

A portrait of Wayne Wang, Chairman and CEO of the CDP Group, Limited. He is a middle-aged man with dark hair, wearing glasses, a dark pinstripe suit, a light blue shirt, and a pink and yellow striped tie. He is standing with his hands in his pockets against a dark, textured background.

"THE 'ONE SIZE FITS ALL' APPROACH NEVER WORKS: YOU HAVE TO OBSERVE, LEARN AND MAKE YOUR OWN ASSESSMENT OF THE MARKET. THAT IS THE BEST WAY TO DO BUSINESS."

CAREER

1986 Graduates from Fudan University in Shanghai (B.S. Computer Science degree). **1990** Graduates from University of Iowa (MSc degrees in Computer Engineering and Statistics). **1992** Employed at SAP America in California. **1996** Creates a consulting firm, then a software company. Both were acquired by multinationals. **2000** Goes back to China, heads an e-commerce company which would be IPOed (Initial Public Offering) after four years. **2004** Creates CDP Group. **2010** Executive MBA at HEC Paris.

Photo: Pan Axi for HEC Hommes & Commerce

Wayne Wang (EMBA.10), Chairman and CEO of the CDP Group, Limited

Born and raised in Shanghai, Wayne Wang spent 16 years in the Silicon Valley, US before going back to China. He identified a "greenfield" in his native country: HR management solutions, an industry that he pioneered. To him, there are still a number of underserved markets in China waiting for foreign entrepreneurs.

“THERE IS STILL BUSINESS OPPORTUNITIES IN CHINA”

HEC Can you tell us a few words about your career?

Wayne Wang My background is pretty diverse. I was born and raised in Shanghai, China. After college, I moved to attend the Graduate School of the University of Iowa in the USA, to obtain an advanced degree. My career started with 16 years in the Silicon Valley, focusing on the IT/High-Tech industry. I worked for SAP America, and then started my own consulting firm which specialised in Enterprise Resources Planning (ERP) implementation and IT services for large corporations. That company was eventually acquired by Accenture. After two years, I decided to create a business again – a software company, which grew to a substantial size and was finally acquired by BMC Software. That gave me a successful exit, good enough for me to retire! So I rested for six months, played golf, toured the world, enjoyed life. But it quickly became boring...

HEC Why did you decide to go back to China in 2000?

W. W. Opportunity knocked again because of my ethnic background.

One of my private equity friends had invested in a Chinese company that was expected to become a leader in e-commerce. He asked me to help run it and take it public. I accepted, and therefore moved back to my birth town, Shanghai. The IPO (Initial Public Offering) was supposed to take place in 2000. Meanwhile, I identified another business opportunity. The Chinese economy was growing very fast, many businesses were created, international companies were pouring into the country... but there was a problem in human capital management, with a lot of demand and almost no adequate supply. I researched the market and thought I should build a company in that area. That is how the CDP Group was born – a provider of Human Capital Management (HCM) services like payroll and employee benefit outsourcing.

HEC How did the market grow? Did it match your expectations?

W. W. When I started my business, the Chinese HCM market was really in a primitive stage. A lot of compa-

nies were running their HR function manually. Less than 5% of them were outsourcing, compared to approximately 85% in the USA. I was facing a huge, underpenetrated market. It was basically a greenfield! To give you an example, I heard that General Electric was looking for a partner to manage their payroll platform. They had been looking for one year, and nobody could provide them with a solution.

There is a reason behind this: HR is always linked to local rules and regulations. You cannot create a French or American payroll system and just apply it in China, it simply won't work. The Chinese administrative system is very complex, which makes payroll and employee benefit calculation very complicated. Not anyone can tackle these aspects easily. Anyway, we did it, and the CDP Group grew at an average annual rate of 155% between 2004 and 2009! Initially, we mostly worked with international firms entering China. These companies were familiar with the HR outsourcing model, and they were looking for similar solutions in

12%
of companies
in China today
outsource part of
their HR activities,
versus 85% in the
USA.



500.000

employees are managed by the CDP Group (payroll, employee benefits and other HR services).

75%

of the company's clients are multinational firms from Europe, the USA or Japan.



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China. They were “low-hanging fruits” for us, and we won a lot of customers in a relatively short period of time.

HEC How big is the CDP Group now?

W. W. Overall, we provide HR services for approximately 500.000 employees in China. About 75% of our clients are multinational companies from North America, Europe and Japan. The others are Chinese companies. The CDP Group has become one of the largest HR service providers in Asia Pacific, and now offers a full scope of services – not only payroll and employee benefits, but also health benefits, commercial insurance, expatriate management, etc.

HEC What is driving growth today?

W. W. The market is progressively maturing. Chinese companies are picking up in terms of HCM stand-

ards. Also, the long-term labour shortage and the rise of labour costs in China leads ever more companies to outsource HR-related work. 12% of all companies today outsource part of their HR activities, versus 5% in 2004. This figure is likely to rise to 25% by 2015. So the local market still has very strong potential! On top of that, the CDP Group is expanding outside of China. A lot of our multinational clients want us to cover other countries, and are driving us to be pan-Asian.

HEC Who are your clients?

W. W. We have very high-profile multinational clients, with usually complex HCM processes. One example is the Swiss pharmaceutical company Novartis: we built a large shared HR service centre to manage their employees in Greater China. The centre covers 8 legal entities and 60 locations across China, for a total of 10,000 employees. With our help, Novartis was able to streamline more

than 200 HR processes, and to reduce overall HR operation costs by 30%. Another example is Diebold, the world's leading supplier of ATMs. During the financial crisis, the company's business volume inevitably declined, and it had to reduce its operational costs to survive in the global recession. CDP provided a one-stop solution including payroll, benefits, employee self-service and expatriate services. That case study was featured in 2010 by SHRM ^(*). I was awarded the “Global Economic Stimulus Prize” on account of our “innovative approach”. The jury specified: “We especially want to thank the CDP Group for helping to advance the HR profession in China”. It was a huge honour.

HEC What about the outlook for the years to come?

W. W. We are still experiencing significant growth rates, around 70% annually. The outlook is great – we are facing huge demand. That said, as I tell my employees, our mission is to constantly produce better services and innovate our products. Inevitably, competitors have emerged – which shows, in turn, that this is a good market. US-based HR Enterprise “ADP” entered China two years ago, but they still need a few years to figure out how to do things in the right way. Competitors also include traditional state-owned HR service companies. However, I don't believe that any of them is a direct competitor; we only compete with them in sub-sectors. I would say that the CDP Group is rather focusing on

CDP GROUP, EXPERTS IN HUMAN CAPITAL MANAGEMENT

Headquartered in Shanghai, CDP Group is the leading HR management service provider in Asia. The company offers services in payroll outsourcing, employee benefit outsourcing, shared HR services, HR Software as a Service, recruitment services, and expatriate services among others. The group is present in more than 130 cities (including Beijing, Suzhou, Guangzhou and Shenzhen) and also covers regional centres in Hong Kong, Taiwan, Macao, Singapore, Malaysia and US. 75% of its clients are multinational firms, including French companies like Société Générale, Lacoste and Renault. (<http://www.CDPgroupLtd.com>)

"THE CDP GROUP IS FOCUSING ON COMPETING WITH ITSELF. THE MOST IMPORTANT THING IS TO KEEP OUR INNOVATIVE SPIRIT AND IMPROVE THE VALUE PROPOSITION OF OUR OFFER."

competing with itself. The most important thing is to keep our innovative spirit and improve the value proposition of our offer.

I believe that entrepreneurship is a state of mind. You can be an entrepreneur, even if you work in a big corporation. The sixteen years I spent in Silicon Valley gave me a spirit of innovation that is essential and very powerful today. Now all our HCM services are online as cloud-based software services, and we make them available through mobile phones as well. We are also adding some social media features. For instance, a new employee in a company can use his mobile phone to take a picture of himself, which will be captured into the company system. This will automatically create a user master, which will be linked to people with similar skills and profiles. In the next year or two, the world will know about all these innovations.

HEC You hold an Executive MBA from HEC Paris: why did you decide to join this programme?

W. W. When I heard of the EMBA programme, I immediately signed up. After growing up in China and studying and working in the USA, I wanted to take this opportunity to broaden my mind with a European perspective. This kind of globalised combination is very important for me. The programme mostly takes place in China and France, and it is pretty unique. The HEC professors were wonderful. Participants included executives from multinational companies and high-level Chinese business leaders and government officials. By the way, I was elected class president! I personally had years of professional experience, but found it very useful to put all this knowledge into strategic frameworks. We had interesting discussions, sometimes heated debates, on topics such as globalisa-

tion, leadership, business strategies, etc.

HEC What advice would you give to people who want to do business in China?

W. W. When you first arrive in China, you can hardly have a consistent, accurate understanding of the country. But over time you can form your views. The "one size fits all" approach never works: you have to observe, learn and make your own assessment of the market. That is the best way to do business.

There are some cultural aspects to take into account. Sometimes you misread people's reactions, you don't see certain signals that you might grasp and take advantage of, and can finally miss a big opportunity. For instance, this morning I was talking to a US executive who is trying to set up a joint venture with a Chinese founder. Negotiations were not easy. The Chinese partner suggested having dinner. In the United States, it is not convenient because of certain laws and codes that you have to comply with. But here in China, certain subtle issues can be solved around a dinner table.

HEC You are a member of the HEC Alumni Shanghai executive committee. In your opinion, what are the key development axes for the HEC community in China in the coming years?

W. W. I am pretty active in the HEC Alumni society in Shanghai. We mostly organise networking and recreational Activities. I think that the Alumni association, together with the HEC School, should put more effort into promoting brand awareness. Some US brands are famous in China, but European MBAs are pretty low-key. HEC is a very prestigious school in Europe, yet not so well known here. Brand-building takes a systematic approach. This year, we are working on a report/positioning paper regarding this

issue. I will participate and make my own recommendations.

HEC What is your opinion about the new government that took office a few months ago in China?

W. W. The political system in China is lagging behind, and needs to be reformed. I am glad to see that the new leadership is firmly committed to foster change. Most new leaders are experts with solid backgrounds in law or economy, instead of pure politicians. They also have track records of promoting development at a regional level. Because of that, I am fairly optimistic that they will do things to improve the system. ●

(*) Society for Human Resource Management, the largest professional HR society in the United States.

70%
annual growth in sales.

GREENFIELDS IN CHINA

China is expected to become the global economic leader by the end of the decade (see article next page). The country has been transforming for the last 20 years, with income per capita multiplying by 15. "The accuracy of figures is debatable, but the trend is there," Wayne Wang comments. Even today, growth is remaining strong despite challenging times: in 2012, the GDP increase was the lowest in 13 years ... at 7.8%. "Compared to the rest of the world, that is respectably good! And there are no signs of slowing down."

Meanwhile, rising labour costs represent a threat for companies producing in China, but they also generate business opportunities. "Chinese people have more money in their pocket to consume, so Western companies will be able to sell them more products and services," Wang points out. Another mega trend is urbanisation, which creates needs in terms of housing, equipment, decoration, etc.

"I identified a 'greenfield' nine years ago, but I am convinced there are still many investment opportunities linked to certain underdeveloped markets," he says. "Be daring, there are still businesses waiting to be set up. Remember the HEC motto: the more you know, the more you dare!"