

# **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, British Petroleum China*

## **INTRODUCTION**

One of our primary goals in researching this book was to identify the critical success qualities 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.

Chapter 1 outlines:

**SECTION I: Interviewee Credentials**  
**SECTION II: The Right Stuff for China**  
**SECTION III: Conclusion**

## **SECTION I: INTERVIEWEE CREDENTIALS**

Before we share our findings on the essential qualities for a successful international manager in China, we 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 represents the top level of management for his company in China, each is based full-time in China (rather than commuting from Hong Kong, for example), and has been working in China for more than a year. Nearly all interviewees far exceeded these requirements. The record for time-span abroad goes to Volkmar Ruebel, general manager 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 holding a decade of China experience under their belts are Philip Murtaugh, chairman and CEO of GM China, Dr. Gary Dirks Group, vice president and chief executive of BP China, and Paolo Gasparrini, President and Managing Director of L'Oreal China.

Our interviewees have witnessed tremendous changes during their time in China. Many describe the dramatic physical transformation in the urban centers. From the plush lounge of the 27-story Hilton Shanghai – a building now surrounded by high-rises -- GM 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 1994, he lived in a hotel near Tiananmen Square. He could not bring his family with him because foreign nationals were initially restricted by the government from doing so. At the writing of this book, 63,000 expatriate professionals and their families live in Shanghai alone, served by 25 international schools.

Paolo Gasparrini (now L'Oreal 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'Oreal 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'Oreal’s presence in China consisted of a handful of makeup counters in Shanghai and Beijing displaying Maybelline or Lancome products. Initially, he did not even have permission to rent office space. Instead, he and his sole employee, a communications director, began by traveling to Shanghai and Beijing each week from Hong Kong. Today, L'Oreal has invested US\$150 million in its operations in China, which now include the manufacture, distribution and sale of 11 major product lines. The L'Oreal manufacturing facilities in the Sino-Singaporean Park in Suzhou produces all the Maybelline and Laboratoires Garnier products sold in China and exports the remainder throughout 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 WTO, increased consumer wealth and growing international exposure, even preparation for the 2008 Olympic Games, are all bringing on 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.

## **SECTION II: 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 I: Professional Qualities**
- **LEVEL II: Personal Global Qualities**
- **LEVEL III: 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, then prove able to handle specific challenges posed by China's business environment. We illustrate the progression of necessary qualifications in the following figure.



### **LEVEL I: 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:

- **Technical and Company Expertise**
- **International Experience**



### **PROFESSIONAL QUALITY #1: TECHNICAL & MANAGEMENT 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 a strong management background.

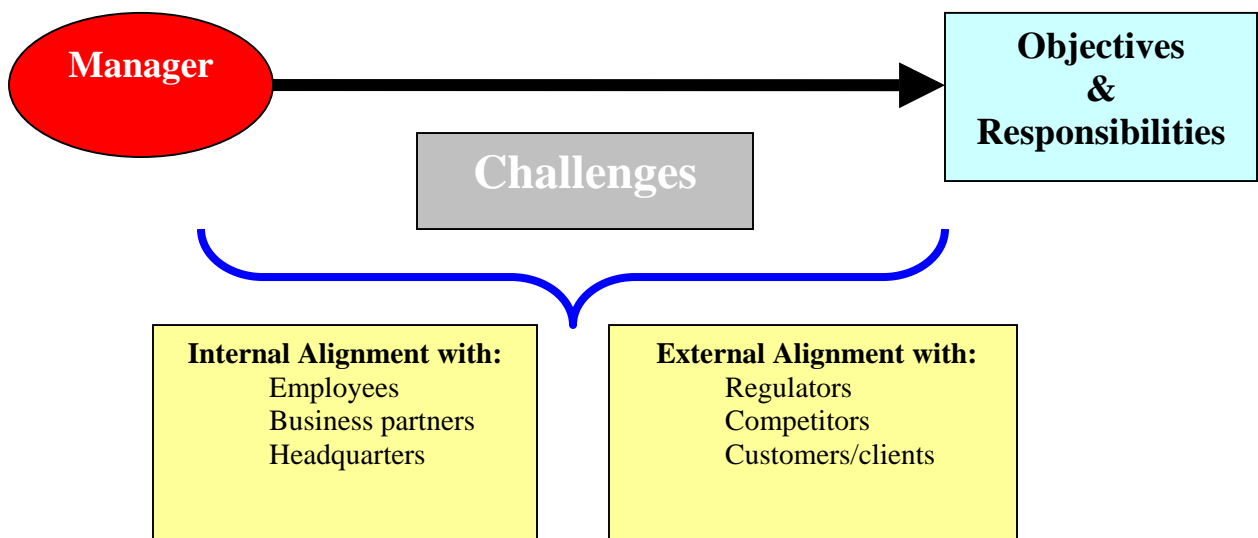
One of the first points made by our profiled consultants is that in today's China, expectations of expatriate managers are sky high among the employees, business partners and officials he or she will be working with. As China's own workforce rapidly gains ability in the international business arena, the demands on foreign nationals working in China are quickly rising. 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 that 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 says. He adds that companies are now much more selective than it was in the mid or late 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."

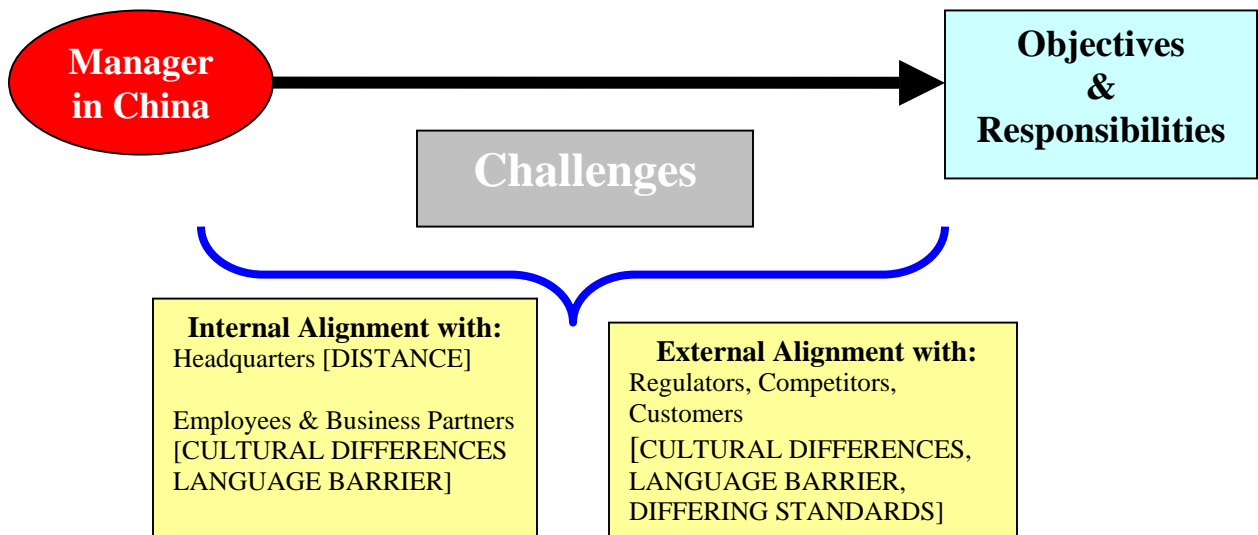
The second type of professional skill our China hands deemed necessary in China is ability to manage difficulty. Serving as President, CEO or Country Manager in a foreign environment requires simultaneously handling levels of responsibility at once: First, they must handle all the standard duties typically 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 him or her from each of these critical groups. For example, when interacting with the corporate headquarters, the China-based manager suddenly faces geographic distances, time differences, and vast gaps in knowledge caused by working around the planet from one’s boss. The opportunity is ripe for misunderstandings, delays, and other forms of disconnect. Meanwhile, when the manager works with business partners and employees (who will mostly be Chinese nationals), he or she suddenly faces vast cultural differences and a language barrier. The chances are high for conflicting expectations, differing standards, and clashing operating styles.

The two diagrams below show the added layer of complexity inherent in most overseas management postings.

### SENIOR MANAGER IN HOME COUNTRY



## SENIOR MANAGER POSTED INTERNATIONALLY



This new “distance” between the international manager and the different groups he must align with makes virtually all aspects of his work more challenging.

Finally, our interviewees mentioned several other reasons why professional savvy can make or break a manager working abroad. First, a foreign manager will likely be working with a smaller, less experienced support team than would exist back home. Second, he or she will be handling problems and challenges that do not exist in the home country. Third, the international manager will personally represent the MNC in many instances in the host country, which means he or she must exude water-tight professionalism, integrity, confidence, and industry expertise when meeting with government officials, business partners, competitors, customers, and employees.

The underlying message to employers: send your best personnel to China.

---

### PULL QUOTE

**“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, Hewitt Associates**

---

### TIP

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

---

## ***PROFESSIONAL QUALITY #2: International Experience***

The second message heard from our interviewees was that the best preparation for an expatriate manager heading overseas was, well, previous experience managing overseas business operations overseas. In other words, many of our interviewees said they would make “prior overseas experience” a prerequisite when placing an international manager in China. Simply put: a posting in China becomes vastly more manageable after an assignment in either another Asian location or another developing market, or both. Among the 20 senior executives profiled, the average manager had spent 10 years in upper management positions overseas before coming to China. Many had worked in three or four assignments abroad before taking their current post. Unilever China Chairman Alan Brown’s viewpoint is typical: “We don’t have any first-time expats in China. They all have a good skills base, good knowledge base. Our expats each have 10 years experience in business, most of it overseas.”

A case-in-point for experienced expatriate managers is Bayer Greater China CEO Dr. Elmar Stachels. Although Stachels had to modify his management style with each of his overseas assignments – from Germany to Iran, Mexico, and now China -- he says the adaptation process becomes faster and smoother with each new posting. “The biggest challenge probably comes when you first go outside [your home country] and take over a foreign assignment,” he says. Most challenging is the initial shock of adapting to the business culture during the first overseas posting, a process Stachels calls becoming “a member of a new community.” After he made the transformation once, it was easier with the next posting. Using his own experience as a guide, he now deems international experience as “very important” for expatriate executives in China.

At British Petroleum China, President and CEO Dr. Gary Dirks says the following of his expatriate managers in China: “Most of them were expatriates with experience in other places already. We do not bring people here as their first expatriate posting.” Dirks says he favors those with not only overseas experience but experience in a developing country. “In that way, they had some exposure to the fact that it is a different place and you got to live in a very different way. They need to be able to demonstrate they can work in a non-Anglo culture.”

“The first international posting cannot be in China,” agrees L’Oreal China President and Managing Director Paolo Gasparini. “You must choose someone who already has the skills to run this position. It must be someone with the necessary calm and balance to face all kinds of different things.” He stresses that managers in China will need to be able to solve problems on their own, without relying on headquarters or employees. Once the right person is found, he urges

the company to keep him or her in China for a significant period of time in order to gain expertise. “You cannot stay only two years [in China], you need more time. China is not a quick study. You need more time in this country – you have to get to know the people, know the risks.”

Most interviewees stressed that if you are coming from a Western culture vastly different from that of China, taking at least one “easier” overseas posting helps smooth the transition. “My recommendation is to try to have an international expatriate assignment before coming to China,” says Carrefour’s Jean-Luc Chereau. His own career took him from his native France to Spain, then Brazil, then Taiwan, and now China – a pattern of moving systematically toward increasingly foreign business cultures. In particular, many of our interviewees recommended working in Taiwan or Hong Kong as a gateway into Greater China.

---

### **PULL QUOTE**

**“We don’t have any first-time expats in China. They all have a good skills base, good knowledge base. Our expats each have 10 years experience in business, most of it overseas.” – Alan Brown, Chairman, Unilever China**

**OR**

**“The first international posting cannot be in China. You must choose someone who already has the skills to run this position. It must be someone with the necessary calm and balance to face all kinds of different things.” – Paolo Gasparini, President and Managing Director, L’Oreal China**

---

### **TIP**

**A posting in China becomes vastly more manageable after an assignment in either another Asian location or another developing market, or both.**

---

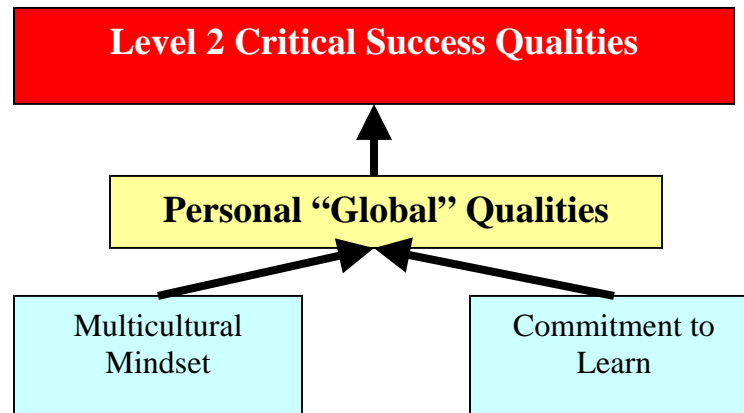
## **LEVEL TWO CSQs: PERSONAL “GLOBAL” QUALITIES**

In many ways, professional skills are the easiest qualifications to assess when selecting a manager to send to China, our interviewees stressed. More difficult for employers, they said, is that a host of personal qualities are needed to succeed in the Middle Kingdom. In assessing their answers, we divided the personal qualifications they named into two types: “Global” Qualities and “China-Specific” Qualities.

We first share the Global Qualities named by our interviewees. There was a general consensus among the 20 top executives interviewees that expatriate

managers must show two characteristics in order to succeed on any overseas assignment. These Global Qualities are:

- Multicultural Mindset
- Commitment to Learn



### ***GLOBAL QUALITY #1: Multicultural Mindset***

In describing the personal qualities necessary to manage in China, the first characteristic many of our interviewees mentioned was a willingness to recognize the limitations of one's own cultural norms and to accept and adapt to the culture of the host country. We termed this characteristic "multicultural mindset."

Coca-Cola China President Paul Etchells considers explains this mindset a first step in considering a candidate for a China assignment. "The most important thing is that you actually like being here and like working with the Chinese -- and that you are able to make the cultural adjustments necessary," he says. "If you are having trouble dealing with China and with the Chinese, then [your business] is unlikely to be a success."

The biggest mistake foreign managers typically make, Etchells says, is in failing to adapt to the business practices of the host-country. Learning when and how to meld into the new business culture seems an obvious point, but our interviewees agreed that this problem is both prevalent and difficult to overcome. "It is a big mistake to come in with preconceived ideas -- thinking that your industry is necessarily going to operate as it does in some other market you are familiar with," says Etchells. Newcomers to any foreign environment, he says, often discover major differences, such as finding that the role of government is different, the competitive environment is different, or the industry cost structure is different.

“Flexible,” “open” and “adaptable” were the most often-used adjectives in describing the critical personality traits of an overseas business leader. Philips China CEO David Chang explains that not only must foreign managers accept elements of the new business culture, but (especially in an emerging market such as China) they must constantly shift to keep pace with that culture as it further develops and changes. “First, you need an open mindset,” Chang says. “This is a changing world. Anyone who does not accept different ways of working won’t succeed. You need to be able to detect and understand changes.”

Such a malleable mindset, it seems, is most often a personality trait rather than an acquired skill. “The first important thing is to find someone with a certain personality. My belief is: if you pick the wrong person, no matter how much training you give, it won’t work,” says Ekkehard Rathgeber, president of Bertelsmann Direct Group Asia. “You need to find a person who is very determined and can handle the ambiguity you find every day [in China]. You must have an adventurous spirit. You must take things in humorous way, not too personally. You must be very open to new things, excited by new things -- not someone who wants to preserve his own culture and identity.”

After 10 years of placing executives into China-based firms, Shanghai-based Korn/Ferry Client Director Helen Tantau agrees that the quality most necessary for expatriate executives is adaptability. “China is a very ambiguous place, in terms of the bureaucracy and the way rules change from today to tomorrow. You have no control over it.” Tantau says foreign managers must be flexible and “more responsive to their environment” than they would be at home in the U.S. or Europe.

### **[MINI CASE STUDY] THE NEED TO ADAPT**

When does an international manager’s overly rigid mindset harm China operations? Microsoft’s Jun Tang describes a recent case in which a Western manager insisted on leaving the office of his China-based facility nightly at 6 PM, just as he had in the United States. The policy caused friction because he also requested that Chinese staff finish projects according to deadlines, which entailed working overtime. In China, it is important for a leader to show that he or she is part of a team, Tang stresses. “There is a saying in China: ‘Together we share happiness, together we bear pain’.” In this instance, Tang believes the U.S. manager should have followed the local practice in which executives keep similar hours to their professional staff. “The Number One mistake [newcomers] make is trying to apply their way of running a business to the local culture without any understanding of the basic local business philosophy,” he says.

A word of caution, however: Our China hands stress that adaptation and flexibility do not simply mean that “going native.” Multicultural mindset does not mean giving up the home-country business culture to adopt local business customs. In fact, a careful balance must be struck in knowing which aspects of

the business operations to maintain according to home or global norms and which aspects to adapt.

---

## **PULL QUOTE**

**“My belief is: if you pick the wrong person, no matter how much training you give, it won’t work. You need to find a person who is very determined and can handle the ambiguity you find every day [in China]. ... You must be very open to new things, excited by new things -- not someone who wants to preserve his own culture and identity.” – Ekkehard Rathgeber, President, Bertelsmann Direct Group Asia**

---

## **TIP**

**When sending an executive overseas, look for a person with an adventurous spirit, sense of humor, and an open mind.**

---

## ***GLOBAL QUALITY #2: Commitment to Learn***

Our interviewees stressed that successful international managers must go a step further than merely showing an openness and acceptance of the host country culture in order to succeed – they also needed to display a commitment to spending time and energy learning about the host country culture, especially its business practices and norms. Many of our profiled top executives added that a working knowledge of the local language is extremely beneficial, but less critical.

Du Pont China President Charles Browne puts it this way, “You should try to understand the [foreign] culture and the language. Sometimes you get so tied up by the numbers and the projects that you lose sight of that. It is your understanding of customers and employees that really matters. Don’t ignore that.”

How much cultural knowledge is enough to lead a business venture? In the case of China, 3M’s Kenneth Yu stresses that quality is more important than quantity. “You don’t need to know the names of all the different family relationships in Chinese – you don’t need to go that deep,” he says. “But you do need to understand Chinese values.” In Yu’s view, understanding Chinese values requires two types of commitment. The first is substantial time living and working in China. Says Yu, “Among the experienced China hands I have known, there is one common denominator: they all have lived in China for some years – not one or two years<sup>1</sup>.” The second type of commitment is a continuous connection with the country. Yu stresses that Chinese culture, and especially business norms,

---

<sup>1</sup> China hand is a common expression among managers of multinationals to indicate those with ample China experience.

are now changing very quickly. What was true in a certain field one or two years ago is very possibly no longer valid now.

Other top executives warn against a common mistake among long-time foreign residents of Asia: believing that understanding the business culture in Japan, Hong Kong, or Taiwan translates into understanding the culture in China. Standard Chartered China CEO Stanley Wong warns against thinking of China as “just like Hong Kong 20 years ago.”

### ***Listening Is Key***

Interviewees also recommended how to learn the key elements of Chinese business culture. Many said the very first piece of advice they would give to a newcomer in China is “listen.” In other words, they recommend seeking out input -- from employees, JV partners, government officials, clients -- and then acting on it. This advice may seem to be common sense, but interviewees say it is not second nature for many top executives. After all, listening implies a humble, receptive attitude -- which goes against the grain of many incoming Western managers.

“You have to listen. Don’t come with preconceived ideas about the best way to approach the market, the best way to approach the customers, how to do business,” says Du Pont China President Charles Browne. “The customs, small things, are different. You can make terrible mistakes if you do not pay enough attention,” he says. “The first thing you have to do is to listen and try to understand your customers and employees. Once you have that, you can begin to develop your strategies and plans.”

Listening, learning and understanding is a process that managers must undergo in China, says Bayer Greater China CEO Dr. Elmar Stachels. “As much as possible, [incoming foreign managers] should listen in the first phase and not try to do it in the way they learned at headquarters.”

At Carrefour China, company President Jean-Luc Chereau says listening must become an integral part of an expatriate manager’s leadership style. Not only will the manager learn a great deal, but he or she will earn the trust and goodwill of partners, officials, and employees. “If you do not have the quality of listening to people, trying to understand the differences between them, you cannot manage,” he says. To succeed in Asia, especially in China, you need to listen to people. If you don’t do it, it can be a disaster.”

---

### **PULL QUOTE:**

**“You should try to understand the [foreign] culture and the language. Sometimes you get so tied up by the numbers and the projects that you lose sight of that. It is your understanding of customers and employees**

**that really matters. Don't ignore that.” – Charles Brown, President, Du Pont China**

---

***TIP***

Learn from those around you. Listen to your employees, JV partners, clients, and customers.

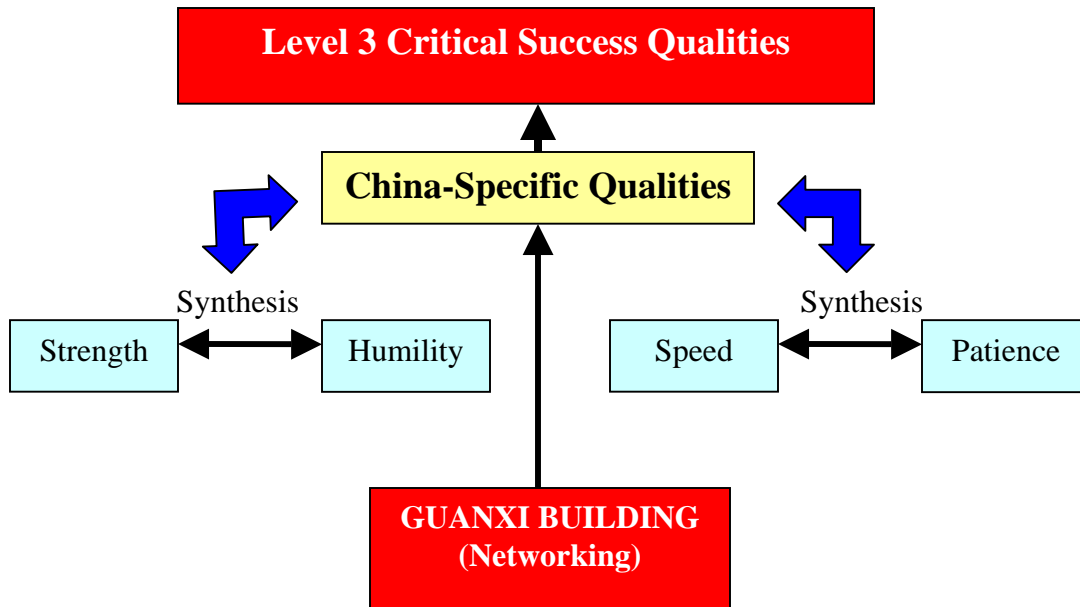
---

## **LEVEL 3 CSQs: CHINA-SPECIFIC QUALITIES**

After detailing the general qualities useful to top-level managers heading abroad, we asked our interviewees to delve more deeply into the specific qualities necessary for succeeding in China's business environment. Below are five qualities the experts identified as specifically necessary to succeed in today's China.

Interestingly, we found that the main qualities named as critical in China seem to be opposed. Our senior executives recommend humility but also strength, patience but also speed. As proven in the discussion below, these experts stress that the business environment in China requires a mix of different skills and characteristics, plus the understanding of when to display certain qualities and when not to. The fifth “must have” skill – guanxi-building – we discuss separately in the final section of this chapter.

- [Humility and Strength](#)
- [Patience and Speed](#)
- [Guanxi-building \(networking\)](#)



### **CHINA-SPECIFIC QUALITY #1: Humility**

Humility and patience? Is the message from our top executives beginning to sound as if all foreign managers should take the vows of monkhood? (Fear not. None of our interviewees mentioned a need for poverty or chastity.) The basic message to newcomers is that, in China, aggressive leadership styles built on arrogance or patronizing attitudes can (and do) cause failure.

The worst strategy for incoming manager is to begin his or her overseas assignment by laying down the law, especially an imported law. "Leadership in China means not forcing your point of view -- not saying, 'I am the expert, I know everything. We do it this way worldwide'," says Elmar Stachels of Bayer China. He adds, "The main reason some [expatriates in China] are not very successful is that they acts in their usual way, or the headquarters way. They just want to teach their own ways to their peers and subordinates in China. This can be a mistake. "

One of the first lessons GE's Steve Schneider learned when he came to Asia in 1987 (working first in Japan) was to tone down his U.S.-style management approach. "I grew up in the U.S. system: things were black and white, arrogance was popular back then, 'take no prisoners' was popular back then. Everything was win-only, not win-win," Schneider says. Since taking position at GE China in 1999, he has adopted a far more humble management style. "It is not a directive style, it is more of an influencing a coaching style. That's the way you get the best out of people."

Showing respect for colleagues, employees, clients, and friends in China, as well as admitting areas where your own knowledge is lacking, can be a powerful in establishing goodwill. "People who arrive here and say: 'I already understand everything about China' -- this is a disaster," says Paolo Gasparrini of L'Oreal. "You have to find a way to integrate with the people, to understand what is China, what is the culture, what do people expect from you and from the employer, and what they expect of themselves."

To illustrate the positive power of humility in China, Microsoft China President Jun Tang uses the example of an expatriate manager seeking to make drastic changes in a company of 300 employees in China. "There is no way to change 300 people. If you could change 300 people, you could change all of China," Tang says. But if the manager presents himself humbly -- as a part of the team -- he can establish grassroots support for his proposal. Step One is to show sincerity in learning about the new culture and environment, then establishing credibility as a team member, Tang says. "If I were [perceived as] an outsider, every decision I made would be analyzed by the employees [of Microsoft]," Tang says. "But if I am a part of them, I am sure every decision I made could be accepted by most of the people."

One surprising message is that even incoming Asian or Asian-savvy managers are advised to adopt a more humble attitude than is the regional norm, says Taiwan native David Chang of Philips. Although Taiwanese generally are schooled in Confucian ethics, which stress humility, Chang tells Taiwanese to adopt an even more self-deprecating attitude in China; otherwise they may offend a Chinese client, colleague, employee or official. Chang is especially careful not to injure national pride when making any kind of criticism of China or the Chinese system, which could inadvertently embarrass a Chinese colleague. While Western and Taiwanese businesspeople are used to challenging each other in the course of doing business and often view contradictions as valued input, Chinese still tend to view challenges, criticism, or contradiction as loss of face.

Chang is especially careful not to criticize Chinese business practices for not following international standards or norms. He warns international managers to remember that when business policies in China seem impractical or inefficient, there may be social or political reasons. For example, in solving a certain business problem, the first priority for the Chinese government may be to protect national pride rather than to settle the business dispute. "National pride must be well considered," says Chang." From that point of view, you should be humble. Otherwise, you will easily tend to think, 'We think rationally. This is common sense.' The [Chinese side] may agree with your suggestion, but it may still not match their priorities."

---

**PULL QUOTE**

**“Leadership in China means not forcing your point of view -- not saying, ‘I am the expert, I know everything. We do it this way worldwide.’” – Dr. Elmar Stachels, CEO, Bayer China.**

---

**TIP**

Be humble and avoid using an authoritarian style. Influencing and coaching is the way to get the best out of your Chinese employees.

---

**CHINA-SPECIFIC QUALITY #2: Strength**

It will be a sometimes maddening characteristic of this book that as soon as we present a piece of advice, we contradict it. To follow is just such an example.

In the same breath that our experts recommended humility and acceptance of different point of views in China, they followed up with opposing advice: being strong, at least in terms of sticking to principles and rigidly on maintaining the key aspects of the MNC’s corporate culture. In other words, going too far in adapting too much to host-country business practices is another kind of mistake. The trick is to find the correct balance between melding with some aspect of the host-country business environment and maintaining the key tenets of the original corporate culture.

Ekkehard Rathgeber of Bertelsmann explains it well: being too flexible can be as problematic as being too rigid. “If you simply adapt yourself to the local habits, then you lose a lot of advantages. You end up with something you didn’t want,” he says. To find the correct level of adaptation versus firmness, he gives two recommendations. First, choose your battles (insist on only truly necessary changes). Second, work patiently. “In the beginning, when you come [to China], you have culture shock,” he says. “You think, ‘I have to teach people how to do business in a proper way.’ But you have to encourage people not only to do certain things but to understand why it makes sense to those things.” In other words: rather than simply installing new corporate policies, international managers should instill a new corporate culture.

As a rule of thumb, human resources specialist Simon Keeley of Hewitt advises international managers to err on the side of maintaining corporate or international practices. “For a company to be successful, it should place the company culture first, and then address the national culture [of the host country],” he says. But he also stresses that introducing a foreign corporate culture must be undertaken with sensitivity and patience.

Balancing corporate standards against host-country practices is one of the challenges Kenneth Yu has undertaken for 3M after leaving the global

headquarters in the U.S. to oversee operations in Taiwan then China. Yu, now the company's managing director for China, stresses that certain of 3M's global management practices have been introduced unchanged in China, for example corporate ethical standards or procedures related to the development and promotion of employees. "Some things don't change in my management style," he says.

When advising her corporate clientele on managing in China, Korn/Ferry Client Partner Helen Tantau delivers a similar message: "You should not manage your business in a completely different way just because this is China." The ultimate goal, she says, is to combine aspects of Chinese business culture with home country practices – a trick that Chinese domestic firms are learning quickly these days.

Microsoft China President Jun Tang also emphasizes the need to stick firmly to corporate policy in some aspects. Although intimately familiar with Chinese culture (Tang was born and raised in China, becoming a U.S. citizen as an adult), he insists on transporting certain elements of corporate culture directly from the global headquarters in Seattle. "I never compromise on the core values of integrity, passion, respect," he says.

In some cases, maintaining Microsoft corporate policy has forced Tang to take a tough stance in China. For example, he maintains a firm policy of "one serious mistake, you're out" with employees. "I have fired a lot of people," he says. "I cannot compromise."

---

## **PULL QUOTE**

**"If you simply adapt yourself to the local habits, then you lose a lot of advantages. You end up with something you didn't want." – Ekkehard Rathgeber, President, Bertelsmann Direct Group Asia**

---

## **TIP**

**Be unyielding in defending core corporate values and culture.**

---

## **CHINA-SPECIFIC QUALITY #3: Patience**

The single most-repeated word when our interviewees described what makes or breaks an international manager in China was, "patience." It seems that a calm, steady, long-term approach is critical to many aspects of a manager's work in China – from winning approval from officials to negotiating with suppliers, cooperating with joint venture partners, and building demand among consumers.

The first test of one's patience, China hands explain, is to accept that gaining a thorough understanding of the business environment in China will take time. "It is extremely difficult for someone to drop into China, spend a few weeks or months here, then attempt a timed strategy," says Alan Browne of Unilever. "It is extremely difficult and not practical." Browne stresses that newcomers need time to "get the feel for the technicalities and practicalities of operations". Until then, decision-making is often guesswork – a dangerous scenario.

Jean-Luc Chereau, president of Carrefour China, tells that his first lesson for a newcomer would be: practice patience. "If [a new manager] comes from Europe, I will show him the difference between Europe and Asia. I will tell him to be patient. 'Don't think that in one week, one month, or even one year you can understand China very well.'" Chereau says newcomers should generally reduce their expectations not only on how fast they can make changes, but also how far they can go. "You must be patient and modest. You can learn from [the Chinese] how to do business better in China. You can bring something new, something different, but do not think that you can completely change people's style of doing business."

A similar point is made by Airbus China President Guy McLeod: "When people have just arrived, they want to change things. But making quick moves in the wrong way is not the right thing to do," he says. "You need to have patience, patience, patience. It is one of the clichés you hear in China, but it is true. You need to make a long-term strategy and stick to it."

Even when changes must be made, Elmar Stachels of Bayer advises moving slowly. "You have to be persistent in pursuing your target and objectives but you also need patience —step-by-step, not a Big Bang approach."

Impatience can pose a far deeper problem than simply rubbing Chinese colleagues and clients the wrong way; interviewees say many MNC's business plans show an element of expecting too much too soon. Short-term thinking and unrealistic expectations can undermine an entire business plan. Volkmar Ruebel of the Hilton has seen many foreign managers suffer from such an ailment. "The most commonly made mistake for people coming into Shanghai is that they've got to get rich quick," he says. Many managers forget that their own companies were built up over time back home, and somehow expect instant results in China. "The philosophy is to invest [in China] and in five years time you have your money back. That is not realistic."

Volkmar Ruebel, general manager of the Shanghai Hilton also espouses a slow and steady approach. "Do not jump into full speed and make changes in 24 hours. [Chinese employees] will not accept that," he says. "They want to understand you first. They want to see what you can do. Prove your professionalism, show them you are an expert in the field, let people see how good you are and then slowly change things, if necessary." He advises incoming managers to listen and learn, then act. "Watch first. Understand the people a little bit -- how they work, what they do. It's better to go a bit slower than too fast."

The tendency to rush can be especially prevalent among American and European expatriates. “Sometimes my Western colleagues, especially new heads, tend to be not patient enough – especially when they are under pressure from their superiors to get things done in China,” says Kenneth Yu of 3M. As an example, he describes a common response from headquarters in the U.S., when they hear that China operations are under-staffed. U.S. executives typically advise simply hiring more people, not realizing that the employment process is bureaucratic and complex in China.

Another area rife for misunderstanding: measuring business results in China by U.S. standards. Yu says American executives – and Wall Street analysts – place much pressure on performing -- achieving an impressive and steadily climbing growth rate. “There is no shortcut to success. For our friends from the U.S. in particular, this is where the cultural clash comes in,” he says. “Wall Street likes to see results, likes to see numbers they can measure, one quarter against the same quarter last year. But if you are developing something from scratch, you don’t do that. It could be very dangerous.” Yu says many companies suffer under pressure to double revenue yearly – an unrealistic mandate.

One of the ironies of working in China is that managers need patience, but they also need to survive in a fast-paced, highly competitive market. L’Oreal’s Paolo Gasparrini explains this dichotomy. “Our business is developing very fast; we want to take market-share. We are not here to be patient,” he says. But foreign managers must understand that acting too aggressively will sometimes move the company backward, not forward. The trick is knowing when to push, and how far. As an example, he points to the need for patience when negotiating in China. “You need to be patient for some things. If you apply too much pressure, you won’t get what you need -- you need to be sensitive,” he says. In a negotiation, showing impatience is the kiss of death. Once the other side senses your urgency, this shifts the power balance in their favor. They can take advantage of your neediness by raising the stakes.

---

### **PULL QUOTE**

**“When people have just arrived, they want to change things. But making quick moves in the wrong way is not the right thing to do. You need to have patience, patience, patience. It is one of the clichés you hear in China, but it is true. You need to make a long-term strategy and stick to it.” – Guy McLeod, President, Airbus China**

---

### **TIP**

**Be patient; use a step-by-step approach in China, not a Big Bang approach.**

---

#### **CHINA-SPECIFIC QUALITY #4: Speed**

To follow is another instance in which our China experts followed up one piece of advice with a contradictory qualifier. It is telling of the particular challenges of managing a business venture in China that while patience is a necessary survival skill, quick adaptation to change is equally important. In other words, some aspects of an MNC's business operations need to slow-cook while other aspects progress at a fast boil not seen in developed and mature markets.

It is safe to say that virtually nowhere in the world is the business environment changing more rapidly than it is now in China's urban centers. Fast and dramatic change – in regulations, in competition, in consumer tastes -- is a fact of life when doing business in China. Interviewees explained that while the aspects critical to your particular industry may not change according to the schedule you would like, it is certain that some aspect of your business will be in a state of flux at any given time, from the status of your business partners to the expectations on customers and clients.

Siemens China President and CEO Ernst Behrens explains the situation for international managers in this way: "The recent change in this country is enormous, and the [implications of] reform are also enormous." Although China started from a "very low economic level," standards are catching up quickly now in many aspects. One example of speediness in China: when new regulations are released, they often go into effect within a month – far sooner than in Europe. In addition, the release does not mean the law is final. Says Behrens, "Usually [the promulgation of a law] is followed by some changes since it is not fully thought through yet." He adds that these post-promulgation changes to new laws "could have a great impact on your operation."

It is not surprising that coping with constant, sometimes drastic change is one difficulty that sends clients to McKinsey and Co. in China. The consultancy's Managing Director and General Manager for Greater China Gordon Orr says new developments in the operating environment are a key source of misunderstandings between the China offices and corporate headquarters of his MNC clients. "The pace of change means that there is a big challenge for the head of the China Business Unit to keep the global leadership of the MNC sufficiently informed about what are the choices we are making, why are we making them, why is the situation different now from a year ago," he says. "The pace of change is so fast relative to a lot of other places that, unless it is well articulated as an evolution, the corporate headquarters often finds it hard to understand why we had Strategy A and now we have Strategy B."

---

---

## PULL QUOTE

**“The pace of change is so fast [in China] relative to a lot of other places that, unless it is well articulated as an evolution, the corporate headquarters often finds it hard to understand why we had Strategy A and now we have Strategy B.” – Gordon Orr, Managing Director and General Manager for Greater China, McKinsey and Co.**

---

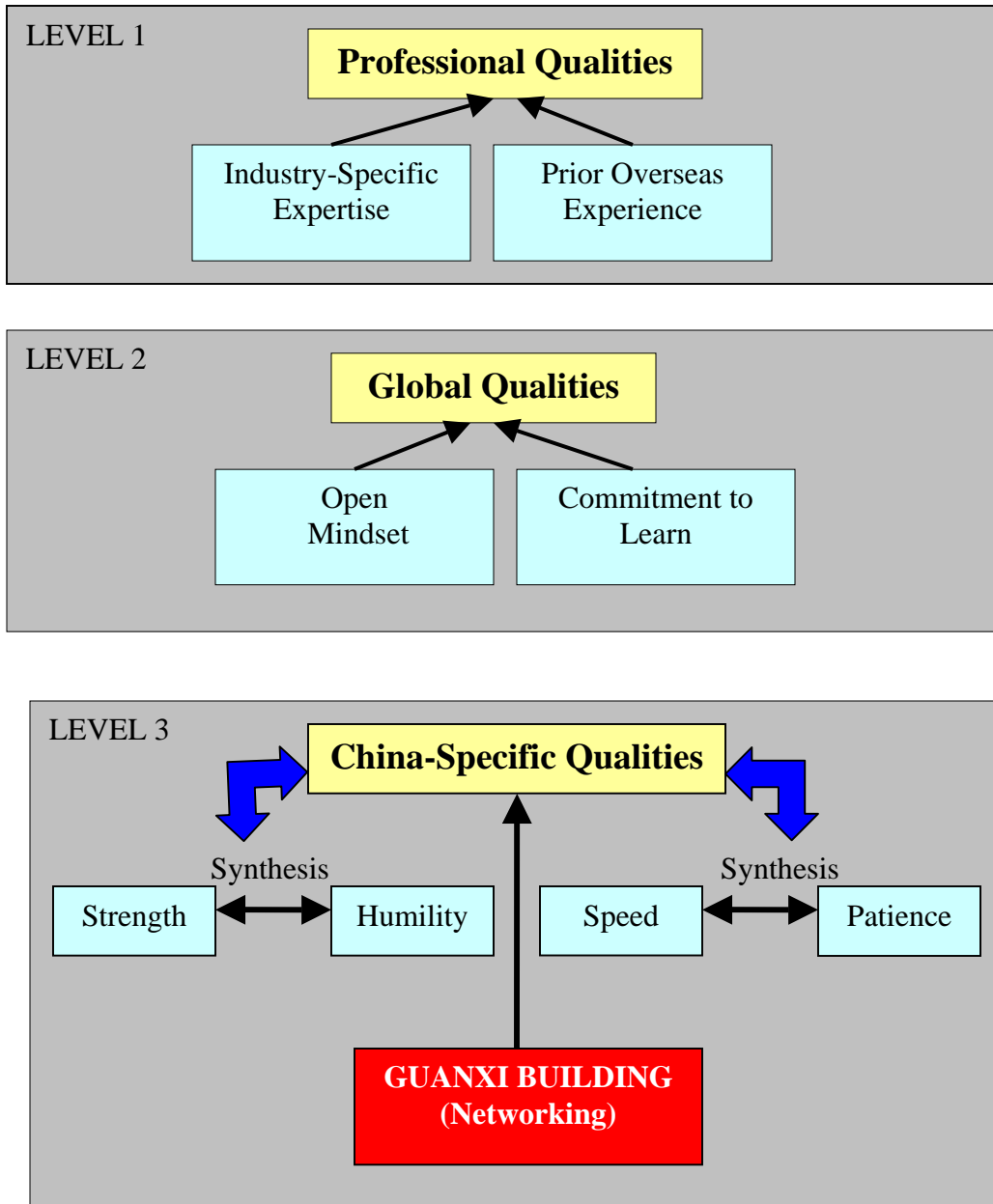
### ***TIP***

Be flexible and quick. Stay well informed; the business environment in China is in constant and rapid flux.

---

Before we explain the final Critical Success Quality deemed necessary for an international manager in China, we summarize the qualities detailed so far:

## Critical Success Qualities: International Manager in China



In describing the Critical Success Qualities of our ideal international manager, we have saved the most complex, but potentially the most important quality for last: guanxi building. The importance of guanxi (Chinese-style networking) is a key theme throughout this book, central to the advice given on a range of topics from how to manage Chinese employees to how to negotiate with business partners to

how to work with government officials. In fact, the concept of building and maintaining guanxi is one of the core messages of this book.

### **CHINA-SPECIFIC QUALITY #5: Guanxi-Building Skills**

As we mentioned in the Introduction, the concept of guanxi will be a recurrent theme through the coming chapters. The importance of forming and maintaining strong, close relationships was repeatedly mentioned by our interviewees as a key quality necessary in international managers in China, critical to many aspects of their work. (For a full explanation of the concept, see box “Guanxi Defined (Part I), this chapter, and “Guanxi Defined (Part II)” in Chapter 8.)

As readers will find in the chapters that follow, international managers in China generally must spend more time and energy in building and maintaining close, positive relationships with those they work with than would be necessary in their home countries. Guanxi must be created with employees, business partners and suppliers, government officials, and customers. While good relations with these stakeholders is, of course, also necessary in Western business environments, far more importance is generally placed on relationships in China.

British Petroleum China President Dr. Gary Dirks explains the need for guanxi-building skills in this way: “The style of operating here versus in Europe is a bit different, but mostly in degree not in kind. In the trading business, it can be very personal. 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.” Dirks says this concept makes business decision-making far more complex because one must think not only of the company’s interests but also of the interests of all parties with whom the company has guanxi. This requires that expatriate managers develop new sensitivities to the impact of business decisions on a wide range of individual stakeholders. “If I had to focus on any one message [for an incoming manager], I would emphasize that relationships are very important,” says Dirks.

At Siemens China, country President and CEO Ernt Behrens stresses that while China is changing rapidly, the guanxi system remains embedded to a large degree. “We always talk about the enormous changes in China. Maybe processes have changed. People have not changed. The underlying guanxi culture – networking -- is still there.” He says while China’s business environment has developed and internationalized since WTO accession in 2001, and trade regulations are becoming “more and more familiar to us,” this has not lessened the importance of guanxi. “Networking and relationships still play an extremely important role. Personal connections are still very important.”

Thus, the fine art of relationship building will be a useful, even critical skill, for incoming managers. Unfortunately, it is one of the trickiest skills to learn, requiring expatriates to carefully balance East and West, building positive relations while maintaining the Codes of Conduct required by their corporations.

---

**TIP**

Build your “guanxi” not only internally (with subordinates, peers, and superiors) but also externally (with clients, suppliers, and government officials). A strong guanxi network is a fundamental element in your success in China.

---

**[BOX] Guanxi Defined (Part I)**

What exactly is guanxi? In Mandarin, *guan* means “gate” and *xi* means “links”. The concept can be defined as a gateway or connection between two people created by a link of mutual obligation to each other. Guanxi exists between families because of blood ties, between classmates or workmates because of a shared history, or between business acquaintances after building up a relationship through assisting one another. It is business guanxi that we focus on in this book.

While business networking takes place directly or indirectly in cultures worldwide, it is used more often, within a wider scope, and is generally given more importance in China. In addition, while Western businesspeople are pressured to keep personal and professional life separate, the lines between family, friends, and work are far blurrier in China.

In practice, business guanxi works like this: When Person A “builds guanxi” with Person B (by providing favors or assistance), A gains a surplus that can be cashed in with B later. In this way, guanxi serves as a form of “social currency” with both sides keeping track (loosely) of favors given and favors owed. For example, let’s say you befriended a fellow executive at an EMBA course, and that person helped you to find difficult-to-get information for an assignment. Several months later, it would not be unusual for you to hear from that EMBA acquaintance seeking help in finding a summer internship for his nephew. While such a scenario could easily happen in the West, the concept of favors given and debts owed is far stronger in China.

At this point, readers may be wondering if guanxi is simply a nice way of saying “corruption.” The answer is, no. Guanxi is not inherently unethical, as is sometimes assumed by Westerners. The guanxi system does not, for example, mean that companies can do whatever they like after bribing or striking under the table deals. It does, however, mean that business partners often develop deeper and closer relationships than is standard in the West. It means that the international manager often find himself operating in a friendly and personal capacity in the normal course of doing business.

In many cases, guanxi played a more critical role a generation ago, when Chinese faced limited access to resources, information, and influence. For example, when opening a new office in the early 1980s, it might take many

months to get a phone line installed – unless you had guanxi with an official at the government-run telephone company. Today, our interviewees say such backdoor connections are less often necessary, especially in China’s business-friendly urban centers.

Certainly “exchanges of favors” can and does cross into the realm of illegal favors, but this type of negative guanxi is not the topic of our discussion. (For more information on the dark side of guanxi, see the “Guanxi Defined, Part II: Guanxi vs. Corruption,” Chapter 8.)

## SECTION III: CONCLUSION

Chapter 1 introduces the key professional and personal qualities that our China experts named as necessary for managing operations for an international company in China. After analyzing the rich descriptions shared by our interviewees, we organized their responses into three levels of Critical Success Qualities, namely, Professional Qualities, Global Qualities, and China-Specific Qualities. The concept of levels implies certain career progression in which solid professional qualities form the foundation. From that foundation, a candidate manager for any overseas assignment must also show personal qualities including a “multicultural mindset” and commitment to learn. Finally, interviewees described China-Specific Qualities as humility and strength, patience and speed, plus guanxi-building, or Chinese-style networking.

### SUMMARY OF TIPS FOR The Right Qualities for Expatriate Managers in China

#### LEVEL 1: Professional Qualities

<b>1. Company Experience</b>	Select people with a rock solid professional background and an excellent knowledge of the company. Send your best personnel to China.
<b>2. International Experience</b>	A posting in China becomes vastly more manageable after an assignment in either another Asian location or another developing market, or both.

#### LEVEL 2: Global Qualities

<b>3. Open Mindset</b>	When sending an executive overseas, look for a person with an adventurous spirit, sense of humor, and an open mind.
<b>4. Commitment to learning</b>	Learn from those around you. Listen to your employees, JV partners, clients, and customers.

#### LEVEL 3: China-Specific Qualities

<b>5. Humility</b>	Be humble and avoid using an authoritarian style.
--------------------	---

	Influencing and coaching is the way to get the best out of your Chinese employees.
<b>6. Strength</b>	Be unyielding in defending core corporate values and culture.
<b>7. Patience</b>	Be patient; use a step-by-step approach in China, not a Big Bang approach.
<b>8. Speed</b>	Be flexible and quick. Stay well informed; the business environment in China is in constant and rapid flux.
<b>9. Guanxi Building</b>	Build your “guanxi” not only internally (with subordinates, peers, and superiors) but also externally (with clients, suppliers, and government officials). A strong “guanxi” network is a fundamental element in your success in China.