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The Exciting Future of OD in China, 2019

By Matt Minahan

Just as China is an interesting, complex, and rapidly changing country, so is the state of Organization Development there. My colleague and friend Jane Feng writes elsewhere in this issue about the history and evolution of OD in China. Here I share some perceptions and draw a few inferences about the state of OD in China today.

As we know from our client work, much or even most of the meaning of any content is created and derived from the context.

The same is true of OD in China. To truly understand OD there, it helps to understand the country, its economy, and its major political and social factors.

I use the US as a reference point below because the vast majority of readers of the *Organization Development Review* are in the US.

Getting Grounded

In comparing China to the US, which country:

- » has more land? China is 2% larger than the US, about half the size of Russia
- » has more surface water? The US has approximately 25 times more than China
- » has more people? China has 1.4 billion, approximately 1 billion more, or 4 times more than the US
- » has more arable land? The US has approximately 40% more
- » has more irrigated land? China has 3 times more than the US

- » has more land per capita? The US has 4 times more than China
- » has more motor vehicles? China has more overall, 1 for every 4 people while the US has almost one vehicle per person
- » has the largest city by population? Shanghai has just over 24M (making it the third largest city in the world behind Tokyo and Delhi.) New York City has 8M people in the 5 boroughs but just over 20M in the metro area
- » has the largest capital city by population? Beijing has 12M people; Washington, DC has 606,000 but just over 6M in the metro area.

A comparison of World Bank data shows that, since 1960, in US dollars:

- » China's Gross Domestic Product (GDP) has grown from less than \$1T to \$12T, starting very slowly but with a rapid rise beginning in the early 2000s, while the US GDP has grown from the same starting point to almost \$20T, but at a more steady rate
- » China's Gross National Income (GNI) per capita has grown from \$70 to almost \$9,000, while the US GNI started at \$3280 and has grown to almost \$60,000
- » China's life expectancy has grown from near 42 to almost 80, while the US life expectancy has grown from near 70 to almost 80 (and has fallen in the last two years due to suicide and drug use.)
- » China's population has almost doubled now at almost 1.4 billion people, while in the US the population has grown

by 1.7 times, to approximately 325 million people.

- » The number of people in China in absolute poverty (earning less than US\$1.90/day) has dropped to .7%, compared to 11.2% worldwide as of 2013; there are no statistics for that measure for the US. Using US\$5.50/day as the poverty line, 36% of the population in China, 49% of the world, and 2% of the US is in poverty as of 2013.

Since 1980, incomes for the poorest Chinese (lowest 10th percentile) grew by 200%, while in the US, they fell by double digits. At the 50th percentile, US incomes increased by approximately 35%, while Chinese incomes increased by almost

thinking, planning growth, tracking stock prices, PE ratios, angel investors, doing deals. There is an entrepreneurial drive and energy in China that you only see in the heart of places like London, New York, Silicon Valley, etc. I was asked several times about the “top schools” in the US in business and OD; no one asked about good schools. There is huge interest in the best companies, the top few automobile companies, the biggest names in anything and everything.

In two weeks, I had more people speak of “platforms” and “ecosystems” than at any time in my life. It is clear that this is a society undergoing seismic change.

Yet for all of that, China still retains much of its Asian culture, with respect for elders, teachers, history, and authority still

Given that there are no graduate programs or OD certificate programs in China, most formation of OD practitioners happens in multinational organizations, on the job, in some of the HR academic programs in China, in online learning offered in the US and Europe, and via visiting scholars and practitioners invited to teach OD mainly to HR staff. Similar to the US, talent management, succession planning, and training are the main activities of many OD practitioners in China. Explosive growth is a huge challenge for the tech startups and consumes most of the small cadre of OD people in that sector.

500%. For the top 1%, US incomes grew by more than 200%, but China’s top 1% incomes grew by almost 10 times more.

Further, the savings per capita in China is 3 times higher than the US, even though average incomes in the US are more than 6 times those in China. China has more internet users and college graduates than the US, though many fewer per capita.

China on the Ground

A visitor’s first impression is that China is big, HUGE. It is FAST. It is YOUNG. Everyone appears to be 28 years old, plus or minus a few years. And they are hustling, moving quickly, urgently

central to its identity.

To make all of this growth and drive possible, China has invested heavily in its infrastructure, huge public works projects, and transport networks including rail, road, ports, and air. The roads and highways are smooth and well cared for, with nary a pot hole in sight, a stark contrast to the US road network. Compare the maps of the US, European, and Chinese rail lines at: <https://medium.com/@parismarx/chinas-high-speed-train-map-puts-u-s-transportation-to-shame-272e6694c04d>

The financial heart of China is Shanghai. With only .1% of China’s land area, Shanghai supplies more than 12% of the municipal revenue and handles more than 25% of the total trade passing through

China’s ports (https://en.wikipedia.org/wiki/History_of_Shanghai).

Similar to Budapest, Shanghai is bisected by a river, with the governmental and established financial and insurance companies on the older, more traditional Bund side, mostly developed in the early 20th century after the opium wars. The remarkable development has occurred since 2000 on the Pudong side of the Huangpu, or “Yellow Bank” River. Visit <https://www.theatlantic.com/photo/2013/08/26-years-of-growth-shanghai-then-and-now/100569/> to see the remarkable development mostly occurring in the last 15 years.

A strong and powerful financial and technical infrastructure has enabled China to leapfrog the rest of the world in electronic payment via smartphones. Car services, restaurants, and much retail are almost all transacted via apps supported by the Alibaba and TenCent infrastructures.

In many sit-down and carry-out restaurants, menus are delivered via QR code to your smart phone. Using an app, you place your order, which is transmitted to the kitchen, a printed copy is taped to your table, the food is delivered, and then paid for electronically. There is no tipping in China, so there is no paper, nothing to sign, payment is made—all transacted electronically.

Email is long passé, with the vast majority of communication occurring via the app WeChat, used for chats, groups, socializing, playing games, paying bills, booking train tickets, etc. which many see as the model for much of what Facebook and Apple are planning.

OD Overall in China

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main activities of many OD practitioners in China. Explosive growth is a huge challenge for the tech startups and consumes most of the small cadre of OD people in that sector.

There is an emerging coaching industry in China, mostly expatriates who have immigrated to China. They are working in support of local leaders of multinationals and in the top leadership of the largest high-tech firms and the largest investor-funded startups.

There are several multinational training and leadership development firms operating in China. Most are managed by expatriates but staffed with local, Chinese-speaking nationals.

Even though English is widely spoken among the well-educated, Chinese is still indispensable in travel, shopping, and in many organizations' operations, so language remains the principle barrier OD practitioners have emigrating and setting up shop in China.

Given the size of the country and its economy, OD in China is still small, but it is emerging, and quite rapidly.

Internal OD Practitioners

The growth and standing of OD in China is different in the various sectors in the economy. It is easy to assume that with a Communist party in power China has a centrally planned and controlled economy as was the case 30 or more years ago. What's different today? Two thirds of the Chinese economy is in the private sector, leaving just one third to the traditional state owned enterprises that most people associate with a centrally planned economy and communism.

The largest number of organizations in China are *private enterprises (PEs)*. They vary in size but play a major role, contributing up to 2/3 of the economy. By the end of 2017, there were 27 million PEs in China, accounting for more than 60% of China's GDP and more than 80% of its urban employment. Manufacturing, home appliance, real estate, mobile phone, entertainment, retailing, clothing, food, hospitality, and others play an important and increasingly dominant role in the

economy. They have been showing more and more interest in OD, especially in the past three years.

Among the PEs:

- » *Multinational organizations* headquartered in the US, Canada, Europe, or elsewhere but operated, and in some cases owned, in China. Many of these companies have been operating in China for decades. These tend to be restaurant, hotel, food processing, automobile, consumer products, and other manufacturing companies. These are large, mature, successful organizations that have managed decentralization successfully with well-developed HR functions, and in some cases, internationally recruited OD staff. In most cases, these are individual OD staff, many matrixed or networked back to larger OD or learning functions back in the home office. They tend to be well trained, many with OD certificates and graduate studies in recognized OD programs, mostly in North America or Europe.
- » *Large technology companies*, most of which are 10-15 years old. Alibaba and TenCent are the two largest and most prominent. They provide most of the underlying infrastructure and technology platforms for the high-tech economy in China. These tend to be large and are still rapidly expanding; Alibaba grew from 50,092 FTEs in 2017 to 66,421 in 2018. They wrestle with how to manage and control such large-scale enterprises while still encouraging growth, entrepreneurship, and innovation. Learning is important and well-resourced in these organizations, OD to a much lesser extent. OD practitioners tend to be well experienced in these organizations, promoted from within, with on the job training, working on very concrete business problems like merger acquisition or new business ventures.
- » *Internet and finance startups*, of which there are thousands across China. Some are venture financed, others are funded via bank loans. Startups which are providing products or services to the government receive low interest,

guaranteed loans from the government. These are the most entrepreneurial, agile, and chaotic organizations in China, trying to manage the huge growth associated with the burgeoning economy. In these organizations, all spare resources are allocated to recruitment, staffing, and onboarding, trying to keep the ever-expanding pipeline full of candidates and new hires. Where OD is being done in this sector, it tends to be done by external OD consulting firms in China hired on contract to help streamline business processes, aligning leadership teams, and managing explosive growth. Those who identify as OD practitioners internally are largely working on talent management, sourcing, and recruitment.

Those are the three major types of private sector businesses in China.

The essence of the Communist system in China is the *state-owned enterprises (SOEs)*. They are the oldest and largest organizations in China in every sector, including transport, tourism, energy, telecom, etc. As of 2017, there were approximately 150,000 SOEs in China, about a third of which are owned by the central government. Some are listed on stock exchanges. Almost all enjoy special tax status and favored access to land, energy, finance, and telecoms. They account for approximately 35% of total GDP and about 20% of total employment. Their very nature insulates them from the competitive pressures that the rest of the economy faces, eliminating the demands for rapid change to respond to market pressures, so their interest in organizational change is understandably low. However, the SOEs in the more competitive sectors, such as autos and telecom, have gone through major changes and are recently showing more interest in OD. If that continues, it could represent a potential lodestar of OD opportunity.

External OD Practitioners

There is no OD Network or similar organization in China, so specifics are difficult.

Based upon anecdotal data, there are likely 20-40 small consulting firms in China, with most concentrated in the large commercial areas in the eastern and southern portions of the country where the private sector thrives. Like many firms in the US, these are typically a handful of owners or partners, with a moderate number of affiliates and associates on call. The number of these firms is growing rapidly; they are as full of energy and passion as the larger economy which they are supporting.

The cadre of solo practitioners and executive coaches in China is emerging.

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There are many management consultants and consulting firms providing business advice based upon standard MBA-type knowledge, most of the solo practitioners have been trained in multinational organizations and then left to go out on their own. The number is so small, however, that it is hard to consider them a major factor in OD in China, given the huge size of the economy.

The Downsides

All of the growth in China, however, comes at a huge price.

The air is awful. In airports and most public places, medical facemasks are a common site. There are days at a time when the prevailing westerly breezes bring smog and pollution from the middle of the country toward its eastern seacoast towns. On carbon emissions, in 1960

the US emitted 16 metric tons of carbon per capita. Its peak was 22 metric tons in 1973, and it has steadily fallen back down to 16 metric tons in 2014. China started at just over 1 metric ton of carbon per capita. Since then it has risen, with sharp increase in the early 2000s to over 7 metric tons per capita in 2014. Given that the China population is 4 times larger than the US, their carbon pollution is equivalent to twice that of the US.

Information is tightly controlled. Access to Facebook, Youtube, Google and most of its associated sites is prohibited in China. Instead, the government promotes

the use of search engines in which it can influence the presentation of results. As I write this, Google employees are protesting Project Dragonfly, Google's attempt at a compromise with their Chinese regulators to block certain websites and search terms tailored to China's censorship demands. It is likely that Google will proceed with the project, which will open up the vast China market, even though the very protest by its employees would be outlawed in China.

Many of the larger, newer hotels had offered virtual private networks (VPNs) to allow foreign guests easy access to blocked sites beyond what many refer to as The Great Firewall, but that has been outlawed. A recently passed law requires hotel guests to register to use hotel wifi by entering their mobile phone number, allowing the government to associate even wifi web surfing back to each cell phone user.

Human rights are a major problem. The Chinese have just recently acknowledged that they have what they call "re-education camps" in the western province of Xinjiang where large numbers of Muslims, particularly from the Uigher sect, are held for years at a time. They are isolated and subjected to techniques that most in the West would characterize as imprisonment.

Criticism of the government is widely accepted as off limits. Chinese knowingly nod in silence and shrug their shoulders when the topic of the government comes up. The unspoken assumption in the country seems to be that citizens are free to pursue their own interests as long as they neither criticize nor interfere with what the government is doing.

Surveillance of citizens and visitors is inescapable. Visitors entering the country are required to provide their fingerprints. There are hundreds of thousands of facial recognition cameras all over the roads and highways in China, in entering subways and parking lots and stores. Cameras and flash units are mounted on large overhead gantries throughout the countryside and on city highways. Similar techniques are in use in major cities such as London and New York, but they are much more numerous, prominent, and intrusive in China than elsewhere; see <https://www.nytimes.com/2018/07/08/business/china-surveillance-technology.html>

Conclusion

Like just about everything else in China, it appears that the field of OD is on the cusp of major explosive growth. Even if the field remains a small fraction of organizations in China, the scale of the economy is so large that a small fraction is going to be a big number. And it is coming fast.

One of my OD colleagues in China wrote: "I got my OD masters in the UK in 2004. Almost nobody knew OD in China at that time. You could not find any OD job recruitment info in the market. In my opinion, OD, as an independent academic and practical area, has been acknowledged by enterprises and people in the past 5 years, and has become more and more

popular in China, especially for Internet, high-tech, multinational companies. Now, OD is a hot job and many companies will offer 500,000 to 1 million RMB (80,000 to 150,000 USD) annual salary to a good OD person.”

OD academic programs and certificates have been tried in China, but without much success. Maybe they were ahead of their time, maybe there were other mistakes. But right now seems like the golden age of the growth of OD in China . . . for those who can keep up the pace and speak the language of growth and change.

Author’s Note: My work in China was sponsored by the Innovative OD Center (www.ioc-od.com), a small but powerful OD consulting firm with three partners and about 8 associates. As can be seen from the website, they are every bit as diverse and sophisticated as any consulting firm of similar size anywhere in the world, and much better than many.

They sponsored a full day conference for 220 of their current and former clients and friends, called China’s Second Annual OD & HR Practitioners’ Annual Meeting. My address was entitled OD in a VUCA World plus concurrent sessions on the Global OD Competency Framework. They also asked me to lead a two-day post-conference workshop for about 70 people

on OD: From Strategy to Structure to Design, and three-day master classes in OD consulting for the IOC partners and associates.

In every configuration—even in car rides around the city—I found our OD counterparts in China to be smart about business, eager to learn more about OD, hungry for real stories about OD consulting projects, and wanting very concrete advice about how to use OD principles to solve their very real business problems.

IOC is also doing a remarkable job of raising the level of OD knowledge and skills across Shanghai and as far away as Hangzhou, the home of Alibaba which is an IOC client. They are bringing faculty from the UK and US to offer a Gestalt OSD certificate and portions of NTL’s OD certificate to their own partners and associates as well as their friends-of-IOC network of current, former, and future clients. If they are the future of the field in China, it is very bright and very exciting indeed.

There is a remarkable series of articles on China in the *New York Times*, *The Land That Failed to Fail*, published late in November, 2018, which has provided some of the source material for this article and which is an instructive read for anyone interested in China and where it is going, <https://www.nytimes.com/interactive/2018/11/18/world/asia/china-rules.html>

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Matt Minahan, Ed.D. is president of MM & Associates, an international consulting firm specializing in strategy, structure, organization design, and culture change. He teaches in the OD program at American University and is a guest lecturer at Benedictine University, Cabrini University, and other doctoral programs. He served on the Board of Trustees of the OD Network from 2009 until 2015, and was vice-, co-, and chair of the board from 2012–2015. He can be reached at matt@minahangroup.com.