Meet China’s top executives

Forget the stereotype of a conservative, collective leadership. China’s top corporate heads are competitive, diverse individuals with a global focus…and very few MBAs.

Adopting the finely-honed vision and strategic thinking developed during his career as an air force major general, Li Jiaxiang lifted Air China from heavy loss to considerable profit during his four-year tenure as chairman (2004-2008), earning him the number one spot in a new INSEAD ranking of China’s top business leaders.

With no prior business management experience, Li (aged 62) took over Air China following a period of aggressive consolidation and intense international competition within the global airline industry. He adopted military strategies to divest non-core businesses and expand market-share through acquisition and membership of the world’s largest airline network, the Star Alliance, while increasing industry-adjusted shareholder returns by 1,022 percent.

“Li believes that the art of leadership in running a large enterprise is shared with that of heading an army,” says Xiaowei Rose Luo, INSEAD Associate Professor of Entrepreneurship and Family Enterprise and co-author of the school’s new ranking of the Best Performing Leaders in China’s Listed Firms.

Key factors that came out of the research were that size and prior performance matters. Leaders who took the helm at smaller, poorer-performing firms were more likely to do well than those with a successful history and larger market capitalisation. Li Jianghong, for example, who took over China International Marine Containers Group (CIMC) in 1995 when it had a market capitalisation of less than CNY 1 billion, increased it by 31 times over his tenure and generated an industry-adjusted total shareholder return of 3,425 percent. “This was not the case in similar rankings of India’s CEOs. It seems that in China there is more room in relatively smaller firms for leaders to tap into growth potential and improve firm performance,” Luo says noting, “Chinese leaders also have a better shot at performing well during their tenure if they inherit a poorly-performing company. The better-ranked the predecessor’s performance, the more poorly-ranked is his or her successor. This suggests that the Chinese market has become competitive, making it hard for top performers to stay at the top.”

The study, whose authors include Professors Morten Hansen, Herminia Ibarra and Urs Peyer, is published in Harvard Business Review China, and is the first-ever listing of corporate heads in China based on long-term performance on the Shanghai and Shengzhen Stock Markets. “We track shareholder returns and market capitalisation changes from the first day the leader took the helm to the last (or until March 31, 2012) if they are still in office,” says Luo. A total of 509 leaders from 244 companies were surveyed.

Who are the top performers?

Highly-ranked leaders came from all sectors, with industrial, healthcare and energy industries only slightly over-represented. Among the top 50, three are women and only one is a foreigner. Contrary to opposing stereotypes of Chinese companies and their leaders being either assisted or restrained by government control, the study found that whether the leader’s firm was state-controlled or not did not seem to affect their rankings. Neither does their age, tenure at the firm before taking the leadership, or business education. Only four of the top 50 have an MBA degree.

What did make a difference was their approach. A look at the top rankers in the report reveals internationalisation is a common goal with 19 of the top

50 leaders actively pursuing an international strategy.
By leading Air China to join the global “Star Plan”, Li grabbed a 50 percent market-share in the major Beijing airports making it clear that his goal was to make Air China an international airline, says Luo. Number two ranking, Wang Dongming, chairman of CITIC Securities used international diversification to reduce the risk of a potential slow-down in China, while number three, Dong Mingzhu, from Gree Electric Appliances - one of the “Top 50 Most Influential Business Women” according to US Fortune Magazine - focused on internationalising the Gree brand. Rejecting opportunities to diversify, Dong pursued international standards in core technology, product quality and service while setting up manufacturing bases in Brazil, Pakistan and Vietnam.

Other high rankers include, Li Jianhong, head of CIMC who, at number four, is the only MBA holder in the top 20, and Zhang Xin (ranked eighth) who led the transformer production company, TBEA to collaborate with oil giant BP.

“Many of the firms in our best 50 ranking decided to enter the foreign markets to sell products, set up manufacturing bases or acquire natural resources,” says Luo noting that companies in emerging markets like China can benefit greatly from international expansion by breaking the constraints from the domestic markets and developing competitive advantage in managing uncertainties.

What they delivered

Data from the study’s survey found the nation’s top 50 corporate heads delivered a total shareholder return of 472 percent on average during their average 6.8 years tenure, compared to 997 percent returns delivered by CEOs in the global list (average tenure 8.8 years). That works out to a compound annual return of 33 percent well above the S&P 500’s 2010 annual return of 9.87 percent.

Dispelling the myth

Some of the top leaders also dispelled the stereotype of China as a collectivist culture. For instance, the memoirs of some leaders topping our list suggest that a direct and highly individual leadership inspires performance. For instance, in his book “My Way: The Eight Strategies of Air China Towards Success”, Li urged would-be leaders to take firm control with the advice “a general who fears to unsheathe his sword is not a good general”.

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