



CHINA CEO II

Voices of Experience

FROM

25 TOP EXECUTIVES
LEADING MNCs
IN CHINA

JUAN ANTONIO FERNANDEZ
LAURIE UNDERWOOD

WILEY

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I dedicate this book to the China Europe International Business School (CEIBS) on the 25th anniversary of its founding. I also dedicate this book to the wonderful people at CEIBS who helped us during the work on this book. Finally, to my wife, Hanning, and my three sons, Simon, Oscar, and Daniel, who give meaning to my life.

—Dr. Juan Antonio Fernandez

China CEO II is dedicated to my family—Sydney and Schafer Wilson; Dorothy and Glenn Staley; Matthew, Larry and Sally Underwood—and to my beloved and excellent partner, Eric Desvallees. Their love provided me the power to complete this book. I am also grateful to CEIBS, my alma mater, as well as to Xi'an Jiaotong Liverpool University (International Business School Suzhou) and Sino Associates for the support of my colleagues.

—Dr. Laurie Ann Underwood

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Foreword

It is my pleasure to endorse *China CEO II*, the latest China business book produced by Professors Juan A. Fernandez and Laurie A. Underwood. Both have worked and lived in China for more than 20 years, which has given them a first-hand, front-row view of the enormous changes that have transformed this country over the past two decades. In the space of time since our year 2000 MBA and EMBA graduates entered the working world, China has moved forward to become a leading global player across many fronts at once—as the world’s largest exporter (and most populous nation), with the largest consumer base and the fastest growing one in terms of spending power, and now as a global leader of the digital revolution. Although rapid, China’s economic progress has been steady as the nation shifted from serving as the factory of the world to an innovation powerhouse. MNCs in today’s China face highly sophisticated consumers, fiercely competitive local players across nearly all industries, and a new population of local digital heroes who are changing the world order and giving China’s younger generation a new set of life goals and priorities, as well as a new sense of home-grown pride. Taken together, China’s multifaceted economic and social transformation is unique in the history of the world.

This book attempts to give readers a first-hand view into this multifaceted transformation through the lens of in-depth interviews with China CEOs and various experts on China. The 25 interviewees with China CEOs share their personal insights into succeeding in the new China. As a foretaste of what you will learn from this book, some of the key qualities that the China CEOs deemed essential to success in China include passion and energy, speed of decision-making, clear vision, a shared framework, the ability to empower local teams, and the ability to make tough judgment calls in an environment of constant change and uncertainty.

Before closing, I would like to note two important trends that can be seen when comparing *China CEO II* with the original book published in 2006: the new book includes an increased number of Chinese CEOs and an increased number of women CEOs. Both trends are intensely positive not only for China but for the global business arena. The rise of more Chinese nationals into the top executive positions at MNCs is a positive trend that closely matches the goals of CEIBS. Likewise, the rise of more women into top executive spots in international companies in China is another trend to which CEIBS is deeply committed.

Let me conclude by reminding readers that China's importance in the world is growing—and will continue to grow for decades to come. It is our hope that this book will serve as a bridge, closing the gap between China and the rest of the world by promoting better understanding, deeper collaboration, and more beneficial interactions with multinational companies. The goal of this book is to assist both foreigners working in China and Chinese executives working internationally to better communicate and better cooperate, to the benefit of all.

Dipak Jain, President (European)
and Professor of Marketing, CEIBS

Chapter 1

Why China CEO II?

INSIDE CHAPTER 1

China's Boom Since 2006

Who's in *China CEO II*?

Front-Line CEO Analysis: China Then and Now

Introduction

Why did we decide to write *China CEO II*? Following the success of our first book—*China CEO*—released in 2006, we have been asked why we wanted to repeat the whole exercise again 14 years later. Why again seek interviews with top executives running large-scale operations for high-profile multinational companies (MNCs) in China? Was there really a need to write a new edition of the same book?

The short answer to this question is: yes. By 2020, the time was right to embark on *China CEO II* for one main reason: China has changed—dramatically. And meanwhile, interest in working in or with China from the rest of the world remains as strong and vibrant as it was in 2006. Thus, the advice given by our interviewees in 2006—detailing how to lead large teams and complex operations for MNCs in China—needed updating.

What we didn't know until we began conducting interviews is whether another China CEO book was needed. Given China's high-profile and rising global presence in both the international business and political arenas during the country's 40 years of reform and opening, perhaps most non-Chinese executives working in or with China already knew how to succeed here. Maybe enough information was available—online and digitally—to offer the resources needed to close cultural gaps and to prevent business mistakes from being made.

But as soon as we conducted the first interviews for *China CEO II*, we confirmed another compelling reason to write this book: multinational companies still grapple with significant challenges when operating in China. Namely, foreign companies—and the executives running them—continue to face difficulties, including cultural differences between an MNC's home country and China, misunderstandings caused by geographical distance or psychological separation from a company's top executives, and problems caused by variations in standards or misalignments in business communications norms, negotiating styles, or operating procedures. After the first two interviews for the potential new book, we felt affirmed in the value of our endeavor to again gather first-hand information and advice

"...[M]ultinational companies still grapple with significant challenges when operating in China."

—Authors of
China CEO II

through in-depth interviews with those holding top executive positions at selected high-profile multinational companies with large-scale operations in China. As with the first book, we interviewed only those holding the position of China CEO or the equivalent position in the language of their company. Each of our interviewees had been in his or her position for at least one year at the time of our interview. This time period was essential for us to feel that the challenges detailed and advice given had survived the test of time and that the CEOs' advice will therefore be fully useful to our readers. (Most had been in the role of leading China operations for their company for at least five years.)

China's Boom Since 2006

To help readers to grasp the extremely fast pace of change underway in China today, we offer a snapshot of the giant strides the nation has made in terms of both economic and societal development between the publishing of *China CEO* (in 2006) and *China CEO II* (in 2020). Consider these changes:

In 2006, China was the world's fourth largest economy (after the US, Japan and Germany).¹ In 2018, China was the world's second largest economy² (surpassing Japan as of 2010).³ Some analysts project China to surpass the US as the world's largest economy by 2030 (HSBC).⁴ When purchasing power parity is factored in, China has been the world's leading economy since 2016.⁵

¹ <http://www.aei.org/publication/dynamic-graph-of-the-day-top-ten-countries-by-gdp-1961-to-2017/>.

² <https://www.weforum.org/agenda/2018/04/the-worlds-biggest-economies-in-2018/>.

³ <http://www.aei.org/publication/dynamic-graph-of-the-day-top-ten-countries-by-gdp-1961-to-2017/>.

⁴ <https://www.gbm.hsbc.com/insights/growth/the-world-in-2030>.

⁵ <https://www.weforum.org/agenda/2016/12/the-world-s-top-economy-the-us-vs-china-in-five-charts/>.

In 2006, China was the world's third-largest exporting nation (after the EU and the US) with exports of US\$968 billion.⁶ By 2018, China was the globe's leading exporter, with US\$2.49 trillion⁷ in exports.

Per capita GDP for Chinese citizens went from US\$2,099 in 2006⁸ to US\$10,099 in 2019.⁹ This places China above both Mexico (US\$9,866) and Bulgaria (US\$9,504) in terms of per capita GDP, and close to Russia (US\$11,461).¹⁰ And in China's first-tier cities, incomes are far higher. In Shanghai, for example, per capita GDP was over US\$20,000 in 2018.¹¹

China's cell phone subscriptions went from 34 per 100 Chinese citizens in 2006¹² to 115 per 100 citizens in 2018,¹³ reflecting that some users have more than one phone.

China's internet users jumped from 10.5% of the population (2006)¹⁴ to 59.6% by late 2019,¹⁵ 98% of which access the internet by mobile phone.

Economic development tells only part of the story of China's transformation during the years between the writing of our first and second books. Those 14 years also saw the

⁶<https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2006/Summarytext>.

⁷CIA. <http://www.worldstopexports.com/worlds-top-export-countries/>.

⁸World Bank. <http://datatopics.worldbank.org/world-development-indicators/>.

⁹IMF. <http://statisticstimes.com/economy/countries-by-projected-gdp-capita.php>.

¹⁰IMF. <http://statisticstimes.com/economy/countries-by-projected-gdp-capita.php>.

¹¹Shanghai City Government. http://www.china.org.cn/business/2019-01/28/content_74416303.htm.

¹²World Bank. <https://data.worldbank.org/indicator/IT.CEL.SETS.P2?locations=CN>.

¹³World Bank. <https://data.worldbank.org/indicator/IT.CEL.SETS.P2?locations=CN>.

¹⁴<https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=CN>.

¹⁵China Internet Network Information Center (CNNIC) <https://www.chinainternetwatch.com/29010/china-internet-users-snapshot/>.

country gain significant clout in the international business and diplomatic circles as it changed from a developing to a developed nation.

In terms of political recognition, China also measurably gained stature on the world diplomatic stage since 2006. For example, the country moved from being invited as a Guest Developing Nation to G8 summits in 2008 to hosting the G20 summit in the city of Hangzhou in 2016. In addition, the central government's Belt and Road Initiative, launched in 2013, has caught the world's attention as an ambitious campaign for China to strengthen its diplomatic and trade ties with 64 countries located along the former Silk Road. Another example is the central government's high-profile China International Import Expo (CIIE), first held in 2018 to improve the nation's international image regarding trade practices and to promote the China market globally. Hosted by Chinese President Xi Jinping, the event featured Microsoft's Bill Gates alongside Alibaba's Jack Ma as guests and attracted more than a million attendees from 172 countries, regions, and organizations.¹⁶ And in the global arena of environmental protection, China has, in recent years, emerged as a proactive international participant. For example, immediately after President Donald Trump removed the US from the Paris Agreement in 2017, China strengthened its commitment to the accord. In the months and years that followed, China has been widely seen as stepping into the void created after the exit of the US to become the new world leader in climate change.

In all the ways mentioned above, we as authors recognize that we now live and work in a vastly different China than the one in which we published *China CEO* in 2006. Thus, it was high time to start a new book from scratch, interviewing a new set of current top executives of MNCs in China. Our goal, and our wish for our readers, is to present detailed, relevant, and useful advice gleaned directly from today's China CEOs regarding the most commonly experienced challenges faced by all who lead teams and manage complex operations in China today.

"...[W]e now live and work in a vastly different China than the one in which we published China CEO in 2006. Thus, it was high time to start a new book from scratch."

—Authors of
China CEO II

¹⁶ Devan Shira & Associates. Retrieved from <https://www.china-briefing.com/news>.

Who's in *China CEO II*?

When the interviews conducted for the first and second editions of this book are compared, several very clear differences emerge. First, all 20 of the China CEOs we originally interviewed were male. Additionally, all 20 held citizenship outside China. In fact, only one of the original CEOs had been born a citizen of the PRC but had later received a US passport.

Not so for *China CEO II*. This time, among the 25 China CEOs included in the book—including 7 working for the same companies as the original *China CEO* book—8 were born in China (including the Hong Kong Special Administrative Region), although 3 of these later changed their citizenship. Meanwhile, 4 are women (all of them ethnically Chinese, and three PRC nationals).

The new set of CEO interviewees show more subtle but also important differences from their predecessors: Many of the 20 China CEOs interviewed in 2006 were senior executives nearing the end of their careers. They were very experienced, having worked in many countries, and China was their last step. And many were sent to China to open their company's operations or to expand them significantly. The CEO of L'Oréal China in 2006 described arriving in China with one assistant and a suitcase full of cosmetic samples. The CEO of Siemens in 2006 told us of working out of a Friendship Hotel in Beijing with one secretary. Others told of the extreme pace of expansion many MNCs experienced during the early 2000s. The former China heads of both Carrefour and Coca-Cola, for example, described to us very fast expansion throughout China during that earlier time.

Another clearly visible change is the increase in average working time in China among the new group of CEOs, illustrating the increased recognition among MNCs of the benefits of promoting an executive with extensive prior China experience into the top domestic role. While the initial group of 20 China CEOs had worked in China for an average of five years, the new batch of 25 top executives for China had worked domestically for an average of nearly 15 years (an average of 19 years for Chinese citizens, 10 years for non-Chinese).

"This time, among the 25 China CEOs included in the book... 8 were born in China... [and] 4 are women"

—Authors of
China CEO II

"While the initial group of 20 China CEOs had worked in China for an average of five years, the new batch of 25 top executives for China had worked domestically for an average of nearly 15 years."

—Authors of
China CEO II

And finally, the new set of 25 China CEOs interviewed in 2019 were generally younger than the first set, and most were thus still building their careers. In fact, after meeting with us for this book, interviewee Stéphane Rinderknech, China CEO for L'Oréal, went on to be promoted to a global role within his firm. Shortly before our publishing date, Mr. Rinderknech was named as president and CEO of L'Oréal USA, executive vice president North America, and a member of the group's executive committee. Many of our interviewees commented that, today, the top executive role for China is not generally seen by MNCs as a final career stop for senior executives but more often as a necessary position for an executive to hold before joining a company's top global echelons. This change provides more evidence of the rising importance of China as a key market for MNCs worldwide.

As an expert in the executive recruitment field, Korn Ferry's top China executive, Charles Tseng, acknowledges this trend: "China is clearly becoming a 'must posting' for up-and-coming CEOs. . . . Executives who go to China are on an inside track to take on bigger positions—because of the size of China market, because of the complexity and the recognition that companies and businesses have of the importance of the unique China market to their future business, and because of the tough conditions in China. Tough means that it's not a traditional classic economy. Executives who come here gain a great deal in living through this very different environment."

L'Oréal's Rinderknech describes the new importance a posting in China holds for many MNCs: "For all top talents of L'Oréal, China is a must for their career-building, because this is where you learn so much." After spending "eight fascinating years in this country," Rinderknech leaves these words of wisdom to his successor and other incoming executives taking positions here: "You have to know China from the inside. It's not something that you can theorize. You have to live it; you have to make it work. You have to connect with the Chinese, and you have to understand the way they think. It's an absolute must. You have to go and survive this battle. China is very exciting, and it's very unforgiving."

"China is clearly becoming a 'must posting' for up-and-coming CEOs.... Executives who go to China are on an inside track to take on bigger positions."

—Charles Tseng,
Chairman, Asia Pacific,
China, Korn Ferry

"For all top talents of L'Oréal, China is a must for their career-building, because this is where you learn so much.... You have to go and survive this battle. China is very exciting, and it's very unforgiving."

—Stéphane Rinderknech,
CEO, China, L'Oréal

China CEOs Interviewed

Company	HQ	Name	Title	Gender	Nationality
ABB	Switzerland	Chunyuan Gu	Chairman and CEO, China	M	China
AB InBev	Belgium	Frederico Freire	BU President, China	M	Brazil
Bayer	Germany	Celina Chew	President, Greater China	F	Australia (born in Singapore)
Bosch	Germany	Chen Yudong	President, China	M	US (born in China)
Carrefour	France	Thierry Garnier	President/CEO, China; CEO, Asia; Group Vice President	M	France
Coca-Cola	US	Curt Ferguson	President, Greater China and Korea	M	US
IKEA	Sweden	Freda Zhang	Country Commercial VP, China	F	China
Korn Ferry	US	Charles Tseng	Chairman, Asia Pacific	M	Malaysia (born in Singapore)
LEGO	Denmark	Jacob Kragh	General Manager, China	M	Denmark
L'Oréal	France	Stéphane Rinderknech	CEO, China	M	France
Mango	Spain	David Sancho	CEO East Asia and India	M	Spain
Manulife-Sinochem	Canada	Kai Zhang	President and CEO, China	F	US (born in China)
Marriott International	US	Rainer Burkle	Area Vice President, Luxury, Greater China	M	Germany
Maserati	Italy	Alberto Cavaggioni	Managing Director, China	M	Italy
Microsoft	US	Alain Crozier	CEO, Greater China Region	M	France (born in Canada)
NIIT	India	Kamal Dhuper	President, China	M	India
Philips	Holland	Andy Ho	Leader, Greater China	M	Canadian (born in Hong Kong SAR, China)
SAP	Germany	Clas Neumann	Head of Global SAP Labs; Sr. Vice President, Head of Fast-Growth Market Strategy Group	M	Germany

Company	HQ	Name	Title	Gender	Nationality
Scania	Sweden	Mats Harborn	Executive Director, China (also President, European Chamber of Commerce in China)	M	Sweden
Sony	Japan	Hiroshi Takahashi	Chairman and President, China (also Sr. Vice President Sony Corp)	M	Japan
Standard Chartered	UK	Jerry Zhang	Executive Vice Chairman and CEO, China	F	China
Tata Sons*	India	James Zhan	President, China	M	Hong Kong, SAR (born in mainland China)
Udacity	US	Robert Hsiung	Managing Director, China	M	Canada
Victoria's Secret / Lbrands Int'l	US	Arun Bhardwaj	President, Greater China	M	New Zealand (born in India)
Volvo Cars	Sweden	Xiaolin Yuan	President and CEO, Asia Pacific (also Sr. Vice President Volvo Cars Group)	M	China

*Holding company of Tata Group

China Experts and Consultants Interviewed

Company	HQ	Name	Title	Gender	Nationality
American Chamber of Commerce, Shanghai	US	Kenneth Jarrett	President	M	US
China Cooperation Fund (underwritten by Goldman Sachs), MTS Systems Corp, Nottingham University Business School, Ningbo	US (UK for NUBS)	Kenneth Yu	Advisor, Board Member, Advisor (respectively) (also: former President, 3M Greater China)	M	Singapore (born in Hong Kong, SAR, China)
Community Center Shanghai	China	Zhen Zeng	Executive Director	F	China
Economist Corporate Network	UK	Mary Boyd	Director, Shanghai	F	Canadian
McKinsey & Company	Global	Jonathan Woetzel	Senior Partner (also Director, McKinsey Global Institute)	M	US

Note: In some cases, the China CEOs and experts listed in the two charts changed job positions or companies after the interviews were completed. The comments and quotations in this book reflect the views they held at the time of the interview.

MINI-CASE 1

Infrastructure Improvement, China Style

When asked to share an example that illustrates the speed of change that is now the new normal in China, Kenneth Yu likes to describe how Beijing's Sanyuan Bridge was rebuilt in 43 hours in 2015. He explains: "Imagine a 200-meter-long overpass built along a six-lane highway over the ring road leading to the international airport. When the original overpass became too old, the government faced a problem: The ring road is so busy, you cannot stop it for half year to fix it." The problem was solved with China-style speed. "You know how they did it? Go on YouTube and type in 'Sanyuan Bridge replacement' to see it."¹⁷ Yu promises that what readers will find will shock them. "The government replaced that whole section of bridge in less than 43 hours." The method, Yu says, went like this: "On Friday evening, they stopped traffic. Then, they quickly dismantled the old bridge. Then they slid the new bridge in. I am talking about something that is 150 meters long, six lanes. This is humungous. What do you mean, 'slide it in'? Actually, they built the new bridge on the road parallel to the old bridge. There were about 1,500 people working there. They dismantled the old bridge, slid in the new one, put asphalt on top, and Monday morning they started using it. Now, that's what I call speed."

Front-Line CEO Analysis: China Then and Now

From the preceding list, one interviewee was included in both editions of the books. We were extremely pleased to include Kenneth Yu in both editions. In 2006, Yu was China CEO of 3M; in 2020, he was a board chairman and academic, business, and financial advisor to several business funds and organizations (see the chart on page 8). Given his previous and present professional roles, we chose him as an excellent source to comment on the key changes in China pertaining to successful MNCs. In the rest of Chapter 1, we recap Yu's six keys to success for executives running international companies in today's China.

The first key to success from Yu was to recognize that *"both Chinese businessmen and consumers are getting much more sophisticated."*

¹⁷ <https://www.businessinsider.com/time-lapse-bridge-gets-built-in-43-hours-2015-11>.

MINI-CASE 2

Air Quality Improvement, China Style

For a second example of China-style city planning that he likes to share, Kenneth Yu gives insight into the recent transformation of air quality in Beijing. Back in 2015, the city suddenly became infamous worldwide for serious air pollution levels. International news media reported on the city's "off-the-charts" levels of PM_{2.5} (exceeding the 600 level at times), creating "air-pocalypse" conditions that appalled the public inside and outside China.

Fast-forward to 2019, and a different scenario is seen. In March 2019, the United Nations Environment Program (UNEP) chose Beijing as a model city for other developing nations, mainly because the metropolis had reduced a range of different air pollutants by 25% to 83%. One UNEP report praises the city with these words: "In just five years, from 2013 to 2017, fine particle levels in Beijing and the surrounding region fell by 35% and 25% respectively. No other city or region on the planet has achieved such a feat."¹⁸ The UNEP went on to recognize the city for initiatives that included industrial restructuring, restrictions on coal-fired boilers, and a shift toward cleaner domestic fuels.

For those living and working in Beijing, the change has been extremely welcomed. Says Yu: "Lately, in Beijing, the sky is blue, and traffic is not as heavy. It is hard to believe, but it's true." To explain this remarkably speedy improvement, Yu points to ambitious government projects, such as the ongoing relocation of many industries outside Beijing. He clarifies: "In order to solve the issue of traffic jams and the pollution, the government is in the process of moving virtually all the major SOEs formerly in Beijing to the city of Xiong'an in Hebei Province—a move of 200 kilometers." He continues: "They also moved much of the government for the city of Beijing to the city of Tongzhou, outside of Beijing." And finally, Beijing also relocated most of the steel mills and heavy industry formerly within the city limits to outside—mainly to Henan Province and the outskirts of Hebei Province. Yu concludes: "That's the type of change that takes place in China. You cannot do this in other countries, that's for sure. In China, it's not just about speed; it's about real change."

He clarifies: "I am talking about customers, about suppliers, about competitors. Chinese people are not just getting smarter but also getting a lot more sophisticated. This is one of the major changes."

For MNCs, this shift in mindset creates both advantages and disadvantages. "This means more sophisticated, high-technology products can find their customers. That's nice. But

¹⁸ UN Environmental Program. https://wedocs.unep.org/bitstream/handle/20.500.11822/27645/airPolCh_EN.pdf?sequence=1&isAllowed=y.

"When you come to China, don't assume there are gold nuggets waiting for you to pick them up. You gotta be good, because your competitors are good."

—Kenneth Yu,
advisor, CCF & MTS

don't forget that Chinese customers are no longer just buying 'good enough' products or accepting whatever is available. They can afford to pay, but they also want to have value for the money they spend. The bottom line, my fellow MNC CEOs, is: When you come to China, don't assume there are gold nuggets waiting for you to pick them up. You gotta be good, because your competitors are good. You gotta be good to earn your bread!"

The second critical key to success is to recognize that the main driver transforming China's business environment over the past 13 years has been *the rapid rise of domestic Chinese competitors*. To MNCs in China, he says: "Today, Chinese competitors are more challenging than non-Chinese competitors. In fact, they are actually creating more pressure on foreign enterprises." He reminds MNCs that this development, in which local competitors gain ground, has previously occurred elsewhere in Asia. "This is not new. Look at Japan; look at Korea. In the 1950s and 60s, who were the tech providers in these countries? MNCs. But in Japan today, it's all Japanese. In Korea today, it's all Korean. So what we see in China is not something very new. History is repeating itself." The challenge, he emphasizes, is that for many MNCs, China remains a key market for the company's future growth. Success, then, increasingly depends on beating newly powerful local competitors in their own home courts.

Third, Yu notes that *local employees have also become "much more effective and sophisticated."* He explains the change: "They know more, they learn fast. And over these past two decades, there are many well-educated Chinese students coming from overseas and from domestic Chinese universities." And today, Yu cautions, Chinese graduates of top domestic schools are not necessarily interested in working for MNCs. "Graduates from China's 'Ivy League' universities are now supporting not just the MNCs but also the state-owned enterprises. And these graduates are good; they are not like 15 years ago, when the last book was written. Things have changed." What does that mean for China CEOs of foreign companies? "MNC leadership: you have to recognize that on the positive side, there are a lot more resources for you to deploy. But on the negative side, your competitors are also getting these talents."

Fourth, *the pace of China's evolution has picked up speed* over the past 13 years. Yu notes: "This one is obvious—everyone sees it but sometimes we forget it. That is, the speed of change." He advises incoming foreign managers to observe the rampant growth and success of WeChat, of Alipay, and of China's high-speed trains, as well as studying the rapid expansion of electric vehicles. "Look at the building of highways and infrastructure in China. The country is making changes so fast and doing things so quickly that the speed often scares people."

Yu also points to *a new entrepreneurial spirit* that has taken root in China since 2006. Yu calls this new mindset "the new culture of risk-taking throughout the populace." He explains: "What do I mean by that? This is really a cultural change." He uses himself as an example to explain the shift in thinking: "Although I was born and grew up in Hong Kong, I am ethnically Chinese. My parents and grandparents were born in mainland China. I was brought up with that influence. We were taught to be careful, to take our time." Today, as an ethnic Chinese, he feels a new mindset taking root. "In today's world, you have to be fast. In China, the environment has created this new culture of 'You gotta do it!' And: 'Don't wait until everything is proven or approved. Just do it!' And: 'If you have to make changes along the way, we'll do it later.'"

Fifth, Yu says that *China's new technology companies—including Alibaba, Tencent, and Baidu—follow this "just do it" mindset*. "These are fantastic companies that have grown at breakneck speed because they are willing to roll the dice. They are willing to take the risk." And following the rise of the domestic tech companies, Yu says, other private companies and even SOEs are following suit today. "It's not just them." In fact, the culture of entrepreneurialism has roots in China's changing political environment, he says. "This culture of risk-taking probably originated from the leadership in Beijing." Yu mentions that, under Premier Zhu Rongji, China invested heavily in expanding its infrastructure—an investment that has now paid off. Under Zhu, Yu says, the Chinese leadership had the "foresight" to fund ambitious infrastructure projects, such as Shanghai's second ring road, and expansions to the high-speed rail and maglev transportation systems. He adds: "I don't think Zhu Rongji or the central

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—Kenneth Yu,
advisor, CCF & MTS

government leadership expected that Shanghai would grow to what it is now. But they were willing to take the risk." Today, an adventurous new mindset now permeates Chinese society. He adds: "This is the 'new normal' among Chinese entrepreneurs: they are willing to take the risk. Some fail, some collapse—no question. But if you look, there are winners all over the place."

In his final key message to MNCs, Yu emphasizes his confidence in the continuing importance of China going forward. "The Chinese economy is growing way beyond the point of no return; there's no going back," he comments. "As the GDP grows bigger, it would be naive to expect that the country can keep on growing at 6 or 7%. It just won't happen. But on a PPP basis, China is already the world's biggest economy. At current prices, it's number two after the US and—depending on whose prediction you look at—it's only a matter of years until the Chinese economy, even at current prices, will catch up with the US."

His advice? Go with the flow. "Quite frankly, I don't think this is such a big deal. The US has 330 millions people; China has 1.4 billion—four times the population. Plus a track record of building the economy at a break-neck rate. So what's the big surprise? It should happen." He advocates growing with China rather than competing against it. "I would not worry about it. On the other hand, I would think about this: What are the opportunities for MNCs?" He ends with a word of optimism for those MNC executives who do their homework, integrate well, and follow the right strategies in China: "The Chinese economy is so big—it's big enough for everyone. I am not sure whether we have enough big companies in the world to come and share with China's future economic growth."

In this book, our goal is to present the opportunities for MNCs to share in China's future economic growth, as described to us by our China CEO interviewees. It is our deepest hope that the information we share in this book—the hard-won advice, the front-line strategies, and the detailed insights collected directly from experienced top executives for MNCs in China as well as from veteran consultants and advisors—will serve our readers well. We wish you all a fruitful read and the very best of luck in your own China adventures.

Chapter 2

Prerequisites for China CEOs

One of my biggest learnings when I came to China was to understand that I had to relearn what I knew. I had to relearn the way I was managing because culturally, China, as compared to Europe, has plenty of nuances and differences that you need to really understand. And this takes time.

—David Sancho, CEO, East Asia & India, Mango

You need an open personality—a personality which is willing to learn. Because you will have to unlearn a lot of things and learn a lot of things in China, to be able to succeed here.

—Kamal Dhuper, President, China, NIIT

INSIDE CHAPTER 2

Must-Have Qualities for Foreign CEOs in China

Foreign Managers' Top Mistakes in China

Shifting from Foreign to Local CEOs

Qualities Needed for Today's China CEOs (Either Foreign or Chinese Nationals)

Summary of Tips