



CHINA CEO

Voices of Experience

FROM

20 INTERNATIONAL
BUSINESS LEADERS

JUAN ANTONIO FERNANDEZ
LAURIE UNDERWOOD

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*To my wife, Wu Hanning, for her love and patience and to our son,
Simon, for the many happy moments he brings to our marriage.*

J.A.F.

*I never could have finished this project without the support and love
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L.U.

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Foreword

China: A Must-win Market

“China has telescoped into one generation what other countries took centuries to achieve. No country (let alone one of continental proportions) has tried to accomplish so much in such a short time. China’s unique attempt to complete two transitions at once—from a command to a market economy and from a rural to an urban society—is without historical precedent.”

The World Bank, *China 2020: Development and Challenges in the New Century*

In the late 1990s, it was widely reported that half of the world’s cranes were located in a single city: Shanghai. Visitors to that city during those years would have believed it; after all, what other metropolis was being developed faster or further than Shanghai, where the skyline was utterly transformed within the span of one decade? Consider the expansion of the transportation infrastructure alone: since the mid-1990s, China’s largest city (population of 20 million, with suburbs) has gained a second international airport, a three-line subway system with 11 additional lines under construction, the Inner and Outer Ring roads, two major elevated freeways, and an elevated mag-lev light rail system. And that says nothing of the rapid morphing of many city neighborhoods, from dark, low-rise concrete homes to glistening apartment buildings, from quiet rice paddies to roaring office parks.

The construction boom in Shanghai is merely the most dramatic example of a vast economic transformation under way throughout China. From its position of international isolation at

the end of the Cultural Revolution, the country has risen to assume its current status among the world's largest trading nations. Perhaps most remarkable: while developing nations typically experience periods of boom and bust, China has enjoyed a steady growth-rate above 9% since the 1980s.¹ Wealth has increased so rapidly in China's major cities that the average per capita annual income in, for example, Shanghai in 2003 exceeded US\$5,700² while China overall averaged US\$1,100.³ Government sources predict that by 2007 per capita gross domestic product (GDP) in Shanghai will reach US\$7,900. (When purchasing power parity is factored in, the average income of Shanghai residents already approaches US\$15,000.⁴)

Outside the largest cities, China's transformation is less dramatic but still sweeping. James D. Wolfensohn, then president of the World Bank Group, visited China in 1995 and again in May 2002. After traveling from the underdeveloped west of the country to the prosperous south and east, and meeting with top leaders—then-President Jiang Zemin and Premier Zhu Rongji—as well as private businesspeople and local families, Wolfensohn declared the progress of China in five years to be “impressive and remarkable.” He said, “In a relatively short time, China has emerged as a country of truly global stature, having joined the World Trade Organization [WTO], strengthened ties with ASEAN, and won the right to host the 2008 Olympics. This is a more dynamic, more confident China—and rightly so. The simple fact is that more than 250 million people in the past 20 years have been lifted from poverty here. The problems confronting China have not been totally overcome—far from it—but the magnitude of this achievement in a single generation is such that other countries should learn from it.”

The economic development of China is not lost on multinational corporations (MNCs). For companies the world over, the nation is

1 Some independent estimates are lower. For the 1980s–1990s, the World Bank reduces the PRC government rate by 1.2 percentage points, while the Organization for Economic Cooperation and Development (OECD) cuts 3.8 percentage points. Even after such adjustments are made, China's economic growth remains impressive.

2 *Shanghai Statistical Yearbook*, 2004.

3 *China Statistical Yearbook*, 2004.

4 USDA Foreign Agricultural Service (www.fas.usda.gov)

increasingly seen as a critical component in their global strategy. The Middle Kingdom (a literal translation of the Mandarin-language country name “Zhong Guo”) now reigns as the world’s largest destination for foreign direct investment (FDI), attracting nearly US\$50 billion in 2002 and overtaking the United States for the first time in history.⁵ By 2007, annual FDI into China is expected to reach nearly US\$65 billion. The investment inflow has sped China’s move toward market capitalism, shifting the composition of the economy away from state-owned enterprises (SOEs) toward private companies and encouraging the influx of foreign participation through joint ventures and wholly foreign-owned enterprises (WFOEs).

Business leaders throughout the West already know that China now offers potentially the most attractive investment environment in the world, serving up a heady mix of consistently healthy GDP growth rates plus newly opened industry sectors, political stability, fast-developing human resources, and exploding consumer wealth.

For a growing number of MNCs, this dramatic and ongoing economic transformation increasingly means one thing: China is now, in the words of one top manager profiled in this book, a “must-win market.” The nation is critical both as a manufacturing base for export and as a destination market itself. In the three decades since Deng Xiaoping opened China’s borders to international trade, MNCs increasingly have made this region a focal point within their global business strategy. The urgency among global players entering or expanding in the nation has only heightened since the country’s 2001 entry into the WTO.

Consider the experiences of the 28 China-based top executives and consultants profiled in this book. From Alcatel to Sony, Bayer to Unilever, the message repeated again and again was this: in the words of Du Pont China President Charles Browne, MNCs now have “a laser light focused on China.” Du Pont now receives 5% of its corporate sales from China, but that figure is growing steadily. Browne: “China is one of the few countries nowadays where the economy doesn’t show signs of slowing down. It is strategically important for the future because of the growth rate. If you go to

⁵ A note of caution concerning China surpassing the United States as the top FDI destination in the world: U.S.-bound investments plunged in 2001 and 2002, from previous levels near US\$300 billion.

our headquarters and ask which region we are concentrating on, the answer is that we are focused on China, China, China.”

Other senior executives expressed equally great dedication to their China operations. Consider that:

- For the Coca-Cola Company, China is now the fastest growing market in consumption volume worldwide. In 2005, China was Coke’s fifth-largest market in terms of consumption volume, behind the U.S., Mexico, Brazil, and Japan; by 2008, China will likely rank third. Says Coca-Cola China president Paul Etchells: “The business climate [in China] is much more positive—economic growth here is much higher—than in most other places in the world. So we are getting better growth here than in most other places. ... China is very, very important to the Coca-Cola Company.”
- For Siemens, China is now the number 3 market worldwide after the U.S. and Europe, and will likely move to number 1 by 2010. China president and CEO Dr. Ernst Behrens says, “The China market is right at the center of Siemens. The growth potential of the China market is significantly higher than that of the more saturated European or U.S. markets.”
- China is a “must-win” market for Unilever, according to Unilever China chairman Alan Brown. Brown calls the country Unilever’s “strategic focal point” and its primary growth market. “Any consumer goods company with global aspirations would say China is of the highest long-term strategic priority.”

The central message from our 28 top executives and consultants in China was simple and clear: China is a country that international companies cannot ignore. Since you probably can’t beat it, you’re better off joining it. Chances are that most of your competitors are in China already and, perhaps even more important, the nation is now producing new international competitors as domestic Chinese firms develop and expand globally. Sooner or later, you will find that China is changing the rules of the business game no matter what your industry is or where your main target markets are located. It is best to learn the new rules of the game, rather than find yourself relegated to the sidelines.

Introduction

Opportunity and Challenge

“Nowhere in the world is there a market like this—nowhere. To me, the 21st century will be the Chinese century. China will change the economic balance of the world.”

Guy McLeod, President, Airbus China

Deng Xiaoping declared on June 29, 1985 that, “[China’s reform] is a great experiment that is not described in books.” Ironically, it is this “great experiment” statement that has formed the impetus for this book. As Deng so aptly stated, the economic transition now under way in China is unprecedented. Any business executive who frequents China today will agree that the nation is pioneering its own path in the transformation from a planned economy to one that embraces market capitalism—albeit a form with Chinese characteristics. The prevailing characteristic of this journey is uncertainty: uncharted territory, false starts, trial and error.

In the pages that follow, it is our goal as authors to prove the last half of Deng’s statement wrong: we have in fact written a book describing the “great experiment.” In *China CEO: Voices of Experience from 20 International Business Leaders*, we detail the chaotic, confusing, but highly compelling Chinese business environment, as seen from the eyes of the CEOs and country managers leading the China operations of multinational companies. It is our hope that you will learn as much from these top executives as we did in the course of writing this book.



The purpose of this book is to identify and address the primary challenges facing the presidents and managing directors of multinational companies operating in today's China."

The authors,
China CEO

We began our research with a series of in-depth meetings with 20 U.S., European, and Japanese top executives managing China operations for Fortune 500 companies. We matched the first-hand insights and strategies gleaned from these interviews against the assessments of eight China-based expert consultants from broader disciplines—human resources, law, strategy, and family counseling. Our interviewees hail from a wide spectrum of fields and specialties, and our discussions with them cover a broad range of topics.

What surprised us while analyzing our interview transcripts was the high degree of agreement among interviewees on the ideal basic characteristics and skills deemed critical for international (non-Chinese) managers in China. Despite vast differences in the backgrounds of our profiled executives—they work in 20 distinct industries—a rough consensus quickly emerged.

Voices of Experience

The purpose of this book is to identify and address the primary challenges facing the presidents and managing directors of MNCs operating in today's China. Our interviewees were chosen from a wide range of fields—from cars to cosmetics, software to supermarkets—but each had to meet a set of criteria: each one is the top executive for a successful MNC in China. The companies profiled employ a combined three million people worldwide, including 126,200 in China (125,000 Chinese nationals and 1,200 expatriates). Together, these enterprises have amassed 512 years of operating experience in China, for an average of 26 years per company. Three of the profiled companies were operating in China before the communist "liberation": Standard Chartered was established in the Middle Kingdom when it was under the rule of the last emperor (ousted in 1912), while Unilever set up in 1923 and Coca-Cola in 1927. Five other companies have been in the country for more than 20 years, since the very beginning of Deng Xiaoping's reforms.

The professional experience of the 20 individual senior executives we profile is in some ways even more impressive. This

group of China hands¹ has a combined total of 466 years of work experience in their companies, including 294 years spent overseas and 105 years spent in China. If we were to create a composite “average” interviewee, he (all of our profiled senior executives are men) would be aged in his early fifties, and would have enjoyed a long and very stable career with the same company (23 years is the average), including 15 years of international experience and five years in China. The basic job description is extremely broad, typically characterized as “oversees operations in China.” Specific responsibilities, of course, vary widely; however, each position includes a mix of directing all aspects of the company’s current work, leading future growth in China (or Greater China or North Asia), and serving as the company’s key representative in external interactions with government, business partners, and customers, as well as internally with global headquarters and local employees. (For a listing of all featured interviewees, see “Who Is in This Book?”, below.)

Challenges of China: Leading the Blind Through a Minefield

For all of its allure to multinational companies, China offers international investors at least as much risk as it does promise. All MNCs in China suffer, at least to some extent, in the struggle to straddle two business environments and two social and political systems. So many China ventures fail that not even the fastest growing international firm in China would dare refer to the country as an “easy win.” The tension between the foreign motivation to enter this market and China’s desire to protect itself is an old, old story spanning many centuries. (Accounts of European traders entering China date back at least to Marco Polo’s journeys to Asia in the 13th century.) All of which brings us to the challenges of managing operations in China.

¹ “China hand” is a common expression among managers of multinationals to indicate those with ample China experience.

Who Is in This Book?

TOP EXECUTIVES
INTERVIEWED
(in alphabetical order)

- Dr. Ernst H. Behrens**, *President & CEO, Siemens Ltd., China**
- Mr. Dominique de Boissezon**, *Chairman & CEO, Alcatel China Investment Co.*
- Mr. Alan Brown**, *Chairman, Unilever China*
- Mr. Charles G. Browne**, *President, Du Pont China Holding Co. Ltd.**
- Mr. David Chang**, *CEO, Philips (China) Investment Co., Ltd.*
- Mr. Jean-Luc Chereau**, *President, Carrefour China*
- Dr. Gary Dirks**, *Group Vice President, President, & Chief Executive, British Petroleum (BP) China*
- Mr. Paul Etchells**, *President, Coca-Cola China Beverages Ltd.*
- Mr. Paolo Gasparri**, *President & Managing Director, L'Oréal China*
- Mr. Seiichi Kawasaki**, *Director & President, Sony (China) Ltd.*
- Mr. Guy McLeod**, *President, Airbus China, Ltd.**
- Mr. Philip Murtaugh**, *Chairman & CEO, General Motors China Group**
- Mr. Ekkehard Rathgeber**, *President, Bertelsmann Direct Group Asia**
- Mr. Volkmar Ruebel**, *General Manager, Hilton Shanghai*

INTERVIEWEES HAILED FROM THE FOLLOWING MNCs
(in alphabetical order, by region)

EUROPE		UNITED STATES
Airbus	L'Oréal	3M
Alcatel	Philips	Coca-Cola
Bayer	Siemens	Du Pont
Bertelsmann	Standard Chartered	Eli Lilly
British Petroleum	Unilever	General Electric
Carrefour	JAPAN	General Motors
Hilton	Sony	Microsoft

- Mr. Steve Schneider**, *Chairman & CEO, General Electric China**
- Mr. Christopher Shaw**, *President, Eli Lilly China**
- Dr. Elmar Stachels**, *CEO, Bayer Greater China**
- Mr. Jun Tang**, *President, Microsoft (China) Co., Ltd.**
- Mr. Stanley Y. F. Wong**, *Chief Executive, China, Standard Chartered Bank**
- Mr. Kenneth C. H. Yu**, *Managing Director, 3M China Ltd.*
- Ms. Victoria Hine**, *Founding Director, LifeLine Shanghai**
- Dr. Bryan H. Huang**, *Senior Vice President & President Greater China, BearingPoint**
- Mr. Simon Keeley**, *Head of the Hewitt Asia Leadership Center (HALC), Hewitt Associates China*
- Mr. Gordon Orr**, *Director, Shanghai office, McKinsey & Company*
- Ms. Helen Tantau**, *Senior Client Partner, Korn/Ferry International (China) Ltd.*
- Mr. John P. Wong**, *Senior Vice President and Managing Director Greater China, The Boston Consulting Group*
- Mr. Jack Chang**, *Chairman, Quality Brand Protection Committee (QBPC) of the China Association of Enterprises with Foreign Investment*
- Mr. Norman P. Givant**, *Managing Partner, Shanghai office, China Practice Group, Freshfields Bruckhaus Deringer law offices*

*Note: Careers advance and business scenarios change quickly in China. Several of our interviewees (marked with *) changed position, moved company, or retired between the time of our interview and the final editing of this book. For example, Christopher Shaw held the above title from 2001 to 2005 but, as we went to press, accepted an assignment in the Lilly U.S. corporate office. All information and quotes from each interviewee were updated and cleared just before the book went to press.

When multinationals begin operating in China, their interaction with Chinese counterparts—officials, clients, customers—often suffers from a degree of disconnect. The mismatch is like a pair of dancers in which the male partner is moving quickly and the female partner is dancing slowly. Only as the dancers deepen their understanding of each other can they begin to move gracefully and in synch. For MNCs, learning to synchronize operations with the pace of the Chinese business environment is a difficult lesson.

Our profiled legal expert, Norman Givant, Shanghai office managing partner in the China Practice Group of Freshfields Bruckhaus Deringer, sums up the needs of many international companies new to China: “Many of our clients first coming to China have very little understanding of this environment—economic, political, social, and psychological. They frequently make the mistake we all do: presuming that this place is just like home, that people think like you do back in Peoria [Illinois]. You have different cultural mores, different values, different methods of interaction. ... I use the metaphor that we are like a guide-dog leading the blind through a minefield. ... There are many potential problems in investing in a foreign country, especially one that has a socialist or communist tradition, like mainland China.”

In the chapters that follow, our expert interviewees offer their frank assessment of how to handle the biggest of the challenges faced in China. The 20 CEOs and eight expert consultants interviewed share their struggles and answer the following questions:

- What skills do I need to manage business operations in China today?
- Should I adapt my management style to China?
- How can I recruit and retain top-grade professional personnel in China’s highly competitive market?
- What is the secret to forming successful joint venture (JV) or business partnerships?
- How should I establish effective communication with corporate headquarters?
- How can my company attract China’s newly demanding and fickle consumers?
- How should I prepare to fight China’s rising domestic competitors in my field?

Methodology

It is a chilly April morning at one of Shanghai's most prestigious shopping-and-office complexes, the glittering Plaza 66 on Nanjing Road. On the 17th floor, we are ushered into a small meeting room in the well-appointed offices of General Electric China. After a few moments spent setting up our digital recorder, camera, and laptop, the chairman and CEO, Steve Schneider, bursts into the room. We quickly get down to business. He has read the outline of the book and the interview questions (see the appendix to this book); he confirms the data we have collected on GE's operations in China. A formal air settles as the interview begins. Should we go through the questions one by one, he asks, or make the discussion more conversational? We mention the format we followed last week while interviewing Philip Murtaugh, chairman and CEO of GM China. Suddenly, the atmosphere changes. "Phil is in this book, too?" Schneider asks with a laugh. Then he adds, "Will you tell me how *he* answered the questions?"

We were asked this question recurrently in the course of researching *China CEO: Voices of Experience from 20 International Business Leaders*. As our featured executives looked over the roster of fellow interviewees, many asked what their peers had told us. They wondered what the others had advised on maintaining good relations with the government, for example, or on adapting their management style to match Chinese business culture. It is exactly this curiosity that we hope to spark in our readers.

Our research method was to go directly to the source, by interviewing 20 American, European, and Japanese top executives from Fortune 500 corporations operating successfully in China, plus eight respected, high-profile consultants expert at assisting international clients to thrive in China.

During the interviews, we followed a structured question-and-answer format. Each session was conducted by the authors along with a research assistant. We took detailed notes as well as recording each interview, then drafted a full transcript. After each transcription was checked and confirmed by the authors and our research assistant, we began compiling interviewee answers into key topics. This provided the basis for our chapters.

The result is a collection of first-hand, battlefield-tested insights on leading the China operations of a multinational company. The advice and strategies outlined in the following chapters focus on two main themes: maximizing the opportunities and overcoming the challenges inevitable in the business environment of China today.

- What is the best strategy for safeguarding intellectual property rights?
- How can my company form good relations with the Chinese government?
- How can I ensure that I—and my spouse or partner and children—lead a satisfying life in China?

What Will I Learn From This Book?

When we began this project, our main objective was simply to share the learnings we have gleaned in our respective careers as a professor of management and business journalist. During our collective 22 years in Greater China, we have worked directly with international businesspeople, listening to, reporting on, and assessing their problems, frustrations, and achievements.

The list of the most common challenges identified to us by international executives in China forms the basis for the chapters of this book:

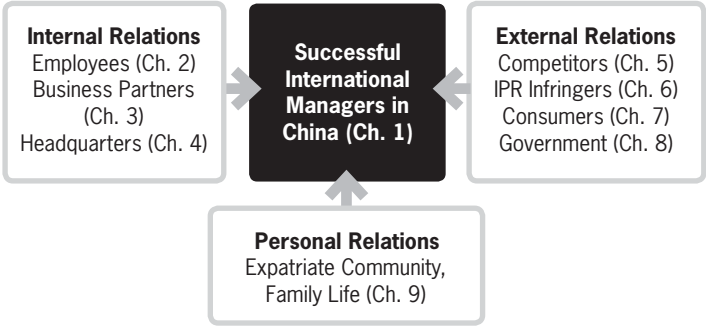
- Chapter 1: **Qualities of a Successful International Manager in China**
- Chapter 2: **Managing Chinese Employees**
- Chapter 3: **Working With Business Partners**
- Chapter 4: **Communicating With Headquarters**
- Chapter 5: **Facing Competitors**
- Chapter 6: **Battling Intellectual Property Rights Infringers**
- Chapter 7: **Winning Over Chinese Consumers**
- Chapter 8: **Negotiating With the Chinese Government**
- Chapter 9: **Living in China**

In organizing the specific chapters of this book, we have developed a simple model illustrating the different relationships that top executives must manage in China: internal relations, external relations, and personal relations. The book is structured according to this basic framework, with one chapter dedicated to each of the topics listed.



We are like a guide-dog leading the blind through a minefield. ... There are many potential problems in investing in a foreign country, especially one that has a socialist or communist tradition, like mainland China."

Norman Givant,
Shanghai Office
Managing Partner,
China Practice
Group, Freshfields
Bruckhaus Deringer



The book pivots around the figure of the international manager in China, our protagonist. This manager occupies the central position in the model, and each chapter outlines his dealings with a key internal or external group (employees, partners, headquarters, etc.).

One final point: Before we begin sharing the insights of our interviewees, we must introduce the concept of *guanxi*, or relationships developed based on obligation and favor swapping. Throughout our interviews with our top executives and China-based consultants, *guanxi*, or “Chinese-style networking,” was identified as one of the most important aspects of doing business in China. The concept emerged as such a strong central message that relationships became a central theme of the book. (For a full explanation, see “*Guanxi Defined*” (Parts I and II) in Chapters 1 and 8.)

We conclude this Introduction with a Chinese saying that sums up the essence of *guanxi*: “When I make things difficult for you, I also make things difficult for myself.” Stated in the positive, the saying reads: “When I make things easy for you, I also make things easy for me.” Let this idiom serve as our first lesson of successful management in China. Many more lessons will follow. Enjoy!

Chapter 1

Qualities of a Successful International Manager in China

“If I had to focus on any one message [for incoming managers], I would emphasize that relationships are very important. ... It is really about people—relationships between people and the confidence they have in each other. China is even more that way than in Europe or in the States.”

Dr. Gary Dirks, President and CEO, British Petroleum China

INSIDE CHAPTER 1

Interviewee Credentials

The Right Stuff for China?

Conclusion

Introduction

One of our primary goals in researching this book was to identify the critical success qualities (CSQs) necessary in an international (non-Chinese citizen) manager who operates successfully in China. Our method for researching this was simple: we asked each of our 20 China-based top executive interviewees, “What qualities would you look for in finding a successor to your current position?” Their answers form the basis for this chapter.

Interviewee Credentials

Before we share our findings on the essential qualities for a successful international manager in China, we wish to share a word on our interviewees—the 20 top executives for China operations profiled in this book. We want you to be sure of their credentials for determining what kind of expatriate manager survives best in China. We set several strict criteria before seeking interviews. Each interviewee must represent the top level of management for his company in China, be based full-time in China (rather than commuting from Hong Kong, for example), and have been working in China for more than a year. Nearly all the interviewees far exceeded these requirements. The record for time spent abroad goes to Volkmar Ruebel, general manager of Hilton Hotels, Shanghai, who as this book goes to press boasts 41 years of international experience, 37 years in the same company, and 11 years in China. Also having a decade of China experience under their belts are Philip Murtaugh, chairman and CEO of General Motors China, Dr. Gary Dirks, group vice president and chief executive of British Petroleum China, and Paolo Gasparrini, president and managing director of L’Oréal China.

Our interviewees have witnessed tremendous changes during their time in China. Many describe the dramatic physical transformation in the urban centers. In the plush lounge of the 42-storey Hilton Shanghai—a building now surrounded by high-rises—general manager Volkmar Ruebel describes his first night

in the city. "I arrived in Shanghai on New Year's Eve 1995. The city was dark. There were no lights. There were very few high buildings. ... That changed very quickly." Others describe the transformation in the business climate. When Dr. Ernst Behrens arrived in Beijing for Siemens in 1981, he lived in a small room in a rundown domestic hotel near Tiananmen Square—one of the few hotels designated by the Chinese government for foreign visitors. Because Siemens policy restricted Behrens from bringing his family to China, he spent three years living for 10 weeks at a time in China, followed by 10 days in Hong Kong. Today, such restrictions—both governmental and corporate—have all but disappeared. At the time of writing this book, 63,000 expatriate professionals and their families live in Shanghai alone, served by 25 international schools.

Paolo Gasparrini (now L'Oréal president and managing director for China) describes arriving from Hong Kong in February 1996, carrying a briefcase of cosmetic products. Although he also brought with him seven years of experience as president of L'Oréal Brazil, the difference in China was that he had to launch the company on his own, virtually from scratch. "There was nothing here; it was starting from zero," he recalls. Back then L'Oréal's presence in China consisted of a handful of makeup counters in Shanghai and Beijing displaying Maybelline or Lancôme products. Initially, Gasparrini did not even have permission to rent office space. Instead, he and his sole employee, a communications director, traveled to Shanghai and Beijing each week from Hong Kong. Today, L'Oréal has invested US\$150 million in its operations in China, which now include the manufacture, distribution, and sale of 12 international mega-brands and two local brands that the company acquired in 2003 and 2004. A large chunk of L'Oréal's production in China is exported to Japan, South Korea, and other markets in Asia.

Any international manager in China quickly realizes that this is a country in the midst of a transformation that is both fast-moving and far-reaching, a shift that is not only redirecting the economy but also changing social and cultural norms. Factors including ongoing economic reform, regulatory changes triggered by accession into the WTO, increased consumer wealth,



When expatriates come to China, local people expect them to bring something—in terms of knowledge or skill—that they need but that is not available here. There is a strong expectation that the expatriate will do that.”

Simon Keeley,
Head of the Hewitt
Asia Leadership
Center (HALC),
Hewitt Associates

and growing international exposure, even preparations for the 2008 Olympic Games, are all bringing about significant and sometimes surprising changes. It is from the perspective of having survived (and thrived) in this environment that the executives we interviewed offer advice on what it takes to lead a winning business operation in China now.

The Right Stuff for China?

During our interviews, the question of what characteristics our executives would look for in a successor sparked a rich mixture of responses. We have organized these responses into three categories based loosely on the logical sequence followed in considering the qualifications of a potential manager:

- Level 1: Professional Qualities**
- Level 2: Personal Global Qualities**
- Level 3: Personal China-specific Qualities**

This concept of levels conveys the idea that an international manager, especially one destined for China, must first demonstrate rock-solid professional qualifications, then show the ability to work in an international environment, and then prove able to handle specific challenges posed by China’s business environment. We illustrate the progression of necessary qualifications in Figure 1.1.

FIGURE 1.1
*Critical Success
Qualities for
International
Managers in China*



Level 1 CSQs: Professional Qualities

Not surprisingly, the first set of qualities our interviewees named as critical in selecting an international manager for China are professional prerequisites. Our interviewees identified two types of professional requirements they would insist upon for a candidate filling their current position of heading China operations for a multinational company:

- Technical and company expertise
- International experience

See Figure 1.2.

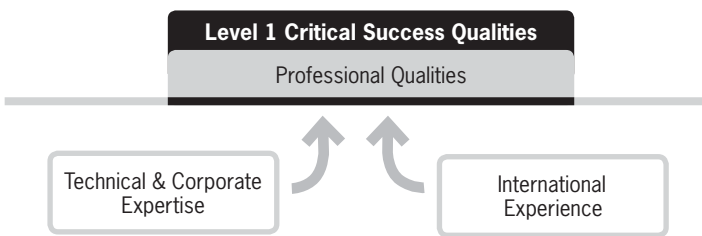



FIGURE 1.2
*Level 1 Critical
Success Qualities*

Professional Quality #1: Technical and Corporate Expertise

A look at the careers of our 20 successful top executives in China themselves reinforces the idea that rock-solid technical expertise and rich management experience are a critical starting point for evaluating a candidate for an overseas senior management position. As a group, our interviewees have spent an average of 23 years working their way up in the same company. This gives them an extraordinarily broad and deep knowledge of their industries and of the company they are to represent abroad.

One of the first points made by our profiled consultants is that in today's China, expectations of expatriate managers are sky-high among the employees, business partners, and officials with whom they will be working. As China's own workforce rapidly gains ability in the international business arena, the demands on foreign nationals working in China are quickly rising. Human resources

 **Select people with a rock-solid professional background and an excellent knowledge of the company. Send your best personnel to China.**

(HR) expert Simon Keeley of Hewitt Associates explains that the bar is rising for expatriate managers and technical experts. “When expatriates come to China, the local people expect them to bring something—in terms of knowledge or skill—that they need but that is not available here. There is a strong expectation that the expatriate will do that.” Keeley warns that foreign managers or specialists who fail to gain recognition for the expertise they bring to the China operations will likely quickly run into trouble.

As a result, Keeley says, foreign companies are increasingly raising the requirements for those being sent to China. “Now companies are paying more attention to [expat selection], probably because they take China as a very important part of their global strategy.” He adds that companies are much more selective today than in the 1990s. He points to a client company that recently transferred eight top-performing professionals from their home country to China. “This company knows China is an important part of its worldwide strategy and is sending its best people here. I think more companies will do this.”

The second type of professional skill our China hands deemed necessary in China is the ability to manage difficulty. Serving as president, CEO, or country manager in a foreign environment requires handling different levels of responsibility simultaneously. First, they must oversee all the standard duties typically performed by a top-level manager back in the home country: managing relations externally (with officials, business partners, customers) and internally (with superiors, staff members). Second, when posted abroad, expatriates must manage these same relationships while facing significant obstacles separating them from each of these

FIGURE 1.3
Senior Manager Working in Home Country

