

China's Market Has Flipped. Enter the “New MNC.”

For decades, foreign firms in China thrived on brand prestige, technology gaps and scarcity value. That golden age is over. Local champions are now out iterating and under pricing multinational corporations (MNCs) while matching them in quality.

The only way forward is to become a “new MNC”: one that competes head to head with China's best while staying globally connected.

In this article, we look at the leadership playbook for the new MNC — the operating model, talent code and board choices that separate the winners from the rest of the pack.



Four big shifts in China's market

Four major market shifts are accelerating change in the Chinese market. Below we look at these in depth.

Customers hold the cards

Chinese consumers aren't just more selective, they're demanding faster, better and cheaper products and solutions — a fusion of faster cycles, tighter quality and lower cost.

Growth is no longer about riding a rising tide; it's about winning share from the competition. What once was a competitive advantage — brand cachet, global pedigree — is now table stakes. As China moves from an investment-led to a consumption-led economy, the urgency of customer-centricity only intensifies.

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Local rivals have graduated to the next level

Beneath the so-called price war — “excessive competition” that can lead to lower prices and profits — is a deeper shift of systemic capability gains among domestic champions that have rock-bottom end-to-end operating costs, highly integrated supply chains and a national market big enough to iterate on products at warp speed. Not only are they often backed by government policy supporting Chinese businesses, but they're also street-smart and agile, able and willing to pivot mid-race, with a strong drive for survival and growth.

MNCs are confronting with the fact that they need a value proposition that truly targets the Chinese customers' pain points. Relying on standardized narratives like “global brand” or “lifecycle services” no longer persuades discerning customers spoiled for choice.

China isn't the factory anymore

China is completing the evolution from low cost link to a stabilizer of global supply chains. The market features unmatched scale (one third of global manufacturing), the world's most complete industrial system, and dense clusters that can cut costs, shorten lead times and boost flexibility. As R&D and engineering continue improving, China is shifting from “manufacturing” to “smart manufacturing.” Backed by a commitment to stable, high quality supply, the China market remains an indispensable hub — and MNCs must embed deeply in this ecosystem.

The MNC talent halo is fading

The foreign-company resume line isn't what it once was. Both MNCs and Chinese companies are looking for executives who have experience with Chinese firms. Whether hiring for MNCs or private enterprises, they want executives who know how Chinese private firms think, decide and fight for market share.

Where many MNCs in China are stuck

As the Chinese market shifts, many multinationals are stuck in neutral. In particular, they are falling into three big traps, caused by six common sources of friction.

Strategy and governance

- » **Geopolitics.** U.S. and European firms face heightened investment scrutiny and reputational risk for working in China. Some are retreating from government-linked projects, while others are clinging to the belief that “superior products will sell themselves” in China, even when there’s only been limited investment in building a relationship with the government. In today’s environment, market access and growth requires strong policy alignment and building trust with the government.
- » **Cognitive disconnect between HQ and China.** Pandemic-era travel bans left many HQ executives blind to just how much and how fast China’s market had shifted, leading to misaligned strategies, investment pullbacks and recentralized decision making. For some companies, revenue and margin contributions from China remain too small to trigger urgency. However, an existential challenge will emerge when local champions step beyond China to compete as global enterprises.

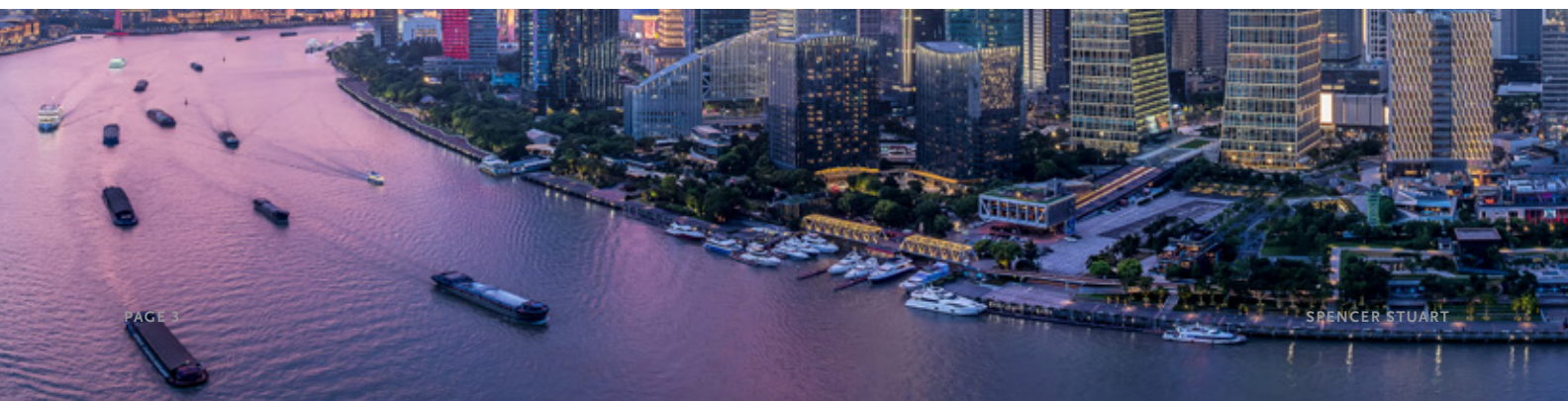
Operating model

- » **Innovation freeze.** Margin compression amid price pressure has reduced many organizations’ appetite to fund R&D and innovation in China. This is eroding their long-term product competitiveness in the country.
- » **Organizational inertia.** Legacy approval structures that once succeeded globally — and are assumed

by leaders to still work in China — often hinder timely decision-making and responsiveness. In today’s hyper-competitive and rapidly evolving market, speed and agility are no longer optional, but instead are decisive advantages. Furthermore, in some sectors leaders are still anchored to demand profiles that no longer apply. They are expecting a return to the “good old days” without rethinking the go-to-market approach. The result is a fragmented organizational setup that impairs local executives’ ability to strategically allocate resources.

Mindset and culture

- » **Self-centered engagement with China’s market.** Some firms still operate at a distance, engaging too little with competitors and customers in China’s market and, as a result, failing to understand the speed, cost engineering and service needed to succeed. With humility and a clearer read of local dynamics, MNCs can close the local fit gap, or else risk continuing to underdeliver and concede share to faster, locally attuned rivals.
- » **Culture drift.** Work is increasingly confined to job descriptions: Employees focus on deadlines and avoiding mistakes, while few (beyond the China divisional leader) are accountable for business outcomes. As performance lags, motivation shifts from purpose-driven ambition to fear-driven survival. Established tenured employees often lack the drive or determination to stretch or challenge the status quo, further limiting innovation.



Playbook for the “new MNC”

International firms can still win in China, but only by transforming into what we call “new MNCs.” That means treating China as a proving ground for global competitiveness, not just a profit pool.

For leaders, four moves matter most:

Strategic re-anchoring

Reframe China as a strategic core, not a peripheral market. Make it the fitness center for your global muscle. Capabilities in AI, digital and cost-down engineering that are built here should flow outward: win in China, win globally.

Boards must also evolve. “Token” seats for directors from Asia won’t cut it. You need directors with real regional experience and empathy, whose guidance can shape a truly global strategy — not just a “China strategy.”

Playing to strengths

Foreign firms can still differentiate in China — by doubling down on what truly sets them apart. The edge isn’t price. It’s customer strengthening value, today and for the future.

Areas where they can stand out from the crowd include:

- » **Global connectivity.** The top global companies have resilient supply chains, diverse networks and access to cross-border insights that can help navigate uncertainty and scale globally.
- » **Superior R&D.** Advanced research capabilities, technology transfer and innovation ecosystems can drive competitiveness in cost, efficiency and quality.
- » **Integrity and credibility.** Strong governance, ESG leadership and rigorous risk and management systems reinforce confidence among customers, regulators and communities.
- » **Shared values and purpose.** Robust cultures and long-term commitments create trust, enabling deeper integration into local ecosystems.

Holistic localization

Move beyond “in China, for China” to “in China, for the world.” Delegate end-to-end decision rights, with proper governance in place. Build competitive local teams and supply chains. Co-innovate with ecosystems. Move from tactical adaptation to full-spectrum integration. Treat trade tensions as a catalyst for localizing and hardening your resilience.

Organization and culture upgrade

Embrace a service-first mindset grounded in measured humility. Balance cultural integration, IP protection and competing interests while learning from local competitors. Transitioning to this mindset requires training and a culture that values adaptability over certainty.

This is also critical in terms of leadership. Build up your systematic talent readiness, rather than reactive hiring. Rotate and renew your leadership teams to inject fresh perspectives, even from outside of your sector.

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The talent code of the “new MNC”

When it comes to the talent question for MNCs, several skills are going to stand out as key to success.

Mindset

“Mindset” is the hardest skill to hire for. You’re looking for leaders with the mentality of a business owner, people who can link initiatives to P&L impact, and who will own their outcomes. You’re also looking for “growth mindset”: curious, learning-oriented leaders who embrace challenges as growth opportunities. You need leaders who are agile enough to work within a complex environment while developing the capacity to experiment, adapt and collaborate — and who can remain composed amid change.

Strategic communication skills

In the past, Chinese executives rose through the ranks based on strong performance and a result orientation. Their success was often built on execution, scale and speed, qualities that aligned well with China’s rapid growth in the past and Chinese culture. However, as the market shifts toward slower growth and more complex global integration, today’s leaders must go beyond delivering results. They must articulate China’s unique market dynamics to global teams with clarity, credibility and influence. This requires a shift from reactive reporting to proactive storytelling, from transactional updates to strategic persuasion.

The “3 Ms” of leadership backgrounds and skills

We see three key ways to look at the backgrounds and skill sets of leaders who can truly help you thrive in China:

- » **Multiplicity.** A cross-industry, cross-sector, cross-functional, cross-regional and cross-cultural background can ensure a broader perspective and greater adaptability.
- » **Mission.** Thinking and capability must culminate in sustained, valuable business outcomes. Mission breeds resilience — enabling teams to push through formidable challenges.
- » **Motivation.** When personal growth trajectories intersect with organizational purpose, value co-creation unlocks the greatest energy.



Board questions that matter

1. Are we treating China as a core engine for global innovation and competitiveness?
2. Does our China team have true end-to-end decision authority?
3. Are price pressures starving the R&D and digital capabilities we need to thrive in China?
4. Where should we deliberately retreat — products, segments or price — to focus on where we can win?
5. Have we built trusted, long-term government relationships in China?
6. Do our leaders in China have the right mindset and global influence? How are we refreshing the bench of talent?

The takeaway

The market is moving on; foreign companies doing business in China must contend with agile, innovative and cost-efficient local competitors. The MNCs that thrive in the next decade will be those that become deeply local, globally relevant and relentlessly competitive. Everyone else? They'll just become case studies in what happens when you try to win today's race with yesterday's gear.





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