

# The Changing Face Of China

*China as an Offshore Destination*

*For IT and Business Process Outsourcing*



**ATKEARNEY**



# Introduction

A vast and growing country, China is increasingly becoming a partner to companies big and small. The country beckons and businesses listen, wondering how, or if, they will manage to capitalize on the combination of growth, political stability, investment, developing capitalism and fresh technology. This is the changing face of China.

China is the sixth-largest economy in the world with a GDP of US\$1.4 trillion. Its real gross domestic product has expanded at an average of 9 percent a year for the past 25 years. And every week, more than US\$1 billion of foreign direct investment flows into the country.

Long known as the world's factory, China is now becoming an attractive location for IT offshoring (ITO) and business process offshoring (BPO) (*see figure 1 on page 2*). These markets are expected to grow as the Chinese government continues to entice foreign companies with tax and tariff incentives, subsidies, and administrative convenience—all in an effort to attract more multinational companies to the country.

China's popularity as an ITO and BPO destination is mostly reserved for companies serving their Asia-Pacific markets. This is due to geographic proximity and China's language and cultural affinity with nations in Asia Pacific. Increasingly, however, China is becoming a destination in multinationals' larger global offshore strategies. Many firms are considering the country as an option to serve China's growing domestic market.

Similarly, Chinese-based ITO and BPO providers are working to improve their capabilities with an eye toward the West. The goal is to move beyond providing services to companies in Asia Pacific and begin capturing business from multinationals in the United States and Europe.

The questions for both the multinationals and China-based providers: How is China competing today? How will it compete in the global offshoring arena in the future?

This paper highlights findings in A.T. Kearney's most recent study of the ITO and BPO markets served by China (*see sidebar: About the Study*). We discuss China's strengths and weaknesses, and dispel some long-held misperceptions. Throughout the paper, we offer A.T. Kearney's perspective on how China is faring in its efforts to become a preferred offshore destination for IT and business process offshoring.

**FAST EMERGING CHALLENGER**

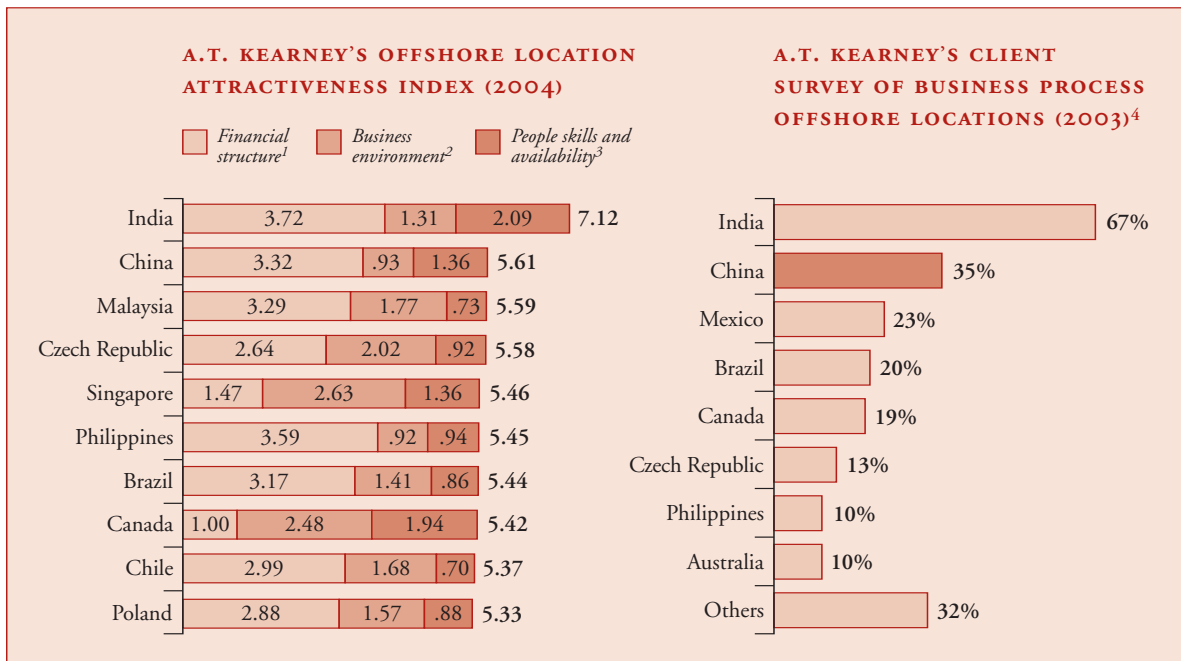
China-based ITO and BPO providers are strongest in the Asia-Pacific market due to geographic proximity and China's language and cultural affinity to nearby nations. For example, due to a large concentration of people in China who speak Japanese, offshore clients are predominantly from Japan. In fact, more than 60 percent of China's offshore software development revenue is from companies based in Japan. Dell Computer and CSK Corp are opening Japanese-language call centers in the northeastern city of Dalian. And according to Dalian Hi-Think Computer Technology, China's largest software

exporter, more than 70 percent of revenues are from Japanese clients.

"The Japanese feel comfortable dealing with the Chinese," explains an executive with a leading Chinese ITO company. "It's easy for us to gain consensus and build trust with our Japanese clients."

In 2003, China's ITO market was roughly US\$0.4 billion, with almost all activities centered around lower-end services, such as IT activities that involve modular programming (developing a smaller component of a larger application), and testing. Most of the offshoring work performed in China today is for the

Figure 1: China is among the world's most attractive offshore locations



Notes: <sup>1</sup>Based on costs of compensation, infrastructure, and tax and regulatory requirements

<sup>2</sup>Based on country environment (includes economic and political aspects), infrastructure, cultural adaptability and IP security

<sup>3</sup>Based on business process experience and skills, labor force availability, education, language and attrition rates

<sup>4</sup>Includes responses from executives at 115 companies; respondents allowed to choose from more than one country

Sources: Industry interviews and A.T. Kearney analysis

financial services and high-tech industries. According to Gartner Group, China's ITO business is expected to grow at 44 percent annually, potentially becoming a US\$2.5 billion industry by 2008.

The number of BPO service providers establishing a presence in China is also on the rise. Most current BPO activities in China include back-office processes, such as call centers, finance and accounting, payables, and some research and development. In 2003, China's BPO market was US\$0.2 billion. Over the next five years, industry insiders expect China to increase its BPO market by 20 to 30 percent annually.

#### CHINA IS BECOMING A WORLD-CLASS PLAYER

Reasons for sending IT and business processes offshore remain the same whether the destination is China, India or anywhere else. Offshoring can result in significant savings in operational and labor costs (see figure 2). An entry level IT programmer based in Beijing or Shanghai, for example, makes roughly US\$7,000 per year. This is comparable to what entry-level programmers in India earn (US\$6,000), but is significantly less than the average salary of US\$48,000 earned by an entry level programmer in the United States.

In addition, a major factor contributing to the attractiveness of India and China—and to a lesser extent Russia, Brazil and the Philippines—is the sheer breadth and depth of the skill base in terms of education levels (see sidebar: *India Stays Ahead of the Pack*). In recent years, the Chinese government has moved aggressively to improve technical education, both to serve the booming economy and to

make the country less reliant on foreigners. The result: In 2004, China's universities will crank out 2.8 million graduates, 300,000 of whom are engineers—almost 10 times the number in Germany.<sup>1</sup> India, by comparison, graduates some 3.1 million students from its colleges every year, whereas the United States turns out 1.3 million college graduates a year.

China's large domestic market and potential for economic growth also make it a strategic offshore location for multinational companies planning to serve new markets in the future. Companies with offshore centers in China, for example, anticipate using these centers later as

Figure 2: China helps multinationals achieve key corporate objectives



\*When asked to name the top three reasons their companies offshore IT services and business processes to China, roughly 60% of respondents cite cost reduction as the number one objective; 33% cite Asia-Pacific support as the number one objective

Sources: Industry interviews and A.T. Kearney analysis

<sup>1</sup> The Wall Street Journal, 15 July 2004

a foothold for serving a domestic outsourcing industry (see figures 3 and 4). In fact, when GE Capital International Services (GECIS) initially entered China, its main goal was to support customers in its Japanese and Korean markets. GECIS' China operations, based in Dalian, is a remote processing operation that handles back-office functions for 20 different GE businesses. Because the China market was growing so fast, GECIS now supports Greater China's domestic outsourcing market as well. "China is unique in that China itself could become a big business process outsourcing market," explains Pavan Dhamija, business development and transitions leader, GECIS. "We hope to use the BPO facilities in China to support not only Japan and Korea, but also China itself, and eventually other Asia-Pacific regions."

Cisco Systems just announced an expansion plan that takes direct aim at serving China's

booming economy. In a recent news conference, John Chambers, Cisco's chief executive, told reporters that China was well on the way to becoming the world's technology hub as he revealed plans for building his company's first research center in the country. Chambers said that over the next decade, half of Cisco's top 12 business partners, and half of its main competitors, would come from China. "China will become the IT center of the world."<sup>2</sup>

Other firms are also moving business processes into China. Aircraft maker Airbus recently announced plans to set up an engineering facility in China to strengthen its R&D strategy. France Télécom just opened its first wholly owned R&D facility in China to pave the way to future expansion in the world's biggest telecom market. "This allows us to become one of the first foreign telecom operators to set up an R&D center in China," said

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## About the Study

*In 2004, A.T. Kearney performed a global research study to obtain a better understanding of how China competes today—and will compete tomorrow—as an offshore destination.*

*The study is based on interviews with approximately 50 senior-level executives from companies in North America, Europe and Asia. These executives are directly involved in their companies' strategic decision-making processes. Participants were asked about their current business strategies and priorities related to*

*offshoring, as well as those on the horizon. Participants were also asked to discuss what they consider offshoring challenges and how they plan to handle them.*

*The analysis was designed to obtain an outside-in view, eliciting the perspectives of executives at western companies looking at China as an offshore destination, and executives at companies that provide ITO and BPO services. Companies represented in the study include: Chinese ITO and BPO providers; multi-*

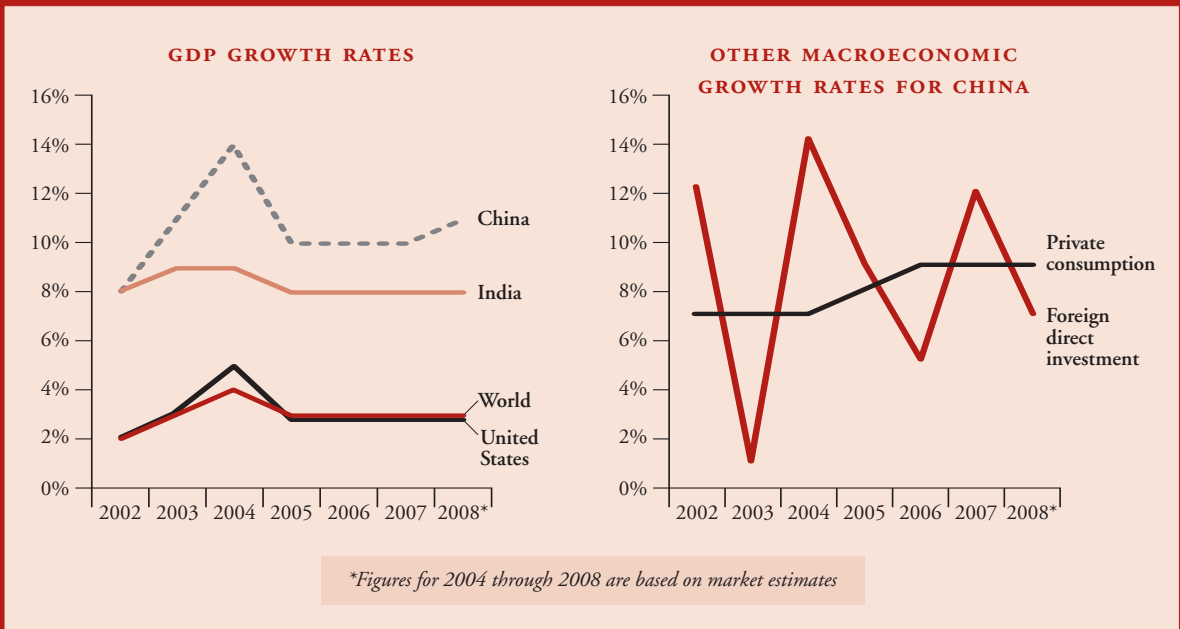
*nationals in the United States, Japan and India that provide ITO and BPO services; software firms in China; and multinational firms in the United States and Europe that are ITO and BPO customers.*

*Representatives of the Chinese government provided additional information. A.T. Kearney performed secondary research to establish the size and capabilities of ITO and BPO providers in China, and to identify trends in the offshoring arena.*

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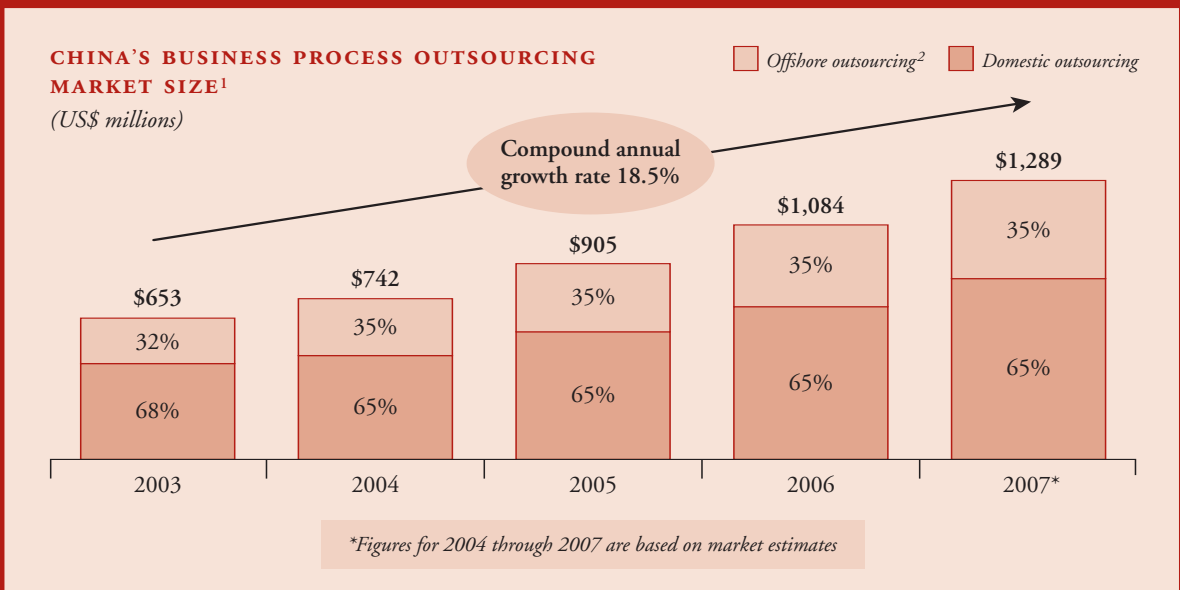
<sup>2</sup> News.com, Cisco Sees China as Center of World Tech Market, 2 November 2004

Figure 3: China is attractive to multinationals that plan to serve new markets in the future



Sources: Economist Intelligence Unit, industry interviews and A.T. Kearney analysis

Figure 4: Companies will use their offshore centers in China to serve China's domestic market



Notes: <sup>1</sup>From Gartner research: Business process outsourcing market size consists of IT-intensive business processes (demand management, supply management and enterprise services)

<sup>2</sup>From neolTresearch: Offshore outsourcing is an estimate of BPO exports; assumes a BPO market growth rate of 25% for China based on estimates from industry experts.

Sources: Economist Intelligence Unit, industry interviews and A.T. Kearney analysis

China's ITO business is expected to grow at 44 percent annually, potentially becoming a US\$2.5 billion industry by 2008.

— *Gartner Group*

Pascal Viginier, executive vice president of France Télécom Group, in an interview with *China Daily*.

At the end of the day, the best lessons in our study findings may be those learned from watching the offshore leaders—companies that adopt multi-country strategies, moving operations to multiple locations as a way to diversify risks and tap into the broadest possible pool of global talent. Even Indian outsourcers consider China as a prime offshore destination. Tata Consultancy Services (TCS), an Indian software

solutions firm, unveiled its China operations in mid-2002, citing, among several reasons, the ability to focus on providing disaster-recovery, risk-mitigation and offshore services for its clients in Japan. TCS is also among the growing number of companies that plan to leverage China for both their domestic growth opportunities and to meet the growing IT needs of global companies. As Indian firms adopt increasingly broader global business strategies, China is becoming an integral part of their growth plans.

## India Stays Ahead of the Pack

*In addition to India's much-discussed cost leadership, it also takes a commanding lead in the people category thanks to two metrics: It offers the deepest experience in business process outsourcing combined with a large labor force second only to that of China.*

*The strength of India's people is no accident. Every year the educational system graduates two million proficient English speakers with strong technical and quantitative skills. India's top engineering schools, led by the Indian Institute of Technology, are renowned worldwide. But India also benefits from its experience—it has been a large-scale offshoring destination for more than a decade. Indian service providers have worked up from coding to business process management and high-level*

*analytics and consulting. The labor force is familiar not only with the job content, but also with the work ethic and quality and productivity expectations of major global clients.*

*The offshore juggernaut represents one of India's fastest growing markets. NASSCOM, the National Association of Software and Services Companies of India, has predicted that India's IT software and services export market will reach US\$60 billion by 2008. Although we expect India to remain the largest offshore market, China and other countries are mounting a challenge to Indian supremacy.*

*Where is India vulnerable? Although its people have made India the offshoring leader, it ranks below the top 10 in terms of business environment. Infrastructure weak-*

*nesses and concerns over economic stability pull India down. In addition, while India has become increasingly integrated into the global economy in recent years, the general population is not widely exposed to other cultures, sometimes making cultural adaptation a challenge. Yet, India's environment score still outranks that of most other low-cost Asian locations. Government efforts to improve infrastructure and maintain economic and political stability seem likely to reinforce India's emergence as a global player.*

Excerpt from "Making Offshore Decisions: A.T. Kearney's 2004 Offshore Location Attractiveness Index." To download the paper, visit [www.atkearney.com](http://www.atkearney.com).

### SHATTERING WESTERN MANTRAS

Before enticing new companies to their homeland, China-based providers are working with the government to change many damaging misperceptions, beginning with pointing out how the country has stepped up its infrastructure and technology improvements.

China's infrastructure is much stronger than people think. Because manufacturers have established production facilities in China for the past 20 years or so, the government has made significant investments in roads and rail systems. Highway and rail construction are being accelerated under the current five-year plan to adequately support the growing merchandise shipments being sent to second- and third-tier cities. Next on the agenda is connecting inland second- and third-tier cities to coastal areas and ports.

By the same token, China's software parks guarantee an uninterrupted power supply, with most equipped with backup power generators. Also, these parks and high-tech corridors provide a single point of contact, which cuts down on red tape, bureaucracy and approval time, and encourages an industrial cluster effect. "Shanghai (Pudong) is hands down better than India," asserts one survey respondent in comparing China's infrastructure with India's.

China's telecommunications system is improving as well. For years, government restrictions, especially those related to telemarketing, have hindered investment in China. Foreign investment in telecom services was limited to 50 percent of a company's total investment, and any foreign company that provided value-add telecom services had to first register with the government. The red tape and bureaucracy in estab-

lishing a call center, for example, was enormous. The good news is that in 2005, the government may lift all geographic restrictions on all value-add telecom services.<sup>3</sup>

Additionally, the bandwidth of China's international internet broadband connection is expanding. It is now 43 gigabits per second (gbps)—120 times the bandwidth China had just four years ago, with international connection points in Beijing, Shanghai and Shenzhen.

### MAKING THE CHINA CONNECTION

While China and its leading companies continue their work to shake off the perception of weakness in the areas of infrastructure and telecommunications, our study reveals three areas that deserve further attention and improvement:

#### 1. Protecting intellectual property—is it really an issue?

The question of IP piracy is an important one for many western companies. Our answer for companies pursuing lower-level IT offshoring initiatives in China is that IP piracy should not be a major factor. In many ways, piracy has been managed quite successfully.

"It's known to everyone in the industry that incidents of IP problems with a client would cause significant damage to a vendor's reputation and future business," one executive in our survey explains. "Therefore, most vendors implement internal systems to ensure IP protection."

Also, protecting intellectual property is high on the Chinese government's agenda. With lost sales from counterfeiting, the government is moving quickly to ensure that property rights are respected. For example, China's IP legislative

<sup>3</sup> Value-added telecom services are defined as email, voice mail, online information storage and research, EDI, online data processing and transaction processing, value-add fax, ISP, ICP and videoconferencing.

framework conforms with TRIPS (Trade-Related Aspects of Intellectual Property Rights), which is the WTO's standard for IP laws. China's constitution also provides guiding principles for IP legislation. Civil law specifically states that IP is a major civil rights issue, and infringement on trademarks, patents and copyrights is a criminal offense.

The Chinese government and local industries realize the importance of IP protection to continued economic growth. And, indeed, there are indications that China is cracking down on the counterfeiters. In September 2004, China vowed strong official action against intellectual property rights violations, including a targeted crackdown and tougher antipiracy penalties. Particular areas of focus include trademark, copyright and patent-law violations in 15 provinces and municipalities, including Beijing and Shanghai, said Vice Minister of Commerce Zhang Zhigang.<sup>4</sup>

For companies considering entering China, tackling the piracy problem will hinge on selecting the right business strategy (*see sidebar: Choosing an Offshore Business Model*). For some of our clients, we recommend entering China using a captive business model (setting up a company's own facilities in the offshore location) for IP-sensitive activities and performing regular IP audits. We also recommend building high-tech firewalls between a company's China operations and other facilities that house data-sensitive materials. Some companies go into China via a joint venture or outsource to a local provider. Of course, doing so requires due diligence on the offshore providers' internal IP protection policies and systems, and defining strict guidelines for the selected vendor.

## 2. Improving language proficiency and education

The single biggest opportunity for China in its effort to build up its ITO and BPO services market is to increase its English-language proficiency. Although China graduates numerous English-language proficient students each year, many have solid writing and reading skills but are still not fluent English speakers. The reason, according to our findings, is that there are not enough opportunities to talk with native speakers. "How can we increase our language proficiency if we fail to practice?" laments one executive.

Still, companies are looking beyond China's linguistic learning curve. Our findings reveal that what counts most to employers are the same qualities and experience that have always mattered in more mature (or maturing) talent markets. These include workers with value-added functional skills, a track record of achievement and an ability to execute the job successfully. Among local professionals, these qualities are becoming increasingly common.

As the Chinese improve their English-language capabilities, more U.S. and European companies will likely consider China as an attractive offshore locale. Already, the country is increasing its emphasis on English training in schools and has more than 100,000 English teachers at its IT colleges. In Shanghai, some elementary school students receive math and science instruction in English.

Education in China is by no means limited to improving language proficiency. China is rapidly increasing its number of college graduates, which provides a huge potential pool of

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<sup>4</sup> The Wall Street Journal, 7 September 2004

professional talent. There are currently almost 500,000 IT professionals in the IT services industry. About 80,000 new IT professionals entered the industry in 2003, representing a 60 percent increase over 2002.

“Like many successful IT houses, we build into our China-based growth strategy various cooperative programs with leading universities and technology institutes,” explains Cyrill Eltschinger, CEO of I.T. United. “That effectively shortens

the time required to train a new college graduate into an independent programmer from about one year to six months.”

After many years of government efforts, China is experiencing an excess of university graduates. China expected 2.8 million college graduates to hit the job market in the summer of 2004, an increase of 680,000 over the same period in 2003. By 2005, the number of graduates is expected to reach a record 3.4 million

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## Choosing an Offshore Business Model

*Business process offshoring has become a widely accepted strategy. The economics of going offshore are compelling, and a host of successful precedents have spurred a flurry of announcements by leading companies and financial institutions to relocate major parts of their operations.*

*Yet, due to several obstacles, only a handful of companies fully achieve the potential benefits from their offshore operations. One such hurdle is the choice of offshore business model. Making decisions about the best offshore business model—whether captive, joint venture or outsourcing—requires a rigorous evaluation, taking into account the benefits and risks of each.*

***Captive.** For large-scale operations, captive models tend to dominate the landscape. In the 1990s, building your own offshore center was the only way to go, primarily*

*because local ITO and BPO providers did not have significant experience, and global third-party providers, for all their steadfastness, had not yet fully developed their offshore capabilities. For functions that can achieve significant economic and non-economic benefits from offshoring, but are high risk to migrate, setting up a captive may be most appropriate.*

***Joint venture.** A handful of companies opt for joint ventures, often in the form of BOT (build-operate-transfer) structures. This model is used by companies that want to defer risk initially, before taking the offshore plunge. They transfer responsibility for set-up and initial operations to a third-party provider, but retain an option to acquire full control at a certain point in time. In situations where benefits are low and the risks are high, companies often consider joint ventures.*

***Outsourcing.** Smaller midmarket companies often do not have the scale to set up their own operations, so they leverage the consolidated scale of an outsourcing provider. Outsourcing is also the preferred business model for companies less willing to make up-front investments and that want to reach the breakeven point sooner; both are economic considerations that favor outsourcing. As third-party suppliers gain capabilities and scale, outsourcing initiatives will likely become more popular.*

*Importantly, the most experienced offshore players do not rely on a single structure across their range of business process activities. Functions that are particularly customer sensitive or require domain-specific expertise are usually performed in a captive environment, while commoditized, mostly scale-dependent processes are candidates for outsourcing.*

Like many successful IT houses, we build into our China-based growth strategy various cooperative programs with leading universities and technology institutes.

— *Cyrill Eltschinger, CEO of I.T. United*

(see figure 5). The employment rate of university graduates will exceed 70 percent, which, at the same time, means that at least 800,000 graduates will join the ranks of the unemployed immediately after they leave school.<sup>5</sup>

“There are simply not enough jobs to absorb the huge number of people with bachelor’s and master’s degrees,” explains an executive with *Foreign Policy* magazine. “Needless to say, this is a huge pool of talent that offshore service providers can tap into.”

Indeed, when explaining Cisco’s US\$32 million investment in establishing an R&D facility to build voice over internet protocol (VOIP) technology in China, CEO John Chambers cited China’s good university system and the pool of talent from which to recruit researchers as a key reason for moving into China. He also noted the government’s business-friendly policies.

In recent years, the Chinese government has been accelerating its efforts to create a first-class high-tech labor force. China is providing coding training to workers, and cities are helping local firms cover the costs of acquiring Carnegie Mellon Capability Maturity Model (CMM) certification (see figure 6). Multinationals—such as IBM—and Indian firms are also working with the government to provide training.

There is still room for improvement, however. For instance, only two providers in China, Legend Beijing and Shanghai Wicresoft, have adopted COPC (customer operation performance center) standards. COPC, considered the gold standard in assessing contact-center performance, has become the performance standard in more than 30 countries and has certified some 300 business locations around the world.

### 3. Improving management skills

With education levels on the rise, China-based ITO and BPO providers are in a race to improve the business management skills of key employees and increase the pool of high-caliber project managers. More than 80 percent of executives interviewed in our survey list project-management skills as a key requirement for setting up businesses in China.

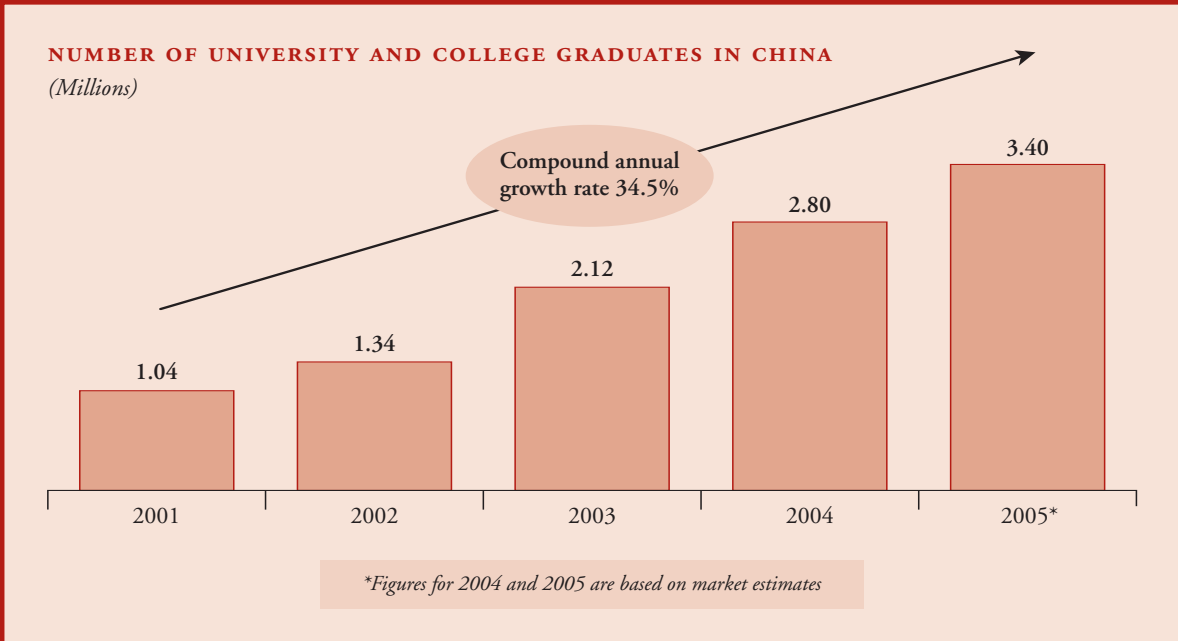
Today, the challenge for China-based providers is to update the skills within their middle management ranks. Managers who have been loyal employees must learn to move beyond their traditional bureaucratic and hierarchical habits to adopt modern business management principles. Unfortunately, many are overwhelmed by a fast-changing environment and the realities of a market economy. They grew up expecting never to change jobs and only know how to do one thing.

One solution is to increase management training programs, something the multinationals—including IBM and Motorola—have been doing for some time. Motorola has a China Accelerated Management Program (CAMP) in which managers are trained in global business concepts. In addition, these larger firms are focusing on training the “softer” skills such as accountability, initiative, curiosity, business perspective, effective communications, team building and appropriate business conduct.

Also, more multinationals are interested in hiring Chinese “homegrown” professionals, motivated both by a growing market of local talent that is better able to handle such roles and by the bottom-line implications. “Although companies always tell us they are looking for

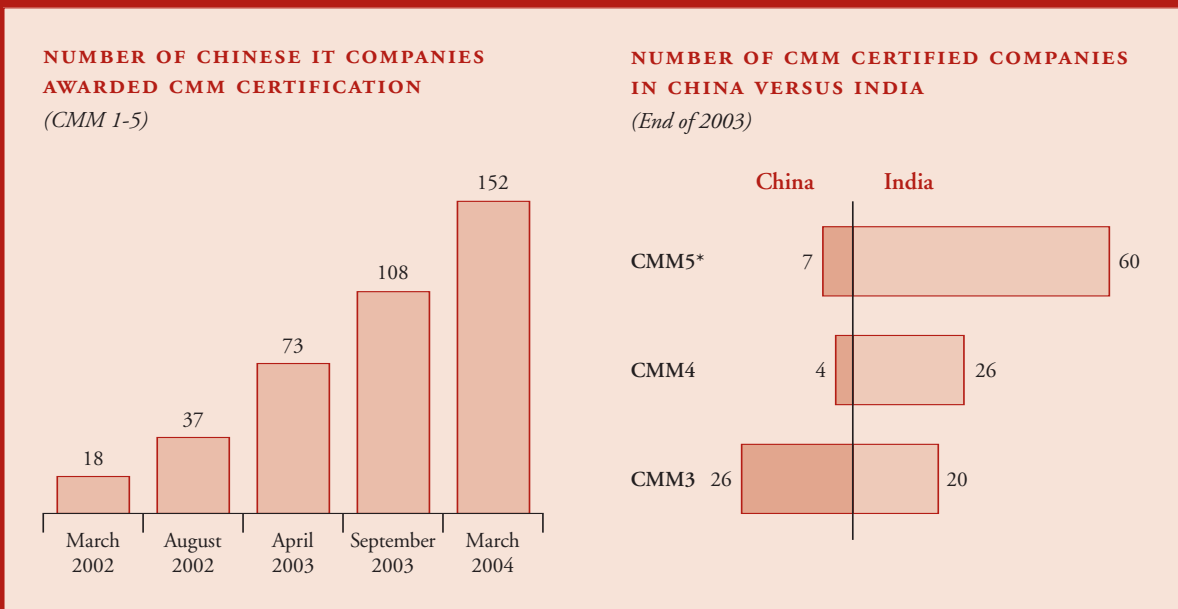
<sup>5</sup> Business Daily Update, 15 June 2004

Figure 5: China will see an increase in college graduates



Sources: China Software Industry Association, China statistics yearbooks, EvaluateServe and A.T. Kearney analysis

Figure 6: Chinese IT offshore vendors are showing significant improvement



\*Carnegie Mellon Capability Maturity Model; CMM5 companies in China: Motorola (Beijing, Nanjing, Chengdu), HP, Haihui, Neusoft and DHC  
Sources: ZDNet China and Nasscom, Software Engineering Institute and A.T. Kearney analysis

the most suitable person for a position, the cost factor inevitably has a major impact in many final hiring decisions,” explains Kevin Wang, an executive with Wang & Li, a China-based human resources firm.

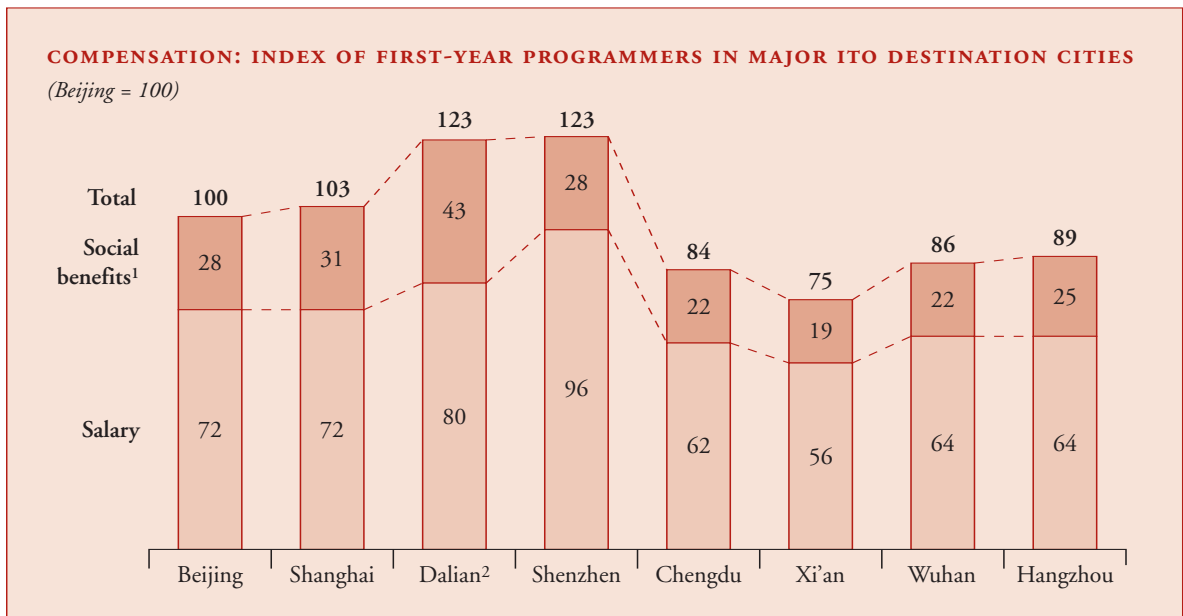
This was not the case a few years ago, however, when there were relatively few local professionals who could handle the job. Fast forward to today, however, and local management talent is becoming far more commonplace in China, spurred by the multinationals and their extensive training programs. For example, Motorola and IBM have almost 10,000 employees in China, including hundreds of people who have been trained to handle middle management roles and responsibilities.

Returnees to mainland China are becoming popular new hires within management ranks. Nearly 64 percent of companies in a recent study by Hewitt and Associates currently employ numerous returnees. And, according to Wang & Li, about 50 percent of director-level positions and above are filled by expatriates who return home with both high-caliber business skills and international exposure.

“Chinese returnees with extensive experience in studying and living in other countries are particularly helpful to our business dealings with western companies,” explains a study participant.

According to our findings, many firms that hire returnees count on them to share their management skills and experience with their

Figure 7: Companies pay more for qualified talent in the major cities



Notes: <sup>1</sup>Includes pension, medical insurance, unemployment insurance and housing benefits

<sup>2</sup>Larger housing benefit for workers in Dalian employed after January 1999

Sources: Industry interviews and A.T. Kearney analysis

Chinese colleagues. Also, more firms are introducing mentoring programs to help younger workers move into the executive ranks. Workers are matched with experienced expatriates or former employees of multinational firms. As more workers retire and younger workers move into management positions, workers with western-style business skills will become increasingly valuable. These skills are particularly relevant to companies providing both BPO and ITO services.

### THE REGIONS OF CHINA

After choosing China as an offshore destination, the next decision to make is where to locate within China. Companies often determine this based on insights garnered from the pioneers—firms that have both experience and success in certain cities. Not surprisingly, the majority of firms head for the major, or so-called tier-one cities.

For example, more than 90 percent of China’s offshore software development revenue is derived from Beijing, Shanghai, Liaoning province and Guangdong province. Beijing and Shanghai are the preferred locations for BPO captive units. HP and HSBC support their clients in Japan and Korea from these cities, and Cisco is setting up its new R&D center in Shanghai. Both cities are attractive because they have an ample supply of young college graduates who speak a variety of languages. Figure 7 shows the salaries companies can expect to pay in tier-one cities. In addition, tier-one cities boast solid infrastructures. In fact, when Cisco CEO John Chambers was asked, “Why Shanghai?” He was quick to note the “excellent infrastructure.”

In recent years, several other tier-one cities have become attractive destinations within China (*see figure 8*). For example, Dalian is a top destination for BPO service providers serving the Asia-Pacific region. The city boasts many workers who speak Asian languages and it offers strong local government support. “Dalian is only three hours to Japan, two hours to Seoul and one hour to Beijing,” says a survey participant. “The location itself is very advantageous.”

Similarly, Guangzhou and Shenzhen are becoming home to most call centers serving Hong Kong customers. Shenzhen has stronger local government support and better infrastructure than Guangzhou, but both cities boast an abundance of Cantonese and Mandarin speakers.

Figure 8: Major offshoring destinations in China



Sources: IDC 2004, Industry interviews and A.T. Kearney analysis

# Conclusion

China-based providers are only starting to build their presence in the global economy. As they do, the issues for multinationals are how to enter China, and how to capitalize on their own competitive advantages. Companies that have been in China since the 1990s have a solid edge over newcomers.

China presents a unique opportunity for multinational companies that wish to support their Asia-Pacific operations or grow their China presence because of its cultural, Asian languages and geographic advantages. As China continues to improve, dispelling misperceptions and improving on its drawbacks—from IP piracy, non-Chinese language deficiency and limited management skills—it will undoubtedly host more competition, from home and abroad.

A.T. Kearney is a global strategic management consulting firm known for helping clients gain lasting results through a unique combination of strategic insight and collaborative working style. The firm was established in 1926 to provide management advice concerning issues on the CEO's agenda. Today, we serve the largest global clients in all major industries. A.T. Kearney's offices are located in major business centers in 35 countries.

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