

ABOUT THE AUTHOR

MIN LIU

is an Associate Operations Officer for the IFC China Corporate Governance Program. She joined IFC in 2003, having previously worked as a lawyer and university instructor in China.

APPROVING MANAGER

Sergii Tryputen, Manager of the China and Mongolia Corporate Governance Program.

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SmartLessons

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Sowing Seeds on the Beautiful Journey in 10 Cities: Improving Corporate Governance Practices among Chinese Companies by Strengthening Local Capacity for CG Consulting Services

Corporate governance (CG) is a journey, not a destination. The IFC China Corporate Governance Program started its journey in 10 cities of China in 2009 and sowed “seeds” on the ground. Today, some of those seeds are germinating, blossoming, and bearing fruit. This SmartLesson describes what steps we took, including selecting partners, mapping the journey, choosing partners for maximum impact, localizing training, and following up afterward.

Background

The IFC China Corporate Governance Program is a three-year advisory services project that aims to improve CG practices among Chinese private companies through different types of intervention that focus on direct company assistance, knowledge management, and capacity building.

Since its inception, the program faced the small-versus-big challenge: a small team of three and a small budget dealing with a big country and a big market. How to reach the maximum target companies in China to improve their CG practices with limited project resources? How to accelerate program impact throughout China as a whole? Who will be the program’s successors to deliver CG services in the Chinese market after we exit?

After deep consideration, we designed what we called “The 10 Cities Project.” Our goal: to deliver 10 workshops on the well-established IFC CG methodology in 10 cities throughout China by targeting local professional institutions to improve their capacity to provide CG consulting services and to better enable them to provide CG services to their client companies in China.

Since 2009, we have delivered 10 CG methodology workshops in China. More than 280 representatives from over 170 professional

institutions—including management consulting firms, law firms, and accounting firms—have participated in the workshops.

Participant evaluations from the first seven workshops demonstrated the initial impact of the project. Some 37 trained professional institutions incorporated the IFC CG methodology into their consulting services to 115 client companies, provided CG training to 1,103 individuals, and reviewed 125 CG procedures for client companies for improvement. Ten of these institutions reported revenue of \$259,036 generated from CG services to their client companies.

Lessons Learned

1) *Select the right partner for the journey.*

It is important to have a strong local partner to co-organize the training in different regions and cities in such a big country. In the beginning, we chose a CG research center in China that had participated in our CG training programs before and showed its commitment to cooperate with us as our strategic partner for the 10 Cities Project. Later, we discovered that although the center’s regional, Beijing-area network was strong, it did not have a good countrywide network. That meant that we had to struggle on our own to organize and deliver the workshops in different cities.



After some searching and consideration, we identified a good potential partner in the management consulting committee of the China Enterprises Confederation (MCC), which has an extensive, countrywide network, including 56 provisional committees. MCC works as a bridge among enterprises, management consulting organizations, and government.

However, convincing this powerful institution to embark on a long journey with a “stranger” was not easy. In the beginning, MCC didn’t know about IFC and had doubts about our motives in China. To dispel their doubts, we invited MCC’s officers to IFC’s Beijing office for a field visit and showed them what IFC has done in China in the past years. We also invited MCC’s director to participate in the board of directors training workshop organized by the program. Gradually, MCC recognized our program and began detailed discussions and negotiations with us. At the initial negotiation, MCC disagreed about sharing costs with IFC and also requested that IFC pay it for organizing the training workshops. We showed MCC the value of the IFC CG methodology for its member firms, which are top management consulting firms in China; defined common goals with MCC; and agreed to cover the travel costs of one officer designated by MCC to travel together with us to different cities for the training workshops. Ultimately, MCC agreed to help organize the training workshops in different cities and share the workshop organizing costs, including the provision of resources such as classroom facilities, equipment, lunch, refreshments, and the like. MCC also designated an officer who was responsible for recruiting target audiences and facilitated local media reporting.

2) When deciding where to hold workshops, map the journey together with your partner.

It’s a bit of an understatement to say that China is a big country. It spans a massive swath of geography and is home to more than 600 cities.¹ Deciding on the 10 cities was definitely a challenge. Should we go to cities in rich regions

¹ Cities with a total population of 360 million.

or in frontier regions? Should we hold sessions in large cities or medium-size cities?

We started by identifying the important elements that would form our decision criteria, such as local partners’ support and market needs. We discussed these elements with our partner and settled on four key criteria:

- Sufficient target audience
- Strong market need for CG services
- Availability of support from MCC’s provisional committees
- Breadth of impact across various regions, with emphasis on frontier regions

Next, we created a list of around 20 cities and narrowed it down to 10 to 15, using the criteria to compare and contrast. Finally, our local partner MCC identified a final list after discussions with its provisional committees in the target cities. The route of our journey to 10 cities was mapped out.

3) Select good “seeds” for sowing by identifying the target audience and selecting participants carefully for maximum impact.

The objective of the 10 Cities Project is to build and strengthen the capacity of professional institutions for CG consulting services and to improve the CG practices of their client companies through their engagement. Just as farmers select their seeds with care so that they can have strong yields and quality produce, we realized that we needed to select with care the consultants who would be trained, because they would play a key role in ensuring the success of the project.

We discussed at some length how to select our own good “seeds” for sowing in the 10 cities. We decided to limit the number of participants for each workshop to 20 to 40 people,



Training participants discuss the case studies in the Shenzhen workshop.

and we noted that potential CG service providers might come from management consulting firms, law firms, accounting firms, investment consulting firms, management schools, and the like. We also developed a list of qualifications for participants:

- *Educational background, skills, or expertise in executive management, finance, corporate governance, corporate law, accounting, or banking*
- *General knowledge of corporate governance*
- *Minimum of five years' consulting experience*
- *Client list that includes a minimum of 15 companies that have used the participant's consulting services within the last three years*
- *Willingness to incorporate CG consulting services as part of the participant's portfolio of service offerings*

A pre-training questionnaire was created that contained information on our selection criteria. Using the questionnaire, we conducted a pre-training survey among the candidate participants in each city, which helped select the best candidates. It also helped us understand their skills, experiences, and expectations for the training.

4) Don't give them a fish for free, but let them pay for fishing tools and teach them how to fish.

Lessons learned from earlier advisory services projects showed that the participants might not value what they learned from the training if the training were free. To avoid this situation, we discussed the pricing issue with our partner and agreed that MCC would charge participants for the training and use the fees to cover part of the training costs. After consultation with its provincial committees in the target cities, MCC outlined a low-cost approach to organize the training that included conducting the training in the training room contributed by MCC's member firms in target cities and providing cost-effective food for lunch and coffee breaks. MCC also decided on a two-tier pricing policy that charged \$30 to participants affiliated with MCC's member firms and \$220 to participants not affiliated with MCC firms.

5) Don't forget to acclimate to the local climate when sowing the seeds: localize your training.



Trainers from IFC CG team (left to right - Charles T. Canfield, Vladislava Ryabota, Min Liu)

To equip our participants with the skills they needed and to help them learn how to seek clients for their new offerings, we put a great deal of thought into training design and preparation of training materials to fit the Chinese context. To ensure that the IFC methodology training would be linguistically and culturally appropriate in China, we localized the training by translating all the tools into Chinese and adding local case studies into the training materials. We worked with our colleagues from IFC's CG unit, Charles T. Canfield and Vladislava Ryabota, to develop a comprehensive training model, which includes presentation slides, case studies, sample documents, in-class exercises, and practical tips.

The training agenda was designed to avoid talking too much about CG in general. Instead, we focused on presenting the tools and how to apply them in China. During the 1.5-day training session, we also shared our experiences on how to interview client companies and brainstormed with participants on how to sell CG consulting services to target clients. Local guest speakers talked about their own experiences in providing CG consulting services for Chinese companies. Participants also had opportunities to discuss ways to localize and customize the methodology.

6) Don't ignore your seeds after sowing them, but water them regularly for sustainable growth.



IFC team, MCC team, and training participants in the Dalian workshop.



A training participant in the Beijing workshop presents the group discussion results.

Training is not a one-off event. Don't ignore the people trained by the project after the training. Give them sustainable support.

On the second day of the training, most of the questions from participants focused on concerns about follow-up support from IFC and MCC. To address the participants' needs, we developed a follow-up plan for the 10 Cities Project:

- *Invite participants to suitable CG events. For example, we invited some of the trained people to the seminar on board crises organized by the program in Beijing to equip them with the knowledge of CG as a response to financial crisis.*
- *Regularly share good CG articles and information. To maintain good relationships with the trained people, we sent good CG reports, articles, and case studies to them about every two months by e-mail. Each time, we received many feedback e-mails from participants who highly appreciated our knowledge sharing. We also sent participants a New Year card when the new year came in.*
- *Develop and distribute a handbook on CG consulting services. We are planning to work together with MCC to develop a user-friendly handbook on CG consulting services for more potential CG services providers. The handbook will include some real cases on CG consulting services in China contributed by the trained people who have incorporated the IFC CG methodology into their consulting services.*
- *Organize a CG forum to build a bridge between enterprises (potential CG services buyers) and the trained firms (CG service providers). We are planning to co-organize an event with MCC in Beijing in 2011 after the handbook is complete. The project-*

trained people will be invited to the forum to directly communicate with enterprises on CG consulting services.

Conclusion

The IFC China Corporate Governance Program sowed hundreds of "seeds" along its journey in China. Some of these seeds have germinated, blossomed, and borne fruit, while others will need more time. However, the lessons from the 10 Cities Project have relevance for other advisory services CG projects aimed at improving enterprises' CG practices through strengthening local capacity.

Direct Quotes from Participants

"What I learned from the training is not only the knowledge of corporate governance, but also a set of very comprehensive and practical tools for corporate governance advisory services. I will definitely adopt the methodology and provide corporate governance services to my clients in the near future."

- Mr. Ren Haoqian, General Manager, Chengdu Daoqin Management Consulting Firm

"This is the best training I have ever attended in the past 30 years in China!"

- Ms. Ao Dongyang, senior consultant, Training Center of Shenzhen Qianghua University Research Institute

"CG is a journey. As a consulting service provider, we still have a long way to go. I believe my consultation will be much more convincing, once equipped with IFC CG Methodology."

- Ms. Wu Qingzhen, General Manager, ChongDaTongHao Management Consulting Co., Ltd.

"The difference between IFC training and other training I attended from other places is that the IFC training is more practical. It's amazing that tomorrow I can use the tools and skills I learned from this training to provide CG services to my clients."

- Mr. Duan Fanglan, general manager, Tianjin Guanghua Enterprise Management Consulting Co., Ltd.

"This training broadens my vision and also provides me an opportunity to view CG from a different angle. I will combine IFC's CG methodology into our practice, and I am looking forward to the results of this combination."

- Ms. Gao Yuexing, deputy director, Financial Department, Shanghai SHENYIN WANGUO Research Consulting Co., Ltd.



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