CONNECT

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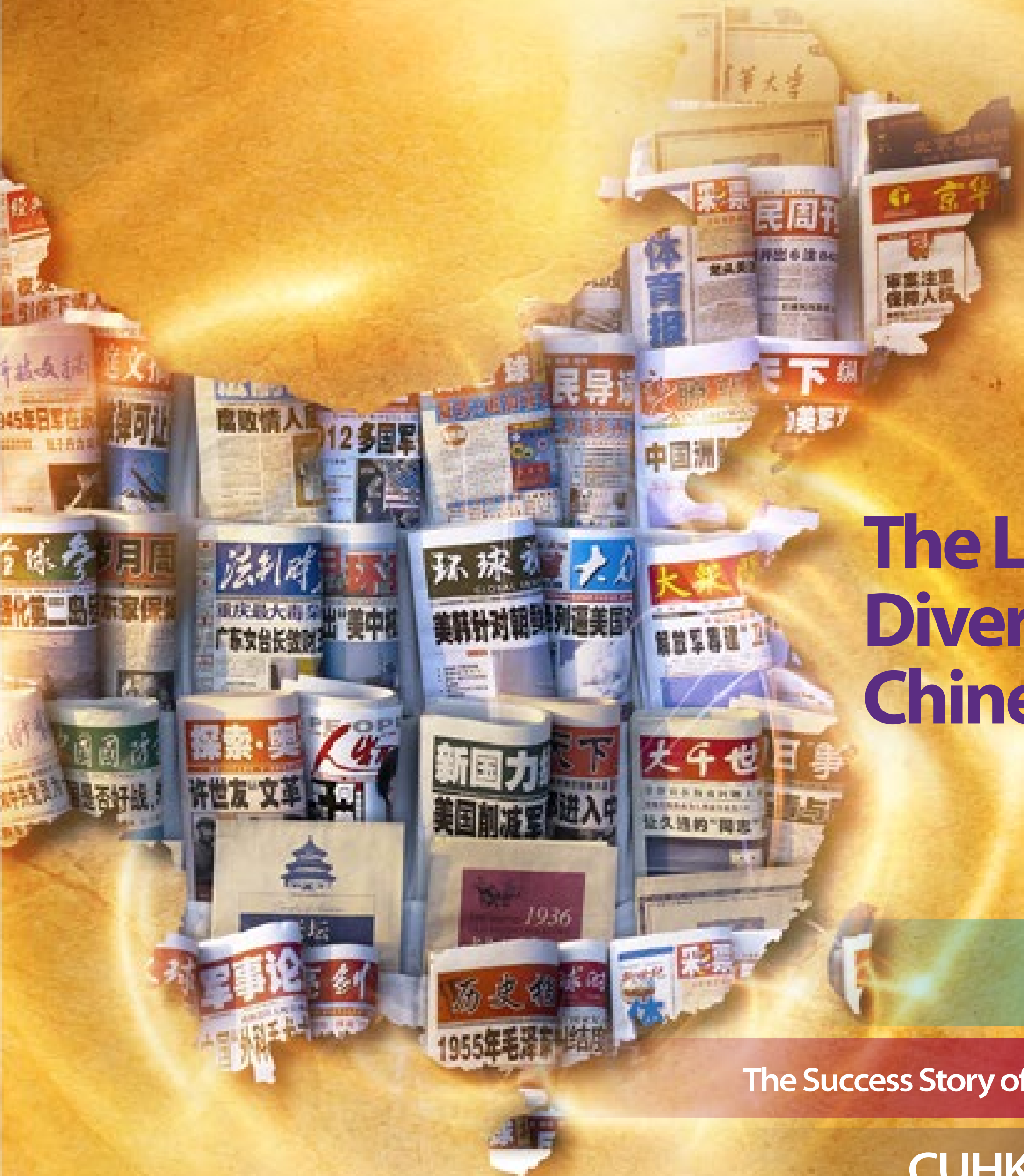


The Long Road to Diversifying Chinese Media

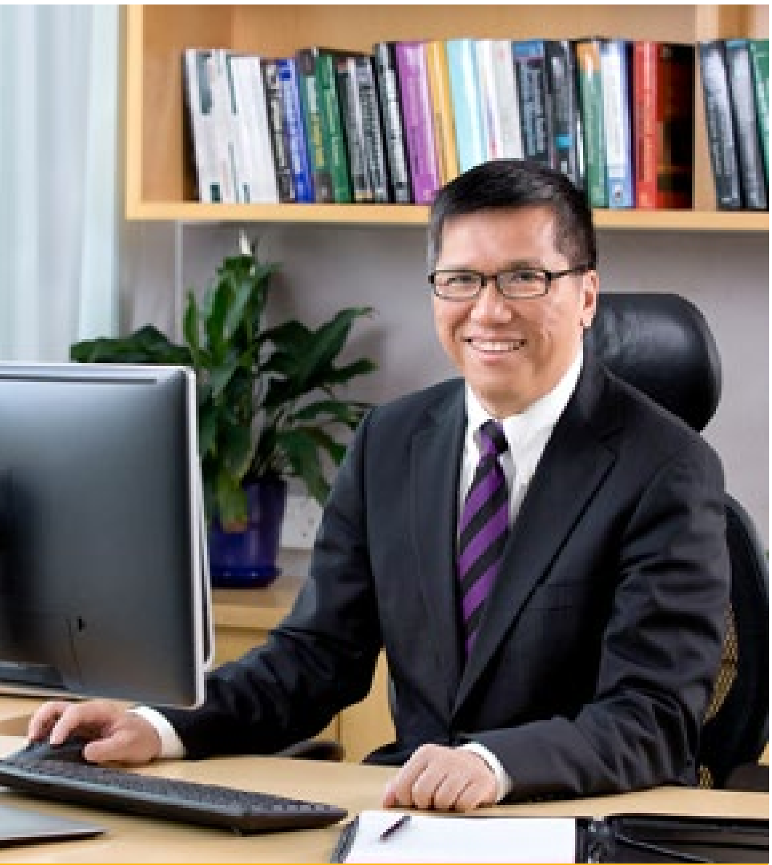
Are You Satisfied With Your Job?

The Success Story of Little Sheep

CUHK – ESADE Joint Conference

CUHK BUSINESS SCHOOL

CUHK Business School
The Chinese University of Hong Kong



Dean's Message

I would like to welcome our readers to this edition of CUHK Business School's magazine CONNECT. The magazine provides a platform to inform readers of selected business topics through articles written by staff and guest writers.

In this issue, we examine the media reforms in China and how investors react differently to corporate news published in party newspapers and business publications. We also look at the cultural effect on empowerment and job satisfaction and how managers can utilize it to bring the best out of employees, as well as the success story of how a small Chinese hotpot restaurant transformed into a modern franchise company. To celebrate the 50th anniversary of our MBA program, we share the story of our joint conference and partnership with ESADE Business and Law School, and of our alumnus, Mr. Alan Siu, who landed an exciting career in mainland China after the MBA program.

Situated at the world's doorway to China, with a well-developed foundation in business education and research, CUHK Business School has a unique role in nurturing business leaders of tomorrow. We hope you will find the articles both interesting and stimulating.

Prof. Kalok Chan

Profile: The Chinese University of Hong Kong

- The Chinese University of Hong Kong (CUHK) was established in 1963 after the amalgamation of existing colleges which date back to 1949.
- The Vice Chancellor & President is Professor Joseph J.Y. Sung.
- CUHK has eight faculties (Arts, Business Administration, Education, Engineering, Law, Medicine, Science, Social Science) and 62 academic departments.
- CUHK is ranked 51st in the QS World University Rankings 2015-16 and four of its academic staff have been awarded Nobel Laureates.
- CUHK is based on a collegiate system of nine colleges.
- CUHK has 20,000 students; 2,000 of whom are from outside Hong Kong.

Profile: CUHK Business School

- The Dean is Professor Kalok Chan.
- The Business School is comprised of two schools – Accountancy, Hotel & Tourism Management; and four departments – Finance, Decision Sciences & Managerial Economics, Management and Marketing.
- It has over 4,600 students (full-time/part-time). Each year, over 500 undergraduate and postgraduate business students enroll in international exchange programs during the regular school term.
- CUHK Business School is the first business school in Hong Kong to offer MBA and Executive MBA programs.
- The MBA program was ranked 26th in the world in 2016, and the EMBA program was ranked 31th in the world in 2015 by the *Financial Times*.
- The School runs dual MBA degree programs with HEC in France; Rotterdam School of Management in the Netherlands; and the University of Texas at Austin in the United States. It also runs a joint program with Cambridge Judge Business School in the United Kingdom and MIT Sloan School of Management in the United States; as well as masters teaching partnerships with Tsinghua University and Shanghai National Accounting Institute in China.

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The Long Road to Diversifying Chinese Media

Tianyu Zhang, Associate Professor, School of Accountancy and Associate Director of Center for Institutions and Governance

T.J. Wong, Choh-Ming Li Professor of Accountancy and Director of Center for Institutions and Governance

DO investors react differently to corporate news published in party papers or business publications? Given that the media in China is controlled by the government, will conglomeration of the media industry ultimately yield a more diverse and transparent media? These are some of the questions explored in the working paper 'Political Bias of Corporate News in China: Role of Commercialization and Conglomeration Reforms', the first paper looking into the consequence of the media reform in China.

The working paper[1] is written by Tianyu Zhang, Associate Director of Center for Institutions and Governance and an associate professor at the School of Accountancy in collaboration with fellow CUHK academics T.J. Wong, Choh-Ming Li Professor of Accountancy and Director of Center for Institutions and Governance at CUHK Business School, as well as Joseph D. Piotroski, Associate Professor of Accounting at the Stanford Graduate School of Business.

"Corporate news from an official newspaper is more likely to be positive but less reliable. Relatively, corporate news published in a professional paper is much more reliable, which implies a stronger impact on the stock price," says Prof. Zhang.

The paper looked at the consequence of two serial media reforms implemented within China, that is, the commercialization of newspapers and the conglomeration of newspapers, a move to bundle them within larger regional media groups. Specifically, the paper investigated whether the business newspapers become less biased after commercialization and whether diversity of corporate news increases after conglomeration. If the reform is effective, the market should react differently to news articles published in official and business newspapers. The paper also finds evidence for that.

To conduct their research, the team rely on machine learning techniques to examine some 1.77 million domestic Chinese newspaper articles covering China's listed companies between 2000 and 2010. To measure the political bias, the paper constructs the tones as well as the political tagging for each news articles through textual analysis.

The Reforms of Chinese Media

China began to liberalize its press in the 1980s; this has resulted in a proliferation of commercially driven business focused newspapers. Unlike their state-funded counterparts, these newspapers receive no government subsidies and rely upon subscriptions and advertising revenue. According to the researchers, the newspapers in China serve as mouthpieces of Chinese Communist Party or government prior to the reform.

Beginning in 1996, the government also made a move to regroup both the commercial and state-run local newspapers under one roof to create geographically-based media conglomerates. The process began with the formation of the Guangzhou Daily News Group; now 38 such news groups exist across China. These reforms bring state-funded government mouthpieces under the same roof as commercial newspapers.

"This is the 'double-track' reform strategy that China government prefers," says Prof Zhang. "We've seen it in other markets, such as double exchange rate in currency market, and double-track price in commodity market. Now the government put two types of media - the professionally-run financial papers alongside the mouthpiece of the government. It's about balance," he says.

China's state owned media serves a dual purpose – as the government's mouthpiece and as a market-oriented information institution. "These missions require a careful balance between political and commercial objectives, which are often in conflict with each other," he adds.

When Asian stocks crashed in 1997, both markets and the Chinese government came out in favour of more transparency within the market, and in the reporting of it in the media. Some publications were able to act as watchdogs for financial markets. For example, the financial magazine Caijing《財經》has exposed incidence of corruption and fraud around the turn of the millennium.

The Findings

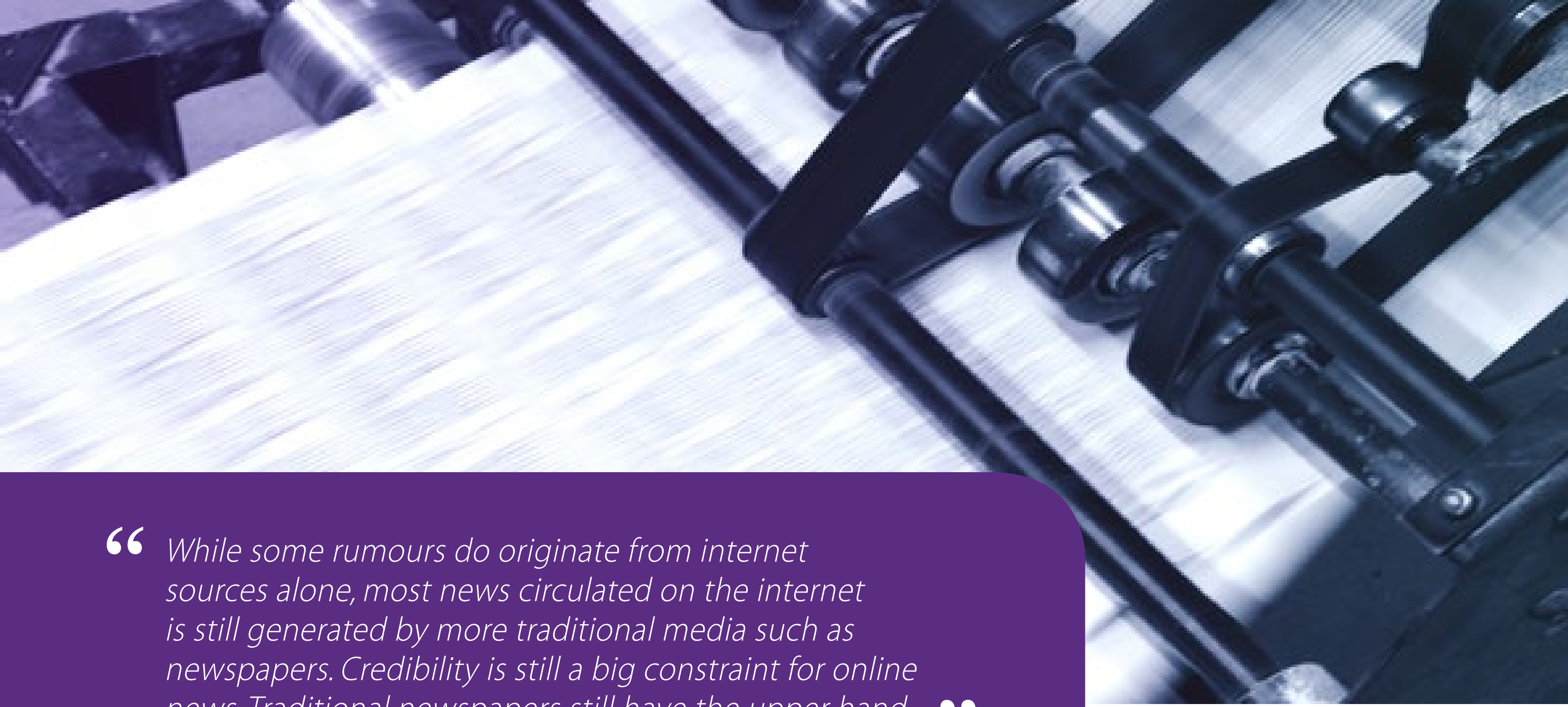
However, have these media reforms resulted in a more or less independent press? While readers expect commercial papers to have greater autonomy, can they still be expected to report objectively on state owned enterprises for example, when after all, the government still retains ultimate control of the appointment of editorial staff, and indirectly, ownership of the papers themselves?

The findings are revealing. China's newspaper reforms – the conglomeration and commercialization – have boosted the diversity of news reported by state controlled newspapers. Unsurprisingly, business newspapers are less politically biased than official newspapers. But these differences are more pronounced for business papers after the establishment of media groups: business papers within media conglomerations appear more diverse, less politically biased than their free-standing counterparts.

"Different media play different roles within the same group," explains Prof. Zhang. "Our research is the first to show this difference."

Researchers also found that in areas under tighter state control – Beijing for instance – reports contained more political bias than they did in the more market-oriented Guangdong province. "We found newspapers in Guangdong are more professional," he says.

And it all comes back to balance. With its mix of official and business publications, a media conglomerate can serves two editorial needs –



> *"While some rumours do originate from internet sources alone, most news circulated on the internet is still generated by more traditional media such as newspapers. Credibility is still a big constraint for online news. Traditional newspapers still have the upper hand."*
>
> *— Prof. Zhang*

publishing both for the state and the market. "For instance, if you say something critical here (i.e., in a financial paper), that's okay because you already say something 'good' there (i.e., in a party paper within the same group). This kind of balance is at the heart of Chinese culture," he says.

The Implications

The researchers found that reports in business papers are more likely to affect the share price of a company than if the news was published in an official paper. In other words, news articles published in a conglomerated finance paper have more impact upon share price than news from a free-standing paper.

The research shows that the reform of the media industry, which introduces market incentives, can enrich corporate journalism, without the state being forced to relinquish control of underlying news organizations, say the authors. And these findings are significant for emerging economies under autocratic governments which are wrestling with reform of a state-controlled media.

While researchers did not include social media in their research, they acknowledge the prominence of channels such as Weibo, WeChat and informal blogs held in the public eye. Despite state controls, the internet is now China's most popular source of news – significant considering that individual investors – who glean information and tips online – are responsible, according to Thomson Reuters, for some 85 percent of share transactions. But news generated by social media is not always trusted, says Prof Zhang. While some rumours do originate from internet sources alone, most news circulated on the internet is still generated by more traditional media such as newspapers. "Credibility is still a big constraint for online news. Traditional newspapers still have the upper hand," he says.

External pressures will drive Chinese media to greater levels of professionalism, Prof. Zhang believes. In addition to evidence presented in the paper, the authors also investigated overseas media in Chinese, including Hong Kong, Singapore and Taiwan, which have all revealed less political bias than their mainland counterparts. "These higher professional standards will spill over to China," he says. "Likewise, the advent of the Shanghai-Hong Kong Stock Connect which has opened investment channel between mainland China and external investors will drive further demand for more professional information intermediaries."

"This paper has thrown up many potential avenues of future research," says Prof. Zhang. "Do less bias and more information actually improve operations for China's markets? How do these reports compare with what has been published outside China? Has reporting improved only for state owned enterprises? What else, if anything, limits the role of Chinese media to report freely? And how does the subject matter of an article affect share price? These questions would inform our next steps," he says.

By Helena Pozniak

Reference:

1. Joseph D. Piotroski, T.J. Wong and Tianyu Zhang, "Political Bias of Corporate News in China: Role of Commercialization and Conglomeration Reforms," 2015. Working paper.

Are You Satisfied with Your Job?
The Cultural Effect on Empowerment and Motivation

Kevin Au, Associate Professor, Department of Management, Director of Center for Entrepreneurship and Director of Center for Family Business

Michael Hui King-man, Choh-Ming Li Professor of Marketing and Pro-Vice-Chancellor of CUHK

WHEN we feel empowered, we tend to perform better. Empowerment is an important motivation to staff. However, will people in different cultures be motivated in the same way?

Empowerment and Work Satisfaction

When we feel empowered, we tend to perform better. Empowerment provides employees with the ability to make decisions and the discretionary power over how they perform their work and offer services to others. In the workplace, empowerment is considered an important motivation to staff. And what about people from China as compared to those in a western culture? Will they be motivated in a different way? A research done by Professor Kevin Au and Professor Michael Hui at CUHK Business School, together with their collaborators at Hong Kong Baptist University, have explored the relationship between empowerment and work satisfaction in two different cultures. Their study titled "The moderating effect of collectivistic orientation in psychological empowerment and job satisfaction relationship" examines the hospital industry in China and Canada, with results revealing how collectivistic value plays a role in the relationship between empowerment and job satisfaction.

The Cultural Effect on Empowerment

Though providing employees with flexibility, autonomy, and discretion to serve customers is generally considered a positive and empowering tool which can bring about better quality service, the approach of empowerment is never universal or identical. Some cross-cultural studies have shown that the unique norms and values inherent in different cultures affect how employees are motivated. In Western countries where individualism is highly valued, employers will tend to focus more on individual attributes and competencies. On the other hand, people in Asian cultures are brought up to value harmonious relationships, and hence tend to view performance as a team effort. Due to these cultural differences, the empowerment practices considered effective in one country may not be suitable in another cultural setting.

How people interpret their work tasks and form cognitions from their objective reality will affect the level of their empowerment. Some individuals feel empowered when they interpret and perceive their work as meaningful and see themselves having the freedom to determine their work. On the contrary, others feel disempowered if they perceive their work as meaningless, redundant and impossible to get done. Given the interpretative and cognitive nature of psychological empowerment, individuals with different collectivistic values are expected to react differently at their work environment.

Individuals with a high collectivistic orientation are people who are more aligned with a group-based perspective. They process work related information in a manner that combines both attributes of the task with those of the social context, reflecting a context-dependent processing style. In contrast, low collectivistic individuals see themselves as unique and independent. When processing work related information, they focus solely on the attributes of the task and in doing so detach from the context, reflecting a context-independent processing style. As a result, individuals with high versus low collectivistic values differ in their interpretations of psychological empowerment and its effects.

The Four Cognitions of Empowerment

According to previous research, psychological empowerment can be manifested through four psychological cognitions: meaning, competence, self-determination and impact.

Meaning

Meaning at work is defined as the fit between one's job requirements and values, beliefs and behaviors. When employees are able to derive personal meaning from their job, they will be motivated and a higher level of job satisfaction will be resulted.

Competence

The dimension of competence is a belief that one possesses the skills and abilities necessary to perform a job well. Lacking competence leads to anxiety and avoidance behavior. Unlike meaning which influences job satisfaction derived from work nature, competence affects employee satisfaction level by altering their interpretation of the level of difficulty they encounter during the course of work. A satisfactory work experience results when employees feel that they are capable of handling assignments from customers or supervisors independently.

Self-determination

Self-determination refers to the feeling of having control over one's work. It addresses the employee's need for autonomy during the course of work. Self-determination helps to release employees from management constraints and provides a solution to their role conflict. It can reduce their stress and unleash their suppressed professional decisions, hence improving work satisfaction.

Impact

Impact refers to the degree to which an individual can influence his or her work outcomes. Unlike self-determination, the dimension of impact addresses the outcome of work rather than the autonomy of employees during the course of work.

The Study and Findings

Part of a larger survey, this study was administered in Toronto, Canada and in Beijing, China on hundreds of service employees working in luxury hotels where a high quality of workforce are very important, and customers' service demands are higher and employees are expected to go extra mile to serve their customers who are more likely to make special service requests.

As expected, the study confirms that the Chinese respondents have a higher collectivistic orientation than their Canadian counterparts.

In regard to the four conditions for empowerment, the study shows that for the Canadian sample, that is, the low collectivistic group, work meaning and impact are important in enabling their feeling of empowerment but competence and self-determination are not significant. On the other hand, for the Chinese employees, or the high collectivistic group, results show that work meaning, competence and self-determination are all significant but not impact.

In terms of self-determination, the results reveal that having autonomy at work was regarded as significant among the Chinese employees, but not so for the Canadians. This could be explained that based on their interdependent and interconnected orientations, the high collectivistic employees (the Chinese) are more willing to suppress their personal opinions and confirm to organizational norms. On the contrary, the pressure to suppress their professional role is relatively limited for low collectivists (the Canadians), as these individuals consider autonomy and freedom at work as a norm and basic right rather than an exception. Hence, for the Canadians, self-determination does not serve as a great motivator for them at work, compared to their Chinese counterparts.

As for impact, the results show that its effect is weakened by the high collectivistic orientation among the Chinese employees. Work impact is not regarded by these employees as an important source of satisfaction as they tend to believe that successful work outcomes are attributable to the group they belong, and that taking personal credits will be detrimental to the harmony within the group. However, the Canadians come from a culture which

> *"For employees from highly collectivistic societies, training which fosters self-competence in decision-making is recommended,...."*
>
> *— Prof. Au*

embraces individual ability and contribution, and therefore view themselves as ultimately responsible for the job outcomes. For these low collectivistic individuals, impact matters.

Managerial implications

This study further reveals that the effects of multi-dimensional psychological empowerment are mixed: Its positive effect on job satisfaction depends on the collectivistic orientation of employees. In order to maximize the benefits of psychological empowerment, management should not rely on a universal or standardized empowerment program. Instead, they must align empowerment programs to employee values and cognitive orientations.

"For employees from highly collectivistic societies, such as China, Japan, and Korea, who are more group-oriented and less confident in making decisions on their own, training which fosters self-competence in decision-making is recommended," says Prof. Au. "On the other hand, for employees from low collectivistic cultures, such as Canada and the United States, recognition programs are likely to be more effective as these programs allow frontline employees with the ability to exercise their own judgment when interacting with customers."

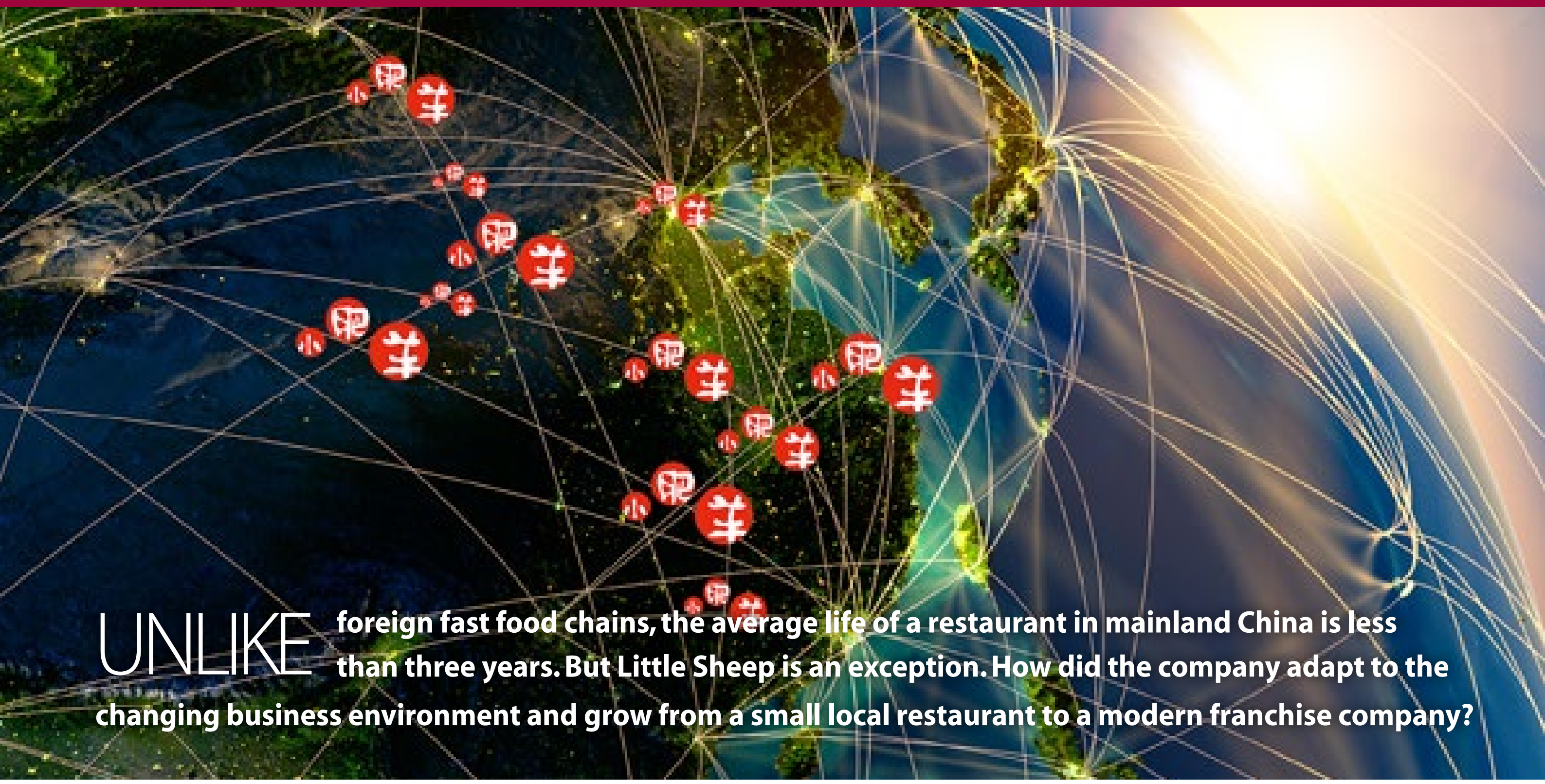
The findings are particularly relevant to service- and relationship-oriented hotels, which strive to deliver service excellence to their customers. "When frontline employees are encouraged to freely interact with their customers on a more personal level, this personalization and customization of service not only enhances the quality of customer service but also the intrinsic value of the job," says Prof. Au.

By Mabel Sieh

The Success Story of Little Sheep

Joseph Fan, Professor, School of Accountancy and Department of Finance, Deputy Director of Centre for Institutions and Governance and Co-Director of Center for Economics and Finance

Iris Zhang Ru, PhD student, School of Accountancy



UNLIKE foreign fast food chains, the average life of a restaurant in mainland China is less than three years. But Little Sheep is an exception. How did the company adapt to the changing business environment and grow from a small local restaurant to a modern franchise company?

When we think of restaurant business, some brand names, such as McDonald's and Kentucky Fried Chicken (KFC) immediately came to our mind. Both of these fast food giants began from a small humble joint to a worldwide chain. Founded in 1940, McDonald's has grown from a family burger stand to a global fast food empire. Similarly, Kentucky Fried Chicken (KFC) was first a roadside restaurant during the Great Depression before its first franchise shop was set up in 1952. Now it has become a star brand in YUM! Brands Corporation, one of the world's largest restaurant companies. Unlike these foreign fast food chains, the average life of a restaurant in mainland China is less than three years. In China, there are very few restaurants who can manage to operate in the full scale of modern corporations like McDonald's and KFC. However, Little Sheep stands out as an exception.

From Local to Global

On August 8, 1999, Little Sheep began as a small restaurant located in Baotou, Inner Mongolia, serving ordinary hotpot meals. Welcomed with unexpected enthusiasm by customers, it opened two more branches just one month later. The customers continued to grow and in July 2001, the Little Sheep Catering Chain Company was established. Within three years, Little Sheep has established high brand awareness and achieved a radical expansion. In June 2006, Little Sheep took a strategic step by introducing two British-based private equity (PE) firms - the 3i Group Plc and Prax Capital Fund ILP, as its partners. Two years later, in June 2008, it became "the first unit of Chinese hot pot" on the Hong Kong Exchange. On May 3, 2011, it was approached by Yum! Brands Corporation with more than HK $4.6 billion cash for a privatization deal. From a local restaurant, Little Sheep successfully evolved to a modern company acquired by a global food giant within 12 years.

Adopting Strategic Management

The Chinese restaurant industry is significantly fragmented[1] because it is very difficult to standardize its food and quality, a factor crucial to reach a larger scale of operation. Relying heavily on the chef, it is hard for restaurants to achieve consistency. However, the do-it-yourself style in hot pot restaurants offers an advantage in replicating their business model.

With an aggressive franchising strategy, Little Sheep expanded radically; however, its brand value was undermined with weak management and lack of standardization during the early expansion stage. In 2004, industry veteran Lu Wenbing was invited by founder Zhang Gang to restructure Little Sheep. Lu found that there were nearly 700 Little Sheep restaurants existing on their own with no coordination from the headquarter. He then advised Gang to curtail the company's growth, and scale back the franchises until the management was strengthened.

Lu shifted the strategy from franchise-oriented to a mix of franchise and company-owned solution. With the increase in company-owned restaurants, Little Sheep gradually regained its ability to monitor the franchise system. The introduction and implementation of IT system also allowed the company's headquarter to closely monitor the operation, establish centralized purchasing, and exercise financial discipline. Lu also revamped the structure of the board by bringing in visionary industry experts. Besides, he degraded almost all the senior and middle managers and encouraged them to participate in an open recruitment on the basis of fair play. Gradually, Lu was able to form a competitive top management team who are knowledgeable, with the vision to build a long lasting organization.

It is worth noting that the lack of financial resources has resulted in Little Sheep's over dependence on franchising. To sustain the company's growth and maintain control, Lu had to bridge the financing gap. In addition to bank loans and private financing from managers, employees and other business partners, Lu managed to leverage on two private equity firms. In June 2006, 3i and Prax Capital agreed to invest US$25 million for a minority stake in Little Sheep, which enabled Little Sheep to build the most advanced, integrated cold-chain system in China, and expanded into other business lines, including the processing and sales of lamb and soup base products and the wholesale distribution of fresh and dry foods. Meanwhile, superior logistics and supply chain also ensured food safety and a standardized taste of cuisine. By far, Little Sheep has succeeded in transforming to a modern company which centrally controlled its franchise system.

Introducing PE and Going Public

The introduction of two PE firms not only provided Little Sheep with sufficient financial assistance, but also their valuable network. Nish Kankiwala, former president of Burger King International, was invited by 3i to join Little Sheep's board. Wang Daizong, impressed by Little Sheep's business model and Zhang Gang's open mind, resigned from 3i and became Little Sheep's new CFO in October 2007. Similarly, Yuka Yeung, one of the independent directors and the former CEO of KFC's Hong Kong franchise, joint the company as COO. The newly constituted board added depth to the management team, and brought Yum practice to Little Sheep. Overall, PE largely facilitated the standardization of operation, improved reputation and speeded up Little Sheep's listing process. Moreover, the withdrawal of PE companies afterwards delicately made a match of Little Sheep with Yum.

The Founder Behind Little Sheep's Evolution

From a small local restaurant to a modern franchise company, Little Sheep has been able to evolve and adapt to the changing business environment, thanks to its founder Zhang Gang. His open mind and vision for the company has enabled the company to leverage on experts and capital financing.

For private enterprises, it is a double-edged sword to gain financial resources and high-quality professionals at the cost of equity dilution. As such, over concern about losing control rights has retarded the growth of most private enterprises. Apparently, Zhang thought differently and acted adventurously. His design in the ownership structure has helped to bring about the right balance. Through the introduction of "passive investors" and a pyramid ownership structure, Zhang managed to leverage on equity financing without losing control rights.

In addition, Zhang's personality is a key success factor for his shop to grow into an empire. His charisma and enthusiasm become "the heart and soul" of his own business. As Wang Daizong said in an interview with the media, "In Inner Mongolia, everything operates in a 'circle'. In this 'circle', politics and business are closely linked to human and moral bond. Each share in Little Sheep originates from Zhang Gang. Hence, the absolute loyalty belongs to Zhang Gang de facto."

In this case, Zhang has made a wise and visionary choice by accepting the privatization deal when he found that the relationship between the founders and professionals were incompatible. He has realized Little Sheep's limited capacity to achieve a higher milestone, and is willing to move with the times. Yum! Brands Corporation is possibly the best lottery for him to turn his company into a century-old shop.

This article is a rewritten version of the Chinese story "A Case Study about Little Sheep Restaurant: IPO and founder exit in Chinese private firms" by Professor Joseph Fan and Zhang Ru, published in New Fortune Magazine, April, 2013. Prof. Fan is a professor of the School of Accountancy and Department of Finance, Co-Director of Center for Economics and Finance, and Deputy Director of Center for Institutions and Governance at CUHK Business School.

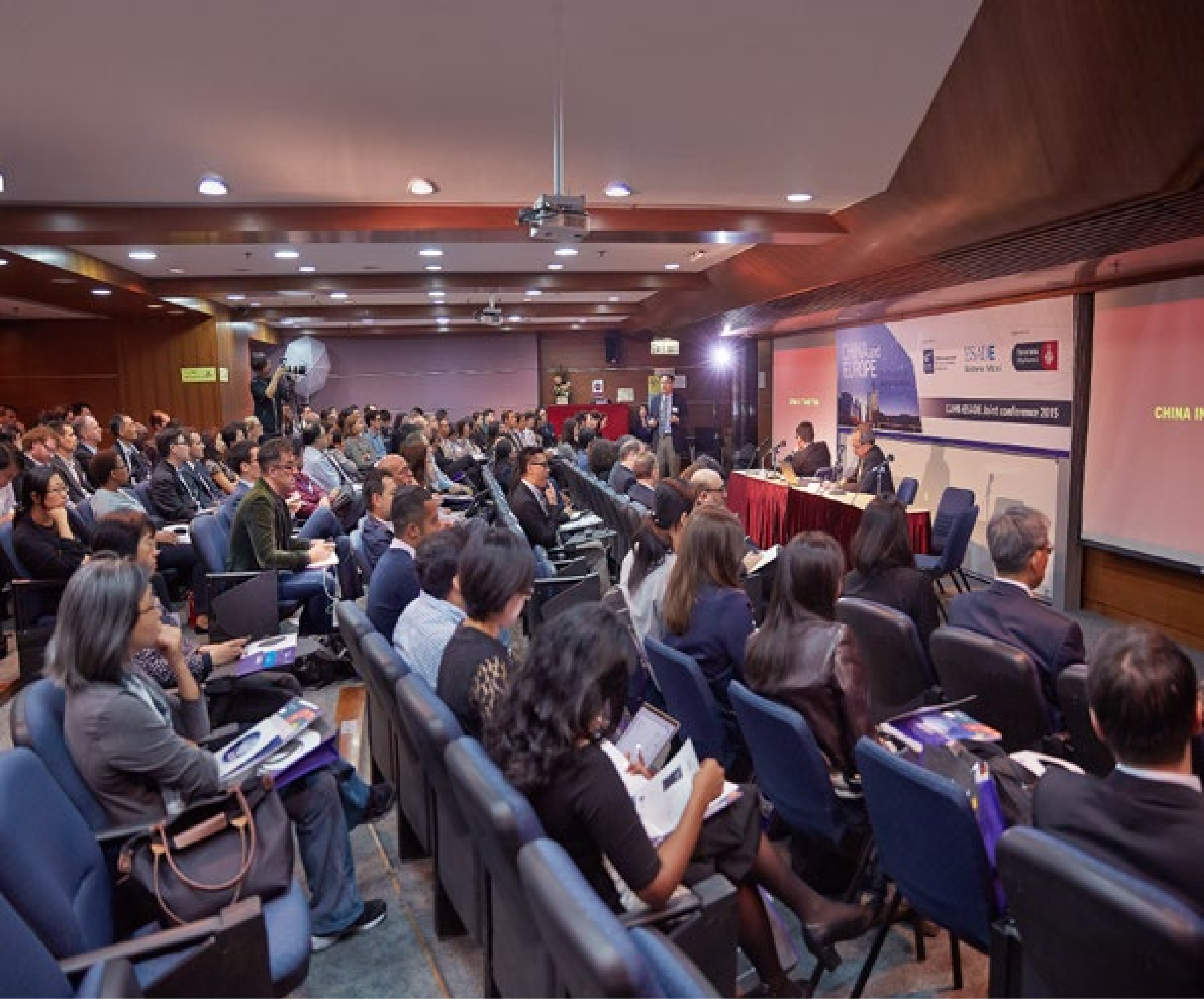
By Iris Zhang Ru

Reference:

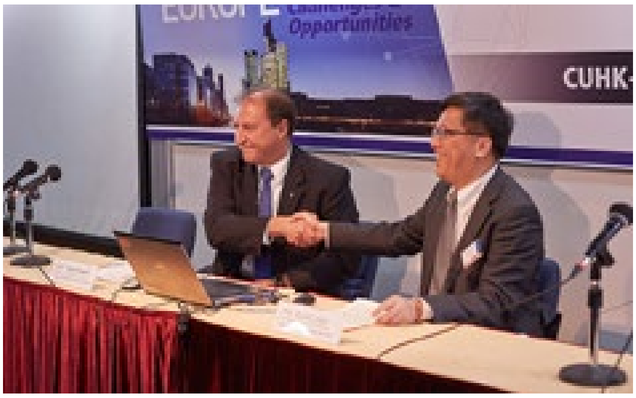
1. According to AlixPartners 2010 China Restaurant&Foodservice Review, the number of restaurants in China is vastly higher than in the US (5.1 vs 0.9 million restaurants). Whereas the Top 100 restaurant chains in the US have a 45% overall market share, China's Top 100 only has a 6% market share in 2009.

CUHK Business School and ESADE Business and Law School Joint Conference

IN December 2015, The Chinese University of Hong Kong (CUHK) Business School and ESADE Business and Law School (ESADE), two of the world's leading business schools, held a joint conference hosted at the CUHK MBA Town Centre in Central, Hong Kong.



Over 150 people attended the event with the theme: "China and Europe- Challenges & Opportunities". The conference celebrated the 50th anniversary of CUHK MBA and provided an ideal platform for academics, industry leaders and government officials from Hong Kong and Barcelona to share their insights on recent economic developments and the growing potentials for doing business in China and Europe. China is now the second largest trading partner of the European Union (EU) behind the United States while the EU is China's biggest trading partner. China and Europe now trade over one billion euros a day.



CUHK Business School and ESADE have built a strong relationship as exchange partners for their MBA students since 1999. This collaboration was further extended during the conference with the signing of a new undergraduate exchange agreement by Professor Kalok Chan, Dean of CUHK Business School and Professor Josep Franch, Dean of ESADE Business School. From 2016, undergraduate students of the two business schools can go abroad to learn and stay in each other's campus. CUHK Business School is committed to equipping its students with a global perspective, and has signed up exclusive exchange agreements with more than 34 top business schools worldwide.

The conference program included two panel discussions. The first panel titled "China's New Growth Engine" with speakers from CUHK Business School including T.J. Wong, Choh-Ming Li Professor of Accountancy and Director of Center for Institutions and Governance, as well as Xufei Ma, Associate Professor at the Department of Management and Associate Director of Centre for Entrepreneurship. The second panel was called "Opportunities and Challenges in Europe" with representatives from Barcelona and ESADE including the Dean of the Business School, Professor Josep Franch.

At the keynote address by Prof. Ivana Casaburi, Associate Professor of Marketing, Executive Director of the Executive Master Programs and Director of the ESADE China-Europe Center, she shared the findings from the new report entitled "Chinese Investment in Europe 2015", with the following highlights:

- The top destinations for Chinese investment in Europe between 2010 and 2014 were the United Kingdom (46.7%), Italy (21%), Portugal (10.6%) and France (9.5%).
- During the same period, Europe received a total of $58.3 billion from China, of which $20.17 billion were invested in 2014 alone, a 117% increase over the previous year.
- Between 2010 and 2014, 95% of Chinese investment in Europe was concentrated in seven sectors: energy ($18.17 billion, or 31.2% of the total); real estate ($13.35 billion, 22.9%); manufacturing ($7.85 billion, 13.5%); agribusiness ($4.88 billion, 8.4%); finance ($4.25 billion, 7.3%); logistics, transport and infrastructure ($4.06 billion, 7%); and telecommunications and software ($2.65 billion, 4.5%).
- In the coming years, various factors will play a key role in significantly increasing China's direct investment in Europe. These factors include the current negotiations towards a bilateral investment treaty, rising income levels among Chinese citizens, the Juncker Plan, new co-investment vehicles between the Chinese government and various European governments, large-scale projects like the "New Silk Road", and new multilateral institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

Prof. Casaburi commented: "China is and will remain the engine of the world economy. The recent decline in China's GDP indicates that its economic growth has reached a stage of maturity."

**Learn more about the report
Chinese Investment in Europe 2015**

By Roger Shew

Alan Siu: Embrace Change and Seize the Opportunity

Alan Siu, an alumnus of CUHK Business School's MBA program, is the Asia Pacific Regional Marketing Manager with E. I. du Pont de Nemours and Company, an American multinational chemical corporation headquartered in Wilmington. Prior to joining DuPont, Siu's work experience spanned from biological industry in Canada to luxury goods industry in Germany. A Hong Kong-born Canadian, Siu returned to Hong Kong in 2009 and pursued his MBA degree here, which eventually led to a successful career in mainland China. He talks to CBK@CUHK about his MBA experience and how the program has helped him land on an exciting career in mainland China, as well as the opportunities the country has to offer to young people in Hong Kong.

What motivated you to pursue an MBA degree at CUHK?

Alan As a management professional for a few companies of various scales, I am aware that to rely solely on accumulation of working experience is no longer enough to advance my career path. In order to create more value for the company and my career life, I need to equip myself with a structured business education as well as a strong network in the region I wish to grow in.

The MBA program in CUHK Business School has a very deep and broad relationship across Asian countries with a strong support team that is very professional and capable. What's more important, comparing with other universities in Hong Kong, CUHK Business School is famous for its education on general management and consulting specialty. I am confident that the offerings of CUHK Business School perfectly match my development direction. This is the reason why I chose to pursue an MBA at CUHK.

What's the biggest influence that MBA program has brought to you, both in terms of career path and personal life?

Alan The CUHK MBA program does its best in terms of diversity. You can meet all kinds of people from different backgrounds. Diversity is actually the essence of general management and what I really wanted to experience and learn from. Furthermore, you can also enjoy the flexibility that the program has offered. You are not limited to the standard options. Program concentration is tailor-made to your needs.

What brought you to mainland China after obtaining your MBA degree in Hong Kong?

Alan During my MBA years, I had the opportunity to meet many mainland Chinese classmates and visit China frequently. At that time, I noticed that in the region of Asia Pacific, China stands out as a market with lots of business opportunities and an environment that welcomes well-educated candidates with fast thinking to nurture its market. Thus, at some professional career development talks organized by the MBA program, I was exposed to a good number of companies and a strong alumni network in Greater China, which eventually led to my career with the current company. Working in China is not just about money, but about the changes you make and the fun you gain from working in such an exciting, growing environment.

Please tell us more about your work with DuPont China?

Alan During my first year in DuPont, I was a marketing leader of the Market Leader Development Program. This was actually a very aggressive management development program for young MBA graduates. I was responsible for commercial and residential marketing for some specific products in construction market at that time. Later, I was promoted to the Accelerated Leader Development Program, which aims at nurturing potential directors for the company. I became the Marketing and Technical Leader responsible for developing business strategy, marketing plan, and profit and channel management for certain products. In addition to the business functions, I also had the chance to be involved in product technology and R&D. It's a very special role in a science company as I act as a bridge between customers and the technical team to create market driven solutions. In a sense, our customers get to "choose" what product they wish to have to capture the demand in the market.

With a proven track record in developing a strong team, driving business programs and capturing new business opportunities, I was promoted to be the AP Regional Marketing Manager overseeing Asia Pacific market including Japan, Korea, ASEAN, HK, and Taiwan. The new challenge focuses in driving significant changes in both business model and product development to accelerate business growth with results that exceed the expectation of key stakeholders or investors.

What are the most challenging and exciting experience to work with DuPont China?

Alan DuPont is a company with a long history. A lot of operation models in this company are quite traditional, which is actually not the best for emerging market especially China. China is a rapid-growing market with O2O/IoT as the most prevailing business model. People would like to do everything online; this is actually a great opportunity for a traditional company to transform into a market-orientated one. That's what I am driving in DuPont China now. Company business model must adapt to market needs to be successful and sustainable. This is extremely difficult in large corporate with heritage as many things are bounded by the process and long authority chain. Despite the fact that the company embraces changes, turning a ship around is never easy; it takes determination and sometimes revolution in the company culture.

Fortunately, the company gives me a good amount of freedom and flexibility to implement my plan and ideas. That's very exciting.

Do you see any challenges living and working in Shanghai and how do you deal with them?

Alan As an Asian with Chinese background, I thought it would be fine for me to live and work in Shanghai. But after I arrived here, I encountered a great amount of culture shock. For example, the way mainland Chinese think, their characteristics based on where they were born and raised, the way they work and do business on a drinking table are all different from what I have experienced before. To overcome these problems, I spend a lot of time with my Chinese colleagues and local people observing how they behave.

As we know, building up 'guanxi' with people is important in China, so in terms of networking, I have joined several business associations, including the CUHK alumni association.

Do you have any advice for young people in Hong Kong who want to work in mainland China?

Alan For young fellows, I would recommend that they should come as soon as possible and be aware that the environment here is different. The growth opportunity is still in China and the country will be at its sweet spot as it becomes more regulated and has lifted most of the restrictions for overseas people to work and live in the country.

Hong Kong has a lot of talents with different expertise, which China is lacking of. Now is actually the best time for people from Hong Kong to come over with their expertise. So for young people, I would encourage them to keep their mind open, leverage their expertise and grasp the opportunities here.

What do you see as the biggest business opportunity for young people in China in the next 5 years?

Alan I see a huge business opportunity in the Internet of Things (IoT) and the industrial revolution. IoT is still a relatively new concept in the market. With the destructive change in the value chain, a lot of companies still don't know how to approach their customers and meet their needs in this area. Furthermore, with the manufacturing power oversupply in China, there is a strong need to redistribute the excess to the right markets. The mega trend will remain in China for at least 5 to 10 years. Now is the best time for young people to capture this billion-dollar opportunity.

By Fang Ying

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