



Deploying BXT and being local: PwC and the next decade in China

PwC's Innovation Center, Shanghai

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Author:

Patrick M. Heffernan (patrick.heffernan@tbri.com), Principal Analyst & Practice Manager

Chinese companies' desires to expand abroad, China's sustained economic growth, and a new Chinese willingness to spend on consulting combined with PwC's on-the-ground expertise, the firm's understanding of its global clients, and the now well-developed Business-Experience-Technology (BXT) approach provide a foundation for PwC's cautious optimism about its future in China over the next decade. Add what Global Advisory Markets Leader Randy Browning describes as PwC's core strengths around capabilities and trust and one can understand the confidence and enthusiasm on display at the firm's Shanghai Innovation Center, a well-designed complement to the established Experience Center in Hong Kong. Provided the firm can manage its talent and continue successfully navigating China's economy and regulatory environment, both for itself and its clients, PwC will likely maintain a leading position among consultancies in the region.

Event overview

Over a day and a half, PwC hosted more than 30 analysts and half a dozen clients at its relatively new Shanghai Innovation Center. Hosts walked attendees through a detailed look at PwC's strategy in and expectations for the Chinese market. Using both clients and PwC executives to highlight issues around talent, digital transformation, execution, and even specific technologies such as blockchain, the firm presented a compelling case for its own opportunities to grow along with China's overall rapid growth. TBR believes this was the first major global analyst event in China by one of the Big Four firms and their immediate consulting peers.

A strategy for China: Worry less about strategy and focus on execution

Before ceding the floor to clients who shared their journeys with PwC, the firm provided a broader view of the Chinese market for consulting services, describing a landscape well-designed for PwC.

Shirley Shirley Xie, PwC's China and Hong Kong Consulting leader, noted that after 40 years of opening up to the rest of the world, China remained a managed economy. In her estimation, if the government intends to meet ambitious goals around sustainable growth, China "must do things differently." She further predicted that more than half of the world's business transformations will happen in China, and PwC's current engagements with Chinese clients will impact the global economy as China will surpass the U.S. in gross domestic product (GDP) by 2030. In this massive market, Shirley Xie contended, the Chinese government plans and documents "everything,"

which allows companies to adopt straightforward strategies: follow what the government says it will do and understand what government priorities are (which requires deep local knowledge and government insights), then plan accordingly. With strategy made easy, differentiators are narrowing areas of focus and execution, which, in Shirley Xie's estimation, is "hard for everyone," particularly young Chinese companies that have spent more effort on managing growth than managing people (more on this below). In this market, then, PwC brings "transformation and solutions," including people and organization redesign and emerging technologies.

PwC has three strategic growth initiatives for China, with all three initiatives flowing from Chinese companies opening-up more as well as looking to expand outside China:

- Drive transformations by doing more than point solutions and small engagements
- Invest in emerging technologies (see below)
- Grow the firm's Deal Services practice, including inbound/outbound deals, pre-deal support, and post-deal integration

Further exploring the mindset of market makers in China, Elton Huang, PwC's China Markets leader and Shanghai office lead partner, said Chinese clients expect the U.S. will take a smaller role in the global economy over the coming years, based on macroeconomic and political trends. Touching momentarily on politics, Huang noted that for Chinese clients, talk of a U.S.-China "trade war" led to seeking PwC's advice on making regulatory compliance easier, faster and more efficient, indicating the driving concerns are not political but business-oriented — simply a need to get business done, no matter the regulatory environment. In this analyst's estimation, what PwC hears from Chinese clients about a possible "trade war" reflects two realities true across all countries: 1) clients ask for advice on what they think you know about (ask PwC about risk and compliance, not politics); and 2) hype and news noise aside, how to execute nearly always matters more than political principles or matters between governments. Following Huang's lead, PwC's Jim Woods, Global and China/Hong Kong Risk Assurance leader and longtime China hand, cautioned that the Chinese government can and has imposed state policy quickly, impacting business strategies and risks, citing reorganizations in the telecom and energy sectors as examples. Rapidly enacted and sweeping changes naturally have a massive ripple effect across an entire ecosystem, including the legal landscape. This reality, according to Woods, did not make China any riskier than other markets, it simply reinforced the need for local expertise. (For additional recent analysis of PwC's Risk Assurance practice, see this [special report](#) by TBR's Geoff Woollacott.)

Coping with local challenges and learning to manage people

Local expertise, not surprisingly, remains both a differentiator and challenge for PwC, as detailed by several PwC leaders. Shirley Xie noted that the local market includes a large pool of highly educated people, but many lack experience, global views and perspectives, project management expertise, and core business skills, making talent management a critical issue for PwC in China. With 30% of PwC's professionals in China foreign-born and foreign-educated, the firm continues to seek experienced hires and expand its talent strategy to include working with local universities (and even high schools when seeking up-and-coming cybersecurity talent).

Looking at talent more broadly, PwC described their Workforce of the Future initiative that, in China, includes working with clients to shift from seeing HR and IT as a way to control a workforce to developing skills and culture so HR and IT enable business transformation. PwC leaders noted that in China development of managerial capabilities significantly trailed the pace of economic growth. Simply managing China's rapid economic growth has taken away the time to develop experience in managing people. Internally, PwC globally tracks the "digital fitness"

of professionals' efforts to keeping pace with emerging technology trends, a capability and solution TBR expects PwC is bringing to the market as a [new offering](#).

Additionally, PwC has altered its previously uncoordinated approach and set up an in-house group to review all alliances, particularly with smaller emerging technology firms. PwC intends to be more strategic, targeting specific niche technology areas, and has begun making equity investment in startups, most notably a blockchain firm.

Design digital right and bring it from the board to the broader market

At the event, PwC introduced the chief technology officer of a listed Hong Kong-based global supply chain company, and his description of what PwC brought to his company stood out as a perfect encapsulation of PwC's BXT approach. In short, PwC created a supply chain digitization strategy and built a compelling business case for its adoption, which began in earnest over the last year. Notably, PwC conducted all the design thinking, creative and strategy work at the Hong Kong Experience Center and initially designed a comprehensive presentation for the client's board of directors. Believing the presentation to be compelling and wanting to enlist the company's rank and file, the board directed the CTO to share PwC's vision internally, then eventually with key clients, leading to an external marketing campaign based on a new supply chain platform. In TBR's view, this engagement serves as a testament to PwC's core strengths in strategy and business execution, but also highlights how the Hong Kong Experience Center brought in design thinking and creative talent beyond the typical strategy consulting slides for the board. The company worked with other strategy houses but felt PwC knew them better for strategy work, specifically in designing the digital supply chain, and perceived that the competitors lacked a plan to execute on their suggested strategy and did not have deep expertise on the client's business structure and culture or the client's core operations.

Beyond displacing the other strategy house, why did the client select PwC? The answer includes a critical part of PwC's overall strategy: do more than small engagements. PwC had already been engaged on HR and finance projects, giving the firm insight into the client's business and culture. In the client's words, it trusted "PwC will help us morph into a data company," based in part on PwC's work on finance transformation and "digitalization of HR." The client wants to "generate more data now, knowing [it] can use it later," even while being unsure how they can isolate data across clients, an issue requiring PwC assistance. In sum, PwC built trust, executed on smaller projects, and proved capabilities around supply chain, technology, and transformation. Notably, the client introduced one of its clients, a massive U.S.-based retailer, to PwC in China. The retailer worked with other large technology providers in the U.S. but switched to PwC in China because of the firm's local expertise and proven track record with the global supply chain client.

Additional client presentations included a global pharmaceutical company, a local blockchain startup, and a Hong Kong-based boutique wealth management firm and one of China's largest automobile dealerships. All of the clients cited PwC's expertise around the local Chinese market as critical to their success. TBR will include further details on these PwC clients in upcoming analyses around blockchain, healthcare IT services, and management consulting.

BXT, Experience Centers and the future of PwC Consulting

PwC launched its BXT approach, pulling in business, execution and technology expertise, a few years ago, and Scott Likens, China and Hong Kong Emerging Tech Leader, perfectly captured what BXT means for the firm: "BXT is the only way we will be able to work in the future." China Consulting Leader Shirley Xie added that BXT is "an internal mindset on how to tackle digital transformation." In TBR's view, the maturity of BXT parallels the maturity of PwC's Experience Centers. Just as the global supply chain client perfectly illustrated how the firm applied the BXT

approach, the same case study included the client using the Hong Kong Experience Center. In discussing the Shanghai center's approach and operations with the local leadership, TBR assessed that the playbook for starting and accelerating these centers is in full effect. Shanghai staffs similarly, selects clients with an approach mirroring Hallendale now (and not Hallendale of 2016), and conducts "Catalyst Days" to work with clients to identify their core problems, lead small groups to devise solutions, and help determine next steps – all parts of the well-developed Experience Centers' playbook. PwC's Huang, echoing Experience Center leaders globally (as well as digital transformation leaders at PwC's competitors), said that when clients and government officials have come to the Experience Center, it "transformed their image" of PwC, one of the motivating reasons for these kinds of investments. The Shanghai Innovation Center's location in a shopping mall marks a departure [from the norm](#) (although Hallendale sits above retail space), and the overall look and feel lacked some of the flash and designed cool of other Experience Centers, including that in Frankfurt, Germany. TBR also sensed the Shanghai center shares leadership and talent from the more-established center in Hong Kong, an impression TBR will need to revisit in a year to confirm or observe (an expected) evolution.

TBR perspective: Trust develops locally

One PwC Consulting leader summed up the firm's relationship to its clients with two simple points, saying the first thing PwC brings to the market is trust and the second is an ability to help clients get their humans to behave differently. His comments echoed a client's earlier assessment that PwC had understood the local market, including what the government was doing and why, and also understood the client's operations, strategy, metrics, and culture, allowing PwC to put newly collected data and enhanced analytics into context matching the client's reality. Trust is being built around expertise and a positive track record, but also on the ability to change behavior and the knowledge of what current behavior is and why. While not unique to the Chinese market, what PwC intends to deliver matches well with what the Chinese clients want to do: grow outside China, improve compliance and build ecosystems. In addition, clients want PwC to bring its many services, not just consulting or audit or tax. And while traditionally, Chinese clients have insisted on purchasing tangible items, making it hard to sell consulting services, PwC's on-the-ground leadership believes that dynamic has changed as Chinese companies appreciate keeping pace requires behaving differently than in the past.

For additional TBR perspectives on management consulting, the APAC market, and digital transformation, please contact Dan Demers at +1 603.929.1166 or dan.demers@tbri.com.

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