



## Interviews with leading minds

### **Prof. Helmut Schütte on the business environment in Asia and the economic power of European and Asian economies**

*Professor Helmut Schütte is a respected authority in the field of international business and marketing with a particular focus on Asia. On the occasion of the IEDC's 20th anniversary in 2006, he was awarded the title "Honorary Professor" for his valuable contribution to the development of the School in the initial years of its existence. His present work is concerned with markets and consumers in Asia, a continent which currently accounts for about a quarter of the world's economy and more than half of its population. In this interview with Metka Šilar Šturm of IEDC he talks about the current economic crisis and its influence on consumer behavior, and the general business environment and management development in Asia.*

**Professor Schütte, the global economic crisis has by now touched almost every part of the world. What are, in your opinion, the possible scenarios for the economic revival of the world's economies?**

The scenarios discussed at this moment mainly revolve around the length of the crisis. Honest experts have to admit that we don't know. I prefer to look at the different phases that may evolve. We are presently facing a financial crisis. We may be half-way through. We are seeing the second phase, the economic crisis, but we have not really felt it: huge overcapacities, a large number of bankruptcies, rapidly growing unemployment, lack of purchasing power, hunger in developing countries, etc. This will be followed by a social or political crisis. At the moment, we can only imagine some of the challenges we may be facing. Revival is therefore not yet in sight – unfortunately.

#### **About Helmut Schütte**

Professor Helmut Schütte is a Senior Affiliate Professor of International Management at INSEAD, where he teaches and does research in the area of international business and international marketing with a special focus on Asia. He joined INSEAD's faculty in 1981 after a successful career in marketing and investment banking over a period of 11 years. Up until fall 2006, Prof. Schütte was the Dean of INSEAD's fast-growing Asia Campus located in Singapore. His present work is concerned with markets and consumers in Asia, with the emergence of China, and with the regionalization of the strategies and organizational structures of multinational firms.

Prof. Schütte has lived and worked in nine different countries, and taught in seminars in some 40 countries all over the world. He is a well-known speaker at conferences and business meetings and is actively involved in various executive programs, on boards and in advisory capacities and consulting assignments for leading Asian and Western organizations.

His publications include "Consumer Behaviour in Asia" (Macmillan, 1998), the case book "Strategies and Management in Asia Pacific" (McGraw Hill, co-author P. Lasserre, 1999) of which a Chinese version appeared in 2000, and "Marketing Management - An Asian Case Book" (Prentice Hall/Pearson, co-authors Ang, Leong, and Tan, 2004). His book "Strategies for Asia Pacific" (co-authored by P. Lasserre, published in 1995), has been released in German, French and Japanese. The third edition of this bestselling book appeared in 2006.

**What is your estimation of the current economic power of the European and Asian economies? China has been a world leader for some years now – will it be able to**

**use the crisis as an opportunity for further growth and development of quality of life?**

The shift of economic, as well as political power from the West to Asia has been ongoing for some three decades. It is a slow, but steady change of the geography of this world. The huge export surpluses in China and the increasing indebtedness of the US versus China was one of the elements that triggered the global crisis. These imbalances have to be eliminated if the world wants to recover. Changes in the value of the dollar will be needed, but much more is required to adjust to the new global realities. China's growth has also slowed, but so has the growth of the rest of the world. The difference between the speed of China's growth and that of many other countries has remained constant. As it looks today, China may be the only real winner of this global crisis, both in terms of government and the people.

The US has been discredited in Asia economically, financially, and politically, and to a considerable extent, American management as well. I am surprised and disappointed that Europe does not raise its voice more, and does not strongly underline the virtues of a more balanced system of economic values. We have such a system, as exemplified in the corporate stakeholder model almost everywhere in continental Europe. Where are the European economists and management gurus to promote these ideas? If not now, when? Asia, and China in particular, is interested in such ideas.

**You have witnessed developments in Asia for several years and published a number of books about them. Could you please describe your connection with Asia (as a former Dean of INSEAD and through other assignments)?**

My first assignment was for a large multinational company in Indonesia 37 years ago. Since then I have moved forwards and backwards to and from Asia, living back in Europe or in the USA. INSEAD built its own campus in Singapore eight years ago. I served as the dean for a number of years and was

lucky to spearhead a great success story. We now have 45 resident professors, 300-400 MBA participants and thousands of executives on campus. I live in Singapore and will continue to do so. It is a great place to live, though the most interesting developments today are in China.



**What, in your opinion, are some specific characteristics of consumer behavior and the general business environment in Asia?**

Relationships matter everywhere in the world, but I would argue that they matter more in Asia. This has to do with the strong influence of Asian culture, to Confucianism in particular, as a way of living and doing business. You prefer to deal with people you know well, and you treat them accordingly. Strangers you can cheat, but relatives or close friends never! Your consumer behavior is strongly influenced by what others think about your purchases and consumption. Group thinking as such comes before individualism. But obviously, this is not always the case and does not apply to all persons and situations. But the differences between Asia and 'the West' remain significant. Perhaps

the gap has even widened over these last years, despite the superficially chronicled 'westernization' of Asia. The region has also become more conscious of being different. Modernizing for Asia does not mean selling out culturally.

**You are also well-known as the author of the bestselling book "Strategies for Asia Pacific". What kind of strategies would you suggest to European companies (large or small) that are looking to enter and succeed in the Asian markets?**

Asia has been tremendously successful in many respects over the past years. It wants to be respected, taken seriously. This means that an expansion into Asia is no longer a 'nice-to-have-option'. It requires full commitment, both in terms of people and capital. It also means that one has to be open to new ways of doing business. Asia has also become self-confident, if not outright proud of its achievements. Blindly applying recipes from home in the guise of so-called globalization strategies is rarely appreciated and is instead, often the way to failure in the Asia of today.

**What are the most important factors to be considered by a multinational company that wants to expand into a new geographic area? At what stage of development would you advise a European or US company to open a subsidiary in Asia?**

The process of internationalization has a lot to do with learning. And there are no shortcuts. According to an old Chinese proverb, you cross the river by feeling the stones. Nothing beats good preparation, often done in the region or country itself. Nothing beats a slow, but determined start. Data shows that the safest path is to conquer surrounding territories first before venturing further afield. This has a lot to do with the fact that the neighboring countries tend to be more similar and easier to understand than markets further afield. This is neither very scientific, nor ground-breaking insight. It's just good common sense. Within Asia, Singapore and Hong Kong remain very good starting points

for newcomers. I call these places 'Asia light'.

**Are there any examples of successful regionalization of the strategies and organizational structures of multinational companies (those coming from Europe to Asia and the other way round)? And in contrast, what factors do you see as the most common mistakes companies make in their attempts to establish a strategic partnership in a certain country?**

Going abroad means applying a matrix organization in which business units are balanced out against geographies. Over the past years multinationals have tilted this matrix significantly, giving globally-managed businesses (divisions or strategic business units) priority over regional and/or national concerns. There are good reasons for such change, such as clearer accountabilities. However, such structures tend to encourage managers to seek solutions to problems on a global basis. Geographic concerns are often neglected. Regional headquarters can compensate for such shortcomings, especially if they are staffed with very good people. Strategic partnerships are often mistaken for marriages. They are affairs: exciting, difficult to manage and can end up on the rocks. Companies entering into those are in need of some knowledge and resources they do not have themselves. Once they have obtained them (through learning or access) they no longer need the partner. Therefore, by definition, partnerships like joint ventures or alliances tend to be only temporary solutions.

**After some years of a successful career in marketing and investment banking you have switched to teaching and research, first in Europe and then in Asia. According to your experience, are the expectations and learning approaches of Asian business students different from those in Europe and the US? How about the teaching approaches of Asian professors? Which thinkers on Asian**

**management do you particularly respect?**

Education is an absolute priority in the life of the Asian family and society. If one looks at international comparisons of academic achievement of young people, Asia, in particular East Asia, comes out on top. Education is seen as an investment. As such, high fees are rarely a deterrent. If needed, the entire family contributes to allow the most promising members to study. Those are under tremendous pressure to perform. They study hard. Unfortunately, simply to remember and repeat what the professor has said has traditionally been the way to pass exams. But with so many Asian students studying in the West, and so many Western institutions active in Asia, pressure is growing to shift toward more interactive ways of learning.

The traditional Asian system has also prevented Asian professors from standing out. Those Asians that are well known in the field are basically linked with US schools and universities. There are few management gurus in Asia, just as there are only a few in Europe. This has less to do with a lack of ideas and theories (or language), than with the sheer volume of management scholars in the US, the power and influence of US-based interest groups and associations and last but not least, the marketing muscle of US publishing houses.

**You were one of the first foreign professors at IEDC already in 1986. Could you say a few words about your involvement in the IEDC's activities and about us in general?**

I have always liked to be involved in new ventures. When Prof. Purg asked me to come to what was at that time still a part of Yugoslavia, I was delighted to jump at this opportunity. It seemed at that time that I could contribute to some opening up of the domestic business world, and at the same time learn about a part of the world that I knew only as a tourist. During the years that followed I have seen the school and the country grow. In fact, I was in the country when Slovenia declared its independence. I have seen

the competence levels in class and in conferences rising, the school growing in every respect, and the country prospering. This has been a great experience.

Unfortunately, due to my residence in Asia, I have done much less for IEDC than I should have during the past years. But I have followed the School closely. It seems that the leadership of the school, the boards, the professors, the alumni, the staff, and the entire community has reached a stage where 'help' in the classical sense no longer needed. IEDC has become an adult, and is a great example of entrepreneurship in education for many other schools.