

# WHEN CHINESE ENTREPRENEURIALISM MEETS WESTERN ECONOMICS

BY E.J. HERESNIAK

**T**he gyrations of the U.S. economy have generated any number of surreal situations. My strangest: having to describe to a roomful of Chinese parents, many of whose businesses were suffering from the economic crisis, how I would be teaching their kids Western economics. Knowing more than a little about the chicanery that caused their woes, I wanted to apologize.

And I, an American, wondered if there was something disloyal in teaching management and economics to future leaders of China—helping tough competitors learn how to do even better what their parents already were doing pretty well.

I've been in China for eighteen of the last twenty-four months, teaching the kids of wealthy Chinese. The kids are more worried about India as a competitor than about the United States; I guess they figure they've already beaten us, which is hard to argue with these days. I tell them that empires have cycles that don't last forever and that while the last century was ours, this one is likely to be theirs—and not to screw it up.

As to the teaching, the econ syllabus calls for the usual stuff—theories, curves, and calculations—all of which failed to predict or prevent the mess we made. Indeed, there is very little good to say about the

near-demise of Western economies and the failure of Western economists. The ridiculous irresponsibility and outright thievery of a handful of Americans nearly wrecked a system once emulated all over the world. Million-dollar-bonus traders cooked up schemes so obscure that nobody could or cared to understand them as long as they made money. I tell these kids something I learned at IBM: "If it can't be explained in plain English, they probably don't know what they're doing."

My students want to know, though, about the self-correcting "invisible hand" of the free market—you know, the one that's supposed to be better than those terribly inefficient planned economies. It's not a little strange to be preaching the free market's virtues to a Chinese kid and have him point out that President Obama pushed out the CEO of General Motors and dictates what banks will do, that GM and Chrysler are now state-owned enterprises, and that Washington, D.C., manages compensation for a lot of bank managers. How to reconcile theory and practice? The most common phrase I teach my students is, "It depends." For all its

science, theorems, and charts, economics overlooks the fact that when it comes to money, people cheat. That may be the most important thing I can tell the kids.

The Chinese person don't exactly need my, or anyone else's, encouragement to adopt aggressive free-market attitudes. Every Chinese I meet is an entrepreneur. Mom-and-pop enterprises litter every street, defying economy of scale and the notion that these folks are under anyone's yoke. A girl I met who works for a stone company (China exports more stone than any country save Italy) secretly operates as an



## China is a country of hungry, hardworking souls, not unlike the kind who built America some centuries ago without knowing much about theoretical economics.

independent agent for a neighbor of mine back in Virginia who imports stone benches and other gardenware.

A staffer at the university at which I worked last year launched his own English teaching school. Another friend who worked in sales for a garment factory started her own deal and now works with several factories to ship custom-made wedding dresses and other apparel all over the world. I have an agent who helps me import superb oil paintings from photographs; she moonlights for me while still working in a gallery. When I first visited China, almost a dozen years ago, my tour guide—who proudly proclaimed himself a Communist—ran a private money-changing business and helped Americans and Canadians adopt Chinese orphans.

And the people are driven by more than money. The grandfather of a student of mine learned to read and write Chinese on his own by decoding a newspaper every day. The dean at my school grew up during the Cultural Revolution, was forbidden to attend college until he was in his 30s, and ended up with a doctorate from Cambridge. China is a country of hungry, hardworking souls, not unlike the kind who built America some centuries ago without knowing much about theoretical economics.

Chinese economic growth has been achieved with central planning, government enterprises, and a free market—the textbook definition of a mixed economy. It's hardly perfect, as particularly evidenced by the huge gaps between rich and poor, but it puts upward mobility within reach of much of the populace.

I enjoy teaching, and my students seem to enjoy being taught. But I'm not sure how much they need most of what I'm telling them. My Chinese colleagues warned me that my students have had no exposure to formal economics at all, and indeed, they haven't. But who cares? For economic novices, the Chinese seem to be doing better than we are. They have business in their blood.

E.J. HERESNIAK teaches economics and business in Shanghai as vice dean of Shanghai Guanghai College while pursuing business opportunities in what he calls the most fascinating place on the planet. He wrote this magazine's "Adventures in Cyberspace" column for a dozen years.

## THE TROUBLE WITH CORPORATE RETREATS

BY ANNE MORRISS



One of the uncomfortable truths about exercise, I'm discovering, is that change requires changing. Until I convince my body that it's really going to need to do something different, it's not wasting any time on building strength I'm unlikely to use. I'm already regretting this analogy, but to bring it in for a landing—my daily jog to work over the last year was a predictable lumbering toward business as usual. I felt virtuous, but nothing happened.

A professional convinced me to switch it up with a visually unfortunate mix of skipping, jumping, resting, and recovering.

The aggregate energy output was the same, but my body was shocked into responding. Suddenly I had entered the space of possibility. And suddenly I could lift my well-fed toddler without hurting either of us. If I want to be able to continue to do so, it's clear I can't go back to the same predictable movements.

Organizational change is not that different. Companies are smart organisms that won't go to the trouble to adapt unless something new really is required of them. Take your team off-site and encourage them to behave differently—to get crazy and creative in an organization built for head-down execution—and chances are good that they'll do it. For that day. But send them back to the same job design, performance metrics, and culture, and the sparks of innovation you saw on that ropes course will be quickly snuffed out.

Like service excellence, organizational change is the logical output of a system designed to produce it. When off-sites are linked to larger, systematic change processes, they can be great ways to introduce or reinforce new rules of engagement. When they're a once-a-year yoga class designed to break your organization's treadmill habit, very little is likely to happen.

ANNE MORRISS is managing director of the Concore Leadership Institute, a consulting firm that helps leaders to surface and remove the barriers to organizational excellence. From the Decision to Lead blog, at [decisiontolead.com](http://decisiontolead.com).

# Just Watch What We Do

BY PETER FIRESTEIN

I asked a senior officer of a U.S. multinational (one of the Dow 30 Industrial components) about the company's vertical communications structure. Its eighty thousand employees were spread over more than one hundred countries. I wanted to know how management helped its workforce understand the nature of the company above and beyond its identity as a developer and marketer of high-tech products. How did leadership communicate to employees the ways it wanted them to represent it in Paris, Tokyo, and Timbuktu?

"We don't need any such structure," the officer told me. "Our management is the strongest in the world, and they lead by example. If you want to know how you should conduct yourself, all you have to do is watch what they do."

Within a year, the board had fired the CEO, who had been with the company for more than three decades. It fired him for two reasons. The first was his arrogance with shareholders, who complained about the company's lack of transparency and the poor access to management it offered. The second was his arrogance with employees, who had compiled a mounting body of complaints about the absence of a consultative culture, which became known as "management by command."

Against this backdrop and a long-stagnant share price, the board simply stopped listening to the CEO. His departure bore an air of disgrace that fell just short of that which would have prevailed had fraud been involved. But there was no fraud. Just a toxic atmosphere.

My conversation with the corporate official took place in a well-appointed office, with awards on the walls and "tombstones," encased in Lucite on the desk, commemorating memorable financial transactions. In my experience, however, you don't have to go to an executive suite to understand a company's attitude toward its employees and its social and natural environment. A management's character displays itself in any part of an organization, in any part of the world. The poet William Blake said that you can see the world in a grain



## How did leadership communicate to employees the ways it wanted them to represent it in Paris, Tokyo, and Timbuktu?

of sand. Similarly, you can come to understand the core ethos of a company from a forklift operator in a facility an ocean away from headquarters.

When an employee makes a statement such as, "We take our cues from watching how management reacts to events," he is offering an observation about what his management is and is not. He is acknowledging the control authority of the boss. But he is not describing an environment in which processes follow an established set of principles. When you hear such a statement, you can be sure that the inhabitants of the executive suite do not feel bound by any overriding set of guidelines. And you do not have to go to headquarters to make this observation.

That's why any approach to a value system has to take into account two basic points: It has to get to everybody, and its results will be observable everywhere.

PETER FIRESTEIN is a consultant specializing in reputation risk management. *From Crisis of Character: Building Corporate Reputation in the Age of Skepticism* (Union Square). ©2009

BY LAURIE RUETTIMANN

## HR: YOU'RE DOING IT WRONG

## 'Tis the Season to Stay Home



LAURIE RUETTIMANN is an HR professional based in Raleigh, N.C. She blogs at punkrockhr.com.

**BECAUSE YOU DON'T HAVE ENOUGH TO WORRY ABOUT** while navigating your company through troubled waters, the U.S. government has released guidance on how your organization should plan for the 2009-10 influenza season. Thankfully, the recommendations strike a fair, balanced, and cost-effective approach to managing your business and managing employee absenteeism during a potentially serious health epidemic.

The Department of Health and Human Services implemented a simple and authentic plan to inform businesses about best practices related to flu prevention. The typical Washington bureaucrat-speak is dropped and replaced with a concise message: Keep your sick workers at home, and if someone shows up for work and looks like hell, send him home.

The government is telling you what the best HR professionals won't tell you about your workforce: None of your people is doing anything important enough to risk infecting the entire office with swine flu. Get some perspective, please.


Additionally, the government is using Twitter, Facebook, and several Internet sites to advise businesses on how to prepare for extraneous events related to the flu, such as school closings. If your local elementary school closes, whether it's for a snow day or for a pandemic, your organization must consider the impact of reduced productivity on your workforce. If your employees are scrambling to make daycare arrangements because kindergarten has been canceled for the week, there will be a direct correlation to business continuity in your office.

Fortunately, none of this is rocket science. The recommendations made by leaders in Washington are far from oppressive or expensive. There are no taxes involved, and you aren't asked to donate to a political campaign in exchange for commonsense advice. Very simply, you are urged to cross-train employees so you aren't left in a lurch. Stop mistreating your employees and forget the outdated notion that an employee is working only when she is at her cubicle. Start embracing telecommuting solutions and flexible-work policies as a means to keep your business running during a natural disaster or national emergency.

Now, I am the first to admit that the federal government is not perfect, but it's almost as

if they have actually learned something from all the disasters our nation has faced in years past. Commonsense advice is never common in politics or business, but I am happy to report that our elected officials are two steps ahead of most companies when it comes to disaster preparedness and recovery. The health department recommends simple, easy, cost-neutral strategies for avoiding disruptions to your organization and your workforce. Can you say that about any of the leaders on your staff?

I cannot believe I am writing this, but it looks as though the federal government is doing HR right. If anything, it is not a stretch to say that some of the basic tips and tricks it offers will be better than the hackneyed and expensive advice you will receive from consultants, salespeople, and your local HR department. When the government offers you something for free, I say that you should take it—especially when it's good advice about flu season and managing your workforce.



**None of your people is doing anything important enough to risk infecting the entire office with swine flu.**

# TOTAL IMMERSION

BY BOB JOHANSEN



Recently, I was doing a keynote talk in Orlando for an industrial cleaning-products company. I came in the evening before and was invited to go out with the top leadership team. Usually this sort of meeting would be at some upscale restaurant or resort retreat. This time we gathered in front of our hotel and boarded cars to a local \$40-per-night motel where this company's industrial cleaning products were being used.

When we arrived, we huddled in the parking lot with the lead salesperson for that account and were herded into the laundry room to see how their cleaning products were used with soiled sheets and towels. Then, we were each given a cleaning cart and taught how to clean authentically dirty motel rooms that had been "rented" for the occasion by the company that manufactures the cleaning products. I was taught, along with the top executives and the CEO of the company, how to use each of the products to clean very dirty

rooms. Our assignment during this immersion was to finish one room every twenty minutes—the time budgeted per room for the people who do it every day. It is very difficult to clean a dirty motel room in twenty minutes, I learned. The motel was happy to rent the rooms for this purpose, but they did send people back to re-clean the rooms after we were done. Having done some questionable cleaning in the rooms where I was assigned, I think that was a wise choice. Cleaning motel rooms is very hard work!

I stay in hotel rooms often, but I had never cleaned one. This simple immersion experience changed the way I look at and experience hotel rooms. I learned how hard it is to follow the correct cleaning instructions, especially those regarding sanitation and disinfecting. I learned how hard it is to do a good job cleaning a hotel room in twenty minutes. I learned how dirty some people leave their hotel rooms. I've always left tips in my hotel rooms for cleaning people, but having experienced just a taste of their everyday lives, I now leave a much larger tip.

My learning was less important for the company, however, than was the learning of the top executives who cleaned rooms alongside me. Will they make better business decisions because of this experience? I think so.

Executives need to be able to put themselves in the shoes of the people using their products. These executives don't usually stay in \$40-per-night motels, and they certainly don't clean them.

The outing provided valuable information about the product. For example, the directions for use of the cleaning products were just not clear. The cleaning staff at that motel was made up mostly of people whose first language was not English. The directions for the cleaning products need to be in the language with which they were most comfortable—or better yet, in a very clear visual format that works across languages.

Immersion experiences can change your life in tangible ways. It is always a good idea to learn from the people who use your products.

BOB JOHANSEN is a distinguished fellow at the Institute for the Future. From *Leaders Make the Future: Ten New Leadership Skills for an Uncertain World* (Berrett-Koehler). ©2009

# The Perils of Transparency

BY SHARLYN LAUBY

**C**ompanies are jumping on the social-media bandwagon faster than most of us change our socks. Every day a company opens a Twitter account, creates a Facebook page, and assigns some social-media evangelist the job of Facebooking (is that a word?) and Tweeting the mantra of its company brand.

But let me suggest that before you begin, you take a look at the big picture and consider a little bit of employee training. Now, your reply might be that Twitter and Facebook aren't difficult to maneuver (and that would be correct). So why the training? I'm not talking about training for the person who's in charge of Twittering (although it would be a smart move to give your CTO—Chief Twitter Officer—a lesson in promoting your brand). I'm talking about customer-service training.

Case in point. Sears has rolled out a new website called MySears Community. MySears.com allows me to write reviews, participate in discussions, and comment on blogs. Now, let me tell you about my most recent experience at Sears:

I purchased a vacuum-cleaner hose. The sales clerk told me that the hose was the correct one for the model number I gave her. It wasn't. So I went to return it. On the day I went to the store, there were six employees working the department (all talking to each other). Eventually, someone came over to assist me.

I explained the situation, and the customer-service rep said that I couldn't return the hose in the store. She also said that I couldn't order the right hose in the store, saying I would need to call an 800 number to find out how to return the item and order a new one. I asked her to call (while I was in the store), and she begrudgingly did so. While she was on hold, I listened to the rep complain about being on hold, not being able to speak with a person, and not being happy about coming into work on a weekend. Once the rep was finally able to speak with a human being, she was told that she would have to wait ninety minutes for an answer because the computers were down.

At that point, I asked to speak to a manager. Another rep told me where the manager's office was located. When I asked if the manager could come speak to me, he replied that the manager "sits on her ass all day" and that it might be better for me to go to her office. (No, folks, I'm not joking.)

So I went to the manager's office. The manager wasn't there. But I did tell my story to the assistant manager. Who then grabbed three employees and made me tell my story again (obviously, someone would be getting into trouble and needed a few witnesses).




---

**Being transparent is about more than having a Facebook or Twitter account and tossing up a community website.**

At the end of my conversation, I got a refund for the vacuum-cleaner hose, and they gave me directions on how to order the correct part. I'm not sure why that couldn't have happened forty-five minutes earlier, at the department level.

**B**ut the moral of this story is not about my vacuum-cleaner hose. It's about the fact that the *last thing Sears wants* is for me to share my experience on the MySears site.

Companies need to remember that, if you're going to create a platform for customer comments, you need to be prepared for what those customer comments might be. More importantly, prepare (train) your staff on how to correctly interact with customers to avoid getting social-media egg all over your face.

Being transparent is about more than having a Facebook or Twitter account and tossing up a community website. The benefit of transparency is to show off what a great company you are. It's about engagement at every level in the organization. But if you don't have that great company to begin with, transparency will show the world why they shouldn't do business with you.

SHARLYN LAUBY is president of Internal Talent Management, an HR consultancy based in Fort Lauderdale, Fla. From her blog, at HRBartender.com.

# WHEN SHORTCUTS ARE TOO SHORT

BY STEPHEN DENNY

**W**e all do it. Regardless of how pragmatic, ego-less, and open-minded we think we are, none of us is innocent here. We *satisfice*. Satisficing is the reason your elevator pitch failed after the first ten seconds, your product positioning was met with glazed eyes in the market, and your brilliant idea was quashed by the grizzled old veterans at your company. Satisficing can kill you. It can also be used by the forces of good, so read on.

To be clear, *satisficing* is a mash-up of two words, *satisfy* and *suffice*, coined by social psychologist Herbert Simon. When we *satisfice*, we seek adequacy, not optimal results. We do the first thing good enough to satisfy our need or answer our question, and then we move on because our busy schedule has little time for reflection. At first blush, this sounds reasonable. We don't have time to analyze carefully whether a particular book is a good investment of a \$20 bill—we look to the reviews. We can't do a comparative vendor analysis every time our car makes a funny noise—we ask a friend, get a recommendation, and close the case.

Satisficing is the death of many a good idea, regardless of how appropriate it is for your audience. Why? Your target doesn't want to have to think. I've met with VCs who rush to say, "Sorry—just to make this easy for me, who are you exactly like? Can you give me an example so I can explain you to my partners?" Satisficing. He's too busy to understand.

We *satisfice* when we are too busy to do our homework. We leave the heavy lifting for the agency. We find ourselves thinking, "... and the rest will simply take care of itself." It doesn't, and it won't. Satisficing is the reason so many good ideas never happen in corporations because, "We did that

once and it didn't work." Really? You did exactly what I was thinking, implemented it in the way I'm suggesting, and did it with the passion and commitment I have in mind—and it failed? Amazing series of coincidences, and all lazy thinking on the part of our calcified colleagues. While *satisficing* can be a clean mental shortcut for decision-making, it can hide a huge portion of intellectual laziness.

We can avoid this pitfall by creating new mental models and by avoiding means of quickly categorizing ourselves. Whenever we fall into buzzspeak, we set ourselves up for failure. When we speak in clichés, we're quickly pigeonholed.

We can't stop our listener from *satisficing*—so let's embrace what we can't change. Work within the listener's ingrained psychological framework instead of trying to storm the walls.

This is a smarter approach, and everyone is happier in the end. The entire social psychology of interpersonal influence discusses how our mental-decision triggers work in request settings. We can try to overwhelm our listener—with diminishing results, I'd add—or we can give him a reason to lower his defenses and actually listen to us for a moment.

STEPHEN DENNY is a marketing consultant; his blog, "Note to CMO," is at [www.notetocmo.com](http://www.notetocmo.com). From the MarketingProfs Daily Fix Blog.



## Be Careful What You Ask for

BY LISA HANEBERG

**DO YOU KNOW WHEN IT IS TIME TO GIVE IN?** As managers, we *say* we want independent thinkers who will challenge us or who will ask lots of questions. That said, I know of many managers who seem unwilling to change their minds about things. They are unwilling to make accommodations to previous decisions or to say, "Sure, I could accommodate that" or, "That sounds like a better plan, thanks."

These managers get entrenched by their initial thoughts and decisions. And I think they believe that if they give in, it means that they were wrong about the situation and that being wrong is unacceptable. Is it better to be right and hated or to be wrong and respected? Managers who say they welcome questions and opinions but then fail to allow others to influence them are hypocrites, and they are often the type of managers that make people want to leave.

LISA HANEBERG is a management and leadership trainer, coach, and organization-development consultant. From her blog, at [managementcraft.typepad.com](http://managementcraft.typepad.com).

# The Benefits of Benefits

BY JENNIFER BENZ

**Y**ou know how important benefits are to workers—nothing draws questions and complaints like changes to vacation-day accounting or healthcare premiums. And you're well aware of how expensive they are—as much as 20 percent of compensation spending—which is why you gave the go-ahead to tweak the company healthcare plan in the first place.

Yet benefits generally rank far down the list of executives' strategic priorities; they're seen as little more than a cost of doing business. Highly regulated and complex, healthcare and retirement plans require both high-level technology and people resources—so much so that you might think that benefits planning mostly comprises administrative paper-pushing and legal compliance. Benefits are not among the first things most executives think of when they want to brand their organization and build lasting employee relationships.

But they should be. Especially in times like these, benefits and benefits communication have tremendous potential rewards: for building an employer brand, retaining and attracting employees, and improving productivity. Wise companies strategically use benefits—health care, retirement savings, hospice, child care—to turn a talent-management philosophy into reality.

Benefits can help push forward a business strategy by capturing that philosophy for the future and matching the programs to the company's culture. Benefit programs are an inherent partnership between employer and employee. The employer provides a match to the 401(k) plan, but employees must contribute and manage their investments. The employer provides health

insurance and wellness programs, but employees must manage their health, get preventive care, and use the programs effectively. The sense of shared responsibility moves employees toward personal accountability—something on the agenda of nearly every company.

This partnership makes benefits and benefits communication one of the most powerful ways to brand your organization. Benefits are often overlooked in favor of career development, job security, working for a winning company, and other components of the employer-employee relationship. But benefits, as employees make clear, are an essential part of this value



**Benefits are an area in which the company's efforts and programs have a direct and immediate impact on employees' personal lives—and on how those employees feel about the company.**

proposition—especially at a time when salaries are static (or being reduced) and benefits comprise an even larger part of total compensation—and thus a larger component of the employer brand.

Benefits are an area in which the company's efforts and programs have a direct and immediate impact on employees' personal lives—and on how those employees feel about the company. Smart companies create benefit programs not just to match their competitors but to differentiate themselves as employers of choice, and to enable and support their talent-management strategy. From wellness to paid time off to leave-of-absence plans, benefits can be levers to encourage the behaviors employers want and discourage those that don't support the business or their employees' long-term security and health. Plus, companies have the opportunity—and perhaps the obligation—to help their employees make smart decisions about how they use their health and financial benefits. No one else is as well positioned to provide this type of education and training, and reducing anxiety and uncertainty can only help your people's state of mind and, therefore, performance.

And you don't need to spend a lot more to improve employees' perception of benefits and the link to your brand. Often, you need only to improve the communication of benefits—and get employees to use the programs more often and more effectively. Employees who believe their employer's benefits communication educates them effectively are more satisfied and loyal—71 percent are satisfied with their benefits; 72 percent feel a strong sense of loyalty, according to MetLife's 7th Annual Study of Employee Benefit Trends. Compare that with employees who feel their benefits communication is ineffective: Only 16 percent are satisfied with their benefits, with 40 percent having a strong sense of loyalty. (Keep in mind that in surveys, employees rate benefits as a much more important factor in remaining loyal to a company than do their employers.)

Looking at benefits as an integrated and essential part of the value proposition directly ties to keeping key talent—a high priority for employers in good times and in bad. According to HR consultancy Watson Wyatt, “Companies that take an integrated approach to reward and talent management are 33 percent less likely to have trouble retaining critical-skill employees and 18 percent less likely to have difficulty keeping top-performing employees.”

That is, after all, the reason benefits exist in the first place. And it is the fundamental reason successful companies look at benefits strategically—not as a cost of doing business but, rather, as a way to make good on their employee promise, creating good things for their employees and future success for the company.

JENNIFER BENZ is founder and chief strategist of Benz Communications, an HR communications-strategy firm that creates integrated employee-benefits campaigns.

## IN PRAISE OF PRAISE

BY FRANK ROCHE



**W**hen you're young, you get lots of praise. Your first word gets weeks' worth of gushing. Potty training? As far as your parents go, you get the Nobel Prize for Domestic Peace. You get praise by the bucketloads when you first start working. You get promoted. More praise. You complete a project. Even more praise.

Then, one day, the praise fountain turns off.

I don't remember what age I was when I noticed that people no longer told me that I was doing a great job. It's not like I stopped doing good work—it's that people think that once you get to a certain age or certain place in life, you don't need praise anymore. It's funny how that works.

Now, I'm not saying that I want praise. At least not here at the office. But what I do realize is that people need praise throughout their careers. Senior managers like to hear that they're doing well as much as they did when they were junior functionaries. It applies to everyone—the price of praise is free. Tell someone today.

FRANK ROCHE is a partner at iFractal, a Philadelphia-based human-resources consultancy. From KnowHR.com/blog