

Is this Leadership, Chinese Style? By B H Tan

Tom Curtis, the American president of a global health-care products company based in China thought he had found the ideal blend of Eastern and Western thinking in his leadership team. Now his 2 top Chinese managers are split over how to lead the workforce. How should he handle this?

“Maybe, this is where the rubber meets the road,” mused Tom Curtis, as he sat in his 38th floor office in the Platinum Plaza overlooking the Bund in Shanghai. “How does one choose between two rights in this context?” he wondered. The two rights he was referring to were the two opposing views about leadership expressed by Zhou Yang, the Country Manager of China, and Sandy Yip, the HR VP.

It had been exactly three years since Tom Curtis set foot in China. He had been president, American Zone, of Estelle, a global health-care products company, headquartered in New Jersey. Under his stewardship, the zone enjoyed significant year-over-year growth in revenue and profit for the last five years. Chairman & CEO Peter Thomson then tapped Curtis to be the new head of the Asia Zone. That was in 2006.

Why would he leave this job in the US to accept a lateral transfer as president of the Asia Zone? In his usual gruff and business-like fashion. Peter said that the Asian role would round off his education as a global manager. Tom had served with distinction in the UK as GM of Personal and Beauty Products, the largest of Estelle’s four divisions for three years prior to his promotion as head of the American Zone. Now 42 years old, he was one of Estelle’s best and brightest. And Peter said one other thing. Estelle needed Tom to give Asia a shot in the arm.

As is common with many global consumer product businesses, the revenue and profitability spilt across the American, European and Asian regions is very lop-sided. In Estelle it was 60%, 25% and 15% respectively. With the maturing of the American and European markets, growth in these two regions is slowing down. Asia, with its burgeoning economies and rising middle class, represents untapped opportunity. However, so far all efforts at stimulating consumer demand had yielded mediocre results for the company in Asia. After eighteen months on the job, with little to show for his leadership, the current President of the Asian Zone was asked to retire.

When Tom arrived in Asia, he lost little time in meeting members of his executive leadership team consisting of the various country managers in Asia, his HR VP, the CFO and the Operations VP. It became clear very quickly that his best chances of success would be to narrow his focus to a handful of countries. His territory included Japan, Korea, Greater China, India, Australia and ASEAN. While Japan was the single largest market, it was fast maturing and growth was stagnating. Ditto for Korea and Australia. Of the emerging countries, China’s vast population and rapid economic growth make it the single most important market in Asia. To put it bluntly, China is it!

The first year was rough. He had a lot to learn about the consumer tastes, the competition, governmental regulations and, especially about the diversity of Asian cultures, business practices and communication styles. Before he left the US, the company arranged for him and his family to undergo a three- day workshop on inter-cultural sensitivity. His boss Peter Thomson who considers himself an old China hand offered this tip on how he should lead his Chinese colleagues, "Be very directive, warm and rewarding. Do not hesitate to be strong and demanding. Among themselves, the Chinese can be very tough."

The symptoms of what was ailing Estelle's China business weren't difficult to spot. Right on top of the list were: (1) While revenue and profitability was growing, it was far below the growth rate for the China market, (2) The four divisions weren't gaining market share, except for Personal and Beauty Products, (3) New product launches were generally not well executed, and (4) Employee turnover was alarmingly high and the annual climate survey results showed an overworked, directionless and de-motivated workforce.

A key person Tom consulted frequently with in his initial months was Sandy Yip, the HR VP for Asia. Sandy was born in Singapore and received her early schooling in the English-speaking environment there. While in her teens, Sandy relocated to China with her family for five years. Her father, who worked for the Singapore Foreign Service, was posted to Beijing as a diplomat. She enrolled in journalism in Tsinghua University, one of China's finest universities, and graduated with a BA. Now effectively bilingual in both English and Mandarin, she then went to MIT's Sloan School, receiving an MBA. She worked in the France for a few years as a television journalist for CNN before being headhunted to join Estelle to head up media relations and HR. Sandy's unique combination of people and business skills and intercultural savvy had distinguished her as a highflier, and within eight years, she had become the company's highest ranking Asian, overseeing HR and executive development in Asia.

After four months into his role, Tom felt that he had dug deep enough. He wanted to move decisively and decided that the current Country Manager J P Francois had to go. JP was a wrong choice for the role right off the bat. Genteel and soft-spoken by nature, this was his first international posting outside Europe. He was like a fish out of water and didn't seem to be able to adapt himself culturally to China. Managers who worked with him were frustrated by his lack of direction and decisiveness. In the context of Estelle's hard-charging business-oriented culture, he was an anomaly. The GMs and directors who were members of his senior leadership team were soon secretly placing bets on the number of months he would last in China before getting repatriated back to his native country France.

The next crucial thing he had to do was to look for a replacement for JP. Sandy was again a great source of help here. She already had someone in mind- Zhou Yang, the young and dynamic GM of Personal and Beauty Products. Although only in his early thirties, he had already scored a number of notable successes in marketing and sales in his eight years in Estelle, first starting as a management trainee. Since he became GM two years ago, the youngest in the history of the company, he had turbo-charged his division to grow at an astonishing rate of 80 % year-on-year. The top brass had begun to take notice.

Getting support from New Jersey for Zhou's appointment as Country Manager was a cinch, given his reputation and track record. Having been born and bred in China, the thought was that he would be able to lead the business and people with no difficulty. Here was someone who grew up in Estelle and had cut his teeth running the company's largest division. Besides, his academic pedigree is impeccable. He had graduated at the top of his class from China's prestigious Beijing University. Perhaps the only thing missing was that he had had no international experience thus far.

Zhou knew what had broken and had to be fixed. True to form, he moved at a blistering pace, engaging his senior colleagues to define the vision for the China business and to get down to communication and execution. At a higher and broader level, Tom, Sandy and the VP Operations, Jack Wykowski joined

forces to tackle the 'elephant in the room.' Estelle's culture had always been one of enterprise, initiative and results. Although the company had grown rapidly in the last eighty years, its systems and processes had not kept pace. The biggest cause of inaction was the fear that too much structure and bureaucracy would be the kiss of death for entrepreneurship. As the powers- to- be in New Jersey were evenly split in the middle on this topic, all further discussions were soon put on the back burners.

In Sandy's mind, this was the opportunity she had been waiting for to help re-shape Estelle's culture. It had always troubled her that the results-first mindset had pushed the people aspects of the business to the background. And this was the 21st Century, not the Industrial Age! She spoke to Tom with great passion about her thoughts, and convinced him that an over-haul of the mindset at senior management level was long overdue. No business could survive, much less flourish, unless it placed people at the center. This wasn't something touchy-feely. On the contrary, it meant holding all leaders in Estelle to a higher standard. Success would be measured by one's ability to achieve business results while leading with human sensitivity. She described these as the *yin* and *yang* of leadership.

With Tom's blessing, she then shared her ideas with the executive leadership team about creating a culture in Asia that valued both people and results. Support for her proposal was unanimous, although Sandy did notice that Zhou was rather subdued. She didn't think much of it though as she thought Zhou probably had too much on his mind. There was a caveat from her co-workers: Let's start in Asia and let results speak for themselves.

Fast forward thirty months into the future. It is now 2009. Estelle's business in China is a far-cry from what it was three years ago. It is all systems go and every one of the four divisions –Personal and Beauty, Baby & Child Care, Teen Care and Vision Care – is now growing faster than the market for their respective segments. Because of the contribution from the Chinese market, the Asian Zone's share of the Estelle's global pie is now 20%- on par with Europe's, which has dropped quite a bit. The American share has held steady at 60%. The other Asian markets have grown as well albeit nowhere near the growth rate in China. The global financial crunch seems not to have impacted Asia as severely as the Western economies.

Tom was feeling that things were on a roll. He couldn't help feeling a tinge of pride. Things have turned around quite a bit since he came to Asia three years ago. Peter is definitely appreciative and has been telling him so in his usual straightforward way. "If you keep this up, I'll finally get the chance to hang up my boots and be a beach bum." Tom knew the old man was serious. He was already into his early sixties and had more than once expressed his desire to retire. The board had always said, "Not just yet. First, get us a successor who will be even better than you."

There was a rap on his door, interrupting Tom's thoughts. Sandy Yip was looking in and said, "Tom, do you have a minute? We need to chat."

"Sure, c'mon in. What's up?" Tom replied. As Sandy sat down, Tom noticed a trace of concern on her face. Then it faded away quickly and Sandy was back to her usual self: calm, poised and businesslike.

"This shouldn't come as a surprise," Sandy began. "We have talked about this many times between you, Zhou and me. Although business is looking up for us in China, my sense has been for quite a while that something's amiss with the climate and morale. Our climate survey results are out. We now have data to confirm what had been a niggling feeling in my guts."

As Sandy handed an executive summary of the results to Tom, she continued, "While employee turnover has improved significantly, we are now seeing an exodus of top talent. We have lost three brand managers and two marketing managers in the last four months. I fear the worst is yet to come."

Tom shifted uneasily in his chair. “You’re right, Sandy, it’s no surprise.” Then a little defensively, he said, “Still, let’s not be hasty. We’ll need to take it one step at a time. Zhou has done a marvelous job as far as I’m concerned. I couldn’t ask for more from the man.”

“Maybe so,” Sandy conceded. “But, it has been many years. We all agreed three years ago that running a business is not just about results only. That by itself is not sustainable. Since then we have put in place systems, structures and people processes. The last few years we have been training our managers on how they should lead and develop their people. If we create an environment where people feel appreciated and have the space to express their opinions, experiment with new ideas and grow, they will stay on and make their career with us.”

“Unfortunately, Sandy continued, “Zhou doesn’t embrace this leadership style that we are trying to inculcate here. He is still the take-charge guy. The only thing that matters to him is results. His key people are leaving because they feel stifled by him. He’s not open to my suggestion that he needs to learn to let go a little, look at patterns at a higher level and lead through indirect influence. He’s now a country manager and not a division manager. He’ll need to empower more and allow his people to step up to higher responsibilities. If talented people are micro-managed, they will leave. Our competitors will welcome them with open arms. It won’t be long before our business goes south.”

After Sandy left his office, Tom instinctively reached for the phone to call Zhou, then changed his mind. He realized that this was exactly what he and Zhou had talked about over beer and fried wonton dumplings in the club house last Saturday after their golf outing. The conversation was still fresh in his mind.

Of late, Tom had raised the issue of Zhou’s tough and top-down style a number of times. His approach had always been rather cagey and indirect. Invariably Zhou would respond by nodding and listening respectfully. He would then assure Tom that things were fine and that his people were used to his business-like style. Then both of them would move on to other business matters

Saturday’s brief exchange was a little different, to put it mildly. This time, Zhou seemed to uncoil like a tightly wound spring. “The way to lead in China is to be direct and tough,” he said testily. “Chinese employees only respect bosses who are capable and know their stuff. My style is the right one because I give clear directions, set high and demanding standards while maintaining *guanxi* (relatedness) and *mainzi* (face). The softly-softly empowerment crap from the West has no place in the Chinese way of doing business. Do you recall how bad it was three years ago under my predecessor, JP Francois?”

And then, there was a less-than-subtle swipe at Sandy: “She’s too westernized. She doesn’t understand enough about China.”

Tom felt strangely alone. “What now?” he thought, flipping between the arguments of Sandy and Zhou. “If only the two of them would come to terms with each other. What if Sandy is really too westernized and things start to unravel if we get soft?” Then he recalled Peter’s advice, “Do not hesitate to be strong and demanding. Among themselves, the Chinese can be very tough.”

How can Tom, Zhou and Sandy work together to take Estelle Asia to greater heights?