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Going
Global



GLOBALIZING A BUSINESS SCHOOL

While Furthering U.S.-China Relations

By Debbie Freeman

“Economic integration is the path to riches and peace,” according to 2004 Nobel Laureate Edward Prescott, economics professor at the W.P. Carey School of Business at Arizona State University.

Prescott’s statement explains the motivation behind the efforts of many U.S. business schools to make inroads into China. The W. P. Carey School of Business is among those undertaking an impressive list of programs and events based on core beliefs about global impact. The school, under the leadership of Dean Robert E. Mittelstaedt, is developing strong relationships with some of the top minds in the business and policy worlds in both the United States and China through initiatives aimed at furthering relations between the two countries. They offer insight to other universities wanting to make connections in China.

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“As the current economic crisis proves, the world is more interconnected than ever, and a top business school needs to be engaged in a similar manner,” says Mittelstaedt, a former vice dean at The Wharton School of the University of Pennsylvania and author of two well-known business books. “China is clearly the largest high-growth economy on the planet, and it will influence the 21st century global economy in significant ways.”

The school’s involvement in China is spearheaded by its successful Executive MBA program in Shanghai, which is educating some of China’s top business leaders and policymakers. The school also has joined with the non-profit Kearny Alliance to sponsor a series of forums in the United States and China to explore ways of improving U.S.-China trade relations.

In addition, the school’s Center for Services Leadership has partnered with a top Chinese university to promote the use of service as a competitive strategy and a W. P. Carey management professor is on the forefront of efforts to advance the field of Chinese management research by scholars inside and outside China.

Creating Change in China through Education

“After decades of warfare and cultural revolution, China has spent the past 20 to 30 years making big advances,” says Professor Buck K.W. Pei, associate dean of Asia Programs. “Its economy has been running on double-digit growth for years, and the country is still looking for ways to build on its achievements.”

Pei leads an all-star faculty line-up in what is regarded as one of the most prestigious executive MBA programs in China. The W.P. Carey School of Business program, based in Shanghai, attracts exceptional faculty members, including business scholars from Yale University, Massachusetts Institute of Technology, and Columbia University.

Pei, a Chinese-American, has made it his life’s mission to improve relations between China and the United States. He and his colleagues teach students at the highest levels of the Chinese business community how their organizations can conserve energy, reduce pollution, and work better with businesses in other countries. Pei says top faculty members participate in the program, even though it means they will ultimately spend weeks and months away from their own families, because of the positive impact their teaching can have on their students and the Chinese people. “We have students who are senior-level executives and government officials in charge of policy-making who—through a business education—can influence literally millions of people,” says Pei. “All of the educators share the vision that the highest level of scholarship will impact change through knowledge, so when your class of 60 directly affects millions of people, that’s an opportunity that faculty can’t miss.”

Pei says one of the keys to the success of the program in China is that it is not motivated by money. A recent *BusinessWeek* article documented how several U.S. business schools are leaving China because of their inability to work well and turn a profit there. For the W. P. Carey School of Business, success in China is linked to being

committed to the Chinese people as an ongoing partner and agent of change. “The purpose of this program is not to generate revenue, but rather to build a long-term relationship that will affect government, financial services, telecommunications, retail, and other industries across China,” Pei says. Dean Mittelstaedt echoes that sentiment, saying, “We want to educate and assist executives who are likely to be some of the top leaders in China’s business and government over the next two decades.”

The program so far has been very successful in accomplishing that goal. Current students and alumni include the CEO of the Shanghai Stock Exchange, several bank chairmen and the chairman of Shanghai Airlines. Four vice mayors of Shanghai are among the 300 people who have already graduated from the program. To put the magnitude of their influence in perspective, the city of Shanghai has a population of about 14 million people, the equivalent of some countries. Students have come from as far away as the Sichuan, Yunnan, Shanxi, Zhejiang, and Jiangxi regions to participate in the school’s program in Shanghai.

Pei says China’s leaders promote inclusion in the EMBA program and other Western efforts because they want to signal to the rest of the world that they are committed to being responsible leaders in the coming years. They also want to reassure China’s citizens that they will make progress on all fronts, including social and environmental. For example, the program teaches Chinese business students to move their economy away from relying primarily on manufacturing, which pollutes the environment and isn’t sustainable, toward a services-oriented economy. Pei says that about 80 percent of the economies of the United States and most other industrial nations are driven by services, compared with only about 40 percent in China.

Mittelstaedt points out the importance of addressing China’s priorities in any business school program that tries to operate in that nation. Otherwise, engagement may be futile. “China has very high expectations, not

only for top-quality education, but for adapting it to China’s needs,” Mittelstaedt says. “Without an ability to do this, an attempt to simply transfer a program from one place to another will likely fail.”

Events Engage Leaders in Both Countries

Tainted products, copyright infringement, and the push to “buy American” have all made recent headlines about trade between the United States and China. Despite these issues, trade is vital for improving the standard of living in both countries. That is why the W. P. Carey School of Business is hosting several events aimed at improving relations between the two countries.

First, the school and the nonprofit Kearny Alliance are holding a series of three invitation-only forums to produce recommendations for improvements to U.S.-China trade relations. These “think tank” forums were created to coincide with the 30th anniversary of China’s open-door policy and the beginning of the new administration in Washington, D.C. The inaugural event was held in Phoenix in February. “We’re bringing together policy makers, business leaders, faculty, and others to identify critical issues in U.S.-China trade relations and make recommendations for lasting economic development,” Mittelstaedt says of the events.

Among the participants who attended the first forum were Nobel Laureate Professor Edward Prescott; Merle A. Hinrichs, chairman and CEO of Global Sources; and Clyde Prestowitz, founder and president of the Economic Strategy Institute and a frequent contributor to *The New York Times*, *The Washington Post*, and other leading publications. The theme of the forum was “How can the world’s two economic superpowers lead together?” The discussion focused on how timing and developments will play a major role in U.S.-China trade relations. “With both the United States and China engaged in pushing forward economic stimulus plans, this is a very good time to consider priorities for the future,” says Mittelstaedt. “We noted that China’s economy is now following a

development pattern similar to that of the U.S. in the early 20th century, so we can look to history for some answers about how this will play out. Also, the pace of new technology development and the choices made regarding further economic integration will affect the rate of growth for both countries.”

A white paper with recommendations from the Phoenix forum was released in the spring, providing insight at www.kearnytrade.asu.edu for scholars interested in this field. The other two forums in the series will take place in Beijing this fall and in Washington, D.C., this coming winter/spring. They will look at the needs, responsibilities, and roles of China and the United States in future trade relations. Leaders from both countries will play a key role in shaping the discussions at these events.

The school’s Center for Services Leadership (CSL) also is making significant efforts to advance research and education about services in China. The internationally regarded center has been working for almost a quarter-century in the United States to bring academic and business leaders together to examine how businesses can use service and service offerings as sources of competitive advantage. The center is known for its groundbreaking services research, executive education events, development of a services specialization in the W. P. Carey MBA Program, and its impressive network of 50 member firms, including Abbott Laboratories, Cox Communications, Honeywell International, The Boeing Company, and IBM.

CSL now has a partnership with the Center for Services Marketing and Management at the School of Management at Fudan University, one of China’s top universities. The partnership is synergistic with the school’s other efforts in China and revolves around joint research, faculty and student exchanges, and promotion and education about companies competing through service. “Both schools have excellent relationships with their respective country’s business communities,” says Marketing Professor Mary Jo Bitner, the PetSmart Chair in Services Leadership and academic director of the CSL. “The

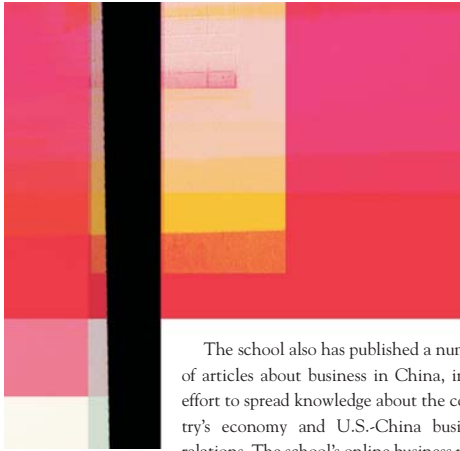


“China has very high expectations, not only for top-quality education, but for adapting it to China’s needs”

Chinese government has recognized that to effectively compete as a national player in the global economy, China will need to grow its service internal offerings and integrate service into its current manufacturing base.”

As evidence that China is already increasing its focus on services, Bitner was asked to teach a course in the EMBA Program in Shanghai. For three years, she has offered the popular course called “Excel in Service(s)” and has found her students to be very receptive. “China’s business leaders are eager to learn and adapt successful service strategies and business models within their government-owned companies and also home-grown Chinese private brands,” she says.

In early June, CSL held its second annual Creating Value through Service Symposium in Shanghai. Bitner and her colleagues used the event to call attention to the importance of services in the competitive global economy. The symposium brought together respected business and academic speakers and prominent business leaders to share information in a dynamic, interactive environment. By providing a way to share ideas and knowledge, the event became another tool to reinforce a more cohesive relationship between the business communities in both countries—the same motivation behind the trade forums.



The school also has published a number of articles about business in China, in an effort to spread knowledge about the country's economy and U.S.-China business relations. The school's online business news and analysis site, *Knowledge@W. P. Carey*, has featured pieces on subjects such as China's services revolution, capital market reforms, and the possibility of free trade. The articles can be found at <http://knowledge.wpcarey.asu.edu>.

Taking the Lessons Back to the Classroom

Anne Tsui, the Motorola Professor of International Management, is at the forefront of learning lessons about business collaborations with China and bringing that knowledge back to the classroom, as well as spreading that information throughout the business world. She was born in China and came to the United States as an undergraduate student in 1970. She went full-circle when she returned to China in the summer of 2000 and spent a year on sabbatical at Peking University. That's when she had a revelation that has lasted until today. "What I found in the years since that summer is that China is a large intellectual puzzle with not thousands, but millions of pieces that have yet to be put together," says Tsui. "No one, not economists, not sociologists, not psychologists, political scientists, anthropologists, nor journalists, is able to tell the full story of why China has been able to sustain the 8 percent annual productivity gain for the past 20 years, and it is forging ahead full steam to become the world's largest economic power within the next 10 to 15 years."

To address the knowledge gap, Tsui became the founding president of the International Association for Chinese Management Research (IACMR), a professional and academic organization targeted at scholars, students,

managers, and consultants interested in advancing knowledge on managing organizations within the Chinese context.

IACMR was created to promote, facilitate, and advance the field of Chinese management research by scholars inside and outside China. It provides a forum for the exchange of ideas and experiences among researchers, and it facilitates international collaboration between management researchers around the world. Tsui also serves as editor-in-chief of the group's journal *Management and Organization Review*. "My goal is to help gain knowledge about the business models in China for their own consumption and for other countries to learn," says Tsui. "Japan was very successful years ago with management innovations like quality circles. We need to engage now in innovation diffusion of Chinese management ideas."

Tsui notes that managers in China have already been learning a lot about Western theory and practices. She points out that we need to understand why China is so successful and how to systemize those methods. "If we can identify those models, we can imitate and learn and use them around the world," she says. "I just created a platform to advocate for more research and for researchers in different countries to work together, as well as a journal for publishing the research. We like to be at the frontier of business and to create a window to this part of the world that is little known."

Tsui also uses her knowledge and research about China in the classroom. She teaches an MBA class called "Doing Business in China" and works to introduce her students to the country and show that the United States and China are dependent on each other. "My goal for this MBA class and my research is to demystify a lot of misconceptions about China, including ideas coming from the media, personal ideology, and human rights issues," she says. "One has to have an appreciation for a country that had no economic growth for about 50 years, so maybe we can learn from this process, look at the people and the environment, and examine our biases.

The Chinese people have similar problems to our own. If we can help our students become more knowledgeable about China and more aware of the misunderstandings created by bias or misinformation, the world will be better."

Tsui's students correspond via e-mail with counterpart MBA students at Peking University, whom they later meet during a trip to China when they visit companies and universities. She says that through their experiences in the classroom and on that trip, the students learn lessons that go beyond what the media or published books can teach them about China. Many of the students have told Tsui they found this course to be an eye-opener and for some, a life-changing experience.

Insight for Other Business Schools

Tsui says other universities trying to make inroads in China should understand there are three types of companies operating in that country: foreign companies trying to compete, state-controlled Chinese companies, and private, home-grown Chinese enterprises that started in connection with local governments or towns and then grew. Many entrepreneurs with the latter category of companies had to borrow money from family and friends because the Chinese banks wouldn't give them loans. It took time for them to be recognized as legitimate businesses, and now their top-level managers are looking for knowledge from the Western world about how to make their businesses thrive even more.

Tsui says Chinese companies understandably operate with a different culture than American corporations. Some companies require new employees to spend two to three weeks learning about the organization and pass a test before even starting the job. Tsui says Chinese workers are, in general, very obedient, and decision-making in Chinese companies is controlled by a select few. Any American enterprise, including Western universities, planning to operate in China must be aware of the cultural differences. "U.S. universities that want to make inroads need local partners in China," she says. "There's no way

around it. Visit China, meet fellow deans in China, make friends, and the rest will come. Some universities want to go there and make money. That's the wrong approach. You need to focus on educating and teaching both their managers and ours. Business negotiations involve understanding mutual goals and how to achieve what neither party could do alone."

Dean Mittelstaedt agrees that cooperation in China is integral to getting something accomplished. "Our ability to have a top partner in China's Ministry of Finance for our Shanghai EMBA program provides a unique opportunity for significant involvement with impact," he says. "The truth is that unless a school has a very powerful and respected partner, it is likely to fail."

Mittelstaedt also recommends that other business schools start with just one quality product and then expand out to offer more U.S.-China initiatives. "I believe you have to start with something that delivers high value, such as our Executive MBA program in Shanghai, and then add other things that enhance that value, such as events and research," Mittelstaedt says. "Especially in China, you cannot enter the market with a shotgun approach. Pick something that adds value, go in and prove that, and then move forward to expand and reinforce from there."

Pei is quite emotional about the importance of all of these programs and helping to initiate change in China. He sums up the reason the W. P. Carey School of Business is making all of these efforts. "China will be a global player no matter what," he says. "It's easy to have a Cold War mentality, but it's more important to walk constructively together for the benefit of us all. While we still have disagreements, we need to take that level of engagement to a deeper level. For humanity, I'm proud to be an academic, to be able to instigate change through knowledge. On the big picture, we're all in agreement." 📌

For more information about the W.P. Carey School of Business and its initiatives in China, visit www.wpcarey.asu.edu.