

CHINA COURSE NUPHAR CLASS 2017

## International MBA Program in English

Nuphar Class - MBA Course 209-4997

### Culture, Economy and Business Development in China

Period 2, December 2017 – February 2018, Thursdays 18.00-21.00

#### **COURSE INSTRUCTOR: DR. GRAHAM I. JACKSON**

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## SYLLABUS

### COURSE OBJECTIVE

The objective of this course is to enable students to understand the problems, opportunities and challenges of doing business in China and the Chinese market.

### COURSE BACKGROUND

The People's Republic of China (PRC) was founded by Mao Zedong, Chairman of the Chinese Communist Party (CCP) in 1949. The PRC's success over the past 67 years is due to its unique political structure, culture, demography, geography, and the economic reforms led by Mao's successor Deng Xiaoping. China's achievements are significant because it is a "third world" nation that has quickly risen to the pinnacle of world power. China has the world's largest population (about 1.4 billion) and its GDP has grown by an average annual rate of about 10% over the past 40 years. Its hard currency reserves are the largest in the world, now over \$3 trillion. Since Deng's reforms, nearly one-third of the PRC's citizens have been lifted out of poverty, and a modern socio-economic middle class of 300-400 million people has emerged. And while the PRC's economy is still growing annually by about 6% per annum that of most developed Western countries is growing by less than 2% p.a. The PRC is still nominally a Communist-led country, led by Xi Jinping, the General Secretary of the Communist Party of China. However, it NOW operates more like a market-led economy; for example, Mobile Telephone ownership is now the highest in the world (> 93%), more than 90% of homes in China are owned by individuals and on 11.11.15 on-line retail sales hit more than \$14 billion, stimulated by a "Singles Day" promotion led by Alibaba. Those 1-day on-line sales are bigger than the Annual GDP of 68 countries!

China is currently one of the world's most attractive markets for companies and investors. However, the wide cultural gap and the unique rules and patterns by which it works create high barriers and many difficulties for foreigners.

This course introduces the basic characteristics, structures, players and practices in China in order to enable Israeli businesspeople to make more informed decisions about entering the Chinese market and doing business there. It is the first of four courses on China in our IMBA Program (which is unique in Israel to focus on China and prepare managers to cope with this huge market!).

### **STUDENT ASSESSMENT**

Attendance is compulsory in all of the class sessions, and will be monitored. There will be TWO assignments (one team and one individual assignment):

#### **Assignment 1 (weight 50%):**

Students will work in teams of 2 or 3. Students must read the 2014 case study "BMW in China" (ICMR 514-003-1) plus the background and assignment questions given at the end of this syllabus. Students must submit an analysis according to the given Assignment Questions. The work must be sent as an attachment to an E-mail to Dr. Jackson by 8.2.18 (before discussion in the final class session.) Each team assignment case analysis is to be submitted by E-mail as a WORD document (2000-2500 words). Hard copy submissions are not necessary.

#### **Assignment 2 (weight 50%):**

Individual Report: The relevance of China to the student's place of employment, or a selected industry or the state of Israel. Each student should select aspects of China covered in this course that appears to her/him to be most relevant or interesting. Evaluation of this assignment will take into account to what extent the student shows evidence of reading appropriate background materials (book chapters, academic journal articles, popular magazine articles, on-line business data and news reports) and uses proper citations (at least five references). Length: 2000-2500 words. Submit by E-mail to Dr. Jackson by 22.2.18.

**Business in China – Policies and Practices:**

**Teaching Plan (subject to change)**

Session	Date	Subject
1	21.12.17	<u>Introduction to China (Basic Facts)</u> <ul style="list-style-type: none"> <li>- Why study China</li> <li>- Geography</li> <li>- Population</li> </ul> <u>A Short History of China</u> <ul style="list-style-type: none"> <li>- The Dynastic system (its inception, development and eventual disintegration)</li> <li>- Traditional social norms in China</li> <li>- Religion and Philosophical belief in China</li> </ul> <u>China – The Revolutionary Period</u> <ul style="list-style-type: none"> <li>- The People's Republic of China</li> <li>- The Chinese Communist System</li> <li>- The Cultural Revolution</li> <li>- The legacy of Mao Zedong</li> </ul>
2	28.12.17	<u>China – The Modern Era</u> <ul style="list-style-type: none"> <li>- Reform and Opening Up</li> <li>- The legacy of Deng Xiaoping</li> </ul> <u>The Chinese Economy</u> <ul style="list-style-type: none"> <li>- Historical and Global context</li> <li>- GDP and Growth trends</li> <li>- The Balance of Trade</li> <li>- Manufacturing and Prices</li> <li>- Geographical segmentation</li> <li>- Regional Inequality</li> </ul>
3	4.1.18	<u>Chinese Society</u> <ul style="list-style-type: none"> <li>- "Guanxi" (Relationships)</li> <li>- "Mianzi" (Face)</li> <li>- The One-Child Policy</li> <li>- The Aging Population</li> </ul>

4	11.1.18	<u>Key issues in China Today</u> - China's Strengths and Weaknesses - Corruption in China - Pollution in China - The Economy Today
5	18.1.18	<u>Marketing in China</u> - Chinese buying behavior - Demographic Market Segmentation  <u>Media in China</u> - Information Sources in China - Media Censorship in China - The Internet, Social Media networks and On-line Shopping  <u>TED Video: Eric X. Li (2013)</u> "A Tale of two Political Systems" <a href="https://www.youtube.com/watch?v=s0YjL9rZyR0">https://www.youtube.com/watch?v=s0YjL9rZyR0</a>
6	25.1.18	<u>Introduction to Doing Business in China</u> - Key problems for Western companies in China (The competitive structure, cultural differences, protectionist policies, undervalued currency and theft of IP - Chinese versus Israeli Business Characteristics (The cultural context of innovation, entrepreneurship and negotiation)
7	1.2.18	<u>Copying and Creativity in China</u> - The ethics and economics of counterfeiting - Innovation in China  <u>How to Succeed in China</u> - The Competitive advantages of Chinese companies - Recommendations for success  <u>Guest speaker: To be determined</u>
8	8.2.18	<u>Case Discussion</u> – "BMW in China"  <u>Chinese Business Culture, Customs and Etiquette</u>

## **TEACHING MATERIALS**

Course materials including the syllabus, lecture slides, assignment notes, and case study material will be available on the MOODLE course website. For useful recent articles and reports see the links listed in the relevant section below.

## **COURSE INSTRUCTOR**

### Dr. Graham Jackson

Dr. Jackson is Senior Adjunct Lecturer and previous-Head of the International MBA Program, Department of Business Administration, Faculty of Management, University of Haifa. He has B.Sc. and Ph.D. degrees in Management Sciences from the University of Manchester / UMIST (UK), and worked in Marketing in both IBM (UK) and Procter & Gamble (UK). At the University of Haifa has taught MBA courses in Marketing Management, Marketing Strategy, Marketing for High-Tech Companies and Doing Business in China. He also taught Marketing courses in MBA programs at the University of Tongji in Shanghai for the last seven years and supervised over 40 MBA projects in China. His hobbies include photography in China and learning to speak Chinese.

### **RECOMMENDED GENERAL READING ON CHINA**

- Ebrey, Patricia Buckley (1996), The Cambridge Illustrated History of China, Cambridge University Press
- Fairbank John King and Goldman Merle (2006), China – A New History, Harvard University Press
- Jung Chang (1991), Wild Swans – Three Daughters of China, HarperCollins / Flamingo
- Jacques Martin (2009), When China rules the World, Allen Lane (also available in Penguin paperback format)
- Halper Stefan (2010), “The Beijing Consensus”, Basic Books
- Kissinger Henry (2011), On China, Penguin Press; see on-line in PDF form:  
<https://www.google.co.il/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=2&cad=rja&uact=8&ved=0CCUQFjAB&url=https%3A%2F%2Fwww.uploady.com%2F%23!%2Fdownload%2FN8qAZhHovDx%2FCpX5wX7KCSbeskGv&ei=M00uVfjilOZPfa02RgNgM&usq=AFQjCNETiTeQPHJLhKc1IJdTLySyLqvOHQ&bvm=bv.90790515,d.bGQ>
- “China 2030: Building a Modern, Harmonious and Creative High-Income Society (2012), the World Bank

### **RECOMMENDED BUSINESS AND ECONOMICS BOOKS**

- Story Jonathan (2003), China: The Race to Market, PrenticeHall
- Zinzius Birget (2004), Doing Business in the New China, Praeger
- Clissold Tim (2005), Mr. China, HarperBusiness
- Naughton Barry (2007), The Chinese Economy: Transitions and Growth, MIT Press
- Fernandez, Juan A. and Underwood L. (2006), China CEO, John Wiley & Sons
- Xiaowen Tian (2007), Managing International Business in China, Cambridge University Press
- Herd Richard (2009), Another Crisis on the Long March, China Office, Economics Department, OECD, Paper presented at the Freiberg Center, Hebrew University of Jerusalem, 26.4.2009

### **USEFUL RECENT ARTICLES AND REPORTS**

- Knowledge@Wharton (2016), "China's Growing Debt: Are the Fault Lines Beginning to Show?", 6.7.16  
<http://knowledge.wharton.upenn.edu/article/chinas-growing-debt-fault-lines-beginning-show/>
- McKinsey Quarterly (September 2016), "The CEO guide to China's future"  
<https://www.mckinsey.com/global-themes/china/the-ceo-guide-to-chinas-future>
- Gough, Neill (2016), "As China's Economy Slows, a Look at What Could Happen", New York Times, 18.10.16  
<https://www.nytimes.com/2016/10/19/business/international/china-economy-slows-impact.html>
- Barboza, David (2016), "Inside China's iPhone City", New York Times, 29.12.16  
<https://www.nytimes.com/2016/12/29/technology/apple-iphone-china-foxconn.html>
- Bradsher, Keith (2017), "When Solar Panels Became Job Killers", New York Times, 8.4.17  
<https://www.nytimes.com/2017/04/08/business/china-trade-solar-panels.html>
- Mozur, Paul and Zhang, Carolyn (2017), "Silicon Valley Giants Confront New Walls in China", New York Times, 22.7.17  
<https://www.nytimes.com/2017/07/22/technology/in-china-silicon-valley-giants-confront-new-walls.html>
- Sharma, Ruchir (2017), "To Grow Stronger, China Has to Grow More Slowly", New York Times, 26.10.17  
<https://www.nytimes.com/2017/10/25/opinion/china-economy-slow-growth.html>

### **USEFUL WEBSITES**

- <http://factsanddetails.com/china.php>
- <http://www.xinhuanet.com/english/weekly/weekly01.htm>
- <http://www.chinaeconomicreview.com/>
- China Law Blog: <http://www.chinalawblog.com/>
- <http://www.chinabusinessreview.com/>
- <http://chinadigitaltimes.net/>

<http://www.eeo.com.cn/ens/>

<http://english.people.com.cn/90001/90776/index.html>

<https://www.conference-board.org/chinacenter/>

<http://www.chinadaily.com.cn/>

<http://www.shanghaidaily.com/>

## **CLASSROOM GUIDELINES**

1. Attendance is compulsory in all of the class sessions, and will be monitored. Students missing more than two classes will have to submit an extra assignment or have their course grade reduced.
2. Persistent late arrival to class will be noted. Students arriving late should take their seats as quietly as possible.
3. Prior Notification: a student who will miss class, arrive late or leave early for special reasons should inform the Course Instructor in advance.
4. Students' questions and classroom debate is encouraged. In order for all the students to hear all the lectures, students are requested not to chatter in class.
5. Mobile phones should be switched off or to silent mode. Any student who needs to take an urgent call or make an urgent call should temporarily leave the classroom and return quietly.
6. The use of laptops in class is allowed. It may help students follow lectures on the course website and/or record notes directly into the computer. However, in the classroom, laptops must not be used for private use, such as e-mailing, general web-browsing and game playing.

## BMW IN CHINA – BACKGROUND AND QUESTIONS

ICMR Case Study 514-003-1, 2014

### Background

Since China opened up its economy in the 1980's, the demand for private cars grew so fast that by 2008 China became the biggest car market in the world. Even so, in 2013 China still had less than 74 cars per 1000 inhabitants, compared with 562 in Germany and 742 in the US. While the total Chinese market grew by an average annual rate of 26% over the last decade, the fastest growth market sector was for premium (luxury) cars: 36% per year (1.25 million, 9% of the total)!

In 2013 there were more than 40 Chinese vehicle manufacturers, mostly supplying China's fast-growing middle classes. In general, Chinese cars were not based on the latest technologies, product quality standards were relatively poor and designs were often copied from foreign models. Local manufacturers supplied about half the market with foreign brands supplying the rest.

Importers of foreign cars paid very high taxes and tariffs, so all the foreign manufacturers who were committed to the market had local manufacturing assembly operations. However, according to the law, since this was regarded as a strategic industry, all the foreigners had to operate in 50:50 Joint Ventures with local car manufacturers.

The biggest foreign-Chinese Joint Ventures were Shanghai VW (established 1984) and SAIC-GM (1997), which mainly produced up-market Buick models. VW and GM were followed by most other American, European, Japanese and Korean manufacturers, and since 2013 even Qoros (the Israel Corporation!)

In 2013 the Chinese premium (luxury) car market was dominated (80%) by Germany's top three: #1 VW-Audi, #2 BMW, #3 Daimler (Mercedes Benz), all of which had Joint Ventures. Audi's JV started in 1988 and they sold 492,000 cars in 2013, BMW started in 2003 (362,000 cars in 2013) and Mercedes Benz started in 2006 (228,000 cars in 2013). They were followed a long way behind by GM-Cadillac, Volvo-Geely, etcetera.

### Assignment Questions

(In answering the questions below, consider the business environment, consumer trends, marketing strategies and all factors in the Marketing Mix)

1. List and explain ten reasons for BMW's success so-far in China (20%)
2. Conduct a detailed and thorough SWOT analysis for BMW in China as of 2013. (40%)
3. What do you think should be BMW's goals in China for 2014 onwards? (10%)
4. What should be its strategies to achieve these goals? (30%).