

# Building a shared vision for growth: An interview with Vinda CEO Christoph Michalski

The European-born CEO of China's leading tissue manufacturer discusses the changing nature of competition in the region and describes how learning to lead through trust and authenticity proved to be a personal turning point.



Vinda, a leading hygiene company founded in 1985, has worked to help create a market in China for products ranging from tissues and diapers to feminine-care products. Over the years, the company's growth benefited from the trajectory of China's burgeoning middle class, and Vinda is now China's market leader in the tissue category. The company got a boost in 2013 when Sweden's Svenska Cellulosa Aktiebolaget (SCA) acquired a majority shareholding, bringing with it flagship brands such as Tempo, TENA, Libresse, and Libero. And today, Vinda is working to solidify its place in the Chinese market, while moving aggressively into Southeast Asia.

In 2015, Christoph Michalski was named CEO of Vinda to balance these two strategic objectives. A longtime player in Asia, Michalski argues that the crucial element to success in Asia is to look for similarities among markets, rather than focusing exclusively on how they differ. A board member at Vinda since 2008, Michalski says mixing local expertise with global best

practices is critical for success in Asian markets, even if that means allowing Chinese managers to reject proposals from the parent company if they are not convinced the ideas add value to Vinda.

Heidrick & Struggles partner Klaus Heldman recently met with Michalski to discuss these and other top-of-mind management issues. The conversation ranged from Vinda's approach to competition against fast-paced local rivals and deep-pocketed global giants to the personal lessons that Michalski has learned leading an organization in China's dynamic market.

**Heidrick & Struggles:** In the West, we often hear about how different China is relative to other markets. What's your view?

**Christoph Michalski:** When you look at basic consumer behavior and basic markets in China, everybody says it's very different, but the key principles still apply. My approach is always to look for

what is common with other markets and China, rather than the differences. I look at this from a perspective that all the categories we operate in are very basic human needs, and the product functionality of what we have to deliver is very similar across markets.

Branding basically touches local consumer needs and symbols. You have to express these in the cultural context in which you operate, and that is clearly different in China, but the overall principles of the needs and the emotions themselves are much more similar than different.

China is just a different context, and it's more difficult to grasp because the permutations are so different from a Western perspective. People in China have similar emotions and values, but, because of the cultural context, they express them very differently than what you might expect. You have to take local aspects into consideration, just as you would have to take them into consideration in Brazil or the United States or France or Germany.

When it comes to the economic and operating environment, however, I do think there are big differences between China and what I have experienced elsewhere. The growth in China is staggering, as we have seen relatively large growth rates on an already large base. In Europe, for example, we discuss the optimization of the supply chain, restructuring, and the occasional investment in new production capacities within existing factories. And we do it with relatively long lead times, both in decision making and execution. Here at Vinda, we discuss how quickly we can build entirely new factories and adapt our investment plan quarterly based on market shifts. The timing from decision making to ramping up production is much shorter, and adapting to shifting market demands is possible—but not always easy.

**Heidrick & Struggles:** What personal challenges have you faced leading organizations in China, and how have you addressed them?

**Christoph Michalski:** When I first came to China, I had a number of colleagues who tried to tell me what Chinese culture is all about, how one should behave, and what was expected of a Western leader operating in China. And probably during my first year in Shanghai, I tried to play that role. I felt it was counterproductive because my Chinese colleagues didn't understand me, and I didn't even understand myself.

The liberating moment for me came when the business became so difficult that I reverted to being Christoph, with all my negatives and positives and ambiguities. Suddenly, people began to respond to me for who I am rather than to someone who was trying to assume a Chinese or a European persona. It's ironic perhaps, but my frustrations in Asia disappeared when I decided not to try to be Asian anymore.

**Heidrick & Struggles:** Does communicating with colleagues present a challenge?

**Christoph Michalski:** Communication at both the cultural and language levels is probably the biggest challenge for any non-Chinese speaker. I speak neither Mandarin nor Cantonese, and many of my lead team colleagues speak little or no English, so all our meetings are simultaneously translated. We have put a lot of effort into getting a network of very good translators across key locations.

I remember one example in particular. I was at a meeting, and I didn't think I was getting through to my colleagues. I became somewhat upset, and I said, "Look, I don't have a hundred years to build trust with you. We need to trust each other now, and if we don't, then you have to leave." And my translator asked me, "Do you really want me to translate this?" I told her, "Yes, please translate exactly what I say in

# Christoph Michalski

After seven years as a non-executive director at Vinda, Christoph Michalski was named CEO of the group in 2015. Michalski came to Vinda following a series of leadership positions with SCA. He has also held executive positions at Unilever as well as New Zealand dairy group Fonterra.

## Education

Master of science, economics, Kiel University in Germany

Completed Advanced Management Program, Wharton School

## Career highlights

### Vinda International Holdings

Chief executive officer

### Svenska Cellulosa Aktiebolaget (SCA)

President of global hygiene product category

President of Asia Pacific unit

Senior vice president for business planning and strategic development

the best way of expressing that in Chinese because I want the message to be clear.” This instance proved to be a turning point for the team as well as for me in building trust and sharing a sense of purpose.

I also realized that if you don’t speak Mandarin or Cantonese or any other Chinese dialect, it’s not just you who must trust the translator, but you need to ensure that the people listening to you trust the translator as well. They will tell you things or they might not tell you things only because they don’t trust the person in the room who is translating for you. Now we have an arrangement where we always

use the same translator in each of the major cities we work in, and they travel with me. To be successful in China, you have to find many different ways to manage your communication.

Then there’s the challenge of communicating at the cultural level. I grew up in France, and when you meet a new family or new friends, the first thing they will do is to offer you food and drink, and it’s important that you like it and appreciate it. And the basic principle is the same in China. The people I meet want to show that their food is good, that their hometown is nice, and they want you to like it—and that’s important for bonding. So in my travels in China, I take a lot of time to talk about the local culture, the local food, and the local attractions. I enjoy these interactions because I know it’s coming from the heart. These cultural connections are critically important.

Once you have bridged the communication and cultural differences, you can start to talk about the content you really want to talk about. But without this basic relationship and trust, it’s very hard to do anything.

**Heidrick & Struggles:** Let’s talk about Vinda’s growth strategy. What market conditions do you anticipate, and how is Vinda poised to capitalize on them?

**Christoph Michalski:** China’s hygiene market grew very fast—by around 7% to 10% a year, depending on the category. More recently, this growth has slowed to around 5%, as consumers trade up for better-quality products. Many of our peers that are not up to the challenge would focus on price competition, particularly for tissue products. Consequently, we are seeing not only a slowdown in the market but also some price erosion.

At the board level, we have set clear priorities for our category expansion: tissue remains the number one priority, followed by expansion in personal care—and,

in particular, incontinence care and feminine-hygiene products in China. We are now executing within this framework, but, as we all know, the devil is in the details.

Fortunately, Vinda has always been a sales- and marketing-driven company. We have cranked up our innovation rhythm into higher-margin products across these categories and continue to build our position in e-commerce. This allows us to grow share with more stable margins despite increased competition.

For example: Vinda is blessed with a very good and open-minded sales and marketing team, and we started three years ago to develop and implement very systematic training in retail marketing and B2B sales. The training created not only a common language but also a systematic approach. It also helped us implement an innovation plan and focus our portfolio management across different projects. Brand positions are more rigorously reviewed, and we are preparing ourselves to gain market share, rather than just grow with the market. This will require much more work around segmentation and understanding underlying consumer needs.

**Heidrick & Struggles:** In 2015, SCA moved its Southeast Asia operations under Vinda. How important is expansion beyond China?

**Christoph Michalski:** Our ambition is to become a leading hygiene company in Asia. Apart from the 1.4 billion consumers in China, Southeast Asia adds nearly another 600 million consumers to our opportunities, and so far we have a patchy presence. We are very realistic. We cannot do everything, so we focus. We'll first see how we can make our tissue brands relevant in countries where we have an existing route to the market, and then we'll review which country to prioritize as we build our own routes to the market. We will do this in steps, focusing on the consumer and customer needs, and with great execution. Our three strongest markets are Malaysia,

Singapore, and Taiwan, and we are working toward identifying one more substantial market as a future growth opportunity.

**Heidrick & Struggles:** How does innovation fit into your growth plans? How does Vinda approach this issue?

**Christoph Michalski:** Innovation is absolutely critical in any market, but especially in China, where the consumer preferences change so rapidly. In one of my previous companies, we had a saying: "There are no boring markets, only boring marketers." In FMCG [fast-moving consumer goods] in Europe, for instance, a lot of the commoditization is due to the lack of innovation and excitement to reinvent categories, products, and brands. At Vinda, we are building a culture where innovation is celebrated, experiences encouraged, and failures are seen as learning opportunities.

When it comes to product innovation, for example, the nature of our segment means that, from a functional perspective, our products might be only slightly different from competing ones. So brand differentiation is very much emotional, and product innovation happens in areas like packaging and dispensing technologies and things like that. And we focus on the logical development of the market. How can we adapt to the logical market development, considering income and family size or other facets of the Chinese culture? How can we pick and choose from whatever is available in the world and adapt it to Chinese needs?

Innovation is necessary at all levels, not just for our brands and products. Another focus, therefore, is our factories and the technologies we're using. We look carefully at exactly what products we need to deliver to the market and then determine what volumes are needed in the warehouse and what conversion facilities are needed. We tailor our papermaking capacity to these conversion or market needs, and the supply chain is reversed. Some competitors take

a supply-based approach and run their machines 24 hours a day, 365 days a year—and then try to sell what’s produced. We first look at what we can sell and, from there, what kind of capacity is actually needed and which grades so we don’t have excess inventory between papermaking and converting.

**Heidrick & Struggles:** Another area of innovation would seem to be Vinda’s focus on e-commerce. How is e-commerce changing the way you compete?

**Christoph Michalski:** E-commerce in China is probably the most accepted and advanced in the world, and at Vinda we have built a huge share of our market in e-commerce—a journey we began more than five years ago. Today, e-commerce represents about 25% of our sales in China.

E-commerce brought us challenges but, at the same time, huge opportunities. We needed to change and started proactively reshaping our business approaches. We have focused enormously on understanding e-commerce consumers and how they respond to different pack sizes and combinations of products. Our offering in e-commerce is slightly different from our offer offline, and it is executed in different ways. For example, we have common warehouses for some of our e-commerce customers, which expedites logistical and picking functions for them.

Along with generating a sizable share of revenues from China, e-commerce has become a significant tool for testing new products and consumer reactions. We launched our latest premium tissue exclusively with an e-commerce platform and fine-tuned pricing and marketing based on immediate real-life consumer reactions. Now the product is in full rollout, and our confidence is based not just on market research but also on online market experimentation and adjustments.

We also realize e-commerce is not just about digitization, and we must also take into account the

huge logistical challenges facing our e-commerce partners. Vinda responded to this challenge with a supply chain strategy that optimized packaging for e-commerce SKUs (stock keeping units) that are more relevant in this logistics environment. For instance, we run joint warehouse operations with some partners to streamline the logistics and picking processes.

And, of course, all of this creates internal challenges for the organization and the people leading it. In all areas of our business, the different roles have become significantly larger and more complex. Vinda needs to recruit new talent on a permanent basis to fill new roles during this expansion. At the same time, the nature of the roles has also significantly changed. For example, e-commerce requires a different marketing and sales—and supply chain—approach than the more traditional channels.

**Heidrick & Struggles:** How does SCA’s ownership stake in Vinda affect how you compete?

**Christoph Michalski:** In China, you have basically two types of competitors. First, there are local competitors, which have Chinese executives who build very, very good businesses, are highly competitive, are focused on how to build volume for Chinese brands, and are close to the market. Next, there are global competitors, which come to China and say, “Let’s do business here and understand China,” but they don’t understand China as much as local companies.

I believe we have an advantage at Vinda because, as a Chinese company, we act incredibly fast and have very confident decision making. We are very pragmatic, which makes us incredibly competitive against our global competitors, which might have to talk to Cincinnati or Tokyo or Dallas or wherever for processes, policy, decisions, and so forth.

At the same time, we have SCA, a majority shareholder that is a very successful global hygiene

company. So we compete with the global players with the same technologies, the same intellectual property, and the same methods for understanding the market. This combination of being focused, fast, flexible, and agile—while having access to global technology, knowledge, and experiences—gives Vinda a strong competitive proposition.

**Heidrick & Struggles:** Can you say more about the management relationship with SCA? For example, how involved is SCA in management issues at Vinda?

**Christoph Michalski:** SCA owns a 51% equity stake in Vinda, but Vinda is an independently listed company in Hong Kong. Unlike other Western companies, SCA has always exercised a hands-off approach to day-to-day management of their joint ventures. SCA recognized that Vinda has been very successful and worked to share best practices with Vinda without imposing processes or structures. Vinda took some of these, where we believed they added value, and discarded others. For instance, when SCA wants to transmit a best practice to Vinda, I say to my Chinese colleagues that the first thing to do is to listen and really understand the value proposition, which they might not have ever heard of before. Then if we see it's valuable for Vinda, we'll embrace it, take it, improve it, and adapt it to our needs. But, if the proposition doesn't seem to add much value to Vinda—or if it adds costs to Vinda—we have the ability to just say no.

It's not framed as a directive, and the approach allows managers in Vinda to be more objective when listening to new ideas because they don't feel obliged to take everything. When they do take things from abroad, it's to learn and bring value to the company. Overall, this ability to assess best practices

before taking them on has allowed Vinda to combine the benefits of being a Chinese company with access to global best practices.

**Heidrick & Struggles:** As an executive who also has board experience, what have you observed with respect to the board's role and how it interacts with management?

**Christoph Michalski:** Boards need several characteristics to be successful and really add value to the company's development. One is clearly good alignment within the board on objectives and strategy. When board members have different agendas and are unable to bridge their differences in critical areas, it is difficult to give clear direction to management. But it is also a two-way street. Management—and, in particular, the CEO—must present compelling strategic options for the company to ensure a productive discussion within the board.

It also matters that the board has very diverse membership. Diversity improves significantly the quality of discussion on all key topics. Vinda has a high level of diversity with female and male members, a large spread of ages, six nationalities, and broad functional experience—and this is a real strength.

Finally, the chairman and the CEO must also have a very good working relationship and share perspectives on key issues. This does not mean they must agree all the time or that these shared objectives are not the result of a lot of heated debate and discussion. But in front of the board, harmony between these two players is important for good board decisions—and vital for execution.

**Heidrick & Struggles:** As you look to the future, and your vision for Vinda, what does all this mean for you as a leader? How do you bring the executives, the teams, and your whole organization along?

**Christoph Michalski:** I believe very much in a leadership style where the vision of the leader becomes a shared vision through co-invention. I generally start by giving a simple outline of where I want to be. But it lacks precision and color—and that is on purpose. When we discuss where we should go, it is important that all key players can participate in the creation of this vision. Will my own vision get diluted? Yes, absolutely, but it will be close enough. This co-invention creates enormous ownership and momentum in the organization, and this in turn facilitates implementation. ■

## About the author

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