



THE CHINA CHALLENGE WESTERNERS PROBABLY AREN'T EXPECTING

SHORT-TERM DOWNTURNS IN CHINA ARE NOT THE WHOLE STORY. THE
COUNTRY IS HERE TO STAY. ARE YOU READY FOR THE CHINA CHALLENGE?

By IMD Professor Phil Rosenzweig – June 2015

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

There are a lot of headlines and analysis these days about the slowdown of Chinese economic growth, which at 7.4% in 2014, was the weakest in nearly a quarter of a century. The world's most populous country is also in the midst of a bursting housing bubble, with property prices on the decline. This news is causing some to worry about China's impact on, and role in, the global economy.

But let's put this into perspective. China's growth in the business world and the world in general has been immense. It has been the fastest growing major economy, averaging roughly 10% annual GDP growth, for over 30 years.

By many measures China is already the biggest economy in the world. The International Monetary Fund announced in 2014 that it is worth \$17.6tn compared to \$17.4tn for the United States.

So let's not be fooled by short-term economic trends or other so-called slowdowns. China is growing and will continue to grow in size and influence in industry after industry.

The increasing role on the world stage for China and its people will bode important challenges on 3 different levels for the western business world. But it's really the third which will mean the most for individuals. Here they are:

1] The international political challenge

China's influence on the world stage is changing the balance of global power. The country has recently led the creation of the Asian Infrastructure Investment Bank and is reshaping Asia, while in many developed nations, especially in the US, infrastructure is falling behind.

With China's growing influence, some observers also see greater possibility for conflict between China and its rivals like the US or India. The South China Sea is often cited as a source of future conflict, to name just one.

China will also need to be a big part of any truly effective global effort to abate climate change, due to its size and current levels of pollution.

While great power rivalry, conflict and climate change will affect everyone on the planet, this is not the challenge that I think will affect career-minded individuals the most.

2] The company challenge

Executives at western companies are used to thinking of China as a host for suppliers or low-cost competitors. But now Chinese companies are moving up the value chain and many are very competitive in high-tech areas. Today, Huawei is the largest telecommunications equipment maker in the world. Xiaomi has quickly risen to become the world's third biggest smartphone distributor. Lenovo is one of the top selling global computer companies. Competition from Chinese companies will be a challenge for almost any western business but it is the next challenge which individuals should be most concerned about.

3] The personal challenge

For westerners, the personal challenge goes way beyond the challenges that they might face at one particular company. Almost all professionals in the west will work for multiple companies during their careers. They may work for western companies who do business or compete with Chinese companies. At one point in their professional lives, they may work for a China-based company. They may work for a western company that one day gets acquired by a Chinese company.

In a generation from now, western professionals will also be working alongside and competing with highly qualified Chinese professionals who speak their languages perfectly. Students from China now make up 31 % of all international students in the United States, according to the International Institute for Education, for example, and other western countries report similar trends. These students will soon graduate and transform the international business landscape.

So is China a challenge or an opportunity for individuals?

When westerners think about career development, they should stop thinking about China as a faraway country that doesn't concern them. At a very minimum, western professionals should find a way to develop greater cross-cultural and interpersonal skills as well as an understanding of Chinese behaviors, interactions and strategies. This is important even if they never work directly for a Chinese company.

But many people's careers may very well take them to China. They could work for a western firm that might be investing there. They might lead some of their firm's activities in the country. Having a network, understanding norms of agreement and disagreement as well as negotiation and decision making are crucial in China. Many western professional will also find themselves in the situation where their western companies suddenly have an owner or a major rival who is Chinese. The China challenges and opportunities will come from inside or from outside western companies.

There are many things individuals need to know in the new business world in which China is increasingly a major player. They need to be aware of interpersonal behavior and decision-making, hierarchy and how people behave in organizational settings. How people understand time, agreement and disagreement, which are important for negotiation, need to be grasped in an east meets west business setting. Awareness of how westerners and Chinese make strategic decisions and how they take risks is necessary to succeed in the new landscape. What is expected in terms of ethics and leadership also needs to be considered when doing business with China.

In short, while China's economic and corporate influence continues to grow, more and more western executives must learn to think in a different way.

How are you going to face the personal China challenge?

[Phil Rosenzweig](#) is professor of strategy and international management at IMD. He co-directs the [IMD-CKGSB Dual Executive MBA](#), which is designed for high-potential, internationally minded executives who are deeply committed to pursuing a career that leads the way between China and the world.

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