



500 WORDS ON LEADERSHIP DEVELOPMENT

西遊記

WHY CHINESE MULTINATIONALS REQUIRE A MORE GLOBAL APPROACH TO LEADERSHIP DEVELOPMENT

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In this edition of CLP's 500 words, we are taking a closer look at Chinese multinationals, their rising global ambitions and where we can play a part to benefit both ourselves as leadership development providers and our international client base.

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Western multinationals are quickly discovering the Chinese domestic market and recognising the strategic value of using China as a base for their Asia operations. At the same time, an increasing number of companies from China have started offering their products in Western consumer markets. But do these new organisations really have what it takes to succeed outside their country of origin in a more global environment?

Since opening up its economy in 1978 and the introduction of market reforms, China has seen a remarkable transformation. The concept of the socialist planned economy was abandoned in favour of largely unfettered capitalism; economic growth has been the major headline of the past forty years in China.

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But whereas in previous decades China's export markets were dominated by foreign companies, in recent years a new self-confidence has paved the way for local companies to tackle global markets. As these companies expand throughout the world and develop into multinational enterprises, however, one thing is becoming all too apparent to us: Chinese companies are too Chinese!

While multinationals worldwide usually source around 20-40 per cent of their senior executive positions globally, the figure for Chinese multinationals is mostly below ten per cent. The ethnic composition is, of course, not the problem but merely a symptom of a broader issue: it shows us that insufficient effort has been put into internationalising internal business culture to reflect the challenges faced by those competing in today's global markets.

In part, we attribute this to the fact that Chinese companies by and large focus only on serving the Chinese market. The Chinese government does its best to shield them from international competition at home (just ask Google, Facebook, Uber, etc.), which keeps the pressure to adapt to global standards low.

But for truly multinational companies like Lenovo, Alibaba, Haier and others who actively seek out foreign markets, things naturally appear quite differently.

削足适履

“to cut one's feet to fit the shoes”

Chinese idiom used by Huawei founder Ren Zhengfei to communicate his company's internationalisation strategy

We were not surprised to learn that Huawei, the only Fortune Global 500 listed mainland Chinese company earning more revenue abroad than at home, cites culture as its leading success factor and has had its management structures put in place by American tech-giant IBM. Huawei founder Ren Zhengfei is emphatic about his employees adopting an international leadership approach and has even coined the idiom “to cut one's feet to fit the shoes” as a metaphor for learning about American business practices to realise Huawei's global ambitions.

The European Business Review interviewed Huawei employees, its executives, and Ren Zhengfei himself and concluded 7 important leadership lessons that have made Huawei the company it is today as shown in figure below.

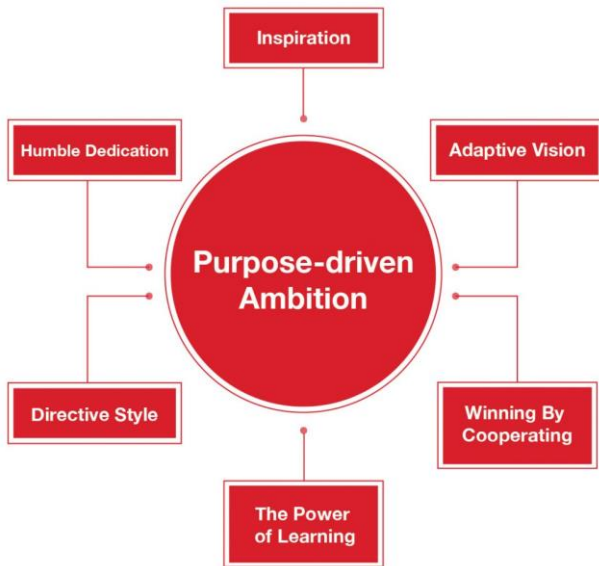


Figure: The Leadership Lessons of Ren Zhengfei.
[The European Business Review](#)

THE POWER OF LEARNING for example, is a common theme in everything that Ren Zhengfei undertakes: he has a great ability to reflect, think and act. He is frequently quoted as saying that the most important thing to value is the power to think. In a way Zhengfei works hard to always keep clear to himself a kind of meta-view that enables him to make informed strategy decisions.

Yours,
Bela Bleier and CLP Team

At CLP, we believe that Chinese multinationals will have to follow in Huawei's footsteps by adopting a more global outlook, and the best way to start is by transforming the leadership culture. Concepts like entrepreneurial thinking, flat hierarchies, humble leadership, constant learning cycles, and disruptive innovation are not yet present in the minds of Chinese leaders and the integration of global talents into Chinese management structures is almost non-existent.

There needs to be a more open approach to leadership development in China, and Chinese companies have to recognize that they haven't been in the globalisation game long enough to have all the answers yet.

CLP works with many global organisations looking to invest and expand in Asia, particularly China, and while we expect this trend to continue, we are also preparing and looking forward to working with more and more Chinese companies to play a part in shaping their global future. This, in turn, will also enable us to develop a deeper understanding of the inner workings of management structures within China and help us in improving and amending our existing China-specific programmes for our global clients' Leadership Development curricula.