

UNIVERSITY OF VIRGINIA'S DARDEN SCHOOL OF BUSINESS

The Darden Report

FALL 2009

The Fast Track in China



INSIDE: Sustainability Goes Mainstream, Diversity's Unexpected Benefits, Seismic Shifts in the TV Industry

What's it like to work in the world's fastest-growing economy? Darden faculty experts and alumni—whose careers have been "made in China"—share their insights.

The Fast Track in China

In China, the economy tends to grow by 10 percent every 12 months. It's typical for a company's sales to double every year—or if not, then every two years, or every three. China boasts the third-largest economy in the world, after the United States and Japan. And with 1.3 billion people, it dominates industries from manufacturing to media.

These are just a few of the reasons fast-growing China is ripe territory for professionals seeking work that is as stimulating, challenging and rewarding—if not more—than what they might find in traditional business hubs such as New York or London.

What's more, Darden alumni and professors who work and conduct research in China say it's the perfect place to fast-track a career. They caution, however, that making the move East isn't all profits and Peking duck. Working in China requires not only certain basic knowledge but also more than a modicum of cultural sensitivity and savvy.

"The train's moving very fast," says Darden Professor Wei Li, who teaches classes on Chinese business and economy, emerging markets and international economics and finance. "Executives are presented with a lot of opportunities for entrepreneurial career development and professional growth."

Darden Professor Ming-Jer Chen, an expert on Chinese business culture and author of the book *Inside Chinese Business: A Guide for Managers Worldwide*, adds that Chinese and American businesses will soon compete head-on for the same supplies, resources and jobs. "By 2020, the Chinese middle class will eclipse its American and European counterparts in sheer size," he says.

In the past, China was viewed as a workshop, and other nations bought its products. But things are shifting. Consumer demand is skyrocketing in China for everything from cars to medication, and many multinationals are scurrying to develop a presence there to take advantage of a new market for their products. They need highly trained and experienced executives to lead them.

"There's an increasing interest among MBA graduates to become global managers," says Chen, who grew up in Taiwan and divides his time between the U.S. and Asia. "China has become the first place for them to explore, given the opportunities, the opening up, the potential."

Needed: Business Prowess

Though China is the world's most populous country, it has a personnel issue: a need for highly trained managers. The country's Cultural Revolution, which took place between 1966 and 1976, threw it into social, political and economic chaos and made attending school impossible for many people. Largely a revolt against the politically liberal, capitalist-leaning middle class, it was a time when economic activity ceased and many ancient artifacts were destroyed. Concurrently, university entrance exams were canceled, professors were banished to camps and literacy rates dropped.

The people who grew up during this time are now running major companies in senior management positions, but many have no formal education. As China's economy booms and businesses there grow dramatically, an enormous need is arising for trained, talented executives to collaborate with Chinese executives to keep both state-owned and private-sector companies on track.

In the towering high rises of Beijing, Shanghai and Hong Kong are Darden alumni—both expatriates and natives—who have jumped at the opportunity and learned to shoulder some weighty burdens at the office.

"Working in Asia is a chance to accelerate your career and take on more responsibilities than you would in the same job in the States," says Jim Chapman (MBA '00), who has survived and thrived in banking in Hong Kong.

After eight years in a number of positions at Lehman Brothers in New York and then in Asia, Chapman now serves as managing director

and head of power and utilities in Asia for the investment banking division of Barclays Capital. "You find yourself not only with more responsibility, but also in many cases with a lot fewer resources and a lot less corporate infrastructure," he says. "You sometimes find yourself having to take responsibility for all parts of any deal or client situation or transaction. It is more responsibility, but it's more satisfying than being handed something."

Jerry Peng (MBA '03), who was born in the Hunan province, agrees. After graduating from Darden, he took a job at Standard Chartered, a British bank whose main revenues come from Asia. The bank's relatively small size and focus on China and Asia gave him the leeway to shine.

"The mentoring was so exciting and engaging," says Peng, who now splits his time between Hong Kong and Beijing as the executive director and head of corporate sales China for Goldman Sachs. "I just constantly delivered over [Standard Chartered's] expectations. They gave me more authority; they gave me more support and coaching."

Grace Liang (MBA '02) was also able to jumpstart her career in her native China by pursuing an MBA in the United States and then returning with valuable, in-demand business skills.

Liang was born in the Sichuan province in southwestern China and raised in Beijing. After college, she worked for News Corporation and an e-commerce pioneer called Etang.com in Beijing before realizing that she needed to go to business school to learn more about banking, capital markets and mergers and acquisitions in

**"Beijing is a combination of New York City and Washington, D.C., Houston, Atlanta and San Francisco," Peng says.
"It's the capital of media, financial regulators, of energy, insurance, banking, IT. ... Believe it or not, for any industry, the headquarters are in Beijing."**

— JERRY PENG (MBA '03), GOLDMAN SACHS

order to land the position she really wanted—head of her own company.

"My goal after graduating from Darden was to come back to China with better work experience and an understanding of the market and outside career development," she says. "Working in mainland China is much better than the U.S. or Hong Kong, because I can develop my personal career faster."

Out of Darden, Liang worked in corporate finance, at the mergers and acquisitions investment banking arm of ING in Hong Kong for several years before founding her own company in Beijing called Skylinkage, which aims to set up third-party Web sites to help Chinese consumers manage their personal finances based on their income and risk levels.

China offers great opportunity for entrepreneurs, she says. The cost of starting a company there is low, and although entrepreneurs must still meet certain regulatory guidelines, they face fewer tax hurdles and other barriers than small business owners in the U.S. do.

Expect to Work 24/7—And Stay Longer Than a Year

From Chapman's perspective, to score a job as a new MBA graduate in China, one must show dedication to the region. Companies are not likely to hire a person who is merely looking to dip a toe in the pool of Asian business and then quickly move on. It takes time, he says, to earn trust and develop meaningful relationships with Asian clients and partners, as well as to learn the nuances of standard business practices. As many business travelers know, business cards are exchanged with two hands, and to express thanks to the person pouring tea, executives will lightly tap their fingers on the table.

"To really establish rapport with Asian companies, one year is nothing," says Chapman, whose wife, Karen Kalsi Chapman, also graduated from Darden in 2000. "To establish Asia as part of your career trajectory, it needs to be a real commitment to the region, and not just a short stint."

And while in China, Peng adds, work won't stay within the confines of a typical business day. He advises up-and-comers to prepare for the all-hours demands and try to avoid burning out. Nowadays, people in China don't hesitate to call your cell phone at any time, he says, opting to pursue direct contact rather than leaving a voicemail at an office number or sending an e-mail.

"Your work can be 24 hours a day," Peng says. "A client calls for dinner, or a drink, or lunch, or golf, or a five-minute meeting ... to try to get things done. The pace in China is very fast."

Darden Professor Li, who has been a visiting professor at Cheung Kong Graduate School of Business and Peking University's Guanghua School of Management—both Darden partner schools—says that succeeding in business in China takes a strong work ethic and the ability to do things on the fly. "You have to hit the ground running," he says.

Jerry Peng splits his time between Hong Kong and Beijing. Here he looks out over Hong Kong.



"To establish Asia as part of your career trajectory, it needs to be a real commitment to the region, and not just a short stint."

—JIM CHAPMAN
(MBA '00),
BARCLAYS CAPITAL

Know the Market

Liang, whose venture Skylinkage has offices in Beijing, Shanghai, Shenzhen and Hangzhou, stresses that conducting extensive research is crucial for an Asian business leader to excel.

"You have to understand the market; you have to understand who the major players and consumers are and where opportunities are," she explains. "Bring yourself down to earth. Meet practitioners; talk to people. Do the research. Be ready for the challenges and frustrations."

Beyond the street-level details, Liang says, it's important to see the big picture. That includes keeping tabs on government rules and economic policy—and popular culture.

"You have to follow the main story, where the trends are going, the macroeconomy and the regulators," she adds.

So, which industries are the most promising? Many fit that description: manufacturing (outsourcing), financial services and consulting, law, tech, marketing, semiconductors, telecom (though harder to break into), educational services (private education), medical services, pharmaceuticals, media and energy.

"The growth areas are not the ones directly involved with making something. They are the ones that make it possible for things to be made. China is growing so rapidly that that infrastructure is not in place. It has to be developed," Li says. "Observe the fast growth of the accounting firms Ernst & Young and Deloitte

in China. It made a lot of people rich. Go in as an MBA student, a CPA, and a year later, you get a lot of responsibility very fast. You get lots of accounts, you become managing director in record time. You're contemplating retirement at age 35 or 40 or 50. But it's hard work."

Fees and salaries, Li warns, aren't as high in China as they are in the U.S., but the cost of living is lower. Another perk of the region is that the global economic downturn has not affected China as harshly as it has other places.

China's export markets, mainly the U.S., Europe and Japan, were hit hard by the financial crisis, and China's exports took a dive. Yet, China is still growing. "Compared with most other places, China has rebounded fairly well, thanks to the Chinese government's strong and fast stimulus plan," notes Li. "The government is expecting 8 percent growth this year."

Initial public offerings are on the rise, and investors' appetite for risk has returned, says Li. In October, China launched the Growth Enterprise Board—its version of the NASDAQ—to help fast-growing young companies raise public equity.

In terms of industry, corporate lending, mortgage underwriting and insurance are booming. Opportunities abound both within huge state-owned companies, such as some of the major oil producers, and in Chinese start-ups in the private sector, many in the fields of tech, media, marketing or education.

"While there may be many great management opportunities with Asian or Chinese corporations, the fastest way to be impactful as a new Darden graduate may be to work for an outside company, whether it's consulting or something in finance," Chapman says.



Grace Liang (MBA '02)



Professor Wei Li with First Year students Ben Cullop (left) and Kyle Hawke (middle)

"The growth areas are not the ones directly involved with making something. They are the ones that make it possible for things to be made. China is growing so rapidly that that infrastructure is not in place. It has to be developed."

— DARDEN PROFESSOR WEI LI

energy, insurance, banking, IT ... Believe it or not, for most industries, the headquarters are in Beijing."

Soft Skills and Family Trees

While Mandarin Chinese, locally known as Putonghua, is the predominant language throughout China, many foreign executives get by without speaking it.

"I think the importance [of knowing the Chinese language] has been overemphasized," says Chen, who teaches the Darden course "Strategic Thinking: Integrating East and West." "Understanding the culture is more important than whether you speak the language or not, if you have an open mind to see whether something could be fundamentally different than the way you do business in the U.S."

In fact, many Chinese firms are looking to expand their business to the U.S. and need native English speakers who understand the social and cultural nuances of the West to help them navigate the market.

Soft skills are also crucial in China, notes Peng. Just knowing an area of expertise cold is not enough. It's how conversations are framed and ideas are communicated to colleagues, clients and potential business partners. In China, people are more willing to do business with others once they have built the trust that comes from a deep relationship. "Chinese business leaders are acutely sensitive;

While industry is key, so is location. Beijing, Peng says, "is the heart and brain of China." But he concedes that some MBA graduates might prefer working in more Westernized cities, such as Hong Kong or Shanghai.

At various points in the history of Shanghai—today a bustling financial hub—the British, French and Japanese governed parts of the city. Some of the architecture along the Bund, abutting the Yangtze River, looks positively European. The British controlled Hong Kong until 1997, when the Chinese government established a 50-year window until the region must adhere to Chinese laws. While vestiges of colonial occupation remain in Hong Kong and Shanghai, Beijing allures with its chaotic authenticity and vibrancy.

"Beijing is a combination of New York City and Washington, D.C., Houston, Atlanta and San Francisco," Peng explains. "It's the capital of media, financial regulators, of

in business dealings, they need to be reassured, with a sense of personal trust and respect, and not just treated like there's a transaction, and that's it," says Peng. They value long-term partnerships and select their business partners and financial advisors accordingly.

"You think about all the changes China has gone through, all the dramatic things we have been through, the Cultural Revolution, then you realize that you cannot just rely on paperwork," Peng says. "It's really about people. You need to know them, their business case, their personal case, the political situation within the company."

The Chinese are deeply cognizant of age, status and titles. "When attempting to understand decision-making within a Chinese business," adds Professor Chen, "a family tree may be more informative than an organizational chart."

Even today, the business family model is the predominant mode of private enterprise in China. And in the Chinese language, no person exists except in relation to another, adds Chen.

Also at work in China is a belief in superstitions and omens, that feng shui experts should be consulted on architectural and office décor issues and that certain telephone numbers are inauspicious if they contain too many of a certain number. (Eights, by the way, are considered lucky. As is the color red.)

The Growth Engine

Companies in China are expanding dramatically—for now. But the pressure is on to maintain an exceptionally high rate of growth, and fear is great that expansion will hit a wall.

"People often say that in China there is such a market that only a three-digit growth rate is acceptable," Peng says.

So to maintain its current breakneck pace, China needs a pool of business leaders who will share new ideas. Liang says that professionals with a top-notch American business education can fill a knowledge gap.

"You learn lots of things from earning an MBA in America, like the capital markets technique, because the U.S. is a more developed country. ... You learn where China can go," she says. "In mutual funds, we are looking at the top-tier players: Fidelity, Vanguard—what can we learn from these companies in the U.S.? We have confidence. We can think big."

"You get all this good training and good experience, and the place you can maximize them is in China," says Liang. "It's not in New York, London, Hong Kong or Singapore. I can learn things there, but I think I can do more here."

In the coming years, the growth engine of China—the country that invented gunpowder, the compass, paper and even credit banking—will undoubtedly continue to fuel careers. ●

Hana R. Alberts is a reporter for Forbes based in Hong Kong.