



The challenge for
China executives:
Taking a holistic approach in
Managing risk and resilience



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In the age of a polycrisis world, most corporate executives have increased their focus on governance, compliance, and digital risks in connection with global operations. Many are identifying vulnerabilities in their organisations and struggling to bring together a holistic risk management plan that transcends territory and functional boundaries. China's regulatory bodies are expected to continue to enhance their regulatory requirements and increase scrutiny on cybersecurity and data governance in response to increased international conflict and requests for more personal safeguards.

It is not hard to predict that, at least in the short term, the trend of cyberspace fragmentation and polarisation of the global geopolitical landscape will remain, if not accelerate. China Executives in organisations headquartered both inside and outside of China are increasingly facing the dual pressures of global integration and local responsiveness. Organisations are learning to prioritise the boardroom's demand for long-term resilience while also striving to deliver short-term financial results.

What are the key strategies and actions that C-suite should focus on to balance governance and operational agility with the development of new global capabilities and competitive advantages amid the current environment? It is a good time to look strategically at the risk and resilience capability which could help differentiate between those that thrive and those that fight to survive.

China Perspectives

With the gradual phasing out of the Covid-19 pandemic controls in all major territories and the reopening of China after a three-year period, China executives are grappling with the following risk and regulatory challenges in navigating global turbulence to achieve mid to long-term sustainability:

- China cybersecurity and data legal development
- Supply chain disruption
- Overseas subsidiary compliance
- Interdependence of the above

China cyber security and data legal development

The pandemics have forced most organisations to accelerate their transformation initiatives around digitalisation to enhance their organisational resilience. As companies pivot toward a digital business model and operation, exponentially more data is generated and shared among organisations, partners, and customers. According to PwC's Digital Trust Insights 2023, Chinese and international organisations alike saw an increase in their exposure to cyber-attacks due to increased digitisation, with it impacting the organisation the most since 2020. Business digitisation exposes companies to new digital vulnerabilities, making effective cybersecurity and privacy more important than ever.

The government agency has also stepped up its regulatory scrutiny in response to the macro digitalisation trend. Specifically in China, the increasingly stringent requirements of the Cyber Security Law, Data Security Law, and Personal Information Protection Law as well as the most recently launched Cross Border Data Transfer regulations demand a shift in how C-suites perceive regulatory requirements. Recent hefty penalties imposed on various companies and their management have demonstrated the robust enforcement approach taken by the regulators.

Supply chain disruption

Over recent years, nearly all multinational companies have invested in their global supply chain ecosystem to leverage the country-specific advantages in cost and technical know-how of their supplier networks. According to PwC's 26th CEO survey – China Report, 42% of CEOs from the Chinese mainland said supply chain disruption is likely to significantly impact their industry's profitability in the coming decade (Global:43%). Technology advancement has accelerated the transformation of the entire supply chain such as the Just in Time (JIT) system initially pioneered and led by the Japanese automobile company. Leading multinational companies have managed to integrate their supply chain network and create new opportunities by navigating through the growing volume, complexity and diversity of the data generate. Now, it is urgent to evaluate and respond to the trend of data localisation enforced by country-level compliance requirements and avoid significant disruption to the global competitive advantage established over the years.



Overseas subsidiary compliance

As organisations grapple with urgent challenges around an increasingly volatile environment and regulatory scrutiny, and rising uncertainty of geopolitical events, in order to avoid vital operational and compliance failures, “Going-out” Chinese companies have to think about and implement a resilient compliance approach from a more international standpoint.

They should consider compliance requirements in different jurisdictions, aligning and uniting compliance strategy, setting up global compliance management team with knowledgeable and skilled practitioners, cultivating compliant corporate culture and environment, and what is more important – to improve compliance monitoring capability over multiple territories from both a headquarter and regional level. Therefore, a transformation from “manual” to “digital” is crucial for compliance specialists to discover abnormalities from massive data and effectively protect their organisations’ interests and reputations.



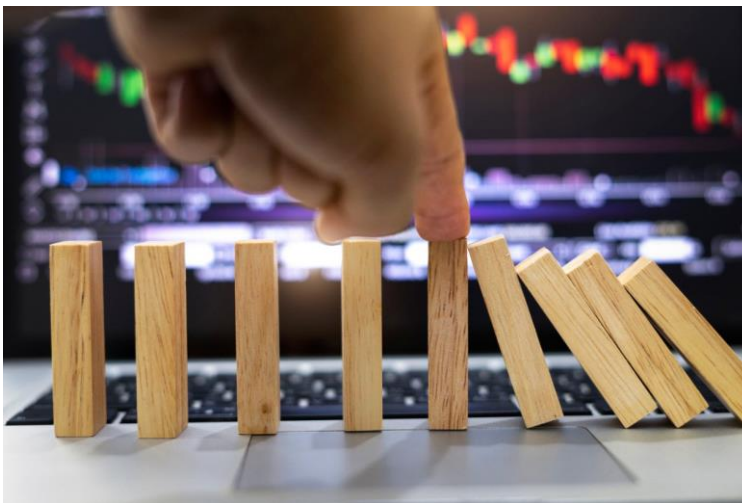
Interdependence of the above

Corporate C-suite executives are facing interrelated geopolitical, cyber security, supply chain, and compliance risks. All these risks are increasingly interconnected, popping up simultaneously in places where organisations might not have the established operation and accountability to manage. To respond, executives have to make trust a pillar of their risk management approach to see risk where it really lurks. Doing that requires silo-busting collaboration, and a commitment to share and better define risk responsibilities across the organisation.

One of the large food and beverage groups in China pioneered in adopting a people-led, technology-driven cloud platform to help the group surmount internal language, culture, and communication barriers, as well as to satisfy increasingly stringent requirements by China’s state assets regulator for large companies to ensure transparency throughout their foreign holdings. With the human dimension embedded, the platform also serves as a global touch point where operational issues and business opportunities can be discussed as soon as they arise with senior management teams at foreign subsidiaries, enabling the development of a single worldwide corporate culture. The new platform has created more transparency and trust throughout the organisation’s domestic and overseas networks, and supported the organisation to anticipate, be agile and build resilience as one worldwide organisation with the same strategic goals. (Read more: [Using actionable intelligence to build cohesion across diversity](#))

Summary

Start with what matters most and bring diverse thinkers together, and by leveraging advanced technology, organisations are able to anticipate risk and act with confidence, and manage risks with high reliability and efficiency, which helping them to build trust in the eco-system and enhance resilience in the disrupting world.



Of further interest

Strategy+business, a PwC publication

Risk: See it, share it, sort it

<https://strategybusiness.pwc.com/business-risk-see-share-sort/>

Building resilience in a polycrisis world:

<https://www.pwc.com/gx/en/issues/risk-regulation/business-resilience-in-a-polycrisis-world.html>

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