

# Silk Road

A Publication of the ACRC

Fall 2005

## China's Dynamic Regional Economies

China's rise has been one of the most significant developments in the world economy since a programme of economic reform, begun in the late 1970's, saw the country shift towards a more open, market economy. Over the past 25 years, China has experienced a surge in private sector activity, an influx of foreign capital, and has sustained a remarkable average annual growth rate of above 9%.

To better understand China's growth, it is necessary to examine the aggregate as a grouping of regional economies of varying sizes and characteristics. The Pearl River Delta, situated where the Pearl River meets the South China Sea, and the Yangtze River Delta in eastern China (with Shanghai as its centre), are the two manufacturing regions best known to the world.

### The Greater Pearl River Delta

The Greater Pearl River Delta (encompassing nine municipalities of Guangdong province and the special administrative regions of Hong Kong and Macau) is where China's economic reform began with the establishment of two of the original four Special Economic Zones in 1979<sup>1</sup>.

The Pearl River Delta (PRD) accounts for less than 1% of China's landmass and approximately 3% of its population, yet is responsible for 20% of its GDP and nearly 40% of its exports. With a combined 2003 GDP of US \$303 billion, the PRD can be considered the world's sixteenth biggest economy and tenth largest exporter.

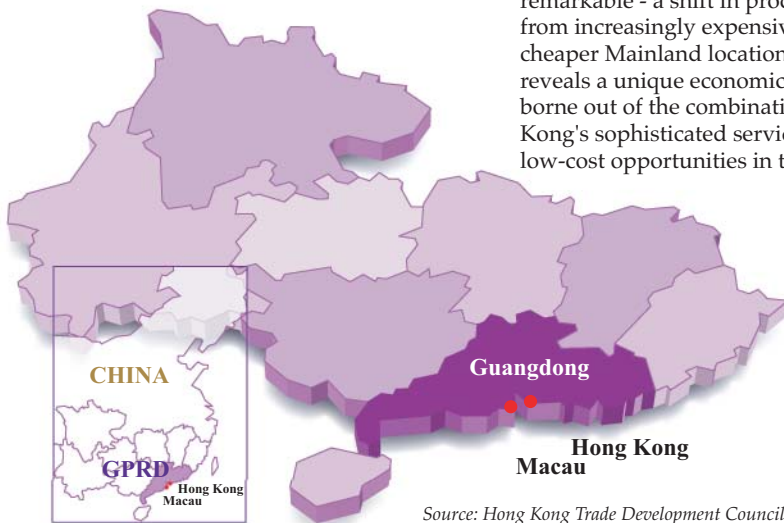
At first glance, the Greater Pearl River Delta's formula for success seems unremarkable - a shift in production activities from increasingly expensive Hong Kong to cheaper Mainland locations. A closer look reveals a unique economic relationship borne out of the combination of Hong Kong's sophisticated service sector with low-cost opportunities in the PRD.

In a new book, *Regional Powerhouse: the Greater Pearl River Delta and the Rise of China*, Michael J. Enright<sup>2</sup>, Edith E. Scott, and Ka-mun Chang show how the GPRD benefits from the mixture of Hong Kong's "financial muscle" and international reputation with profitable resources in the PRD. The authors write: "It is this interaction that has allowed the Greater Pearl River Delta region to emerge in a relatively short period of time as one of the world's major manufacturing bases and has allowed China to emerge as a major trading nation."

With the establishment of Mainland China's Special Economic Zones from the late 1970's, Hong Kong's traders and manufacturers readily pursued new opportunities provided by the Chinese Mainland's vast and inexpensive labour pool. When labour-intensive production activities moved to adjoining Guangdong province in the 1980's, Hong Kong shifted from the manufacturing activities associated with light industrial production to the service activities associated with those same industries. Hong Kong has since emerged as an international financial centre and a management centre for foreign multinational firms.

<sup>1</sup> Although not geographically part of the Pearl River Delta, Hong Kong and Macau are economically and culturally embedded within the region to form the Greater Pearl River Delta (GPRD) Economic Zone.

<sup>2</sup> Michael Enright is Sun Hung Kai professor of business administration and Director of the Asia-Pacific Competitiveness Program at the University of Hong Kong. Edith Scott is Managing Director of Enright, Scott & Associates Ltd., a strategy consulting firm based in Hong Kong. Ka-mun Chang is the Managing Director of Li & Fung Research Centre.



Source: Hong Kong Trade Development Council



Asia Case  
Research Centre  
THE UNIVERSITY OF HONG KONG

Please visit the ACRC website and register as an educator to receive free samples of our cases and teaching notes  
[www.acrc.org.hk](http://www.acrc.org.hk)

Hong Kong's strategic location, advanced physical infrastructure, expertise in conducting international trade, and established legal framework have long made the territory an important trading centre for the Asia Pacific. It is home to the world's busiest container port and airport for international airfreight, and is a major centre for packaging and integrating functions across a wide spectrum of industries on a regional and global basis.

The trend of Hong Kong manufacturers moving their production lines northwards accelerated in the 1980's and 1990's. Hong Kong investment has continued to flow into new industrial zones in Mainland China that produce goods for export. Hong Kong businesses are the largest contributors of foreign investment in the PRD region and are pivotal in making it one of the major engines driving Mainland China's economic growth. Sustained for over two decades, this unique relationship is the fundamental force driving the phenomenal levels of growth seen in the Greater Pearl River Delta.

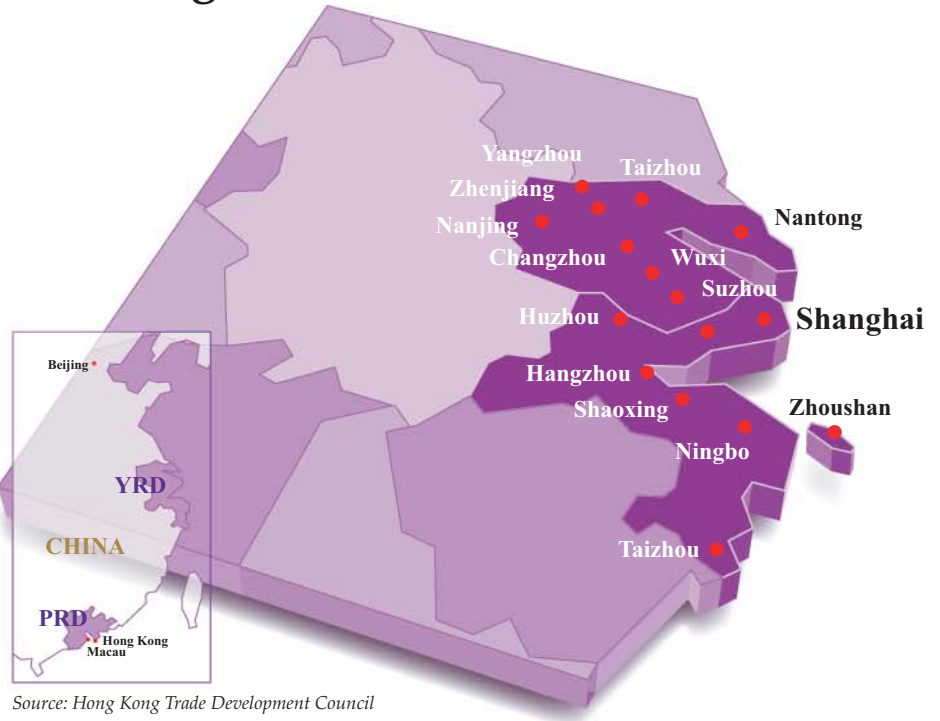
The region, however, faces challenges associated with accelerated development. The Guangdong Provincial Government is mounting efforts to improve the urban infrastructure of the PRD in the face of growing environmental and natural resource problems that have resulted from the rapid development of industries. Another challenge to the region is the threat of destructive competition. Rivalry between municipalities has led to worrying levels of duplication in projects among adjacent cities, an example of which can be seen in an oversupply of airports for overlapping markets. There are currently five airports in the greater Pearl River Delta region a questionable number for the geography. According to recent reports, a sudden shortage in labor threatens to pose a new impediment to PRD growth (the delta is short of 2 million workers according to official estimates).

To address these challenges, local governments are seeking to foster a more open and transparent infrastructure network across the delta region in the face of competition from the Yangtze River Delta region. The Guangdong Government is also seeking to enhance cooperation with other southern provinces such as Fujian, Sichuan, Jiangxi and Yunnan.



Copyright © 2003 Hong Kong Trade Development Council  
Photo: Graham Ulden

## The Yangtze River Delta



Source: Hong Kong Trade Development Council

The Yangtze River Delta (YRD) region has been economically important for many years, but lagged behind the PRD in the early years of the reform process only to return to prominence in the 1990's. By 2003, Shanghai was the leading commercial, financial, and logistics centre in Mainland China.

The Yangtze River Delta is the economic powerhouse of the Shanghai-Jiangsu-Zhejiang region, with a total combined GDP equal to about one-fifth of the PRC total. Officially the Yangtze River Delta includes Shanghai, 8 cities in the province of Jiangsu, and 7 cities in the province of Zhejiang. Its growth is largely fuelled by foreign direct investment; its exports account for about 30%, retail sales about 15%, and industrial output about 25% of the national total.

While the Pearl River Delta is home to manufacturing plants predominantly involved in the assembly of light consumer goods, the Yangtze River Delta is home to a high concentration of heavy industries such as machinery, chemicals, and other upstream industries such as the production of raw materials, intermediate goods and capital goods (i.e. electronic parts, textiles, and chemical fibers). The YRD also features burgeoning high-tech manufacturing zones. For example, Shanghai and Jiangsu together accounted for more than 55% of the national total output of integrated circuits in 2002.

The manufacturing industries in the towns and cities in Zhejiang and Jiangsu are integrated with Shanghai, which acts as a leading port and financial centre. The trend has been for Shanghai to take up higher-value-added industries, while lower-value-added industrial activities relocate to Zhejiang and Jiangsu provinces. The governments in the Yangtze River Delta region have been eager to strengthen this integration, mainly in the areas of transport infrastructure, a unified market, environmental protection, information sharing (including credit system information), financial co-operation (including banking services), and the exchange of talent. Regional tourism has also been promoted.

Both the Pearl River Delta and Yangtze River Delta regions will continue to fuel China's economic growth. As more foreign capital filters into China's economy, it will become increasingly important for overseas investors to understand the intricacies and opportunities unique to each region.

# The Educator's Perspective

Dr. Zhigang Tao is Associate Dean, Taught Postgraduate Program and is an Associate Professor of Strategy and Economics at the Business School of the University of Hong Kong. He received his BSc from Fudan University and MA and PhD from Princeton. He taught at the Hong Kong University of Science and Technology before joining the University of Hong Kong in 1998. Dr. Tao has supervised several ACRC cases relating to the development and competitiveness of Chinese industries.



**ACRC:** Can you tell us about your experience developing case studies for the purpose of teaching economics?

**ZT:** I started teaching in Hong Kong 13 years ago - first at the Hong Kong University of Science and Technology where I started to use some simple, short cases. When I came to the University of Hong Kong 7 years ago and started teaching MBA students, I began to use more cases... it was a gradual process.

Typically, you wouldn't think that an economist has any use for cases. Economists have a convergent view and like to make complicated things simple, whereas cases tend to do just the opposite. If you read certain cases you'll realize that they give you a very complicated picture, and you need a certain skill to come to terms with it. With a case, different people may come up with different views on what is the best course of action.

**ACRC:** You tend to develop cases that are set at the industry level, why?

**ZT:** Studying an industry in China is often more interesting than studying one in the US because the players are so different. If you look at the situation in the US, you find mostly private players, companies with the simple objective of maximizing profits. But if you look at the situation in China, there are typically three different types of players. There are the state-owned enterprises with objectives that tend to be something other than profit-maximization (it could be maintaining social stability by over-hiring staff). There are the foreign-invested firms with the primary objective of gaining market share in the initial stage of operation (sometimes at the expense of profits). And then there are the private enterprises in China with the single-minded incentive of profit maximization, but discriminated against by some local governments. So we have these three types of players that make the competitive landscape a lot more interesting. When we write industry-oriented case studies, we pay particular attention to these dynamics.

**ACRC:** To use a topical example, how would you characterise the motivations of the China National Offshore Oil Corporation (CNOOC - which is 70% state-owned) in its bid for UNOCAL?

**ZT:** CNOOC's bid has been criticized because of its huge state ownership. But most of this state ownership is passive. In the Chinese stock market, these shares are not really tradable. In a sense, the government is a balanced shareholder.

The choice between "acquiring a local firm" and "allying with a local firm" is not a straightforward one. In fact, there was an article in Harvard Business Review earlier this year on the confusions that many corporations have had on this choice.

To address this issue (the choice between acquiring a local firm and allying with a local firm) I conducted research with my colleague, Dr. Yigang Pan, where we looked at some 5000 entries by multinational firms in China. This encompassed both joint ventures and acquisitions. So we tackled the question: when should a firm pursue an acquisition? When should it seek a joint venture? The finding of our research is that when there is a high degree of overlap in the business of the acquirer and the target, an acquisition makes sense. If the overlap is low, then it doesn't.

I suppose for CNOOC seeking to acquire a US firm the same questions arise: Why does CNOOC want an acquisition? Why doesn't it establish a joint venture with a US firm? If you look at these US firms' assets from a CNOOC perspective, the most valuable assets are those in East Asia. The US assets are not as valuable to CNOOC. The potential acquisition of US assets by a Chinese company makes a lot of headlines. Americans are very sensitive towards the issue. But a Chinese company seeking a joint venture in Asia Pacific would be far less controversial.

**ACRC:** *What are your thoughts on the relationship between Hong Kong, the Pearl River Delta, and the Yangtze River Delta?*

**ZT:** The Pearl River Delta and Yangtze River Delta regions are very different. Historically, the Yangtze River Delta was the most prominent area. Before 1949, it was by far the most economically developed in China. After the revolution, a lot of capital moved from Shanghai to Hong Kong in tandem with the migration of entrepreneurs and capitalists. As a result, Hong Kong emerged as an important economic centre. But starting with China's economic reforms 25 years ago, Shanghai started growing again and nowadays there is more news on developments in the Yangtze River Delta than on the Pearl River Delta.

The two regions serve different purposes. The Yangtze River Delta has an excellent network with the domestic market. If a foreign company wants to break into China's domestic market, the Yangtze River Delta is the place to be. The Pearl River Delta is China's work factory. It's where the export businesses are concentrated. There are some other interesting differences between these regions; if we consider industry structures, the Pearl River Delta is very specialized in certain industries whereas the Yangtze River Delta is more diversified. Following some of the theories proposed by Jane Jacobs, we can argue that being more diversified, Shanghai may have greater potential for the growth of new industries.

My outlook on the Chinese economy is that down the road more trade-related disputes will arise. China is very strong in exports and many countries have issues with that. In the event of a major trade dispute, the Pearl River Delta region will be adversely affected whereas the Yangtze River Delta will be more self-sustaining because it serves the domestic market.

**ACRC:** *How would you characterise the role of the Beijing-Tianjin region in the north?*

**ZT:** We also looked at the Beijing-Tianjin region in our study, but it's not really an economic region. Beijing is more of a political city where the people are interested in talking politics, but not necessarily in making deals. In a transition economy such as China, political connection still counts in business. But as China moves towards a truly market economy, the role of Beijing in China's economic activities is bound to diminish.

**ACRC:** *But Beijing is experiencing so much development in the run-up to the 2008 Olympics and with projects such as the Zhongguancun Science Park. Do you think that Beijing will gain prominence as an economic region?*

**ZT:** China is still quite a centralized economy so people can use connections to retain economic activity in Beijing. But economic forces are such that eventually, many industries will migrate to Shanghai. One example is the credit card industry. Almost all state owned banks are headquartered in Beijing so naturally all the key operations should be in Beijing. But the banks realized that the credit card business belonged in Shanghai so the Industrial and Commercial Bank of China decided to move its credit card business. It was a painful process. You can imagine the people in Beijing were not happy, but it's a process which is ongoing.

Another example is the business of education, specifically the MBA business. In the past ten years, Beijing universities have been doing well, but they realize that in order to get more students they need a presence in Shanghai. All the top universities like Peking University and Tsinghua University now have campuses in Shanghai. The students are in Shanghai because businesses are in Shanghai.

**ACRC:** *Can you tell us about your role as the Director of the IMBA programme with Fudan University?*

**ZT:** The Shanghai IMBA programme started 8 years ago. We were the first university in Hong Kong to set up such a program in Shanghai. We realised that the Yangtze River Delta region would be thriving and increasing numbers of our alumni were starting to do business in Shanghai. We also realized that Shanghai was going to be a major centre so we wanted to have a profile there. Setting up this programme allows us to have an alumni network both in Hong Kong and in mainland China. We admit 200 students every year and we now have over 1000 alumni in Shanghai so we are growing very fast.

Having students over there is also helpful in terms of developing cases. For example, in writing a case on Shanghai GM (*Shanghai General Motors: the Rise of a Late-Comer*) we were able to draw on feedback from over 10 students who were actually working at Shanghai GM. It's a very important connection.

Our students in Shanghai are very different from our students in Hong Kong. The Shanghai students want to learn about business practices in the US and are not as interested in reading cases set in China because they're already very familiar with the issues covered. They are more interested in what's going on in the US because current happenings in the US include precisely the kinds of things you might expect to take place in China in the next 10 years. Mainland Chinese students want to know what's going to happen in their future. So I think this is the difference. When we teach students in Hong Kong, they want to learn more about doing business in China. When we teach students in China, they want to learn about business in America.



# Newly Released Cases

For full case summaries, please visit our website [www.acrc.org.hk](http://www.acrc.org.hk)

## China Cosmetics Industry 2005

Zhigang Tao, Li Dongya

This case examines the characteristics of China's Cosmetics Industry: demand factors, product development, production, distribution, and major competitors in the arena.

## China's Insurance Industry: the Road Less Travelled

Ka-Fu Wong, Jennifer Lee

The case examines the impact of market liberalisation on the Mainland insurance industry following China's WTO accession. In particular, the case examines the experience of American International Group (AIG) and the difficulties it has encountered in developing its Mainland businesses.

## Liberalising Postal Service in Hongkong Post

Ka-Fu Wong, Carola Ramon-Berjano

In Hong Kong, the post office became a trading fund in 1995. This allowed for more flexible management as it became self-financing, however, it remained a government office. The case examines whether Hongkong Post is better prepared to face the new challenges after its transformation or if it is better off as a traditional, state-run office.

## The Whistle Had Blown: How Should Tetra Pak Respond to China's Imminent Antitrust Law?

Zhigang Tao, Emily Ho

Tetra Pak, the world's largest liquid food processor and packaging manufacturer, is among the multinational companies accused by the Chinese government of anti-competitive activities. This case looks at China's antitrust policy activities and the way companies should adapt to China's changing legal framework.

## Tokyo Disneyland: Licensing vs. Joint Venture

Mitsuru Misawa

Building on the success of Tokyo Disneyland, the Walt Disney Company looked to partner once again with Oriental Land Corporation (OL) of Japan on a second venture. This case examines licensing agreement vs. joint venture negotiations and the issues faced when the companies involved have different management philosophies and different decision-making techniques.

## The New Macau Concept: From Gaming to Total Economic Development

Frederik Pretorius, Mary Ho

In late 2004, Macau (a gaming and tourism Mecca in Asia) caught the attention of investors and casino operators around the world. This technical note presents insights into the history and development of this rapidly emerging gaming market, and analyses

## HP at a Strategic Crossroad: 2005

Ali Farhoomand, Kavita Sethi

HP was looking to initiate organisational transformation, but it was a company embedded in tradition. The case examines the paradox of bringing in a charismatic leader (in HP's case, Carly Fiorina) to spearhead organisational change in a company renowned for its strong legacy and culture.

## National Innovation Systems of China and the Asian Newly Industrialised Economies: A Comparative Analysis

Ali Farhoomand, Samuel Tsang

Since the 1980's, The Asian Newly Industrialised Economies (ANIE), Taiwan, South Korea, Singapore and Hong Kong, have become masters and creators of advanced technologies. This Note analyses and compares the current innovation strategies of China and the ANIE's.

## The Transformation of China's Steel Industry

Michael J. Enright, Xiaohong Wu, Shao Ping

Notwithstanding its status as the world's largest steel producing country, China is one of the largest net steel importers in the world. This case examines the forces that will help or hinder the transformation of China's steel industry from a volume producer to a quality producer.

## The Lack of Coordination in Management of the Three Cross Harbour Tunnels in Hong Kong

Ka-Fu Wong, Carola Ramon-Berjano

In Hong Kong, the government allows private companies to build and operate tunnels and manage the tunnels for 30 years. After 30 years, the company returns management duties to the government. The case examines public versus private ownership of the three cross-harbour tunnels in Hong Kong.

## Shanghai General Motors: The Rise of a Late-Comer (MNC)

Zhigang Tao, Emily Ho

The joint venture between General Motors (GM) and Shanghai Automotive Industry Corporation (SAIC) in 1997 was regarded as the largest single foreign investment ever made in China. The case attempts to understand the strategic alliance between GM and SAIC and how the relationship contributes to the rapid growth of GM in China.

## Queen Mary Hospital: Fighting the SARS Crisis

Simon Lam, Joyce Ho, Shirley Chan

In February 2003, Severe Acute Respiratory Syndrome (SARS) spread to Hong Kong with devastating impacts. This case looks at the way senior management at Hong Kong's Queen Mary Hospital handled the SARS crisis by adopting effective infection control measures and strategies aimed at gaining employees' trust and co-operation.

## Legality of Privatising Public Assets: Link REIT

P.S. Tso, Samuel Tsang

Real Estate Investment Trusts (REITs) have proven to be popular investment vehicles. The Hong Kong government's Housing Authority made plans to launch the territory's first publicly-listed REIT in hopes of raising much needed capital from the market. This case illustrates the legal challenges facing a government in a privatisation program.

## The Rise of the Direct Subsidy Scheme: Primary Schooling in Hong Kong

Ka-Fu Wong, Carola Ramon-Berjano

In 2000, the Direct Subsidy Scheme (DSS) gave Government schools the freedom to design their own curricula and decide on the student admission processes. DSS schools were more affordable than private schools and provided better services than the government schools. This Case examines the long-term implications of this scheme.

### Healthcare Destinations in Asia

Bennett Yim, Phoebe Ho

Healthcare tourism is emerging as a growing source of revenue in tourist destinations in Asia. The target markets are customers from developed countries with over-crowded and expensive medical services at home. This Note provides a survey of how healthcare tourism is being developed in select Asian countries.

### Chinese Medicine in an Emerging Market

Ali Farhoomand, Shirley Chan

It was estimated in 2002 that the size of the traditional Chinese medicine (TCM) market in China was US\$5 billion. This case looks at the issues faced by multinationals wanting to enter this market.

### Restructuring of China's Automobile Industry After China's Entry into WTO

Zhigang Tao, Li Dongya, Lu Yi

On November 10, 2001, China finally became a member state of the World Trade Organization (WTO). For China's economy, the accession to WTO not only represented significant opportunities but also challenges particularly for the automobile industry, which received protection from tariff barriers for a long time.

### China Beer Industry 2004

Zhigang Tao, Li Dongya

This industry note describes the landscape of China's beer industry and its competitive environment in 2004. The industry note also profiles the major local and foreign players in the market, their expansion strategies and entry modes, analyzes the major industry issues, and provides insights into the future development of the industry.

### Anheuser-Busch Versus SABMiller: Bidding War in China's Beer Industry

Zhigang Tao, Li Dongya

An unprecedented bidding war for the Chinese 4th-largest beer maker, Haerbin Brewery, broke out between the world's top two breweries, Anheuser-Busch and SABMiller. The case reflects the different strategies adopted by these companies to enter the Chinese market.

### China's Home Appliances Industry 2004

Ali Farhoomand, Leyu Yang

This industry note describes the landscape of China's home appliances industry and its competitive environment in 2004. The industry note also profiles the major local and foreign players in the market, analyzes the major industry issues, and provides insights into the future development of the industry.

### Developments in China's Mobile Handset Industry

Ali Farhoomand, Zhigang Tao, Li Jing, Lu Jiangyong

The market share of China's domestic handset enterprises increased dramatically in the domestic market in 2003. However, market share started to decrease from the beginning of 2004. This case describes the up-to-date situation in China's domestic handset market and provides brief analyses.

### China's Telecommunication Industry in 2004

Ali Farhoomand, Zhigang Tao, Liu Tian Xiang

The Industry Note introduces the reform and development of China's telecommunication industry in the past ten years, which led to the current situation with six major players in the market. The note discusses several factors affecting the development of the industry such as WTO accession, legal structure, and 3G technology.

## Available Now

### Small Business Management and Entrepreneurship in Hong Kong: A Casebook

*Edited by Ali Farhoomand*

(Director of the Asia Case Research Centre)

An anthology of 28 cases that offer a practical and interesting look at how successful entrepreneur-managers in Hong Kong systematically generate innovations in the shape of successful new services, products, processes and technologies when faced with organizational and environmental challenges.

Available. 255 x 190mm. Paperback.

English Edition:

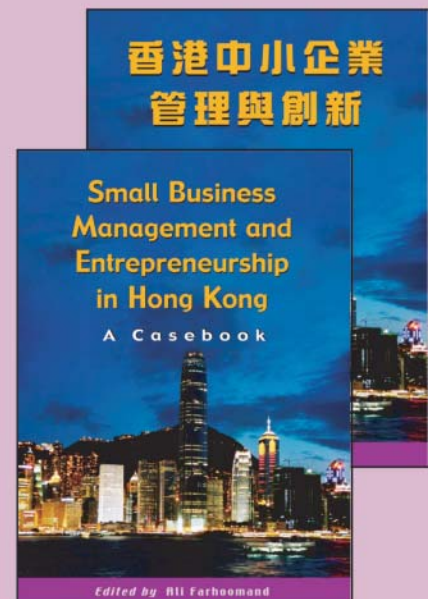
ISBN 962-209-758-8 HK\$200

Chinese Edition:

ISBN 962-209-759-6 HK\$160

Order online at [www.hkupress.org](http://www.hkupress.org)

HONG  
KONG  
UNIVERSITY  
PRESS



# Case in Point

## GREY WORLDWIDE

Following our work with Shanghai Volkswagen and Grey Worldwide, we are currently working with these two companies to develop a new case on the implementation of Customer Relationship Management (CRM). Case writer Shamza Khan caught up with Tony Ip, GM Grey Relationship Marketing HK/China, in Shanghai to discuss his views of CRM in China, and a CRM implementation he was heading for Shanghai Volkswagen.

**ACRC:** What is your general view of CRM in China?

**TI:** CRM is still in nascent stages in China. Customer relationships are typically managed in a fragmented manner and vary dramatically according to a company's size, needs, links with an international value chain. However, customer management tools such as call-centres and toll-free hotlines are becoming popular CRM tools as businesses realize they provided cost-effective, broad customer exposure and a means of managing and servicing clients. One of the major problems with providing CRM in China is the general lack of a holistic plan, and not putting consumers at the center of the whole CRM design.

**ACRC:** What is Grey's CRM strategy for China?

**TI:** Grey has set up a CRM department called Grey Relationship Marketing, an initiative designed to give the agency a more holistic approach to advertising. I agree with Viveca Chan's (CEO of Grey Hong Kong and China) view that we are moving towards 'integrated specialization' because now creativity is converging with knowledge. Grey will manage brand equity as well as customer equity using CRM technologies such as database management, email, and websites to build a total solution.

**ACRC:** Will your CRM product need to be customized for clients in China?

**TI:** China is still in the early stages of the CRM cycle, but the potential is huge and development is leapfrogging. Clients now demand holistic and integrated CRM systems. However, we don't believe one size fits all. Different clients have different business needs, priorities, and stages of technological development so our CRM solution will be customized accordingly.

**ACRC:** One of your major clients in China is Shanghai Volkswagen. Can you discuss Grey Worldwide HK/China CRM implementation and the challenges you faced?

**TI:** Shanghai Volkswagen had no previous CRM engagement or any integrated technology implementation, which was good for us because we didn't have to deal with any legacy systems. Our CRM initiative began in 2001 with the view of leveraging their existing customer database, and also implementing an organized method to deal with customer management. Previously, Shanghai Volkswagen's front-end interaction was passive and focused on traditional marketing methods such as TV, print and billboard advertising. In fact, sophisticated marketing was not necessary. Even up to 1999 demand for cars far outstripped supply, therefore, auto manufacturers did not need to 'manage' customers. Dealers, in a sense, allocated cars to customers as a personal favour!

Since then we have implemented call centre, database, and dealer extranet applications in a phase by phase approach. The sophistication of each of these applications has increased as the client becomes more comfortable with the introduction of CRM and its enabling technologies.

The major challenge was changing people's mind-sets. Some managers have incorrect expectations of what CRM can achieve, and do not have a holistic plan with clear objectives before implementing their CRM system. This is different from more mature markets where organizations have a better understanding of CRM's role in their business strategy.

**ACRC:** What advantages can companies gain from adopting CRM in China?

**TI:** In my experience, CRM in China enables companies to transition from pure manufacturers to knowledge-based service providers. This is quite essential in a competitive market where companies are trying to shorten the distance between manufacturer and customers.

**ACRC:** Discuss some of the challenges of implementing CRM in China.

**TI:** CRM's success is generally obscure and return on investment is not clear and not always tangible. Senior executives intuitively know that managing customer relationships is critical, but the dilemma is determining which customer relationship management capabilities have the greatest impact financially. This is one major reason CRM is not an investment priority. Now given this pessimistic view, it is hard to convince local managers that CRM is a strategic tool. This is also driven by cultural norms. However, business is changing at a dramatic pace in China. I am sure as more and more successful CRM ventures are implemented and publicized, CRM investments will gain momentum.



# ACRC News Staff Profile

**K**avita Sethi is the Manager of the Asia Case Research Centre. In her role, she is responsible for overall administration and research development at the Centre. After obtaining a Bachelors degree in Production Engineering, Kavita worked for over ten years in the manufacturing sector in India and also spent time as a consultant to leading business houses. She received both her Masters in Management Systems and her PhD from the Indian Institute of Technology, Delhi. In 2002, Kavita moved to Hong Kong and subsequently became the Business Research Manager for a non-profit knowledge management association. Since joining the ACRC, she has written cases related to management of technology and entrepreneurship in emerging economies. However, her primary focus is managing staff and activities at the Centre.



*Kavita Sethi is the Manager of the Asia Case Research Centre.*

When asked what the future held for the ACRC, Kavita replied that the primary goal is "to place the University of Hong Kong and the ACRC on the global map." The Centre will focus on the production of context-rich cases to better serve the needs of the academic community. Strengthening ties with the business communities in Hong Kong and China also remains a top priority. These ties reinforce the ACRC's

position as the leading supplier of instructive material relating to Asian businesses from the region.

As Centre Manager, Kavita works closely with case writers. She considers this interaction a constant (and welcomed) responsibility. Case writers at the ACRC have diverse professional backgrounds and come from all over the world. Kavita asserts that varied skills and perspectives are an asset to the case writing process. "I enjoy seeing that come through the work."

Partnering with the academic community at the University of Hong Kong also enriches Kavita's professional experience. "Each supervisor has his or her own style and approach to case writing, which can be challenging from our perspective." In Kavita's opinion, the case writer must be flexible and, in her experience, the final product speaks for itself. "Delivering cases that are useful to supervisors and their students is the way to gauge whether or not we've succeeded."

## Most Popular Cases

### **Dell: Selling Directly, Globally**

Ali Farhoomand, Pauline Ng, Peter Lovelock

### **FedEx Corp: Structural Transformation through e-Business**

Ali Farhoomand, Pauline Ng

### **Constructing an e-Supply Chain at Eastman Chemical Company**

Ali Farhoomand, Ben Yen, Pauline Ng

### **Dairy Farm Group - Redesign of Business Systems and Processes**

Ali Farhoomand, Probir Banerjee

### **Business Competition in China: Beer, PCs, Steel, TV Sets**

Michael J. Enright, Vincent Mak

### **Citibank's e-Business Strategy for Global Corporate Banking**

Ali Farhoomand, Julie Yu, Marissa McCauley, Shamza Khan

### **Phuket Beach Hotel: Valuing Mutually Exclusive Capital Projects**

Ko Wang, Su Han Chan, Mary Ho

### **Hong Kong Disneyland (A): The Walt Disney Perspective**

Ko Wang, Su Han Chan

### **Core Competence at NEC and GTE**

Michael J. Enright

### **EUROCAP Bank: Bonuses Driving Performance or Driving Discontent**

Gilbert Wong, Heather McGregor, Michelle Ng, Pauline Ng, Shamza Khan

### **Asia Case Research Centre** THE UNIVERSITY OF HONG KONG

701 Meng Wah Complex Pokfulam, Hong Kong

Tel: (852) 2857 8355

Fax: (852) 2858 5910

E-mail: [info@acrc.org.hk](mailto:info@acrc.org.hk)

[www.acrc.org.hk](http://www.acrc.org.hk)



*Meng Wah Complex, The University of Hong Kong*