

NEXT PHASE OF CHINA'S GLOBAL
PRESENCE:

STRATEGIC DOS & DON'TS ?



Partha S. Ghosh

April 2019

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The Leaders and winning organizations of the 21st century will be those.....

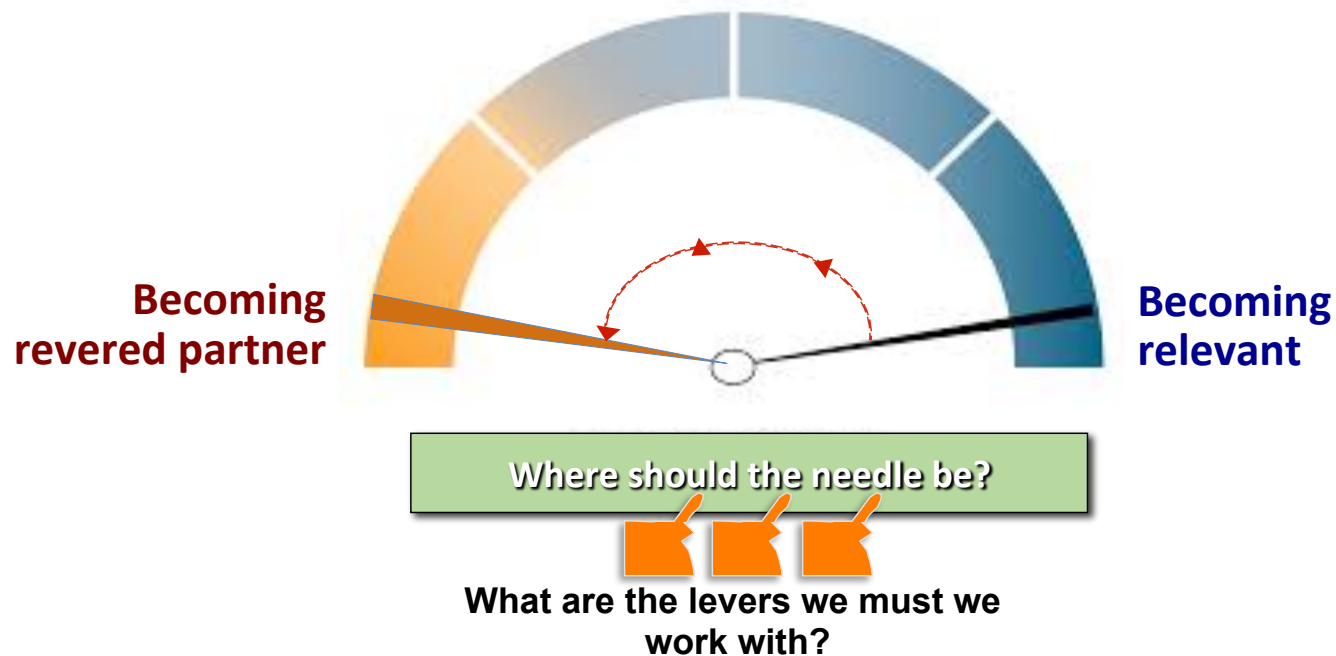
who can *innovate governance & business models...*

that enable **distributed wealth creation with a social conscience**

Partha Ghosh

China will need to work with a new set of Leadership metrics (?)

“Measures & Metrics of Progress”



Today three high level points....

1

Our Planet in Perspective
In the 21st Century?

2

Next Phase *Imperatives*
of China's Globalization?

3

Unlocking the Leader
In You?

Significant Changes are in the making

1

Our Planet in
Perspective

AT MACRO LEVEL.....

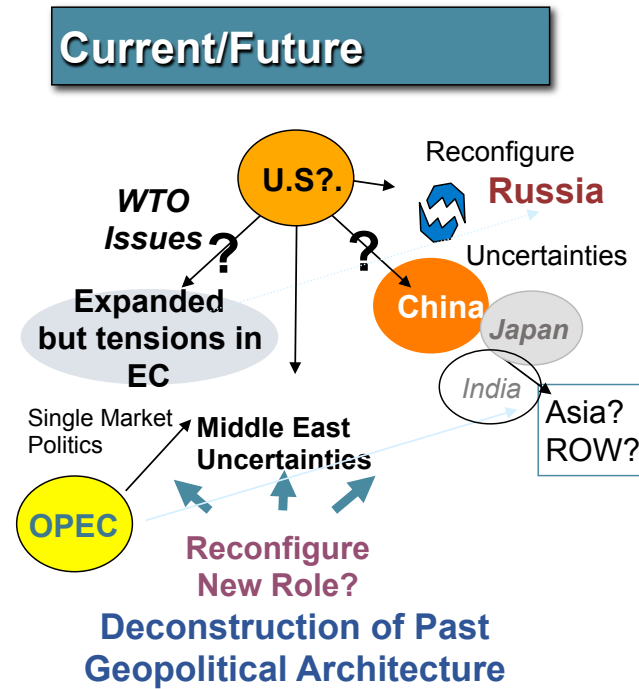
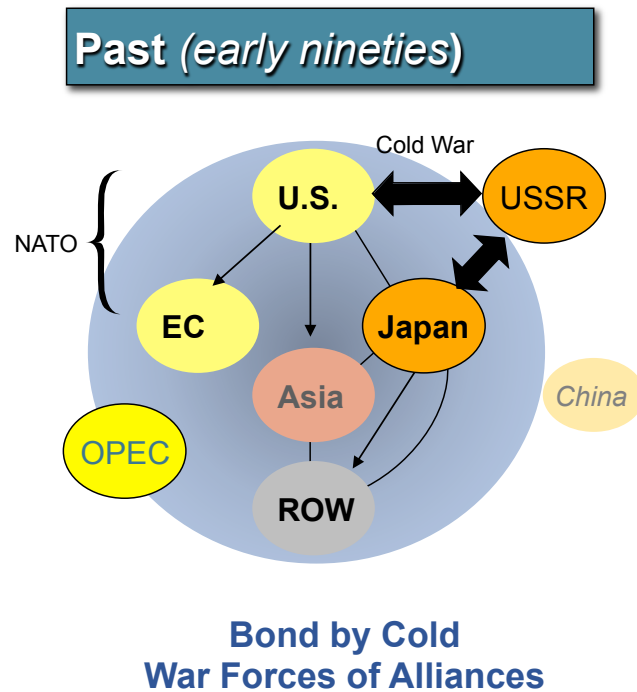
• GEO-POLITICAL DISORDER

• DIS-EQUILIBRIUM ? IN *3ES*

• SHIFT IN ECONOMIC CENTER OF GRAVITY

Geo-Political Alliances are in a state of transition since the early nineties

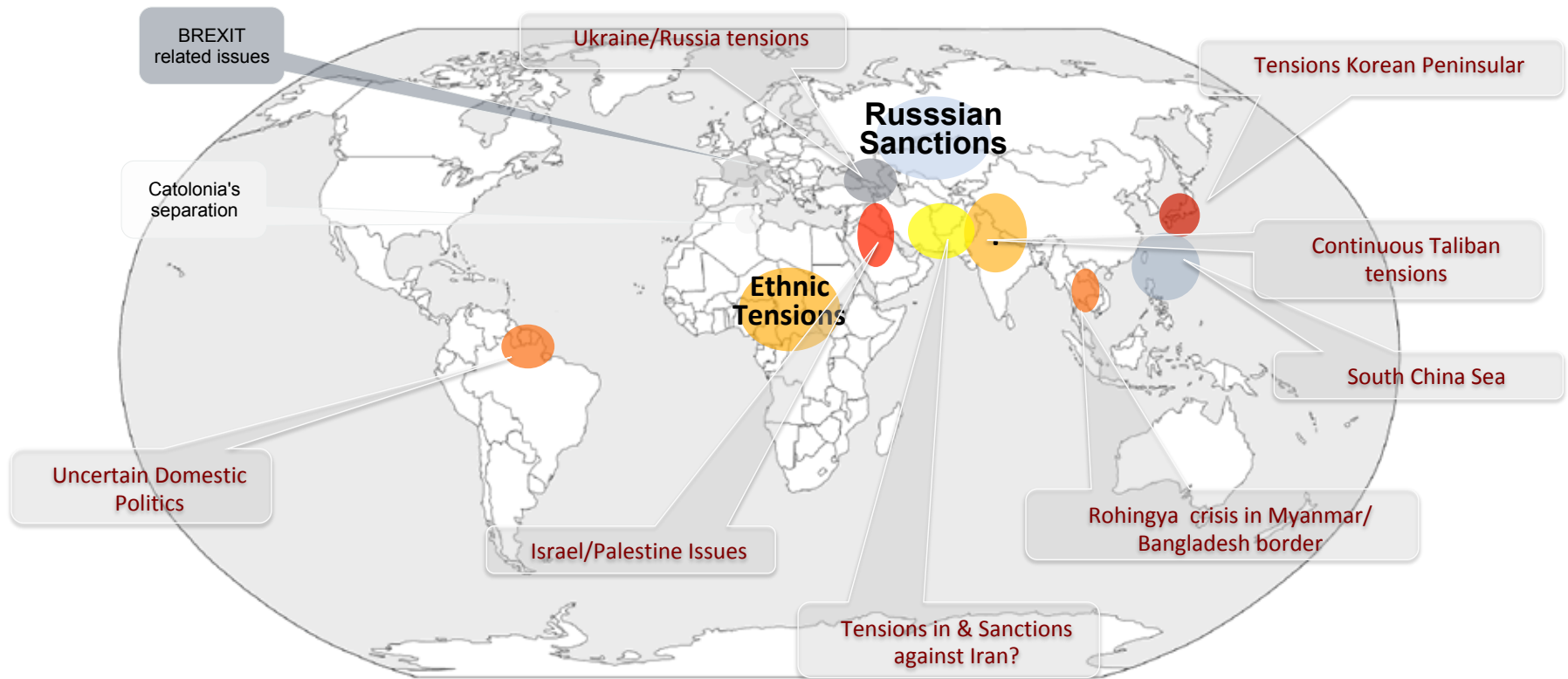
Paradigm Shift



Geo-political tensions are serious and wide spread...

Map of the World Showing Major Countries

GEO-POLITICAL DISORDER



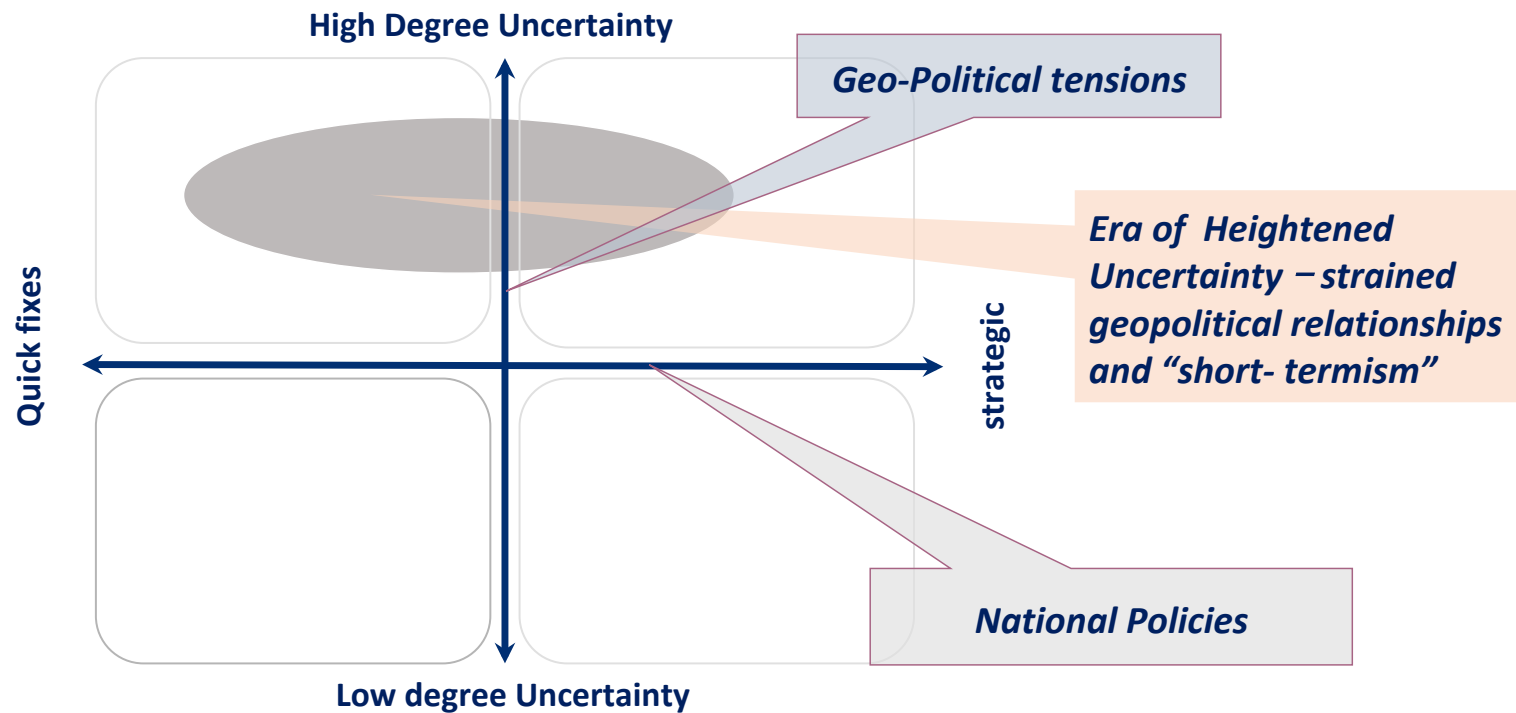
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Today we are indeed limited by constrained leadership

THE EMERGING ENVIRONMENT

(Global socio-economic dynamics)

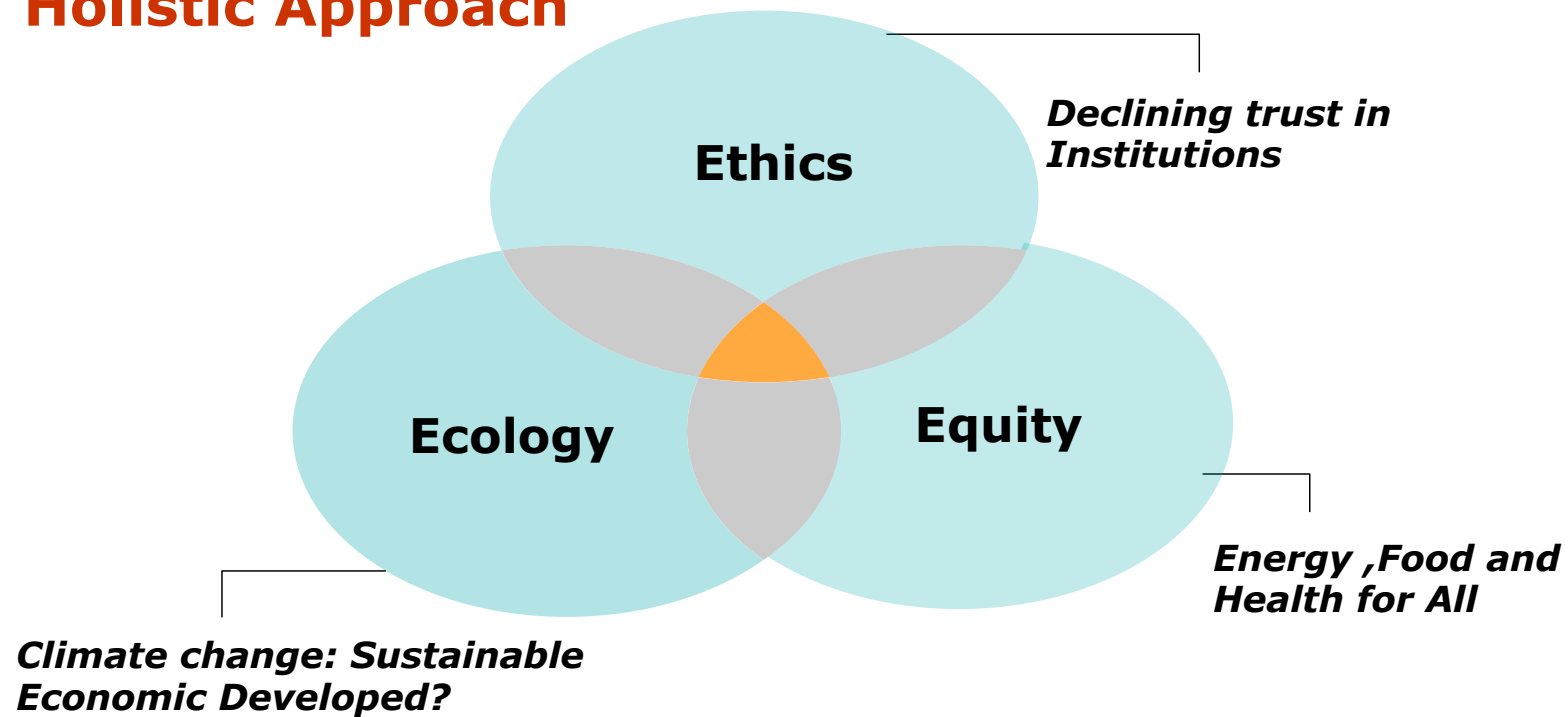
GEO-POLITICAL DISORDER



Decadence in 3Es

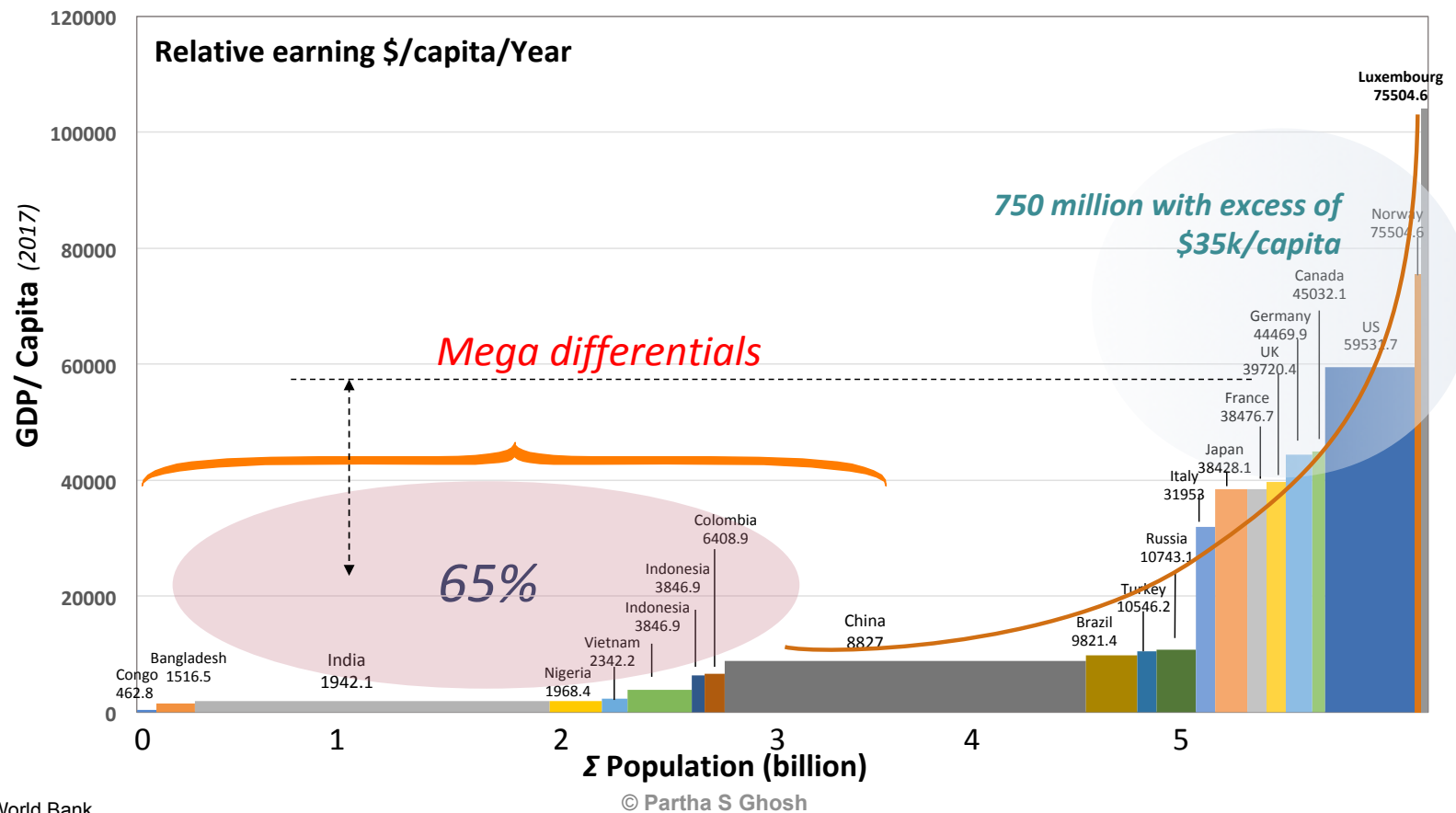
PROBLEMS \approx OPPORTUNITIES

Holistic Approach



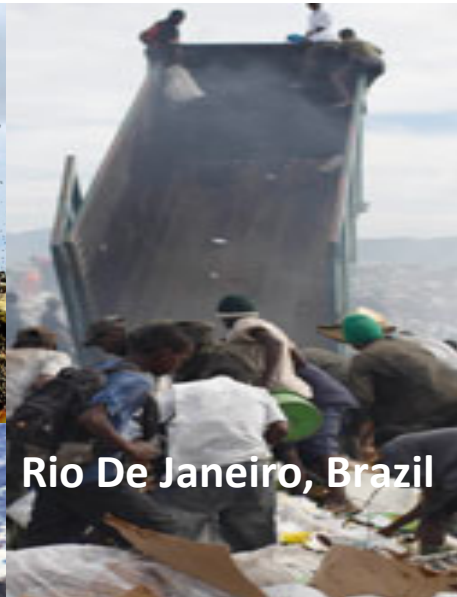
Critical Challenge: Mega differentials

DIS-EQUILIBRIUM ? IN 3ES



Data Source: World Bank

Rise of slums = Increasing waste-pickers



Waste of Nations?



Slums are a globalized problem



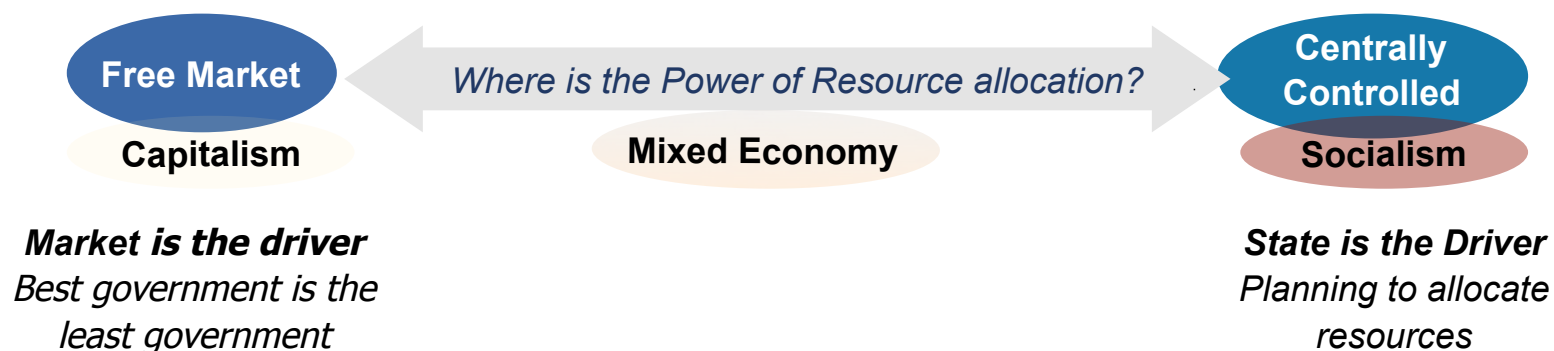
Chief Features of a Slum

- Lack of durable housing
- Insufficient living area
- Lack of access to clean water
- Inadequate sanitation
- Insecure tenure

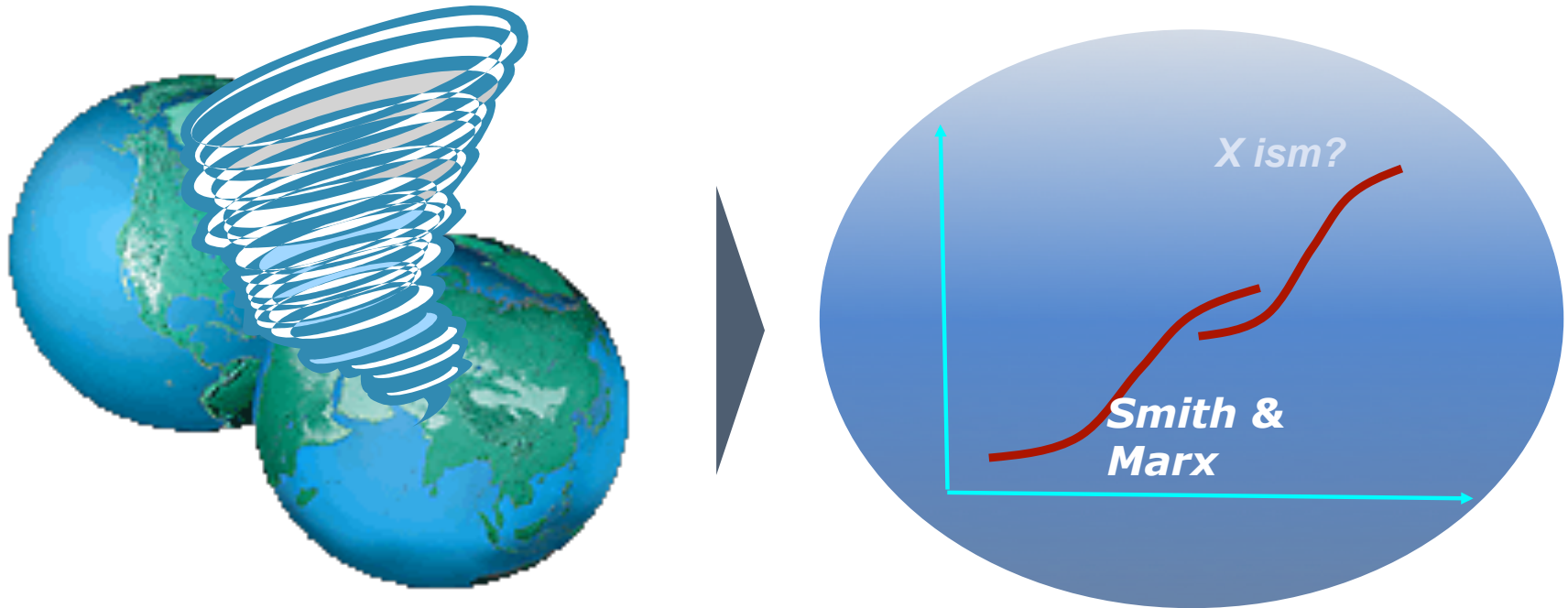
Generate large amounts
of untreated waste

So what happens to the waste?

For the past two centuries debates were between Two Resource Allocation Mechanisms

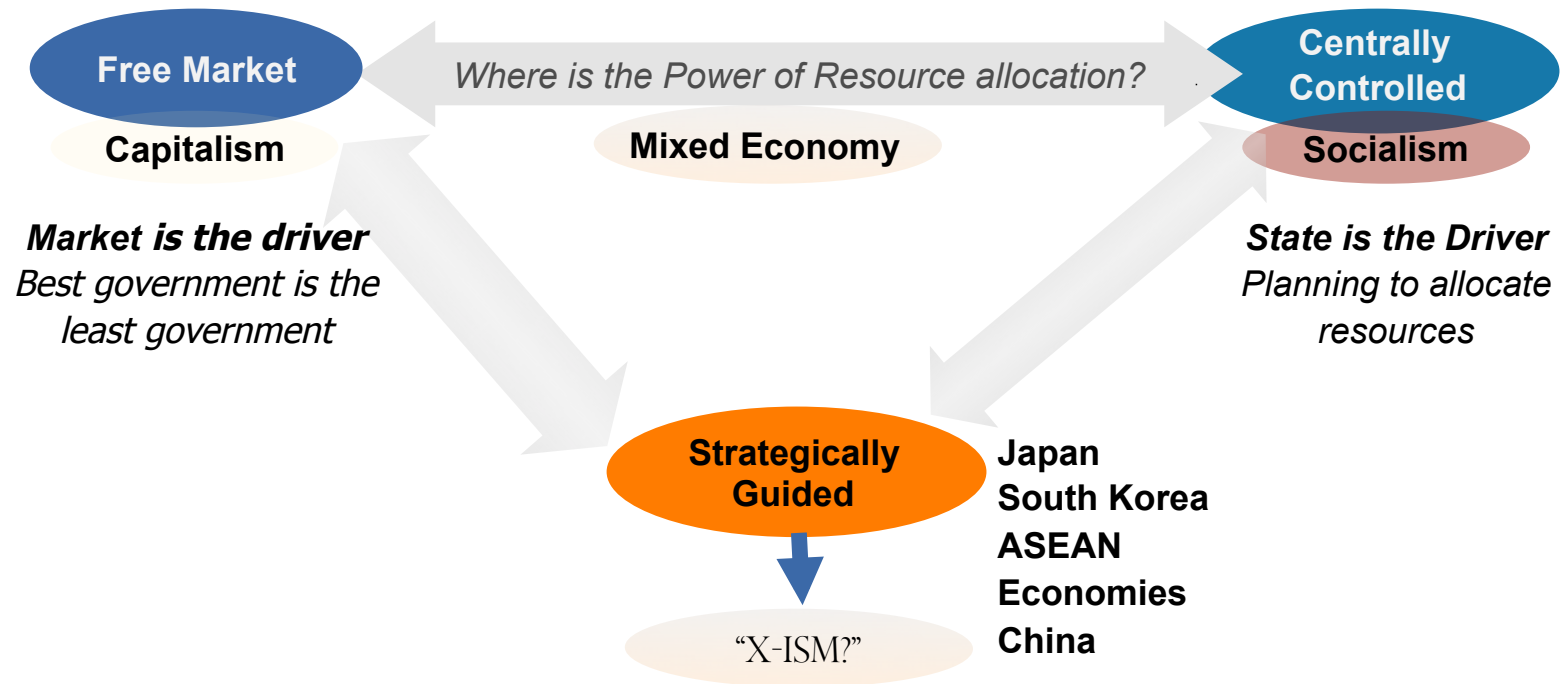


Turbulent times: In search of more Efficient Resource Allocation Mechanisms



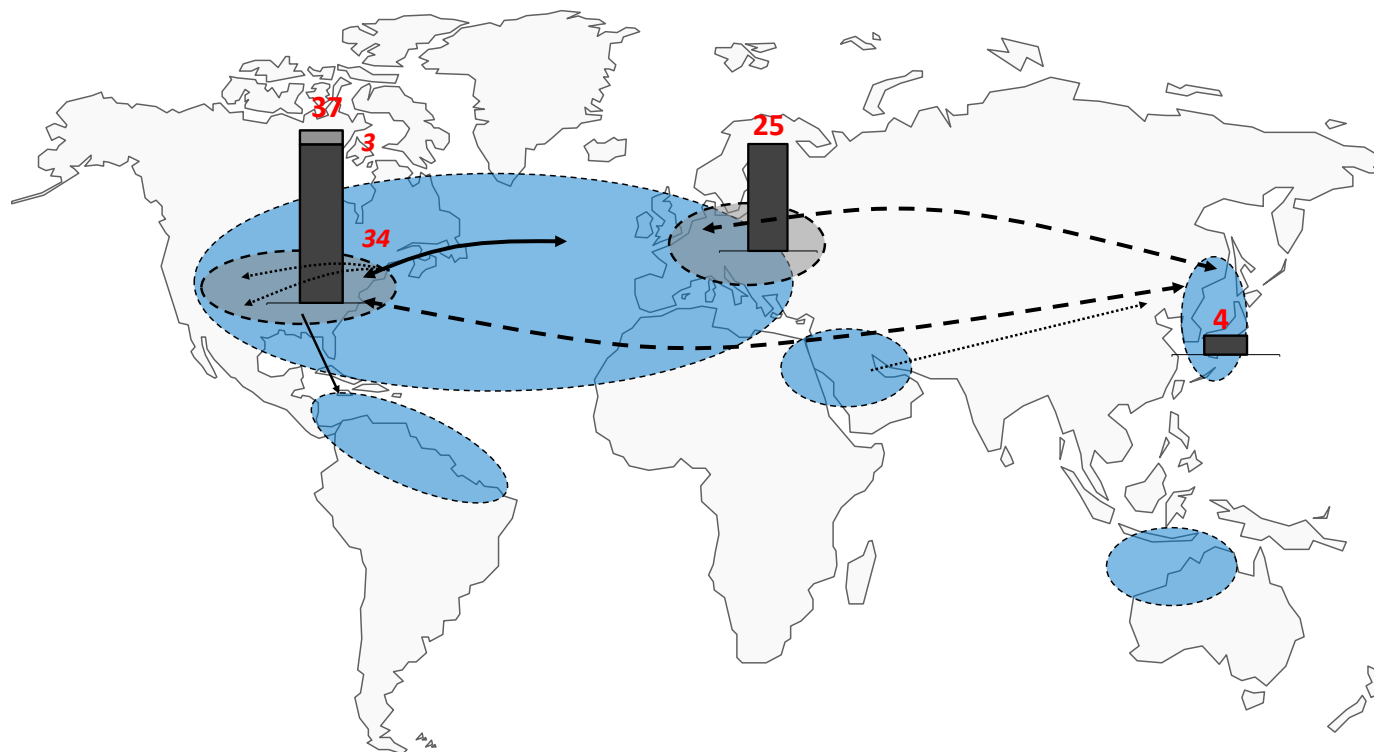
Future of Resource Allocation Mechanisms: Need for Strategic Guidance

ECONOMIC PHILOSOPHIES AT WORK



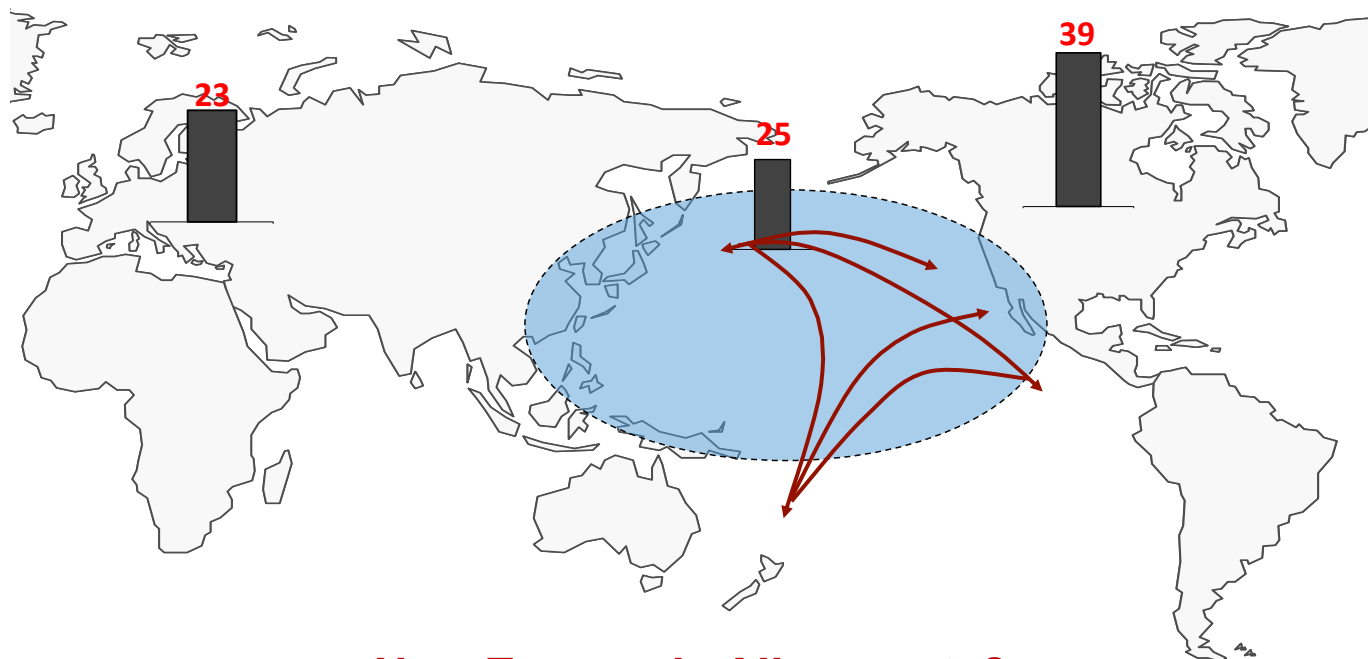
Shifting Geo-Economic Equations: Globe Half a Century Ago

Percent of GDP Distribution in the Mid-Sixties



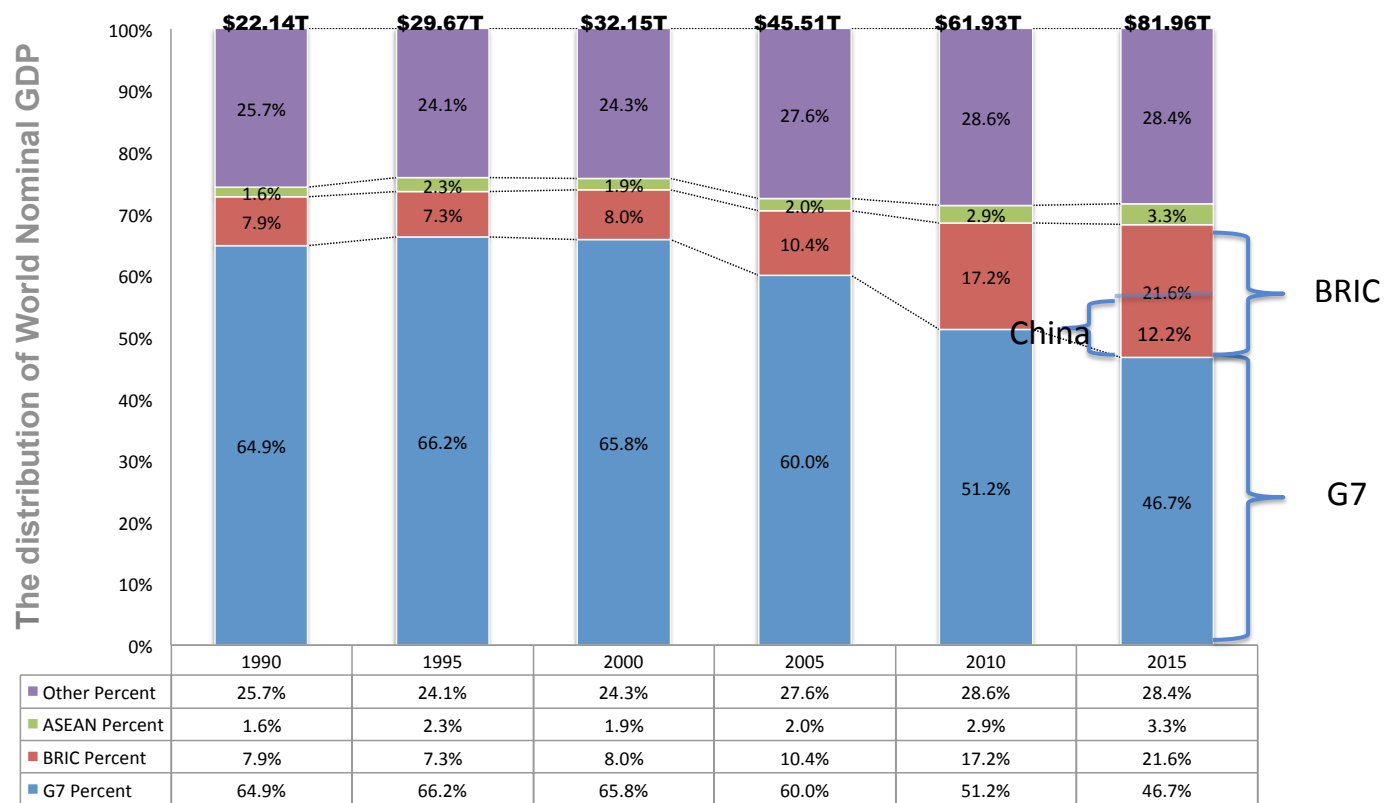
Globe In the 21st Century: Shifting Center of Gravity

Percent of GDP Distribution



New Economic Alignments?

Economic Power shift is obvious: strategic consequences could be significant



Data Source: International Monetary Fund

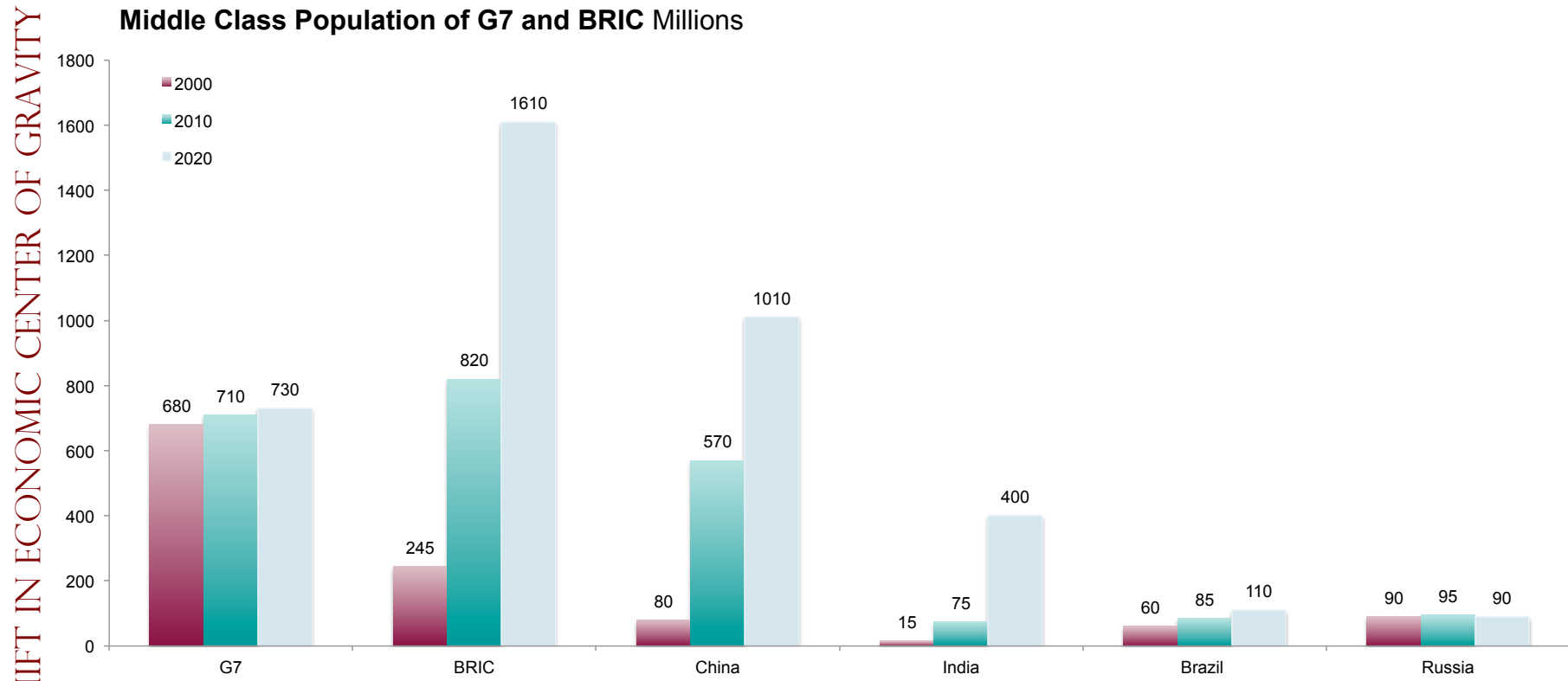
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Changing Balance of Power



Rising middle class in China....



Source: World Bank and Goldman Sachs

*Middle Class: Annual income(current value) >\$6000, <\$30000

Significant Changes ahead

1

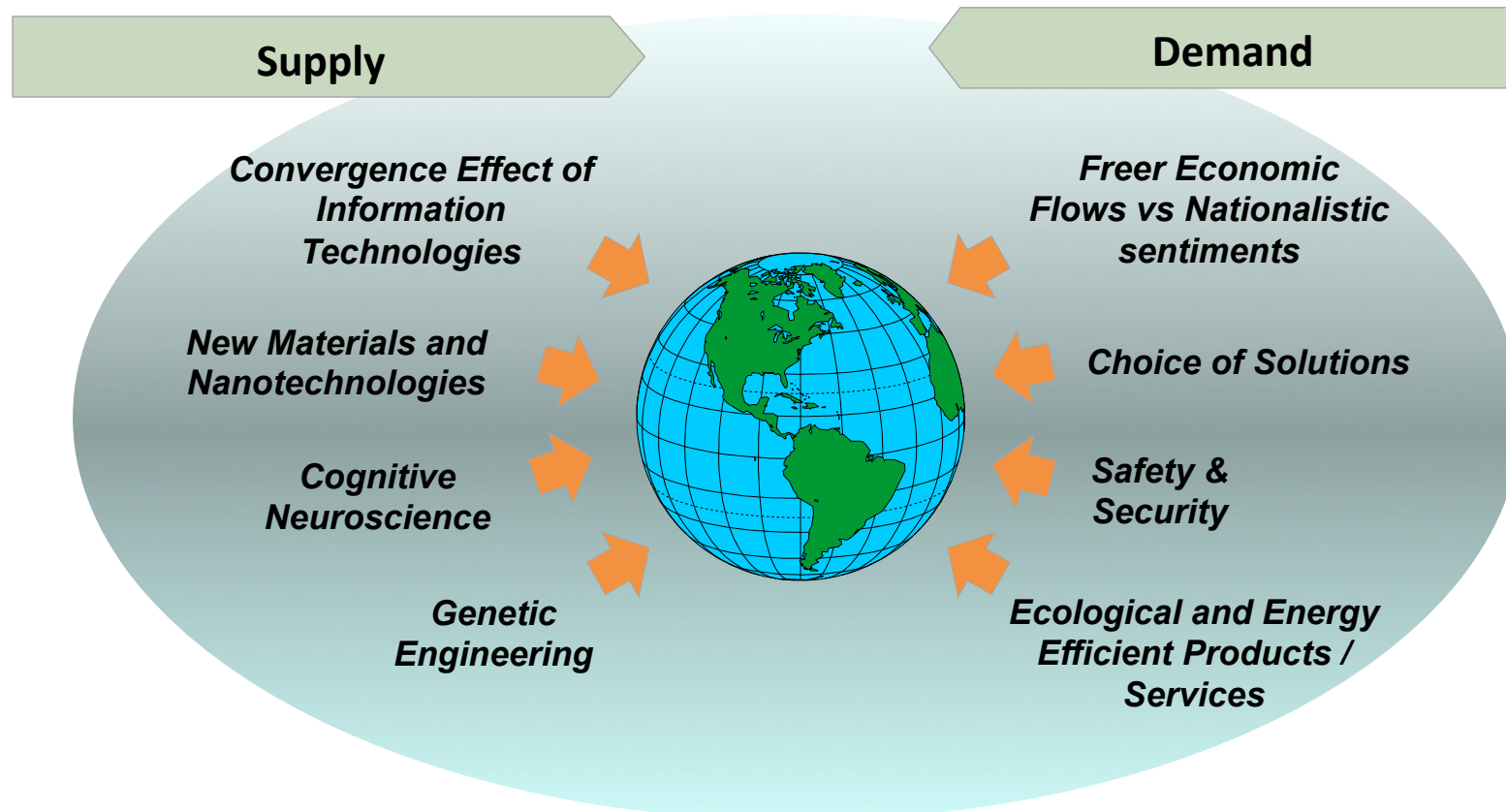
**Our Planet in
Perspective**

AT MICRO LEVEL.....

● CONVERGENCE OF TECHNOLOGIES/AI

● NEW BUSINESS MODELS

The Emerging Economic Environment — *The Big Picture*

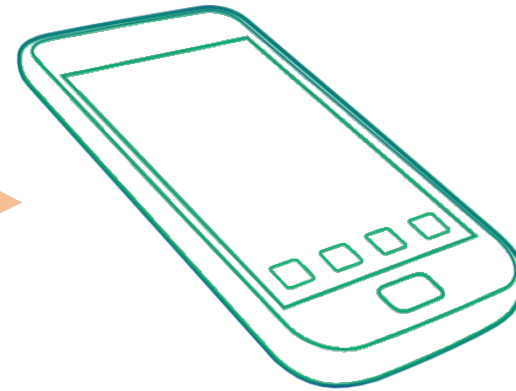


Now of course Auto and Electronics Industry are merging

Automotive Industry



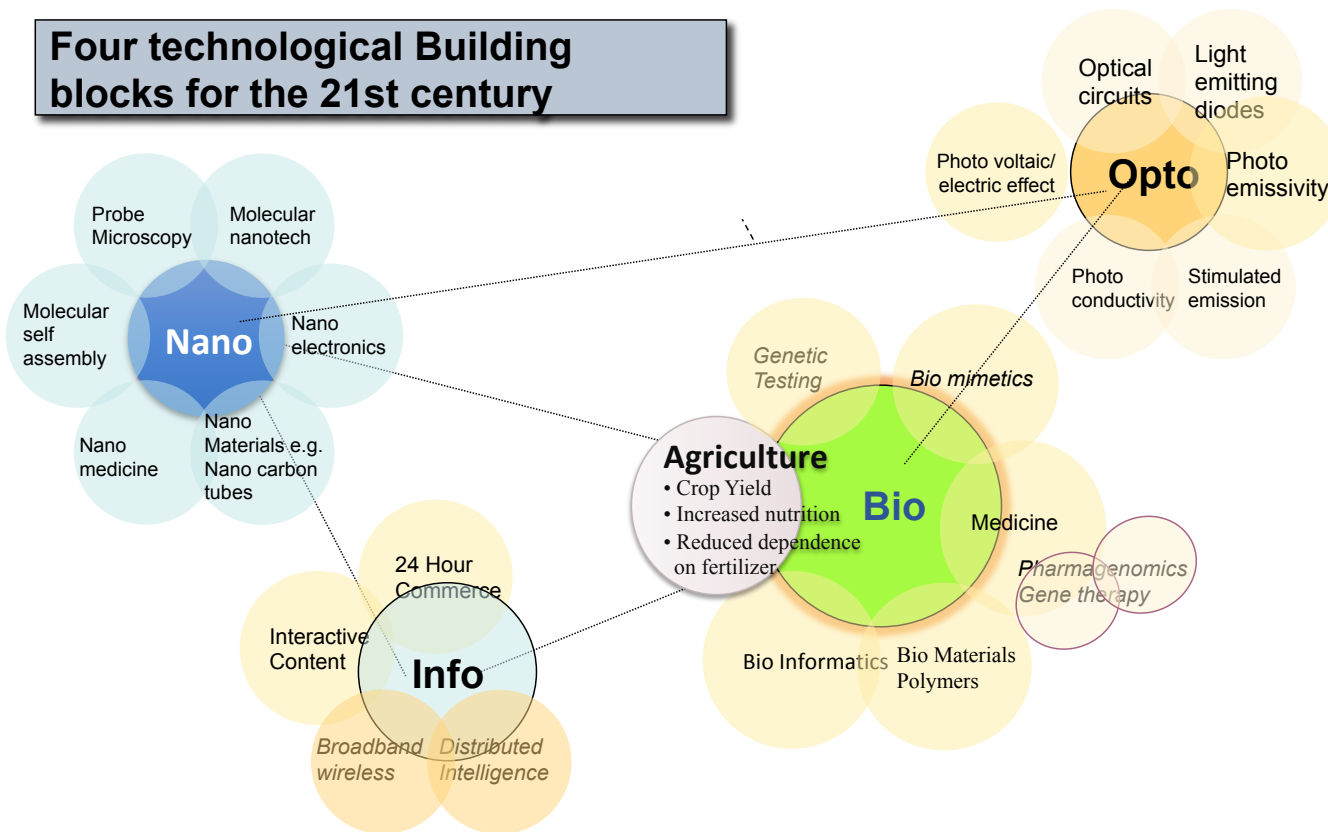
Consumer Electronics Industry



www.shutterstock.com · 369110243

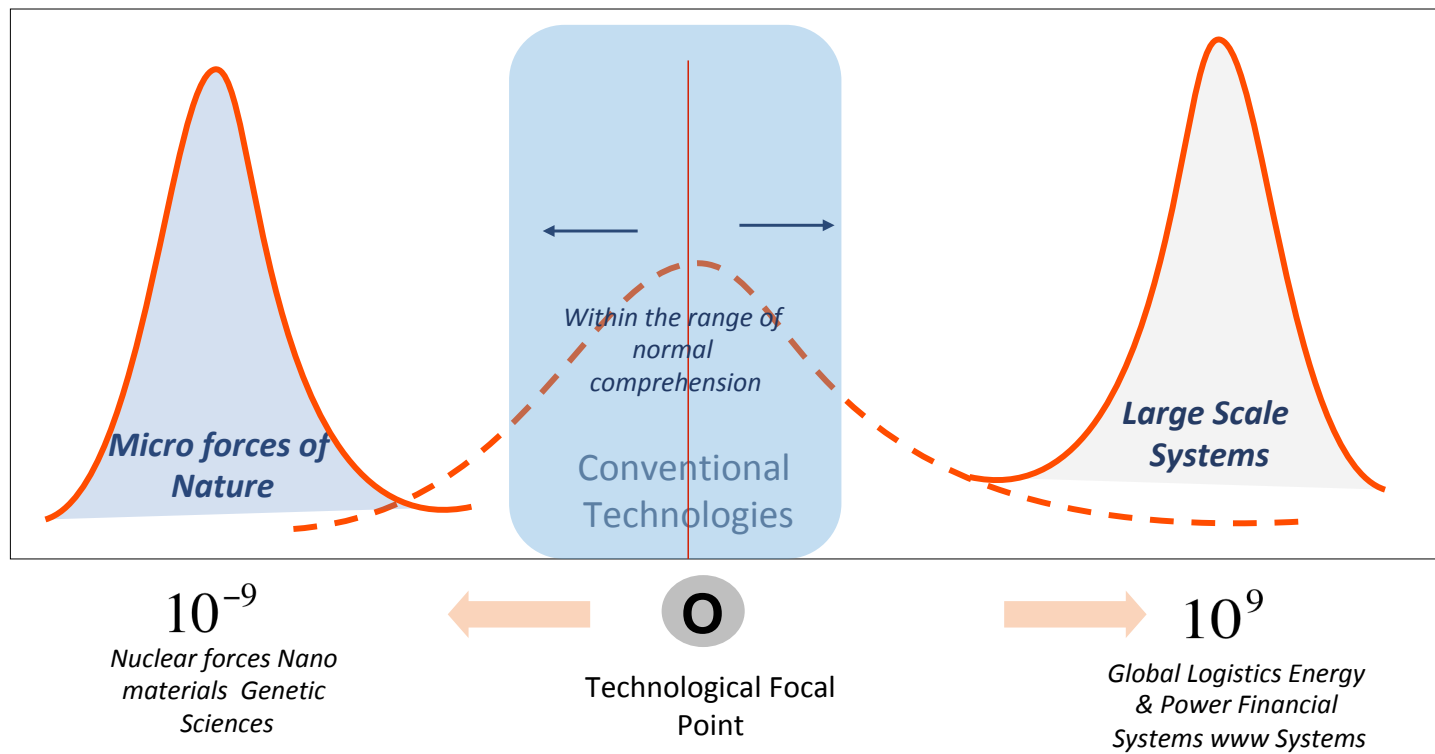
Four technologies will influence how new Global solutions will develop

Four technological Building blocks for the 21st century



Shape of things to come...

Influence of Technologies on Society



© Partha S Ghosh

New Business models are emerging rapidly



Largest **retailer** without retail stores



U B E R

Largest **Taxi Company** without **CARS**



airbnb

The Power of AI @ Work

Largest in **hospitality** without real estate



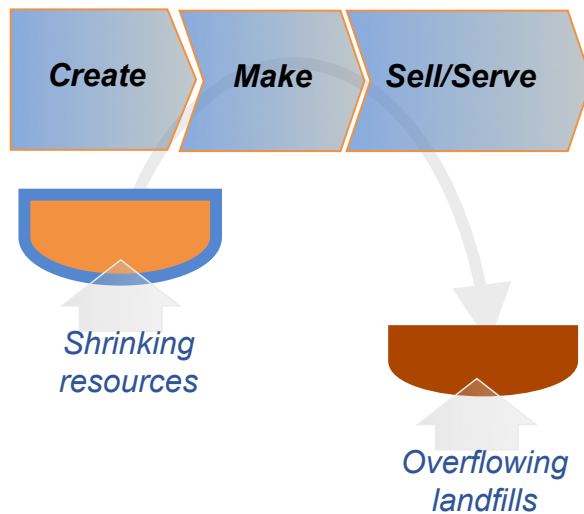
Largest in **social media** without content



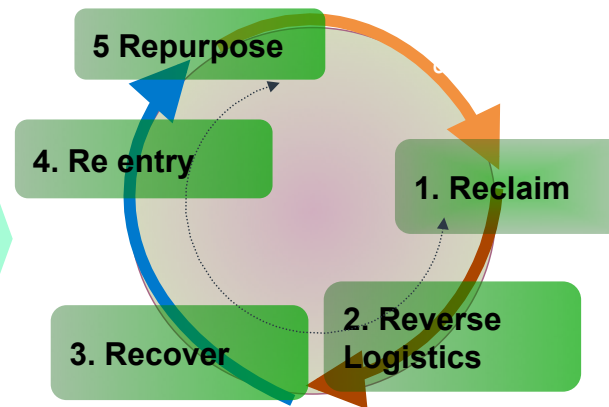
Largest retailer and developer of **SMEs**

Towards Circular Economics= *Play of 5Rs*

Old paradigm: Linear Business Model



Possibly Paradigm: Circular Business Model



Reversing the logistics will require Courage & Creativity



Phase Shift

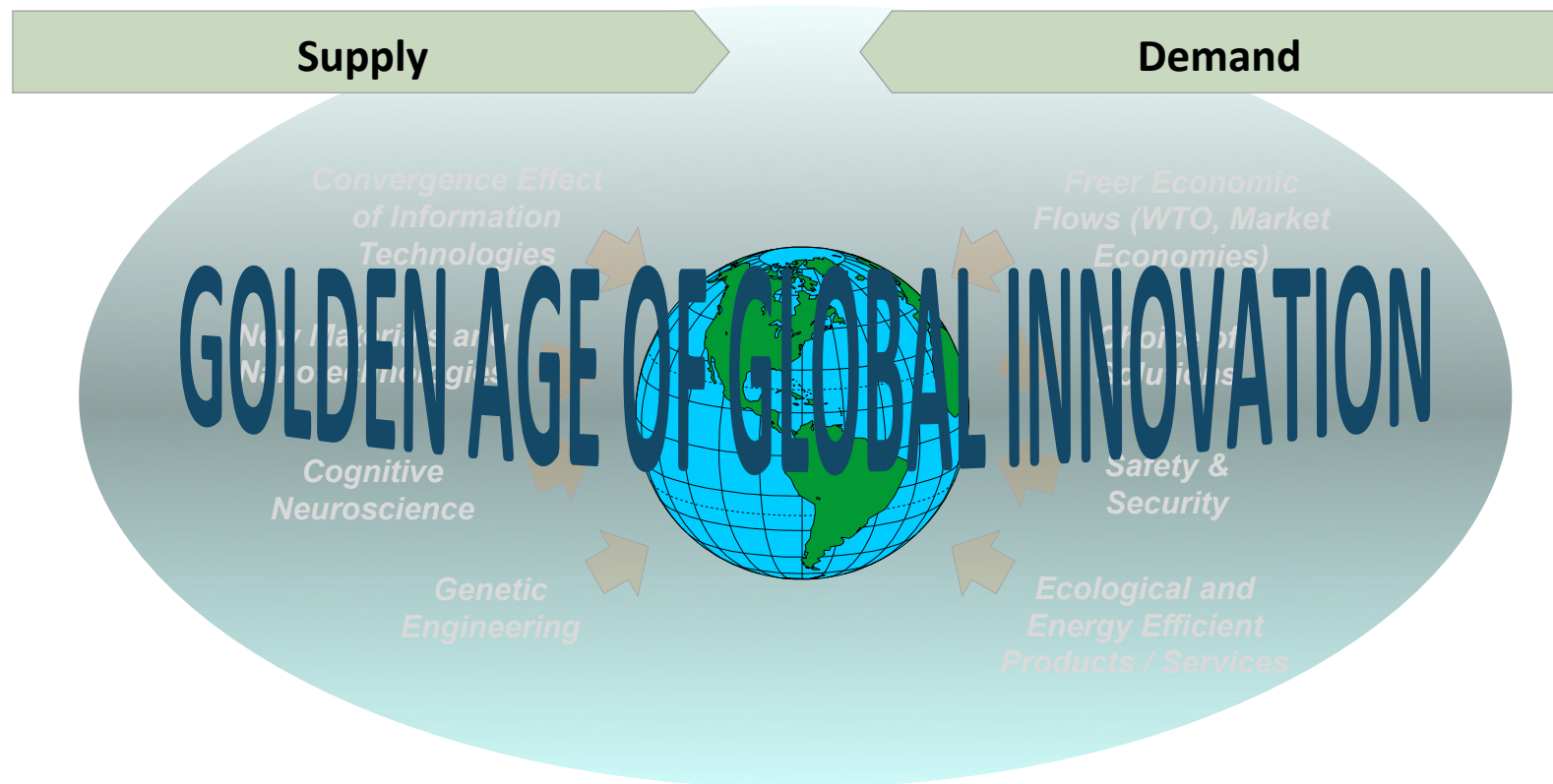
Creating An Industry *(Reverse Logistics)*

The Challenge of Creation of a New Industry:

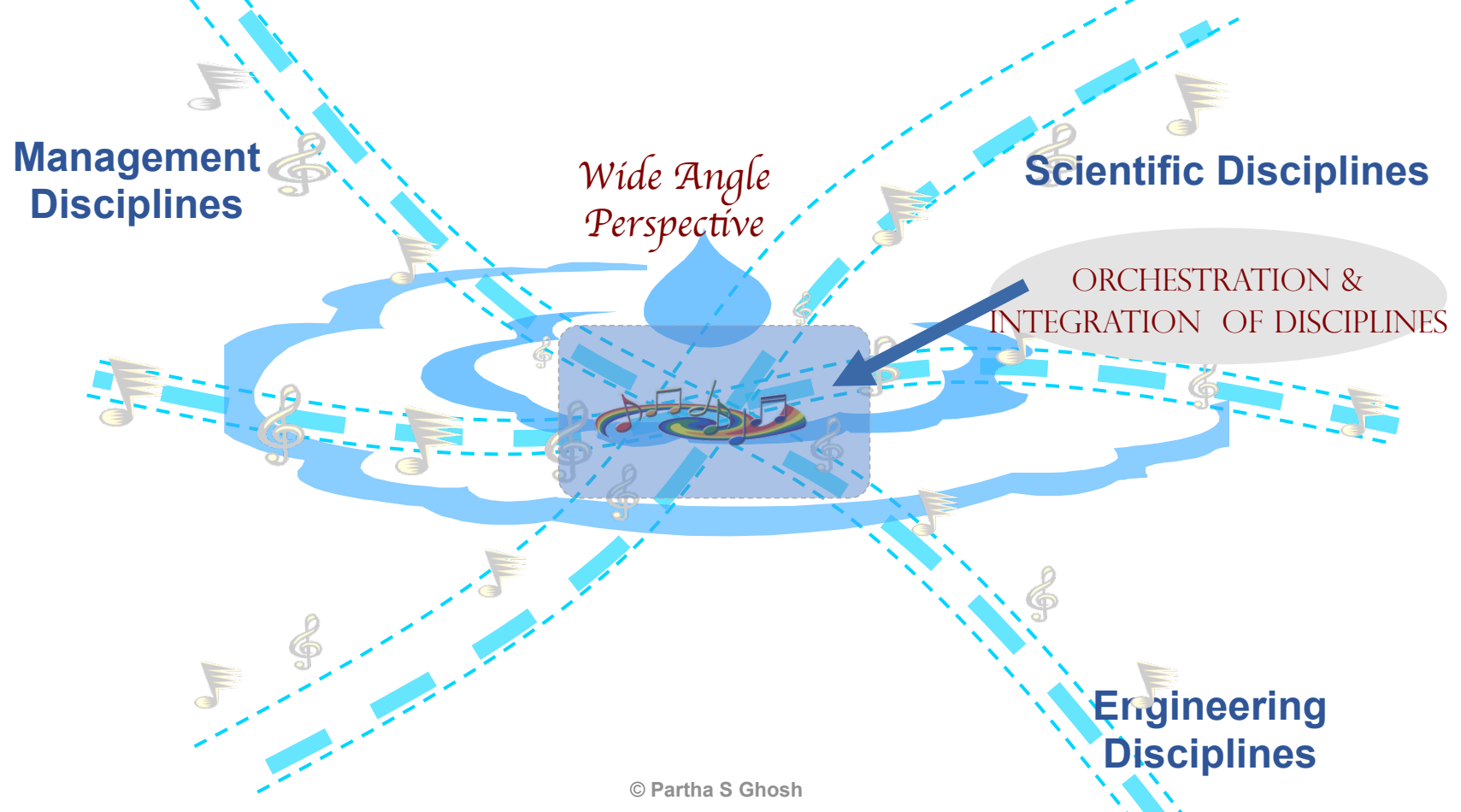
1. Distributed to concentrated
2. Rules of engagement
3. Stewardship



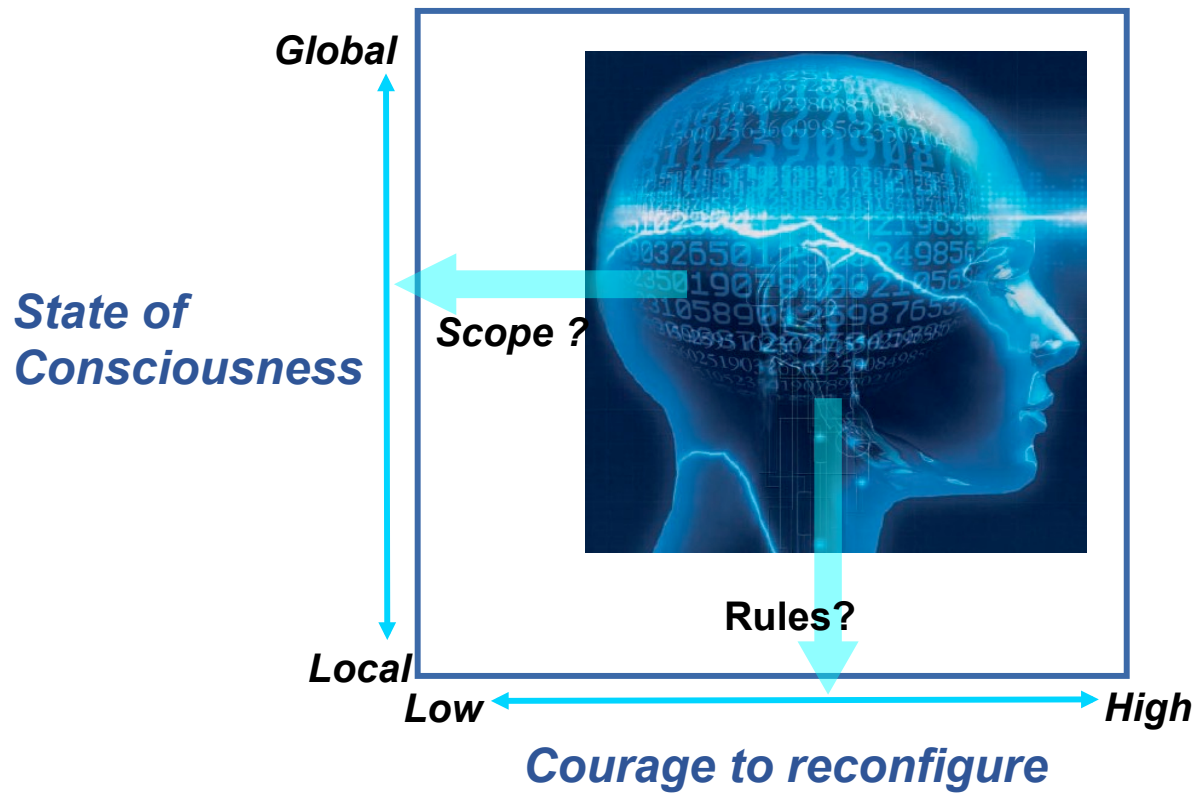
The Emerging Economic Environment — The Big Picture



Symphony of Multiple streams of Inquiry is essential



Two Significant Requirements for Ideation Economy



Today three high level points....

1

Our Planet in Perspective
In the 21st Century?

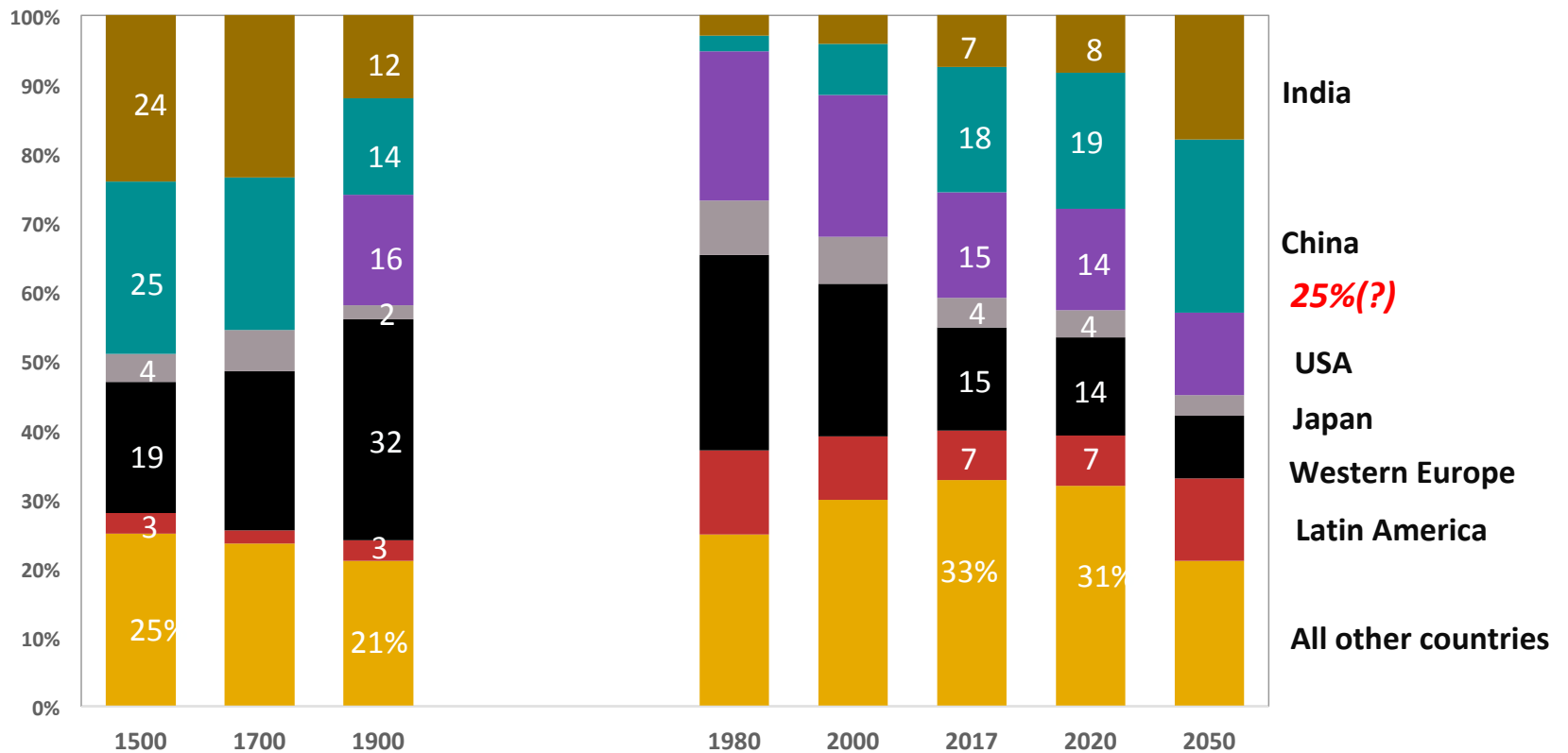
Not more and better of the same: Need
fundamentally a new approach

2

Next Phase *Imperatives*
of China's Globalization?

China on its way to gain its past glory?

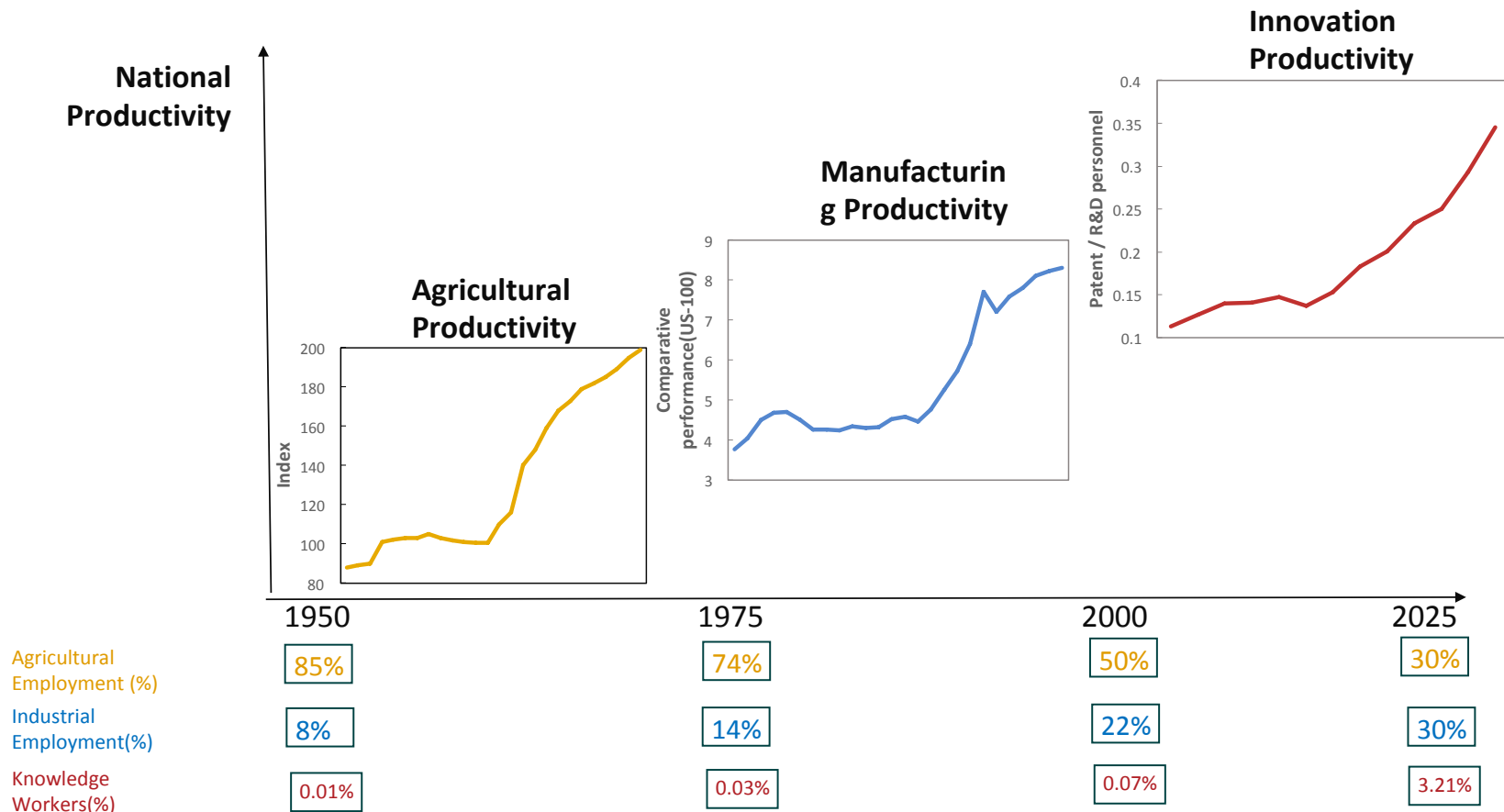
World GDP (in Trillion \$ / percentage based on PPP)



Source: IMF/Maddison Historical Statistics/PWC analysis

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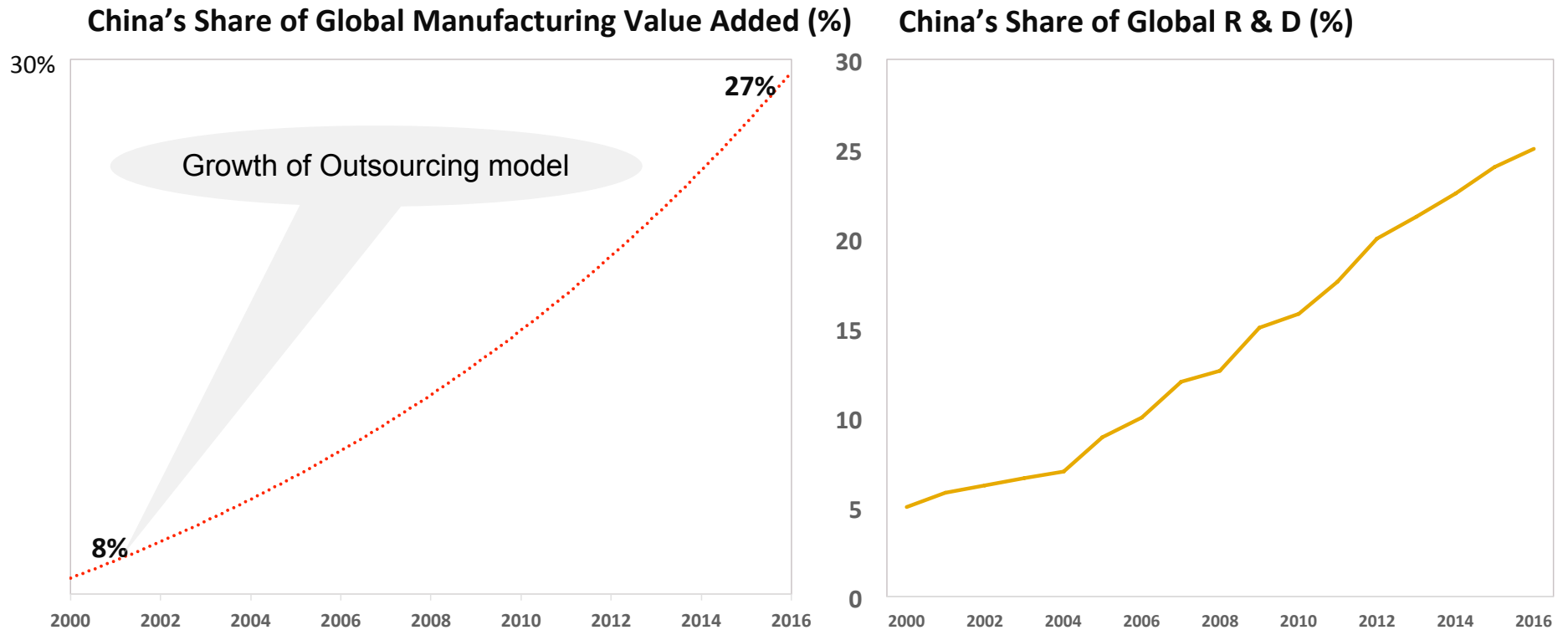
Productivity of China's human resources



Source: China statistical Yearbook; China Agricultural Statistical Year Book/ World Bank/
 Harry.Xu "Comparative labor productivity performance in Chinese manufacturing, 1952-1997: An ICOP PPP
 Approach"

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China's share of global manufacturing and R&D commitment has increased significantly

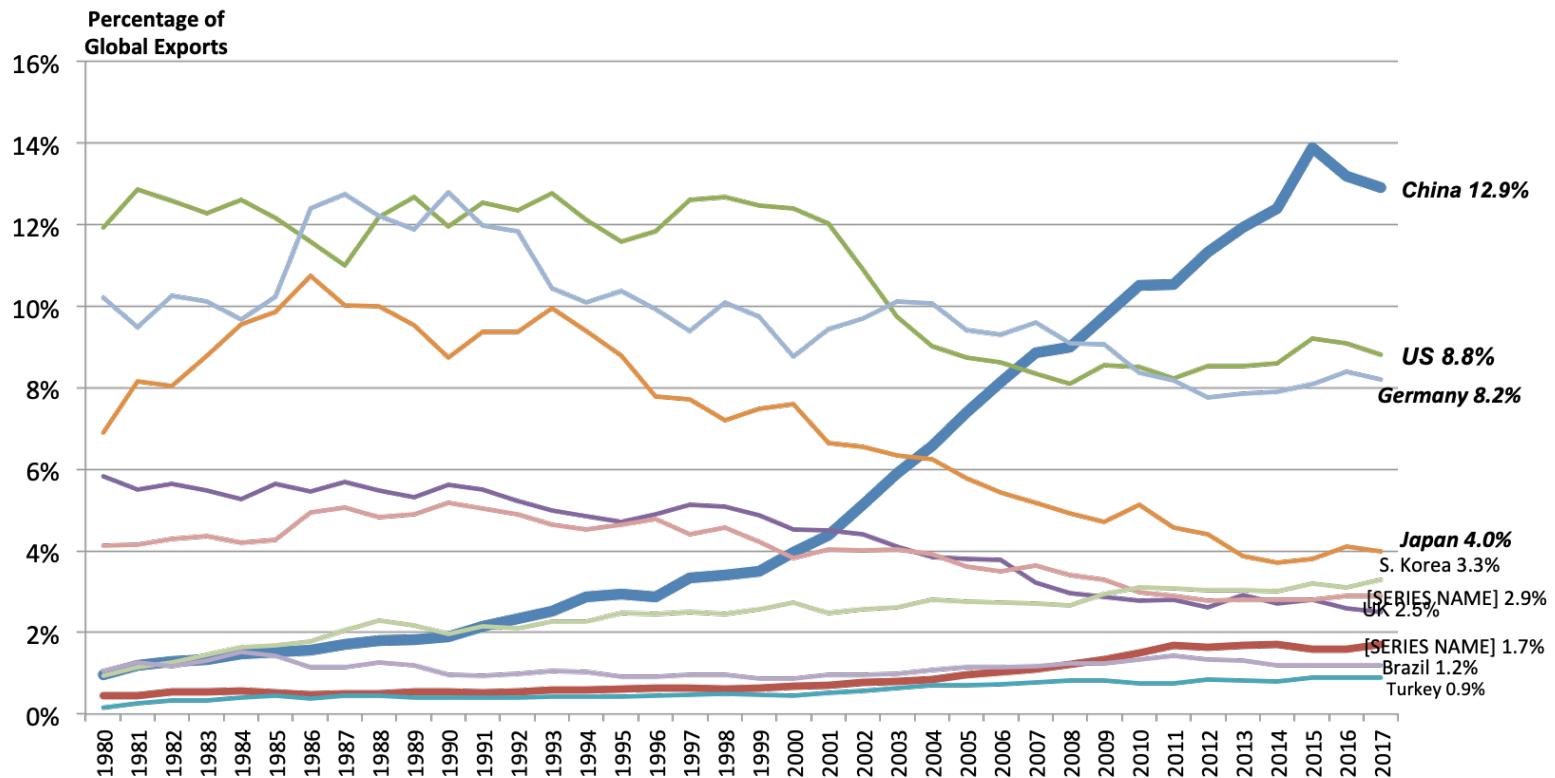


Source: OECD stats database/United Nations Industrial Development Organization

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China's manufacturing exports as a percentage of World manufacturing exports has increased by 10 times

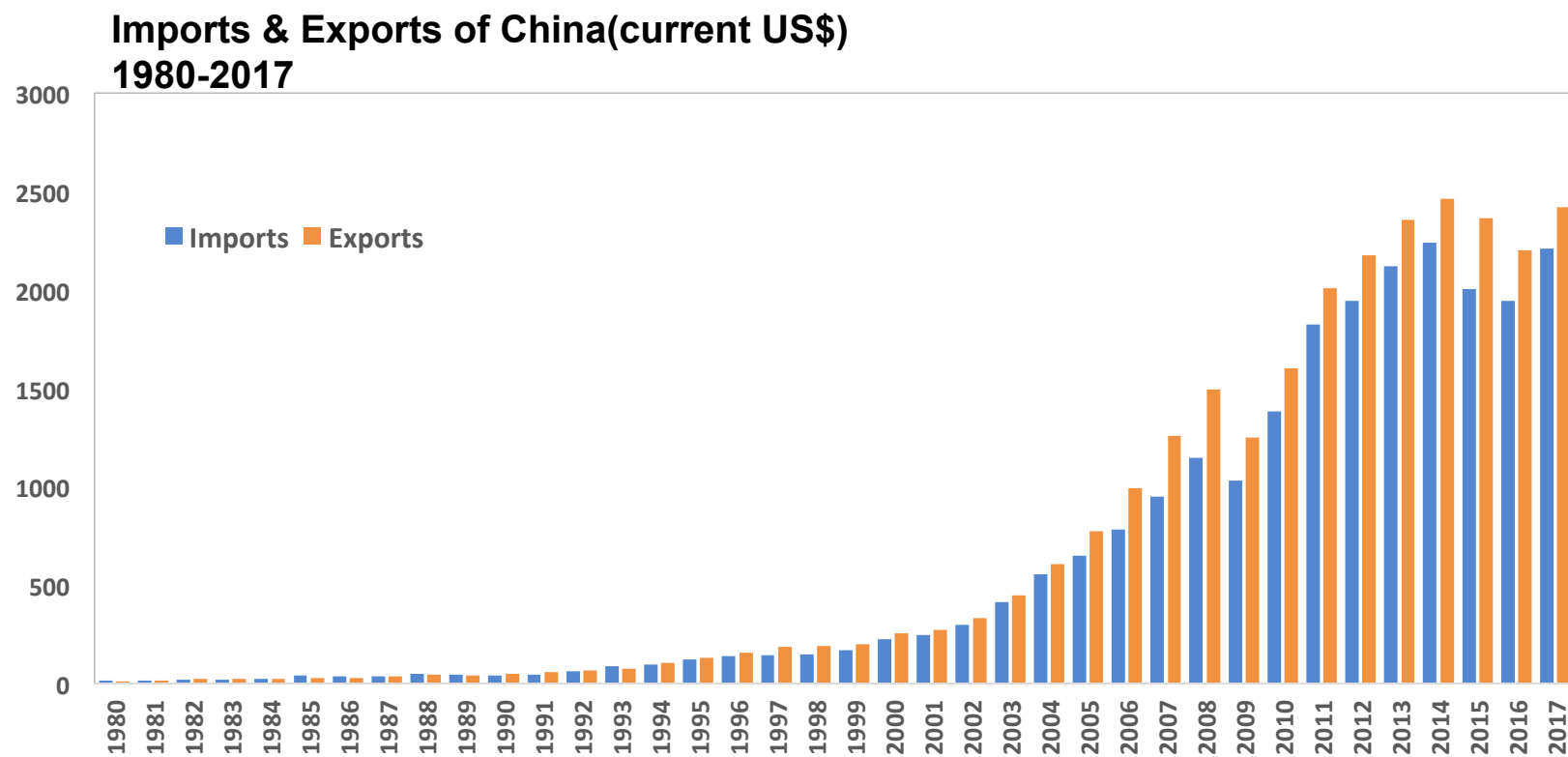
Share of Merchandise Exports of Selected G20 Countries(1980-2017)



Data Source: International Trade Center Statistics

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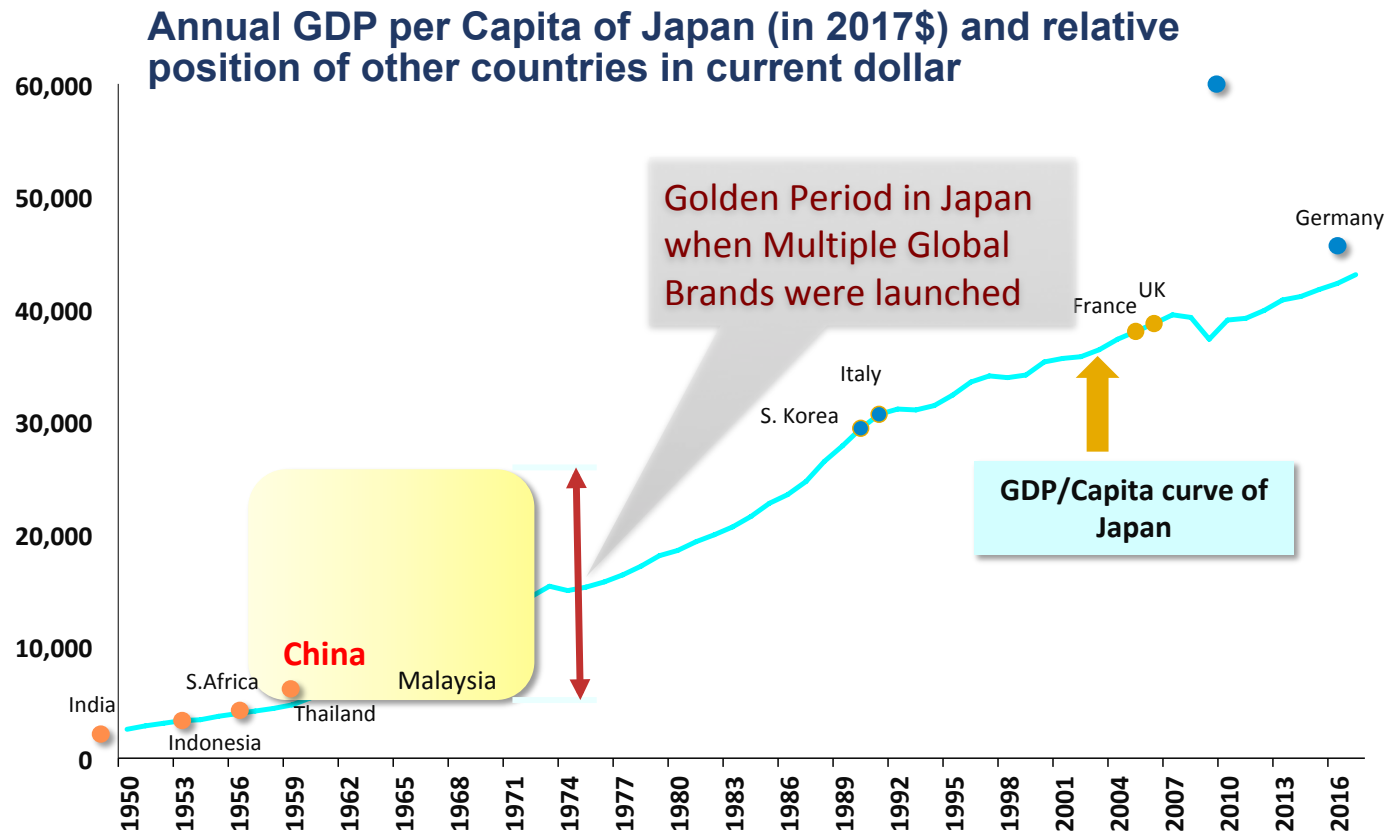
China now clearly a major trading nation



Data Source: World Bank

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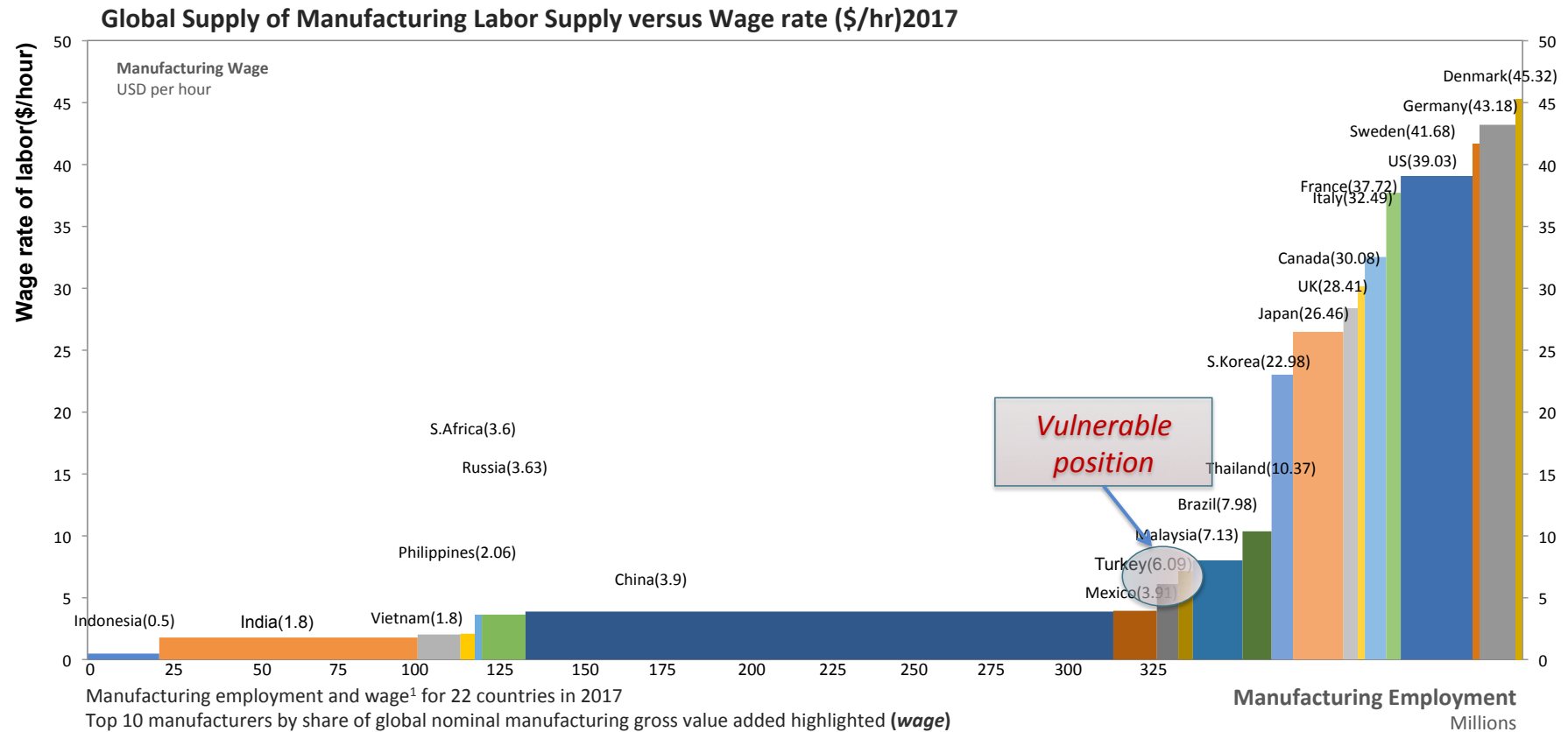
Now it is at a point in its development trajectory that triggered the golden period of Japan's development curve



Source: Total Economy Database/World Bank

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As wage rate rises China will need a new “global engagement” formula

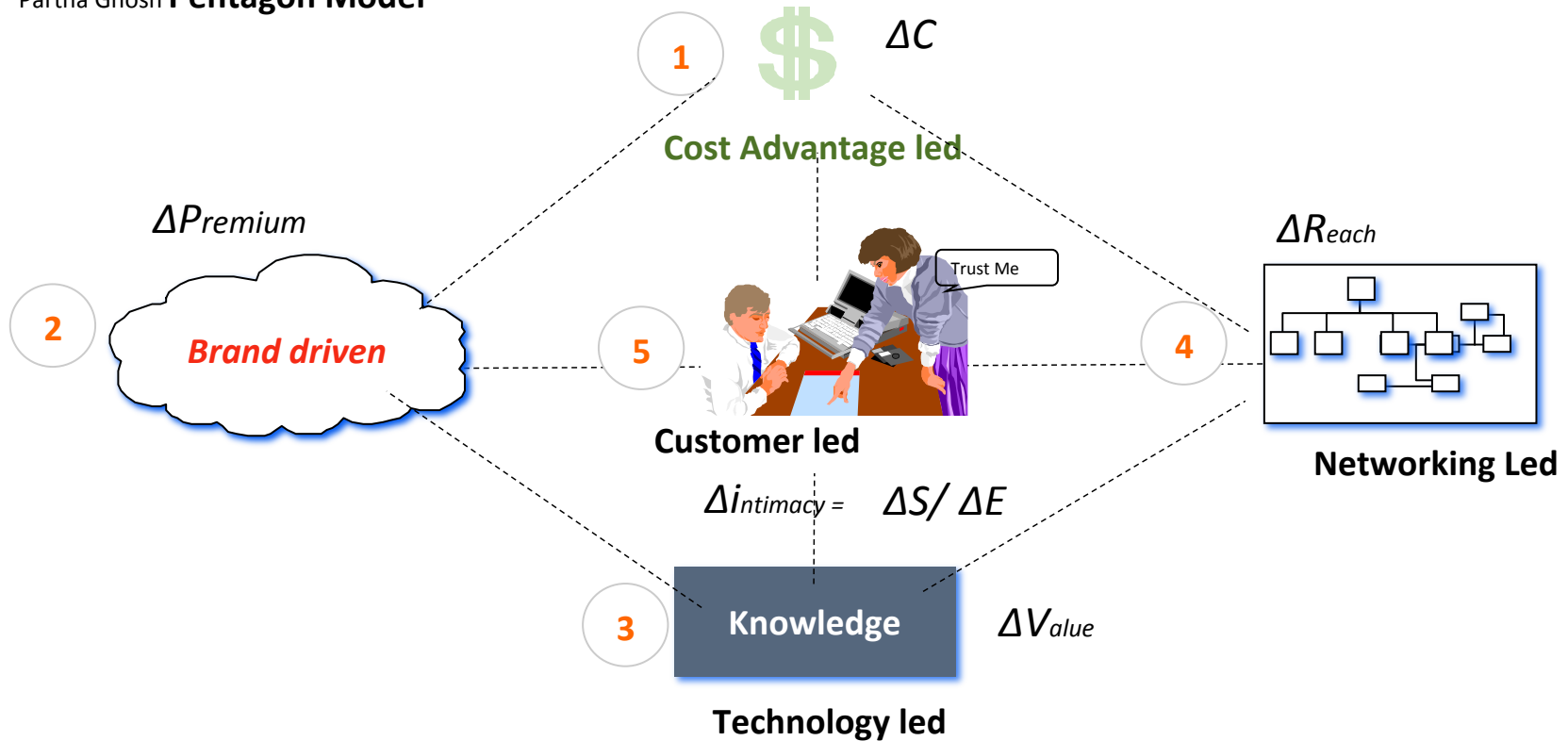


SOURCE: International Labor Organization, ILOSTAT, China Statistical Yearbook, U.S. Bureau of Statistics; Ministry of Labor, Employment of India, Statistics Canada, Ministry of Labor & Employment Government of India

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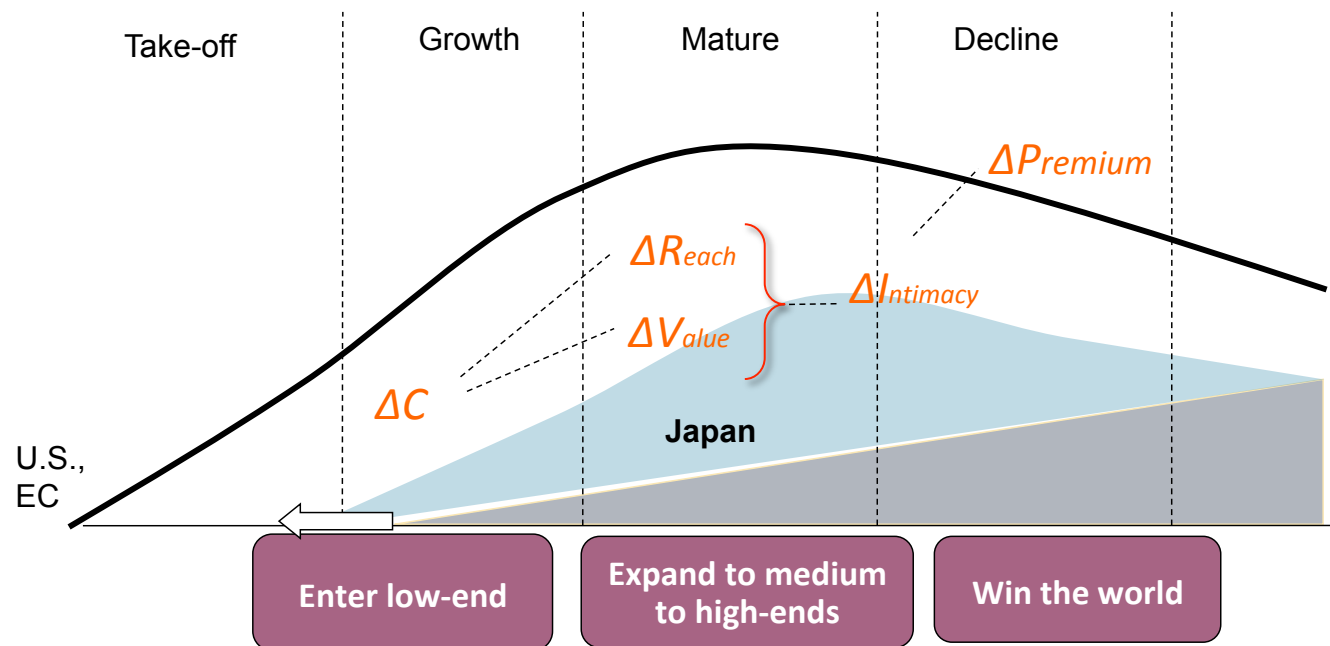
Strategic Differentiation driven by the combination of different factors

Partha Ghosh **Pentagon Model**



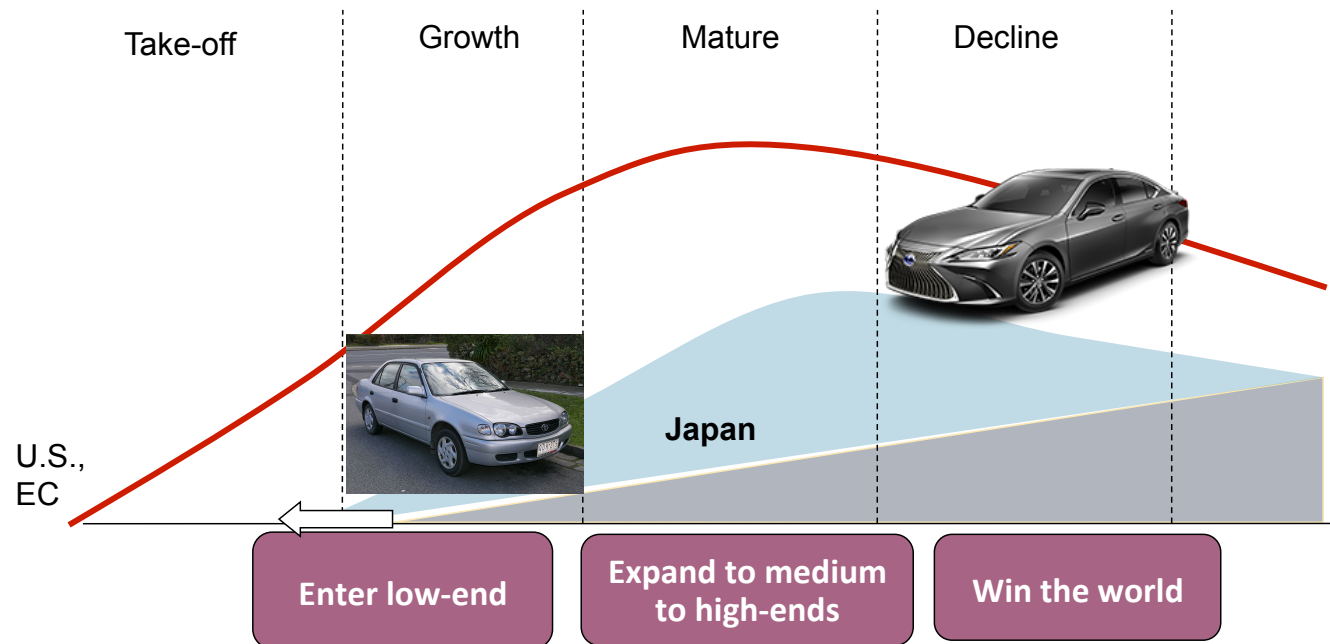
Lessons from Japanese Industrial Strategies

Success formula?



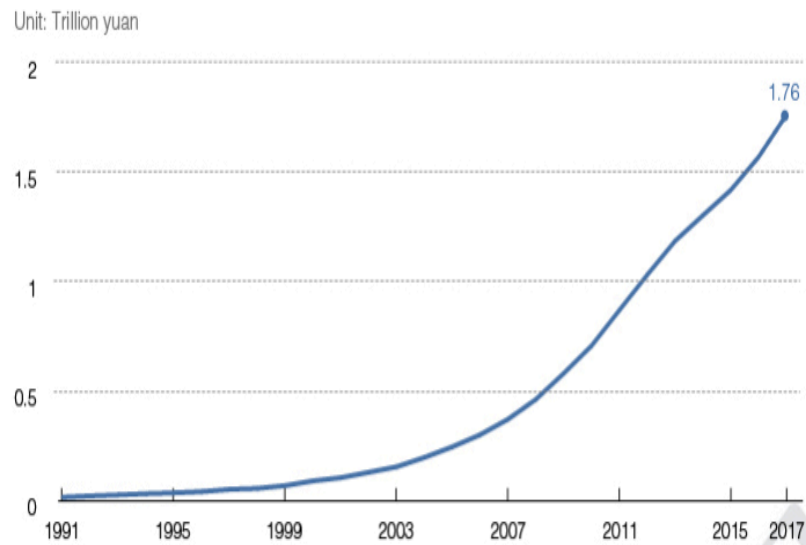
Japanese Industrial Strategies

Success formula?

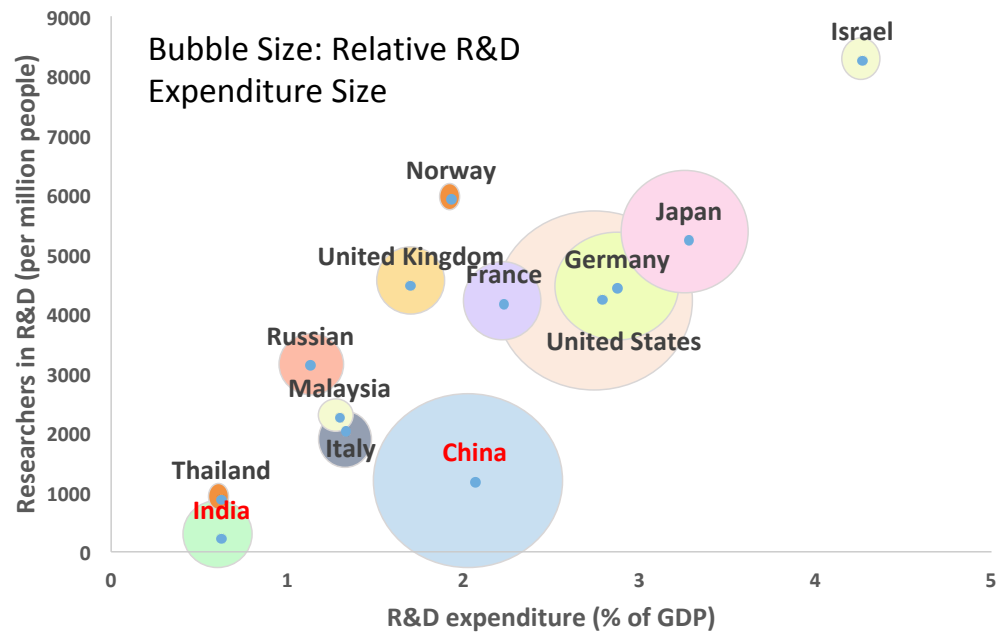


Surging R&D Expenditure in China—continue its drive to become a technology powerhouse

China R&D Spending (1991-2017)



R&D Expense vs Number of Researchers by Country(2015)

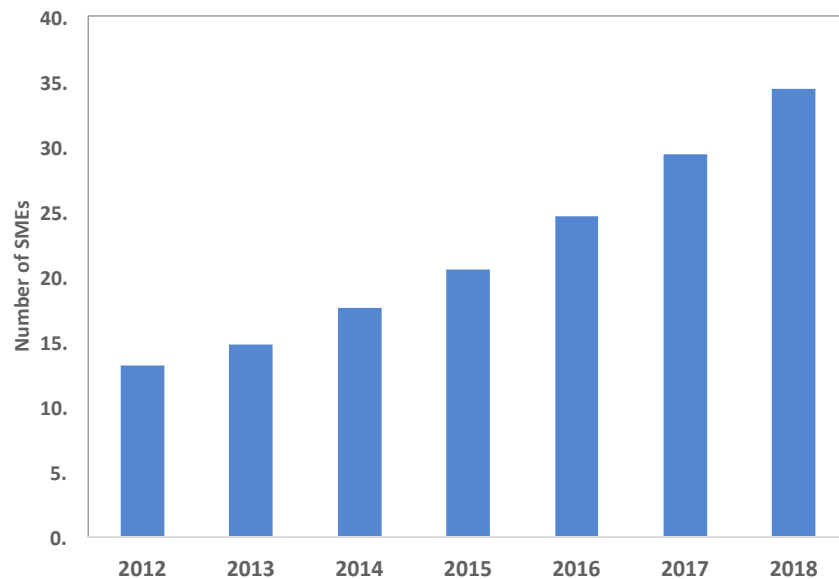


Data Source: World Bank

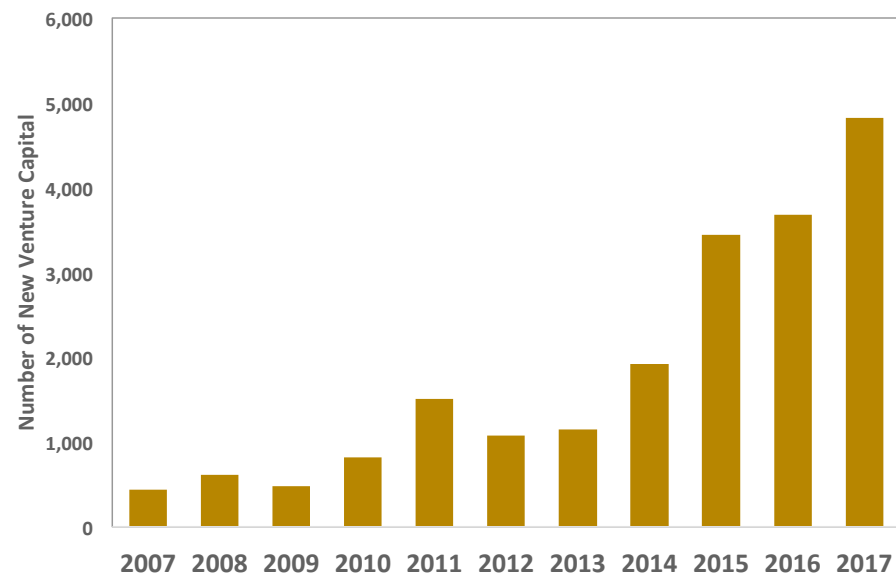
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The new businesses are booming, - attracting an increasing number of venture capital investments

Number of small to medium-sized enterprises in China from 2012 to 2018 (in millions)



Number of new venture capital investments in China from 2007 to 2017

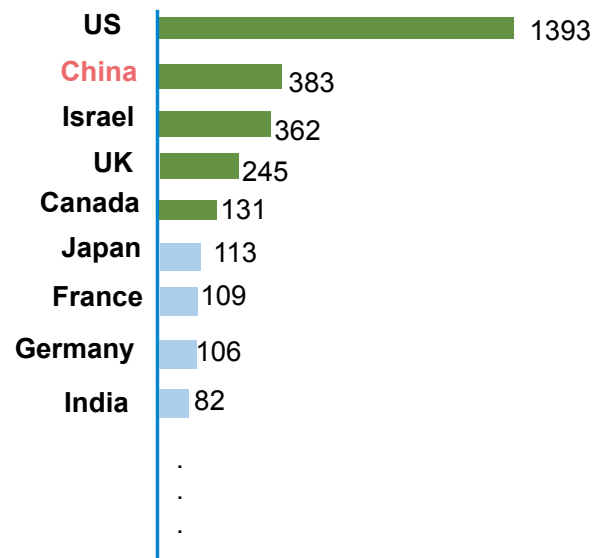


Source: Statistica

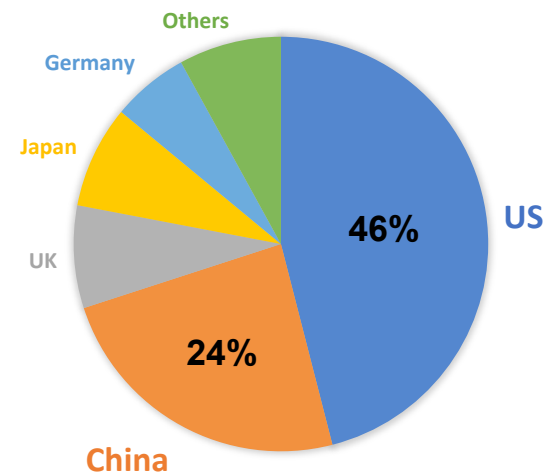
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China is emerging as a dominant player in Artificial Intelligence

Global Distribution of AI Startups(2016)



AI Leading Companies Global Share(2017)



Data Source: McKinsey Global Institute analysis/ Tencent Research Institute/CB Insights/PWC analysis

Equally impressive is China's commitment to Life Sciences



Policy Support

- Government mandated biotech industry should exceed 4% of GDP by 2020.
- Pharmaceutical sector is one of the high-tech fields targeted under national strategy.



Industry Deregulation

- Introduction of self checking declaration by drug companies, freeing up CFDA trial pipeline.
- Regulatory reforms with the aim of reducing costs for life sciences companies and eliminate some of the cumbersome requirements for conducting R&D activities.



Investment Boom

- China life science investment reaches record high in 2018—**\$43 billion**
- Chinese VCs have contributed roughly **43%** of the capital inflow in the **US healthcare sector** in 2018, increasing from just 11% in 2016.

Same is true in Renewable Energy Development



Bioenergy

China overtook the United States as the **largest producer** of **bioelectricity** during 2017.



Solar photo-voltaic

China is leading the growth of Solar PV--it **ranks first** since 2015 in both installed capacity and power generation.



Hydropower

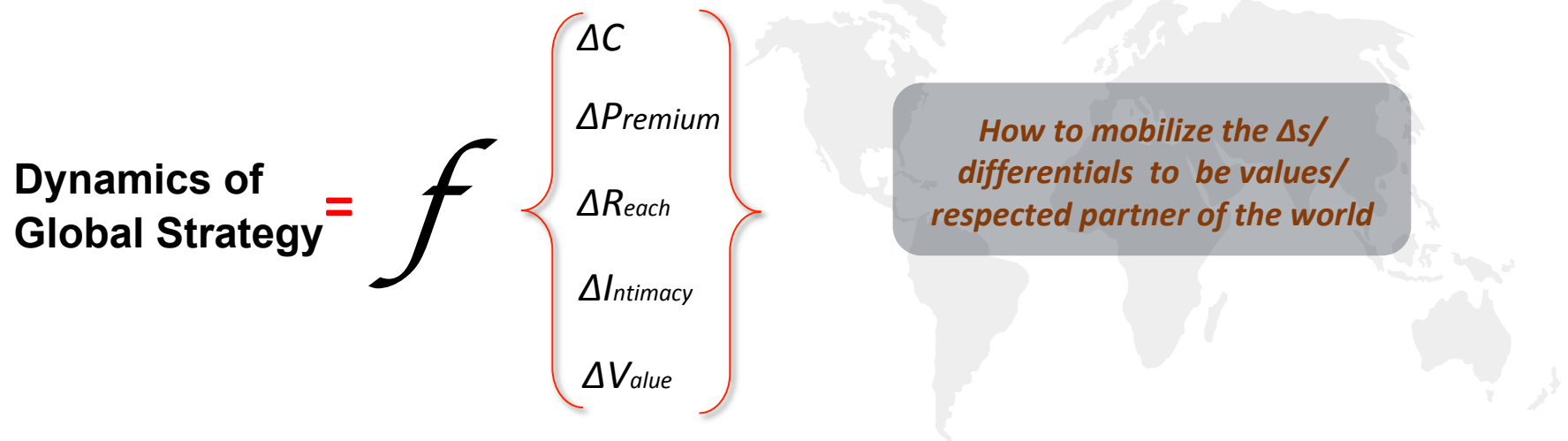
China **remained the leader** in commissioning new hydropower capacity--nearly 40% of new installations in 2017, and was followed by Brazil, India.



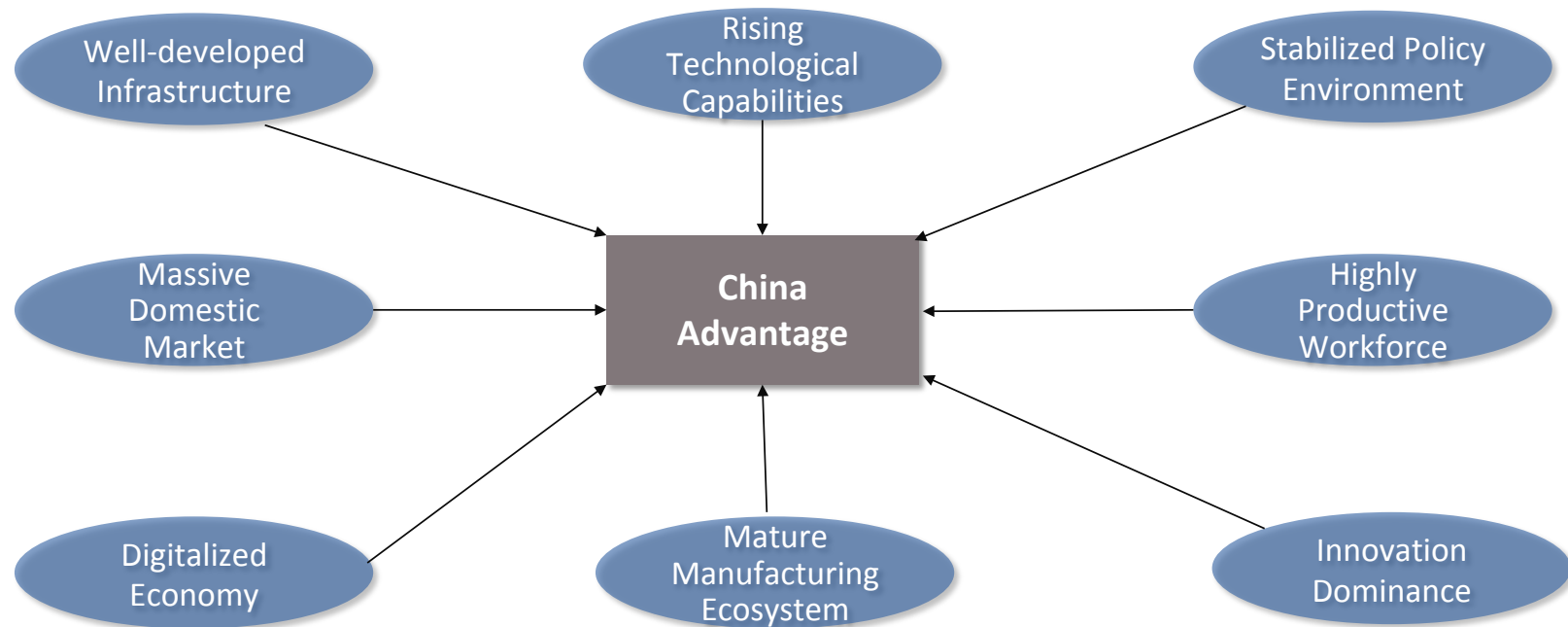
Wind Power

China maintained its **leading position** as a wind energy powerhouse, installing 19.7 GW, while the European Union added 15.6 GW of capacity. The U.S. installed a little over 7 GW of capacity.

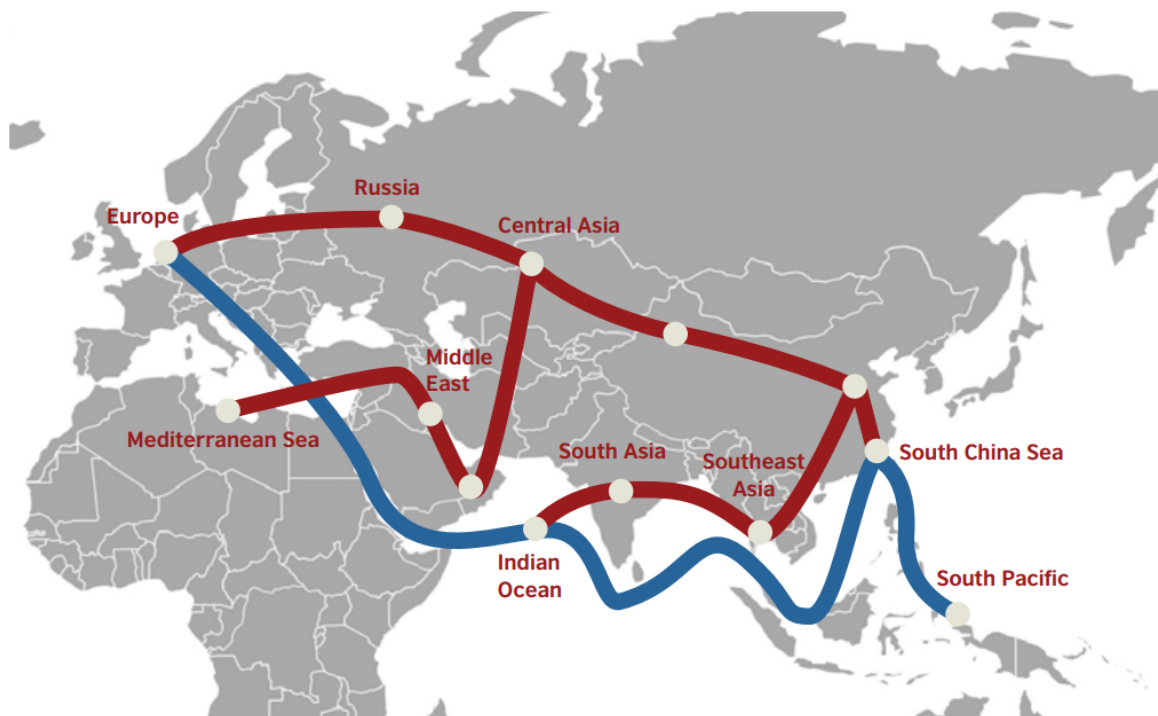
Global Strategy of Chinese companies will need to be driven by the combination of different factors



The competitive advantages of China



One Belt One Road(OBOR) clearly a bold step in the right direction



The blue route is the "21st Century Maritime Silk Road", and the red routes are the "Silk Road Economic Belt"

The OBOR blueprint encompasses over 60 countries, which account for 60% of the world's population and a collective GDP equivalent to 33% of the world's wealth.

Explicit Objectives:

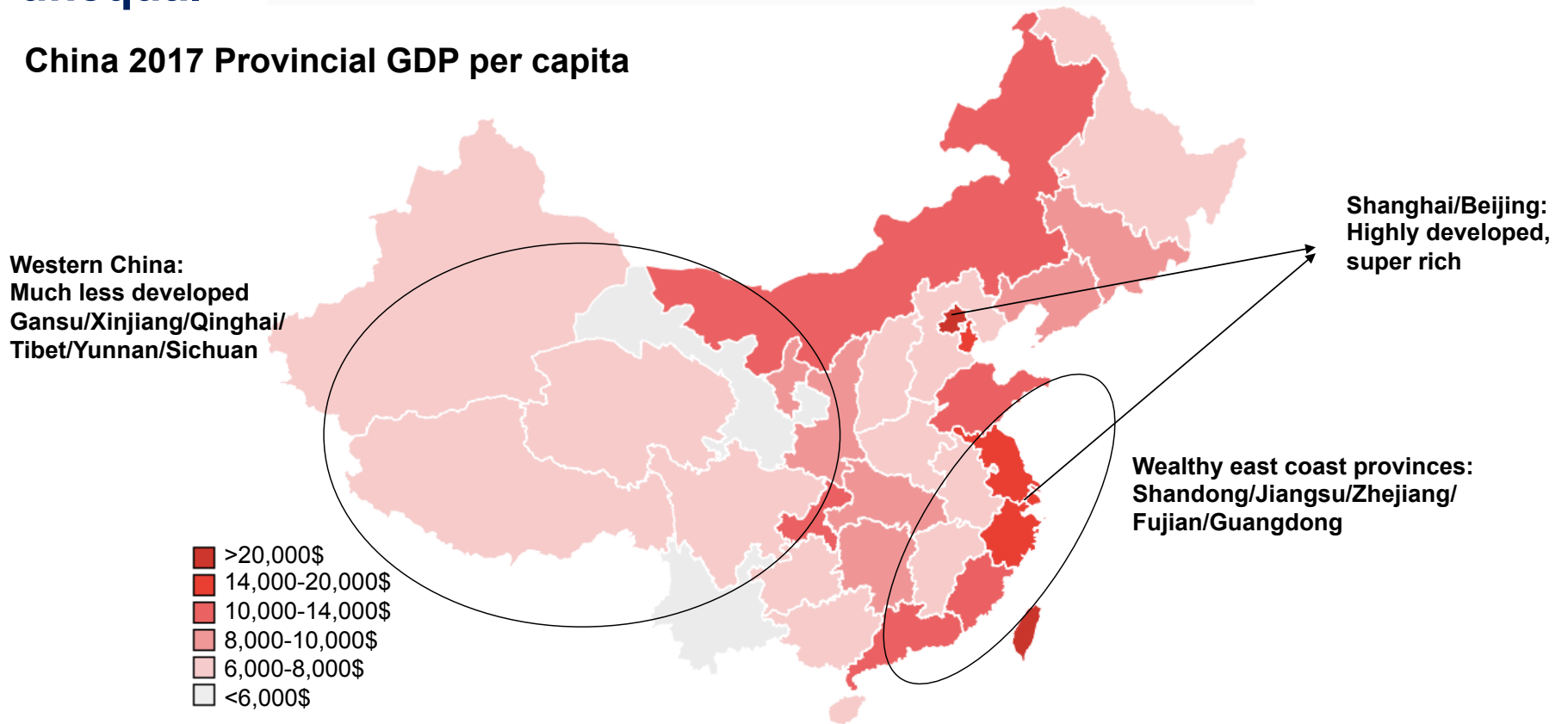
- Prosperity for underdeveloped Western China
- Increased connectivity and economic development along routes through exchange of goods, services, information, and people
- Greater integration between China and neighbors
- Energy security through diversification of resources

Implicit Objectives:

- Outlet for domestic overcapacity and overseas investment
- New markets for Chinese products and services

China experienced rapid economic growth but extremely unequal

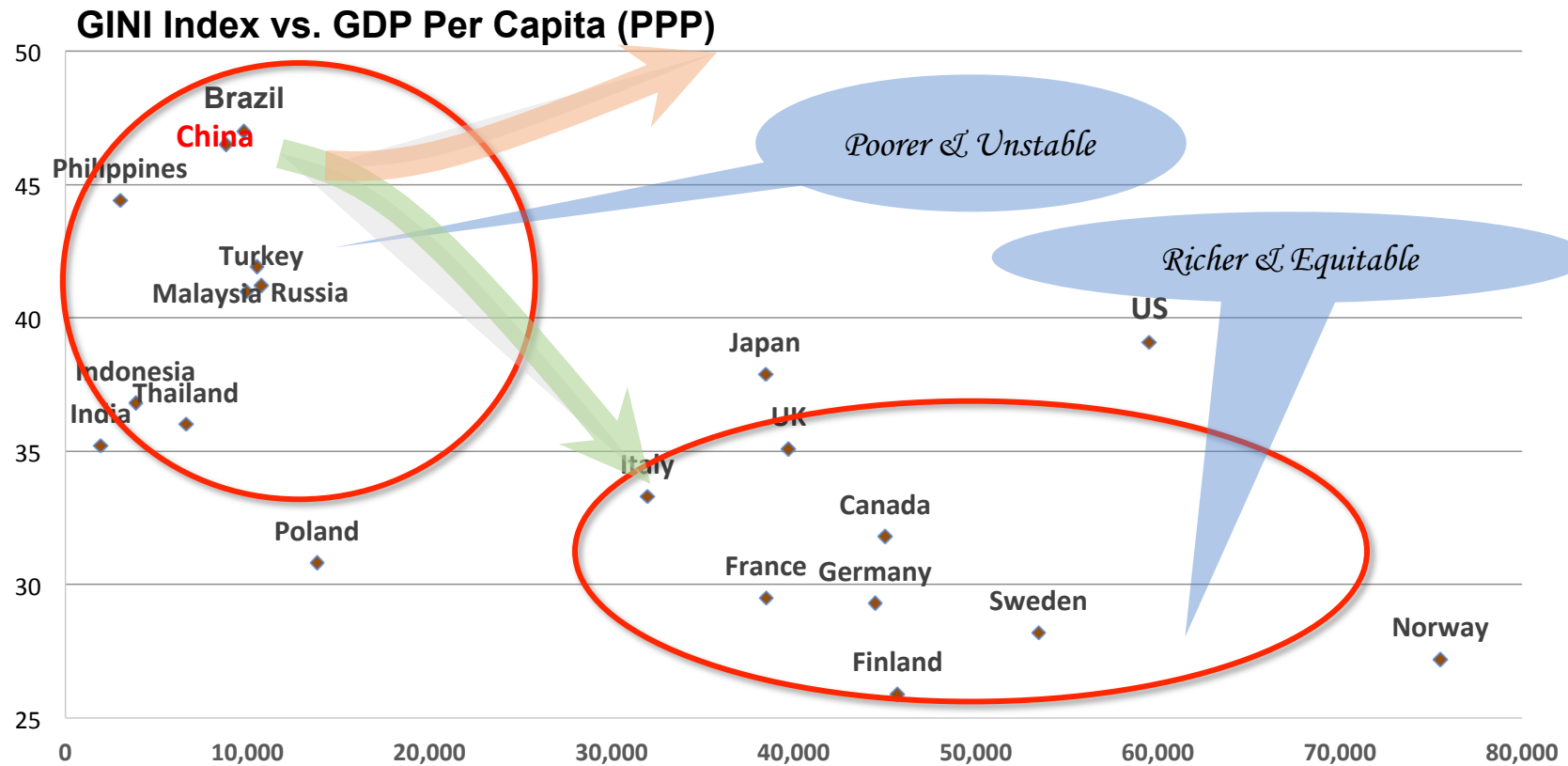
China 2017 Provincial GDP per capita



Data Source: China National Bureau of Statistics

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Growth not at the cost of inequality ?

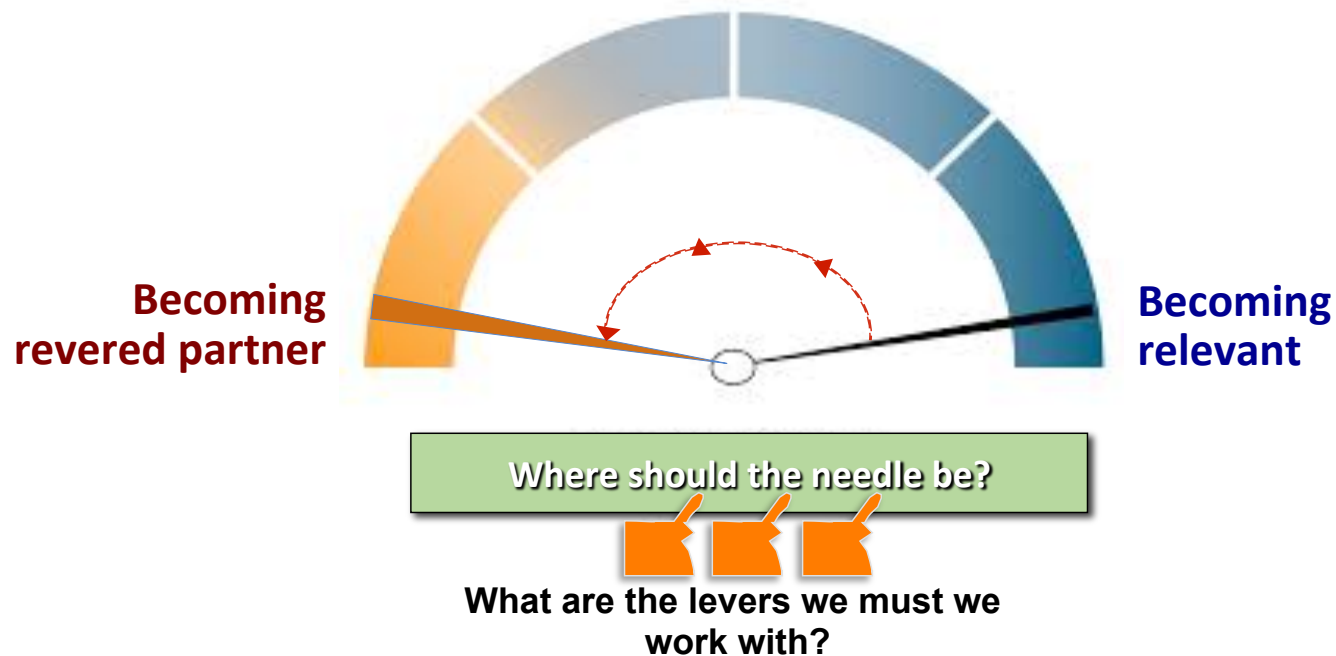


SOURCE: World Bank/OECD/US Central Intelligence Agency

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**China will need to work with a new set of Leadership metrics (?)
in developing a "New Engagement formula"**

"Measures & Metrics of Progress"



Globalization not a “zero sum” game but “plus sum” process?

Leadership opportunities across Nations:

- ✓ Widening Gap between Rich & Poor
- ✓ Limits of Free markets
- ✓ Resource constraints of Governments
- ✓ Growing Youth population
- ✓ Resource & Ecology Constraints
- ✓ Eroding Ethics



*China as a Global
Thought Partner/
Problem Solver to offer
an Alternative Path
forward*

The New Innovation Economy will operate differently, implying a Fundamental Shift

Principles of Next Phase(?)

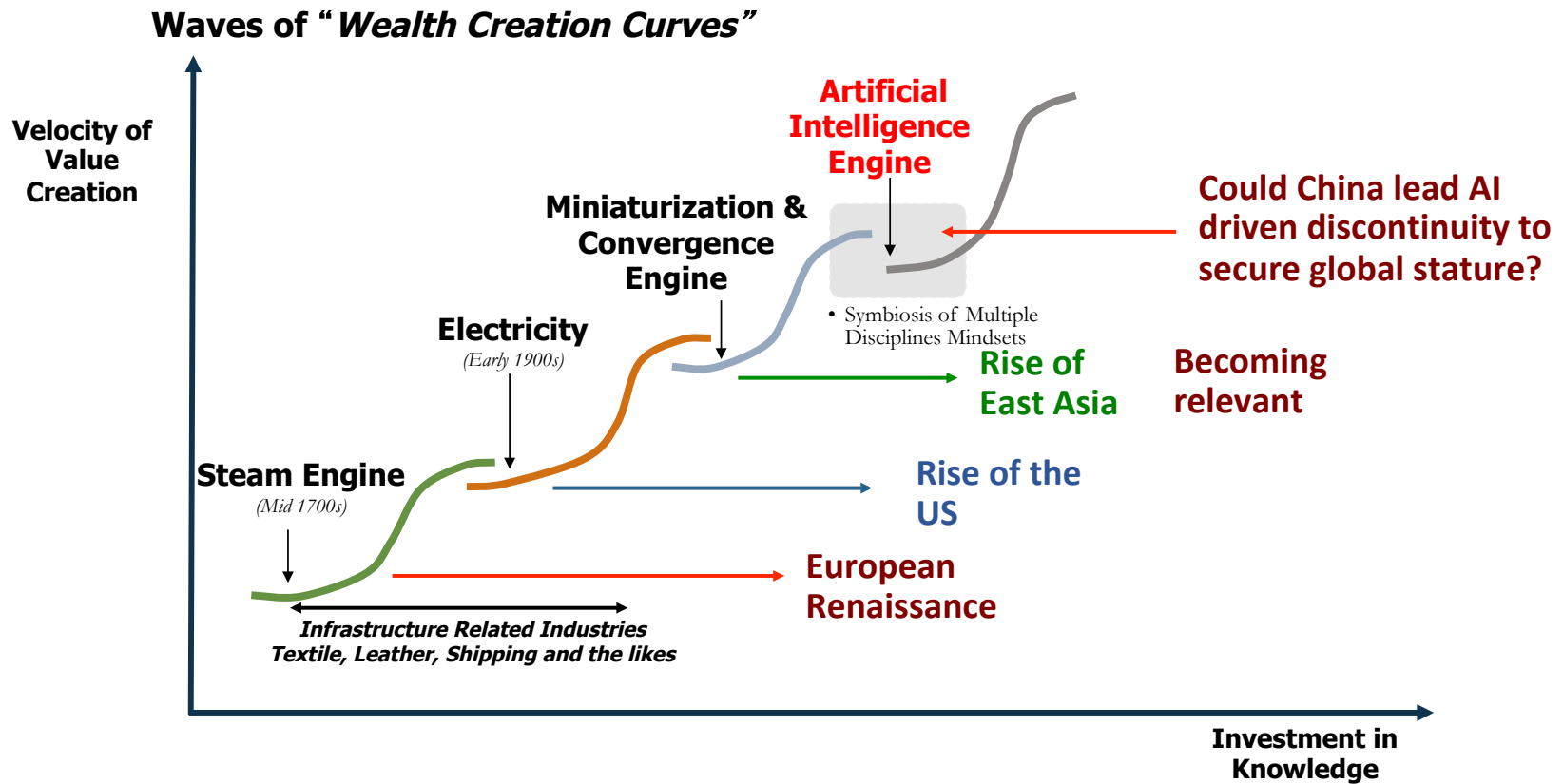
Industrial Economy/Build up of basics

- Globalization led by “*outsourcing*” model
- Economies of Scale
- Export led growth
- Leverage of low cost skills/labor
- Investment in physical infrastructure
- Fast follower/Adjust to Western rules
- Imported IP

Knowledge Economy/Equal Partner

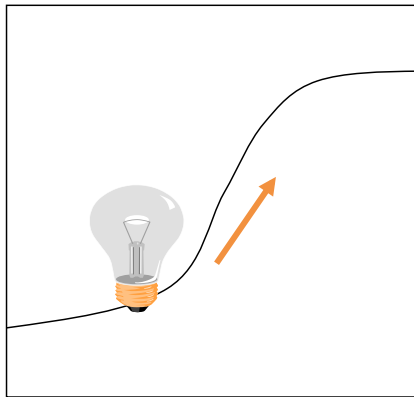
- Globalization based on thought leadership
- Economies of skill & scope
- Enlightenment led progress
- Value driven
- Investment in “*global wisdom infrastructure*”
- Strategic Partnerships/Shape Global rules
- Collaborative IP development

So could China become AI-led problem solver for global issues?



Global bets during times of change?

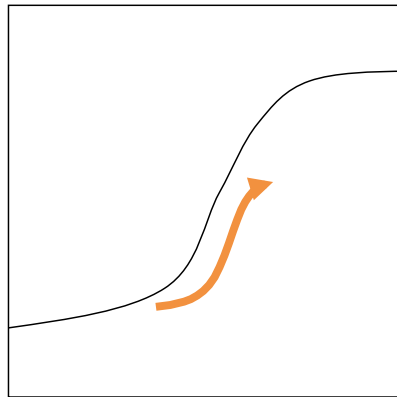
Towards Ideation/"Imagination" Economy?: *Three different strategies*



Shape the future

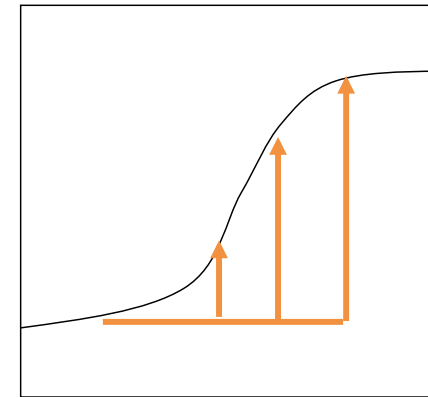
Play a leadership role in establishing how the industry operates, for example:

- *set standards*
- *create demand*



Adapt to the future

Win through speed, agility, and flexibility in recognizing and capturing opportunities in existing markets



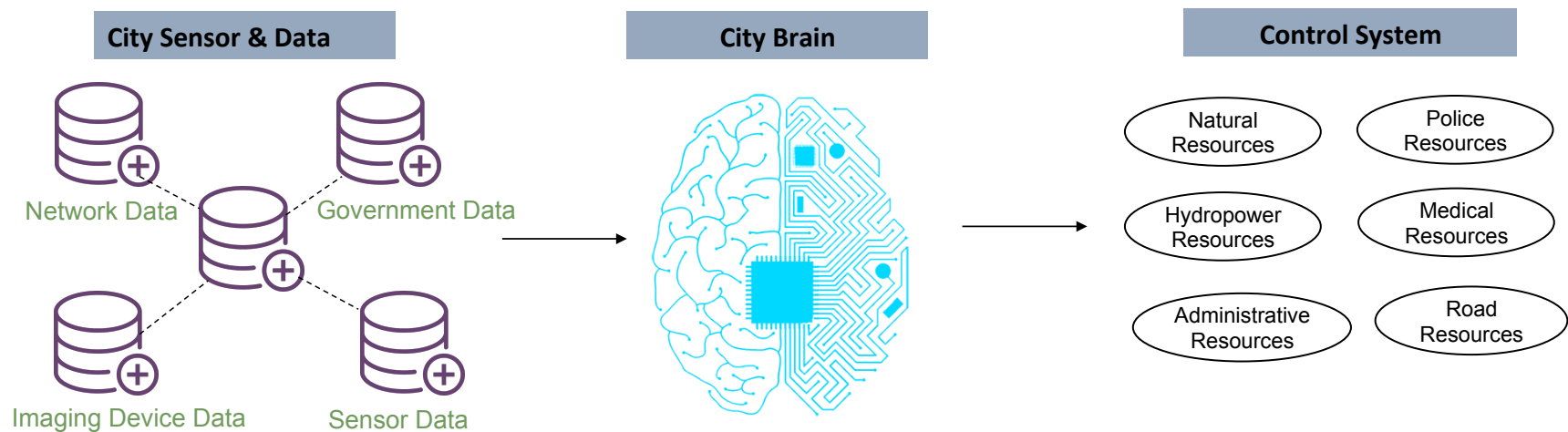
Reserve the Right

Invest sufficiently to stay in the game but avoid premature commitments

China's Initiative in AI... an example from Alibaba

Intelligent City --- Alibaba's City Brain project

- **City Brain works by letting artificial intelligence control a city.** Alibaba Cloud provides the software, but the city owns the data.
- This AI platform was first implemented in Hangzhou, China, in September 2016. It started to be used in Macau in 2018 and will be used in capital of Malaysia in 2019.



Data Source: Alibaba Cloud

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Our Planet in Perspective
In the 21st Century?

**Not more and better of the same:
Need a fundamentally new approach**

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Next Phase *Imperatives*
of China's Globalization?

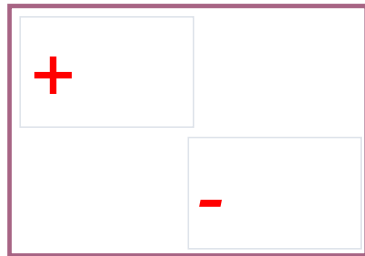
From low cost supplier to **Innovative
partner of progress** rooted in its own
traditional heritage

3

Unlocking the Leader
In You?

Putting it all together Innovative integration of multiple perspectives will be essential

Micro Economy

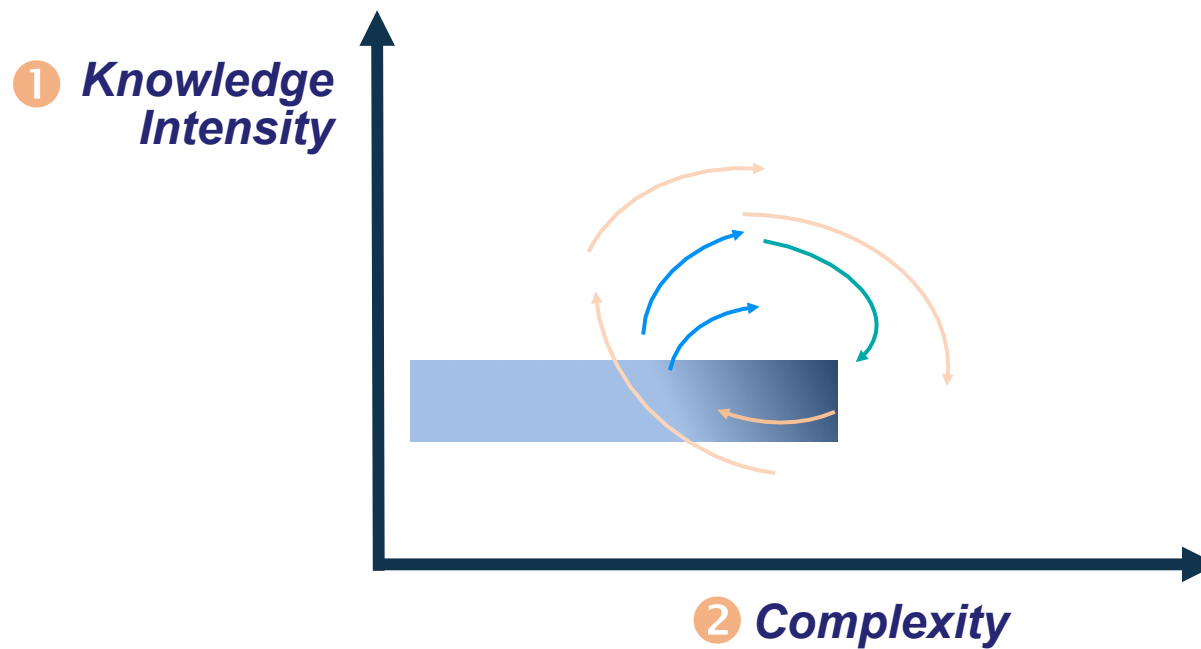


Macro Economy



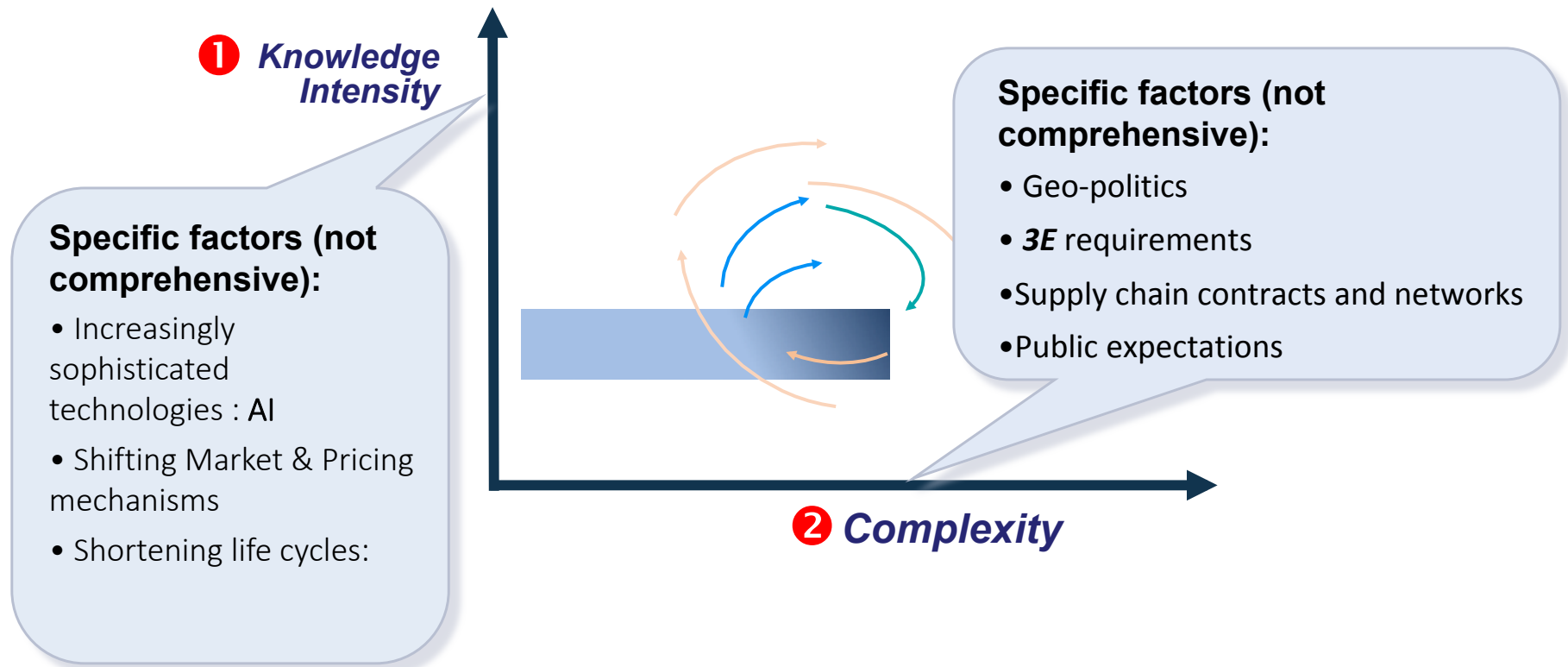
The Emerging Landscape

The Two Critical Vectors



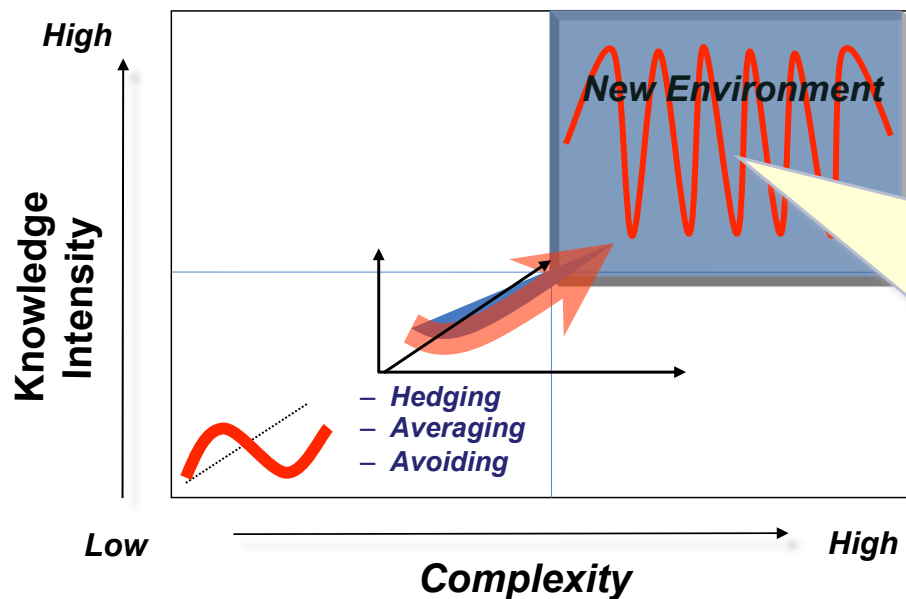
The Emerging Landscape

The Two Critical Vectors



Challenge: Old tools, Old mindsets, Old Habits for the New Environment are indeed inadequate

Future Landscape: The Basic framework



There is a clear need for **New Leadership Framework** that enables:

- *Holistic & Customized responses*
- *Objective/Analytically sound problem solving*
- *Insightful real-time decision making*
- *Search for higher levels of benchmark(Kaizen)*
- *Inspiration for people all around*

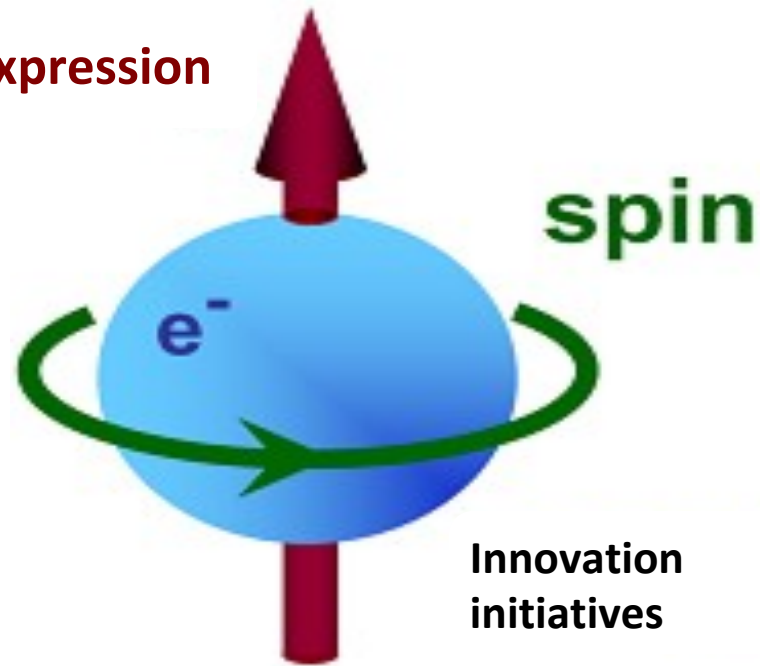
Unleashing your inner power.. through 360 degree understanding of the outer world...

...." How far you will go will be depend upon, how far your vision could stretch and how much you sharpen your passion"

Leadership Culture is fundamental

- *It could be energizing .. It could be suffocating*

Leadership Expression



What is Leadership?

What do people see in a leader?

Various Qualities People Connect With

Energizing

Motivating

Making a Difference

Inspiring

Moving

Influencing

Charisma

Caring

Making things happen

Winning

Visioning

The Inner side?

Various Qualities less Visible but more Fundamental

Ethics

Honor

Service

Integrity

Trust

Taking risks ahead of others

Selflessness

Sensitive

Path Finding

Self confidence

External *versus* Internal qualities

What people see?

Energizing

Inspiring

Influencing

Making things happen

Moving

What's within ?

Ethics

Honor

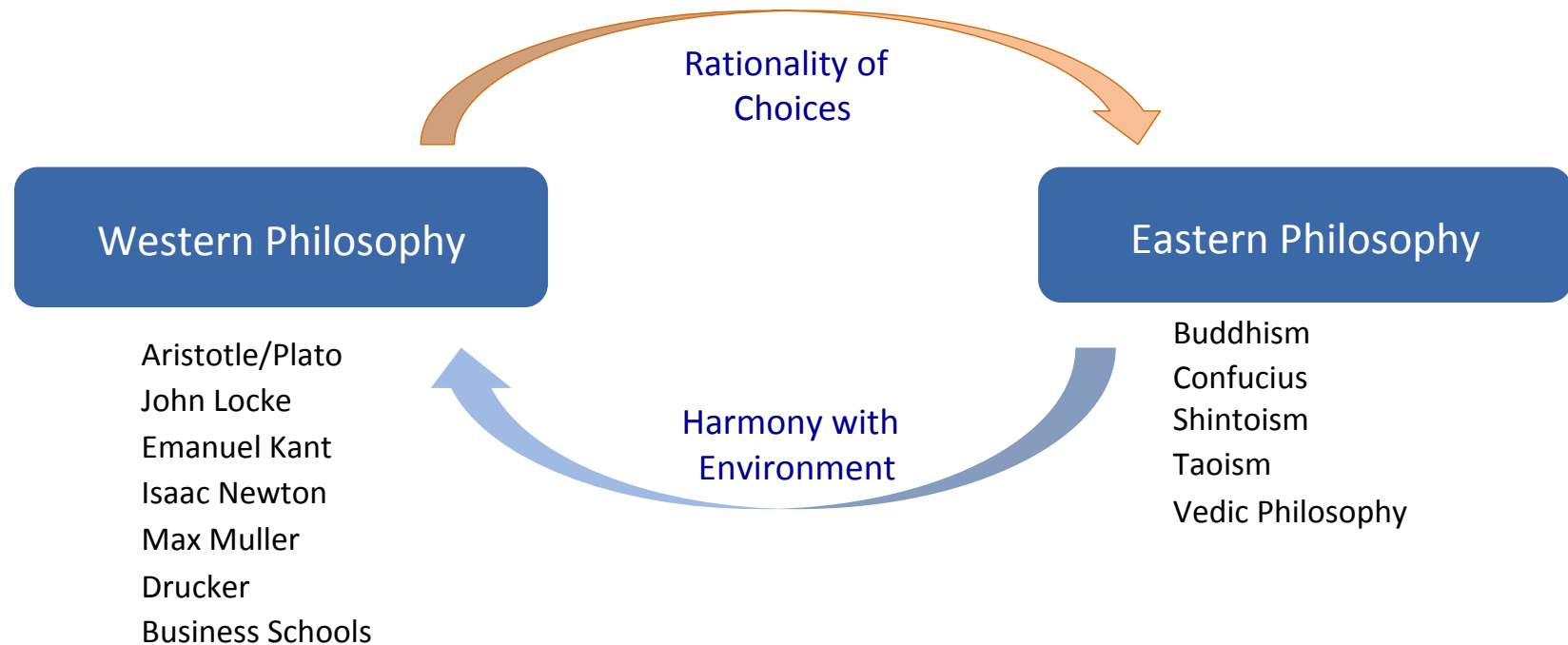
Trust

Integrity

Selflessness

Sensitive

Leadership Programs must build on Eastern and Western thoughts



Manager..... *Necessary but not sufficient*

Manager	
• relies on control	
• administers	
• plays by the books	
• eyes are on the bottom line	
• focuses on systems and structure	
• follows	
• accepts status quo	
• classic good soldier	
• has a short-term view	
• asks how and when	
• maintains	
• accepts reality	
• does things right	

Manager, but also be a leader

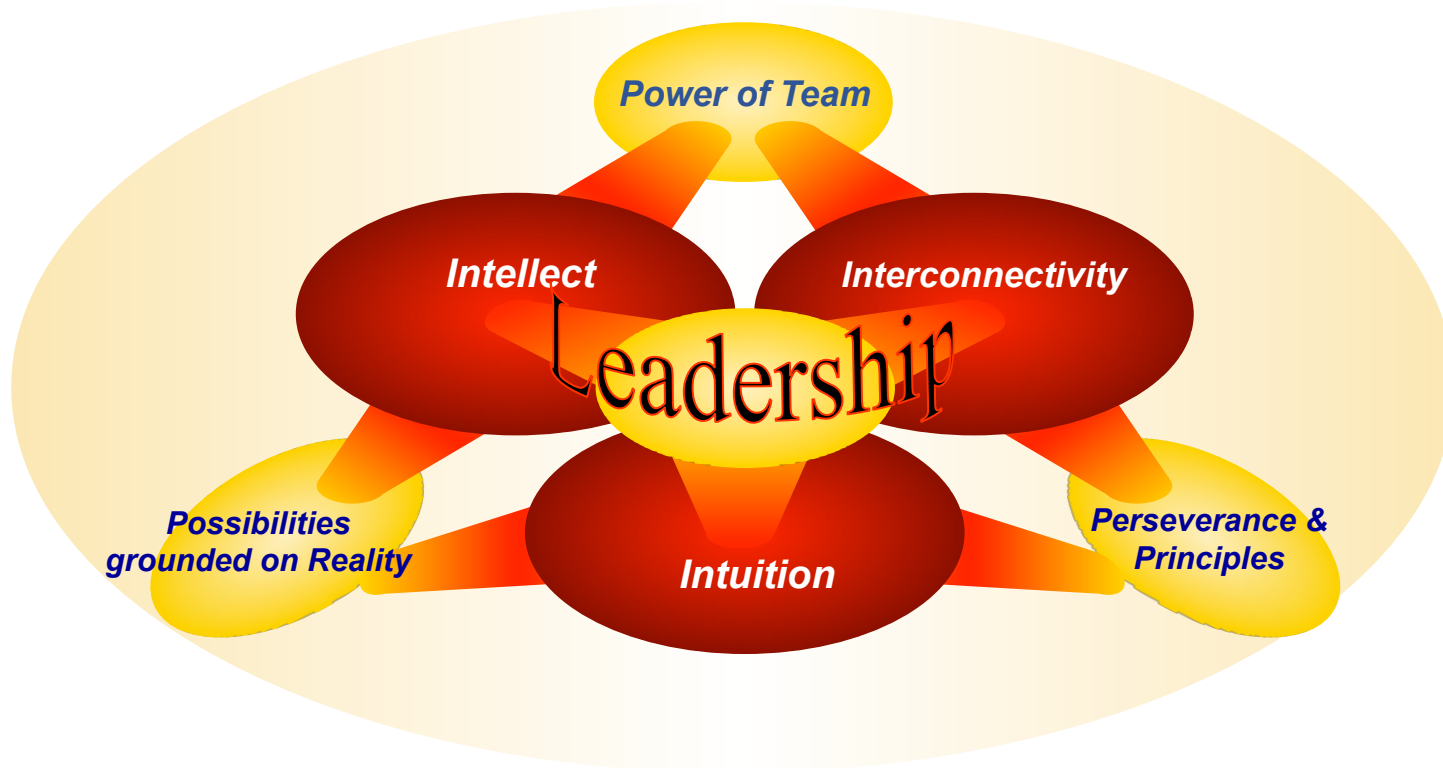
Manager	Leader
• relies on control	• inspires trust
• administers	• innovates
• plays by the book	• is an original
• eyes are on the bottom line	• eyes are on the horizon
• focuses on systems and structure	• focuses on people
• follows	• originates
• accepts status quo	• challenges status quo
• classic good soldier	• her/his own person
• has a short-term view	• has a long-term perspective
• asks how and when	• asks what and why
• maintains	• develops
• accepts reality	• investigates reality
• does things right	• does the right things
Not comprehensive, builds on popular literature	

Leadership is a matter of how *to be*, not only how *to do*

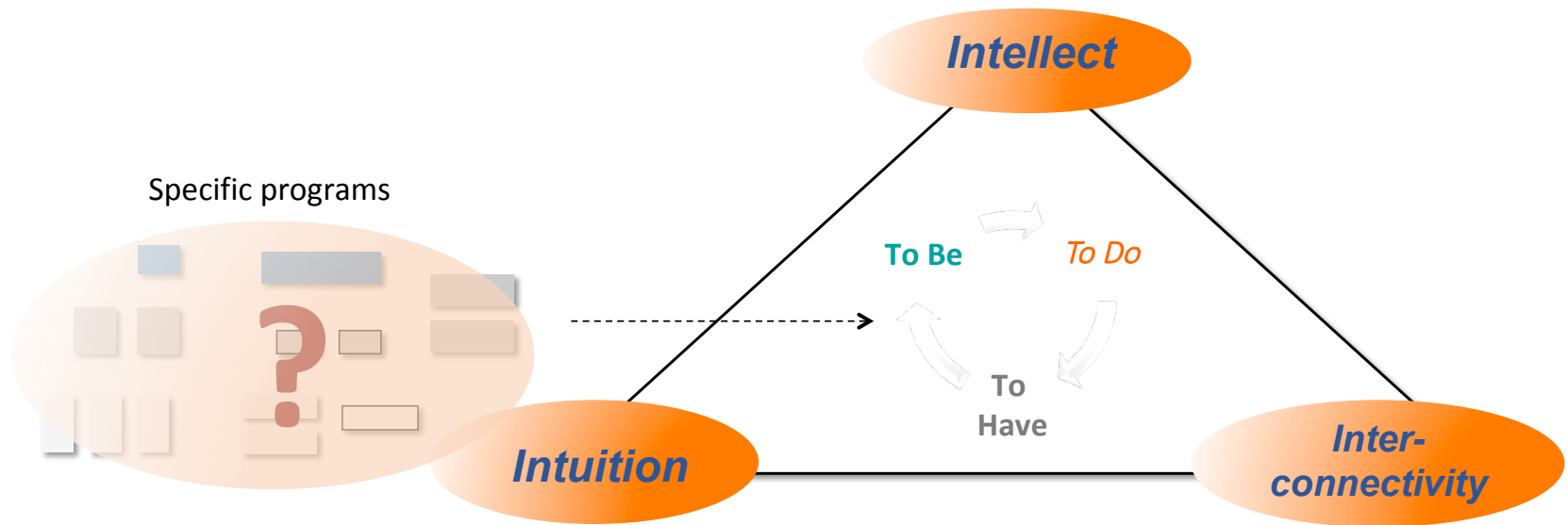


Leadership Framework

Partha Ghosh Leadership Development framework



Then organizing a set of programs which enable the dynamics of *cultivating the 3PIs*



Today three high level points....

1

Our Planet in Perspective
In the 21st Century?

Not more and better of the same: Need
a **fundamentally new approach**

2

Next Phase *Imperatives*
of China's Globalization?

From low cost supplier to **Innovative
partner of progress** rooted in its own
traditional heritage

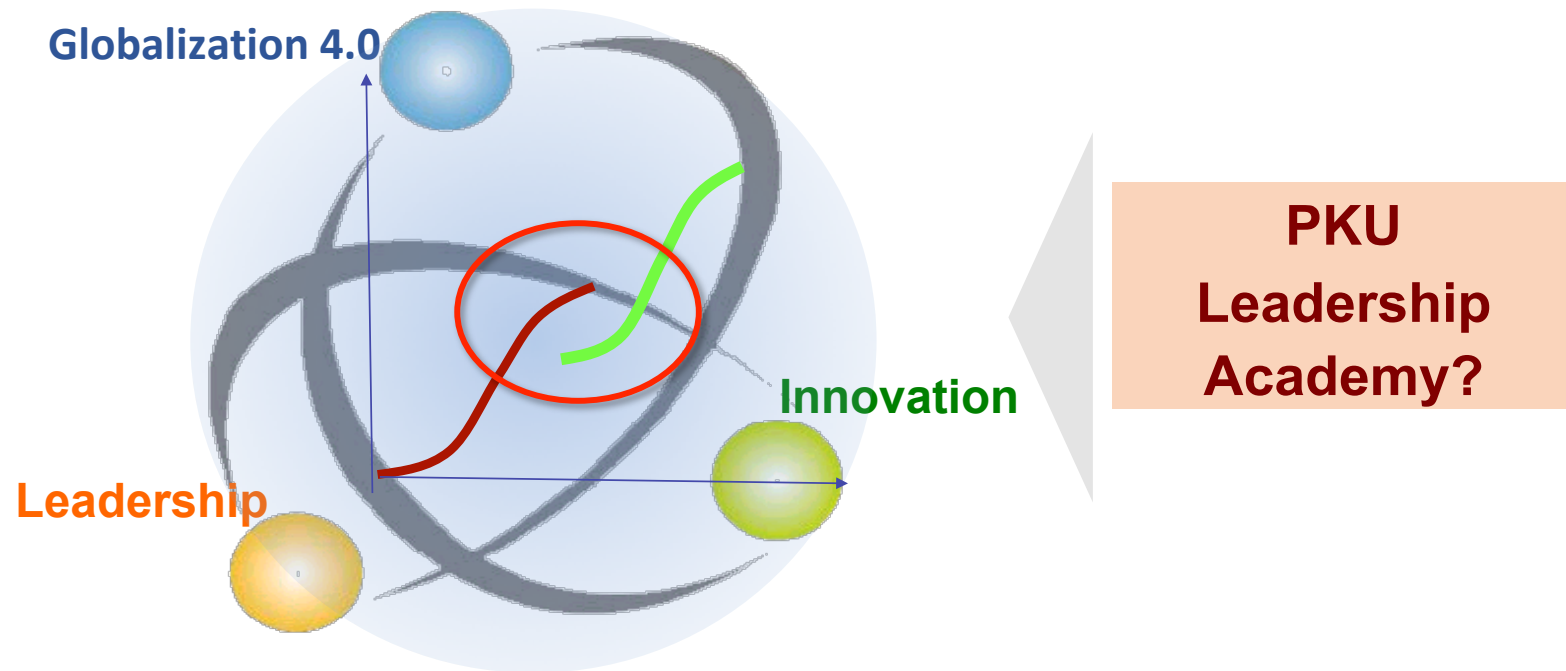
3

Unlocking the Leader
In You?

**Innovative & Holistic Leadership
models** with global reach must emerge
to address “issues = opportunities”

Ensuring Change Is Self-Perpetuating at all levels

Key components of New Curriculum



China will need to work with a new set of metrics Leadership (?)

“Measures & Metrics of Progress”

