

# e-Management Digest

A collection of management articles for the aspiring managers

July 2006

*This Management Digest is prepared for the aspiring managers as an update to what they already know. This newsletter is sent monthly to delegates following courses provided through Consort Management Consultants Ltd. and to members of the Hong Kong Institute of Marketing. It is also posted on the Hong Kong page of the Institute of Administrative Management website.*

MARKETING

## China Marketing

With no obvious collaboration between themselves, several journals from the UK last month featured articles about doing business in China. Here are some excerpts.

*Branding –*

\* Home-grown brands are becoming a source of pride within China and a badge of its emerging self-confidence. ‘5 years ago, the top 10 brands in China were American’, says Kevin Swanepoel, marketing director of the One Club, the international organization of advertising pros. ‘This year, the only US brand in the top five was Coke.’ ... Attitudes among Chinese consumers to brands have changed dramatically. Four years ago, a Beijing lifestyle publisher found that ‘flaunting your status’ was the priority in choosing a brand. This year, it’s design. <sup>1</sup>

\* Chinese customers have been living with brands for a long time. Hallmarking as a signal of quality, can be traced back to the Song dynasty in the 10<sup>th</sup> Century. By the 18<sup>th</sup> century, branded products were common in many markets. Pharmaceutical makers like Tongrentang (同仁堂) in Beijing became household names. ... Because of cultural differences, Chinese customers may read brand signals in a different way from customers in the West. Simply transplanting the brand from West to East sometimes works, but experience suggests that more often than not, it doesn’t. IKEA has a successful retailing recipe that has worked

well. But in 1999 when the first IKEA store opened in Beijing, it was filled, not with eagerly spending customers, but with curious sightseers who had a look around and then came away empty handed. <sup>2</sup>

*Creativity –*

\* Creative adaptation is usually necessary. De Beers, which markets diamonds in the West as symbols of love and romance, found that this approach needed to be modified.



Instead of love, the key value associated with diamonds was harmony. Diamonds in a wedding ring symbolize, not the romance of true love, but the enduring harmony of marriage. Clever advertisements showed husbands and wives wearing their rings on their wedding day, and then flashed forward to show them wearing the same rings many years in the future. The adaptation worked, and the De Beers’ store in the fashionable Wagnfujing (王府井) district of Beijing was a clear success. <sup>2</sup>

\* Chinese eagerness to learn is impressive, but their execution often falls short. ‘We usually get (from students) a Chinese version of an American pop poster,’ Swanepoel says. ... So too with Chinese fashion designers, says Shanghai Tang’s creative

director Joanne Ooi. 'The designs are very Western-looking. They don't have the confidence in their own cultural roots.'<sup>1</sup>

#### *Personal relationship*

\* To succeed in China, you will have to reconcile yourself to putting a great deal of effort into the personal side of a business relationship. You are just as important to your Chinese counterpart as the product or service you are hoping to sell. ... Do make the effort to understand cultural and social differences. These include taking account of symbolism, significance of auspicious numbers, colours and days in a year. ... Don't send long emails. Don't be surprised if your carefully crafted communication is greeted by a one-line reply. Your contact isn't being rude, they would rather talk to you.<sup>3</sup>

\* Make friends with your business partners and colleagues. It will pay huge dividends in the long run. Invest in the long-term needs of your Chinese partners. They need to see that you share the same goals.<sup>1</sup>

*(Adapted from:*

*<sup>1</sup> Management Today, June 2006; <sup>2</sup> the Marketer, June 2006; <sup>3</sup> Manager, June/July 2006)*

#### MANAGEMENT STYLES

### **Keeping It In the Family**

The way businesses are managed can be quite different across cultures. The approach to ownership and management are handled in different fashions, and these have implications on how businesses are run.

In many US corporations, the CEOs and senior staff are usually employees retained under a contract of employment. In terms of autonomy to perform, CEOs are empowered to decide on behalf of the owners; but continuation of their jobs relies on how well they have performed against the set targets.

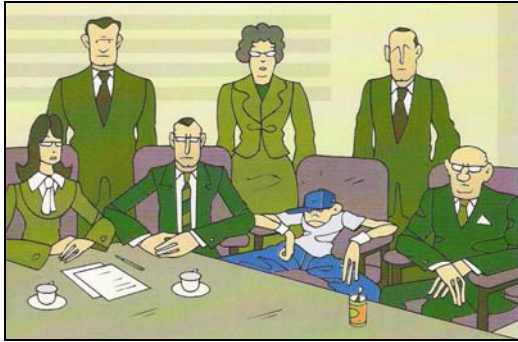
Because CEOs have to work towards targets to keep their jobs, their business plans and personal career plans are strongly linked. A good five-year plan could be aborted for short-term profit if the CEOs sensed that half way through corporate performance is likely to fall short of the target. Although Americans have been proud to make claims that they are excellent strategic planners, they usually judge business performance according to the CEO's remaining term of employment.

In Europe, the line separating ownership from management is less clear. Owners' presence is conspicuous in the management structure and they participate in running the day-to-day business, advised by very senior employees. Decisions nevertheless belong to the owners. Europeans tend to take a softer approach for the longer term. The owners, being part of a management team, understand better prevailing business conditions and are more ready to accept target shortfalls and revisions to long-term targets.

In Asia, things do not always work in the same way. In Hong Kong, most large businesses belong to a family. A survey in 2005 noted that of the top 20 companies in the Hang Seng Index, 10 were family-run. Other leading Asian economies are similarly weighted with family interests.

The success of family-run companies lies largely through personal networking that had been established and maintained by the owners. Business patronage can be continued through generations and heirs. Employees are followers of directions given to them, relying on the guidance of their masters.

While the family model has been successful during Asia's major development phase since the 1960s, it is arguable whether keeping a business within a family is healthy for corporate development.



If the owners themselves have a larger stake or risk to take (by virtue of the size of their controlling interest), they are answerable to their own decisions so they will have a stronger interest to ensure their decisions are prudent and intended for the good of the shareholders. The question is whether heirs of the founders have all the ability needed to make professional and rational decisions to sustain the family business.

Those Asian companies that have been successful (and floated on the stock market) seem to provide evidence to the view that, so far, the owners have been competent decision makers. But, most of the leading companies in the Hang Seng Index are still managed by the first generation owners who had promoted and developed the companies in the hard way and succeeded. We still have to see these businesses emerge from family businesses into corporations like the Jardines and Swires today and managed by 'outsiders'. If there is truism in the assumption that continuous business success should be to extend the power of control and decision making to professionals outside a family, time will tell whether

second generation leadership of the heirs will be equally successful.

It would be too simplistic to argue that for business sustainability, a family management model could move towards a Western managerial culture. Indeed, the US-style culture may not be necessarily the answer to long-term business survival. The case of Enron's spectacular demise is a mark of overruling by a managerial class, which can be just as arrogant and irresponsible as a parochial family business.

*(Inspired by an article written by James Rose, June 2006)*

CYBER MARKETING

## **Distant Sources**

In an earlier edition of Management Digest, we discussed how the Internet has impacted on the society, the organization structure of companies and the resultant emergence of SOHO (Small Office Home Office).

The Internet is changing our lives in every direction. Sellers have to be more innovative in their marketing and buyers too have to manage their spending differently. Mail-order companies, encyclopaedia and music publishers have been forced to revamp their old ways of selling, and shoppers have found it worthwhile visiting shops as well as surfing on the Internet to satisfy their wants. It is difficult to visualize how some Internet freaks provided a cyber prayer service for those who were too far away from their ancestors' tombs.

For many years, customers order merchandise, book tickets or indeed auction goods they like through the Internet. However, these activities are largely based on

existing businesses and the only change is the platform for ordering.

But a platform can be the time zones.

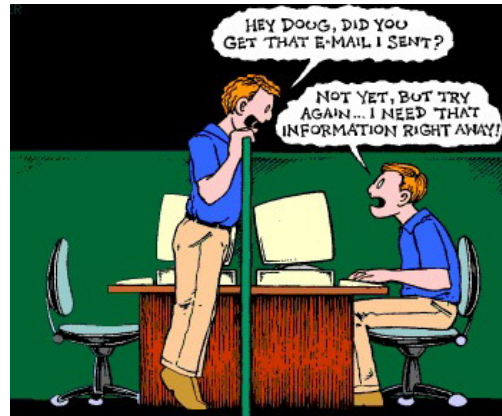
At 3 am, a student in New York struggled to prepare his Statistics exam later that day. But so late at night? Not a problem because the tutor was in India and it was noon there. In an hour-long session and costing just US\$18, an Indian tutor spent an hour walking the student through such mysterious concepts as confidence intervals and alpha divisions. The student got an A in the final exam.

Elsewhere, Amelia talked to her tutor over the Internet. Amelia is one of 400 students enrolled with a company having a staff of 50 tutors in India, most of them with master's degrees. The company provides services at US\$20-an-hour, a quarter of what students would pay to US tutors. The tutors work hard to be as American as possible and many went through two weeks of accent reduction and cultural training. They work on the so-called graveyard shifts – from 1:30 am to 9:30 am, but they don't mind that because at US\$300 a month, they are making double what they can make back home as a teacher.

Some 10 years ago, when we talked of distance learning, we meant schools and colleges posting their study materials on the web for students to read and learn. Today, we see distance learning (or more aptly, distance teaching) has taken a very different form and business is thriving.

Delivery across time zones is not a prerogative of distance learning providers. Radio DJs have discovered that in the small hours after mid-night, they are able to target their programmes to overseas listeners.

While Hong Kong may be sleeping, the Chinese communities in North America, Australia or Europe could be listening over the Internet to our local news and music. This could be a new opportunity for product marketers to advertise and reach prospects afar, while they were sleeping.



Distance and times of a day are no longer barriers to operating a business. Through the Internet, selling and buying has become a round the clock affair. Particularly for service marketers (those not restricted by physical products delivery which the Internet cannot do), the airwaves have become a new platform for capturing new opportunities.

*(Horace Wong  
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ENGLISH

## Words Worth

WRONG	RIGHT
× They all sat down and heard my story.	✓ They all sat down and listened to my story.
<i>'Listen' = hear and pay attention (to)</i>	
× All of us didn't want to go.	✓ None of us wanted to go.
<i>Use 'none of' with an affirmative verb, not 'all of' with a negative verb.</i>	
× In my opinion both drivers were in fault	✓ In my opinion both drivers were at fault.
<i>'At fault', not 'in fault'.</i>	