

Leadership

COVID-19  
An Industrial  
Evolution?

Leadership Interview  
With  
Dr. Chunyuan Gu

By  
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**Amrop**

Leaders For What's Next

# COVID-19 | An Industrial Evolution?

Leadership Interview with Dr. Chunyuan Gu

## How the virus will make us more digital

As the COVID-19 lockdown in China was the first to ease, the rest of the world watched keenly for lessons learned. Meanwhile, a new balance between executive role experience and competency is emerging. When everything is difficult, when wicked dilemmas accumulate and decisions are needed quickly, past experience in an industry vertical matters less than agility. If agility, particularly in digital, was already a key leadership competence pre-Covid, many predict that it will take center stage in the aftermath.

China's experience of the pandemic also brings certain cultural differences into focus. Are people in the region prepared to give up more personal or commercial freedoms on the understanding that the protective arms of government, and certain businesses, will be around them? Similarly, will digital-savvy Chinese consumers more readily welcome the integration of AI into new products than their European counterparts, where personal data protection is increasingly valued?

ABB supports a variety of industries with its cutting-edge robotics and other engineering products. With his roots in engineering and a 20-year track record in this leading multinational, Dr. Chunyuan Gu brings a rare combination of insights to the COVID-19 picture: a pan-regional track record, deep technical expertise and sharp customer focus.

In this interview he shares his perspective on an industrial evolution already underway pre-Covid, and which the crisis is rapidly reinforcing. He confirms that digital transformation is being accelerated by the pandemic, at least for companies who embrace it quickly enough. Paradoxically, some inefficiencies resulting from restrictions on movement may lead to more efficient digital processes in the future.

But digital, however pivotal, is only one aspect of a rapidly evolving picture whose colors COVID-19 has intensified. Globalization and localization questions may require some organizations to examine their entire strategy, their culture and value chain, as well as the leaders at their helm.

Dr. Chunyuan Gu joined the Swiss-Swedish multinational ABB in 1989 as a Senior Research Fellow at the organization's Corporate Research Division. He has since played a key role in strengthening ABB's technology leadership in robotics, and developing its business in China and the AMEA region.

He has held a number of senior positions in robotics and innovation at ABB, including Head of the Discrete Automation and Motion Division, China. He subsequently moved into general management. From 2014-2018 he was Managing Director of ABB China, and from 2017-2019 President of the AMEA Region (Asia, Middle East and Africa), and member of ABB's Group Executive Committee. He has also served as Chairman of the Board, ABB China Ltd.

He earned his Bachelor of Engineering degree at the School of Mechanical Engineering, Shanghai JiaoTong University, and his Doctorate in Engineering at the School of Aeronautics at the Royal Institute of Technology, Stockholm, Sweden. He is an International Member of the Royal Swedish Academy of Engineering Sciences.



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## Key Messages

1

**COVID-19 has accelerated digital contact, and it's a one-way street.**

Digital meeting platforms were already replacing much face-to-face contact pre-COVID-19. The current experience will likely accelerate the trend. Executives and organizations worldwide will be re-thinking just how much office working is necessary. Even if humans in general may have short memories and a tendency to revert to pre-crisis behaviors, there's no going back for industry, once it has adapted to new ways of working.

2

**In the engineering sector, live customer contact remains a critical link.**

Amongst the multiple disruptions of COVID-19, the erosion of live customer contact is one of the most impactful. The removal of the human touch and face-to-face interaction is significantly impacting the engineering industry in terms of sales, execution and service, and undermining the whole value chain.

3

**Winning companies will be strong on 3 fronts: customer contact, logistics and liquidity.**

Compounding the removal of face-to-face customer contact, companies are facing internal pressures related to supply and logistics, and cash. Falling revenues combined with the continued need to pay salaries mean a strong financial base is needed to survive. The companies that can deal well with all three will do best during this period.

4

**Broad-spectrum digital vision + sharp customer focus will be a must-have.**

Leaders must be demonstrably qualified to adapt to ongoing digital transformation, and understand the potential of new technologies in improving efficiency. This is manifested in terms of interactions between customers and staff, as well as in engineering and execution. COVID -19 is intensifying what was already an underlying trend. Until recently, digital-savviness has been a nice-to have; going forward, it will be a must-have.

5

**Boards still lack digital literacy. Even one digital board member will not be enough.**

A single digital Board member (and even this is a challenge for many non-tech Boards) will no longer suffice. With the 1990s and the arrival of computers, executives paid lip service to the new tech, but continued using paper. Yet very quickly, those lacking basic IT skills fell out of the frame. Digital tech is on the same trajectory, with an even broader impact. In its current phase, few Board members even understand the impact of the cloud on cash flow or revenues, as just one example.





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## As technical standards nationalize, global players will face a paradox.

As a global company, ABB has significant local presence. However, regulators and customers in markets such as Japan, the US and Europe apply differing technology standards. Although international standards may allow some cross-border adoption and adaptation, the trend towards polarization looks set to intensify. Signs include the China-US trade war ignited 2 years ago, as well as recent statements from the Trump administration regarding sanctioning Chinese technology companies. A further push to polarization will lead to further divergence in technology standards. Resolving the polarization vs. standardization paradox will mean finding ways to share global platforms, with smart local adaptations. This will be a winning strategy, albeit difficult to achieve.

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## The trend will likely be toward strong national governments.

Crises — especially long-lasting crises, tend to give rise to 'strong man' national leadership, endorsed by the popular vote. These strong-arm leaders exert increasing influence on industrial policies, while driving their own agendas. Global companies must not only work out how they can adapt to diverging standards, but how they deal with the loss of scale and efficiencies if they break up into smaller pieces due to the march of nationalization. Failure to overcome these problems may threaten their long-term survival.

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## Globalization or localization? Quick fixes must be viewed through a strategic lens, and will differ by size.

Traveling restrictions are leading globally-centralized companies to build up at the local level. This response, if interesting (and challenging), should be seen as a quick fix rather than a model for future operations. For large MNCs, keeping free trade moving is important to sustain profitability. For medium-size organizations operating in China or Germany, for example, COVID-19 is an opportunity to become stronger in local markets, removing global overheads.

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## Globals may have to fundamentally question purpose and capability.

The Boards of global companies may question whether they wish to redistribute resources, or even whether they wish to continue as a globalized organization. Talent questions will follow hard and fast: *how to hire and develop capabilities to the level needed to implement new strategies?* This means examining each part of the company, its culture, and capability for transformation.

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## Business and government in China are working hand-in-hand.

Chinese industry is inclined to accept and digest guidance from a central authority, and the government has a strong interest in supporting it. The country's Operation Restart means companies need specific permission to re-open a factory and must comply to a host of requirements and standards. However, rules are accompanied by help: with 40 factories in China, ABB has received considerable government support, with on-site visits to help it build new routines, access the right equipment and PPE. Officials in Beijing also supported one of ABB's critical suppliers to get their factory running, allowing ABB to resume production early.

[Read on for the full interview](#)

# COVID-19 | An Industrial Evolution?

## Full Interview with Dr. Chunyuan Gu



### What is the status right now?

We serve a lot of customers in utilities, industry, infrastructure and transportation in China. Many of them are global OEM, contract manufacturers. Their own customers, project managers and other key people cannot physically travel because of pandemic-related restrictions. So, companies are doing whatever they need to do to achieve a quick fix. In the past, everybody in the supply chain performed his or her own task, with the whole thing being held together by strong project management. Many companies are centralized functions within a global organization, and now suddenly because they cannot travel they have to build up locally. This is both interesting and challenging, but I would see it as a quick fix rather than a model for future operations.

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Of course, it depends on what shape the new normal will take, but we should ask ourselves: should we go back to the previous set-up, or not? I think companies will look to optimize both the old and the new ways of working. Digital communication technology and digital meeting platforms were already starting to replace some face-to-face contact and this whole experience with COVID-19 may accelerate that. And whether in Europe or in North America or Asia, we will rethink how much we need to come into the office.

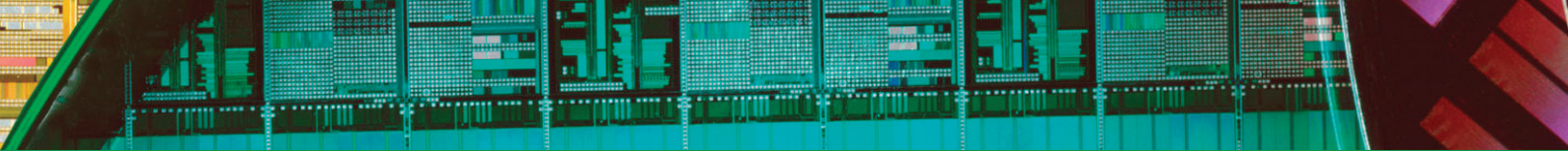
### Which industrial companies do you think will do better during the pandemic period?

Lots of things are being disrupted. For us, it's contact with the customer in particular. When you remove the human touch, the face-to-face contact, there's a big impact in our industry on sales, execution and service. The whole value chain is impacted. There are also in-house pressures related to supply and logistics, and on top of that there is the cash issue — if you don't have revenue but you have people you must pay, then you must have strong finance to survive. It's the companies dealing with all three most effectively that will do best during this period.

### Are there some sectors of industry that you think will suffer more following the pandemic?

It all depends on the scenario — if we have a vaccine in the next 18 months or not. If the virus were to stay with us and become part of our daily lives, industry would be severely impacted and our ability to travel would look completely different. If the situation goes away in the near future, I think human beings have a tendency to forget and people will go back to their normal lives quite quickly. But not industry — once industry has adapted to new digital ways of working, it will stay there. One example: I doubt demand for office space will ever recover to former levels.





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### Can you speculate on what the most important executive roles will be as we move through the pandemic period?

I think in leadership roles there will be no revolution. People will need to show that they are qualified to adapt to the ongoing digital transformation. This has already started, and in my opinion it will accelerate. This quality is needed so that our leaders fully understand the potential of the new technologies in making interactions between customers and their staff more efficient. Until the recent past this has been a nice quality to have in a leader, but in the future it will be a must-have.

### Current thinking is that a Board of Directors should have one digital expert. Will this change soon?

Yes. One won't be enough. With the arrival of computers, everyone said: "oh yes, this is nice to have, but it's not essential". Then, the technologies took off and it became very difficult to imagine leaders not having basic IT skills. Today it is the same with digital technologies. For instance, how many Board members have deep insight into the impact of the cloud (for example) on their company's cash flow or revenues?

### Does that mean that executives with digital transformation knowledge and expertise will soon find themselves in very high demand?

Yes, absolutely. We're probably facing at least a year or two with this virus and so there are immediate questions: *How do you do digital marketing? How do you reach out to your customers? How do you do your daily office work, or your administration, most efficiently?* It's already an issue of survival. Very quickly this will become a central part of leadership competency in running a company. Some companies I've seen are already well advanced in this progression, some others are only just beginning.

In a broad sense, this new wave of technology has a big impact on how we interact with customers (sales and service), and even on engineering and execution. This means a much broader disruption than anything we've experienced before. It means that executives and the Board will be asked: "Will the company even survive if we don't make changes?". To answer this question you need people with good knowledge and vision in their leadership roles. We will need those who can both perform for today and transform for tomorrow.

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## Will companies start to turn inwards, and will globalization slow down in the coming period?

It depends what definition of globalization you're using. At our company we are global, but we have a lot of local presence. I guess the question is really: "*what has happened to our customers?*" Our customers in different parts of the world have their own demands and standards, but there are also a lot of international standards, so product and service can be provided across countries relatively easily. Global presence will drive productivity.

At this moment, I wonder if we are going to see more polarization. Two years ago we saw the China-US trade tension, and now we see the US administration announcing a kind of sanctioning against Chinese technology companies. If such polarization gets pushed further, will we end up with even bigger differences in technology standards? This is a question we need to ask ourselves — and we need to be prepared for a scenario of separation of standards in technology.

In addition, we'll also see increasingly strong government influence on industrial policies. So, we as a global company need to work out how we adapt to changing standards, and local regulations. If the world gets too fragmented, we won't get the scale to be efficient. But if we find a way to share our global platform, doing local adaptation in a smart way, then we might be able to find a way to win.

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## Are governments helping globalized companies to continue operating in a globalized way, or is the focus increasingly protectionist?

Of course, for globalized companies like ours, it's critical to keep free trade moving. We have a strong presence in key markets like China. Governments will continue to support the business as it is an essential part of the national economy.

## In the scenario of globalized companies fragmenting, what would the executive recruitment picture look like?

I think a lot more companies would enhance their local and regional capabilities. You will always need good people, that's not in question. If the management structure is forced to change by the new circumstances, then companies need to re-distribute this resource by relocation or hiring. So, for Amrop, you'll always get more jobs to do!



In China, things are working quite well because the government has a very strong interest in supporting business. We have 40 factories in China and under the country's Operation Restart you need (for example) very specific permissions to re-open your factories, complying with a lot of requirements and standards.

### **How do you think society will view its business leaders as we enter a new 'Covid-colored' world?**

I think that governments and business leaders have so far collaborated quite well. As we look at the different phases, initially everyone was quite shocked.

Then, we saw companies losing a lot of revenue, followed by many government schemes to support them, in order to avoid layoffs. So, there was good collaboration between business leaders, communities, and governments. I think the impression and reaction of business leaders so far has been quite good.

### **How strong is the relationship between government, business and community leaders in Hong Kong and China at the moment?**

In China, things are working quite well because the government has a very strong interest in supporting business. We have 40 factories in China and under the country's Operation Restart you need (for example) very specific permissions to re-open your factories, complying with a lot of requirements and standards. At ABB, we received a lot of support from the government. They came to our factory sites and helped us to build up new routines and get the right equipment and PPE. So that's been really good. We even received help from officials in Beijing — they contacted another city to help one of our suppliers to get their factory up and running again. Without those parts our factory in Beijing couldn't have resumed production. I've been very impressed.



*Interview facilitated with the support of Andrew Thomson  
Partner, Amrop China*





## About Amrop

With over 70 offices in all world regions, Amrop is a trusted advisor in Executive Search, Board and Leadership Services.

Amrop advises the world's most dynamic organizations on finding and positioning Leaders For What's Next: top talent, adept at working across borders in markets around the world.

Amrop's mission: shaping sustainable success through inspiring leaders.

## The Amrop global Industrial Practice

Amrop's Industrial Practice is configured to anticipate and respond to the talent acquisition needs of globalizing organizations in the following sub-sectors:

**Automotive:** OEM (Manufacturers), OES (1st and 2nd tier suppliers, specialists), Distribution (importers, wholesale, retail, OEM and independent) Services (consulting, engineering, IT, marketing etc.).

**Industrial:** From steel, aluminum and plastics to agricultural machines, machine tools, packaging, plant and engineering, aerospace, marine and power generation, and beyond.

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## About ABB

ABB is a leading global engineering company that energizes the transformation of society and industry to achieve a more productive, sustainable future.

By connecting software to its electrification, robotics, automation and motion portfolio, ABB pushes the boundaries of technology to drive performance to new levels.

With a history of excellence stretching back more than 130 years, ABB's success is driven by 110,000 employees in over 100 countries.

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