Next Phase of China's Economic Miracle:

Are Chinese Corporates Ready?

(Working draft)

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Partha S Ghosh[1]

As China celebrates the 70th anniversary of the founding of the People's Republic of China, it has proven to the world it is possible to pull millions of people out of poverty, become a global manufacturing hub and most importantly, chart its way towards driving the development of new technologies such as AI, renewable energy and high speed transportation systems.

In the process, perhaps facilitated by its entry to the WTO, multinationals across industries - from upstream industrials to downstream retailing - have engaged with China to source manufactured products for the world and to serve the rapidly growing Chinese market base. Indeed, since the late 1970s, the Chinese economic system has become an integral and strategic component of the global economic system.

What is most impressive is the rise of the corporate sector in China across multiple industries. While companies such as Alibaba, Baidu, CNOOC, Huawei, Haier, Lenovo, Ping An and Tencent have become globally known names, the market value of companies traded on Chinese stock market rose from $0.498 Billion in 1990 (December 1st) to an impressive $8,421 Billion in 2019 (December 2nd); recently, Fortune reported that in 2019, 129 of the Global 500 companies are head-quartered in China.

Building on my observations of China's socio-economic development since my first visit in 1987/1988, this paper addresses three questions:

1. How should China adjust the next phase of its economic development to cope with a changing geo-economic and geo-political environment?

2. What might be the nature of challenges that Chinese corporates will face as they gain increasing global visibility?

3. Are there several universal guidelines that the leadership of top Chinese companies must adopt in becoming the "next generation" multinationals?

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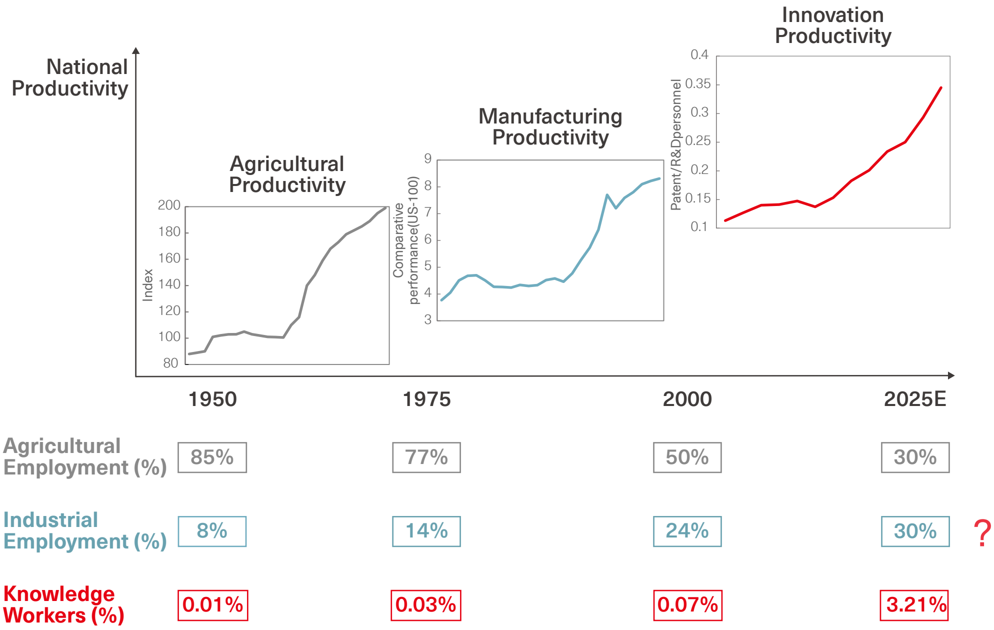
Next-Phase of the Chinese Miracle?

Since the founding of the People's Republic of China, the country's socio-economic development has been impressive, particularly following the economic reforms in the early 1980s leading to its entry into the WTO. Now in retail stores across nations, it is difficult to find quality, affordable products which are not manufactured in China. China is the largest trading nation and only second to the US both as the source and recipient of Foreign Direct Investments (FDI).

The economic landscape of the nation has been shaped by the significant productivity increases in the agricultural sector in the 1950s to 1970s, and similar growth in the manufacturing sector from the early 1980s until present. Since the 2000s, with an emphasis on artificial intelligence, advanced manufacturing, bio & genetic sciences, neuro-cognitive sciences and renewable energy, China has witnessed a rise in innovation productivity as measured by the rise in patents filed by R&D personnel. If managed with a global perspective, this could open up new frontier opportunities for Chinese businesses worldwide. Exhibit 1 illustrates how the economic development progressed through various eras of productivity gains.

Exhibit 1:
Productivity gains in various sectors of the Chinese economy

Productivity of China's Human Resources

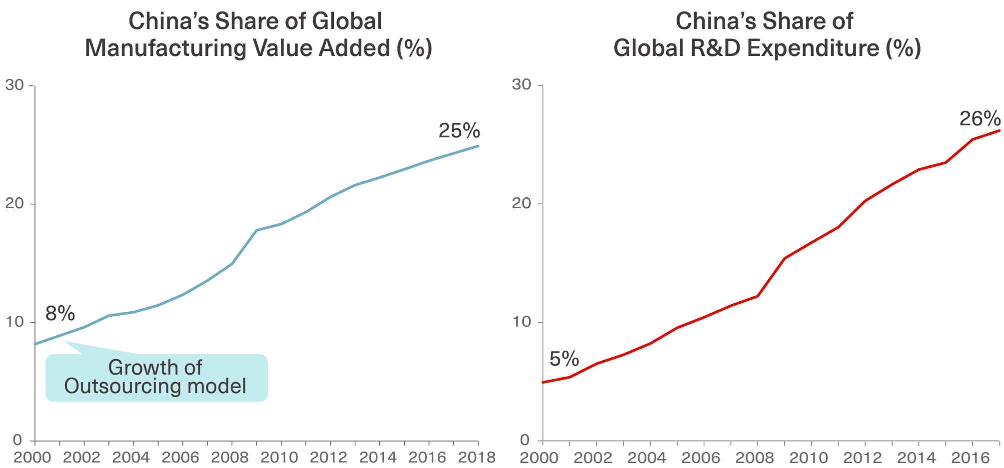


Source: China statistical Yearbook; China Agricultural Statistical Year Book/ World Bank/
Harry.Xu "Comparative labor productivity performance in Chinese manufacturing, 1952-1997: An ICOP PPP Approach"

At present, close to 25% of global manufacturing and Research & Development are concentrated in China (Exhibit 2), which has given the country increasing influence on global economic affairs and global trade/investment flows; as a result, the dynamics of geo-political instincts will draw stricter attention and microscopic scrutiny on Chinese businesses from multiple perspectives.

Exhibit 2:

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



Source: OECD stats database/United Nations Industrial Development Organization/UIS.Stat
Notes: OECD data on R&D cover OECD countries plus Argentina, China, Romania, Russia, Singapore, Taiwan and South Africa. Countries not included are likely to have relatively low R&D expenditure

As a result, it is important for both the Chinese government and corporates to become more sensitive and strategically alert to how the economies/businesses around the world perceive China's engagement with significant global issues - from "balance of trade" to "balance of trust" and "flow of capital" to "flow of IP". In turn this will define how the content, quality and goodwill of Chinese companies should evolve across nations.

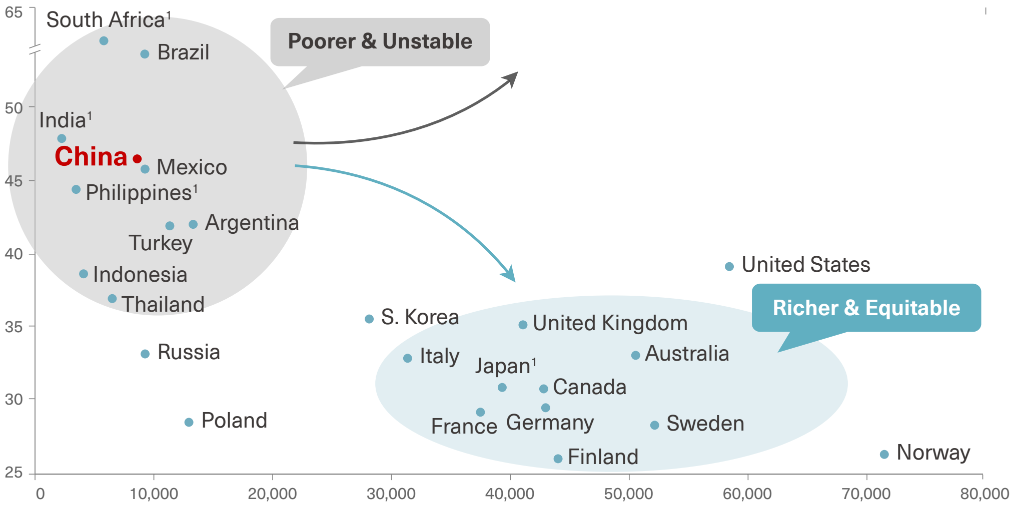
"...China's engagement with significant global issues, - from 'balance of trade' to 'balance of trust', from 'flow of capital' to 'flow of IP'..."

While growth in all-around productivity has elevated China to a middle-income country on a PPP basis, the country's socio-economic development has been uneven as exhibited by the increase in its Gini index (Exhibit 3). If China were to pursue a more even and stable socio-economic development (following the blue path as opposed to the black path in the Exhibit 3), the Chinese government and corporates will need to consider new policy measures and strategic mechanisms that will ensure that wealth creation process is significantly more inclusive.

Exhibit 3:

Growth not at the cost of inequality?

GINI Index vs. GDP Per Capita (US$ at PPP)



1: Gini index is for 2016 except for South Africa (2014), Philippines (2015), India (2017) and Japan (2017).
Source: World Bank/OECD/US Central Intelligence Agency/Knoema

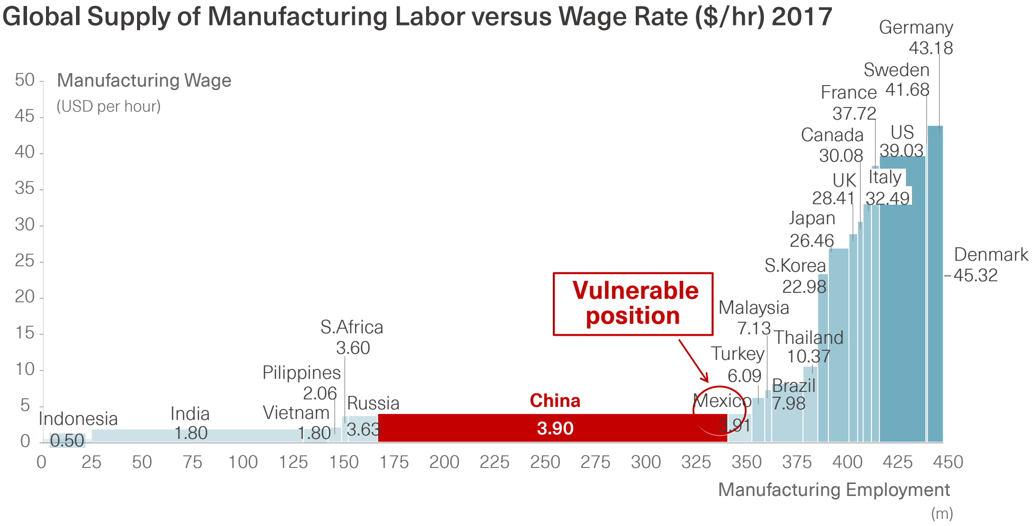
At the same time, sustaining the wealth-creation trajectory of the past three decades will become increasingly difficult as average wage rate of the manufacturing sector rises and politics of tariffs and trade disputes become more intense and complex. China will have to reconfigure its socio-economic thesis, while Chinese businesses will have to assess how their engagement with global marketplace has to be reformulated.

> "China will have to reconfigure its socio-economic thesis, while Chinese businesses will have to assess how their engagement with global marketplace has to be reformulated."

Exhibit 4:

As wage rate rises, China will need a new "global engagement" formula

Global Supply of Manufacturing Labor versus Wage Rate ($/hr) 2017



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

In this context, the mega "One Belt One Road" project (Exhibit 5) conceived and launched by the Chinese Government is indeed a strategic step forward with multi-dimensional possibilities in:

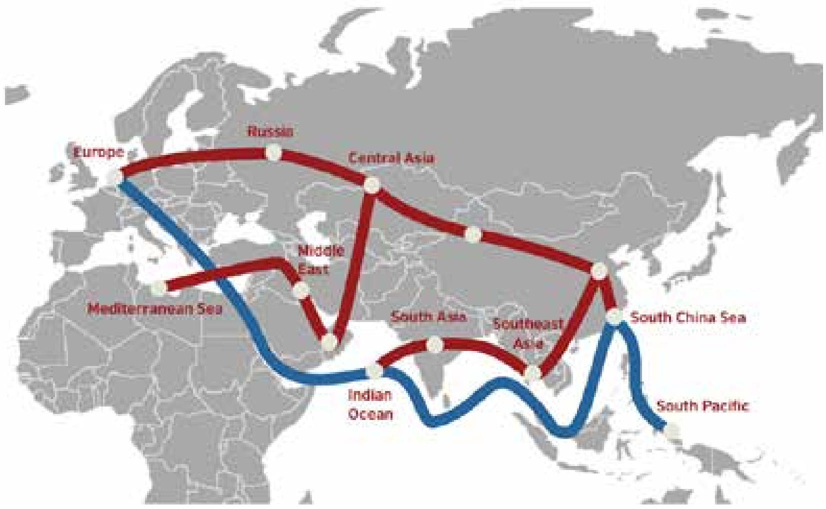
- Spurring socio-economic investments of the Western China, which will in turn stimulate domestic demand, enable more even economic development between regions, helping to reduce the Gini index;
- Opening new trade possibilities with Central Asia and Europe, enabling development of economic buoyancies across multiple nations in South & South East Asia and Africa;
- Developing new "high value added" propositions which are less dependent on cost advantage and more driven by innovation of "value creation".

"Developing new 'high value added' propositions which are less dependent on cost advantage and more driven by innovation of 'value creation'."

Exhibit 5:

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

One Belt One Road could serve multiple objectives



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

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

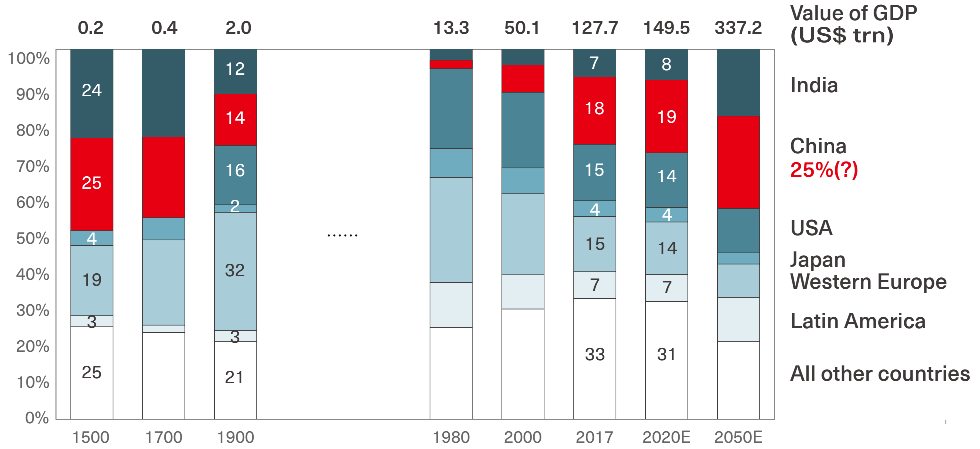
- Outlet for domestic overcapacity and overseas investment;
- New markets for Chinese products and services.

In summary, moving forward the Chinese economic system (government & business) has to undertake strategic moves fundamentally different from the formula it has followed in the last two decades to sustain the momentum of socio-economic progress. If the new formulae are well thought through, the upside could be significant; so significant that on one hand China by 2050 could be on its way to secure the past glory the nation has enjoyed 500 years ago (Exhibit 6) and on the other hand be viewed as responsible and enlightened partner in the progress of the global civilization.

Exhibit 6:

Can China regain its past glory?

Share of Major Regions of Global GDP
(in Trillion $ / percentage based on PPP, 1500 through 2050)



Source: IMF/Maddison Historical Statistics/PwC analysis

"The Chinese economic system has to undertake strategic moves fundamentally different from the formula it has followed in the last two decades."

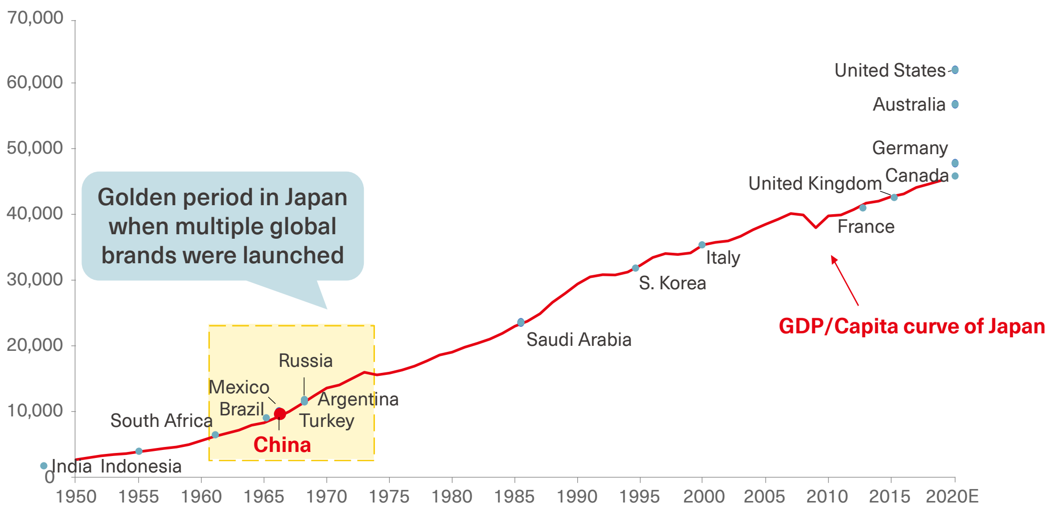
Corporate Challenges Ahead: Not More and Better of The Same?

It is important to realize that at present, the Chinese economy (measured in terms of GDP/capita) is entering a state in its development trajectory where Japan was in the early 1960s (Exhibit 7). It is during this state when Japanese corporates, in the short period of fifteen years (early 1960s to mid-1970s), successfully launched more than four-dozen brand names in markets worldwide.

Exhibit 7:

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

Japan's GDP/Capita (1950 ~ 2018) and Relative Positioning of Various Nations in 2017



Source: Total Economy Database/World Bank

With a significantly larger domestic base compared to that of Japan, a full range of Chinese companies have the golden opportunity to replay the "Japanese globalization game plan" and build up global brands from China. Depending upon the sectors, as shown in Exhibit 8, companies will be required to adopt the principles of a different economic system to shape the next phase of their development.

> "...Chinese companies have the golden opportunity to replay the 'Japanese globalization game plan'..."

Exhibit 8:

The new innovation economy will operate differently, implying a fundamental shift

**Transition Requirements from An Industrial to A Knowledge Economy
Principles of Next Phase**

Industrial Economy	Knowledge Economy
Globalisation led by outsourcing model	**Globalisation based on thought leadership**
Economies of scale	**Economies of skill & scope**
Export-led economic growth	**Balance of trust & trade**
Leverage of low-cost skills/labor	**Leverage of knowledge worker**
Investment in physical infrastructure (long life-cycle)	**Investment in digital infrastructure** (short life-cycle)
Fast follower/adjust to Western rules	**Strategic partnerships/shape global rules**
Imported IP	**Collaborative IP development**

As the global economic system transitions from an industrial to a knowledge-based economy (see Exhibit 8), companies in China, which developed their competitive might of significant cost advantage by perfecting the essential tenants of the industrial economy, will now be required to embrace a new set of principles that will define their success. The marginal value of ‘more and better’ – the formula of the past two decades – will be significantly diminished.

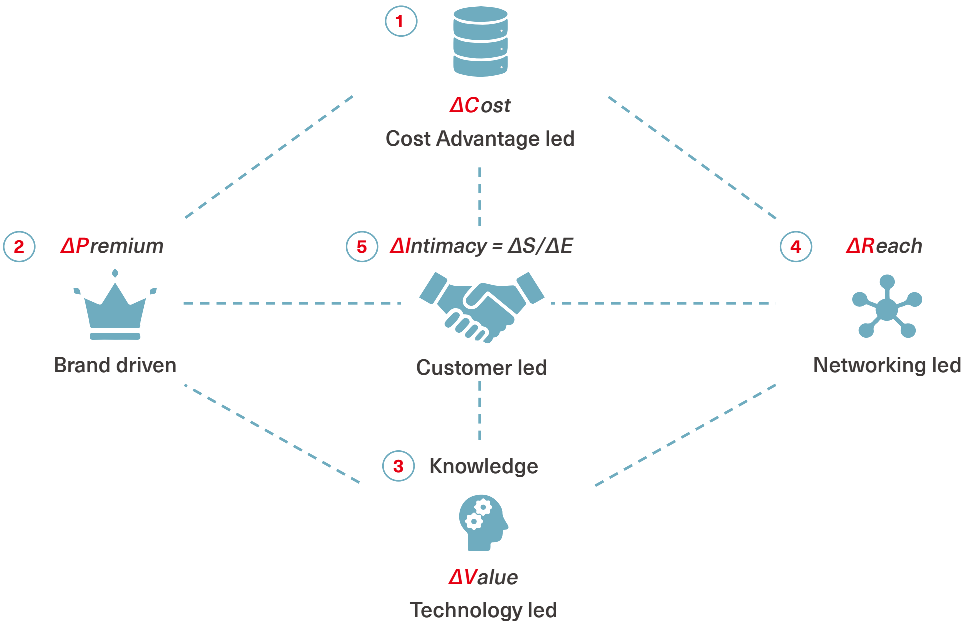
“As the global economic system transitions from an industrial to a knowledge-based economy, companies in China...will now be required to embrace a new set of principles...”

Instead, companies will need to differentiate their competitive positioning in other dimensions beyond cost. The strategic Pentagon Model (Exhibit 9) lays out the ways in which companies may secure competitive gains. In the future, Chinese companies will need to explore ways to strengthen their positioning based on advantages in knowledge / technology, brand (goodwill and trust), network (an ecosystem to secure global reach), and/or customer intimacy (particularly for the B2Bspace). As such, forward looking Chinese companies will need to re-evaluate the rules of engagement within the global marketplace with a broader and deeper strategic perspective.

Exhibit 9:

Strategic differentiation driven by a combination of different factors

"Pentagon Model[2]" for Securing Global Competitive Advantage



ΔS/ΔE = Service/Customer experience advantage

"Strategies must be integrative, yet distinctly customized to local communities in both the domestic and the international environments."

Organizations must embrace a variety of business and organizational models that are adaptive towards each other and to emerging challenges. Strategies must be integrative, yet distinctly customized to local communities in both the domestic and the international environments.

Most importantly, in order to achieve such a dynamic state, Chinese companies will need to develop innovative mechanisms to cultivate leaders with wider skill sets and "behavioral and attitudinal" resilience both at the field and headquarter levels. They must do this while ensuring that organizational capabilities in sensing, processing and pursing opportunities at different levels of integration and differentiation are continually renewed and sensitive to the complex geopolitical circumstances.

[2] Pentagon Model is developed by Partha S Ghosh Senior Advisor to Canback Consulting (Economist Group) to help companies explore strategic paths by dynamically orchestrating different competitive levers to secure diffearentiated position in the global economy

Strategic Guidelines of The Future: Next Generation Multinationals?

In view of the opportunities and challenges ahead, we have undertaken an "outside-in" analysis to examine how, in the next two to three decades, Chinese companies could earn a truly global stature, similar to that enjoyed by multinationals such as BMW, Nestlé, IKEA, Siemens from Europe, Apple, Boeing, 3M, IBM, Intel from the US, and Canon, Toyota, YKK from Japan.

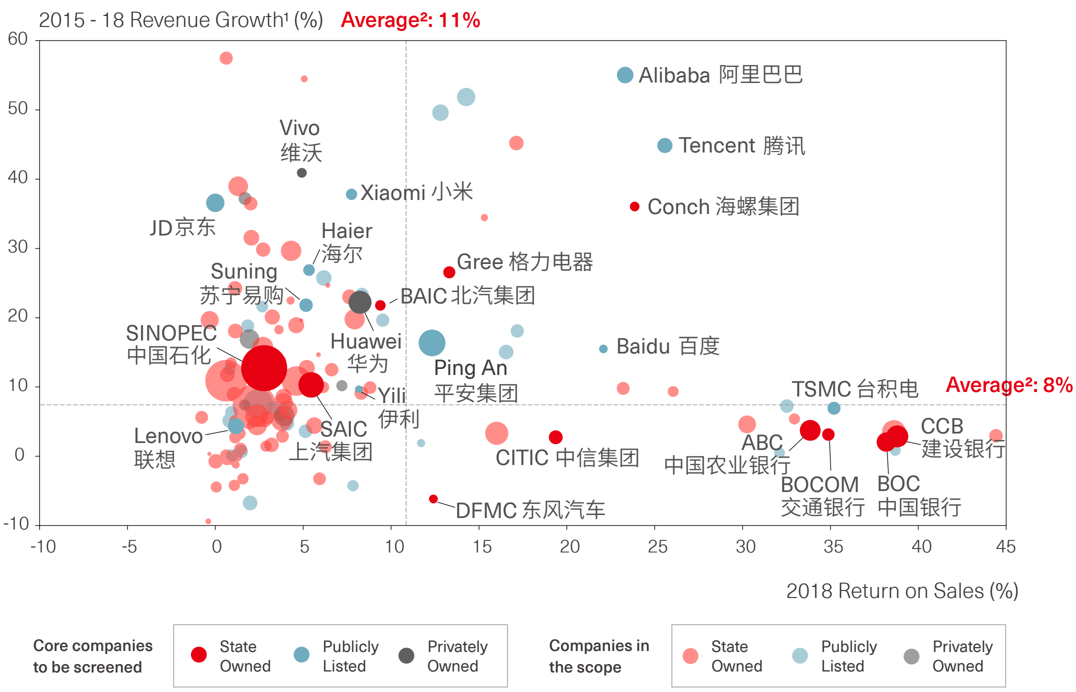
While it is our strong conviction that the Chinese companies, particularly those in the Fortune 500[3] (Exhibit 10) will shape the future global stature of the Chinese economic system, this paper focuses on two dozen select companies to examine the nature of strategic themes that they may consider to fine tune in extending their "goodwill" on a global scale, - in becoming top-tier multinationals in the next decade.

"We have undertaken an "outside-in" analysis to examine how...Chinese companies could earn a truly global stature, similar to that enjoyed by multinationals such as BMW, Nestlé, IKEA, Siemens..."

Exhibit 10:

Financial performance of leading Chinese companies

Revenue Growth vs. Return on Sales



1. US$1 = Rmb6.8. Owing to data gaps, this chart uses 2014 financial data for China Development Bank, Ansteel Group, Formosa Petrochemical, Fubon Financial Holding, Tongling Nonferrous Metals Group and Henan Energy & Chemical;
2. Average numbers are calculated based on the financial data of the 129 companies from Fortune 500
Source: Annual reports

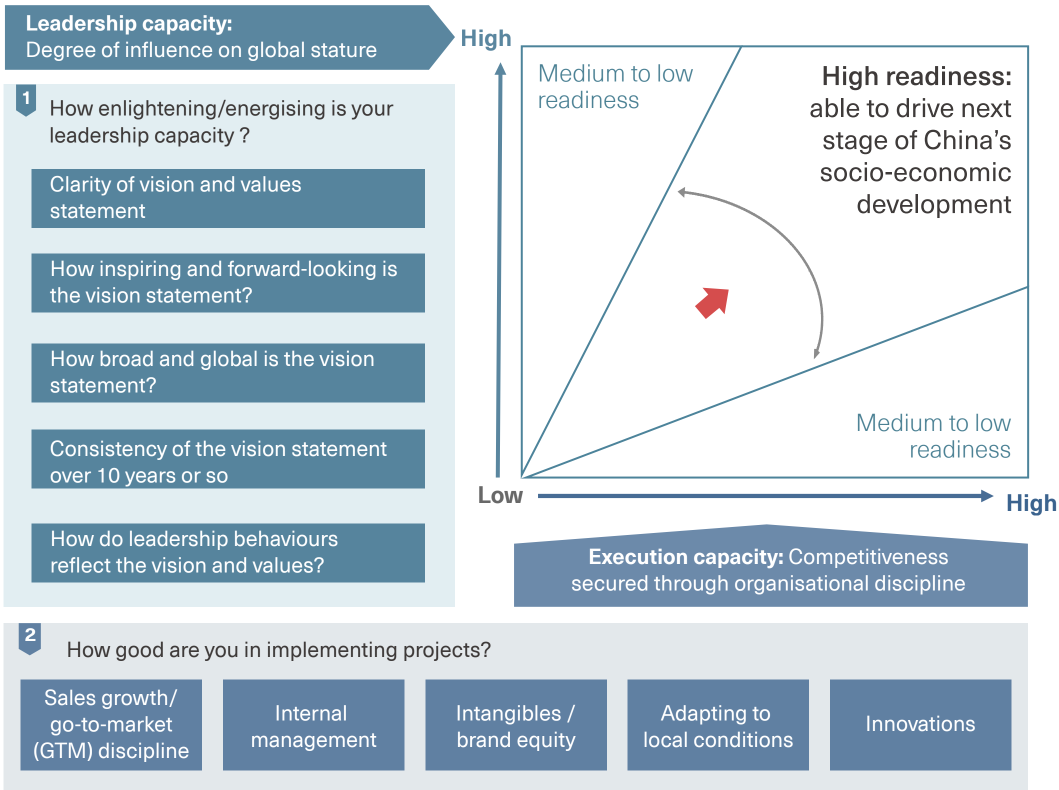
3 Fortune magazine recently announced that 129 of the top 500 global companies are headquartered in China

The two dozen companies were selected largely based on availability of public information and whether they have been the subjects of discussions in international affairs, while ensuring a reasonably balanced mix of state-owned enterprises and public companies. In the remainder of the paper, we will assess the companies along two vectors: (i) Leadership capacity & (ii) Execution Capacity (Exhibit 11).

"We will assess the companies along two vectors: (i) Leadership capacity & (ii) Execution Capacity"

Exhibit 11:

Strategic grid (leadership & execution capacity) to assess Chinese companies



Source: Canback analysis

We have assessed leadership capacity based on five factors:

1. Clarity of vision and values;
2. Degree of inspiration of vision;
3. Breadth and global perspective;
4. Consistency of vision;
5. Reflection of vision and values in leadership behavior and decision making.

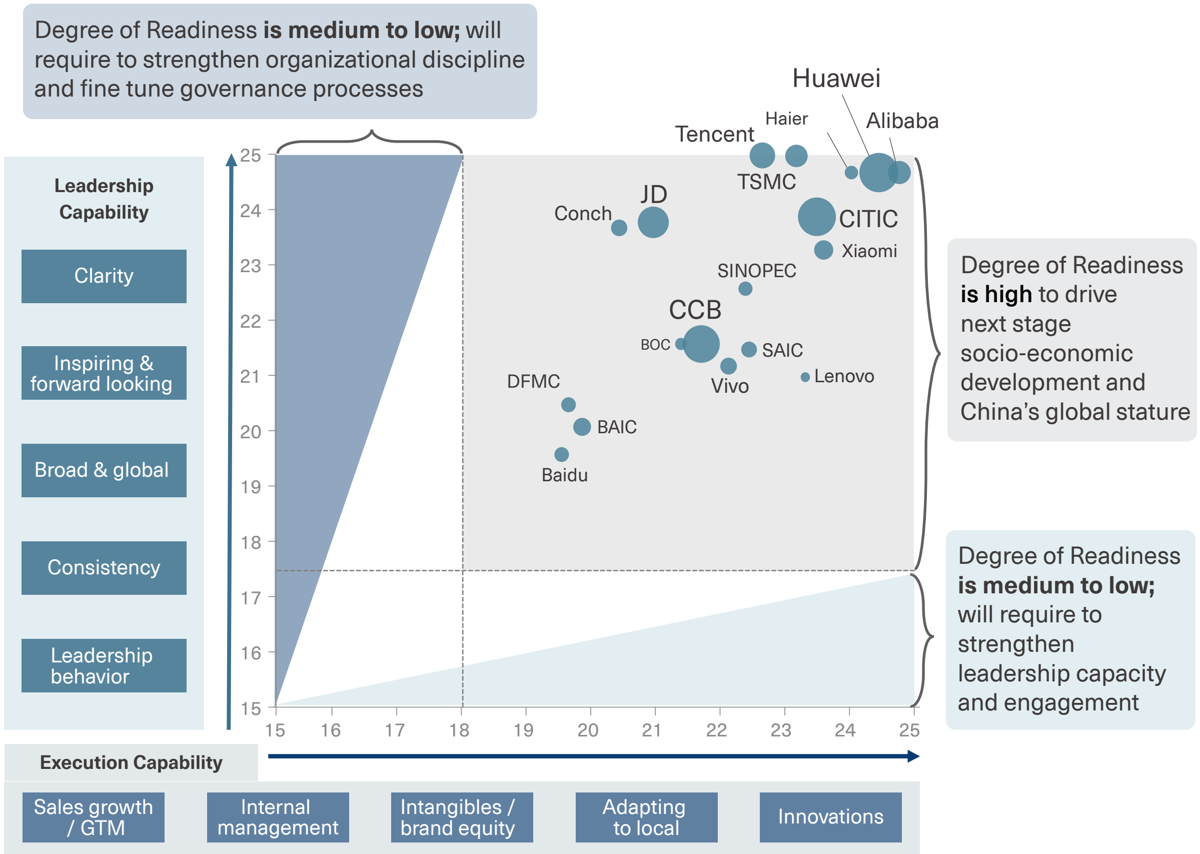
... and execution capacity on five factors:

1. Sales growth or go-to-market (GTM) performance;
2. Efficiency of internal management;
3. Intangibles and brand equity;
4. Adaptiveness to local markets;
5. Effectiveness of innovation making.

Exhibit 12:

Positioning of the select companies with high degree of readiness to lead next phase of China's global presence

Outside-in Assessment of The Select Chinese Companies



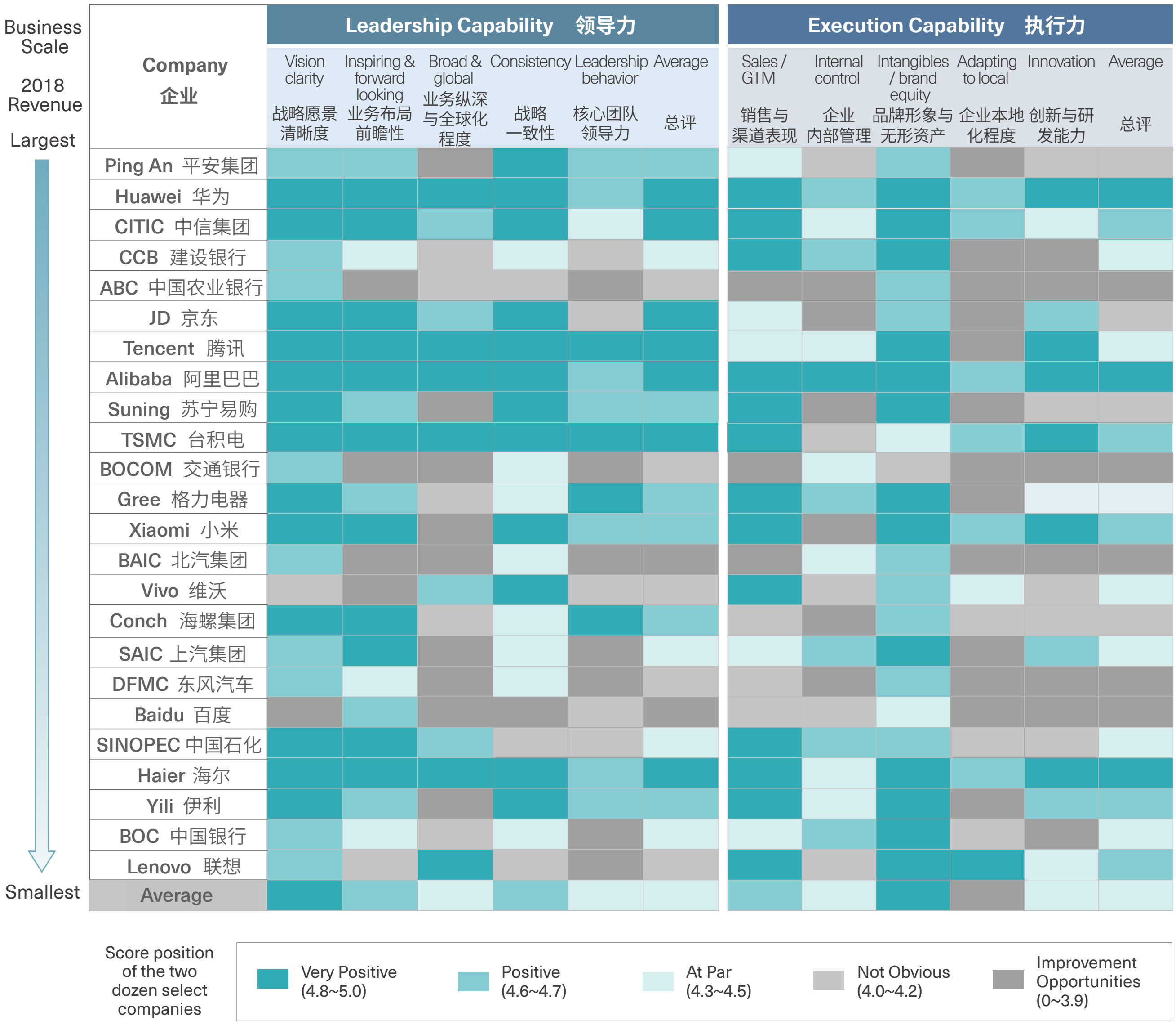
Source: Canback analysis

Exhibit 12 presents our "outside-in" assessment of the select companies. All of these companies enjoy a relatively high score in Leadership capacity and Execution, and we do believe they all show a high degree of readiness to define the next phase of China's global economic goodwill, as partners in the growth of the global economy. In the absence of any further geo-political and geo-economic disruptions, the global environment will offer significant growth and large-scale value creation opportunities - which leading Chinese companies cannot afford to ignore.

Exhibit 13:

Chinese companies in transition (select two dozen only)

Outside-in Assessment of The Select Chinese Companies



Source: Canback analysis

Breaking down the scores in Exhibit 13, clearly, a few companies such as TSMC, Huawei, CITIC, Tencent, Alibaba and Haier are extremely well placed to provide leadership for the next stage of Chinese corporates development as global companies relative to their peers. Perhaps slightly behind, but equally strong, are companies like Ping An, JD, Suning, Lenovo, Xiaomi and Yili.

There are other companies, which we have not evaluated in as much details as these 24, depending upon how they are positioned in Exhibit 11, they could determine their degree of readiness to lead the next phase of China's economic development and the nation's global goodwill. It is our hope that the discussion on the likely strategic themes of the select companies, will provide the rest with a few overarching guidelines to build on.

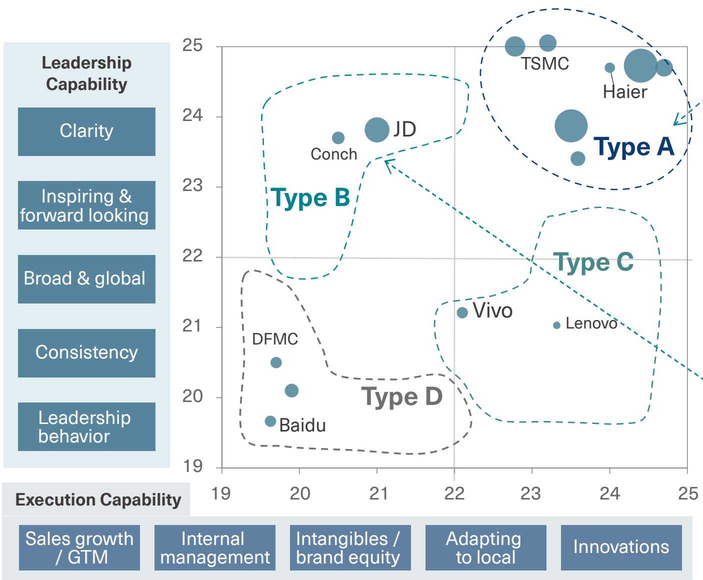
"It is our hope that the discussion on the likely strategic themes...will provide the rest with a few overarching guidelines to build on."

In order to define the generic strategies that companies may wish to consider, as shown in Exhibit 14 we have further segmented the area in the upper right quadrant (Exhibit 13) into four zones: Type A (Securing true global trust/brand equity), Type B (Extending domestic success to global markets), Type C (Becoming more aspirational on global scale) and Type D (Developing more global visibility). Exhibit 14 illustrates the fine differences that define Type A versus Type B strategic themes.

Exhibit 14:

Relative strategic positioning of the select companies with high degree of readiness to lead next phase of China's global economic stature

Four Strategic Themes for The Select Companies



Type A: Ready to build "premium global trust" e.g. Apple, Nestlé, YKK with focus on:

- Differentiation based on Value/Experience in Global markets
- Enhanced emphasis on proactive management and technological discontinuities
- Goodwill based on engagement with local culture/local govt. priorities across nations
- Cross fertilization of ideas and cultures across nations
- Governance processes from National to Global

Type B: Ready to extend domestic success on a Global scale

- Leverage leadership capacity to build global processes to execute international projects
- Develop multinational leadership team to strengthen global roll out of value propositions
- Goodwill based on engagement with local culture/local govt. priorities across nations
- Governance processes from National to Global

Source: Canback analysis

Below, we briefly discuss the four different types of strategic themes that may be applicable for the leading Chinese companies:

Type A: As the exhibit illustrates, companies like Alibaba, Haier, TSMC, Tencent, Huawei and other globally visible, technologically competitive companies are the most prepared to model how, in the next decade, China's multinationals might emerge and the nature of goodwill they should consider defining across nations, as true partners of progress. For example, Haier, beyond developing its global presence through exports based on cost advantage, is rapidly localizing its presence in major markets through acquisition of high-end brands. Type A strategies should now include dynamic management and innovation of "brand experience" across multiple segments, orchestrated by a shared vision.

Type B: Companies such as Conch, with strong and impressive leadership teams and a rapidly evolving capacity to execute international programs, are becoming globally visible; these companies will now need to develop and fine-tune a robust operational model so that senior leaderships' vision can be rolled out across national borders. Localization of skill sets while optimizing global resource allocation will determine how the next phase development of these companies will be shaped.

"Type B companies will need to develop and fine-tune a robust operational model so that senior leaderships' vision can be rolled out across national borders."

Type C: Companies such as Lenovo and Vivo, who have earned competitive position and important role in various markets because of excellent operational discipline, should consider projecting compelling leadership capacity which promises and inspires trust and credibility with global business community as well as government regulators.

Type D: Companies like Baidu and DFMC that have earned significant positions within China, should consider further strengthening leadership capacity and operational discipline in order to secure more credibility and a clear identity in the international business community to become globally competitive.

Irrespective of the strategic themes (Type A through Type D) companies might identify with, businesses need to be clear on their long-term global aspiration. The future winners must be superior in developing, nurturing, and championing "global citizens" as senior leaders working in specific countries (both advanced economies and the developing & emerging frontier economies) and at the headquarters who are naturally comfortable in:

1. Embracing the complexity and dynamism of local business practices in multiple markets beyond B2B and limited B2C relationships;

2. Developing a deep affiliation with the local culture and environment in the communities they serve and operate (for example, through innovative corporate social responsibility [CSR] programs);

3. Calibrating political and government policy instincts in a proactive fashion by systematically identifying and analyzing socio-economic tensions and political shifts;

4. Crafting and implementing subnational/national strategies which are both bottom-up and top-down;

5. Working with multiple ministries and multiple levels of government bureaucracies as partners, to meet government partners' socio-economic objectives (across nations) without compromising on the essential principles and/or economic objectives of the enterprise;

6. Adapting field-level operations to reflect the politics of organized labor and industrial relations in the target economies; and

7. Ensuring that global brand definitions in the local environment build on a common global goodwill, yet are engaging and compelling for the local cultures.

In view of the above, Chinese companies with global aspirations will need to increasingly realize that their organizations' integrity, personality, products, and customer service—the whole customer experience of doing business in every channel in new segments in global markets—will be determined by how successfully they develop brands (trust and credibility) in significantly more sophisticated and matured markets.

Chinese companies must embrace branding as a strategic subject to move up the value chain and building the right branding strategies could well be the most difficult step in their globalization process. Beyond brand acquisition (such as Haier's acquisition of Fisher & Paykel Appliances in New Zealand, Sanyo Electric in Japan and GE Appliances in the US), in developing business models for global brands, Chinese multinationals will need to learn (i) how to define and maintain the brand logo, key message, and underlying philosophy and (ii) how to continually localize and customize the brand elements to offer customers an authentic local feel.

As companies globalize, perhaps the most difficult task for country heads will be balancing standardization with customization in integration of other nations. A CEO working with the national marketing team will need to continuously extend the unique brand experience through customized channels and offerings to maintain the global brand aura and still appeal to the customers in an authentic, local way. Indeed, in each of the local markets, companies will need to learn how to innovatively orchestrate the five sources of competitive advantage (Exhibit 15) in a dynamic fashion.

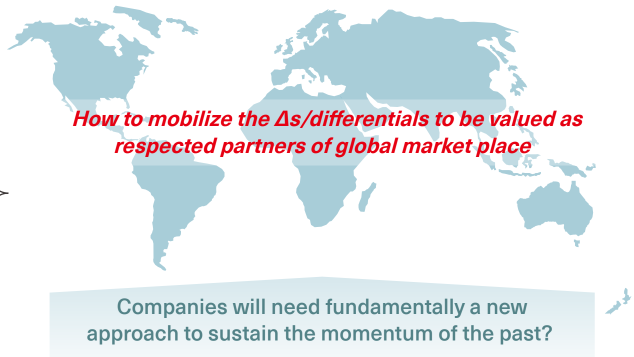
"A CEO...will need to continuously extend the unique brand experience through customized channels and offerings to maintain the global brand aura and still appeal to the customers in an authentic, local way."

Exhibit 15:

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

Essential Requirements for Next Phase Global Strategies

$$\text{Dynamics of Global Strategy} = f\left\{\begin{array}{l} \Delta\textit{Cost} \\ \Delta\textit{Premium} \\ \Delta\textit{Reach} \\ \Delta\textit{Intimacy} \\ \Delta\textit{Value} \end{array}\right\}$$



Δ depicts the differential or advantage of a company vis-a-visits competitors

Companies from China will have to be extremely sensitive to emerging geo-political dynamics. Unlike the past and current dynamics, which were largely based on a cost advantage/outsourcing model, the Chinese manufacturing sector must now learn how to engage with changing political perceptions—not as low cost players to increase market share, but as equal partners willing to engage in multi-lateral, multi-channel communication in a mutually rewarding fashion.

In this context, Chinese companies should consider drawing on the lessons (both dos and don't's) from the strategies employed by Japanese companies such as Canon, Toyota, YKK, and 3-dozen others in the 1960s and 1970s to build global presence. Exhibit 16 illustrates the typical approach Japanese industries followed in executing global strategies. Building on their manufacturing discipline, - driving productivity and product quality, across multiple sectors from automotive, camera, clocks and watches, electronics, home appliances (both for brown and white goods), personal products to locomotive systems, heavy machinery, ship building, Japanese companies rapidly built up global presence based on cost advantage for price sensitive market segments.

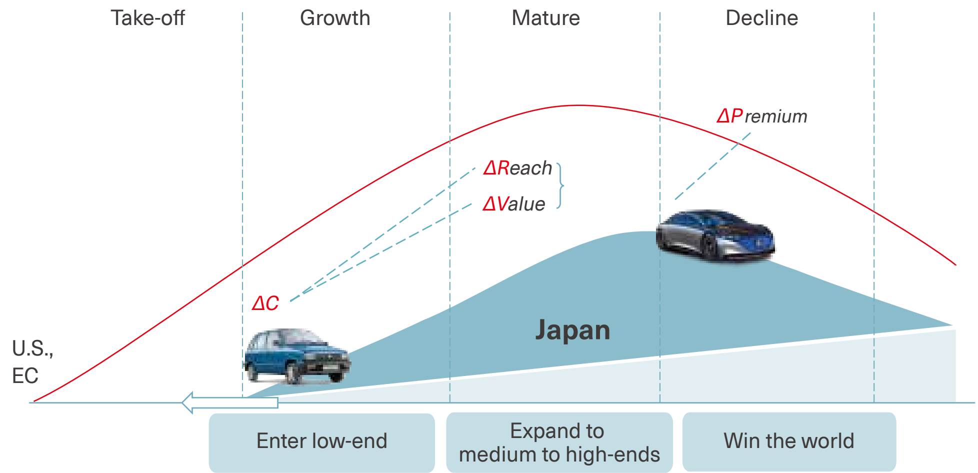
> "Chinese companies should consider drawing on the lessons from the strategies employed by Japanese companies...to build global presence."

Exhibit 16:

Japanese industrial strategies: enter low-end to win the world

Japanese Companies' Generic Approach in Securing Global Presence

Success formula?



> "Chinese companies must work towards securing mutually respectful, supportive and complementary relationships."

As they established global bases, particularly in G7 countries, across the board Japanese companies began moving upscale to serve medium to high-end market segments. In the process, the reputation of Japanese brands was raised significantly, until some became global benchmarks for excellence.

Given the higher degrees of political and economic complexities at present, evolving multinationals from China building on the Japanese experience must nurture a greater willingness to innovate, experiment, and develop new models of engagement with different targeted communities and user segments.

Most importantly, as the mutually suspicious and often adversarial relationships that have become increasingly visible within the leadership of the G7 and several developing economies' governments and companies, Chinese companies must work towards securing mutually respectful, supportive and complementary relationships. Companies headquartered in China must increasingly demonstrate that they understand and empathize with:

- The socio-economic and political priorities of each government at the central, state and even provincial/district levels;
- The cultural differences between communities, particularly in terms of how people in the local environment relate to the workplace and the communities they represent; and

- Social and political constraints based on the beliefs and values specific communities have inherited from the past.

As Chinese companies develop a more balanced global presence, astute leaders (particularly country heads of Chinese companies in various nations) must take strategic positions that allow for flexibility—maximizing benefits to be realized from visible growth opportunities, but also minimizing potential risks from sudden policy or political shifts[4]. Furthermore, as local governments attempt to manage certain social and political tensions within local communities, country heads—with the support of headquarters—will, instead of being passive observers, need to carefully and diplomatically participate in government initiatives, which in normal situations may be viewed as out of their scope.

"Leaderships of companies will need to strategically sort through difficult issues...at the same time navigating shifts in geopolitical and geo-economic instincts and sentiments."

Finally, Chinese businesses would be well served if they could also learn to develop and operate new forms of alliances with governments across multiple countries, often including multiple stakeholders and guided by multilateral agencies. These alliances would assist in modulating markets in areas such as global finance, global warming, carbon trading, energy technology, global logistics, and cyber security systems. Multinationals such as Caterpillar, GE, ExxonMobil, Phillips, Siemens, and Royal Dutch Shell have demonstrated significant strategic and operational resiliency in innovating different government cooperation models as they serve different markets which could offer Chinese companies a few hints in shaping their global strategies. Of course, multinationals in different industries and with different leaderships aspirations will interpret these imperatives in different ways.

* * *

The changes that are taking place in the global economic landscape are significant. Equally significant will be the nature of changes the organizations will need to undertake to serve the emerging opportunities both in China and global markets. It is my hope that by building on the impressive track records of hundreds of Chinese companies that have served global markets in a competitive fashion, they will now shift gears to help the next phase of socio-economic development of China.

Moving ahead, leaderships of businesses must become more selective in making strategic choices and increase their flexibility in speeding up or slowing down as well as expanding, deferring or restructuring development of major programs. With increasing complexity of assets, rising capital costs of technologies, and most importantly speedier convergence of multiple technologies from both obvious and unobvious technological disciplines/domains, leaderships of companies will need to strategically sort through difficult issues related to game changing technologies, while at the same time navigating shifts in geopolitical and geo-economic instincts and sentiments.

4 It is important to note that politicians and bureaucrats in developed and developing nations will face a difficult balancing act to sustain the economic development while managing international trade and investment flows. Securing the right balance between different stakeholders and population segments will not be easy, and accordingly, sudden shifts in political priorities should not be ruled out.

Experience has repeatedly underscored that such transitions are difficult to manage, requiring compelling efforts sustained over extended periods (~3 years) until the new rhythm becomes natural across different assets and the decision-making hierarchy of the organization. It will require not only introducing the new frameworks and analytical tools within different organizational units, which directly and/or indirectly participate in the planning process, but also ensuring that management discussions and decisions continually reflect and are sensitive to the new state of the thinking and planning processes themselves.

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Appendix: The financial data of selected companies

We consolidated and analyzed the 2015-2018[1] financial data of 129 select companies to comprehensively understand their financial and operational performance in the past stage.

Company Name (English)	Company Name (Chinese)	Company Type	2018 Revenue (B RMB)	15'-18' Revenue Growth	18' ROS
SINOPEC GROUP	中国石油化工集团公司	SOE	2891.2	12.7%	2.8%
STATE GRID	国家电网公司	SOE	2547.0	7.3%	2.2%
PETROCHINA COMPANY LIMITED	中国石油天然气集团公司	SOE	2353.6	10.9%	0.6%
HON HAI PRECISION INDUSTRY	鸿海精密工业股份有限公司	Publicly listed	1208.2	7.5%	2.4%
CHINA STATE CONSTRUCTION ENGINEERING	中国建筑集团有限公司	SOE	1199.3	10.8%	4.6%
PING AN INSURANCE	中国平安保险（集团）股份有限公司	Publicly listed	976.8	16.4%	12.3%
SAIC MOTOR	上海汽车集团股份有限公司	SOE	887.6	10.3%	5.5%
INDUSTRIAL & COMMERCIAL BANK OF CHINA	中国工商银行	SOE	773.8	3.5%	38.6%
CHINA RAILWAY GROUP LIMITED	中国铁路工程集团有限公司	SOE	737.7	5.9%	2.4%
CHINA MOBILE COMMUNICATIONS	中国移动通信集团公司	SOE	736.8	3.3%	16.0%
CHINA RAILWAY CONSTRUCTION	中国铁道建筑总公司	SOE	730.1	6.7%	2.7%
HUAWEI INVESTMENT & HOLDING	华为投资控股有限公司	Privately owned	721.2	22.2%	8.2%
CITIC GROUP	中国中信集团有限公司	SOE	692.8	7.5%	7.3%
CHINA CONSTRUCTION BANK	中国建设银行	SOE	658.9	2.9%	38.8%
CHINA LIFE INSURANCE	中国人寿保险（集团）公司	SOE	643.1	7.9%	1.9%
CHINA FAW GROUP	中国第一汽车集团公司	SOE	617.9	12.6%	3.0%
CHINA RESOURCES	中国华润有限公司	SOE	608.5	5.2%	3.8%
AGRICULTURAL BANK OF CHINA	中国农业银行	SOE	598.6	3.7%	33.9%
PACIFIC CONSTRUCTION GROUP	太平洋建设集团	Privately owned	596.0	5.8%	3.9%
SINOCHEM GROUP	中国中化集团公司	SOE	591.1	15.7%	2.7%
CHINA POST GROUP	中国邮政集团公司	SOE	566.4	19.8%	7.9%
CHINA ENERGY INVESTMENT	国家能源投资集团	SOE	564.0	29.7%	4.3%
CHINA SOUTHERN POWER GRID	中国南方电网有限责任公司	SOE	532.6	4.5%	2.4%
CHINA MINMETALS CORPORATION	中国五矿集团有限公司	SOE	529.7	39.0%	1.3%
AMER INTERNATIONAL GROUP	正威国际集团	Privately owned	525.4	16.9%	1.9%
BANK OF CHINA	中国银行	SOE	504.1	2.1%	38.2%

Company Name (English)	Company Name (Chinese)	Company Type	2018 Revenue (B RMB)	15'-18' Revenue Growth	18' ROS
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED	中国人民保险集团股份有限公司	SOE	503.8	7.7%	3.9%
CHINA COMMUNICATIONS CONSTRUCTION COMPANY LIMITED	中国交通建设集团有限公司	SOE	490.9	6.7%	4.1%
COFCO	中粮集团有限公司	SOE	467.2	5.3%	1.9%
CHINA EVERGRANDE GROUP	中国恒大集团	Publicly listed	466.2	51.9%	14.3%
JD.COM	京东集团	Publicly listed	462.0	36.6%	0.0%
CHINA NORTH INDUSTRIES GROUPCORPORATION	中国兵器工业集团公司	SOE	454.5	5.5%	2.8%
CHINA NATIONAL CHEMICAL CORPORATION LIMITED	中国化工集团公司	SOE	445.8	19.7%	-0.3%
AVIATION INDUSTRY CORPORATION OF CHINA,LTD.	中国航空工业集团有限公司	SOE	433.5	4.6%	30.3%
COUNTRY GARDEN HOLDINGS	碧桂园控股有限公司	Publicly listed	379.1	49.6%	12.8%
CHINA TELECOMMUNICATIONS	中国电信集团公司	SOE	377.1	4.4%	5.6%
ALIBABA GROUP HOLDING	阿里巴巴集团	Publicly listed	376.8	55.0%	23.3%
CHINA PACIFIC INSURANCE (GROUP)	中国太平洋保险（集团）公司	SOE	354.4	12.8%	5.2%
LENOVO GROUP	联想集团	Publicly listed	351.1	4.4%	1.2%
GREENLAND HOLDINGS CORPORATION LIMITED	绿地控股集团股份有限公司	SOE	348.4	18.9%	4.6%
CHINA NATIONAL BUILDING MATERIAL GROUP	中国建材集团	SOE	347.8	8.6%	3.9%
SINOPHARM GROUP CO.LTD	中国医药集团	SOE	344.5	14.6%	2.7%
SHANDONG ENERGY GROUP CO.,LTD.	山东能源集团有限公司	SOE	338.8	31.5%	2.1%
ZHEJIANG GEELY HOLDING GROUP	浙江吉利控股集团	Publicly listed	328.5	25.7%	6.2%
CHINA POLY GROUP	中国保利集团	SOE	317.9	20.1%	3.2%
TENCENT HOLDINGS LIMITED	腾讯控股有限公司	Publicly listed	312.7	44.9%	25.6%
CHINA NATIONAL MACHINERY INDUSTRY CORPORATION	中国机械工业集团有限公司	SOE	312.5	8.9%	1.1%
PEGATRON CORPORATION	和硕联合科技股份有限公司	Publicly listed	305.8	5.1%	0.8%
BAOSHAN IRON & STEEL CO., LTD.	宝山钢铁股份有限公司	SOE	304.8	23.0%	7.6%
WUCHAN ZHONGDA GROUP CO.,LTD.	物产中大集团股份有限公司	SOE	300.1	18.1%	1.1%
SHAANXI YANCHANG PETROLEUM (GROUP) LIMITED COMPANY	陕西延长石油（集团）公司	SOE	298.1	11.8%	0.7%
CHINA VANKE CO., LTD.	万科企业股份有限公司	Publicly listed	297.7	15.0%	16.6%
SHANDONG WEIQIAO PIONEERING GROUP	山东魏桥创业集团	Publicly listed	295.9	-6.7%	2.0%
POWER CONSTRUCTION CORPORATION OF CHINA,LTD（POWERCHINALTD)	中国电力建设股份有限公司	SOE	294.7	11.8%	3.4%
JARDINE MATHESON	怡和集团	Publicly listed	292.6	4.7%	4.1%
CHINA NATIONAL AVIATION FUEL GROUP	中国航空油料集团公司	SOE	291.5	24.2%	1.1%

Company Name (English)	Company Name (Chinese)	Company Type	2018 Revenue (B RMB)	15'-18' Revenue Growth	18' ROS
CHINA HUANENG GROUP	中国华能集团公司	SOE	290.9	-0.7%	0.0%
CHINA UNITED NETWORK COMMUNICATIONS LIMITED	中国联合网络通信股份有限公司	SOE	290.9	1.6%	3.2%
CHINA MERCHANTS GROUP LIMITED	招商局集团有限公司	SOE	284.2	45.2%	17.1%
CHINA COSCO SHIPPING CORPORATION LIMITED	中国远洋海运集团有限公司	SOE	280.9	7.8%	5.4%
XIAMEN C&D INC.	厦门建发股份有限公司	SOE	280.4	29.8%	2.7%
SHAANXI COAL & CHEMICAL INDUSTRY GROUP	陕西煤业化工集团有限责任公司	SOE	279.1	13.7%	3.6%
MIDEA GROUP	美的集团股份有限公司	Publicly listed	259.7	23.3%	8.3%
YANKUANG GROUP CO., LTD.	兖矿集团有限公司	SOE	257.2	36.5%	2.0%
CHINA DEVELOPMENT BANK[1]	国家开发银行	SOE	252.3	3.0%	44.4%
JIANGSU SHAGANG GROUP	江苏沙钢集团	Publicly listed	250.7	3.6%	5.1%
CHINA AEROSPACE SCIENCE & TECHNOLOGY	中国航天科技集团公司	SOE	249.6	9.1%	8.3%
CHINA MERCHANTS BANK	招商银行	Publicly listed	248.6	7.3%	32.5%
CHINA AEROSPACE SCIENCE & INDUSTRY CORPORATION LIMITED.	中国航天科工集团公司	SOE	248.1	12.5%	6.6%
SUNING.COM GROUP	苏宁易购集团	Publicly listed	245.0	21.8%	5.2%
CK HUTCHISON HOLDINGS LIMITED	长江和记实业有限公司	Publicly listed	244.0	18.1%	17.2%
AIA GROUP	友邦保险集团	Publicly listed	240.6	19.6%	9.5%
CPC CORPORATION, TAWAN	台湾中油股份有限公司	Publicly listed	235.1	7.0%	3.3%
TAIWAN SEMICONDUCTOR MANUFACTURING	台积公司	Publicly listed	234.4	6.9%	35.2%
XMXYG CORPORATION	厦门象屿集团有限公司	SOE	234.0	57.5%	0.6%
QUANTA INT'L LTD.	广达电脑股份有限公司	Publicly listed	233.6	0.7%	1.5%
CHINA SOUTH INDUSTRIES GROUP	中国兵器装备集团公司	SOE	233.2	-21.5%	0.8%
YANGO LONGKING GROUP	阳光龙净集团有限公司	Publicly listed	229.8	18.8%	1.8%
CHINA NATIONAL OFFSHORE OIL CORPORATION LIMITED	中国海洋石油有限公司	SOE	227.0	9.8%	23.2%
TSINGSHAN HOLDING GROUP	青山控股集团	Privately owned	226.5	37.2%	1.7%
STATE POWER INVESTMENT CORPORATION LIMITED	国家电力投资集团公司	SOE	226.4	5.6%	3.0%
ANSTEEL GROUP[1]	鞍钢集团公司	SOE	224.4	5.6%	-0.8%
CHINA ENERGY ENGINEERING GROUP CO., LTD.	中国能源建设集团	SOE	224.0	2.9%	3.8%
CHINA HUADIAN CORPORATION LTD.	中国华电集团公司	SOE	223.1	1.0%	1.4%
JINCHUAN GROUP CO., LTD.	金川集团股份有限公司	SOE	220.9	0.1%	0.6%
COMPAL ELECTRONICS, INC.	仁宝电脑	Publicly listed	220.9	6.3%	0.9%

Company Name (English)	Company Name (Chinese)	Company Type	2018 Revenue (B RMB)	15'-18' Revenue Growth	18' ROS
CHINA ELECTRONICS TECHNOLOGY GROUP	中国电子科技集团公司	SOE	219.7	9.9%	8.8%
CRRC CORPORATION LIMITED	中国中车股份有限公司	SOE	219.1	-3.3%	5.9%
CHINA ELECTRONICS CORPORATION	中国电子信息产业集团有限公司	SOE	218.4	3.3%	1.4%
JIANGXI COPPER	江西铜业集团公司	SOE	215.3	5.0%	1.1%
CEDAR HOLDINGS GROUP	雪松实业集团有限公司	Publicly listed	214.0	0.1%	1.0%
BANK OF COMMUNICATIONS	交通银行	SOE	212.7	3.1%	34.9%
XIAMEN ITG HOLDING CO., LTD.	厦门国贸控股集团有限公司	SOE	206.6	0.1%	1.2%
WISTRON GROUP	纬创集团	Publicly listed	202.2	12.6%	0.8%
GREE ELECTRIC APPLIANCES, INC. OF ZHUHAI	珠海格力电器股份有限公司	SOE	198.1	26.6%	13.3%
CHINA DATANG CORPORATION LTD.	中国大唐集团有限公司	SOE	197.1	2.7%	1.1%
CHINA TAIPING INSURANCE HOLDINGS COMPANY LIMITED	中国太平保险控股公司	SOE	192.3	10.0%	6.1%
XINJIANG GUANGHUI INDUSTRY INVESTMENT (GROUP) CORPORATION LIMITED	新疆广汇实业投资（集团）有限责任公司	Publicly listed	188.9	21.6%	2.7%
HUAXIA LIFE INSURANCE COMPANY LIMITED	华夏人寿保险股份有限公司	Privately owned	188.5	89.8%	1.4%
CATHAY LIFE INSURANCE	国泰人寿保险股份有限公司	Privately owned	187.0	5.9%	3.7%
QINGDAO HAIER CO.,LTD.	青岛海尔股份有限公司	Publicly listed	183.3	26.9%	5.3%
ALUMINUM CORPORATION OF CHINA LIMITED	中国铝业股份有限公司	SOE	180.2	13.4%	0.9%
LU'AN MINING INDUSTRY GROUP CO.,LTD	潞安集团	SOE	177.5	-0.5%	0.7%
DATONG COAL MINE GROUP	大同煤矿集团有限责任公司	SOE	176.6	-4.2%	1.1%
SHANXI COKING COAL GROUP CO.,LTD.	山西焦煤集团有限责任公司	SOE	176.2	-3.2%	1.6%
XIAOMI CORPORATION	小米集团	Publicly listed	174.9	37.8%	7.7%
FORMOSA PETROCHEMICAL[1]	台塑石化股份有限公司	Publicly listed	174.4	-4.2%	7.8%
HAILIANG GROUP CO., LTD.	海亮集团有限公司	Privately owned	173.6	7.4%	1.7%
SHANGHAI PUDONG DEVELOPMENT BANK CO., LTD.	上海浦东发展银行	SOE	171.5	5.4%	32.9%
TAIKANG INSURANCE GROUP	泰康保险集团	Privately owned	171.5	10.2%	7.2%
JINCHENG ANTHRACITE MINING GROUP	山西晋城无烟煤矿业集团有限责任公司	SOE	171.0	-0.4%	0.9%
CHINA GENERAL TECHNOLOGY (GROUP) HOLDING CO., LTD.	中国通用技术(集团)控股有限责任公司	SOE	170.5	1.5%	2.9%
HENAN ENERGY AND CHEMICAL INDUSTRY GROUP CO.,LTD.[1]	河南能源化工集团有限公司	SOE	170.5	-4.4%	0.0%
CHINA EVERBRIGHT GROUP	中国光大集团	SOE	161.6	9.3%	26.1%
INDUSTRIAL BANK	兴业银行	Publicly listed	158.3	0.8%	38.7%
CHINA MINSHENG BANKING CORP., LTD.	中国民生银行	Publicly listed	156.8	0.5%	32.1%

Company Name (English)	Company Name (Chinese)	Company Type	2018 Revenue (B RMB)	15'-18' Revenue Growth	18' ROS
BAIC MOTOR CORPORATION LIMITED	北京汽车股份有限公司	SOE	151.9	21.8%	9.4%
ANHUI CONCH CEMENT COMPANY LIMITED	安徽海螺水泥股份有限公司	SOE	128.4	36.1%	23.9%
HBIS COMPANY LIMITED	河钢股份有限公司	SOE	121.0	18.3%	3.6%
DONGFENG MOTOR GROUP COMPANY LIMITED	东风汽车公司	SOE	104.5	-6.2%	12.4%
HENGLI GROUP COMPANY LIMITED	恒力集团有限公司	SOE	93.2	22.5%	4.3%
FUBON FINANCIAL HOLDING[1]	富邦金融控股股份有限公司	Publicly listed	92.6	1.9%	11.7%
TONGLING NONFERROUS METALS GROUP CO.,LTD.[1]	铜陵有色金属集团控股有限公司	SOE	84.6	-1.2%	1.2%
GUANGZHOU AUTOMOBILE GROUP CO.,LTD	广州汽车集团股份有限公司	SOE	71.5	34.5%	15.3%
BEIJING SHOUGANG CO.,LTD.	北京首钢股份有限公司	SOE	65.8	54.5%	5.1%
CHINA SHIPBUILDING INDUSTRY COMPANY LIMITED	中国船舶重工股份有限公司	SOE	44.5	-9.4%	-0.4%
YANG QUAN COAL INDUSTRY（GROUP）CO., LTD.	阳泉煤业（集团）股份有限公司	SOE	32.7	24.7%	6.4%
XINXING CATHAY INTERNATIONAL GROUP	新兴际华集团	SOE	22.7	0.4%	-0.3%
JIZHONG ENERGY RESOURCE CO., LTD.	冀中能源股份有限公司	SOE	21.5	19.6%	4.9%

1: Applied 2014/16 financial data to target companies, given the limited data accessibility
Source: Company annual report/Fortune. com/Canback analysis