

## People, Perception, Preparation

Behind every invention there is an inventor; before markets shift on a macro scale, there are decisions made on a micro scale; and prior to policies and politics, there are people pushing plans and perspectives. People are ultimately behind the decisions in every industry, business, and market trend, and I will explore what an American college graduate will need to be most effective, influential, and impacting in 2015, given the rate of globalization as assessed in our seminar<sup>1</sup> from phone calls with foreign nationals, interactions with international students, discussions with Brown Alumni, and conversations with global business executives to round table discussions on recent and relevant news, articles, and reports—all focused on specific countries emerging as global players. This venture begins with a look at a macro-world view through the lenses of global company executives, and then we'll explore and connect with China, Vietnam, Israel and India.

“In business, you have to grow,” stated John Salinger (Brown '70), as he began to elaborate upon why American International Group (AIG) turned to technology to make trade credit<sup>2</sup> loan decisions. Mr. Salinger, President of American International Group (AIG) Global Trade and Political Risk, went on to explain how AIG set up a dedicated team of technicians to develop the necessary software to enable timely, effective credit decisions for their company. This is one of three strategic issues that Mr. Salinger addressed during his visit<sup>3</sup>, with the other two matters dealing with AIG's response to the competitive mobile phone market in China as it worked with Motorola, and AIG's export credit insurance in China where it was the only one (besides the Chinese government) offering this sort of service.

While technological development has greatly assisted AIG in remaining competitive in its industry, it is important to draw attention to the need for people and the sort of decisions they make, as well as the questions they answer. Not only were experienced software developers behind the construction of AIG's new credit decision-making programs, but it was the upper management who had the foresight to the need and effectiveness of such a technology, as well as the ability to answer relevant questions to help develop the necessary software.<sup>4</sup>

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<sup>1</sup> Brown University – EN292.S39: Globalization & Immersion, Professor Mittlemann, Spring 2007.

<sup>2</sup> Trade credit insurance protects a company's accounts receivable when they give credit terms to their customers. To underwrite this business one needs the skills to assess corporate and country credit worthiness.

<sup>3</sup> Wednesday, January 31, 2007.

<sup>4</sup> For example, why does someone pay for insurance? What do they need? What's the credibility of the company? What's the credibility of the owner? What's the quality of information that has been obtained electronically?

When assisting Motorola in China at the turn of the 21<sup>st</sup> century, the issue became finding who these other mobile phones companies really are and “what makes them tick”, according to Mr. Salinger. Indeed, good investigative abilities and industry and company assessment skills are vital in the insurance industry, where companies are dealing directly with people and have to have an understanding of the government structures, political policies, and licensing requirements. Ultimately, as Mr. Salinger succinctly stated, “it’s a question of understanding the need” and “then figuring out how to improve inefficiency.”

A great example of implementing Mr. Salinger’s statement is the growth of a finite element software systems company called ABAQUS, Inc. as described by E. Paul Sorenson<sup>5</sup>. Mr. Sorenson’s presentation focused on four particular issues that impacted the globalization path for ABAQUS: product demand, corporate structure, communication, and licensing. What’s imperative to note is the emphasis Mr. Sorenson placed on the impact of people and relationships regarding these particular issues.

For example, to understand product demand, Mr. Sorenson made frequent onsite visits with his customers to not only better understand their needs as a business, but also to understand them as people. Corporate communication is essential and “technology talk is good”, says Mr. Sorenson, but the “relationships as people are very important” and the key to successful customer-client relationships is “collaboration”. “Global companies want to work with global partners,” as Mr. Sorenson discovered—thus, ABAQUS is constantly adapting to meet its now worldwide demand. In addition to communicating with clients on a business, as well as social, level, Mr. Sorenson also noted the positive repercussions from “making early adopters [to ABAQUS] heroes” by offering special treatment and incentives for those who were quick to implement the ABAQUS system.

In regards to treating people well and communicating effectively, Deborah Schultz<sup>6</sup> also provides some insight. She facilitates the dialogue between the company and its customers and helps them realize how technology can “allow for a more personal approach to marketing” where it’s “more emotional” and “more real”. This has become increasingly important in today’s technology-driven global community.

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<sup>5</sup> Brown ’72, M’075, PhD’77; currently sits on the Board of Directors for ABAQUS.

<sup>6</sup> Schultz is a “strategist in the world of social software, media, and marketing”, according to her website [www.deborahschultz.com](http://www.deborahschultz.com).

But it's not simply communicating with people through multiple means (e.g. blog, instant messenger, Skype, email) that will make a person or business effective or successful in today's (and tomorrow's) world, but it's showing "smart attention". We are now in a "continuous partial attention universe"<sup>7</sup> where people give a little attention to many matters and lack ability for a full-committed focus to very few (or one) things. Countering this attention distribution will be the key for the new era, where commitment, trust, and authentic relationships will be the catalysts of effective communication and collaboration.

Indeed, this emphasis on effective implementation of customer-client relations across cultures has played a major role in foreign companies working with China. For MCK (Brown '04)'s company<sup>8</sup>, the focus is not only on their Chinese customer (i.e. the customers values, goals, plans, and identity) to create value in the design and creative consulting business, but also on the interests of China and their cultural and political history and development. However, these matters are not restricted to the marketing industry. As Simon Zhang<sup>9</sup> explained about his risk management company, the two major factors driving the direction of financial centers are political and business.

Another matter of consideration for successful business in China is the way in which the Chinese are educated during childhood. For Simon Li Bing of *V-Hunters Consulting*, who specializes in cross-cultural communication, the method and style of Chinese education is different than that of other countries. As a result, there is often misunderstanding and stunted learning for foreign people in their local China programs.

As a United States company or multinational company (MNC) desiring to do business in China, it must be able to answer the question, "What can you do for China?" according to Phil Hult, CEO of EF Education<sup>10</sup>. During Hult's teleconference<sup>11</sup>, it became apparent that doing business in China requires for more than technical expertise or great profit potential. According to Hult, who has over fifteen years of working experience in China, the MNC must want to not only work in China, but also show that it wants to work with China and especially for China. Hal

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<sup>7</sup> For more detailed description, go here: [http://radar.oreilly.com/archives/2005/06/supernova\\_2005\\_2.html](http://radar.oreilly.com/archives/2005/06/supernova_2005_2.html).

<sup>8</sup> Khaki Creative + Design: <http://www.khakicreative.com/>

<sup>9</sup> First Huida Risk Management, [www.firsthuida.com](http://www.firsthuida.com).

<sup>10</sup> EF Education is worldwide leader in providing educational services for individuals in any stage of life. EF Education processes academic programs for youngsters in middle school, high school, and universities, and also supplies language training at the corporate level. [www.ef.com](http://www.ef.com)

<sup>11</sup> Teleconference occurred on 27 February 2007.

Sirkin of Boston Consulting Group<sup>12</sup> further underscores this importance in regards to the multinational companies that have emerged as the big winners in China:

“The multinationals that will still be there will be the ones who will build Chinese businesses as opposed to just doing Chinese procurement. Not only will they ship products [around the world] from China, they will sell products in China. China will be part of their overall manufacturing system and they will have a customer base in China. They will not just use China as a low-cost procurement or manufacturing location. They will build a local brand and a local reputation.”<sup>13</sup>

Later in Hult’s teleconference, he went on to explain that in China there are two currencies: one, the renminbi, and; two, the favor. It is this latter currency that has “become very structured” to the point where “[the Chinese] keep track of everything.” Hult explains that this phenomenon stems from China’s communist heritage where the only way to differentiate oneself was through favors. Over the years, this unwritten, intangible currency has evolved into a sophisticated, complex network of relationships called *guanxi*—which literally means relationships.

In the Chinese business world, it is understood that *guanxi* is the network of relationships among various parties that collaborate and support one another.<sup>14</sup> Moreover, it is the right *guanxi* that can minimize risks, frustrations, and delays, streamline distribution processes, and open doors of opportunities that would otherwise be closed. This sort of *guanxi* is established through respect, responsibility, humility, dependability and trustworthiness. It is simply being a good friend to China and the Chinese, putting their needs first and foremost, understanding their problems, and seeking to know them on a personal level (and not simply on a business level). Even proper China business etiquette, as testified by Jason Donahue<sup>15</sup>, who has familial and political connection to China, requires a conservative appearance, humble behavior, respectful conversation, and inquiring questions of the Chinese life outside the office.

In light of the favors-and-friendship currency, *guanxi* is very much a “you scratch my back, I’ll scratch yours” mentality. But for the MNC entering China, the approach should more

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<sup>12</sup> Hal Sirkin is Senior Vice President of the global operations sector of Boston Consulting Group (BCG) – Chicago.

<sup>13</sup> Boston Consulting Group: *China Report – Studies in Operations and Strategy*: “China and the new rules for Global Business”, 2004, <http://www.bcg.com>, <http://knowledge.wharton.upenn.edu>.

<sup>14</sup> Chinese Business Culture: “Guanxi, An Important Chinese Business Element”, [http://www.atimes.com/atimes/China\\_Business/HD13Cb05.html](http://www.atimes.com/atimes/China_Business/HD13Cb05.html).

<sup>15</sup> Axon Labs, Inc., [www.axonlabs.com](http://www.axonlabs.com)

closely resemble a ‘give-and-then-ask-nicely’ strategy, according to Li Bing<sup>16</sup>. China knows it’s a big country with a huge population and a fast-growing economy. These relationships exist within all industries, even where an objective perspective is easily obtained, such as finance and banking.<sup>17</sup>

In fact, according to Asia Times journalist Indrajit Basu, China has already begun a “standards war”. Basu further highlights intellectual property issues, underscoring the fact “the Chinese leadership has been conscious for years that global economic activity will increasingly be driven by intellectual as opposed to material property”. Consequently, “the Chinese government is establishing high-technology standards that differ from international standards,” said Dennis Fernandez, of Fernandez & Associates, a California-based intellectual-property consulting firm. “In effect, foreign high-technology intellectual property rights are not only losing value, but the high-technology standards [that China are creating] are also incompatible with international high-technology standards, [which consequently are] making entry into China’s market difficult for foreign companies with intellectual property rights in high technology.”<sup>18</sup>

As Sirkin simply stated, “one of the major issues is just knowing whom to partner with in China.” Eric Shashoua, Founder and President of Axon Labs, Inc., can attest to these sorts of difficulties when searching for a trustworthy China manufacture for his flagship device<sup>19</sup>. But, through much due diligence and finding the right *guanxi*, Shashoua, like Li Bing and Hult, will be able to successfully work with China.

While intellectual property, social relationships, and patriotic motivations are some major matters for the foreign entrepreneur entering China, the key issues for crossing China’s southern border into Vietnam are technological integration, effective implementation, and managerial influence—and certainly finding the right people for the right opportunity. “For my firm’s purposes in Vietnam, people (entrepreneurs) really are the key component to a business venture,”

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<sup>16</sup> Li Bing is the founder and CEO of *V-Hunters Consultants*, [www.v-hunters.com](http://www.v-hunters.com).

<sup>17</sup> According to Franklin Allen, Wharton Finance Professor, there exists “in China, a set of informal norms based on relationships and reputations [that] has sprung up to take the place of the West’s more formal rules and that these informal norms have propelled the economy’s fast growth... There exist very effective, nonstandard financing channels and corporate-governance mechanisms to support growth of the informal sector.”

<sup>18</sup> Basu, Indrajit, “China and the art of (standards) war”, *Asia Times*, 13 April 2006, [http://www.atimes.com/atimes/China\\_Business/HD13Cb05.html](http://www.atimes.com/atimes/China_Business/HD13Cb05.html).

<sup>19</sup> Axon plans to launch its *SleepSmart* alarm clock within the next 10-12 months <http://axonlabs.com/products/smart.html>.

says Landon Schmitt (Brown '03.5)<sup>20</sup>, who was commenting on the question as to how his technology venture capital fund firm, IDG Ventures Vietnam<sup>21</sup>, evaluates the entrepreneur versus the entrepreneur's business plan. Schmitt further explained that his firm is "in the business of replicating existing models and modifying them for the local [Vietnam] market." However, hiring "qualified professional managers able to execute" is becoming increasingly difficult as "more multinationals enter the [Vietnam] market and snatch up local talent."

Schmitt's brief synopsis of his firm's situation in Vietnam underscores many of the realities of Vietnam's evolving culture and business market. According to Simon Montlake, correspondent of the Christian Science Monitor, Vietnam "has slowly yielded to a turbo-powered model of capitalism" since the 1980s after the state-planned economy changed to its current free-market policy—dubbed "renovation" by its architects—putting entrepreneurs back in the driver's seat.<sup>22</sup> However, in light of Schmitt and Montlake's remarks, what type of entrepreneur is really being referenced in Vietnam?

Indeed, Vietnam has "gone from looking down on entrepreneurs and private businessmen to revering them," according to Than Trong Phuc<sup>23</sup>, but it seems the successful entrepreneur in Vietnam needs to be excellent at execution, management, and leadership. "There are not really any new ideas in Vietnam...the technology needs to be proven," affirms Schmitt when asked about key challenges for venture capital firms in evaluating high technology concepts and products that are not yet ready for the market.

A great example of this is Intel, who plans to invest \$1 billion for a chip plant in Ho Chi Minh City—again, a proven technology that will take advantage of Vietnam's large population and "younger generation [who] pushes for and drives technology development, which makes Vietnam an attractive market for Intel...with great opportunity for growth, innovation and partnership," according to Rick Howarth, an Intel Products executive at its Ho Chi Minh City facility.<sup>24</sup> Apparently, the successful entrepreneur in Vietnam is one who possesses expertise in implementation rather than innovation.

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<sup>20</sup> Landon Schmitt went to Vietnam on a Full Bright Scholarship after graduating from Brown in December 2003.

<sup>21</sup> IDG Ventures Vietnam is the first technology venture firm in Vietnam, helping entrepreneurs grow innovative companies on a global basis. <http://www.idgvv.com/>

<sup>22</sup> Montlake, Simon, "The Monied Heroes of Vietnam," Christian Science Monitor, 13 March 2007, <http://www.csmonitor.com/2007/0313/p06s01-woap.html>

<sup>23</sup> Than Trong Phuc is the country manager for U.S. chipmaker Intel.

<sup>24</sup> Thanhnien News: "Intel invests \$1 billion for chip plant in Vietnam" <http://www.thanhniennews.com/business/?catid=2&newsid=26532>.

The advantage of this distinction has been exploited by CEO Jin Lim of Cyworld Vietnam, an online social networking community launched in 1999 that is similar to other social networking websites<sup>25</sup>. Lim takes full advantage of Vietnam's young population, high percentage of internet usage skills, and enormous internet population growth.<sup>26</sup> Cyworld: Vietnam is outward-focused and more about "relationships and interaction" as opposed to blogs and forums, which can tend to become inward focused, according to Lim.

Also recognizing Vietnam's emerging generation and how they're "competitive...[and] like to show off" their things and recent purchases, is Bryan Pelz, CEO of Vinagame.<sup>27</sup> However, Pelz knows that in order to stay competitive, creativity and innovation must be part of the long term business strategy for Vinagame. To inspire and hire imagination and ingenuity, Pelz implements five features: core team program, cafeteria, contests, training, and regular company parties.<sup>28</sup> Vinagame generally tries to "adapt examples from the U.S.," says Pelz. Fortunately, he is an American, and his transfer of American management appears to further prove that successful entrepreneurs in Vietnam need to know how to run a company, and not merely start one.

Management and implementation are the key characteristics of the foreign entrepreneur seeking to do business in Vietnam, rather than the often assumed traits of creativity and innovativeness. This entrepreneur needs a global perspective and an understanding of proven technologies around the world, the foresight as to what would work well in Vietnam given its unique characteristics, and then the leadership and management skills to quickly and efficiently implement and integrate these proven technologies.

Furthermore, these nuances also seem to be very relevant for the entrepreneur entering other developing countries, such as Nigeria. In the seventh fastest growing city of the world<sup>29</sup>,

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<sup>25</sup> 1988: AOL Buddy profiles, 1995: Classmates, 1996: SixDegrees, PlanetAll, 1999: YouthStream.  
<http://yasns.pbwiki.com/>

<sup>26</sup> According to Cyworld's Vietnam Market Overview as of November 2006, 69% of Vietnam's population is under 35 years old, and 52% are under 25 years old with most Vietnamese from 15-24 years old have excellent internet usage skills. Furthermore, the internet population growth was 7000% from 2000 to 2006.

<sup>27</sup> Vinagame has become the number one online game market in Southeast Asia since its launch in 2004  
<http://www.vinagame.com.vn/>

<sup>28</sup> Core team program: 10% of employees are invited. We do team-building retreats, and also invite potential executive recruits along to see how they enjoy our culture (which is quite competitive and fun-loving); Cafeteria: not as good as Google's, it encourages different teams to mix; Contests: karaoke contests, game contests encourage our culture; Training: there's a training budget for everyone, and people can play a role in guiding their own program, and; regular company parties.

<sup>29</sup> [http://www.citymayors.com/statistics/urban\\_growth1.html](http://www.citymayors.com/statistics/urban_growth1.html)

Lagos, despite its economic underperformance, a reliance on exports to make money, and a need for better infrastructure, the city continues to grow and the people are hopeful that their move into Lagos will (somehow) provide a better future for them and their families. While the country is ready for businesses to be planted, who will be the planters and what exactly will be planted? When asked if entrepreneurs should look at proven strategies when looking to do business in Nigeria, or be more innovative, Abegbesan said there is “lots of room for replication” and plenty of “business opportunities related to basic needs”, which are both similar situations in Vietnam. But according to Abegbesan, there’s still one more step: “You need to look beyond the surface and still be innovative.”

In regards to innovation, one country seems to be turning out entrepreneurs through its military force: Israel, who is breeding technically skilled, innovatively thinking entrepreneurs out of its Israel Defense Force (IDF) every year. These soldiers are leaving their required military service with knowledge of and experience with high-tech systems, decisive, independent decision-making skills, and quick judgment capabilities, according to Yoni Berdine (resumed undergraduate, Brown '07; IDF from 2000-2003). This militaristic, Israeli entrepreneur translates his knack for survival, his determination to persevere through adversity, and his commitment to accomplishing goals—while serving in the military—to advantageous and competitive business tactics, strategies, and values.

The entrepreneur seeking to do business in Israel will need to recognize and utilize this talent pool of soldiers and should seek to provide resources, capital, and direction to these entrepreneur-trained people. Israelis are great at identifying the problem and the solution, according to Rafi Oz, CEO of Time Machine Software<sup>30</sup>; but, they’re weak in marketing, packaging, and sales. This has led to a need for experienced CEOs to run Israeli companies, potentially to turn them around, and maintain their competitive advantage over countries—which quality—according to Ziv Omer<sup>31</sup>.

Talent and technical skill also seems to be a niche for India—and a problem for the U.S. In regards to a global competition perspective, according to Vanu Bose, President and CEO of Vanu, Inc., one of the greatest challenges for U.S. companies over the next several years will be keeping (and growing) the talent pool in the United States. “We (Vanu, Inc.) didn’t go to India to

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<sup>30</sup> [www.tmachine.com](http://www.tmachine.com)

<sup>31</sup> Manager, Oracle Excellence Center for Startups, ISVs & OEMs at Oracle

save on costs and development,” said Bose, whose company is building the first wireless infrastructure solution that enables individual base stations to simultaneously operate GSM, CDMA, iDEN and beyond, called software radio.<sup>32</sup> But rather, Bose went to India because the “engineers are better” and he “wants the best”. However, Bose doesn’t think “India is a good place today for a company relying heavily on infrastructure”, especially due to the bureaucracy and corruption.

On the other hand, opportunities for entrepreneurs seeking to do business in India seem to be in infrastructure and civil engineering, as well as human resources. As the 11th largest economy in the world and the 2<sup>nd</sup> fastest growing among larger economies (behind China), India has become a key player in the global community, and is emerging as a pool of 1.1 billion potential customers for companies wanting faster growth. Next, India is seeking to expand beyond mere outsourcing for low cost labor and is becoming the “epicenter of the flat world”<sup>33</sup>; however, there are still major problems with infrastructure, as well as endemic water and power shortages—leading to a deficiency of 500,000 engineers by 2010, some experts say<sup>34</sup>. According to the Boston Consulting Group, building better roads, ports, power systems and airports could easily nudge India’s annual GDP growth up rate from 7% to a sustainable 10%. To combat these issues, India is bringing in English-speaking engineers, attracting more outsourced work than any other country.

Another impacting insight into India came from an afterthought from a discussion with Rich Lazio<sup>35</sup> regarding the growing population of Indian English speakers who will out number American English speakers in the next 20-25 years. The mere mentioning of this minor, yet (apparently) noteworthy statistic reveals that Lazio looks beyond just facts and stats and is able to visualize their implications on his company, the culture, and the world. With so much information so readily available, it appears that the American global businessman’s competitive advantage will lie in the ability to read in and out of all the relevant and available information in order to better understand, interpret, and apply it to whatever the situation may be: for China, it’s understanding the *guanxi*; for Vietnam, it’s implementation; for Nigeria, it’s innovation; for Israel, it’s human resources; and for India, it’s infrastructure.

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<sup>32</sup> <http://www.vanu.com/>

<sup>33</sup> Michael J. Canon-Brookes, Vice President for Business Development in India and China at IBM.

<sup>34</sup> Giridharadas, Anand, *Associated Press*: “India Edge Goes Beyond Outsourcing”, 4 April 2007.

<sup>35</sup> Executive Vice President of Global Government Affairs and Public Policy of JPMorgan Chase.

And finally, Lazio's success is reflected in his self-described skill set, which also succinctly highlights what the American global businessman will need to have in the not-so-distant future: the ability to read well, to write well (e.g. letters), to execute well, to obtain and retain a broad knowledge of many things, and to develop a strategic mind capable of implementing a plan through people management, delegation, mentorship, and recruiting—all characteristics desirable for the successful and effective American global entrepreneur in 2015.