

# **Alpha Sigma Summer Enrichment Report**

John Christian Farmer



**Intro:**

From Taipei, Taiwan to Tokyo, Japan to New York, New York and finally to my hometown of Charlotte, North Carolina, the three legs of my 28 hour trip home have provided ample time for me to think back and reflect on the significance of my Global Immersion Elective. Between the powerful friendships formed that will undoubtedly continue growing into perpetuity, exposure to many cultural landmarks and anomalies that exist between East Asia and the United States, and finally insights into the intricacies of business practices abroad, my 3 weeks spent abroad have proved to be some of the most memorable of my life to date.

Spending every waking hour of every day with the same 30 people for over 2 weeks served to play several important roles that are apparent now and will continue to be so in the future. Seeing that my first semester with Kenan-Flagler business school begins this upcoming Fall of 2014, it is to my advantage that I have already began forming a network and creating connections with many of the individuals that I will be interacting in class with and tackling group projects together. Whimsical and often times trivial activities such as late-night river walks, city-wide scavenger hunts, a night on the town, and random trips to local food markets reinforced an important idea that it's not what you are doing, but who you are with that is most important. I hope to emphasize this point to the brotherhood going forward.

**Recap and Analysis:**

Education is personal—different people learn through different methods and mediums. During a recent trip to Beijing this past March, Michelle Obama addressed this notion by commenting on the importance of educational freedom within school systems around the world, while also stressing that unfettered access to information best ensures scholarly growth. Kenan-Flagler's Global Immersion Elective to China and Taiwan

embodied the First Lady's inspired message by taking a holistic stance towards schooling in that it approached learning from multiple angles. What was first prefaced throughout the pre-departure sessions came to life during my time spent abroad. East Asia's best business practices, a rapidly emerging economy, and cultural norms that were anything but "normal" struck myself and the other twenty seven undergrads in a manner that broadened our horizons beyond belief. In the midst of chaotic days filled with company visits and historical outings, my time spent with one special individual from ECNU played a role of paramount importance. Xueyin Liao, my former dinner partner, current pen pal, and now international friend, diplomatically juxtaposed the "American Dream" with China's steady accretion of market presence and freedom. Her business savvy synthesized many ideas that had been circulating into one cohesive focus; East Asia exists on a frontier all its own as the up and coming land of opportunity.

A great deal of China's recent economic growth can be attributed largely to their production of inexpensive exports. According to the Observatory of Economic Complexity, machinery and electronics account for a significant portion of the goods that leave major shipping hubs such as the Port of Shanghai and Ningbo-Zhou Shan. In order to transport these products from point A to point B, container vessel shipping companies such as Wan Hai Lines Ltd. play a deceptively important role in promoting the inherent growth and ongoing success of the world's second largest economy. Managing a fleet that has a carrying capacity of over 100,000 TEUs comes with its own unique set of challenges that are affected and often times impeded by an assortment of external entities. Fluctuations in the price of low-grade bunker fuel function as a major player within the transportation industry as a whole. Because of this, maintaining positive international relationships with

the likes of Russia and Saudi Arabia are vital in terms of expansion and profitability. Special Assistant to the President Mr. Randy Chen divulged that Wan Hai Lines Ltd. combats additional causes for concern with organizational restructuring, workflow streamlining, cost reduction, and the development and integration of strategic information systems. Efforts aimed at making the workplace more efficient such as these, capitalizing on the sprawling growth of East Asia, and building mutually beneficial relationships have emerged as underlying themes that permeate the meat of most large scale, multinational operations.

Companies that seek to endure and expand with the rapid growth, that to some degree plagues China, generally funnel sizeable monetary resources into their supply chain sector. Depending on the business's structural needs, different areas of emphasis such as location, speed, and quality take precedent over one another. Globally focused manufacturer and renowned supplier to the automotive industry Schaeffler of Greater China facilitated, for the entire Kenan-Flagler group, a factory tour that offered important insights into the approaches taken by a leading producer of ball bearings and clutch systems. Thoughtfully designed blueprints plastered every nook and cranny of the factory floor, detailing the many intricacies of their workflow process by laying out in structured fashion what Schaeffler currently deems the most effective manufacturing procedure. Assembly lines that snake strategically through the workplace were complemented on the routes exterior by transportation and supply zones; GE Healthcare shared a similar setup. Quality, the Schaeffler supply chain manager explained, plays the largest part in developing their personal manufacturing process. To ensure they upheld their high set of standards, actual men and women rather than machines carried out a surprisingly large amount of the product assembly. Clever supply chain projects reliant on out-of-the-box thinking seemed

commonplace amongst these innovative organizations. For example, Schaeffler was in the process of integrating an intelligent robotics system that followed an underground, magnetic path to expedite and automate the parts delivery process during our stint in their workspace. In order to keep pace with the ever-growing demands of East Asia, both new and established companies must maintain this focus on making more efficient the workflow process.

Economies of scales give larger companies a clear advantage over smaller companies because of their ability to purchase and produce items more cheaply due to sheer volume. As the world's first dedicated semiconductor foundry and third largest producer of semiconductors in the world, Taiwan Semiconductor Manufacturing Company utilize these economies of scale to a great degree within their FABs (fabrication plants) used to produce wafers. So-called GIGAFAB facilities are the sites currently responsible for producing TSMC's largest wafer, measuring exactly twelve inches in diameter. Wafers of this size were developed and engineered by individuals mindful of attaining lower operating costs by achieving automation levels of nearly 100 percent. Chairman Dr. Morris Chang spoke at length about potentially expanding from a 300 mm wafer to a 450 mm wafer and the associated risks that came with this move. It was unclear whether the research and development and upfront costs currently associated with building a facility capable of outputting such a product could increase the positive delta between total revenue and total cost, this however is the plan moving forward. TSMC must continue to provide better products and newer technology than its main competitors, Samsung and Intel, in order to maintain their mobile and tablet chip revenue growth of nearly 35% in 2014 as predicted by their former CEO. Within the manufacturing world in particular,

publicly traded companies of this magnitude create large barriers to entry for smaller players trying to break in and enjoy their share of the wealth.

In addition to bettering current processes, technological advances also serve an instrumental function in creating new fields within industry and allowing a younger, resource constrained generation of individuals to try their hand at building a business of their own. Similar to Launch Chapel Hill and 1789, start-up accelerators have also begun falling into fad in larger cities such as Beijing and Shanghai. Government backed incubator programs such as Yangpu Ventures and Yuanfenflow recently gained in popularity with the surge in software company growth; the country as a whole is pushing towards the creation of what would equocate to a Chinese “silicone valley” in their own backyard. The concept and beginning executions behind famed website Alibaba.com, China’s largest B2B site and a favorite amongst Europeans and Americans alike, first came into fruition with the sparse funding of two thousand dollars to get Mr. Jack Ma’s company off of the ground and now serves to create thousands of new jobs within the company itself as well as the other businesses with whom it partners and serves. Examples such as these offer testimony to the good being done by supporting the tech sector of Mainland China. Area Director of Greater China, Mr. Ewan Ross of SasS software company Meltwater, took a step back and gave the Kenan-Flagler group a look into the life of their relatively new office through an unfiltered lens. As a company with the self-defined mission of hiring young and promoting from within, Meltwater sought out Shanghai for its surplus of ambitious men and women new to the workforce. Ross stressed the positive amount of responsibility employees assume from day one, a claim backed by his personal leaps within a five year stint from Edinburgh to Cape Town to New Delhi to Hong Kong and finally to Shanghai. Progressive

companies such as these are indicative of the growing career opportunities in China and beyond.

The bright minds of China's youth are not the only ones catching the attention of and reaping benefits from the Communist party. Beginning in the recent years leading up to the 2008 Beijing Olympics and China's quest to top the medal count, the national government began taking a concerted interest in developing their most promising, young athletes. After identification, children are plucked away from their families and sent to live the duration of their adolescence out, following a grueling training and diet plan, in state-financed sports academies. Although extraordinary resources are provided at the athlete's disposal, these government-funded programs have nothing to do with the development of the individual and everything to do with development of the whole. Boys and girls absorbed into the system often lose all forms of contact with their families while they work to avoid anything less than perfection, what many perceive as a disgrace to the motherland. In 2011, the media discovered former Chinese gold medalist Zhang Shangwu begging on the street; an extreme example of the over 240,000 retired athletes forsaken by the country and struggling with injury and poverty. In light of this, "a tide of self-doubt and introspection about the human costs of China's Olympic prowess has arisen amid worries that the nation's draconian sports system is sometimes producing damaged goods" (Jacobs). A partnership between Yao Ming and NBA China sought to address this cause for concern with an after-school fitness program for boys and girls of all skill levels that works to alter the negative perception about youth athletics in China shared by others and myself. Thus the NBA Yao School was born. Contrary the self-serving ambitions of the Chinese government, the NBA Yao School seeks to create an environment that cultivates the

untapped talent of Beijing's 11.51 million prospects with a balanced skillset of teamwork, leadership, and communication. Tapping into the expanding markets of second and third tier cities also exists as an exciting opportunity for the athletic and business world alike.

With this business opportunity in mind, Century Bridge Capital shows great foresight in their strategic investment strategy. Growth rates are currently high do to continuing wage increases and a trend of mass urbanization, thus the most effective approach taken by Century Bridge entails the formation of joint ventures with Chinese Real Estate development companies to provide equity capital for middle class, residential real estate projects in China's rapidly expanding second tier cities. Rumors heard leading up to our trip of entire cities created seemingly overnight were confirmed by the hundreds of cranes encountered on the high-speed train trip from Beijing to Shanghai—seeing is believing. Associate Ms. Laura Oslick presented a comprehensive look into her firm's most recent undertaking, the Hangzhou Huayuan Headway Project, so as to provide a real-life look at the direct implications a development comprised of over 2,490 units would have. If China can sustain the staggering annual GDP growth rate at approximately 8%, I imagine an entirely new wave of cities will reach tier I status within decades to come. As more large cities form, vibes indicative of the Western world will slowly spread outwards, eroding the traditional business practices China is known for. As a Real Estate Private Equity firm with large offices in Beijing, China and Dallas, Texas, Century Bridge understands and was able to thoroughly explain the many intricacies of carrying out business in China and the most tactful approaches that should be taken when bridging the cultural gap.

An overwhelming amount of uniformity existed between all the companies that incorporated the defining characteristics of Chinese business into their presentations. The



old adage saying “it’s not what you know, but who you know that matters” is true to some extent in the United States, but in China it is everything. Relationships account for much of the success, and for that matter failure, of businessmen and businesswomen looking to benefit from the opportunistic land of modern China. Prior to the trip, I only envisioned working out-of-country in Asia for a year or two post-undergrad; I now recognize the importance of approaching business abroad with plans for a more extended timeline. Guanxi, a Mandarin word that lacks any direct English translation, is indicative of something that requires time to build and implies that one will maintain the moral obligation to uphold certain standards within professional business relationships into perpetuity. As a consultant for Ogilvy Public Affairs in Beijing, Christopher Gragg echoed the vitality of maintaining strong guanxi before using that concept as a segway into how and why one should leverage the Communist Party to their advantage. Aligning ones professional interests with those of the governing body can often times lead to lighter legal regulations and substantial funding from the state. Multinationals such as Chris face the most opposition in working to achieve robust levels of guanxi because Chinese residents rightfully perceive them as outsiders for a multitude of reasons. Recruiting the help of locals, taking a long-term approach towards relationships, and engaging people in their native tongue are surefire ways to minimize the negative preconceptions often tied to foreigners.

Before choosing to go on the GIE, I read many study abroad reviews on Kenan-Flagler’s global programs page. One overarching theme that caused me to constantly question my decision prior to departure was that many students felt an overly westernized disconnect from the indigenous people and their cultural surroundings. To my satisfaction,

the Global Immersion Elective struck a perfect chord between immersive and comfortable, leaving myself and others satisfied, but nevertheless wanting more. Worthwhile decisions such as befriending locals, avoiding all utensils other than chopsticks, forgoing the temptation of tourist traps, and consciously eating anything and everything that was put in front of me, collectively created a sound understanding of East Asia's culture. Business visits effectively engaged the interest of all students in attendance. The large scope of industries and corporation sizes covered provided a holistic glimpse into East Asian industry from the perspective of expats and natives alike. The things I saw and experienced instilled a great deal of confidence and fear within me. Confidence that spans from my post-trip immersion as a better informed, more globally minded individual and fear that spans from the international competition that my children, my children's children, and I will face in the near future. East Asia exists on a frontier all its own as the up and coming land of opportunity and should be treated as such.

**Closing Statement:**

I am extremely grateful to the Alpha Sigma Foundation and the brotherhood as a whole for supporting my global immersion experience. Because of your generosity and the low food and transportation costs on the trip, the provided funds successfully got me through the entire time that I was in country. I would strongly encourage all current and future Sigmas to consider studying abroad and applying for the summer enrichment scholarship as well.

YITB,

John Christian Farmer

Sigma '16



