



Globalizing CHINA

The Influence, Strategies and Successes
of Chinese Returnee Entrepreneurs



Huiyao Wang

GLOBALIZING CHINA: THE INFLUENCE, STRATEGIES AND SUCCESSES OF CHINESE RETURNEE ENTREPRENEURS

BY

HUIYAO WANG, PhD

*Center for China and Globalization
China Overseas Returned Scholars Association
Beijing, China*



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INVESTOR IN PEOPLE

**GLOBALIZING CHINA: THE INFLUENCE,
STRATEGIES AND SUCCESSES OF
CHINESE RETURNEE ENTREPRENEURS**

In Globalizing China, Wang continues his important and in-depth research into Chinese returnees that are reshaping China ... and the world. Beyond documenting trends and case studies, Wang identifies strategies and key success factors of Chinese returnees. Practitioners, policy makers, and academics will all benefit from this detailed account and its projections for tomorrow.

— William Kerr, Associate Professor,
Harvard Business School

Meticulously documented and perceptively analyzed, this path breaking book is a must read for those researchers, policy makers and business executives who are interested in understanding the significant role played by Chinese returnees and diaspora in China's globalization.

— Liu Hong, Professor and Chair of School
of Humanities and Social Sciences,
Nanyang Technological University

Globalizing China: The Influence, Strategies and Successes of Chinese Returnee Entrepreneurs provides a crucial analysis of the impact of recent Chinese returnees in China's growing private sector. Although individual stories are well-known, this book puts them into the larger context of China's national talent strategy and research on diaspora contributions to the homeland. It is a timely examination of a phenomenon that will grow in importance and impact in China as new generations of global citizens contribute to China's continuing growth.

— Julian Chang, Executive Director,
The Rajawali Foundation Institute for Asia,
Ash Center for Democratic Governance and Innovation, Harvard University

One of the key success factors in China's march to become a truly innovative nation revolves around the issue of high-end talent development, retention and utilization. Huiyao Wang's analysis of the growing role of returnees in China's R&D system and economy highlights one of the most critical forces that will influence the future technological trajectory of the Chinese nation. The book's in-depth examination of the multifaceted role of returnees reveals how China's so-called 'brain gain' is serving to create an entrepreneurial vanguard that is beginning to transform the business environment and technology system. While acknowledging some of the key challenges facing these individuals as they take up positions after they return to China, the book provides useful insights into how a critical mass of talented individuals can serve as an effective catalyst for bringing about fundamental changes in Chinese thinking about what crucial factors will be required to drive continuous innovation and sustained economic advance in China in the years ahead.

— Denis Fred Simon, Vice-Provost for International Strategic Initiatives,
Foundation Professor of Politics and Global Studies, Arizona State University

Returnees have been a major force in the rise of China. But very little is known about their backgrounds, motivations, experiences and struggles. Huiyao Wang is the preeminent scholar in this field—whom I've had the honor of working with. He brings their stories to life and documents their massive contributions. I hope this book is read widely by policy makers all over the world. It will enlighten them on the role that skilled talent plays in economic development.

— Vivek Wadhwa, Fellow, Stanford Law School and Director of Research,
Center for Entrepreneurship and Research Commercialization,
Pratt School of Engineering, Duke University

Returnee talent and entrepreneurs are key to the Chinese government's objectives of transforming China's economy from 'Made in China' to 'Created in China' over the next decade. Dr. Wang Huiyao is the preeminent authority on the growing importance of Hai gui (Chinese returnees) in that process. In his book, Globalizing China, he provides important insights into how China's global citizens are using their understanding of both east and west to help transform the world's major fastest growing economy.

— John Benson, Founder & CEO, Silu.com, Managing Director, Dice International

To Mabel Lu Miao

Acknowledgments

This book is a progressive result of my studies, observations, and research on Chinese returnee (CR) entrepreneurs — *Globalizing China: The Influence, Strategies and Successes of Chinese Returnee Entrepreneurs*. After having a series of my books on CRs published in Chinese, this is the first comprehensive book on CR entrepreneurs to be published in English. I am grateful to all those who helped me achieve successful publication of this book.

First, I am very thankful to Kim Foster and Victoria Buttigieg of Emerald Group Publishing for their assistance in the review of my initial proposal. I am most grateful to Mary Miskin and Kieran Booluck who are development editors at Emerald Group Publishing. They are very professional and patient, and have generously provided me with the advice, time, and attention I needed, especially as I have often been traveling around the world. They have guided me toward the final successful publication. I am also very thankful to the copy editors at Emerald Group Publishing for their professional service.

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On the personal side, I have got much encouragement and support from many friends and colleagues while writing this book for the international audience. I want to express my special thanks to a number of people including Dr. David Zweig, Associate Dean of the School of Humanities & Social Sciences at the Hong Kong University of Science and Technology; Dr. Anthony Saich, Director of Ash Center at Harvard Kennedy School; Dr. Julian Chang, Executive Director of Rajawali Foundation Institute for Asia of Ash Center at Harvard Kennedy School; Dr. Kenneth Lieberthal, Director of the John L. Thornton China Center at Brookings; Dr. Cheng Li, Research Director of John L. Thornton China Center at Brookings; Dr. Hong Liu, Director of China Business Center, Manchester Business School; Mr. Vivek Wadhwa, Vice President of Academics and Innovation at Singularity

University; Dr. Howard Lin, Codirector of the International Research Institute of Ryerson University; Dr. Howard Duncun, Executive Head of Metropolis Project; and Dr. Denis Simon, Vice Provost for International Strategic Initiatives at Arizona State University; as well as many other academic friends.

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A research project like this requires immense support from the family. I am deeply indebted to my wife Lu Miao, who supported me throughout the research process. She encouraged me by accompanying me to various places during this research project.

My deepest gratitude goes to many CR entrepreneurs who have collaborated with my research. I have learned so much from them; this book could not have been accomplished without their insight and participation.

Since this book is the first book in English on CR entrepreneurs and it has mainly focused on returnee entrepreneurs, future research and analysis is needed to give a comprehensive picture of the contemporary CRs. This will be a new project to finish.

Finally, my sincere thanks to the many readers of this book. It is my belief that a globalizing China is on the horizon and the CRs' roles in China's globalization process will forever be remembered.

Foreword

I first met Dr. Wang Huiyao when I received an e-mail message from a fellow whom I did not know, but who had read much of my work on returnees. Like me, he was terribly interested in the “Hai gui pai,” or “returning sea turtles,” who were swimming back to China from overseas. What motivated them? How many were there? What kind of impact would they have on China’s business and high-tech sector? These were some of the questions that motivated him. He also had been interested in deciphering the type of policies that would make it easier for them to return and play a role in China’s modernization. By interviewing so many of them and writing about their views, Dr. Wang has now become China’s leading specialist on China’s transnational business community. If there were any previous doubts on his stature, this book solidifies his leading role in the academic analysis of this remarkable phenomenon.

Since connecting with Dr. Wang, I have worked closely with him on various research projects, coauthored several papers and co-organized and attended numerous conferences together, including some at leading American universities, such as Princeton and Harvard University. He has also organized a number of large conferences on returnee entrepreneurship and their technological and managerial innovation in China. What always stands out is his passion for research on the returnees, his unstoppable energy and commitment to the returnee group, and his deep hope that they will be an important force in internationalizing China. Through his own example, as a “transnational” Chinese intellectual, he is blazing a path for future Chinese scholarship that will bridge East and West.

It is great to know that Huiyao is publishing another book on Chinese returnees (CRs), and this time in English. This book is an important component of his research and policy agenda, focusing on how the returned businessmen and women are currently changing the business environment in China. These innovations include the entire process of how returnees carry out initial public offerings (IPOs); their role as venture capitalists (VCs) in supporting Chinese start-ups; how returnees successfully integrate foreign multinational corporations (MNCs) into the Chinese milieu; and how they have successfully established successful high-tech firms. Through extensive, in-depth interviews and surveys with China’s leading CEOs and entrepreneurs who have returned from abroad — people who he knows personally — he shares with his readers insights that elude most academic scholars.

Dr. Wang remains China's guru on the search for talent and in the effort by China to draw on its enormously talented diaspora for national self-strengthening. He has written several books on China's search for talent, including the widely cited *Talent War — The Competition for the Most Scarce Resources in the World*, and *National Strategy — Talents Change World*, which was highly recommended as study material by Guangdong Provincial Party Chief Wang Yang to all officials in Guangdong Province. He is a very active Vice Chairman of the China Western Returned Scholars Association, which has over 50,000 members across China. In part, it is this post that has enabled him to make the necessary links with returnees that so enriches his analysis. He also has established his own think tank, the Center on China's Globalization (CCG), which researches various aspects of China's increasing global reach.

Dr. Wang is widely consulted by China's leaders on issues such as the Wuxi government's "530 Plan" which offers entrepreneurs financial partnership with the local government if they bring their enterprise to the Yangzi River Basin city. He has been actively involved in the creation of the central government's prestigious "Thousand Talents Plan," directed by Li Yuanchao, Minister of the Organization Department of the CCP, which has pulled back almost 2000 top researchers and entrepreneurs from overseas within a brief two-year period. In the face of China's challenge to the world over talent, technology, innovation, and science, Dr. Wang's views are a critical window onto China's current policy and its future trajectory.

I trust this book will be interesting to a wide array of people who need to know more about the forces that are driving China's future trajectory. Returnees are one key component of this dynamic process and no one knows them better than Dr. Wang Huiyao.

David Zweig

Associate Dean, School of Humanities and Social Science
Chair Professor, Division of Social Science
Director, Center on Environment, Energy, and Resource Policy
The Hong Kong University of Science and Technology
Hong Kong, October 2012

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Chapter 1

Introduction

Over the past three decades, China has witnessed the emergence of a formidable economic and technological force: “Chinese returnees” (CRs), those who have studied in the United States, Canada, Europe, Australia, and Japan and returned to China for career and entrepreneurial development. However, the phenomenon of “returnees” is neither unique nor new to China. A significant number of students from India, Korea, Malaysia, and other developing countries go to the United States and Europe for education (e.g., Bhagwati, 1976; McCormick & Wahba, 2001; Saxenian, 2002a, 2002b). After World War II, the governments of Japan and the “Four Asian Tigers” (South Korea, Singapore, Hong Kong, and Taiwan) had successfully attracted a large number of overseas graduates to return home, who had then played a significant role in helping their economies take off. In addition, returnees in many developing countries or regions have also made great contributions to industrial and economic development in their home countries. India’s international reputation in software development and Taiwan’s leading position in the electronics processing industry are all attributable to such “returnees” (Saxenian, 1999).

Since the initiation of China’s economic reforms in 1978, a notable phenomenon has been the emergence of CRs, those who received higher education mainly in developed countries, such as in the United States, United Kingdom, Canada, Australia, Japan, and other European countries, and returned to China for career and business development. In 2010, a total of 284,700 Chinese students went abroad to pursue higher education, accruing over 1,900,500 Chinese educational seekers overseas in the past decades (Xinhua News Net, 2010, 2011a). The Chinese Ministry of Education estimates that the number of overseas Chinese who returned to China in 2009 after receiving foreign education reached 108,000, a sharp increase of 56.2% over the previous year. In 2010, this number reached an all-time high of 134,800 (Xinhua News Net, 2010, 2011b). By the end of 2010, there were over 632,000 CRs in China, playing a crucial role in China’s economic as well as scientific and technological development. For example, CRs have dominated China’s academic and R&D sectors, accounting for 78% of Chinese university presidents, 72% of senior positions in state and provincial key research centers, 81% of academicians of Chinese Science Academy, and 54% of the staff at the Chinese Engineering Academy (*China Daily*, 2007).

Over the past two decades, an increasing number of CRs have been involved in starting up business or becoming entrepreneurs in China. Over 150 National Returnee Entrepreneurial Parks were set up by the Chinese government, and more

than 8000 start-up businesses involving over 20,000 CRs were set up by CRs in these parks (Xinhua News Net, 2011b). For instance, in Zhongguancun, known as China's Silicon Valley, there were approximately 4350 technological ventures by 2008 involving more than 9800 returnees.¹ Some CR ventures have become leaders in a number of sectors in China, such as Internet, IT, and telecom as well as a number of other high-tech businesses, thereby influencing the Chinese globalization process.² About 47 Chinese high-tech companies founded or run by the CRs were listed on NASDAQ by August 2007, making up the majority of those Chinese companies listed on NASDAQ, with a market cap of about \$60 billion. Chinese firms are likely to be the largest group of foreign companies listed on NASDAQ, and these will be "innovative growth companies," said Michael Oxley, Vice Chairman of NASDAQ Stock Market Inc. (*The Wall Street Journal*, 2007). Through knowledge transfer and innovation, CRs have become China's drive to build technological capability, bridging the technological gap between China and the West.³ As a good example of such a trend, overseas Chinese contributed over 70% of the foreign direct investment in China between 1985 and 2000 (World Bank Report, 2005).

Despite CRs' vital influence on the development of China's science, technology, and economy, until recently, little attention has been paid to the nature of CR entrepreneurs. Hitherto, the phenomenon of "returnees" has mainly been examined from the perspectives of sociology and politico-economics, while few researchers in the areas of management or business studies have taken interest in the development of CR businesses. Since CR businesses have unique characteristics, making significant contributions to China's economy and representing a major Chinese globalization force, it is important to understand how they behave in terms of strategy development and what factors influence their behavior. Hence, I hope that this book would provide some useful insights. The book hopes to become the first major book in English on CRs and on CR entrepreneurs and their development in China. It will make some new analysis on CRs and its overall situation in globalizing China and their contributions to China and the outside world. It will also provide some practical findings that will be of help to CR entrepreneurs' businesses and to some extent to the returnees in many other emerging economies so that they can develop their businesses more rationally and effectively. This book will have policy implications with recommendation to the Chinese government and other governments to improve macroeconomic environment so that more brain circulation of returnee entrepreneurs can benefit the upcoming globalization process of emerging economy, and of course it offers some suggestions to returnee entrepreneurs to carry out successful strategies to conduct business in their home environment.

1. Interview data from Xia Yingqi, Deputy Director of Beijing Zhongguancun Returnees Entrepreneurial Park.

2. China Western Returned Scholars Association Annual Conference Report (2006).

3. Interview data from Xia Yingqi, Deputy Director of Beijing Zhongguancun Returnees Entrepreneurial Park.

1.1. Background of Chinese Returnees

Ever since the Imperial Army of Qing was defeated by the Royal Navy in the first Opium War, China, in hopes of revitalizing its ancient civilization, began sending students overseas. Thousands of Chinese attended schools and universities in Europe, North America, and Japan. Upon returning, they assumed key roles in the country's modernization drive. Among the returnees was Jeme Tien Yow (Zhan Tianyou, 1861–1919), a Yale graduate who became the chief engineer of the Imperial Peking-Kalgan Railway, the first railroad constructed in China without foreign assistance.

Even the core leadership of the Chinese Communist Party studied abroad. Both Zhou Enlai (1898–1976) and Deng Xiaoping (1904–1997) spent some formative years studying in France in the early 20th century. In 1978, upon returning to power after the disastrous Cultural Revolution, Deng Xiaoping initiated the “open door policy” and launched the reform era. That same year, he also decided to send a large number of students and scholars overseas. This visionary strategy has had a profound impact on the transformation of the People's Republic of China (PRC) over the last 30 some years. Each year, tens of thousands of Chinese students, often graduates from top universities at home, go abroad to acquire advanced degrees along with new knowledge and skills. Those who returned to China have generally made significant contributions in all areas of the country's development, ranging from science, technology, agriculture, and medicine to business, education, law, and politics.

Among all overseas returnees, one group that stands out is that of Chinese entrepreneurs who have launched their own businesses after studying in the West. Armed with experience working at multinational corporations (MNCs), they seized the unique growth opportunities in a reformed China to start their own enterprises. For example, Li Yanhong (1968–), a graduate of Peking University and the State University of New York, worked at Dow Jones and Infoseek before founding Baidu, a company that beat Google in Chinese Internet searches within a few years; Fu Chengyu (1951–), after studying at the Northeast Petroleum Institute in China and the University of Southern California, led the China National Offshore Oil Co. into an era of growth and prosperity; Shi Zhengrong (1963–), a graduate of the University of New South Wales in Australia, returned to China to launch SunTech Power, a leading solar energy company listed on the New York Stock Exchange and became the largest solar module manufacturer in the world. In sum, they represent the bright future of China, and that future is beginning to take shape. These business leaders have reshaped the country's economic landscape and begun to play a more active role on the social and political stages. As agents of change, they will have a significant impact on China and the rest of the world in years to come.

Haigui, a pun on *haiwai guilai*, meaning “returning from overseas” (Wang, 2005a, 2005b), is a very popular term in China today. Its pronunciation also suggests the Chinese phrase for sea turtles returning to shore after leaving to grow up in the sea. To most people in the Western world, the notion of “returnees” is a foreign concept.