

# McKinsey Quarterly

## Developing China's business leaders: A conversation with Yingyi Qian

In an interview with McKinsey's Dominic Barton, the dean of Tsinghua University's School of Economics and Management reflects on the characteristics of successful Chinese leaders and the skills they'll need to thrive in the future.

**China has spent decades**, and hundreds of billions of dollars, building the physical infrastructure necessary to support the world's second-largest economy. In the years ahead—as the country's growing middle class places new demands on the companies that serve it, manufacturers compete on more than low-cost labor, and the ability to innovate becomes more important—building China's *human* infrastructure will move to the fore. Local players and multinationals alike are already struggling with rising salaries and lengthy recruitment processes. Furthermore, the manifold changes taking place in China mean it's unlikely that the effective Chinese manager of tomorrow will look like the Chinese manager of yesterday or today—prompting a need to reexamine leadership development.

While Western business schools, many of which now operate outposts in China, are part of this transition, so is a thriving crop of Chinese institutions focused on management education. A prominent example: Tsinghua University's School of Economics and Management, in Beijing. The school's dean, Yingyi Qian, is from China—he graduated from Tsinghua with an undergraduate degree in mathematics in 1981—but subsequently spent more than 20 years in the United States

before accepting his current role, in 2006. (Qian earned master's degrees from both Yale University and Columbia University, as well as a doctorate in economics from Harvard University, in 1990.)

Dean Qian has written extensively about comparative and institutional economics and has taught at Stanford University, the University of Maryland, and the University of California, Berkeley. Now he's helping Tsinghua rethink what it means to educate business leaders for China. In this interview with McKinsey's global managing director, Dominic Barton, and Shanghai-based consultant Mei Ye, Dean Qian shares what he's learning on that journey, as well as some nuances of Chinese management that Western companies need to understand.

**The Quarterly:** *What is the state of leadership development in China?*

**Yingyi Qian:** It's a challenging question because there is no such thing as "the enterprise" in China, and there is no one kind of successful leader. Our EMBA<sup>1</sup> students are a good representation of this. We have students from SOEs,<sup>2</sup> for example, and everyone can tell they're from SOEs. They have the attributes of bureaucrats, but at the same time have good managerial qualities, and some of them are quite entrepreneurial as well. These students are comfortable in both the government and business worlds, and this is an important skill in today's China.

Then we have students from multinationals, mostly midlevel managers. They speak good English, follow the rules very well, and are very worldly. They know a lot. They probably have most of the standard skills that Western business-school students have.

Finally, about 40 percent of our students are locally grown entrepreneurs. Some have strong technical backgrounds in IT or other fields, while others have very little formal education. Some are almost entirely self-taught. Many of them have good people skills—in some cases, incredible people skills—and they are adept at dealing with the uncertainty of emerging markets and changing

<sup>1</sup>Executive MBA.

<sup>2</sup>State-owned enterprises, of which there were more than 114,000 in China in 2010.

environments, as well as with government bureaucracy. All of them are very entrepreneurial.

All three types of leaders can be highly successful in today's China, but in different ways.

**The Quarterly:** *How do you see these various leadership models evolving over the next five to ten years?*

**Yingyi Qian:** They will definitely change, but how is hard to say. If you had asked me ten years ago, I would have told you that the move would have been toward more market-oriented and international business skills. But over the past few years, we've seen some leaders moving from the private sector back to the SOEs, and in some cases even from leading multinationals to SOEs, so it's a much more complicated business environment in China now.

**The Quarterly:** *Are there common skill requirements that cut across all three groups?*

**Yingyi Qian:** The "softer" skills are a leadership necessity for all leaders in China: things like teamwork, communications, presentations, culture—all the skills that help you deal with people. Leadership is built on these skills, but in the past, Tsinghua University was only strong in the "hard," analytical skills: things like accounting, mathematics, science, and engineering.



**Yingyi Qian** has been the dean of Tsinghua University's School of Economics and Management since 2006. He earned master's degrees from both Yale University and Columbia University, as well as a doctorate in economics from Harvard University, in 1990.

We changed our MBA curriculum five years ago to emphasize the “softer” things. For example, we have an experiential course called “leadership development.” We have required courses in things like communications, presentations, corporate ethics, and crisis management. These are basic but very important skills, but they are only the starting point.

**The Quarterly:** *Beyond those basics, what leadership attributes do you feel are most important to developing strong business leaders in China?*

**Yingyi Qian:** When I address our new EMBA students at the beginning of their programs, I always remember that most of them are in their 40s. Many of them are already successful; arguably, they are already leaders, and even quite successful ones in their organizations. I remind them of this.

Then I tell them that we hope they can do better—that they can aspire to lead not only their enterprises but also their industries, or beyond them. I tell them that if they really want to become leaders who make a big difference in a fast-changing China and the world, they must have vision and must see the future ahead of other people. It’s ambition that separates a “CEO of the year” from the “CEO of the decade.” I cite Steve Jobs, a visionary business leader, as an example of the latter.

The second thing I tell these students is that we will challenge them to think critically and creatively. They have to think differently, and that is very hard in the Chinese context. In their previous education in China, the goal was most likely rote memorization and seeking standard solutions. Thinking differently is very hard when everything up to now has been about conforming, herding, and group thinking. Even the word “critical” has some negative connotations in contemporary Chinese language that it doesn’t have in English. We are working hard to change this mind-set at Tsinghua, because this is essential to achieve the mission of our school: to create knowledge and cultivate leaders for China and the world.

**The Quarterly:** *Western managers often speak of mind-set differences, or cultural differences, as unique challenges in China. What are the biggest differences you see, and how do they affect business leaders there?*

**Yingyi Qian:** The first difference is the institutional environment in China—half market and half government. It's in transition. This can be very challenging for Western managers. It requires managers to learn the “hidden rules” in addition to formal rules. Not only do you have to manage your enterprise but you have to know the government, the politics, the laws—you have to know everything, and everything is changing fast. In the United States, for example, a CEO might simply hire a lawyer or other experts to understand and navigate many of these things. In China, it's the leader's job. A CEO here must know a lot more.

This explains why there are so many more forums between academics, government, and entrepreneurs in China than there are in the United States. I asked some entrepreneurs once why they attend all these forums—they have to pay to go to them—and they said, “We've got to go to understand the government and how government policies will be interpreted and implemented.”

The second difference is about culture, and it is all about people. This includes the importance of personal connections, of your network, and of the value, for example, of not losing face. Face is hugely important. In a US company, for example, you can do a 360-degree feedback evaluation effectively as part of a performance review. But here in China, that's very difficult because people just don't like to give such honest evaluations—they are afraid that others will take things too personally. If I say something strong to an employee in the US, people say, “OK, that's not personal.” That never works in China. How to get things done in China is different—even if you want to achieve the same things.

**The Quarterly:** *Were you personally challenged by any cultural differences when you returned to China to become the dean of Tsinghua's School of Economics and Management in 2006?*

**Yingyi Qian:** Absolutely. I previously knew many of these things in theory—as a social scientist, I'd studied them in the literature—but

I really only learned them after I became the dean. I spent 25 years in the United States as a student first and then as an educator, and in some ways probably behave more like a Westerner than a Chinese. Some of these lessons took a lot of pain for me to learn. I call it “reverse culture shock.”

For example, if you want to get something done in the West, you have a meeting and you discuss the issues and perhaps you vote. Not so in China—the meeting is usually the last step, only a formality. You have to communicate and persuade people *before* the meeting, not during the meeting. And unlike in the West, a 51 percent majority is not enough if you’re making a decision. Achieving a kind of consensus is important, and everyone has a veto power to some extent. No one necessarily tells you these things beforehand, though, so you have to learn them from your experiences.

Like many economists, perhaps, I had a tendency to deemphasize the behavioral and cultural sides of things. But now I pay a lot of attention to these things. It reminds me of a study in cross-cultural psychology carried out by a professor I know at UC Berkeley.<sup>3</sup> He and his coauthor showed participants a picture of a group of fish, with one fish out in front of the others. American participants were more likely to think that fish was leading, while Chinese participants were more likely to think it was an outlier. There really is a cultural difference with roots in cognitive psychology that we need to understand. ◎

<sup>3</sup>Michael Morris and Kaiping Peng, “Culture and cause: American and Chinese attributions for social and physical events,” *Journal of Personality and Social Psychology*, 1994, Volume 67, Number 6, pp. 949–71.

This interview was conducted by **Dominic Barton**, McKinsey’s global managing director, based in McKinsey’s London office; and **Mei Ye**, a senior expert in the Shanghai office.