

## Developing Global Leaders for China's Century

Dr. Carl Eugene Dorris

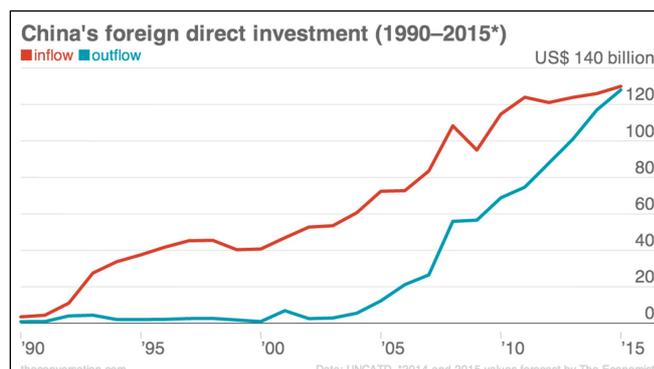
In a report released in 2005, the US Central Intelligence Agency [CIA] shocked the world when it declared that the 21<sup>st</sup> Century will be "Asia's" century. The report stated that "the rise of China and India is a virtual certainty in the coming 100 years . . . transforming the world's geopolitical landscape." In fact the CIA report recognized that a historical paradigm shift is taking place. Every century for the past five hundred years, one or two countries have emerged as global leaders and competitors.

Five hundred years ago Portugal and Spain were the global hegemonists, competing for land in the new world and extending their trade networks across the globe. England sank the Spanish Armada in 1588, and France and England emerged as the next set of super powers. The struggle between these two European giants reached its apex in the Napoleonic wars two hundred years ago. England then bound the world together with its fleets. And the British boasted that the "sun never set" on their flag.

The late 19<sup>th</sup> Century unified Germany under Bismarck emerged after 1871. Germany's contention to be the premier world power drove Europe's economy and led to two world wars in the 20<sup>th</sup> Century. Counter-balanced against Germany hegemony was the gradual rise of the United States as it came onto the world stage as the pre-eminent power. After 1945, the US Dollar became the currency of the world. Uncle Sam emerged as the policeman of the world fighting wars in Southeast Asia and the Middle East.

In viewing the coming one hundred years, the CIA notes that "... sustained economic growth, expanding military capabilities and large populations will lead to a rapid rise in economic and political power for China." China's GNP will exceed every Western economic power except the US in 2020! China will become a heavier investor overseas, purchasing key industries to fuel its growth. The RMB will become a global currency replacing the USD. And most important from our perspective, **Chinese managers will take on key roles in international business.**

Recent downturns in the Chinese economy perhaps have slowed down the speed with which China's economy is catching up with the United States and the



RMB becomes a major global player in the financial markets. Nonetheless, China's overseas investments continue unabated and in 2015 outward investments for the first time equaled inward investments at around \$120 billion. China's State Council call to **"going out"** means that by the year 2020, China will be one of the top three global investors investing a total of nearly \$2 trillion – up from around \$750 billion in 2015.

A number of factors continue to hasten the "going out" strategy. China is not a part of the Trans Pacific Partnership [TPP] – a free trade pact that will negatively impact on textile exports. At the same time Chinese labor costs are rising rapidly. To counter these two factors, Chinese investments are increasing in countries with low wage levels or that are members of the TPP to insure continuing profits from the textile sector. Vietnam is a favorite target but Africa is also benefitting from this strategy. In a sense the Chinese are mimicking the strategy of the Japan of a decade or two earlier that shifted its consumer products to the four Asian dragons.

Chinese overseas investment in the United States and Europe has also been strong. There have been a number of high visibility purchases in the hotel sector in the past year. Chinese investors put heavy investments in the global hotel sector with perhaps the most visible purchase being the acquisition of the Waldorf Astoria in New York for \$2 billion. The Anbang Insurance Group made this trophy purchase and its Chairman Wu Xiao Hui promised even more investments in New York's Manhattan in the coming year.

**Are Chinese managers ready to play their role on the world stage?** For the most part the new Chinese owners of their Western businesses have left management in place and have not tinkered with how these companies are run. There will be a time, however, when Chinese managers will begin to join the management of these investments in significant numbers.

Google's Lee Kai Fu thinks not, pointing out that "Chinese employees are significantly less engaged than US workers [6% vs 19%]." Why? Lee Kai Fu says that Chinese management style is authoritarian and "bruises egos and dignity." "Bureaucracy," Lee adds, "disgusts Chinese employees." It is clear for China's managers to succeed on as global leaders, they must create a sense of engagement and change management styles. Without the emergence of a new Chinese management style, Chinese managers will fail on the world stage.

Our own work with Chinese managers over the past decade indicates that many are generally good at using a transactional leadership style. They know how to play the role of boss; they favor rewards and incentives to gain compliance; but they also often penalize

followers for perceived failures.

Unfortunately, most also focus on short term results and only do what they are told to do without providing feedback to higher management. Few are able to create a convincing vision of tomorrow. Most are short of trusted second tier managers who are capable. And quite a few are too busy to select, develop a successor generation. Coupled with this, most Chinese managers are weak at basic coaching and mentoring skills.

### **Why are contemporary Chinese managers like this?**

Likely it is because Chinese society over the past 5000 years was built on large-scale irrigation works to control flooding and guarantee a stable food supply. The state had to organize forced labor from the population at large. This required a large, complex bureaucracy of literate officials. Officials acted in an authoritarian, top-down way to insure the success of the state. The result was a despotic, powerful state that crushed alternative ideas and created what Sinologist Karl Wittfogel called "Oriental Despotism".

The result of this historical tradition has been to create a management style that we can best understand by using Social Psychologist Geert Hofstede's theory of cross cultural differences. Hofstede argues that there are several key factors that influence differences in cultural behaviors and management styles. These include:

- Power Relationships
- Focus on Individualism
- Attitude toward Uncertainty
- Time Orientation

Hofstede coined the concept "Power Distance," using it to define how members of a culture accept and expect power to be distributed. In cultures with strong Power Distance, the leader will make most of the decisions. In cultures with weaker Power Distance, the members of the team tend to decide together.

In the Chinese context this means that the manager most likely will act in an authoritarian way because the gap between leaders and led is large. This is typified in a statement I recently heard from a senior manager at a large Sino-American Joint Venture. "The leader," he stated, "is always right! Managers need to learn how to see life from the leader's perspective."

In a Western context the manager is more likely to operate in an open, participative way and seek out the opinion of his followers. For the Chinese manager the challenge as a global leader then is to learn how to appear authoritarian to maintain face while operating in an open way.

Hofstede describes a second key cross cultural element as the difference between a collectivist and an individualistic approach to life. In individualist cultures, members tend to look after themselves and immediate family members and to value themselves above others. In contrast, in collectivist cultures members are integrated into strong, cohesive in-groups, often in extended families offering protection for loyalty and compliance.

China is indeed a collectivist society, and Chinese managers see maintaining group harmony as a high priority. In the Western context, however, managers seek to protect and encourage right of individual expression to create a greater participative management style. The challenge for the Chinese manager as a global leader is to learn how to allow open discussion while maintaining group cohesion and harmony.

Hofstede also sees a culture's tolerance for uncertainty and ambiguity as a critical differentiator. By this he means how comfortable people are in a culture in unstructured situations. Chinese are in fact very comfortable with ambiguity - they are adaptive, flexible and entrepreneurial. The Chinese language is full of ambiguous meanings making it possible to be more flexible in following laws and rules to suit the actual situation.

In contrast Western managers are much more rigid and by the book. This has been the downfall of a number of joint ventures in recent years in China. A case in point was the Hangzhou Wahaha Company and Danone - once touted as a model joint venture. Although there are different explanations why this venture faltered several years back, Wahaha's Zong Qing Hou's complaint about how difficult it was to make entrepreneurial decisions when faced with Western business practices provides an interesting cross cultural perspective.

The final element in Hofstede's puzzle is how people in a culture plan and consider the future and how they value traditions. Cultures with a long term orientation, Hofstede notes, are slow in decision making. Cultures with a short term orientation tend to head straight into solving a problem and respond to immediate market conditions rather than perceived future opportunities.

In this context the Chinese manager may have a distinct advantage over Western counterparts. China's long term orientation allows managers to lead more effectively through vision and long term strategic planning. What Chinese managers need to be able to do is learn how to articulate this vision to their followers in an international setting.

**Based on these factors then, what kind of global leaders will China need?**

In fact China's new breed of global managers will need to be transformational leaders

capable of creating emotional linkages with followers through motivation and inspiration. They must be able to think outside of the box, take calculated risks and use an experimental approach in solving problems.

The successful Chinese manager will be capable of integrating conflicting frameworks, especially in a cross cultural context. They will be strategic in orientation, and capable of inter-weaving short-term goals with the long-term developmental process. And they will be committed to developing people through coaching and mentoring, empowering others to lead. In short, China's global leaders of tomorrow must be Visionary!