

# Three long-term trends changing business in China

An aging population, automation, and the democratization of people's jobs will be crucial factors for companies in China to manage.



**In this video**, Joe Ngai, a senior partner in McKinsey's Hong Kong office and the managing partner of the Greater China office, discusses how automation will change the face of the Chinese economy—and why this needs to happen, given an aging population. An edited version of his remarks follows. The conversation is part of our series on the future of Asia.

**What are the top three most disruptive, powerful forces that will shape China ten years from now?**

One of the most important forces facing China is the use of artificial intelligence. If I think about China ten years from now, I can imagine a world where there'll be a lot of people aided by machines and data to make all sorts of decisions, to automate all sorts of functions. And that's really needed, because China is rapidly aging, and we need these machines and artificial intelligence to help us to make sure that we can do all the things that we need to do.

The democratization of people and their jobs is going to be one of the big things that happens in China in the next ten years. I think that there'll be lots of talent in different pockets. They may not all be working for one company. They could be working for different projects. I think that that is going to be another very big phenomenon that's already happening both in China and also the rest of the world. It's basically individual freelancers that are pulled into different job functions by companies.

**How should CEOs be responding to these forces as they think about their business strategies for the next decade?**

CEOs should think about their organization very differently. If you think about the organization today in terms of functions and the established

infrastructure—with technology, data, and artificial intelligence—what CEOs need to think about is reshaping their entire workforce.

With people retiring, you can replace a lot of these functions by automation. You can think about using more part-time workers and freelancers, talent that you've never tapped into before, but not tie them to a job for the long term. But also, think about how they will contribute to your entire organization. So from an organization standpoint, from an agility standpoint, and from a more flexible work-culture standpoint, CEOs can start thinking about, "What would be the dream organization ten years from now?" "How do I transition to there?" And therefore, "What should I be investing in today?"

One more trend that will be a long-term trend in China is consumers going from today's gigantic consumption—and in some ways, overconsumption—to a more simplistic, a lot more environmentally friendly, and a lot more, I would say, back-to-basics consumption.

So consumption going from today, where they're trying out everything, to something that's going to be a lot more conscious and a lot more simplistic: I think that will be a very long-term trend in China and that it will be a very important one. It will mean that consumer companies and all sorts of other companies looking at these consumption patterns will need to think about environmental friendliness; they'll need to think a lot more around ethics. They're going to have to think a lot more around the source of where, let's say, food ingredients are coming from. They'll need to think about the practices of labor.

I think that this would also usher in the new age of how organizations can be more responsible. And frankly, that's going to be a better world.

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