

International Business News

London to remain HSBC's headquarters

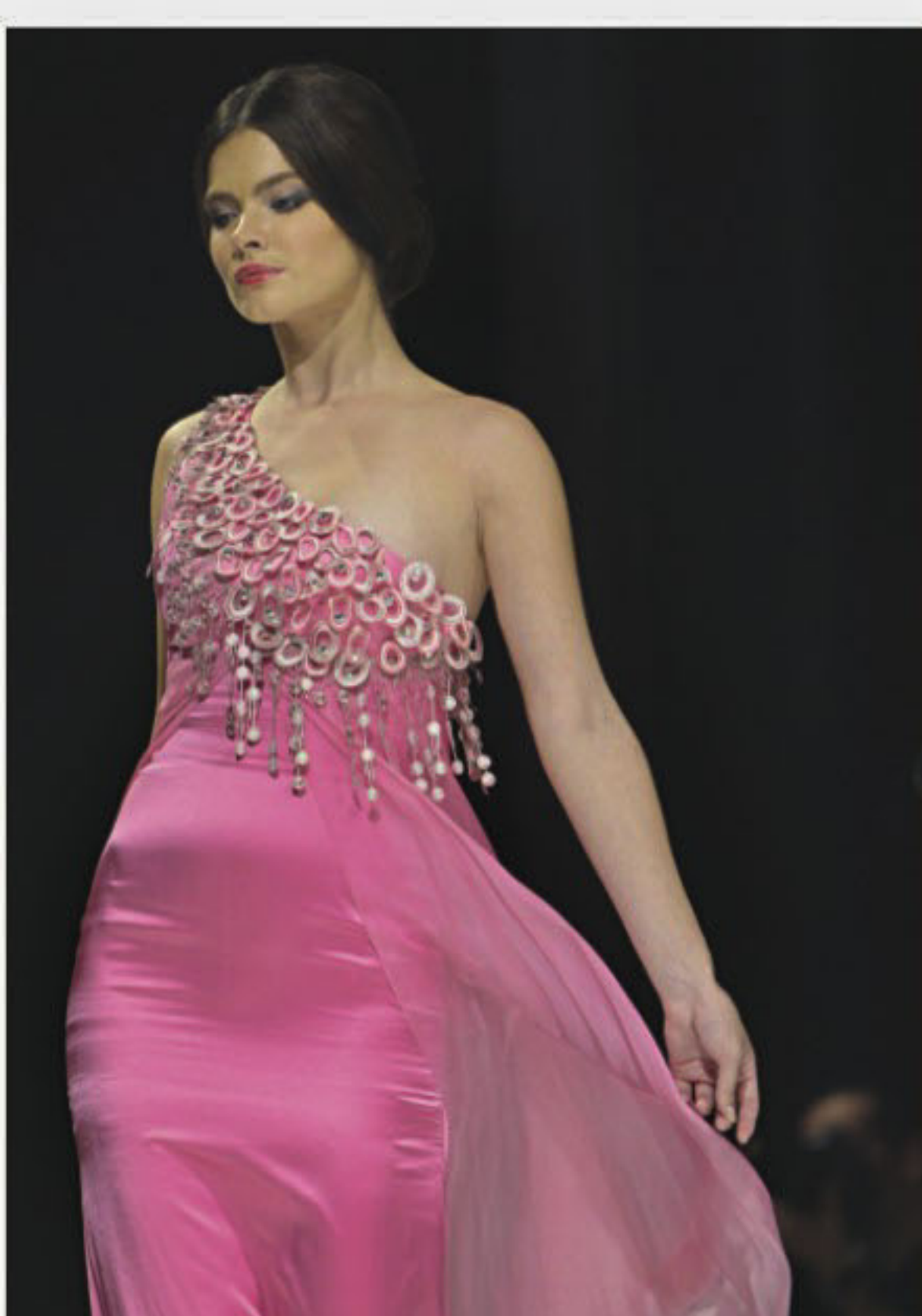
AFP, Shanghai  
The headquarters of banking giant HSBC will remain in London, departing chairman Stephen Green said Wednesday, dismissing market speculation that its head office might move to Hong Kong.

The lender moved its chief executive to Hong Kong in February to highlight the importance of Asia -- particularly China -- but London remains its headquarters, Green said on the sidelines of a board meeting in Shanghai.

"We have no current plan to change that," Green said. "Our policy will remain committed to building up our business in China. There is no country strategically more important to us. That's why we brought our board meeting here," Green said, according to Dow Jones Newswires.

Green, who is leaving to become Britain's trade minister, spoke during a break from the meeting that is expected to endorse the recent shake-up of the bank's top management.

HSBC confirmed on Friday that chief financial officer Douglas Flint would succeed Green as group chairman and Stuart Gulliver, its head of investment banking, would replace Michael Geoghegan as chief executive.



AFP  
A model presents a creation from international Lebanese designer Fadi Nahle's 2010 Haute Couture collection during an offbeat fashion show held on a flyover above a highway linking the Lebanese capital Beirut with the north in the coastal town of Dbayeh late on Tuesday.

Renault-Nissan open to GM tie-up

AFP, Paris  
Franco-Japanese auto maker Renault-Nissan is open to a possible alliance with General Motors of the United States, Renault chairman Carlos Ghosn said in an interview published Wednesday.

"I still think there are a lot of things to do with GM, that there are a lot of synergies," he told the newspaper Le Monde ahead of the opening later this week of the Paris Auto Show.

Ghosn said that during the recent economic crisis, US the government, after rescuing GM from threatened bankruptcy, suggested that he take charge of the ailing company.

"I replied that it was impossible to abandon my current responsibilities in that moment of turmoil," he told Le Monde. "I thought that that would not be at all ethical.

"Now, I remain open to a tie-up with GM," he said, adding that such an initiative would be "an opportunity rather than an obligation" for Renault-Nissan.

BMW to supply engines to Saab

AFP, The Hague  
German carmaker BMW is to supply engines to Swedish auto firm Saab from 2012, the Dutch company Spyker which has rescued Saab, said on Wednesday.

"BMW will supply Saab with 4-cylinder 1.6 litre turbo-charged gasoline (petrol) engines from 2012," Spyker said.

The sales and marketing director at BMW Ian Robertson said: "We are delighted to support Saab with our engine expertise.

"Our engines have a clear lead over the competition when it comes to fuel consumption, emissions and performance."

Spyker has never made a profit since being set up in 2000. The Dutch company bought Saab from US group General Motors when GM was in severe trouble during the financial crisis. It intends to re-launch the Saab brand.

Taiwan's Inventec to invest \$95m in solar cell

AFP, Taipei  
Inventec Corp., a leading Taiwanese contract notebook computer maker, said Wednesday it will invest at least 3 billion Taiwan dollars (95 million US) to set up a solar cell unit.

The company said in a statement it established the new unit to diversify its business and stimulate growth as profit margins in the contract computer-making sector have kept narrowing.

Inventec is among a string of Taiwanese high-tech firms that have ventured into solar energy, an area expected to see rapid expansion in coming years as global warming concerns prompt a search for alternative to fossil fuels.

COLUMN

Rules of the game

RAM CHARAN

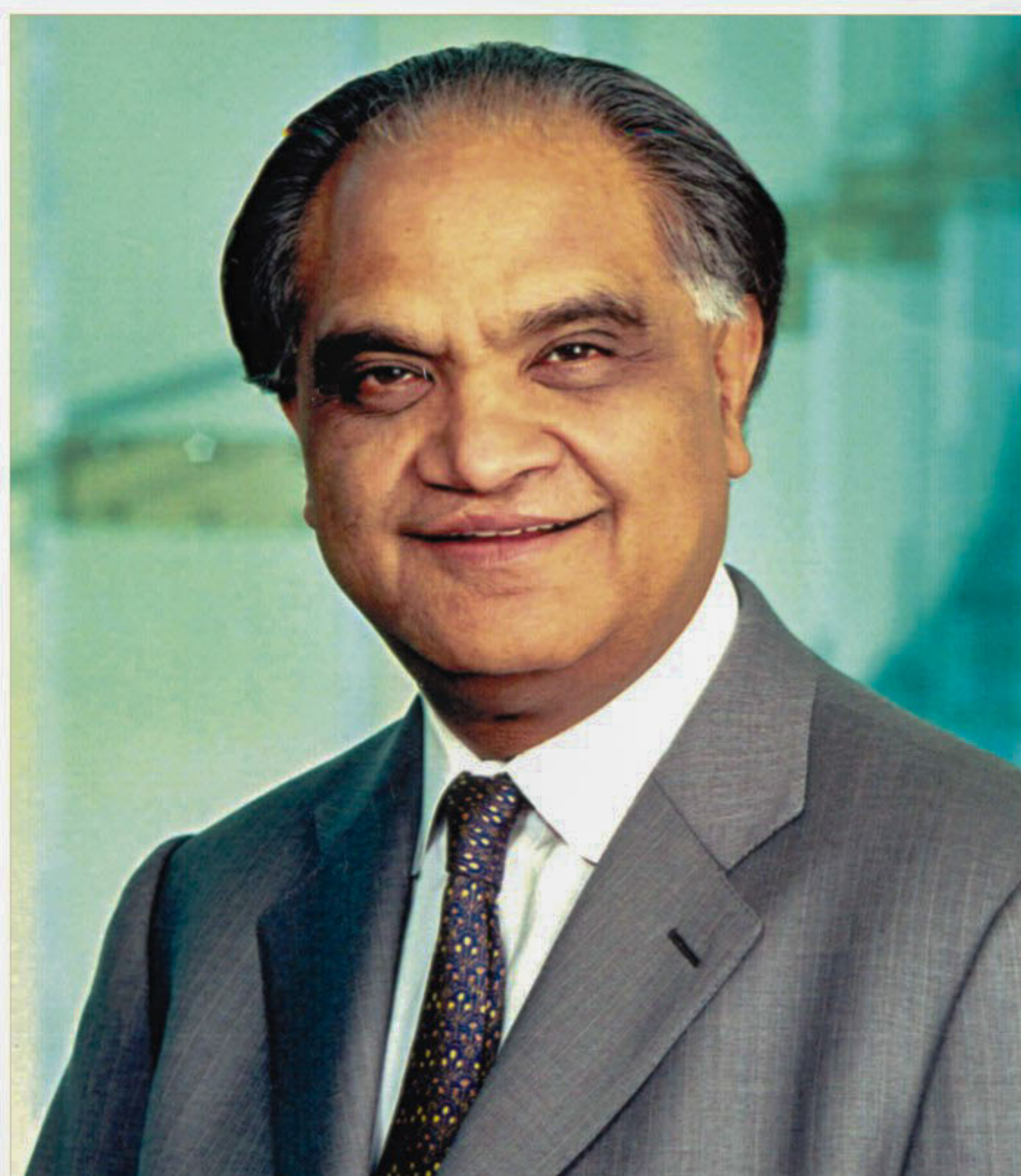
Happy economic times are all alike; unhappy times are unhappy in their own way. What makes the current economic downturn distinctively unhappy is the unprecedented confluence of three things. First, there was a Fed-induced housing bubble -- too much cheap money for too long. Then there was the rampant use of exotic financial instruments, such as collateralised debt obligations, to disperse risk among people who did not understand it. Finally, the rating agencies failed to catch the poor quality of a great deal of highly rated debt. With lots of momentum, and faulty brakes, the financial system hit the skids.

For executives, whether this turns into an official recession (two straight negative quarters) is immaterial: What matters is how their business is affected -- segment by segment. Those with broad international exposure are better fixed to ride out a slump in the US. Those dependent on the housing market are in for a very rough time indeed. But certain principles apply broadly:

**Keep building:** When the top line looks shaky and the bottom line worse, the temptation is to go after discretionary spending. Fine, but do not consider product development, innovation, and brand building optional. Sacrificing your future for a slightly more comfortable present is not worth it. If you keep building, you can come back strong.

Consider the case of Merck (MRK, Fortune 500). In the early part of this decade, the pharma company had a number of major medicines going off patent. The stock price was falling, and revenues were flat -- and this was before the Vioxx mess, which hurt the company badly. The whole industry was in a rut, and Merck's was deeper than most. So what did then CEO Ray Gilmartin do? He increased investment in research and development from 12 percent of revenue in 1999 to 20 percent in 2004. And he did not stop there. He made the case to the board and to all the major investors and analysts. Not everyone bought into the strategy, but at least they knew there was one.

Another area to build on is personnel. It may seem counter-intuitive to pay bonuses when profits are falling, but sometimes it is the right thing to do, particularly if a specific unit is creaming the competition. Reward-



When you are down, talk to people and figure out an escape plan: Ram Charan

ing excellence, through new challenges, public recognition, and, yes, money, in bad times as well as good builds loyalty. In fact, a downturn can be an excellent time to poach; people who might have stuck with a company because of vested options or other monetary incentives may be more willing to consider joining your company when those vanish. In general, I am against cutting salaries as a first resort. If that has to happen, though, top management absolutely must suffer a cut too.

For boards, a downturn is an excellent time to take a hard look at CEO pay and ensure it is structured in a way that rewards genuine performance and does not simply piggyback on a rising market.

**Communicate intensively:** Get information from where the customer action is, and

get it to the operating people, fast. Companies should do so routinely, of course. But they do not. It is counterintuitive but true that when the economy slows down, the pace of decision-making has to speed up, because you cannot put off the tough choices anymore. The companies that are the readiest to act on solid information are primed to shoot ahead of the business cycle.

I saw this in the early 2000s, when I was working with EMC (EMC, Fortune 500), an information-storage company in Massachusetts. In two years the stock price dropped by more than 90 percent, due to falling sales and confidence. Customers told the sales force that sure, demand was softening, but it was not a big deal. Then the CEO, Joe Tucci, got out of his office and talked to the CEOs and CFOs of his custom-

ers' customers. Tucci heard something very different that they were anticipating a deep and prolonged drop in demand. He acted on that information, reconfiguring the business to fit the new, unpleasant reality.

When the economy recovered, so did EMC, and more. Its gross and operating margins are now better than the industry median, and its price earnings ratio higher. While the stock price is still miles away from its bubble-era peak, it has almost quintupled since the trough. The lesson: When you are down, do not just sit there -- talk to people, inside and outside, to figure out an escape plan.

Employees in particular deserve your candor. Intranet letters, division meetings, town hall gatherings -- the form does not matter; the frequency and honesty of the communication do. Outline the problems, explain your plans, ask for advice. Listen. Finally, communication needs to happen among teams in the company.

**Evaluate your customers:** In good times, companies manage the P&L (profit and loss); in bad times, cash and receivables matter more. Therefore, you need to identify your higher-risk, cash-poor customers. You could decide to simply not supply them anymore. That is harsh but sometimes necessary.

**Just say no to across-the-board cuts:** By all means cut costs if it makes sense to do so, but make sure there is purpose in how you do it. It may be useful to clean out the metaphorical attic, for example, by pruning your product line. Procter & Gamble (PG, Fortune 500) did that in the late 1990s and early 2000s, shedding stagnant brands like Comet and Crisco. It then used that money to invest in higher-growth areas, to good effect. It was painful for P&G to sell off such historic entities, but doing so delivered a strategic punch that slicing 2 percent here or there would not have. The key: If you have to cut costs, do not try to be fair about it.

Being on the downside of the business cycle is not much fun. That said, a slump can also be an opportunity if you use the sense of urgency to improve strategy, management, and discipline. In that sense, happy and unhappy times are alike: The companies that take charge and outcompete will win.

Ram Charan is the author of many management books, including *Leaders at All Levels: Deepening Your Talent Pool to Solve the Succession Crisis and What the Customer Wants You to Know*.

Gates and Buffett host banquet for China's super rich

AFP, Beijing

Bill Gates and Warren Buffett hosted a banquet Wednesday for China's super rich that sparked debate about Chinese philanthropy, amid reports that wealthy invitees had been reluctant to attend.

Gates and Buffett, who have already persuaded 40 wealthy US individuals to hand over more than half of their fortunes, insisted they would not pressure attendees for money and simply wanted to learn about charity in China.

It's "a discussion about philanthropy that will be a two-way exchange that we are looking forward to", software magnate Gates told reporters in Beijing before the dinner, as billionaire investor Buffett stood at his side.

The state-run Global Times said the guest list of 50 rich industrialists included Pan Shiyi and Zhang Xin, the chairman and CEO of property developer SOHO China, and Niu Gensheng, founder of Mengniu Dairy.

Chinese film star Jet Li, himself a philanthropist, had said he would meet Gates and Buffett before the banquet to chat about charity.

The event has caused a stir in China, the world's second-largest economy, where the number of rich people is growing fast in parallel with the nation's stunning economic development.

China had 64 dollar billionaires last year, second only to the United States' 403, according to Forbes magazine. The number rose 31 percent in 2009 from the previous year, state media has said.

Still, the official Xinhua news agency reported earlier this month that only a small number of business leaders had confirmed their attendance at the banquet for fear of being leaned on to give.

The Global Times said in a commentary piece that philanthropy was still in its infancy in China and was "not popular among Chinese business people".

"A lack of reliable channels to



Wearing Tibetan scarves, US billionaire Warren Buffett (R) watches billionaire Bill Gates gesture at the launch of Chinese electric vehicle BYD M6 in Beijing yesterday.

donate and a lack of supervision on the use of the funds are strong reasons," it said.

But charitable giving is nevertheless on the rise.

Tycoon Chen Guangbiao, for example, pledged this month to give his fortune -- estimated at more than 700 million dollars -- to charity after he dies and said more than 100 other Chinese had since contacted him to promise the same.

"If you have a cup of water, that's for one person to drink. If you have a bucket of water, that's for your family to drink. But if you own a river, you should share it for all to enjoy," Chen,

42, recently told AFP in an interview.

And according to the state-run Beijing News, a charity dinner for "common people" such as students and professors has also been organised in Beijing at the same time as the banquet to encourage the less wealthy to donate too.

Peter Buffett, son of the US investment guru, told Xinhua that his father hoped the "Chinese people will come to their own conclusions about the role of philanthropy in their culture".

"It isn't always just about money. It's also about speaking out on the issue to get others involved," he was quoted as saying.

Soft drinks maker tops China rich list

AFP, Beijing

The founder of China's largest soft drinks maker Wahaha, Zong Qinghou, has become the country's richest person with a fortune of 12 billion dollars, according to a new list published Wednesday.

Zong, 65, leapt 11 places to top the Hurun Rich List, said Rupert Hoogewerf, founder of the Shanghai-based Hurun Report, which publishes the annual list of the richest Chinese with personal wealth of at least 150 million dollars.

Zong's climb up the rankings comes a year after French food giant Danone ended its long-standing feud with Wahaha, by agreeing to sell its 51 percent stake in their joint ventures.

Danone had accused Zong of breaching an agreement after he set up an entire production and distribution network in parallel to the French firm's joint ventures with Wahaha.

Li Li, 36, and his family were catapulted into second place with a fortune of six billion dollars after their little-known pharmaceutical company Hepalink listed on the domestic stock exchange in May.

Hepalink, which produces a blood thinner called heparin, listed 40.1 million shares, or about 10 percent of the company, at 148 yuan (22 dollars) each, according to statements filed to the stock exchange.

The price was equivalent to 73 times Hepalink's 2009 earnings and marked the most expensive listing price ever for a Chinese stock, the official Xinhua news agency said. At the time, Li and his wife held a 72-percent stake.

Zhang Yin, the woman who founded paper-recycling company Nine Dragons Paper and China's richest person in 2006, slipped to third place from second in 2009 even though her wealth grew by almost a billion dollars to 5.6 billion dollars.

Despite her fall, Zhang remains the richest woman in China.

Wang Chuanfu, the founder of Chinese battery and electric car maker BYD and last year's richest person thanks to US billionaire investor Warren Buffett, fell to 12th place after his fortune shrank 10 percent to 4.6 billion dollars.

Buffett, who hosted a banquet on Wednesday for China's super-rich along with software magnate Bill Gates, paid 230 million dollars for a 10 percent stake in BYD in September last year.

The complete Hurun Rich List will be released in October, according to Hoogewerf.