

China CEO II:

Voices of Experience from 25 Top Executives Leading MNCs in China

■ By Michael Thede

China CEO II: Voices of Experience from 25 Top Executives Leading MNCs in China offers an in-depth look at the opportunities and challenges for leaders of multinational companies doing business in China. Drawing on research cultivated from interviews conducted with more than two dozen China-based executives and consultants, it features front-line insights from a range of organisations, including AB InBev, Bosch, Carrefour, Coca-Cola, L'Oréal, Sony, Tata, Victoria's Secret and more.

We talk with co-authors Professor Juan Antonio Fernandez and Professor Laurie Underwood about China's changing economic landscape, succeeding in China today and the publication of their new book.



Laurie Underwood

Juan Antonio Fernandez

As the title suggests, *China CEO II* is actually a follow-up to an earlier book you wrote back in 2006 entitled *China CEO*. Can you give us a bit of background on that first book and what it was about?

Juan Antonio Fernandez: Well, 2006 was the beginning of all these multinationals coming to China. At that time, there wasn't a book that had the perspective of these companies working in China, so Laurie and I decided to start this project together. We interviewed a total of 20 CEOs, many of them were the pioneers. They opened

operations in China. It was a different time – a very different time.

Nearly 15 years after the first book, why did you decide to write a second book now?

Laurie Underwood: When we talked about whether it was a good time, we decided to take one of our previous interviewees Kenneth Yu out and talk to him face-to-face. In the first book, Kenneth was the head of China for 3M, but by the time we started to think about the second book, he was very active as

a consultant working on different projects. Using him as a barometer, we asked, “Are companies still making mistakes in China?” Kenneth told us, “Yes, they’re still making mistakes and there is still a need for a book that provides front line advice for those holding the position of China CEO.” He made us feel confident that there was a need for a second book.

What are some of the most notable changes that have taken place in China over the past 15 years in regards to foreign businesses here?

JAF: It’s amazing how much this country has changed in those few years. For instance, Chinese consumers, they’re more sophisticated now. In 2006, every foreign product was good enough for them. Now, they demand more quality, better services – not only from foreign companies, but also from Chinese companies. The rise of Chinese competitors, that’s another factor. Back then, China, in a way, was the territory of the multinationals in many areas. Now, this territory is shrinking and Chinese companies are occupying more and more of that space in the market. Also, the digitalisation of the country. Five years ago, China was not like this. Now, it’s a very advanced economy. It’s a digital economy. Chinese companies are also moving towards innovation and China’s strategy as a country is to foster innovation at every level.

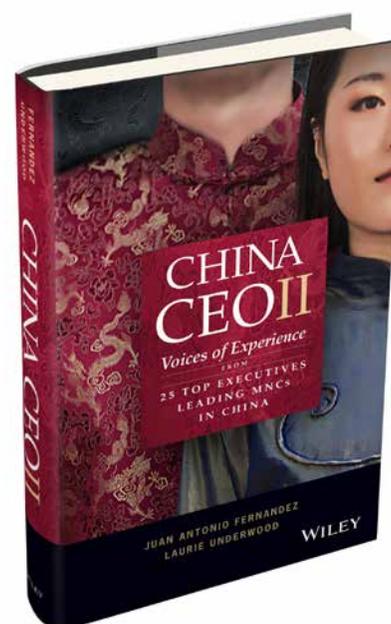
LU: To add to that, Alain Crozier from Microsoft, for

example, told us that if he could sum up the difference between then and now, it used to be that he was telling his headquarters back in the US that China was different and that you needed to do things differently, but now he’s telling his headquarters that China is first. So, they’re doing things in China – experiments, innovating – and then seeing what works in the China market and then bringing those to other markets around the world.

Is there anything unique about China which sets it apart from other markets in which multinationals operate?

JAF: The first thing is the size of the market. There is no other market like this in the world. China is 20% of the world’s population, so if you’re successful here, you’re successful anywhere. The second factor is, China is a highly digitalised economy. People here, they don’t use money any more. Everything is through phone, everything is online. It’s so competitive and dynamic. The CEO of IKEA, for example, told us that now competitors are everywhere in China. Any small furniture factory can compete against IKEA, because distances have disappeared because of online business. I think this is one of the key factors that makes China different from the rest of the world.

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How is the group of executives you interviewed for China CEO II different from the ones you interviewed 15 years ago for your first book?

LU: As a woman, I’m really happy to say one of the biggest changes is more gender diversity. In 2006, we tried very hard to find a CEO who was female and running a big multinational company in China and we couldn’t find one. This time, of the 25 CEOs we interviewed, four of them are women and, incidentally, all four of them are either Chinese citizens or ethnically Chinese. Also in the first book, amongst the 20 CEOs, all of them were non-Chinese citizens. Only one of them was born in China and later changed his citizenship to the US. In the second book, seven of the CEOs are Chinese nationals.

How have things changed over the past 15 years in terms of how executives view China as part of their career advancement or as a career stop?

LU: One of the big changes is that China’s position in the world has really changed in the past fifteen years. China was important in 2006, but it has risen in its profile in terms of diplomacy and economics and digital transformation. All of those things have made China a very different assignment for a multinational company. Overall, we saw a trend where, in the past, some of the CEOs we interviewed were very senior, but ending their career. And, in general, we saw that more of the CEOs we interviewed now were younger, they’re in the middle of their careers, and we had several CEOs tell us very clearly that China is now a must-have



placement for anyone who wants to take a really top, global position.

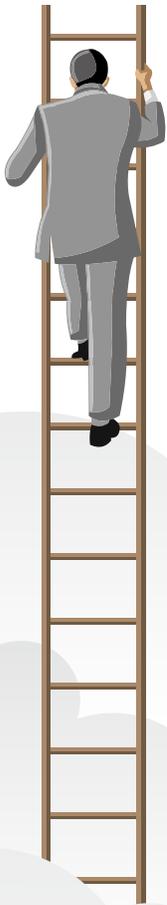
COVID-19 has, of course, been the big story this year, and its impact has been felt by businesses around the world. Is there anything you learned while you were researching this book that can be applied to leading businesses through crises like the one we’re experience now?

JAF: One thing that has made companies in China more resilient is the digital economy. I think China has come through this crisis smoother than other countries because of the digital aspect and I think that idea of digital will become much stronger after the coronavirus crisis.

LU: Another thing that came out in the book is that, while you obviously need an excellent team and great resources, at the end of the day it really comes down to the top decision maker taking a stand and leading the team as best they can. I think that pertains to situations where there is a lot of uncertainty, where things are changing daily and you need a strong leader who at the end of the day listens to all the information, but comes out with the chart of direction and then has the charisma to get the team to follow him or her.

Is there anything Chinese businesses can learn from their foreign counterparts here that will help them anticipate the challenges they might face when they move into other markets overseas?

LU: One of the things is that, no matter who you are



or how much of an expert you are in your field, when you go into another market, you need to go through a cultural adaptation process. You have to be humble, you have to be adaptable and you have to spend time and energy to learn. You're not going to become a China expert when you take on this role and you're not going to become an expert on India if you're a Chinese company when you're moving into India. You need to know what you don't know and fill in the gaps, and it starts from being open-minded, culturally sensitive, adaptable and respectable. I think passionate is one of things we also need to add. To survive in China, you need to be passionate about the market. To make it when you're expanding overseas as a Chinese company, you have to be respectful and passionate about that country as well.

Is there one piece of advice that you can distil down from everything that you've learned while working on this book that you can share with somebody who wants to either work in China or do business with China?

LU: I would say China is still a fantastic market to operate in – that hasn't changed at all. It was super exciting in 2006. In many ways, it's even more exciting in 2020. So China is a great country to do business in. It takes a lot of work, but it can be a really enlightening journey and these days it's even more relevant than it was before to the whole rest of the world. So you will definitely not be wasting your time or spending your energy in the wrong way if you make an investment to make China part of your career path.

JAF: The only thing I would add is listen to your local team – especially those CEOs that come from successful careers in other markets and might think they know everything they need to know. The Chinese are becoming very sophisticated. They know their own market better than anyone else. So listen to your team. They come to you with great ideas, but you have to create the organisational culture so they are open and

will share with you what they think is the right way.

Finally, looking ahead, what do you anticipate will be some of the biggest changes multinationals will experience in China in the next five to ten years?

JAF: I think the main thing is innovation. When we published our first book, China was becoming the factory of the world. That will continue, for sure, but I think the biggest thing going forwards is innovation. The Chinese government is investing in and promoting innovation at every level and China can be one of the top countries for innovation in the future.

LU: I agree with Juan, I think this trend we described about China changing from 'China is different' to 'China is first' is only going to continue. When we did these interviews, some of the CEOs we talked to told us that there are still people at their headquarters who don't understand that. I think over the coming five to ten years that is going to change. There is going to be a recognition that there is a fantastic environment here to try new things.

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Juan Antonio Fernandez is an Associate Dean, Professor of Management and the Director of the MBA Programme at CEIBS. Laurie Underwood is an alumna from the CEIBS MBA Class of 2002. She is also a Senior Consultant at Sino Associates and a Senior Associate Professor of Management at Xi'an Jiaotong-Liverpool University.