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DECOUPLED: MANAGING A CHINA TEAM REMOTELY

The challenges for multinationals of running operations remotely in China will remain in 2021, says Franc Kaiser.

Author

Franc Kaiser, Partner in Charge

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The challenges for multinationals of running operations remotely in China will remain in 2021, says Franc Kaiser.

For executives of international companies with Chinese operations, 2021 looks set to continue where 2020 left off. With the pandemic continuing to keep many international borders either closed or subject to very tight restrictions, so the huge challenges around managing teams remotely look set to remain.

Over the past year, since the virus first struck, we have seen first-hand among clients the tremendous difficulties they have faced around aligning HQ and China operations. Many clients have been effectively paralyzed by a viscous circle whereby HQ is waiting for its China team to take bold actions, while the China team feels it needs to wait for HQ to tell them how to go forward.

This is a particular challenge for companies which have fairly mid-

sized operations in China, perhaps with a few hundred staff, and those which have a Chinese subsidiary rather than standalone operations. By comparison large multinationals with major standalone operations have, by and large, been able to avoid such difficulties.

Frustration

The sense of frustration among clients is palpable, not least because the Chinese market has been one of the few countries to come out of the other side of the pandemic with strong economic growth. So, in the very country where international companies want to be upping their game further, they are hamstrung by travel restrictions and the challenges of working remotely.

Like all of us, we were hoping that international travel – albeit far reduced – may have returned in some form by now. Instead, most observers suggest that it will be at least the end of 2021 before anything like normal service is resumed.

Given this scenario companies are therefore struggling to formulate medium- or long-term strategies

for their Chinese operations, and as such keep putting off key decisions to the next financial quarter in the hope that the picture may become clearer.

First-hand account

These issues were starkly brought to light during a recent call I had with the chief commercial officer of a European medical device company with a China subsidiary. A year ago he spent a few weeks in Europe at the headquarters, planning to return to China in March 2020. Little did he know that he would end up spending the rest of 2020 in Europe instead of at his office in Beijing.

Today he is continuing to manage his China team remotely, and I discussed with him the specific challenges he faced in terms of keeping a demanding China business on track. I found his comments so powerful and resonant that I felt there would be much value in sharing them with you here. To respect client confidentiality he and his company will remain anonymous, but for the purposes of this article we'll call him 'Robert'.

Interview

Robert, tell me, what's a normal working day for you like at the moment?

Before lockdown I tried to have a fairly normal working day, going to the HQ office in the morning, and returning home in the evening. The advantage of being in Europe for me was having contact with HQ staff, particularly as I assume a bridging function and take care of what's going on in China.

Sometimes HQ requirements tend not to be China 'compatible' so this bridging function is really important, and when I am in China I can work with Chinese colleagues on decisions quickly and efficiently. Now it's the other way round. I can facilitate decisions at HQ quickly, but it's more difficult to align the China team. The time difference is a particular challenge. My team in China is absorbed during the day with customer meetings and events, and then spend their evening communicating with me.

Our China team therefore needs to be very, very flexible in terms of their working day and be prepared to take my calls at any time. Because I am busy with meetings during the day I tend to have more time available around 5pm CET for daily reviews

and strategy meetings with Chinese colleagues. But of course for them it is 11pm at night. If I scheduled a meeting for that time with European colleagues they would think I was crazy. It really shows the amazing commitment of my Chinese team in that they are always available so late in the evening.

China team therefore needs to be very, very flexible.

What strategies do you adopt to now steer meetings with the China team? And how has the Chinese team changed the way it works?

One measure we've adopted is that for critical meetings with our Chinese team we ensure that all HQ people are physically in the same room, instead of dialling in from different locations. In parallel with the formal meeting, running on Skype or MS Teams or Zoom, I also use WeChat as a backchannel to communicate with the China General Manager to better understand his thinking. Often I will also call key people in the China team after the meeting on a bilateral basis and fix any issues with them one-on-one. Indeed, I communicate mostly with the Chinese team via WeChat as it's very practical, and I find it's the easiest way to reach them.

In this new situation we find ourselves in, our Chinese staff also have to be more empowered and, crucially, feel comfortable with their new responsibilities. So, for instance, we're trying to strengthen our local sales team and empower them with more distributor management such that now only our local team can apply pressure on distributors. We've also started to collaborate with private clinic chains, bypassing distributors, where we deliver products directly and the chain pays us directly. We're also now involved in many tenders which involve complex price negotiations, but within a very limited time window. Such time constraints don't allow for any back-channelling with HQ and sales managers need to be able to make those decisions by themselves.

Chinese staff also have to be more empowered.

What key challenges are you facing when managing the team remotely?

Perhaps the greatest challenge - and shortcoming - is that I am missing out on what's really going on in China, missing out on the dynamics on the ground. As in any team, there are frictions and office politics but because I am not physically there I cannot see or feel these tensions, and my team is naturally reluctant to bring such information to my attention. When I am in China I can figure out those issues just by being there. I feel very nervous about what is really going on, on the ground, within the team.

This is particularly relevant when you are trying to manage change and transformation within the business. In the past we would have had managers

and the CFO flying into China on a regular basis to do business reviews and discuss critical decisions with staff. These are meetings where you have to really convince and engage with people, but an online remote meeting can never replace a two-day meeting where you sit down together and discuss every aspect of a decision.

It means that interpersonal relations are suffering. In the past, during such business reviews, a CFO would often need a quiet word with the Chinese general manager from time to time. But when you're all on the same remote call it is more challenging to have these conversations, you really miss the physical interaction.

Managing change of course means having to let staff go from time to time. But this poses its own challenges

in today's world. How do you collect phones, laptops and key documents from them? We now have to make use of third party service providers such as consultants and lawyers to help. Likewise, bringing new members into a team poses its own challenges. There are now key people in our China team who I have never met personally.

Also worth mentioning is that any transformation is naturally driven by running initiatives such as efficiency improvements, team education, market education, and distributor changes, and previously staff in HQ or compliance teams would fly into China to conduct such training. But right now such processes are all on the backburner. Instead the focus is purely on sales, and less about processes, but this is not sustainable in the long run.

Do you think your Chinese team is missing you?

It's an interesting question! Those that prefer to continue working in old ways are probably happy that I'm not present. But I know a lot of people, such as in finance, are missing me and find daily business more difficult. But it goes beyond the working day. The whole social and interpersonal component is missing, such as having a dinner or drink after a difficult meeting, or being able to let off some steam. Because these things are missing I feel, sadly, that the mistrust between the China team and HQ is growing day by day.

Going back to my point about my bridging role, while I was still on site in China I could manage those issues, as I was talking with both the China team and HQ. Now, the two parties are basically communicating less. I see our sales managers avoiding the China office more and being out on customer visits much more, avoiding internal meetings. Also, those internal meetings are happening less because I am not in China anymore.

My original role was to initiate change management, to establish processes in sync with HQ yet adapted to the

reality of the Chinese market. Once I was no longer in China, all those change management projects did carry on running but once you're out of sight you're out of mind and the whole thing is now a bit rudderless. You cannot solve this via an online call, and it shows to me that change management in China from afar is simply not possible.

The mistrust between the China team and HQ is growing day by day.

What are the prospects for 2021?

Despite all the ongoing problems I have talked about, there is a sense of organized chaos. At the end of the day the Chinese market is growing and our company needs the Chinese market, we couldn't be without it. Other large global markets such as the US or Germany are so volatile at the moment, and we simply don't know when the next lockdowns will come. So China gives us confidence that we can project our sales growth further

but it is, of course, the ultimate paradox. The market where we have a subsidiary is seeing the biggest chaos but also provides the largest sales volume and growth. Yet, at the same time, the Chinese operation is the one we have least access to. So at the HQ level it is both frightening and positive. Globally, 70% of our new headcount for 2021 is going to be in China and that shows how much the country means to us.

The ultimate paradox: The market with the globally largest sales volume and growth is the one where we have least access to.

Recoupling Through Consulting Projects

Our interview with Robert vividly depicts the troubles that multinationals are currently facing from not being on site in China, the risk of decoupling between HQ and China teams, and the stalling of strategic and change initiatives.

Against the backdrop of continued travel restrictions, these troubles and risks will likely continue for much of the coming year. Yet at the same time the Chinese economy continues to recover with an expected GDP growth of 8% in 2021, and market dynamics

in China are evolving rapidly. Never has close alignment between HQ and China teams been more important. As such, the role of local service providers for international companies with Chinese operations has greatly increased. For some, they are deploying local service providers to represent HQ interests in terms of on-the-ground supervision or implementation. But for others, they are leaning on local service providers to help ensure alignment between their HQ and China teams.

Already in 2020, we witnessed clients using consulting projects not only to provide insight and solutions, but also to build consensus on the path

forward among their stakeholders, wherever they might be located. In addition to having an independent and neutral party involved, the value of these projects also lay in their process, where facilitated virtual workshops have proven themselves indispensable.

Precisely for this reason, over the year ahead, we expect more clients to commission consulting projects primarily to protect against this risk of decoupling between their HQ and China teams, or to help them recouple where that risk has already materialized.

Author



Franc Kaiser

Partner in Charge, Strategy, Shanghai

Franc.Kaiser@interchinaconsulting.com

Franc Kaiser is a Partner and Director with InterChina Consulting based in Shanghai. He heads two sector groups, the Industrial Equipment Sector Group where he accompanies Clients to issues such as production machinery, automation, and disruptive technologies; as well as the Healthcare Sector Group where he works closely with medical device makers and pharma companies.

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Exclusive China Partner of  CLEARWATER
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CONTACT US

+ 86 21 6341 0699

interchina@interchinaconsulting.com

Suite 1201, 100 Bund Square
100 South Zhongshan Road
Shanghai 200010, P. R. China

www.InterChinaConsulting.com
www.InterChinaPartners.com



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