

July 16, 2006

Globalization 3.0: The World Is Truly Flat - As Seen Through A Thoroughly Chinese Perspective

NYC — Editor's note: Triangle entrepreneur Grace Whi-Tze Ueng is founder and chief executive officer of Savvy Marketing Group. She recently visited China, the native land of her parents who moved to the United States during the Communist revolution.

RESEARCH TRIANGLE PARK, N.C. - Not a day goes by without seeing an article in the Wall Street Journal or national news about the changing of the government and business scenery in China -- often noted to be entering its third generation of evolution.

How does this impact companies in RTP seeking to enter China? How can the Triangle investment community best prepare to diversify their portfolios and leverage the innovation bubble that is taking place now in China?

Having just returned from a fascinating two week trip to Shanghai and Beijing, my head is still spinning with ideas on how I might best help the global community in adding value to the China business food chain while at the same time return to my roots from which my parents fled the communist takeover back in 1949.

Here are my top 10 findings from my visit to China:

1. Education and Content Hunger: Over 1.3 billion people live in China; 700 million, over half of the population, are farmers. The percentage of high school graduates seeking a college education, however, has gone up ten fold over the last ten years. There is a great need and desire for information and education. Access to information is increasing. Chinese are hungry to learn. As a professor of Entrepreneurial Marketing at UNC Kenan-Flagler this coming year, I am considering bringing this teaching to China next summer via an eMBA program -- the need is huge for western executives to share their entrepreneurial experiences and to spread best demonstrated practices to this developing economy.

2. Legal System Birth and Growing Pains: The Chinese legal system is scores of years behind the US, but catching up as American trained lawyers are available to jump start and mentor young, eager law school graduates desiring a career and to make a difference in the new China. Piracy of everything from software to tractors can make conducting business in China a big challenge. Government corruption and politics can often be problematic, so aligning oneself with the right legal firms and partners is critical.

3. From Communist Takeover and Cultural Revolution to Newest Generation: The bitterness of the communist dictatorship followed by the horror of the Cultural Revolution is now followed by today's young generation that is hip and savvy and eagerly looking forward to happier and healthier times. There is a growing middle class that has high disposable income relative to the cost of living in China. A recent McKinsey report estimates that the ranks of the lower middle class in China will reach some 290 million by 2011 and that China will boast a middle-class population of 520 million by 2025, with consumer purchasing power in excess of \$2.5 trillion

4. Influence of Western Culture: Chinese life is changing dramatically under the influence of Western culture. It is not as common these days for three generations of Chinese to live under one roof. Because there are many ways of making money these days versus when government jobs with fixed wages were the only option, people are moving to where the jobs are, breaking up the "traditional family". Sadly, separation and divorce, unheard of two decades ago, have become as common a trend as in the US. Getting divorced used to be seen as an embarrassing loss of face and cause for anger and grief by almost all concerned. But nowadays it is generally treated with tolerance

and understanding. The last time I had traveled to Shanghai was 16 years ago when I was working in Hong Kong. When I visited again last month, I did not recognize this newly westernized city with a brand new skyline filled with elegant skyscrapers and condos -- a historically romantic city that at first blush now appears to be a cross between Paris and only on steroids.

5. Billions of Investment Dollars Pouring into China: In addition to multinationals investing heavily in the region, western private equity and venture funds have set aside billions of dollars to invest in China ventures. The challenge is to see beyond the "smoke and mirrors" of the "lottery entrepreneurial roulette" in order to discern the "real deal flow". The magic of China is not just in low cost manufacturing or the billions of feet or hands for consumer products, but the potential for efficient innovation in industries such as biotech, healthcare, technology, and financial services. Just take a look at some of the most successful IPOs in the last few years and see the significant number emanating from China. Multinationals as well as new ventures are setting the seed and banking on future market share in China.

6. Pollution and Smog Sometimes Makes the New China Hard to Envision: There is much abuzz around Beijing in preparation for Olympics 2008. Visitors and locals are also well aware of the growing environmental issues -- increased traffic, smog, smokestacks, and pollution that can make it difficult to breathe at times. The Chinese want to "save face" and think toward sustainability, so multinationals are bringing in innovative clean technology and processes to enable the rampant growth to continue in a way that has glimmers of "green".

7. Quasi Communist and Government Control: People can own buildings, but not the land underneath -- rather they own the rights to a long term lease of the land. This makes "real estate" investments possible, just different and tricky. Businesses must modify their typical processes and ways of making money. For instance, Silicon Valley Bank does not yet have access to a banking license in China, but is investing efforts in meeting and educating budding entrepreneurs for when the future processes reach a turning point.

8. Functional Needs: The greatest needs cited for new ventures are CFOs and VPs of Product Management and Marketing. Since the need for marketing has just appeared in the last decade or two given relaxation of communist rule over business, the need to learn about "Entrepreneurial Marketing" is also intense.

9. Hard Work Ethic: Even though the new generation may not have suffered from hunger, persecution or imprisonment, they still have a halo of family memories surrounding them. Many American born Chinese (ABCs) like myself are returning to their roots and working in China -- we are children of immigrants to the US or Canada -- who taught us that education comes above all else. Our parents pushed us to do our absolute best, never let down on their strict coaching, and then bragged behind our backs to the other Chinese parents -- like in Joy Luck Club -- they all wanted the rights to bring up the "chess king". The challenge is how to keep this hard work ethic instilled in generations to come.

10. Case Study: Harvard Business School Club of Shanghai - Dinner at the MoCA: At an elegant dinner event at the Shanghai Museum of Contemporary Art whose gardens and exhibits put NYC to shame, I had the opportunity to have a good glimpse into the new China business scene.

When I arrived, I ran into a brand new Harvard Business School graduate who had literally just stepped off a plane from Boston to attend this soiree -- she was dressed like a fashion model in Paris. She was about to start as an associate at Bain Shanghai, where I had worked as a consultant in their Boston global headquarters twenty years earlier. She had started a business the summer prior called Dog Ego, a high end store to service the pups of the growing middle class with disposable income. Harvard Business School had sent a tenured delegation to China for a week -- several of these professors

I had just seen for my 15th year reunion the week prior in Boston. They experienced an unbelievable week of learning that they planned to take back to campus.

Mingling And Learning

I had the opportunity to mingle with Chinese alumni who are making things happen in all different industries from the Internet to women's clothing. It was interesting to note an older entrepreneur who recognized the rapidly growing middle class and its purchasing power and had his focus squarely on a segment of very affordable clothing.

Sitting on the other side of me was an advisory partner to Greylock Partners who had come to learn more -- he started the VC industry in the US when no one knew what it was -- now he was witnessing a new wave starting in China. I ran into a classmate just sent by his Wall Street firm to focus on investigating manufacturing investment opportunities.

Then I learned of a 90-year-old philanthropist who in the last decade established a fund to give anyone in China who gets into Harvard Business School a full scholarship -- the good news is that some no longer need this generous offer today.

In my entering class 17 years ago, there was only one student from China who came thanks to an American sponsor -- now there are scores from China in each entering class. And now they have the opportunity to give back so that future generations of Chinese can continue to add value to the China business food chain -- building a strong and lasting infrastructure -- as strong as the Great Wall of China -- to be seen "from the moon".

I showed my 9 year old son the meager home where his grandfather was raised in the countryside several hours from Shanghai. My parents were the only ones from their respective families who escaped via Taiwan for college and came to the US for graduate schooling. That is the way many people escaped for a "better life". They sent money each month back home. They wanted us to have the life they had wanted but lacked the funds and opportunity. My mother had wanted to study piano when she fled China. My sister went to Juilliard and holds a doctorate in musical arts. My father had wanted to study at CalTech or MIT. I went to MIT and Harvard Business School.

Now their families in China have a "good life" and are living happier times. My parents, retired and living in Atlanta, now romanticize often about returning to China for a "better life" too.

With patience, intelligence and persistence, China represents a monumental opportunity for American businesses. China is hungry for our know-how and products and seeks to master innovation. If we seize the moment, their success will be our success, their "better life" will be our "better life".

Savvy Marketing Group: www.savvymarketinggroup.com

Copyright 2013 WRAL Tech Wire. All rights reserved.