively, some companies are adopting a mentoring culture for senior executives to support the professional development of more junior employees, with the expectation that the next generation of leadership will use the tools and resources handed down by these mentors. Others train and certify internal members of staff to become coaches to build a culture of coaching within the organization, and this keeps costs down in comparison to hiring external professionals. But it also requires long-term planning and a loss of coachee anonymity.

Get out your wallets

Executive coaching is not cheap. According to the International Coaching Federation (ICF) 2016 Global Coaching Study, the average price for executive coaching across Asia is US$231 per hour, marginally better priced than North America, Europe and Oceania ($288USD, $288USD and $294USD respectively) but this fee can rise to US$2-3,000 depending on experience. Multiply this fee by the number of weekly or bi-weekly sessions an executive may need, and coaching becomes a line item.

Now consider the limited empirical data on coaching effectiveness and ROI, market misunderstanding of the benefits of coaching, lack of buy-in or a sea of unqualified people claiming to be coaches - you've got yourself a risky investment. As budgets are trimmed

What the coaches say:

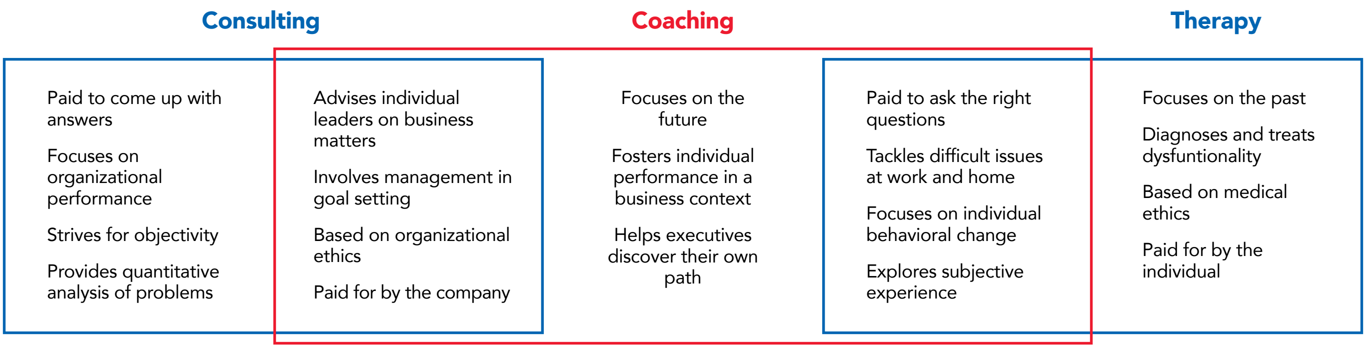
On December 12, 2016, AmCham Shanghai's HR Committee hosted a discussion on 'The Effectiveness of Coaching as a Tool for Executive Development' which allowed HR directors, business executives and executive coaches to share their thoughts and experiences of coaching. Some key responses from the executive coaches present included:

"The more acute the situation the more progress can be made from coaching."

"Coaching should be about helping to find your own solutions, not for right or wrong answers – this is consulting."

"Coaching is to challenge your thinking, increase your awareness, liberate your potential, change your view of your work environment, colleagues, team, yourself and others."

"Think about how much an executive's salary is, and then compare this to how much the company is willing to pay for increased performance, that is how the price of executive coaching can be justified."



▲ Figure 1 *Harvard Business Review* (Jan, 2009) - What Can Coaches Do for You - https://hbr.org/2009/01/what-can-coaches-do-for-you

in a slowing economy, HR is targeted even more for providing ROI and making effective business cases for investment in career development. In their white-paper measuring the effectiveness of executive coaching, Korn / Ferry states that less than 10% of organizations are measuring the effectiveness of coaching and most of these measure in a highly subjective and unquantifiable way.

HR professionals advise that coaching should only be used if the coachee understands what a coach can achieve. There must be consensus from all parties involved about how the coach will support and how they will not, and this dialogue should include coach, coachee, HR and line manager. Defining what coaching is, in comparison to mentoring, training and counseling, will help HR to sell the business case to decision makers and also manage the expectations of the business and individual coachee.

Scope out how you plan to use coaching, be clear about your needs and the required commitment of the coach. Next, ensure careful match-making of coach and client to determine the goals, objectives and expectations – this often requires 360° input from all stakeholders. Create a plan with a timeline of milestones for review so that you can measure progress effectively. Conclude with a thorough analysis of qualitative and quantitative feedback from all parties, start with using surveys and interviews.

If you engage executive coaches, ensure that you are monitoring the process and adding quality data to the pool of research for analyzing ROI. Learn from previous studies (Korn / Ferry and the Creative Center for Leadership (CCL) have some good tools and frameworks) and avoid relying purely on subjective and anecdotal feedback. This should guarantee the success and future of coaching in your organization.

Tips for choosing a coach:

- **Corporate Experience** - not necessarily in the specific industry or sector of the executive but a true understanding of working in a large and complex corporate environment.
- **Coaching Experience** – most coaches will depend on references and word-of-mouth, so look at how they demonstrate their experience along with proven successful client testimonies.
- **Clear Methodology & ROI** – how are goals set, what are the milestones along the way and how are you going to get there. If a coach can't answer these questions, move on.
- **Confidentiality & Professionalism** – have confidence in the chosen coach, as a trusted advisor. Privy to sensitive internal information, coaches sign non-disclosure agreements and although there is an inevitability that the professional and personal may intertwine, the line must be drawn between executive coaching and life coaching or counseling.
- **Chemistry** – supporting but also at times challenging your decision-making process, the success of coaching can often come from the intangible chemistry between coach and coachee.
- **Certification** – coaches can take accredited courses to ensure quality and standard of their practice, methodology and ethics. Look for those that are internationally recognized. Some coaches can be certified in very niche areas which can help the selection process for coaching through an acute issue or unusual circumstance. I

Sarah Gehlhaar is a former project manager for AmCham Shanghai's committees department.

Coaching in the China context

When we talk about 'market misunderstanding of the benefits of coaching,' we can extrapolate this in the China context quite simply. One anecdotal criticism of coaching is that the coach 'asked too many questions and didn't provide any answers'. In a country where culturally the education system is based on rote learning and where teachers are the unquestioned source of authority, coaching has yet to be embraced as a development tool over hard-and-fast answers provided by consultants.

"Show me a private Chinese company that is successfully using coaches and then you know there is buy-in, it isn't just a global headquarter initiative that has to be implemented. For Chinese private businesses every penny comes from the boss's pocket and if you can't show the value then it won't get approved," said Teresa Chen, global people development, Covestro.

So how are companies in China integrating coaching? For the moment, multinational companies are leading the way; but, as with the other areas of China's development, local entities may soon see the value of coaching.

Coaching in China exists but is yet to proliferate. We tip our hats to the executive coach at the networking mixer in acknowledgement without fully understanding their role, their clients and their business. Citing the (ICF) 2016 Global Coaching Study, Asia has roughly 3,700 executive coaches, a miniscule number compared to China's behemoth population alone. As Chinese companies mature as global influencers and seek to internationalize further, the need for executive coaching and strong leadership will be critical. And along with this, we can only predict a huge market opportunity for executive coaches.

Managing Manufacturing in 2017 and Beyond

A member case study

By Jonathan Shyu

"Be not afraid of growing slowly, be afraid of only standing still"

Managing a manufacturing company beyond 2017 is no longer just about operations, but of how to sustain those operations while facing many challenges

China's 'new normal' is not new news in 2017. General managers who operate manufacturing facilities in the Yangtze River Delta face daily operational challenges, such as rising labor costs, shortages of critical production line workers, or the increasing need to comply with a plethora of environment, health & safety requirements in a much tougher regulatory regime. Growing competition from both domestic and foreign competitors alike [88% percent of companies identify domestic competition as a significant challenge to their business] are also worrying manufacturers who need to tell and persuade their U.S. counterparts to make China-oriented strategic business decisions.

The contemporary manufacturing general manager is no longer just the overseer of plant operations, but is now a local ambassador for headquarters, the eyes and ears for local strategy development. After all, over two thirds of AmCham Shanghai's member manufacturing companies, as of February 2017, report having been operational in China for over five years. Managing a manufacturing company beyond 2017 is no longer just about operations, but of how to sustain those operations while facing many challenges.

After celebrating the 10-year anniversary of Crown Equipment's operations in Suzhou, Keith Sinram, General Manager of Crown's China operations, shared some of his experiences in strategically positioning Crown for the future. Sinram is also a 2017 AmCham Shanghai Suzhou Center Vice Chair.

Strong management starts with people

Sinram says that the first step to managing in an uncertain environment is to have a strong core of guiding principles. Great companies develop robust products and services, have effective problem solving skills, effectively leverage and share resources and ideas, and develop leaders as mentors and coaches, not bosses. All of this begins with employees – and by giving them the tools to develop themselves.

At Crown, employees are encouraged to undergo 40 hours of education per year, of which 8 hours are dedicated towards white belt training – a lean manufacturing workshop that enables employees to develop working knowledge of the various forms of manufacturing and business waste as well as learn how to eliminate such waste. The training program involves action based learning.

The average employee who takes a white belt training course is a migrant worker under the age of 30. Many job candidates come armed with specific technical certifications in areas such as welding or CNC machining; however, they are not equipped with the skills needed to understand the concepts of continuous improvement processes and are not ready to make such improvements to existing working processes. By being able to learn and apply a continuous improvement

▲ The beginnings of a Crown forklift

skillset to the technical skills they already possess, the production line employees can improve workplace safety, increase product and process quality as well as production line productivity.

In evaluating employee performance, a traditional performance appraisal approach may be outdated. Crown evaluates staff using a Talent Development Discussion program, in which an employee can learn about how they are doing today, how to develop further strengths and then consider future career opportunities. Company management constantly evaluates how an employee can grow and support the growth of the business.

▲ Spot the *laoban*

Great companies develop robust products and services, have effective problem solving skills, effectively leverage and share resources and ideas, and develop leaders as mentors and coaches, not bosses

Facing the facts

The business reality for Crown is still a slowing global economy. But even when the industrial market took a turn for the worse globally in the last 1-2 years, Crown chose not to lay off any employees – it chose long-term stability over short-term financial savings. Idle employees such as assemblers could learn to develop their careers and benefit the company at the same time by becoming welders. Crown was rewarded later by its resident district government for providing labor stability. Sinram says that Crown in China takes a long term view of business, a view similarly emphasized by the company leadership in the U.S.

Crown carefully evaluates headcount expansion. New job positions are only created when there is a full understanding of how the position will add value to the company and what the position entails. Crown prefers job candidates that have a confluence of concern for the business and concern for people. Internal promotions are preferred, and employees are encouraged to seek their true passion in work, even potentially outside of their current role.

The toolbox for operational excellence

Tools for operational excellence are already popular in manufacturing, so the approach that Sinram suggests management should use to enhance their operations are not new. Among other things, Sinram creates subject matter experts (SMEs) to champion cross-functional implementations. SMEs can come from any job function and from any job level. The SMEs develop deep working knowledge of the environments and problems they face, and can be consulted by other colleagues. Other tools include, but are not limited to, value stream mapping and quick kaizens. Currently, Sinram is using 5S (Sort, Set in order, Shine, Standardize, Sustain) as a go-to tool in his facility. He says the first three are easy to use, and the other two harder to truly implement. An operational excellence program never ends.

Automation and future investments

Automation is now top of mind, with many companies seeking solutions to reduce their labor cost and dependence. Sinram emphasizes that automation is not a cost savings exercise, but is instead an evaluation of how to increase process quality, product quality and work safety. Crown has invested in robotic welding precisely because of the need for improvement in these three areas. Additional investments in services and equipment are evaluated based on factors such as quality improvement, cost savings, compliance and new product development. One skill that the company lacks is a nearby service provider who can repair broken imported machinery, which now causes extra downtime in production.

Stakeholder management

Sinram offers some simple advice: "Be proactive and meet with the government and ask for help. Never surprise your stakeholders."

Advice onwards

In a speech delivered to Crown employees and guests at Crown's 10-year anniversary, Sinram says in Chinese, "Be not afraid of growing slowly, be afraid of only standing still." He points out that the top three future priorities for manufacturing managers are spending time to develop people by providing tools for them to succeed, instilling passion for continuous improvement and developing leaders as mentors not bosses. I

Jonathan Shyu is chief representative of Suzhou Center and Nanjing Center manager, Yangtze River Delta Network

Navigating New Terrain

Professor David Lampton discusses U.S.-China relations in the Trump-Xi era

DAVID M. LAMPTON is Hyman Professor and Director of China Studies, Johns Hopkins—SAIS. His most recent book is: *Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping* (University of California Press, 2014). Past President of the National Committee on U.S.-China Relations, he currently is writing a volume with two colleagues on China's efforts to build rail connectivity throughout Southeast Asia. The views expressed here are his personal views.

"The smaller nations on China's periphery fear policy mismanagement in Washington almost as much as they are anxious about Beijing"

If the Trump Administration were to look back on the last eight years, what key takeaways should it be mindful of when developing its approach to U.S.-China relations?

It is essential to consider the last forty-plus years. Over this span, three lessons are very clear. Lesson One: America has not had a war directly with China (as it did in Korea), or indirectly (as in Vietnam), in more than forty years. In terms of lives and treasure, those two conflicts were the most expensive Cold War commitments for both the United States and China. The United States cannot say it "won" either. Both conflicts were, to varying degrees, accidental. Both Beijing and Washington need to start with the understanding that conflict is an unimaginably costly option. Lesson Two: Taiwan is the most sensitive issue in U.S.-China relations. There is no reason to think that Washington can drive a harder bargain with Beijing on Taiwan today, after China has become the second biggest world economy, largest Asian military, and biggest world trade power, than Washington could in 1978 when China was poorer than Cambodia on a per capita basis. A Third Lesson emerges more narrowly from the Obama period: We need to talk less about what we are going to do in terms of paying more attention to Asia, and actually do more, particularly in the economic realm. The rebalance had all the disabilities of a belligerent, military first policy, without really much delivery while the economic leg of the policy was desperately underdeveloped. Trump has compounded the error by withdrawing from TPP. Talk less, do more, and participate in Asian economic growth to an increasing extent.

What aspects of the Obama Administration's policies toward China are most important to maintain, if any, and which could be discarded?

The Obama Administration's placement of its China policy in an Asian context was well advised--improving relations with Vietnam, India, Indonesia, Malaysia, Burma and elsewhere. These areas are growing and U.S. involvement is good economically, developmentally, and for strategic balance. Where the Obama policy got off track, in my view, was in its insufficient realization that these nations want a U.S.-China balance in the region, a balance that preserves the region's dynamic interests with China and that simultaneously hedges against a muscle-flexing Beijing. The smaller nations on China's periphery fear policy mismanagement in Washington almost as much as they are anxious about Beijing. To me this suggests that the U.S. needed (and needs) a more dynamic economic policy in the region and a less overtly military posture. The U.S. opposition to the Asian Infrastructure Investment Bank (AIIB) and the effort to strong-arm friends in the region to stay aloof from it was precisely the wrong response — 57 friends bailed out on Washington. We should be getting more involved economically in the region, not less so. I have been interviewing throughout Southeast Asia recently. These nations and peoples would like America more involved in building Asia's infrastructure. Donald Trump, the land developer and infrastructure promoter, ought to see the logic here.

In March 2016 Testimony before the United States-China Economic and Security Review Commission you called for America's China policy to be "broadened and modified," to be recalibrated. You called for more "reciprocity" in bilateral relations. What did you mean?

We need to adopt a broad posture that China has moved from being a "developing country" to the status of a great power requiring far more reciprocity on Beijing's part. Maintaining domestic support for constructive U.S.-China relations requires this. Operationally, this means tenaciously seeking more reciprocity in bilateral arrangements, whether they be (for example) on the trade front, the treatment of journalists, or the environment for foreign direct investment in both countries. As supportive as I am of Chinese investment in job-generating enterprises in the U.S., should Chinese entrepreneurs have free run of American service and technology acquisitions when the same areas are closed, or semi-closed, to American investment in China? Similarly, U.S. and western journalists have difficulty, or worse, in getting visas? Should the propaganda officials of China's information apparatus have free run of the United States when even flagship media enterprises in the U.S. are blocked in various ways from on-the-ground coverage in China? Or a more modest example – should U.S. scholars of China have to accept being on a short-visa leash (or on a blacklist altogether) when China's counterpart scholars get ten-year visas as a matter of course? Not requiring basic fairness invites contempt by China and revulsion by Americans.

In terms of how policy is made and implemented, are there any achievements and or cautionary tales from the Obama years?

To start, the Administration needs to make it clear what it really cares about — not 14 things — rather, one or two. The American political system is a demand generator, not a priority setter. We need to define, prioritize, and relentlessly pursue our most pressing interests AND give China some credit when it accommodates those interests. And

> "We need to adopt a broad posture that China has moved from being a "developing country" to the status of a great power requiring far more reciprocity on Beijing's part"

second, in terms of how to engage China, the Strategic and Economic Dialogue (S&ED), with its enormous scale and split bureaucratic leadership, was too diffuse and overly-focused on symbolism to be effective. When the 2016 edition of S&ED had in excess of "300 outcomes" I knew we were into heavy symbolism, and diminished substance. We need high-level dialogue, strategically focused, regularly pursued, and carefully prepared, with interlocutors on both sides who clearly are in charge of day-to-day coordination of the relationship. We need fewer, more significant priorities. Someone has to be able to ride herd over fractious department-level bureaucracies—in both nations.

One area where the Obama Administration successfully cooperated with China was combating climate change. Do you think cooperation in this realm will continue? If not, do you see another area of cooperation emerging under the new administration?

If America does not continue cooperation on this global, existential security issue it will be a dereliction of duty. Knowledgeable people can debate around the edges of climate change, but not the core fact that it is occurring, that human activity is supremely important, that it is perilous to the planet, and that the consequences of this process are going to be enormous — for everyone. Prevention and adaptation will both have to be in the tool kit. To paraphrase presidential candidate Jon Huntsman's finest hour: "To be clear, I believe in evolution and trust scientists on global warming. Call me crazy." The fact that even in China's coal-dependent society you can get action on this issue tells you something about the degree to which there is global consensus. Beyond the intrinsic merits of joint action on preventing and mitigating climate change, Sino-American cooperation in this area provides part of a compelling strategic rationale for bilateral ties. If the Trump Administration emasculates Obama-era initiatives in this area, China will assume the mantle of global leadership on this issue and the world will perceive diminished American leadership. As to other areas for cooperation, Sino-American economic cooperation to jump-start American (and global) growth is a wide-open field.

How do you think the Chinese leadership's perceptions of Trump have changed in the months since he won the election?

The Chinese public and official views have rapidly transited through a cycle of optimism, buyer's remorse of various degrees, to a certain sense of relief: 1) In stage one, before the election, the cognoscenti in Beijing only saw the past abrasions inflicted by Secretary Clinton on China, and sublimated everything candidate Trump said, chalking-up his jolting remarks and tweets to campaign rhetoric and the posturing of a pragmatic businessman. 2) In stage two, immediately after the election, earlier optimism morphed into "concern" that there was no deceleration of Trumpian rhetoric. 3) In turn, this quickly became "high anxiety" as the president-elect's personnel nominations and appointments began to emerge and Beijing realized that it had ties to virtually none of the emerging players. The personalities Beijing did recognize were not reassuring. 4) Stage four was characterized by growing alarm as President-elect Trump questioned the relationship's foundation, the "One China Policy," in early December 2016. Beijing began allowing its plausibly deniable media like Global Times to convey increasingly strident threats about what could not be tolerated. The anxieties of both sides mounted. And 5), On February 9, 2017 (Washington time), the two presidents spoke to each other by phone. As reported by the White House, "President Trump agreed, at the request of President Xi, to honor our `One China' Policy" and "Representatives of the United States and China will engage in discussions and negotiations on various issues of mutual interest." The prospect of Terry Branstad as U.S. ambassador to China is a very positive prospect.

"As President Trump pulled out of TPP (an agreement already dead in Congress), and abandoned talk of multilateral trade liberalization and questioned global supply chains, Xi Jinping has adopted these orphaned mantles"

Has all this impacted China's strategy for dealing with Trump?

Yes, I think we can see several responses. To start, welcome as the recent reaffirmation of the "One China Policy" is, simply having gone so quickly through a cycle of tough talk and retreat back to prior principles, could have an effect on Beijing's view of the new administration — reaffirming the initial tendency to believe that there is bluff and bluster in the White House but at the end of the day this is a businessman with an economic bottom line. This could produce miscalculation down the line. Second, Beijing is getting more muscular in its interactions with Taiwan — dialogue suspension, diplomatic isolation, pressure on the economic front, and increased military activity in the Taiwan area. This reflects the interacting concerns Beijing has with both President Tsai Ing-wen and President Trump. Third, China is trying to deter Trump on the trade protectionism front by going directly to economic linkage – threats of retaliation targeting U.S. agriculture, hi-tech, and transport exports. Fourth, Beijing seeks to peel away U.S. allies and friends in the region, notably the Philippines, Malaysia, and Thailand — given politics in South Korea, events there may provide additional opportunities for Beijing. And finally, as President Trump pulled out of TPP (an agreement already dead in Congress), and abandoned talk of multilateral trade liberalization and questioned global supply chains, Xi Jinping has adopted these orphaned mantles, as seen in his speech at the January 2017 Davos Meeting.

And now for the next pieces

In an article you wrote last year, you put forth three potential scenarios for China's leadership: the emergence of Xi Jinping as a "durable strongman... rallying the populace around the flagpole of assertive nationalism;" a resumption of the incremental reforms of Xi's predecessors; or significant domestic challenges arising from slower growth and rapid societal changes. Will Trump taking office influence China's direction?

I still see China's future as indeterminate, but the probabilities of the first and third scenarios have grown and the chances that Xi will turn out to be a closet reformer have diminished. These trends in China will interact with the emerging contours of the Trump Administration and this is a volatile combination. One could hope that the mere existence of this mutually-reinforcing downward cycle would bring both capitals back to more moderate positions and the requirement of both leaders to produce economic growth would create an imperative for cooperation. The February 9, 2017, phone conversation mentioned earlier is a hopeful sign. Focusing on positive-sum economic cooperation will be far more productive than ratcheting up strategic competition. But, with the Nineteenth Party Congress coming up in Beijing in the fall of this year, China is now in a fever pitch of domestic politics that rewards toughness. With two highly nationalistic leaders, tense domestic politics in both nations, and a uniquely mercurial leader in the White House, as Yogi Berra said: "It's tough to make predictions, especially about the future." I

Foreign Policy Update

Trump's America First Foreign Policy and China's Asia-Pacific Security Cooperation

By Doug Strub The opinions expressed in this article are the author's own and do not reflect the views of AmCham Shanghai.

Shortly after Donald Trump was sworn in as the 45th president of the United States, the White House updated its website to include a page titled *America First Foreign Policy.* The text offers a brief but pointed overview of the new administration's foreign relations vision. As became clear immediately after President Trump took office, U.S. foreign policy is experiencing significant changes under the new administration. Meanwhile, on January 11 – just over a week before Trump's inauguration – China issued its own foreign policy update in a white paper titled *China's Policies on Asia-Pacific Security Cooperation*.

U.S.-China relations have experienced a whirlwind of fluctuations since Trump's electoral victory, including an unprecedented call with the president of Taiwan, a threat to abandon the longstanding one-China policy, official U.S. withdrawal from the Trans-Pacific Partnership (TPP), Trump's Secretary of State nominee threatening a naval blockade in the South China Sea – later backing down from this statement – and Trump conceding to abide by the one-China policy after taking office. While the chaotic state of this relationship will remain unpredictable for the foreseeable future, these two documents nonetheless provide valuable insight into how the two countries are positioning themselves as their relationship enters a new era. With the new administration's strong focus on trade policy, how this relationship unfolds may prove extremely important for U.S. businesses operating in China.

China's Asia-Pacific policy

China's Policies on Asia-Pacific Security Cooperation consists of six chapters, ranging from relations with other major Asia-Pacific countries, views on regional hotspot issues and China's security vision, to chapters dedicated to China's participation in major multilateral mechanisms and non-traditional security cooperation. As the title indicates, the document's main theme is cooperation, and a major goal is to "promote peace and seek stability and development" in the region.

In many ways the white paper reiterates long-standing policies. References to the Five Principles of Peaceful Coexistence and repeated calls for non-confrontation, mutual respect, and mutually beneficial cooperation are nothing new, and simply mimic earlier white papers on peaceful coexistence and peaceful development.

Yet much of the language subtly points to a grander objective: the erosion of the U.S.-led liberal international order and its gradual replacement by a new institutional system with a larger role for China. The document's preface hints at this, mentioning "the profound adjustment of the pattern of international relations." The opening pages revisit this concept, first mentioning China's commitment to the long-desired "new model of major-country relations" with the U.S. (which the Obama administration largely dismissed), before reiterating that this global shift is happening whether America willingly participates or not, stating that "multi-polarity is becoming a global trend."

The document's first chapter notes progress made in the region, pointing to Chinese-led initiatives such as the Asian Infrastructure Investment Bank, the Belt and Road Initiative and Silk Road Fund, before stating its real objective: "China calls for the building of a new model of international relations." While advocating the improvement of existing regional multilateral mechanisms, it also argues that to maintain long-term stability in the Asia-Pacific, a *new* security framework is needed. More specifically, a framework led by China's vision: "New visions are required. Old security concepts based on the Cold War mentality, zero-sum game, and stress on force are outdated." What is needed, the document says, is to "explore a new path for Asian security."

Couched in the language of non-interference, peaceful coexistence, and mutual benefit, the paper is both a continuation of longstanding Chinese policies and an increasingly vocal position in support of China's growing international influence over the past several years. A new era of major power relations has begun, China is declaring, whether other major powers admit it or not. In this new system China plans to play a dominant role, writing new rules to facilitate a global policy environment more favorable to its ambitions.

America first

The brief statement by the White House outlining the new *America First Foreign Policy* is in many ways the polar opposite of China's white paper. Unlike China's repetitive calls for cooperation and mutually beneficial development, the U.S. policy opens: "The Trump Administration is committed to a foreign policy focused on American interests and American national security. Peace through strength will be at the center of that foreign policy."

Comprised of two sections – one on foreign policy and the other on trade – the document is quite vague. The first section identifies two objectives: defeating ISIS and other radical Islamic terror groups, and rebuilding the American military. While it says the U.S. will embrace diplomacy, the principal point is that "President Trump ... knows that our military dominance must be unquestioned."

In November 2016, Trump advisors Peter Navarro and Alexander Gray published an article in *Foreign Policy* titled *Donald Trump's Peace Through Strength Vision for the Asia-Pacific*, which provides some degree of clarity to the new administration's plans for the region. Arguing that both the American pivot to Asia and the Obama administration's policy of "strategic patience" with North Korea created less stability in the region rather than more, Navarro and Gray outline Trump's plan for significantly increasing U.S. military presence in the Asia-Pacific.

▲ Davos man

The authors' most concrete proposal is a reiteration of Trump's campaign pledge to expand the U.S. navy from 274 ships to 350. Commenting on U.S. relationships in the region, they state, "There is no question of Trump's commitment to America's Asian alliances." But they also reiterate Trump's campaign pledges to make U.S. allies contribute more to security, adding that "American money and blood has allowed these allies the space to grow into mature democracies … It's only fair — and long past time — for each country to step up to the full cost-sharing plate."

The second part of the document addresses the new America First trade policy. Similarly brief, it calls for withdrawing from the TPP, renegotiating (and potentially withdrawing from) NAFTA, and cracking down on trade violators. The policy does not advocate isolationist policies or the abandonment of trade, but rather to pursue "tough and fair" agreements. "International trade can be used to grow our economy," it says, and better trade deals "can bring jobs back to America's shores, increase wages, and support U.S. manufacturing." Beyond this, the only direction it offers is that "President Trump will ensure that on his watch, trade policies … will put America first."

What does it mean?

The timing of China's white paper, released six days before the World Economic Forum (WEF) in Davos and nine days before Trump's inauguration, indicates that Beijing saw an opportunity with the new administration coming into office. Using president Xi Jinping's appearance at the WEF as a launching point, China appears to now be pursuing these policies more vigorously.

Xi's speech at the Davos conference – the first by a Chinese president – was widely viewed as both embracing globalism and positioning China as its savior. "We should commit ourselves to growing an open global economy," Xi said, "to share opportunities and interests through opening-up and achieve win-win outcomes." When contrasted with Trump's proposed U.S.-first trade policies and potentially weakened commitment to allies in exchange for a policy more singularly focused on America, China's emphasis on cooperation and win-win outcomes may provide an attractive alternative for countries worried about China's growing might in the face of potentially reduced U.S. support.

The media flurry declaring China's growing leadership following Xi's Davos speech played perfectly into Beijing's strategy. Even better for China, this took place without any appearance of aggression or muscle flexing. "If people want to say China has taken a position of leadership, it's not because China suddenly thrust itself forward as a leader," head of the Chinese foreign ministry's office of international economic affairs Zhang Jun told a group of reporters. "It's because the original front-runners suddenly fell back and pushed China to the front."

While the media focused on Xi's embrace of globalism, a potentially more important component of his speech was his reiteration of the white paper's core objective – the weakening of the U.S.-led international system and the emergence of one with a much greater role for China.

"There is a growing call from the international community for reforming the global economic governance system," Xi said. Anticipating Trump following through on his pledges to abandon TPP and take a more protectionist stance on trade, Xi was ready to immediately fill any void in U.S. leadership with alternatives more favorable to Beijing. "China will vigorously foster an external environment of opening-up for common development," he said. "We will advance the building of the Free Trade Area of the Asia Pacific (FTAAP) and negotiations of the Regional Comprehensive Economic Partnership (RCEP) to form a global network of free trade arrangements." Xi is plainly stating that with the U.S.-led TPP out of the way, Beijing will quickly work to replace it with Chinese-led agreements.

Conclusion

China has long fought for a greater role in existing international institutions, unsatisfied by having not helped shape the rules of the current system. So it is developing a new set of Chinese-led institutions more in line with Beijing's policies and goals. This institution building has grown in recent years, using economic benefits and incentives to expand Beijing's regional political influence. In January, with America about to make major policy changes under the new administration, Beijing saw an opportunity to further shift the world toward these goals.

Meanwhile, the new U.S. administration has taken an aggressive stance with some of its closest allies and delivered on its pledge to abandon TPP. Withdrawal from TPP has forfeited America's most significant opportunity to continue writing the rules of global trade, leaving this to China and others if agreements such as RCEP and FTAAP (which in theory should include the U.S.) are concluded instead.

By abandoning TPP in exchange for an America First trade policy and questioning the foundations of key alliances, the new administration has ceded some of its global leadership – a moment China has been waiting for and will now act on. With several alternative institutions in place, rapidly growing influence around the world through acquisitions and development investment, and a growing presence in the global spotlight – as demonstrated by Xi's Davos speech – China looks ready to fill any void in global leadership the U.S. may concede. This geostrategic shift, if it materializes, could significantly impact companies doing business in China. The business community should be alert to these developments and remain engaged in the policy debate. While the new America First policy may produce gains in some areas, America's leadership should be cognizant of what it may give away in the process. I

Doug Strub is associate editor for AmCham Shanghai's publications and communications department.

New Visa Program for Foreign Talents Working in China

By Jessie Niu

Following the decision of the Approval Reform Office of the State Council to attract world-class talent, Shanghai, and several other major cities, started the pilot foreign worker visa program in October, 2016. In January, AmCham Shanghai invited Mrs. Zhu Yinghua, deputy director of the Foreign Affairs Department, to talk about the new regulation, which takes effect on April 1, 2017.

The new program, implemented by the State Administration of Foreign Experts Affairs (SAFEA), features an easy, streamlined application procedure and simplified material requirements. It unifies the previously used Alien Employment Permit and Foreign Expert Certificate into the Foreigner's Work Permit card. This integrated work permit card will have a chip with RFID technology installed containing the card-holder's personal identity information (e.g. visa validity duration and workplace). Each card holder will get a unique, lifelong ID. This information will be synced and recognized by the departments of foreign affairs, public security, customs, tax and education. This integration effort will eliminate unnecessary repetition, ensure consistent administration and provide better management of foreign talents working in China.

Simplified online application and reduced waiting time

By the end of 2015, there were 93,000 permanent residents as overseas experts in Shanghai, working for nearly 40,000 employers. With the new online system, these people will be able to download, complete and submit application forms entirely online. All relevant data will be directly uploaded online to diplomatic services, which will save the applicants mailing time. The application process will take about 20 business days, or half as long as before.

Classified categories of applicants

Shanghai is working hard to attract high-level foreign expertise to contribute to China's economic and technological development. In accordance with this, the new visa program will classify permit holders into three groups, with high-end foreign talents falling into Category A, professional foreign talents classified as Category B, and ordinary foreigners placed in Category C. The quota for Category A applicants will be unlimited, Category B visas will be granted according to market demand, and Category C quotas will be subject to relevant regulations.

High-end foreign talents (Category A) encouraged

Category A refers to applicants who fulfill China's current labor market demand and whose work is urgently needed for the country's high-end or advanced development. Candidates who meet Category A status must fulfill any of the requirements below:

• Be involved in one (or more) of the eight selected talent import plans in Shanghai

• Have internationally recognized professional achievements

• Work in a position that accords with the market directions

• Innovative and Entrepreneurial talents

• Young Talents who have doctoral degrees from or have done postdoctoral research in the world's top 200 universities before age 35;

• Score more than 85 points in the Points Rating System

According to the regulations, top talents in this category can follow a "green path," exempting them from providing certain paper documents like criminal records, academic diplomas and job qualifications. Instead, they can provide proof verbally by the method of "notification and commitment." Additionally, Category A talents will wait less time for a permit, which can take as short as five days. Category A talents will also be exempt from age considerations when applying.

Number of foreign professionals (Category B) limited

Category B refers to foreign professionals or skilled personnel whose posts meet China's current market demand. One can be considered as a qualified candidate if he/she fulfills any requirement below:

• Foreign professionals who have a bachelor's (or higher) degree, and also (more than) two years' working experience in related area

• Outstanding graduates with a master's (or higher) degree from universities in China

• Graduates with a master's (or higher) degree from a top 100 foreign university (Jiaotong ranking)

• Students engaged in foreign language education

• Score between 60 to 84 points in the Points Rating System

The number of Category B talents will be limited on the basis of market demand.

Ordinary foreigners (Category C) restricted

Category C refers to ordinary foreigners involved with seasonal or temporary positions including:

• Foreign employees engaged in inter-government agreements or approvals / authorizations of the administrative department of the State Council

• Young talents who come to China for internships under inter-government agreements

• Accompanying housekeeping personnel with high-end foreign talents working in China

• Foreign workers engaged in specialized area such as long range fishing

• Seasonal workers in the border area

• Other foreign workers whose positions are administrated by quota

Number of Category C talents will be restricted and controlled by relevant regulations. I

Jessie Niu is a government relations associate at AmCham Shanghai

Peering Into the Future

Air pollution and employee compensation

By Jeffrey Wilson - Counsel at JunHe

Not only is China's chronic air pollution making it difficult for companies to lure employees to work in the country, the dirty air may see employers having to pay more for the employees who are here.

The biggest cost for employers may be the salaries paid to employees who can't work when companies are required by the government to reduce or suspend operations when air quality index (AQI) levels are exceeded. With no uniform national guidance, employers are left to look at local rules (which are not consistent) for the ascending blue, yellow, orange and red alert levels. In Shanghai, a blue alert is generally when the AQI is between 151 and 200. Under a Shanghai blue alert, most outdoor construction projects must stop.

In contrast, Suzhou, Nanjing, and Beijing construction suspensions are required only under the more serious yellow alerts. Moreover, employers in the petrochemical, chemical, metallurgy, cement, building materials, casting, and concrete industries under a yellow alert (generally 201-300 in Shanghai) must reduce production. For the highest level of orange 300-400 and red alerts (above 400 AQI) reduction and suspension requirements become stricter.

In the past two years, Beijing has issued three red and three orange alerts covering a total of 30 days. While Shanghai has not endured such serious air pollution during this period, the city has seen 15 days affected by blue and yellow alerts.

While no national law has yet directly addressed the salary obligations of an employer during a pollution-induced closure, the default rule is that employers must continue paying when a suspension is not the fault of the employees. Still, local jurisdictions, such as Shanghai and Ningbo, are starting to issue rules confirming that employers have the obligation to pay full salary and not deduct benefits during severe pollution. Shanghai and Ningbo also prohibit employers from disciplining or terminating employees who are late or absent from work due to severe air pollution—which could conceivably include situations when employees can't make it to work because of suspension of public transport. Employers also must develop plans clarifying the circumstances under which employees may not be required to go to work and conditions necessary for resuming operations.

In an example of the requirements the rest of the country may see, employers in Ningbo are also required to protect employees who work outside. Hours must be reduced during yellow alerts and employees provided with masks. During an orange alert, hours must be further cut back and additional proactive equipment provided, and air cleaning machines installed indoors. During red alerts, employers should avoid assigning employees outside unless absolutely necessary. Employers who violate these requirements could be fined up to RMB 30,000.

The desire to keep the air clean may also shift costs to employers, such as during required suspensions or closures for high profile events. Examples include last year's G20 Hangzhou Summit or international sporting events, such as can be expected for the Beijing 2022 Winter Olympics. A practical approach of many companies during these periods is to require employees to use up their paid annual leave.

Ningbo already requires extra pay for employees working outside during heavy pollution. Other locations may soon follow. Members of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference reportedly reintroduced a proposal in January at the opening session in Xi'an that outdoor workers should receive "hazard pay" during periods of high pollution. According to the proposal, local governments — not employers — would pay allowances to workers, including construction workers. The provincial human resources and social security department and trade union federation have reportedly been studying the feasibility of such a proposal since last year.

Members of the Henan Provincial Chinese People's Political Consultative Conference also reportedly submitted a proposal for smog subsidies for outdoor workers. The idea appears to be gaining traction - the influential Party newspaper Guangming Daily has suggested that companies that produce air pollution should be charged fees that the government could use to compensate workers who work outdoors.

What about employees who tire of working in a polluted city? Could the dirty air be grounds for them to quit and get severance?

Not likely.

While failure of an employer to provide safe working conditions could entitle an employee to severance, an individual employer could not be blamed for city-wide pollution that makes an employee want to leave. Employees who no longer want to breathe polluted air would likely have one choice: resign from their job and move elsewhere.

Some relief may be available for employees who become ill due to long hours working outside in heavy air pollution. The Shaanxi delegates in January called for "haze" to be listed among occupational disease risk factors and thereby possibly allowing workers to claim occupational illness benefits. If so, claims may mushroom. After all, the hours spent commuting while breathing the poor air is also considered work time. I

Event Report

CHINA'S NEW CYBERSECURITY LAW – WHAT COMPANIES NEED TO KNOW

On February 22, AmCham Shanghai hosted a discussion of China's new cybersecurity law, which was passed in late 2016 and is scheduled to take effect on June 1, 2017. Nearly 200 AmCham Shanghai members and guests were in attendance to hear presentations from: Zhang Kai, the Deputy Secretary General of the Shanghai Information Security Trade Association; Christopher Millward, the President & Managing Director of the United States Information Technology Office (USITO); Ron Cai, Partner and Chief Representative of Davis Wright Tremaine LLP; and Ben Wootliff, the Managing Director of Cybersecurity and Partner at Control Risks.

The speakers covered, in-depth, the key areas of concern in the cybersecurity law for foreign businesses operating in China. Mr. Zhang provided a detailed overview of how the law was drafted, what the Chinese government's key concerns and focuses were and what areas companies should be aware of as they begin to develop their compliance. Mr. Millward discussed the cybersecurity law and its effects in the context of China's broader internet regime and the direction that China's policies seem to be headed. Mr. Cai spoke about best practices and provided suggestions for how companies should ensure that they are in compliance with the new regulation and encouraged members to keep an eye on new implementation laws as they roll out over the next several months. Finally, Mr. Wootliff outlined some key security and internal review mechanisms companies should have in place to both defend against and respond to cybersecurity attacks.

This was the first event in AmCham Shanghai's policy workshop series for 2017. Be on the lookout for future workshops and other government relations events in the months ahead.

BREAKFAST ROUNDTABLE WITH CSIS' SCOTT KENNEDY

On January 17, AmCham Shanghai hosted Scott Kennedy, Deputy Director, Freeman Chair in China Studies and Director of the Project on Chinese Business and Political Economy at the Center for Strategic and International Studies (CSIS). Kennedy is working on a new project called the China Innovation Policy Series, which will include seven quarterly reports targeting innovation policy in six different sectors (the Internet, new-generation vehicles, semiconductors, artificial intelligence, commercial aircraft and pharmaceuticals). The session began with a short introduction by Kennedy, during which he presented some of the questions he is attempting to answer. These included concepts such as how to measure innovation and a summary of the main factors supporting and constraining innovation in China.

Kennedy then posed questions to the audience about their experiences with how companies in China interact with innovation policies and how they evaluate innovation. The discussion concluded with Kennedy fielding questions from the audience, many of which were aimed at the leadership transition in the U.S. and how it will impact businesses in China. With Kennedy providing insight into both Chinese policy and the general mood in Washington, and the attendees offering first-hand knowledge of the business environment in China, it was a productive roundtable discussion.

▲ Expert panelists discuss cybersecurity law

2017 SUPER BOWL TV ADS – MARKETING & MEDIA COMMITTEE CREATIVE SHOWCASE

On February 15, AmCham Shanghai's Marketing & Media Committee held its annual celebration of the best and worst Super Bowl commercials. Hosted by the committee's hip and effervescent co-chair, Paul Lin, the event also featured three longtime advertising professionals as guest speakers – Bryce Whitwam, China CEO at Wunderman, Rob Campbell, regional head of strategy at Wieden + Kennedy, and Fred Raillard, co-founder and creative CEO of Fred & Farid. The event opened with an introduction from Lin and a viewing of some of the best and most hilarious Super Bowl ads spanning the past few decades.

Next, the three speakers showed a variety of commercials, with each presenter opining on the adverts' strengths and weaknesses. The speakers also touched on the use of controversy in advertisements, what makes a commercial memorable, and the use of that long running Super Bowl trope – humor. As well as screening the best commercials, the presenters also showed some of the most disastrous and talked about why they believed the commercials were ineffective. I

▲ A commercial filled evening program


U.S. Ambassador Max Baucus with Melodee Hanes, AmCham President Kenneth Jarrett, and AmCham Chairman Ker Gibbs at the Ambassador's farewell talk

AmCham Shanghai


Participants thirsty for more knowledge of China's beverage market


Cindy Yang presents an overview of China's beverage market


Members networking at a monthly member briefing

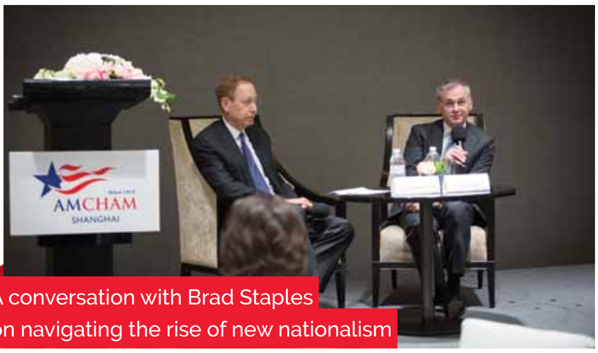
Since 1915
AMCHAM
SHANGHAI


AmCham Shanghai's farewell reception for U.S. Ambassador to China, Max Baucus, was attended by several AmCham board members and over 120 guests


U.S. Consul General Hanscom Smith addresses members at a monthly member briefing


A panel discussion on the growth of Chinese overseas tourism

Month in Pictures



A conversation with Brad Staples on navigating the rise of new nationalism


Members quench their thirst at a wine tasting event


A whiff of chocolate with vanilla undertones yet redolent of saddle leather

Board of Governors Briefing

Highlights from the January 21, 2017 meeting

BOARD APPOINTEES

During his report to the board, AmCham Chairman Ker Gibbs proposed Glen Walter and Eric Zheng as Board Vice Chairs, Helen Hu as Treasurer and recommended that Gentry Sayad be appointed Board Counsel for a second year. These appointments were approved by the Board. Gibbs also thanked Pierre Cohade for his efforts supporting the Nanjing Center.

CHARITY GALA AND NGO DESIGNEES

The Chair noted that he has started meeting with former Chairs on an informal basis. The Chair proposed that the group be given the task of approving the Chamber's charity gala NGO beneficiaries. Some past Chairs are involved in the NGO community and could bring that expertise to the decision making. Chamber staff would still screen applicants and create a short list of candidates that would also be reviewed by an outside group of experts. The former Chairs would make the final selection from that short list, as the Board has traditionally done in the past. The Board approved this approach.

NANJING CENTER FUNDING

The Board unanimously approved the allocation of USD 50k from the Chamber's reserves as a second tranche investment in the Nanjing Center.

FY2016 FINAL REPORT

AmCham Vice President Helen Ren presented the final financial report for 2016.

MEETING ATTENDANCE

Governors: Ker Gibbs, Robert Abbanat, David Basmajian, Mike Crotty, Helen Hu, Tim Huang, Sarah Köchling, Nancy Leou, Glen Walter, Cameron Werker, Vincent Yang, Eric Zheng

Regrets: Gentry Sayad, Helen Yang

Attendees: Kenneth Jarrett, Helen Ren, Patsy Li, Ian Driscoll, Jonathan Shyu, Jessica Wu, Linda Wang, Leon Tung, Titi Baccam

Highlights from the February 16, 2017 meeting

BOARD ROLES

Board Chair Ker Gibbs outlined specific areas of focus for individual Board members: Rob Abbanat – new revenue streams; David Basmajian – Committees; Eric Zheng – Nanjing and Suzhou operations; Sarah Köchling – membership sales and July 4th event; Vincent Yang – Chinese affiliates; Mike Crotty – marketing.

In addition, Helen Yang will join the Board's Finance Committee and David Basmajian will join the Board's Compensation Committee.

The Chair thanked Board members whose companies have been steady sponsors of Chamber activities and urged all Board members to do likewise, as well as to encourage other companies to sponsor major Chamber events such as the upcoming April 15 AmCham Ball.

WASHINGTON DC ADVOCACY

There was discussion of a possible mini-doorknock to Washington in late March and review of a letter the Chamber will send to new members of the Trump administration to introduce the Chamber and outline its views on key issues.

MEETING ATTENDANCE

Governors: Ker Gibbs, Robert Abbanat, David Basmajian, Sarah Köchling, Nancy Leou, Helen Yang, Vincent Yang, Eric Zheng

Regrets: Mike Crotty, Helen Hu, Tim Huang, Gentry Sayad, Glen Walter, Cameron Werker

Attendees: Kenneth Jarrett

The AmCham Shanghai 2017 Board of Governors

Ker Gibbs
ChinaBio
Chairman of the Board of Governors

Treasurer
Helen Hu
International Paper

David A. Basmajian
Baxter International

Helen Ching-Hsien Yang
DuPont

Michael Crotty
MKT & Associates

Board Vice Chair
Glen Walter
Coca-Cola

Board Vice Chair
Eric Zheng
AIG Insurance

Sarah Köchling
Shanghai Blossom Consulting Co.

Timothy Huang
Bank of America Merrill Lynch

Vincent Yang
ILE

Robert Abbanat
ILE

Member Focus

Q&A with Manoj Mehta, CEO of naked Group, the resorts, yachting and co-working space company

When did you first come to China and for what purpose?

I came to China in 2005. I was with Goodyear at the time, working in Akron, Ohio. Goodyear was moving its Asia headquarters - which had been in the U.S. for the last 100 years - to Shanghai.

My role was to start a global sourcing business from scratch, build it up, hire people, and put best practices in place. Fortunately or unfortunately, the initiative went much better than we expected. I kept getting deeper into something that I thought was a 12-18 month stint. Then once you cross that four or five year threshold, you are here forever ... that's how I ended up staying longer.

You previously worked for large multinationals but are now CEO of what might still be called a relative start-up. What lured you to make the change?

Before I graduated with my MBA, my intent was never actually to get a job. I intended to graduate, and then with a friend who was in my class, someone with whom I had written business cases, go into business. We had several viable ideas, but when I graduated, reality hit. I had student loans to pay. My idea of working at Goodyear was similar to the idea of coming to China, in that I thought, I'll join Goodyear, work for two years or so, pay off the loans, and then do something on my own.

With Goodyear, things went much better than I had expected. In the nine years that I had ended up staying with Goodyear, I had ten jobs; almost every year, I moved from one job to the other. From an upward mobility standpoint, it was good, but it took me away from the goal of starting my own company. I was sad about it, because the more senior you get, the opportunity cost of you leaving a job becomes greater.

I met Grant Horsfield, who founded naked, in 2005. I met him at a housewarming party I held when I arrived, and we have been friends ever since. He came to China to start something on his own, and he asked me to join him many times after he started naked. I thought the company wasn't big enough for both of us, so I continued my Goodyear stint.

Towards the end of 2011, I was looking to go back to the U.S. or leave Goodyear and find something else in China. Grant was going from a 20-person company to a 200-person company overnight because he was building a massive new resort. He needed somebody who had worked in more of a structural setup and who he could rely on and trust. When that opportunity came, I thought this is my last chance to return to the dream of something close to an entrepreneurial state. It wouldn't be something that I started from scratch, but it would be pretty close.

▲ Post-equestrian relaxation at naked stables

What are the biggest organizational differences between and MNC and a firm like naked?

These differences that you allude to were a lot more contrasted when I joined naked. Then, it had 20-30 people. Even though I knew that when you go into an entrepreneurial setup, there's a lot more hands-on work than at an MNC, the lack of delegable opportunity, the extent of it, was a surprise. The title means nothing. You are the CEO, you are the ayi, you are everything in between. At an MNC, when you go from CEO to manager to supervisor, the layers are a lot tighter in terms of skill sets. Here in one or two steps, you are at a gardener level.

Did that surprise you at all?

It didn't surprise me, but the extent of it did. What also surprised me is how difficult information gathering became in the absence of systems and processes. For example, how do you buy a computer? You just buy it because the boss said to buy it. When I joined naked, everybody was doing everything, whereas at an MNC, structures & processes are created to ensure sustainability. There's a sales department and there is a purchasing department, and sales people do sales things and purchasing people do purchasing things,

▲ Inspiring the troops

As we grew from 20 people to 200 people, that mindset of "I'm going to do everything because that's what I've done in the past," interfered with growth. So now, versus when I joined, naked is a lot more structured in its processes – more like a multinational; however in terms of decision making & speed to market, we want to remain entrepreneurial.

When you arrived at naked, what was your remit?

First, to create an unforgettable experience. When I joined naked, I asked myself, what am I joining? Am I joining a hospitality company? A company that sells foods? A company that sells horse rides? I realized that I was joining a company that was selling memories. So the remit was to sell something that would be a long term positive memory in people's minds. Second, to hire people who allow us to deliver that experience. And third, to create opportunities for naked to go public and create funding opportunities as we grow.

How do you manage the relationship with the naked founder(s)?

That was the most important decision for me when I joined, because I am very close with both Grant and his wife Delphine. In trying to find my dream, I didn't want to screw up a very good relationship.

What Grant, Delphine, and I decided is that there is enough overlap between Grant and I where, we can talk the same language, but there's a very clear expertise that I have that he doesn't, and there is a very clear expertise that he has that I don't. He's the big idea guy, the crazy idea guy. So the vision was always his, but the execution part and structure, process, systems ... that's me.

Delphine is a designer, and she and Grant overlap on the design side. But again, he's a visionary, so he might have an idea of this is how I want this living room, but he doesn't know how to do it, and Delphine delivers that. So they overlap. But also, Delphine and I are fairly detail-oriented people, so we overlap in that we appreciate that we need to go deep and define each aspect of whatever we are doing; so this triangle relationship works very well. In a way, there are three CEOs in the company. We sit together at my house, or at their house, decisions get made, and depending on if that decision is on the creative side or the new business side, the right person will take the lead.

Do you have to temper the grand ambitions?

When we were small, the cost of making a mistake was small. Now that we have had some success, if we do something wrong here, it may jeopardize a lot more. So, sometimes I have to play the role of "saying no." Grant & I have that relationship, not because we are friends, but because of the mutual respect we have for each other. We have known each other for 12 years and we have spent a lot of time together. We have travelled on long holidays together - diving trips, deep sea fishing, hunting trips, etc. When you go on a long trip with a person, you really get to know that person. We could bear each other's idiosyncrasies, which gave me the confidence to take this risk.

Is managing at naked different from managing at a multinational?

Yes and no. Fundamentally, it's not different. Giving people something meaningful to do, something that can objectively be measured, then measuring it and rewarding it based on the outcome, that part is no different than managing people at companies in the U.S. They have ambition and they want to succeed.

▲ naked luxury

Where it becomes different is, in a small company like ours, sometimes you are a managing a person who is six degrees in terms of professional maturity lower than you. So you have come down to that person's level and be able to give that person the time and respect they need because in their world, they are the highest, and if there isn't another layer between you and that other person, you give them guidance or coach or mentor. If you can't do that, if you think you are too high, instead of being able to grow that person into something much bigger, you lose them.

As an example, the girl who is our VP of finance ... recently we raised $33 million, and she essentially led the whole due diligence process, which is extremely complicated. She was the finance manager who worked for me at Goodyear. She made mistakes and she learnt from them, she was loyal and diligent, so when I left Goodyear, I asked her to join me. Her job description at naked was way above her weight class, but she punched hard and has stayed with it and today she is the VP of finance for naked group. If you expect junior high performers to contribute, you must nurture them, mentor them, coach them, grow them or else you will have lost them to your competition.

▲ naked sailors

The naked group has several elements, some in startup mode and others more established. How do you divide your attention among them?

It's like having three children, and each child has its own need, and the one that you end up spending more time with on a given day is the one that needs you the most that day. When I first joined naked, I used to go our resorts at least twice a month, if not more, to do a lot of management meetings. Now, I do my monthly management calls via video conference, and if I am there once in three months, it's by chance. The training wheels are no longer necessary for the resort business. Whereas, on the work and naked Discovery side, the processes are still not defined, the industry itself is new. Not only are we new, but there are no parallels to learn from. That requires more time to sit down and say to ourselves, okay, what do we want to be? So yes, right now a lot more of my time is spent on naked Discovery and on naked Hub.

As someone with considerable management experience, what do you believe motivates people? Does it differ from firm to firm or from country to country?

I don't think there is any difference. Whether you read *Harvard Business Review* articles or talk to people in your company, the number one reason people leave a company is because they have a problem with their manager. If you look at the inverse of that, if a manager is able to give them a meaningful task, and then recognition, in China people say "face", people feel that "I contributed to the success of this day" or this month or whatever the case may be. And if you feel that every day when you go home, it's no different whether you are a person living in China, the U.S. or the UK. But if it feels meaningless, chances are you leave, especially if you are any good. So whether you are managing in China, or the U.S., or Australia, or India, you give people meaningful tasks, you set objectives, you give proper feedback, and then you reward them on a fair basis. If you're doing that, 80% of your task is done.

Another aspect is mentoring and understanding what skill set gaps your people have. This is where I have fallen in love with AmCham. AmCham offers a variety of training at many different levels in many different functional areas. When I read these AmCham emails, I typically think about which person from naked can benefit from this training. These training courses that AmCham organizes work very well for a company like naked. You win twice, because not only do the employees have knowledge that they didn't have before, but they also feel special: "Wow, somebody is actually looking out for what I may need to learn."

Are there common traits that make a good manager regardless of management style or personality?

A good manager should always be able to have fun. It's part of our naked culture. Good managers ought to be able to laugh, have fun, make jokes, be themselves, with a very clear understanding that just because we are having fun, or I am having a glass of wine with you or we are out at a pub, it doesn't mean that the work that we have goes away.

I remember when I first joined naked we had about 50 people from our office over at naked stables. We were around the swimming pool and Grant said that anyone who jumped in would get 500 RMB. There must have been 40 people. It wasn't the 500 RMB, it was about the people who otherwise might not have jumped and might have been a little bit shy. They jumped in with their clothes on. We were able to break their shells, and in the end, everyone was drinking and having fun, and to this day, people still talk about that. Four thousand RMB spent on that is nothing, but the experience it created in the hearts and the minds of our people is invaluable.

If you read management books, is there one you would reread?

Either it would be *Good to Great* or Jack Welch's first book, *From the Gut*. There is a particular chapter where he talks about strategy. I remember reading it in business school and relating to it and thinking that I would like to go back and reread it, and I probably will. I

Committee Chair's Corner

A Chat with Audrey Cheong

Audrey Cheong is the managing director of operations, FedEx China. She is co-chair of AmCham Shanghai's Supply Chain Committee.

You have worked with FedEx in China for over a decade now. Could you talk about the changes you've seen in how logistics companies operate over that time?

Over the ten years one has seen the good times, with the economy growing at double digits, and right now it's stable single digit, but it's still very good growth at 7%. As the economy grew, infrastructure that supports the logistics industry has grown to support business growth.

Secondly, there is increased supervision by the government. As such, the number of mom and pop shops has reduced, and therefore, there is a lot more order in the way logistics companies operate.

What's the difference between logistics in China and the U.S.? Is a company like FedEx set up the same way here as it is in the West?

Yes. Actually if we look at the physical appearance, a station facility in China looks similar to one in the U.S. In terms of services and products, we offer almost the same here as what we offer elsewhere.

How can a foreign company in the logistics sector differentiate itself from growing local competition?

Number one is definitely a global network to compete effectively. Second, to have the experience to understand the specific needs of the customers and what the customers want. And then adapt one's services to the customers nimbly.

The other thing that I think is important in terms of differentiation is technology. Logistics is a service industry, so one would want to make sure what is offered to the customers is useful, reliable and consistent.

Following last year's high 11/11 sales, there was much media attention on the amount of packaging waste. What are logistics companies doing to deal with this situation?

A good option is to invest in technology. FedEx Electronic Trade Documents, which enable customers to upload their documents electronically, is one example of leveraging on technology. So one can actually minimize the amount of paper used.

Are these trends taking off in China? Is the industry moving in this direction?

I think certainly there is awareness, because President Xi also has a clear vision of a greener environment. The idea is to connect the world in a responsible and resourceful way. Many local companies are moving in this direction. The increasing use of electric vehicles is an attempt to promote a greener environment. These are encouraging steps.

What are the most exciting new technologies or other developments occurring in logistics?

Internet-of-Things and big data. With the Internet-of-Things, people, things and data can be smartly connected in the network and across the supply chain. I see that as up and coming. And big data gives us valuable insights into the products and services of customers and helps one customize services to serve the customers in a relevant manner.

SMEs are another growth engine. SMEs in China are ahead of their global counterparts in their use of e-commerce and digital channels to drive export growth, with 97% already tapping e-commerce to sell products overseas. With the country's expanding middle class, there is a trend of a growing demand for domestic delivery with the rapid development of e-commerce in China.

What are the biggest opportunities and challenges for American companies in the logistics sector?

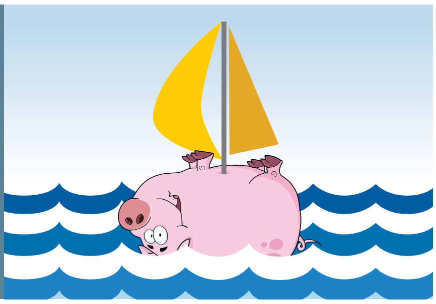
China has a very dynamic operating environment, so one has to be sensitive and to keep oneself abreast of the regulatory landscape. Not everything is a tightening environment. Where one sees pro-trade measures, one should make the best use of those.

What are the most pressing issues facing the Supply Chain Committee? What are your goals for 2017?

To present the latest trends to member companies and SMEs, to help them proactively manage their business, and to promote mutual understanding between members and government agencies. Often there is this gap in understanding why the government agencies are doing what they're doing. I think it is healthy therefore to have regular dialogues. We also want to add more value to the members, with the objective for them to be successful by being relevant to customers in China. I

Esoterica

The Clubs and Societies of Shanghai



By Ian Driscoll

Most global cities have their share of esoteric and interesting clubs, societies and associations. In London or New York, some are housed in hallowed old buildings, their outsized reputations burnished by centuries of excess and eccentricity. Many are indisputably clannish or exclusory, while others are relatively classless, the members tied by some intellectual or creative passion. No less dedicated are clubs founded around an obscure sport or pastime, whose members gather on weekends at poorly-heated wooden clubhouses from which they launch themselves into icy lakes, fly model airplanes or hit small white balls toward the horizon.

This desire for membership of a club or society can be stronger when people live abroad. Marooned from their own culture, expatriates often cross national lines to seek fraternity in common interests. A host city's outsider denizens may also be drawn to these groups through a wide range of shared interests including music, art, culture, gastronomy and athletic endeavor, many of which simultaneously allow them to also indulge their interest in more Bacchanalian pursuits. Shanghai is no different.

In a city where some people consider strenuous exercise to be life-threatening, there are several cycling and running clubs. An example of the latter, the Shanghai Hash House Harriers, which unabashedly calls itself a "Drinking Club with a Running Problem," is one of the many worldwide offspring of the seminal institution established in colonial-era Malaya. Its runs (and walks), which usually range from 8 to 12 km and involve following a trail marked by a 'hare', take place on Sunday afternoons. *www.shanghai-h3.com/*

Maybe more athletic than the harriers is the group of Shanghai-based Nordics who gather every Monday evening for a friendly game of floorball, a sport which vaguely resembles ice hockey without skates. Known as *salibandy* in Finland or *innebandy* in Norway and Sweden, "floorball involves teams of five running around

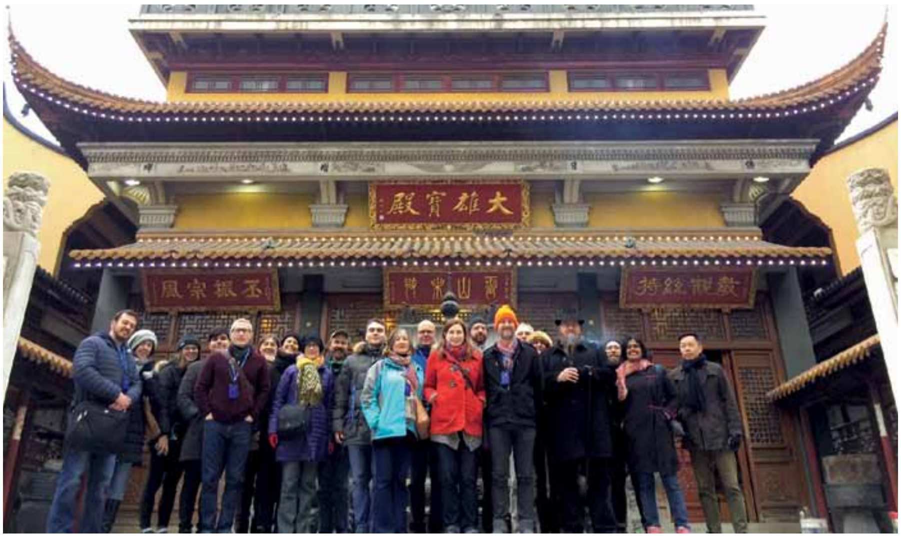
▲ How things once were - the American Club, 1945

whacking a ball and - occasionally – their opponents," says one regular participant. He adds that the weekly session provides a punishing cardio workout as well as a jovial post-game atmosphere, with even the notoriously taciturn northern Finns (of whom he is one) letting their hair down. Despite its northern European origins, the floorballers include dedicated Chinese players as well as an American or two. *info@hakkapeliitat.fi*

For those who wish to combine intellectual stimulation with gentler forms of exertion, Shanghai also offers plenty of options. One such group, Historic Shanghai, organizes site visits, lectures and walks that highlight some of Shanghai's most beautiful and storied buildings: public structures, private homes, places of worship, even cinemas, shops, clubs and businesses. Through these activities, participants, who pay a modest fee, can learn about the city's history, people, development and art. Established in 1998, its members come from all walks of life, all professions and many countries. What they share is an appreciation of Shanghai's heritage and the unique culture that has grown in this energetic, cosmopolitan city. *www.historic-shanghai.com*

▲ Nordic exercise

China lovers, amateur or otherwise, can revel in Shanghai's smorgasbord of Sinology, including the many lectures and talks hosted by The Royal Asiatic Society (RAS), which boasts its own library. *www.royalasiaticsociety.org.cn* An annual individual membership is a steal at RMB 500, and the club also publishes a noteworthy journal. The Hopkins China Forum, run by the endlessly energetic Frank Tsai, is surely the most prolific of these China-



▲ Budding architectural historians

focused institutions. Tsai, who also hosts the M Talks and Thinkery, somehow manages to lure a steady flow of notable speakers to his various fora. *www.shanghai-review.org/lecture-series* The Young China Watchers Shanghai (YCW Shanghai), part of a wider network of chapters around the world including New York, London, Beijing and Brussels, also attracts leading China practitioners and academics. *www.youngchinawatchers.com*

Not all groups are open to the public. A troop of Shanghai-based expat and local enthusiasts (with no shortage of China hands and even scholars, to be sure) of global history founded the Global History Club two years ago, in an ornately decorated hospitality suite of the Portman Ritz Carlton. Since then, the group has been meeting actively on a quarterly basis, in a black-tie setting (based on very strict house rules), to explore and reconstruct global history based on any information (however arcane, incredulous, scanty or incomplete) they can gather. They have even held inaugural events for local chapters in Hong Kong and London featuring the founder, Mr. Li Qiang (who calls himself "a local China boy from old Subei"), pontificating on the topic of the Old Silk Road. Other topics the group has explored include the history of AmCham in Shanghai, the glamor of Mongol queens, the naval war between Japan, Korea and China's Ming Dynasty in the late 1500s, missionaries in China in the 1800s, Shanghai's Street of Eternal Happiness, and disruptive technologies that changed the course of human history. Members of the Global History Club somehow call themselves the New Sogdians.

For those of a gastronomic bent, Shanghai is home to four chapters of the Beefsteak & Burgundy Club, a wine and food appreciation club founded in Adelaide, Australia, in 1954. The Shanghai chapters include the women-only Shanghai Belles, while the other three are male-only. If you like wine, are not afraid to publically speculate about its provenance, and enjoy rambunctious company, these clubs can provide relief from the quotidian enervations of life in Shanghai. One chapter, the Shanghailanders *www.bandbshanghailanders.com*, was founded by a group of "Old China Hands" in 2011. The discourse can be elevated but the wine finally gets its way.

Of course, not everyone can indulge in their favored pastime while in Shanghai. The Pudong Upper Yacht Club Imperiale (aka The PUYI), was allegedly co-founded by a New Zealander and a Brit who lamented the lack of yachting opportunities in Shanghai. This rarefied institution indulges in only one vaguely nautical activity: the launching of Titanic-shaped ice cubes into gin-and-tonics. The founding vice-commodores of The PUYI occasionally invite *zhongguotongs*, local tycoons and assorted rogues to their gatherings, but invitations are miserly rare. Indeed, The PUYI's exclusivity may outstrip that of the Imperial Poona Yacht Club, a British institution known for its *bon vivants*, *bon vivant* royals, and an annual backwards sailing race down the River Thames. The burgee, or flag, of The PUYI, is reputedly an upturned pig floating down the Huangpu, an imperial yellow spinnaker billowing from a mast impaled in the porker's belly. Veteran invitees say that The PUYI's early April gathering is a humdinger. I

Ian Driscoll is director of communications at AmCham Shanghai

▲ A roomful of enraptured Sinologists at a Hopkins China Forum

EY 安永

Building a better working world

Fraud Investigation & Dispute Services

Within Fraud Investigation & Dispute Services, Forensic Technology & Discovery Services entails securing and preserving digital information that can be used as part of investigations (evidence collation) , or to assist in disputes, through discovery of information.

eDiscovery Management Services

- Early Case Assessment Services
- Hosted Processing & Review Services
- Mobile eDiscovery
- Data Governance Advisory

Forensic Data Analytics

- Forensic Look Backs
- Continuous Transaction Monitoring
- Anti-corruption Data Analytics
- Fraud Triangle Analytics
- Behavioral Monitoring

Computer Forensics

- Preservation & Collection
- Hosted Processing & Review Services
- Leakage Prevention & Investigation
- Employee Misconduct & Misuse
- Incident Response Advisory

For more information on FIDS, feel free to visit www.ey.com/FIDS or contact Jim Yuan at jim.yuan@cn.ey.com for any inquiries in China.