

## Chinese CEOs — The Route to the Top In Global Consumer Companies

**Among the world's top multinational consumer companies, none has a leader who hails from China. What will it take to get there?**

Despite China's commanding role in the global economy, its large and fast-growing population of eager consumers, and an ever-expanding pool of talented senior executives, one of its own has yet to become CEO of a leading multinational consumer company.

It's not that consumer company boards are unwilling to appoint non-nationals to the CEO role. Media coverage and Spencer Stuart research have shown that multinationals are hiring CEOs of a different nationality (based on the company's historical roots and headquarters as opposed to corporate domicile). For example, in our recent study of the leadership of the top 50 consumer packaged goods companies globally ("[2019 CPG Leadership Index](#)"), 32 percent of the 45 non-Chinese companies have a non-national as CEO, but not one has a CEO who hails from China.



## THE BUSINESS CASE FOR A CHINESE CEO

Notwithstanding the ever-changing political and economic dynamics — including the current trade tensions, an apparently bifurcating technology landscape, and talk of “decoupling” and “deglobalisation” — the absence of a CEO from China within the ranks of the world’s top consumer multinationals should be a concern for these enterprises, especially over the medium to longer term.

China is already a key market for most consumer multinationals, and its importance is expected to persist, if not grow. The Boston Consulting Group predicts that by 2023, the number of upper middle class and affluent consumers in China will grow 50 percent to more than 240 million, up from 160 million in 2018. More than three-quarters of the incremental growth in consumption in China between 2018 and 2023 will be driven by these consumers.

To increase sales and maintain business momentum, consumer multinationals will need future leaders with the vision, agility and, increasingly critically, the on-the-ground experience in China to identify, understand and adapt to the unique and changing expectations of Chinese consumers. The risks to consumer brands of missteps in the Chinese market can’t be overstated, as the recent experience of Dolce & Gabbana and many other consumer brands demonstrates.

To explore the career tracks of consumer company CEOs and the lessons that can be learned for developing Chinese executives into CEOs and for senior executives who aspire to become CEO, we analysed the profiles of the CEOs and C-suite teams of the world’s 75 largest consumer goods-oriented multinational companies. Data were collected via corporate websites and other publicly available sources and completed as at 30th June 2019.

Our analysis underscores the challenge for consumer multinationals seeking to develop a Chinese national for the CEO job: there are very few in the C-suite today. The 75 global consumer-oriented multinational companies<sup>1</sup> we studied have a combined C-suite membership of more than 800 executives, but fewer than a dozen of these have Chinese ancestry. Among this rarefied group, more than half were born and/or raised in the United States (including the sole ethnic Chinese CEO in our sample), leaving just five — or a little over half of one percent — with what might be described as a very close connection to China.<sup>2</sup>

1 For the purposes of our analysis, we excluded China-based consumer multinationals such as China Mengniu Dairy, China Resources Enterprise, Kweichow Moutai, Wuliangye Yibin, Yili Group and others.

2 We have defined individuals with close China connections as those who are of Chinese ancestry with significant China-based work experiences, including those born and/or raised in Greater China but now holding foreign passports.



Any executive who reaches the top of a major global organization almost always will have held numerous roles across different parts of the business. No two career pathways though are identical, and some executives have been exposed to a broader set of experiences than others, but our research shows some clear patterns among the current cohort of CEOs.

## **INTERNALLY PROMOTED VERSUS HIRED FROM OUTSIDE THE COMPANY**

For anyone seeking to become CEO of a consumer multinational, the most likely path seems to be up through the company's ranks of senior executives. Indeed, CEOs in our research over the years have consistently been with their current organization for more than 20 years on average. The Chinese executives identified in our study have served an average of only eight years in their respective organisations.

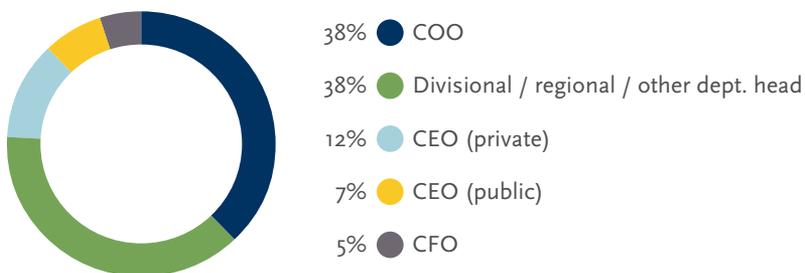
More than two-thirds of CEOs of consumer multinationals were appointed from within the company, confirming a trend we've seen among many of the world's largest companies, particularly those in mature and stable sectors. This suggests that boards are placing greater value on the insider's intimate knowledge of the business, its culture, products and customers than on the potential benefits of hiring a proven, high-profile outsider.

It also suggests that boards are starting the succession planning process earlier and taking a longer-term view of executive leadership than they did 10 or 20 years ago. In our experience, consumer products businesses are highly effective at constructing talent management regimes, identifying high-potential executives early on, putting them through intensive leadership development programs, and providing opportunities for job rotation and exposure to foreign markets.

## STEPPING STONES TO THE TOP

The most common positions CEOs held before moving into their role were divisional CEO or general manager within the same company, often with an international dimension, and chief operating officer (COO). The divisional CEO role tends to be more akin to the CEO role than functional leadership positions, entailing major P&L and general management responsibilities. Just 19 percent of CEOs served as CEO of another public or private company, and 7 percent were promoted directly from chief financial officer (CFO).

### Previously Held Role



## INTERNATIONAL BACKGROUNDS AND EXPERIENCES

CEOs in our study also were likely to have had one or more international assignments, which makes sense since multinational companies need executives who are global thinkers with broad-based business perspectives and the agility to master an array of markets, cultures, competitors and workforce differences. Those who have reached the senior level of various multinational corporations (“[Lessons from an International Assignment](#)”) attest to the opportunity for personal growth and professional development, while international assignments also enable companies to place executives in markets where specific capabilities are needed or to spread corporate values and best practices throughout the organization.

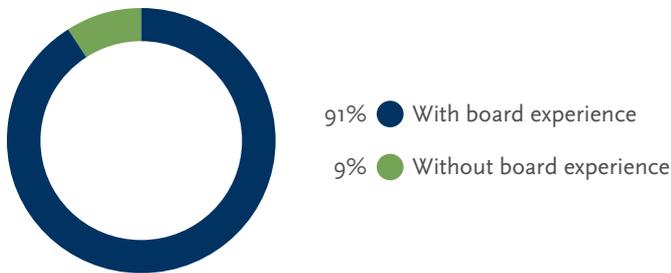
Among our group of five C-suite consumer executives with a very close connection to China, most have had some international education, but only two have had more than five years of professional experience in more than one region. Two have only ever worked in China or Asia.



## BOARD EXPERIENCE

A majority of the CEOs in our research served on the board of their own company or as an independent non-executive director of another public company for at least six months before their appointment. Board experience provides executives with a closeup view of what the CEO role entails. It also helps them understand how a board works and what is expected of the CEO in the boardroom. In our elite group of five “China-connected” executives, none has yet had the opportunity to sit on the board of their current company.

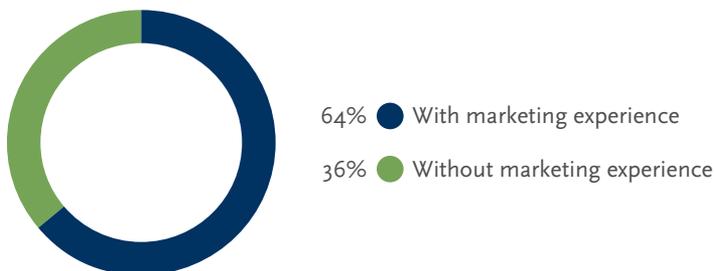
### Previous Board Experience



## MARKETING AND OTHER FUNCTIONAL EXPERIENCE

The most common functional background of today’s consumer product CEOs is marketing. Given the brand and consumer focus of consumer products businesses, this is not particularly surprising. (Interestingly, relatively few CEOs have sales as their primary functional background, although many of them gained sales experience as part of their early training.)

### Previous Marketing Experience



The second most common functional background is finance, even though few CEOs in our research had been promoted to CEO directly from the CFO role. This suggests that, in order to position themselves as credible CEO successors, senior finance executives at some point must broaden their management responsibilities by taking on a senior general management role.

Positions involving strategy, operations and legal were less common backgrounds of CEOs in our research.

In this context, an examination of the functional backgrounds of the five executives with a close connection to China, is also instructive. Tellingly, only one of the five has any kind of marketing background — the most common functional route to CEO. Similarly, only one has a finance background. The remaining executives have sales, operations and human resources backgrounds — unusual paths to the top.

## INCREASING THE REPRESENTATION OF CHINESE NATIONALS AT THE TOP

Even if the career paths for consumer multinational CEOs seem somewhat evident, companies should be aware of special economic and cultural factors that could affect their ability to develop a Chinese national for the post.

With a diverse and growing economy in China, domestic opportunities have been abundant for Chinese nationals. Many top Chinese executives are also increasingly attracted to senior roles within complex, large and/or dynamic Chinese corporations. Our research ([“Working for Chinese Enterprises: Trend for Top Talent?”](#)) suggests that consumer multinationals must attract and retain top candidates through means beyond just competitive compensation. Companies can increase their appeal by broadening roles to match opportunities available at Chinese companies, such as empowering leaders to innovate for local markets, test ideas, and make decisions quickly and locally. A philosophical shift — that views China as an integral part of the global talent pool, one that warrants investment in training Chinese managers not only for positions in their native country but also abroad — is also needed.

To overcome cultural differences or the perception of a "glass ceiling" — and to counter the sense of national pride and ownership derived by Chinese nationals from working for domestically based firms — multinationals can create global functional roles based in China or Asia, rather than at international headquarters, and provide these executives with work of a more strategic nature.

Further, more innovative steps may also be worth considering. For example, at least one company (albeit in the technology sector) formed an executive council of people of different nationalities rather than naming a single CEO in order to foster a more China-centric governance model and share perspectives across cultures. The council meets once a month to gain perspectives on the various countries in which it operates and to align objectives. While this step may not be practical for every company, the goal is to eliminate misconceptions and miscommunications that have long been at the root of ineffective working relationships between multinational companies and Asian executives.

### PUTTING IT ALL TOGETHER

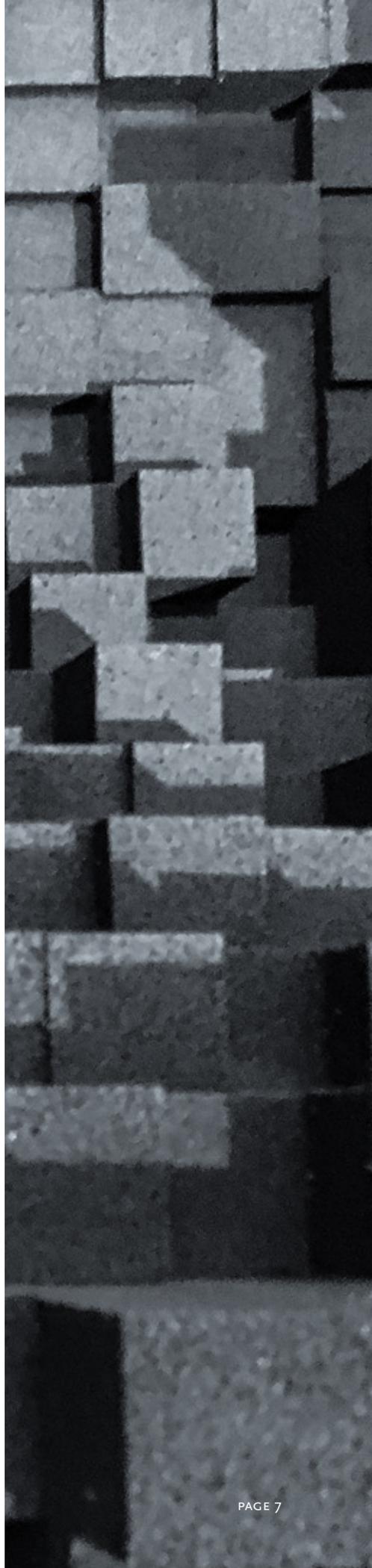
Before a Chinese executive takes the reins of a global consumer company, some give-and-take will likely need to occur between the company and its would-be CEO.

For companies, this means addressing specific hurdles, including:

- » Reluctance by some Chinese nationals — for reasons of distance from family, cultural unfamiliarity or losing touch with a fast-changing home market — to accept the extended overseas assignments often required to advance to the top levels of multinational enterprises.
- » Attractive opportunities for nationals in domestic companies in the still dynamic China market.
- » Real — or perceived — “glass ceilings” for Chinese executives within multinationals.
- » A lack of senior executive role models — as demonstrated in our research.

In turn, Chinese executives aspiring to lead a multinational company must be willing to gain the types of skills and experiences that consumer multinationals value most — particularly senior-level experience in different international markets.

Based on our survey of the current landscape and historical career paths of C-suite executives, the likelihood of a non-Chinese consumer multinational being led by a CEO from China appear to be vanishingly small in the near term. But history has also taught us never to underestimate the speed of change in China — so watch this space.



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