

How Chinese CEOs Differ from U.S. CEOs

In the US, CEOs run companies to grow profits, gain market share, maximize stock value or combinations of these. In China, CEOs have some other agendas we are not familiar with.

Knowing how they operate is valuable when we are negotiating or competing with Chinese companies, or just operating within their area of influence.

To start with, it's useful to understand the corporate environment in China. Many major enterprises in China are state-owned. CEOs of such enterprises got there by shuffling between private and public sectors – it is a politically motivated path that takes them to their positions. Understandably, such CEOs act more as politicians of the Communist Party. It's a stark contrast from CEOs of Western corporations acting on behalf of shareholders, employees or private interests.

Where U.S. CEOs are acquainted and often socialize with others in their industry or their markets, Chinese CEOs are more allied to their political allies and to the national interests of the Communist Party.

In fact, it's not unusual for Chinese CEOs to link their long-term strategic decisions to plans outlined in the annual National People's Congress (China's legislature) or to other significant political events, such as trips to China by foreign leaders. What's more, the symbiotic relationship between the enterprise and the state makes such CEOs sympathetic to corporate social and economic goals beyond short term profits or maximizing shareholder value.

In fact, we find that chief executives in both the public and the private sector talk more about revenue growth, market leadership, and competitive advantage than about shorter-term financial objectives, such as higher earnings. The emphasis on driving top-line growth to keep factories humming and employees on payrolls often means that Chinese companies are generalists playing in several different business areas and markets.

In China's rapidly expanding market (until just recently), Chinese CEOs rely less on rigorous analysis, market research, or a detailed understanding of customer preferences than U.S. CEOs do. Instead, many of them make decisions instinctively and respond rapidly to new industry trends and shifts.

Knowing all this, it is useful when corresponding or meeting with Chinese CEOs to put yourself into their heads and background. You might see a different way to approach them about your own agenda. Sino Management Partners are Chinese executives who have prospered in this culturally different world, are now connected to the US in various ways and are available to help US companies bridge the gap . . . and get things done.

By Alex Cheng