

The LINK

CEIBS Alumni Magazine

Volume 3, 2018

▶ Case studies come alive with RSLM. Celebration after a few laps around the race track. Cover Story. Page 04

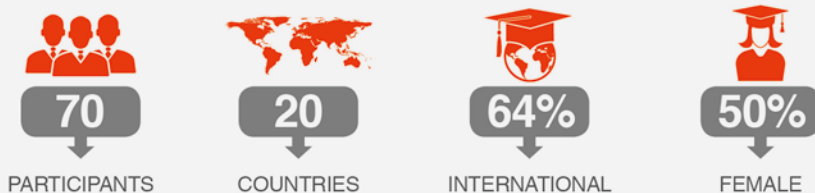
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“ This was my first time in China, and it didn't disappoint, I would strongly encourage anyone considering moving to work or study in China to attend the Boot camp. It provided me with a valuable insight into the course and how the CEIBS MBA is able to differentiate itself from other programmes. The opportunities offered during the course to engage with companies operating in China, and meet alumni, were also extremely valuable. ”

Ankur, UK
Pre-MBA Boot Camp 2017
MBA class of 2020



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We kept hearing good things about CEIBS' innovative new approach to the case study method of teaching, so we decided to dig deeper. The result: this issue's **Cover Story** on the trademarked Real Situation Learning Method. As Dean Ding Yuan puts it, RSLM is "case teaching plus". And it's been getting high marks from students, faculty and corporates alike. We explain how and why it works and give a sample of two cases RSLM has brought to life.

There has also been a lot of buzz around TAL, a company guided by its mission to "advance education through technology and the internet". In an exclusive interview with Founder Zhang Bangxin (EMBA 2007), we get the inside scoop on what's next for TAL and the overall future of educational models in an increasingly tech-heavy industry. Be sure to have a look at the full interview in our **CEO Talk** section of the magazine.

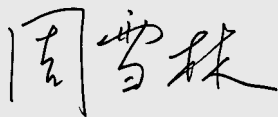
We also bring you CEIBS alumni feature stories in the **Entrepreneurial Spirit** and **Alumni**

Voice sections which profile, respectively, Wang Hongjie (EMBA 2006/HEMBA 2018) and William Yan (MBA 2018). Both are inspirational tales of what can be achieved when you truly believe in what you do.

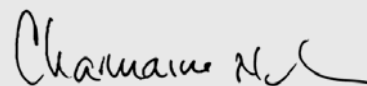
We tap into our expert faculty for the **Knowledge** section, with Prof Juan Fernandez' look at the digital revolution and a full-length **Feature** based on an on-campus lecture on leadership by CEIBS Distinguished Professor and former Prime Minister of France Jean-Pierre Raffarin. There is also a review of CEIBS Honorary President (European) Pedro Nueno's book, *The 2020 Board*.

Then there's the usual round-up of news from our 5 campuses across the globe as well as a brand new section of the magazine, the **Employee Interview**. This is where you get to meet CEIBS employees "who have contributed greatly to the school during their years of service".

It's a jam-packed issue. Enjoy!



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Keeping it Real

Ever since it was rolled out, first in Europe for executives on short term study and now being applied to classes inside China, CEIBS Real Situation Learning Method (RSLM) has been a huge hit! The students love it because it makes learning a lot more relevant to real life, the faculty love it because it keeps their material fresh, and the companies that are the basis of the cases discussed are big fans as it presents them with an opportunity to have fresh eyes assess their operations and offer solutions to real life challenges they may be facing.

In this **Cover Story** we take a look at how the RSLM began, how the initiative has been embraced and continues to grow, and we also provide two of the cases used during this highly interactive learning experience. Read on for:

- Real Situation Learning Method: Case teaching gets an upgrade
- Drifting Deeper, Exploring Wider: CEIBS MBA Programme Director Prof Juan Fernandez on the Real Situation Learning Method
- Transforming Zotter's Chocolate Theatre into a Classroom
- Victorinox: Built to Last.



Case studies come alive with RSLM. Celebration after a few laps around the track.



Real Situation Learning Method: Case teaching gets an upgrade

■ By Charmaine N Clarke

When CEIBS Vice President & Dean Ding Yuan visits a company or factory floor, he often sees a *lot* more than the average person does. Where others may just see swanky offices or a noisy, messy workspace, he sees the potential for case studies that can cover multiple topics taught by various CEIBS programmes.

“You can look at a Swiss watch company as just a watch company. But if you take a different angle, you can

always dig out interesting insights; and then you can see the suitability for our students and our courses. You have to be very open-minded to do that. It’s difficult,” he says. In fact, for him, a watch company might be turned into an ideal classroom for discussing the financial hedging strategy for volatile precious metal costs or exchange risks for non-Swiss Franc sales; or into the perfect learning ground for brand acquisition and multi-brand management strategy.

We're in his office, and he's explaining CEIBS' trademarked Real Situation Learning Method (RSLM). It's a high-end approach to teaching, a bit of a luxury good that's offered in limited quantities – and there are strict guidelines that have to be followed before a project can earn the RSLM label. Dean Ding sums it up as “case teaching plus”, an “upgraded” version of the traditional Harvard-style approach that's enhanced by a theory-driven, focused company visit where students engage directly with the firm's top executives.

Without giving away too many trade secrets, the essence of CEIBS' unique RSLM is that it makes case studies come alive. There is a structured approach to designing the entire experience to ensure that both sides – students & faculty as well as companies

– benefit. Instead of simply sharing pre-packaged company presentations, executives are faced with questions from fully engaged students who have not only read the case about their firm but have also seen their organisation in action through a company visit. Students are not just wading through pages upon pages of voluminous case studies filled with dry, abstract data. Instead, they have a chance to ask questions such as those posed to the CEO of Victorinox, the fourth generation head of a company best known for producing Swiss army knives, “What was the rationale behind the decision to run the company through a Foundation that holds 90% of its shares? How does your father treat you now that you've taken over the company? How do you grade yourself as a leader?” The discussion was on corporate governance.

Participating companies that open their doors to CEIBS students and speak frankly with the school's faculty about their operations benefit from having fresh eyes look at their organisations. As part of class projects completed by students with diverse backgrounds and nationalities, there may be useful solutions to challenges companies are facing; their cases may even be featured in top-of-the-line academic journals. “We recognise that, for the companies who offer us this opportunity for learning, there needs to be something in it for them in return,” says CEIBS Associate Dean for Europe, Professor Katherine Xin. “Maybe they are interested in the China market, or they have business in China already. Or maybe they just want to get feedback and have a discussion with a group of Chinese executives. That's a very nice return



on their offer of opening their doors to us, spending time with us, sharing their insights with us.”

Getting a foot in the door

In the early days, RSLM was only offered to participants of CEIBS’ European Exchange of Excellence programme, a continuous learning opportunity for senior executives who had likely already completed at least one CEIBS degree programme. It began with visits to European companies like Victorinox and, back then, it took a fair bit of convincing for some companies to open their doors to a contingent of Chinese business executives and their professor who wanted a lot more than just the standard look around their office.

“We have pretty high demands of these companies, because we need to write the case. It’s not just a study tour. It’s not a touristic thing. It’s very content driven,” explains Prof Xin. “When writing a case, we need to focus on an issue that is of interest to our students or course participants. And the executives need to be willing to spend time with us to answer the questions and take a deep dive into the issues. So all those tasks are not that easy to do when we just knock on the doors of some of the best companies in the industry.”

It helps that CEIBS is a business school, so that eases some of the fear that there is a danger of sharing too much technology, for example. It helps even more that CEIBS has strict

guidelines on what students can and cannot do during company visits. Participants are carefully selected and companies can screen them to avoid conflicts of interest. Companies are also integrally involved in designing the case study, working closely with CEIBS’ academic staff throughout the process.

With the RSLM’s success in Europe, and an increasing number of CEIBS faculty eager to try the new approach, it was soon expanded to include Chinese companies and offered to degree programme students. Subject areas have so far included topics such as family heritage, supply chain, industry 4.0, strategy and more – all within the framework of ensuring that the quality and integrity of the

“It’s not just a study tour. It’s not a touristic thing. It’s very content driven.”



RSLM is maintained. Faculty who want to do a RSLM course need to submit a proposal for consideration. If approved, they have to implement the project within clearly defined guidelines. None of this has dampened their interest. One of the reasons the RSLM is so popular among them is because they can also teach the cases they develop for RSLM as part of their normal classes. And though this doesn't include company visits and meeting with executives, it boosts the school's overall teaching standards as it provides the advantage of having access to fresh content, across a wide range of industries in Europe and Asia.

In fact sometimes companies have links to both locations.

There was one memorable company visit/lecture, for example, in the Zotter Chocolate Theatre in Shanghai. Zotter is an Austrian brand that worked with a Chinese partner – CEIBS alumna Amy Fang – to successfully launch in Shanghai. For his first ever RSLM experience, Associate Professor of International Business and Strategy Shameen Prashantham lectured not from a typical classroom but from the Zotter auditorium. He was thrilled with the experience of lecturing from inside the very company whose case he had co-authored and was sharing with students from CEIBS Global EMBA Zurich cohort. “The RSLM is a wonderful teaching tool, and using it was a fantastic experience for me, and

I am sure the students enjoyed it too. What better way to learn than in a chocolate theatre!” he said a few days after the visit.

Other RSLM projects inside China have included working with Ningbo-based Joyson Electronics, one of the top component suppliers for global automotive manufacturers. Associate Professor of Strategy Chen Weiru and a group of 60 CEIBS alumni and entrepreneurs visited the company's headquarters for a session that focused on the significant impact that globalisation is having on corporate strategic planning, organisational structure, culture and the value chain. “We spoke with senior executives from Joyson Electronics and learned about their successes and failures, and we were inspired by their stories. We also had an opportunity to discuss how to combine theory and practice,” said participant Jin Li from GEMBA 2015 after the course. At the time, she was working on an acquisition in a large privately-owned company, and she was able to use aspects of what she learned during the RSLM course in successfully executing that project.

Company executives also spoke of the benefits of their interaction with the group. “Their suggestions provided great inspiration for our future plans,” said Joyson's HR Director Crystal Zhao who joined the discussion along with company CFO and her GEMBA 2015 classmate Lucy Lu.

Another memorable RSLM experience took Professor of Marketing and Associate Dean (Executive Education Programme) Wang Gao and his students to the race track. In between the serious business of going through the case study on a car racing company run by a CEIBS alumnus, participants donned racing gear and took to the track. It was all capped off with winners being drenched with champagne as they proudly took the podium.

Fun moments like these are the perfect complement to the hard work that goes on behind the scenes – both by the companies and CEIBS faculty. “Our faculty are developing, through this process, as thought leaders in different areas,” says Prof Xin. “And it certainly helps to build our reputation as a school that is on the cutting edge. It also shows that we are really a school with a global mindset and global practices.” She hopes RSLM will eventually cover topics such as blockchain, engaging experts, innovators, executives from around the globe. “I also hope we can do more RSLM projects in China that see us reciprocate and open our doors to engage international participants who would like to visit Chinese companies, to understand China,” adds Prof Xin. “We can be on the receiving side, helping to facilitate a conversation – with global participants – about China. With RSLM we can be continuously innovative!”



Drifting Deeper, Exploring Wider

CEIBS MBA Programme Director Prof Juan Fernandez on the Real Situation Learning Method

■ By Lei Na

In recent years, the CEIBS MBA programme has widely applied the school's exclusive innovation – the Real Situation Learning Method (RSLM) – to its courses and, in the process, it has borne remarkable fruit. *TheLINK* interviewed MBA Programme Director Professor Juan Antonio Fernandez about how the school is using the method to take CEIBS' "China Depth" and "Global Breadth" to an even higher level in the context of fusing Chinese and Western cultures.

Read on for the full interview:

TheLINK: Can you introduce some of the curriculum innovations brought about by the CEIBS MBA programme’s application of the Real Situation Learning Method (RSLM)?

There are two things that we’ve been doing: first, we’re paying close attention to new technologies, in particular, the digital revolution, because it will have a big impact on various modes of business operations and marketing; second, we’re focusing on experience. At present, online MBAs are becoming an increasingly powerful rival of traditional MBA programmes, thanks to their competitive tuition fees and the flexibility they provide to their students who don’t need to leave work,

but can instead learn at home. How can we compete with them? I think what they cannot provide is the real world experience.

The RSLM was first put forward by CEIBS Vice President and Dean Prof Yuan Ding. When I came to understand how it worked, I realised it aligned very well with the strategy of the CEIBS MBA programme. In a typical MBA class, students sit in a classroom and discuss the case. Although the RSLM also builds itself on cases, it brings students into cases, into the companies involved, instead of adding cases into classes.

Prof Zhang Yu was among the first professors to adopt the reality-based teaching method. He developed three cases based in Shenzhen; specifically,

cases about Shenzhen’s electronics manufacturing hub and marketplace, Huaqiangbei; Shenzhen-based AI and voice industry innovator, eMeet; and venture capital firm, Sharecapital. The name of the course is “From Copycat to Innovation” and it focuses on the journey of Shenzhen’s emergence as China’s innovation hub. As part of the course, students travelled to Shenzhen, visited the companies, studied the cases, and met with local people. This kind of experience will never be available in the classroom or online and it is typical of the CEIBS Real Situation Learning Method.

Prof Jean Lee, Director of CEIBS Centre for Family Heritage, has spent years studying the field of family heritage. She has developed cases about Chinese textiles manufacturer, Huamao Group



“It brings students into cases, into the companies involved, instead of adding cases into classes.”

“Real Situation Learning Method is highly effective and helps us stand out from the online MBAs and MBA programmes of other schools.”



and kitchen appliance manufacturer, Fotile Group. Her reality-based course is a mixture of two days of teaching at our Shanghai Campus and another two days spent visiting the companies in Ningbo, where students have the opportunity to communicate and discuss with company founders and their successors.

Prof John Cai also teaches a course about medical innovation. The case he uses is titled “Evolving from Traditional Business to Service Innovation – Shanghai Pharma’s Smart Supply

Chain System”. The course is mainly carried out in the classroom, but also has arranged visits to the Shanghai First People’s Hospital.

You may have already noticed that there are different proportions of reality-based activities in each course, varying from 100% to 50% to 20%. This October, CEIBS will launch a course called “Globalisation of Chinese Companies”. Under the instruction of Professors Shameen Prashantham and Ginkgo Bai, students will learn about globalised Chinese enterprises in

Nanjing and Kunshan. The course will also be 100% reality-based.

Professors have to put in a lot of effort in developing cases for courses, and the MBA Office staff have to devote themselves to organising the visits. But it all pays off, because the Real Situation Learning Method is highly effective and helps us stand out from the online MBAs and MBA programmes of other schools.

TheLINK: CEIBS’ MBA students make up a very international

and diverse community. Everyone has their own unique cultural background. Can the Real Situation Learning Method cater to the different needs of Chinese and foreign students?

Some RSLM courses are designed for foreign students to get a better understanding of Chinese companies undergoing globalisation; in fact, the companies are actually their potential future employers. Other courses are of equal benefit for Chinese and foreign students. Through the courses, foreign students come to better understand China's management practices, and Chinese students get a deeper grasp of China's innovation. The Shenzhen module is a good example in this regard.

CEIBS offers "China Depth, Global Breadth". Our local courses deliver "China Depth". As for "Global Breadth", we provide Chinese students with various overseas study trips to help them understand how vast the world is. So far we have six overseas modules.

To date, students have learned about innovation in Israel, socially responsible leadership in Malaysia, entrepreneurship and innovation in Japan, manufacturing excellence in Germany and Switzerland, and entrepreneurship ecosystems and networks in the US. Next year, we will launch a new Silicon Valley module featuring topics around new technologies and their impact on

business and society.

As part of the Real Situation Learning Method, students have the opportunity to visit the places where new ideas and new technologies were born, and this is an important part of the experience. We also connect China with the rest of the world through these courses.

Recently, we have started another course in Jinhua in Zhejiang Province. Students travel to Jinhua where they eat and live together with the local people. This is not only about business, but also about experience. It gives students the opportunity to understand another side of China. Shanghai, Beijing, and Shenzhen represent the modern and open side of China, but in rural areas, there is a vaster version of China where there are other people with different values. The course makes students reflect on their own lives.

The Jinhua module is a project focused on developing internal leadership. If you want to lead others, you must lead yourself. You must know yourself – your advantages and disadvantages – you must reflect on your life and find out what is most important for you. These things will have an impact on your leadership style, because leadership starts from the core ability of self-understanding.

Leadership is also about making decisions under various sets of circumstances, and this is something that students learn about in our Gobi programme. As part of this

programme, students have to head for the Gobi Desert and finish a walk of 88km within three days. This is a very arduous challenge.

Leadership also incorporates acting. Actors are usually good at communication, emotional expression, and commanding attention, you can learn a lot from them.

As you can see, these courses also involve learning based on experience, though there is no case involved. I often ask people the question, "How do you learn to swim?" You have to jump into the pool and swallow some of the water. You can't just stand on the bank and learn about it by reading a book.

TheLINK: Why has the CEIBS MBA programme had so much success in implementing the Real Situation Learning Method?

The Real Situation Learning Method is an excellent idea. We are grateful to the professors who have taken pains to develop the courses and cases. In addition, this would not have been accomplished without our alumni, who are among our most precious assets. They keep in contact with the school and share their knowledge, and their companies offer students visiting and learning opportunities. We are very grateful to our alumni who are participating in RSLM and look forward to working with them and others in the years ahead.



Transforming Zotter's Chocolate Theatre into a Classroom

One memorable example of how the CEIBS Real Situation Learning Method makes cases come alive is a Global EMBA class visit to Zotter's Chocolate Theatre in Shanghai. Students discussed the case with its co-author and company executives. They also had a chance to sample Zotter's wide range of products. Read on for excerpts from the case, followed by a Q&A with co-author Professor Shameen Prashantham.

In March 2014, Zotter Chocolate's brand-new Chocolate Theatre opened on the banks of the city's Huangpu River and customers could buy about

365 different kinds of chocolates from Zotter China. Julia Zotter, the company's representative in China, credits much of their success to their excellent Chinese partner, Amy Fang (CEIBS EMBA 2010). But the company's story began long before that.

In 1987, Josef and his wife Ulrike Zotter opened the Zotter Konditorei confectioners in Graz, the second largest city in Austria. The company's rapid growth meant it was not difficult for Josef to get bank loans to fund further expansion. In 1996, he opened two more pastry shops in Graz and another one in a different city. After temporary bankruptcy, in 1999, Josef

built a chocolate factory in the barn next to his parents' house in the small village of Bergl. By 2016, Zotter was producing over 400 different varieties of chocolate.

For the Zotter Family, the core company value was having fun with chocolate. Zotter Chocolate was one of Europe's few manufacturers with in-house production "from cocoa beans to chocolate bars (bean-to-bar)." "This gave us better control over the quality of our products," said Josef. In 2007, Zotter also built a Chocolate Theatre, for people to experience the chocolate production process from beginning to end, and to get a better understanding of the company's core values, such as its commitment to organic products and fair trade.

Going Global: US or China?

Josef's ambition was to keep innovating and expanding the chocolate business, but he also had other international markets in mind. Recognising the prohibitively intense competition in the European market, this left two main options: the US (also competitive, but a large market) and China, a nascent market with hardly any chocolate consumption. In the end, a decisive factor in deciding to pursue the Chinese market was the expertise of his eldest daughter, Julia.

On the technical side, Julia had a Grand Diploma in patisserie and cuisine from a renowned culinary arts institute and had studied Food Science

and Biotechnology at the University of Natural Resources and Life Science in Vienna.

On the cultural side, she was a fluent speaker of multiple languages, including Chinese. She explained, "We knew we wouldn't sell a lot of chocolate at first, but we understood that Shanghai was a place for entertainment and experiencing new things."

Zotter China

In 2011, Josef began looking for potential business partners in China. He met an Austrian businessman with a company in Beijing that sold organic products online. However, since Shanghai was perceived to have a more international outlook, he instead introduced Josef to Shanghai-based Amy Fang and Rudi Messner, who had gained a good reputation among companies in the organic food business.

Fang and Messner ran their own company in Shanghai, Cedar Essentials Co. Ltd., which imported natural and organic products such as cosmetics and detergents. "After three years, we were probably the number one company for organic detergents in China," Fang said, "We wanted to devote the rest of our lives to supporting organic trade, which is good for society and the environment."

When she was approached about partnering with Zotter Chocolate, Fang was impressed by Zotter's genuine

commitment to organic products. After doing more homework on the chocolate industry – including visits to chocolate shops in Japan, the UK, and the US – Fang and Messner decided to help Zotter enter the Chinese market.

"We need to have a good understanding of our Chinese customers," said Julia. "Chocolates to them are like green tea to us – that is, not very familiar." From the beginning, they decided to build a Chocolate Theatre in Shanghai, to raise awareness among Chinese customers.

In December 2012, Zotter Organic Chocolate Shanghai Ltd. was formally registered, with joint investment from Zotter and Cedar Essentials.

Exploring the Market

At the end of March 2014, Zotter's brand-new Chocolate Theatre opened on the banks of the Huangpu River in Shanghai, built in a 100-year-old former clothing factory. Zotter combined its unique style with the beauty of an old brick-stone building. The theatre was 2,400 square metres in size and celebrated the art of Austrian chocolate making. It provided visitors with an opportunity to understand the chocolate manufacturing process, try freshly roasted cocoa beans, taste more than 200 types of chocolate, and take a rest in its Viennese-style coffee bar.

Julia observed: "We came to a market like this as a non-chocolate business in a way. We came to raise awareness and show people what chocolate is, with an

“Zotter made multiple innovations for the China market.”



experience-based concept. The theatre can help them to experience and understand chocolate.”

Zotter made multiple innovations for the China market. One of the most important ones was the DIY (do it yourself) Chocolate Workshop. The company also introduced China-specific packaging for special occasions. Another China-specific innovation was chocolate mooncakes which included four flavours: traditional chocolate and three hand-scooped varieties.

The period from 2012 to 2014 saw double-digit growth in China’s

chocolate market, and experts optimistic about growth were predicting that it would become a RMB40 billion market by 2020. However, from 2015, many international chocolate producers experienced a decline in sales revenue as the Chinese economy witnessed a slowdown. By 2016, total retail sales of chocolate in the Chinese market had declined by 4%.

In addition to these changes in the market, Zotter also had other challenges to overcome. Worried about their health and weight, many Chinese customers preferred to eat organic and natural

food (such as nuts), and avoid being extravagant with chocolate. There was also the question of whether Chinese customers would understand the avant-garde Zotter Chocolate’s culture.

When it came to persuading Chinese customers, people were always the key. Whenever Julia talked about the top managers in Zotter China, she always said how proud she was to have Fang and Messner on board. She gave Messner the position of General Manager in November 2015, while Fang became the Deputy General Manager and Julia herself handled the technical side and product development.



Life Lessons from the Zotter Case: Q&A with Prof Shameen Prashantham

This case is a great example of what it's like for a European company to master the China market. What are some of the lessons here that could be helpful for other foreign firms looking to break into the China market?

Prof Shameen Prashantham (S.P.): First, I think that it's important to be clear about what the value proposition for the contemporary Chinese market is. Without a compelling reason to buy, why would customers in another market bother to select your product? Second, it must be recognised that even though one talks about entering the "China market", in reality the first step involves a small part of that market. Figuring out the right beachhead is important. For Zotter, Shanghai seemed the obvious choice. For others, it might be sensible to start off in a tier-two or tier-three city, where operations (and mistakes) may be less costly. Third, identifying a reliable partner is important. Josef Zotter's instinct to reach out to a fellow-Swiss person based in China is a natural one. But while such ties are a great start, it may be important to build on those to forge other relationships with relative strangers. In so doing it's important to find a partner who can help with deciphering market needs,

interfacing effectively with regulatory bodies and executing on the China strategy.

What are the lessons for Chinese firms looking to partner with foreign firms entering the China market? Do you behave differently before the foreign firm has entered and after it has already established a presence in China?

S.P.: Pre- and post-entry are sub-processes in a broader process of internationalisation. The difference is that before you enter you're making hypothetical decisions, and once you've entered you're making decisions based on reality. So in making plans it is important to undertake competent external and internal analyses, to assess the power and interest of stakeholders, and to come up with an appropriate market entry strategy. After entering the market, it may be important to improvise and deal calmly with unexpected setbacks.

When crafting their expansion plans, Zotter narrowed down their options to either the US or China. What factors are most important when making such a choice? Are there any lessons here for Chinese firms trying to decide on locations for their overseas expansion?

S.P.: Actually the Zotters may not be the best textbook example of making strategic plans, since many of their decisions are intuitive! But in any case, comparing entrepreneurial opportunities essentially comes down to three factors: economic viability, feasibility to execute, and personal goals. In this case, my own view is that both the US and China offered attractive opportunities in terms of viability and feasibility; personal passion might have tipped the balance in favour of China. It's important to recognise the importance of personal interests, especially in smaller family businesses – but also to have the maturity to assess if these personal interests can be aligned with the success of the business.

The Zotter case demonstrates the value of having an excellent Chinese partner. What are some of the traits European firms should look for when selecting Chinese partners?

S.P.: Entering any international market requires access to new knowledge and networks. For a smaller foreign company, developing the requisite capabilities is often an expensive and difficult process, and so a competent and trustworthy partner can be valuable; that's what Fang was to the Zotters. Her deep understanding of



local conditions and access to vital networks made it feasible to convert the Zotters' dream of creating a chocolate theatre in Shanghai into a reality.

Fang had no experience in the chocolate business, yet she was enthused by the prospect of partnering with Zotter. How can Chinese nationals who want to contribute to the success of foreign firms operating in China prepare themselves for such a role?

S.P.: Fang was passionate about something – organic products – and saw a great opportunity to work with Zotter as part of this broader mission. Thus, chocolate wasn't the key interest per se; it was the chocolate's organic

characteristic. Given that chocolate consumption in China is relatively low, it would have been harder for Zotter to find a chocolate specialist as a partner, and so working with an organic product specialist was probably a sensible option. In the partnership, Fang sensibly relied on the Zotters for the expertise on chocolate, while herself providing the China expertise.

Based on Fang's success in this case, what are a few best practices that will help Chinese business executives better understand and collaborate with Europeans?

S.P.: First, effective partners have common values and complementary strengths. If the shared values aren't

there, the partnership may crumble under pressure. By the same token the strengths need to be there too, since in the first instance the foreign company will likely not have sufficient understanding of local customers, regulations, and operational challenges. Second, partners should know their limitations. For instance, their strengths may be limited to certain types of products or regional locations. It's important to play to one's strengths and not overstretch. Third, partners must recognise the importance of constant learning – from each other, about the partnering process, and by constantly reviewing current strategy, and making strategic changes with flexibility and agility. This is particularly important in the fast-changing Chinese market.



Victorinox: Built to Last

For some travellers to Switzerland, it is a must to buy Swiss army knives as souvenirs, but for the participants of the Exchange of Excellence Programmes offered at CEIBS' Zurich campus, there is an “upgraded version” of the travel experience. In addition to studying the Victorinox case and watching video clips about the company, participants also visit the century-old Victorinox workshop based in Ibach, Schwyz, for a first-hand look at supreme craftsmanship. They also have the opportunity to communicate and interact with the company's head Carl Elsener IV as part of the unique learning experience. The Victorinox case is a joint effort between CEIBS

Associate Professor of Marketing Jane Wang, CEIBS Vice President and Dean Professor Ding Yuan, HEC Lausanne Associate Professor of Financial Accounting Dong Minyue, CEIBS research assistants Zhang Ling and Wang Xiaozhou, as well as CEIBS research fellow Qian Wenying. This is an excerpt from the case.

The white cross in a red shield is an emblem exclusive to the Swiss Army Knife. In fact, in Switzerland, the emblem was until recently a privilege shared only by Victorinox and Wenger – both century-old family businesses. In 2005, Victorinox acquired Wenger and in the process became the sole manufacturer of the knife.

History

In The Beginning

In 1884, Karl Elsener Karl I opened a cutlery workshop in Ibach. His mother Victoria sold the knives he made.

In 1891, Karl Elsener I learnt that the Swiss army had decided to distribute knives to all of its soldiers. He then established the Association of Swiss Cutlers, which consisted of many small workshops. Larger volumes of orders enabled his workshop to scale up its capacity.

In 1892, the workshop rolled out the officer's knife. In 1897, the officer's knife was patented and the "Original Swiss Army Knife" was registered. In 1909, the cross-and-shield emblem was registered.

In 1909, Karl Elsener I registered "Victoria" as a trademark in honour of his deceased mother.

In 1921, following the invention of stainless steel, the company pioneered stainless-steel cutlery. Karl Elsener II created the "Victorinox" trademark – where "inox" is an international term for stainless steel.

Mid-20th Century: Ascent

In 1931, Karl Elsener II introduced automation into the workshop which enhanced the quality of cutlery.

In 1945, after the end of World War II,

US soldiers stationed in Europe bought Victorinox army knives and took them home as souvenirs known as "Swiss army knives".

In 1951, Victorinox launched the Swiss army knife with a bottle opener and applied for a patent for it.

According to reports, former US President Lyndon Johnson gave away more than 4,000 Victorinox knives embossed with his signature and started a new chapter of the knife's popularity with the White House. Taking advantage of this trend, many American companies used Victorinox army knives as souvenirs to attract consumers.

An article in *Reader's Digest* in 1978 featured a story about how a folding knife saved a girl's life on a plane. When the girl choked on a candy, passengers unsuccessfully tried various means to save her. In a flash of inspiration, a physician aboard the flight made a tiny incision in her trachea with a Victorinox folding knife he was carrying in his pocket and pulled out the candy, saving her life. The article ended with a question: "What would have happened without that Victorinox folding knife?" This article was a great advertisement for Victorinox knives and also associated intense emotions with Victorinox products.

The Victorinox army knife has become a synonym for premium quality and multifunctionality. Ad slogans such as "Our helicopters are the Swiss army

knife of helicopters" have appeared across a wide spectrum of industries.

Product Line Expansion

In 1989, in partnership with Forscher, a licensed dealer and US sales partner, Victorinox branched out into sunglasses and timepieces.

In 1999, Victorinox moved into the travel gear market as a franchisee with TRG Group.

In 2001, Victorinox unveiled its own apparel brand in the US and opened its first specialty store in New York's SOHO district carrying all of its products. All of Victorinox's products carried the same price tags in both specialty stores and franchised dealerships.

"User preference and feedback have spurred us on to think about how to maintain product competitiveness. We should go to lengths to increase investment so as to gain greater brand visibility. Users like our Swiss army knives, but they usually keep them in their pocket or wallet," said Karl Elsener IV.

According to a questionnaire, the outdoor watch topped the list of the ten most preferred Victorinox products. Like Swiss army knives, Swiss watches, renowned all over the world, are made of stainless steel. As a result, Victorinox decided to diversify its business by making inroads into the watchmaking sector.

By putting its watches through 130 quality tests, double the average number of tests used in the watchmaking sector, Victorinox designed and manufactured “the Swiss army knife of the watchmaking industry”. Carl Elsener IV explained, “The Victorinox watch must be shock-resistant and waterproof so as to keep perfect time even when dropped from a height of ten metres or put into a washing machine.”

In 1999, Victorinox set up Victorinox Watch SA as its watchmaking company.

To the company’s surprise, the September 11, 2001 attacks on the US exerted a huge impact on Victorinox. Since the terrorists used folding knives to take over the planes, new aviation safety regulations that came into effect following the September 11 attacks prohibited passengers from taking knives on board. The September 11 attacks and new aviation safety regulations dealt a heavy blow to the army knife sector, since airport duty-free stores had long been major sales channels for Victorinox army knives. “The sales of Victorinox army knives plunged more than 30% overnight,” recalled Carl Elsener IV. Before then, sales of Swiss army knives had accounted for more than 50% of Victorinox’s total revenue.

Subsequently, Victorinox took a series of measures to mitigate the impact of the new rules:

Capacity: Victorinox adjusted the capacity of each product category, transferring some people from the

army knife unit to watch and kitchen cutlery units.

Products: Victorinox launched a series of new products, including army knives, folding tools, and wrist watches with new functions.

Sales channels: Victorinox set about selling products permitted by new regulations at airport duty-free stores, such as watches and travel gear. Meanwhile, it expanded into new sales channels. For example, army knives with USB drives were made available at stores that sold tech products.

Instead of undertaking an aggressive expansion, Victorinox put a premium on sustainability. “The September 11 attacks made us aware of the enormous risks in over-dependence on a single product category, encouraging us to boost our diversification,” Carl Elsener IV said. “However, keeping our brand spirit from being eroded is our bottom line. Even one product below par would likely put Victorinox’s century-long reputation on the line. Turning down an offer of cooperation, in contrast, is no great loss.”



Acquisition of Wenger

Before World War II, Wenger had been larger than Victorinox, but it was more than ten years behind Victorinox in introducing automation. As a result, after World War II, Victorinox left Wenger in the dust. The following table compares the two companies’ sales data as of 2004:

	Market Share of Swiss Army Knives	Headcount	Sales of Cutlery in 2004*
Victorinox	70%	1,350	169
Wenger	150	23	23

* In millions of Swiss Francs

Unlike Victorinox, Wenger failed to build up its surplus reserve. To expand its product line, Wenger frequently pledged its shares to take out bank loans. In the post-9/11 era, however, sales of Wenger army knives did not pick up. By the end of 2004, sales of Wenger cutlery plummeted by 43%. As Wenger's financial position took a nosedive, the banks decided to sell their stake.

In 2005, Carl Elsener IV acquired Wenger. He also promised not to lay off employees and to keep Wenger operating on its own. In 2013, he declared the merger of the army knife businesses of Wenger and Victorinox, with other business units unchanged. As a result, Victorinox defeated its long-time rival by way of the knife, the brand's most central product.

Ownership Structure and Family Governance

Before 2000, Victorinox was a joint-stock company. Family members shared stock, but the Elsener family was worried that its descendants would dilute the stock and press for enormous dividends during business succession, which could lead to Victorinox's decline. Therefore, Carl Elsener VI and his father decided to establish the Victorinox Foundation.

The Foundation has 100% control of Victorinox. Victorinox AG pours 90% of its profit into the Victorinox Foundation as surplus reserves annually. The remaining 10% is

channelled into a charity fund for public welfare events. Incidentally, Victorinox has never applied for a bank loan, which is one of the main reasons it has survived two World Wars and several economic crises.

Victorinox has also adopted a dual governance structure featuring the Foundation Committee and a Board of Directors. The Victorinox Foundation Committee takes on the duties of preserving the core values of the family/firm, formulating a long-term strategy, using the profits and surplus, and selecting members of the corporate management committee. The Victorinox AG Committee is in charge of business development. The two committees do not overlap in terms of membership. The Victorinox Foundation Committee is made up of family members. However, Carl Elsener IV pointed out that Victorinox would consider recruiting external managers if family members were no longer interested in corporate business and pulled out of the Foundation Committee.

"Family members don't have any privilege. We have to make sure the people who hold key positions are competent. We prefer a family member only when he/she and other candidates are similar in education, experience, and capabilities." Nevertheless, he added, "Family members working at Victorinox are also important for ordinary employees. That means the family and ordinary employees are in the same boat, which is vital to

the long-term development of the company."

Victorinox has also attached greater importance to social responsibility. They provide lifetime free repair services for customers of the army knife. Some customers' knives are handed down from their grandfathers and Victorinox still offers free repair. Even today, Carl Elsener IV still receives letters from customers all around the world.

Victorinox has never chosen to lay off its employees on the grounds of economic downturn, even during the First and Second World Wars or the Great Depression. Even during difficult times in the aftermath of the September 11 attacks, no one was laid off. Victorinox's HR department has made it a top priority to create jobs for surplus labour. Its HR staff have recommended Victorinox employees to neighbouring companies which had a desperate need for temporary workers. These employees returned to the company after the crisis.

Carl Elsener IV is full of passion for his undertaking. It is from this passion that Victorinox has scaled to new heights under his leadership. However, in the context of the company's foregoing an IPO, banning dividends, and setting high standards for family members to join the company, can the 24 members of the family's fifth generation continue to maintain the same passion and cohesiveness? It is a question worth deep consideration.