



# Insights from MNC Senior Executives in China:

China as a Key Element for MNCs Global Strategy and Business Model Reinvention



# Table of contents

Executive summary .....	02
Preface .....	04
<b>1</b>   Overview .....	05
<b>2</b>   Redefining strategic priorities in China .....	09
The core position of the Chinese market in global strategy	
Divergent trends in strategic adjustments at global headquarters	
Defining the global role of China-based operations	
<b>3</b>   Accelerating local business reinvention .....	13
Key focus areas of local business reinvention	
Key drivers of local business reinvention	
<b>4</b>   Harnessing China's global influence .....	16
The global spillover effect of China-led experience	
Constraints on global influence	
Participation of China-based leadership in global strategy	
The challenge of building global influence	
Evaluating the global impact of local strategies	
<b>5</b>   Future investment priorities .....	22
Strategic investment directions for the next two years	
The strategic rationale behind investment decisions	
The strategic transition from Localisation to Globalisation	
<b>6</b>   Highlights from MNC executive discussions .....	26
Closing remarks .....	31
Contact Us .....	32



## Executive summary

In January 2026, PwC China held its annual MNC senior executives conference in Shanghai, bringing together over 100 industry leaders. Through on-site surveys and interviews, these executives shared their views on “China as a Key Element for MNCs Global Strategy and Business Model Reinvention”. The study and analysis on results of on-site survey and interview results reveals that MNCs are recalibrating their global strategic coordinates, with a broad consensus emerging around China’s core position as the world’s second-largest economy.

The strategic importance of the Chinese market remains unambiguous. 21% of MNCs consider China as their single most important market globally, while a further 47% place it among their top three. However, the past two years have witnessed a notable divergence in strategic approaches: 40% of companies maintained their China strategy unchanged, 22% have upgraded their China strategy, 19% partially upgraded, while 19% have scaled back. This underscores the complexity and diversity of strategic adjustments taking place, suggesting that the overall landscape is settling into a new, dynamic equilibrium.

Further analysis indicates that MNCs in China are undergoing a profound and comprehensive local business reinvention. This is a systemic transformation aimed at reshaping how they create value, go to market and generate profit. **Key areas of this transformation are as follows:**

- “Cost and pricing adjustments (56%)” emerge as the most prevalent area of change. This directly reflects how MNCs are proactively adapting to the dual pressures of fierce local competition and rising costs.
- “Digital and data capability upgrade” (39%) and “product or service portfolio adjustment” (34%) follow closely. These priorities demonstrate a deep-seated response of MNCs to the rapid development of China’s digital economy and the diversified needs of local consumers.
- “Market competition pressure” (77%) and “profitability and cost pressure” (68%) are the primary catalysts driving reinvention. Local players, leveraging agile mechanisms and rapid iteration capabilities, continue to reshape the competitive landscape.
- An accelerated shift in customer behaviour towards personalisation and digitalisation experiences (35%) and an evolving regulatory framework (31%) have created “adaptive pressure” compelling deeper localisation of MNCs.



The local business reinvention of MNCs in China is generating a significant global spillover effect, signalling a pivotal transition in China's role from an "executor" to a "leader". **The survey results indicate that:**

- 30% of MNCs have selectively applied successful practices from their China operations to other regions, creating cross-market synergies through "China-to-global" knowledge transfer. 10% of MNCs have successfully scaled innovative solutions developed in China to their global markets.
- Despite this progress, the ability to exert global influence faces multiple constraints. The single largest obstacle, cited by 73% of respondents, is "headquarters and global cultural barriers or organisational resistances". This points to the deep-seated cultural conflicts and coordination challenges within MNCs. Other significant barriers include global corporate governance and decision rights (55%), risk and compliance constraints (41%) and the lack of China leadership representation globally (39%).

These obstacles reflect the dual challenge of overcoming structural rigidity and cultural divides when integrating China-led innovations into the global corporate framework. It is, however, worth noting that the participation of China-based leadership in global strategy is on the rise, injecting new vitality into the global governance of MNCs. **Data from the survey suggest that:**

- China executives are deeply involved in strategic and long-term direction decisions (59%) and wield significant influence in areas like risk compliance and governance (49%) and product or service portfolio decisions (47%).
- However, despite the high participation rates, 39% of MNCs explicitly cite inadequate representation as the core barrier preventing China-developed innovations from achieving global impact.

This contradiction reveals a gap between "participation" and "influence". While China's leadership is present in the decision-making process, their perspectives may not be fully translated into actual decision-making power. In addition, the effect of MNCs integrating the local business reinvention into their global strategies varies. Only 6% of MNCs believe that integration is both effective and institutionalised, while a further 18% acknowledge effectiveness but note it is overly reliant on specific individuals. 36% indicate that China-led innovations only have a sporadic impact on global strategy, lacking any systematic mechanism for integration. Looking ahead to the next two years, MNC investment priorities in China signal a strategic transition from localisation to globalisation. **According to the survey:**

- "China cost and pricing adjustments for global competitiveness" (47%) top the list of investment priorities. Closely following are "China-based R&D for global products/ services" (42%) and "China supply chain and manufacturing upgrades for global efficiency" (41%). This demonstrates the central role of both cost optimisation and innovation capabilities in future strategic plans.
- China-led innovations that drive global development (26%) and digital and data investment (25%) also feature prominently.

This series of investment directions paints a clear picture: MNCs are strategically positioning China as an innovation hub and key pillar of global competitiveness. They are adopting a new "in China, for the world" paradigm, aiming to rapidly scale China-developed innovations across global markets. However, executing this strategic transition will place significant new demands on organisational capabilities, cultural integration and governance mechanisms. The core challenge for MNCs moving forward will be clear: how to build a more inclusive global innovation ecosystem that can effectively transform insights from China into global assets.



## Preface

Against the backdrop of a rapidly restructuring global economy, China's position is undergoing profound and complex changes. As the world's second-largest economy, China continues to solidify its role as a core hub for global manufacturing. In addition, it is fostering innovation clusters in the digital economy, green transformation and advanced manufacturing—positioning itself as a key strategic pivot for MNCs seeking to reconstruct their global value chains. The country's evolution from “world factory” to “innovation hub” means it now not only offers vast market opportunities for MNCs but also plays an integral role in key decision-making processes related to global R&D, production and supply chain configuration. On the demand side, China's mega-market continues to unlock new waves of consumption upgrading, providing a dynamic testing ground for MNCs pursuing differentiated competitive strategies. On the supply side, innovation corridors such as the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area are generating multiplier effects through technological spillovers and industrial synergies, injecting fresh momentum into scientific research. At the institutional level, policy innovations such as “dual circulation” development paradigm and the upgrading of free trade zones are reshaping MNCs' strategic framework in China.

Yet this evolving landscape is not without its challenges. The normalisation of cross-border trade tensions, global supply chain shift from “efficiency-first” to “security resilience”, evolving regulatory environments in multiple countries and intensifying competition from Chinese domestic enterprises achieving technological breakthroughs—all of these factors combine to create a complex and dynamic environment for MNCs' strategic decision-making. They are profoundly affecting how MNCs shape their strategic direction in China. In this environment, success demands a more systematic strategic framework, more agile operational models and more forward-looking risk assessment to recalibrate how value is created in the Chinese market.

It is against this backdrop that PwC hosted its annual MNC senior executives conference in Shanghai in January 2026, under the theme “China as a Key Element for MNCs Global Strategy and Business Model Reinvention”. The conference brought together over 100 MNC senior executives across a multitude of industries—including industrial products and mechanical engineering, consumer goods, financial services, automotive, healthcare & pharmaceuticals, chemical engineering, technology, logistics and energy—to explore how MNCs in China can seize opportunities, navigate challenges and advance both their global strategies and business model reinvention in and through China.

The roundtable discussion was chaired by Alan Yam, PwC China's MNC Program Leader, who facilitated in-depth case sharing and discussions with invited MNC senior executives. Together, they examined the dynamic adjustments and pragmatic actions MNCs are undertaking in China. This report synthesises insights from on-site survey, perspectives shared during the conference, recommendations from invited experts and supplementary desk research.

# 01

## Overview



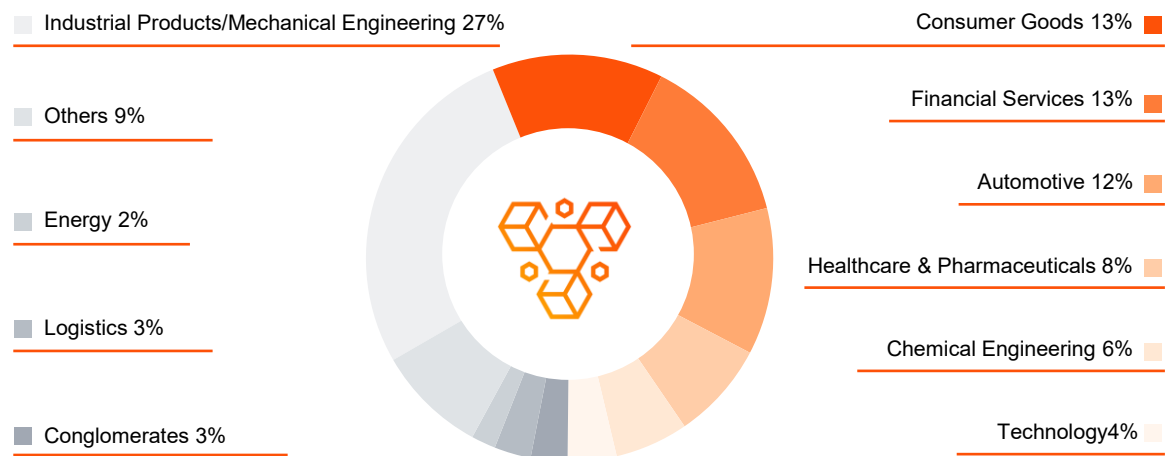
As we enter 2026, the global economic recovery over the past year has been marked by growing regional divergence. Developed economies are struggling to balance between curbing inflation and stimulating economic growth, while emerging economies have shown some growth resilience even as they contend with volatile external demand and rising debt risks. Global trade has benefited from selective liberalisation through regional trade agreements, though overall growth remains constrained. Technological competition and industrial chain restructuring have emerged as key themes of global economic development. Amid this complex and ever-changing environment, China's economy maintained steady growth momentum in 2025, while deepening its integration with global markets. Domestic consumer market continued a certain recovery trajectory, new technological breakthroughs continued to emerge and industrial upgrading accelerated. The share of advanced manufacturing and modern service industries expanded, further improving the quality and efficiency of economic growth. At the same time, China advanced its high-level opening-up agenda, continuously optimising the business environment and hosting a series of major international economic and trade events such as the China International Import Expo (CIIE) and the China International Fair for Trade in Services (CIFTIS), creating market opportunities for global companies. Against this backdrop, China's role in the global business landscape has grown increasingly crucial, as a core driver of global strategy and business model reinvention, leading and enabling global strategic transformation. A growing number of MNCs now recognise that the commercial insights, cutting-edge technology applications and operational efficiencies emerging from China are essential for reshaping their global strategies and business models. By actively leveraging on China's experience, MNCs can accelerate their own transformation and upgrading on a global scale, optimise the allocation of global business resources and position themselves for a new era of development.

This report draws on data analysis and desk research, in-depth interviews and surveys with MNC senior executives. It systematically examines core issues such as the evolving positioning of the Chinese market within MNCs' global strategies, the practical pathways of local business reinvention, the spillover effects of Chinese experience on the world and future strategic investment directions. Our aim is to offer valuable insights and references that can help MNCs formulate more targeted China strategies and foster a more productive interplay between the global and local markets. The findings are based on on-site surveys conducted with 103 MNC senior executives and panel discussion with the invited guests from a wide range of industries, including industrial products/mechanical engineering, consumer goods, financial services, automotive, healthcare & pharmaceuticals, chemical engineering, technology, logistics, energy and others.

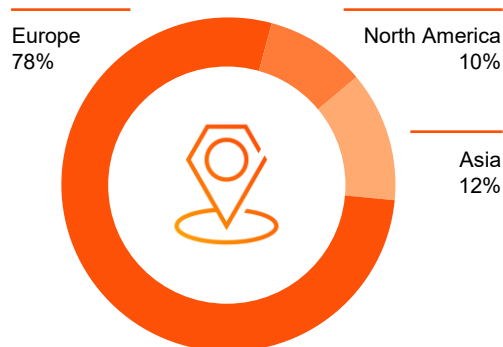


The survey focused on key dimensions such as strategic position, strategic evolution, local reinvention, global influence and future investment direction of MNCs in China. Participating MNCs come from multiple industries, with the industrial products/ mechanical engineering sector accounting for the largest share (27%), followed by consumer goods (13%) and financial services (13%), automotive (12%), healthcare & pharmaceuticals (8%), and chemicals, technology, conglomerates, logistics, energy, and other sectors (7%). Geographically, participating companies were predominantly European (78%), primarily Germany, France, Switzerland, Sweden and the United Kingdom; enterprises from Asia (China, Japan, Singapore, Malaysia) accounted for 12% and North American companies (United States) for 10%. In terms of seniority, the survey captured perspectives from across the leadership spectrum: managing directors, presidents, CEOs, CFOs and general managers (58%), senior vice presidents, vice presidents and business unit heads (22%), directors and managers (10%) and consulate and chamber of commerce representatives (4%).

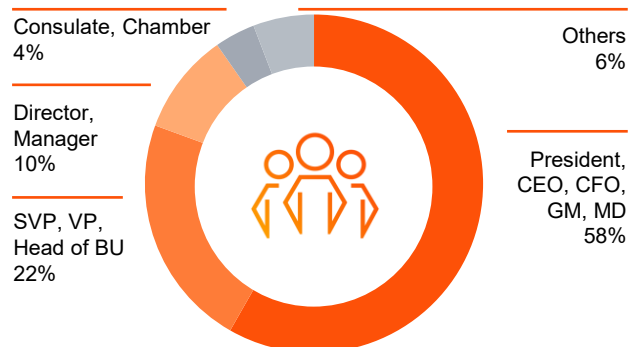
### Industrial Breakdowns of MNCs Participating in the Survey



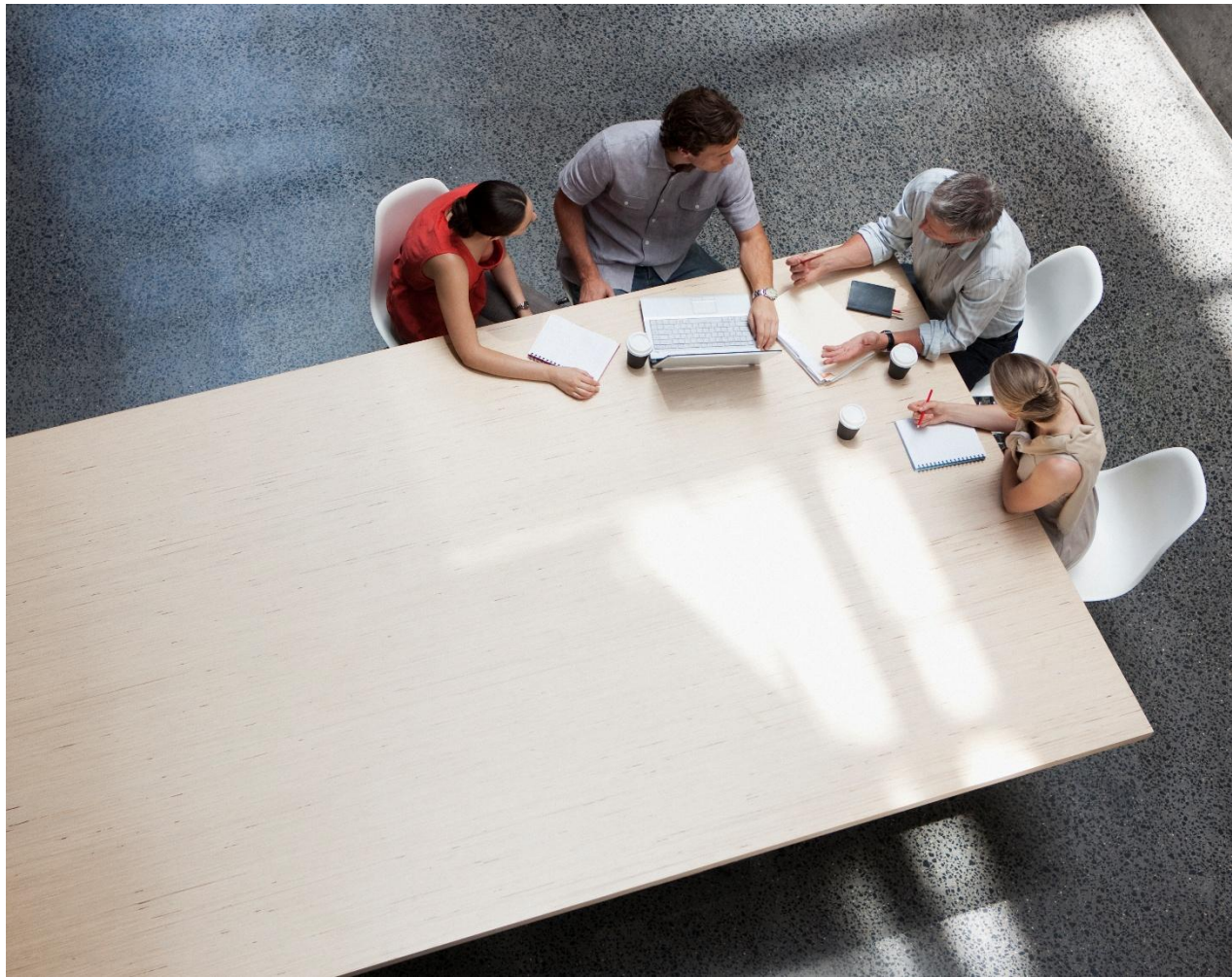
### Regional Breakdowns of MNCs Participating in the Survey



### Distribution of Positions Levels for Senior Executives in the Surveyed MNCs



The on-site discussions featured rich debate around the topic of “China as a Key Element for MNCs Global Strategy and Business Model Reinvention”. Based on these conversations, we have distilled the following high-frequency keywords that capture the prevailing themes and concerns:



# 02

## Redefining strategic priorities in China

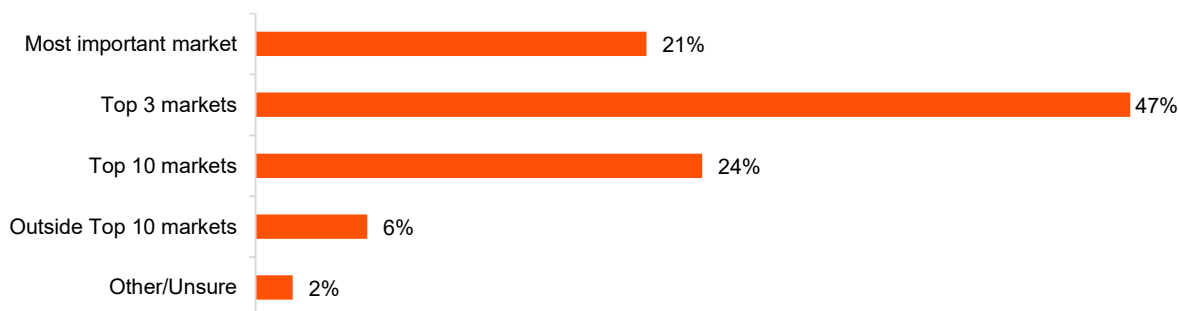


## The core position of the Chinese market in global strategy

**Despite numerous challenges, the strategic value of the Chinese market continues to command widespread recognition among MNC senior executives.** China remains not only a vital revenue source for MNCs, but also an irreplaceable hub for innovation leadership, business model exploration and supply chain integration. PwC's survey findings highlight the enduring centrality of China within MNC's global strategies. More than one in five respondents (21%) regard China as their single most important strategic market, while nearly half (47%) rank it among their top three globally. In aggregate, nearly 70% of MNCs place the Chinese market at the very core of their global growth priorities.

In addition, 24% of the participating MNCs list China among their top-ten markets, with only 8% assigning it relatively low strategic importance. According to the Report on Foreign Investment in China 2025 issued by the Ministry of Commerce, China remained the largest investment destination for foreign investment among developing economies in 2024. Despite mounting external pressure and domestic challenges, foreign investment in China continued to generate substantial returns. In 2024, foreign-funded industrial enterprises above designated size recorded operating revenues of RMB26.8 trillion and total profits of RMB1.8 trillion, achieving an operating profit margin of 6.6%, or 1.2 percentage points above the national average for industrial enterprises above designated size.

### How important is the Chinese market for your global operations?

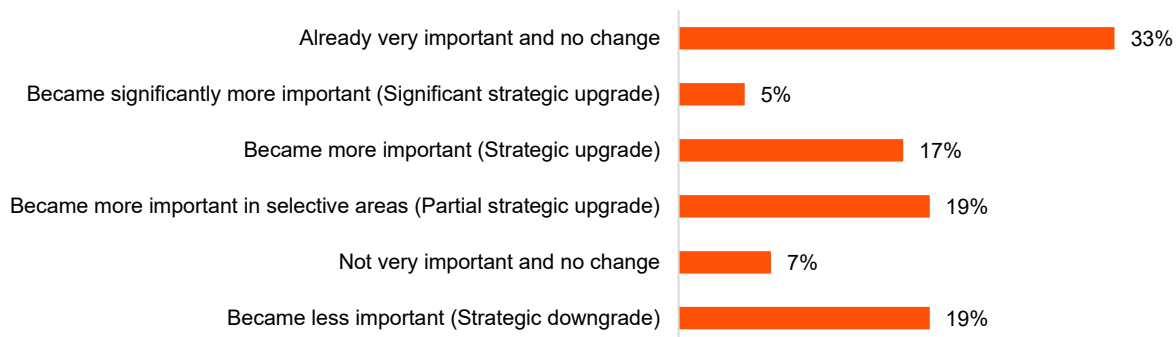


## Divergent trends in strategic adjustments at global headquarters

Over the past two years, MNCs' strategies towards China have shown clear signs of divergence. 33% of respondents indicate that the Chinese market has long been important to their organisations, and their strategic positioning remains stable. A further 22% report that they have upgraded their China strategy, reflecting a perceived increase in the market's overall importance. By contrast, nearly one in five (19%) have experienced a strategic downgrade, citing a decline in China's relative priority. Another 19% describe a pattern of partial upgrading, selectively enhancing China's strategic position in specific business lines. This divergence reflects the complexity and diversity of strategic adjustments among MNCs in China.

Notably, the proportion of companies pursuing upgrades (22%), partially upgrades (19%), and those implementing downgrades (19%) is closely balanced. This suggests that amid the complex international situation and shifting economic dynamics, the overall landscape for MNCs in China is settling into a state of dynamic equilibrium. Faced with pressures on sales performance and intensifying local competition, companies are charting distinct courses: some are embracing innovation and transformation, others are adopting the "China+1" strategy to diversify risks, while some have chosen to temporarily exit the market. Across industries, stages of development and global footprints, MNCs are tailoring their strategic choices to their specific circumstances.

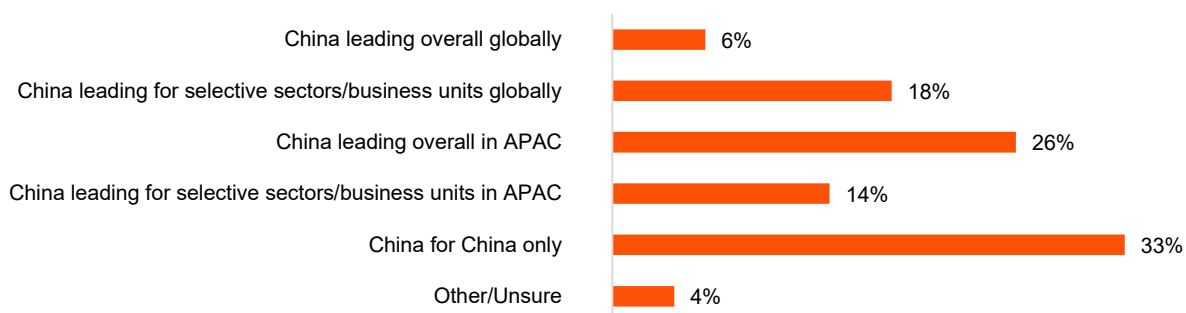
### Has your company's core strategy towards the Chinese market changed in the last 2 years?



## Defining the global role of China-based operations

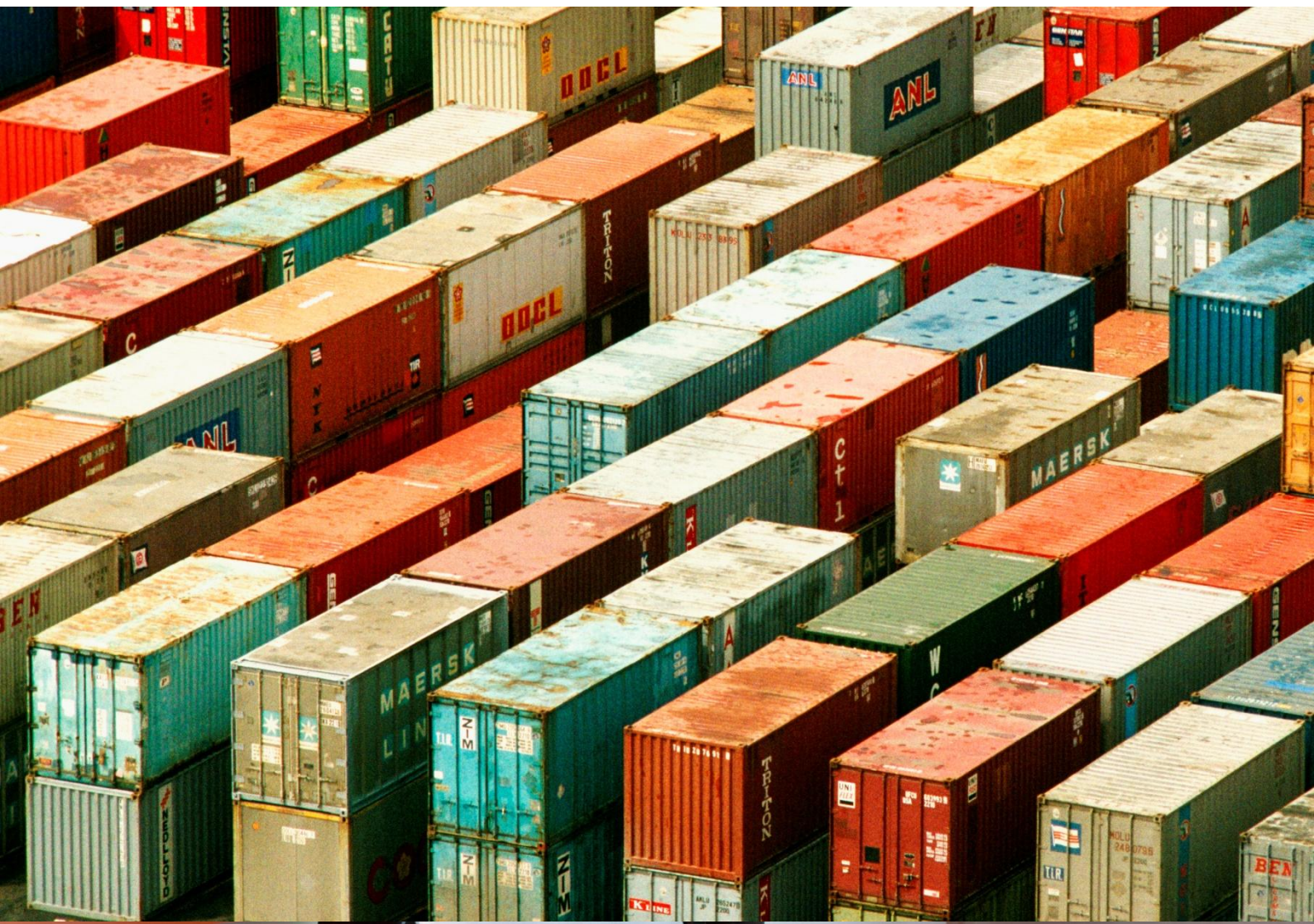
**The role of China-based operations within MNCs' global networks is growing increasingly diversified.** One-third of respondents continue to position their China-based business as serving the domestic market exclusively, a reflection that the traditional "in China, for China" model remains deeply entrenched. A further 26% report that their China-based business now leads their Asia-Pacific operations, demonstrating China's role as a regional economic hub. 18% have achieved China-led global operations in selected sectors or business units, while 6% have extended this leadership across their global operations. Taken together, nearly one in four respondents have now established China as a global leader in at least some areas. This marks a significant shift in China's role, from an "executor" to a "leader". The distinct characteristics of the Chinese market, along with its innovation dynamism and consumption scale, are increasingly prompting MNCs to allocate greater global decision-making authority, resources and strategic focus to their China operations.

### What would best describe the current positioning of your China based operations within your company's global operations?



# 03

## Accelerating local business reinvention



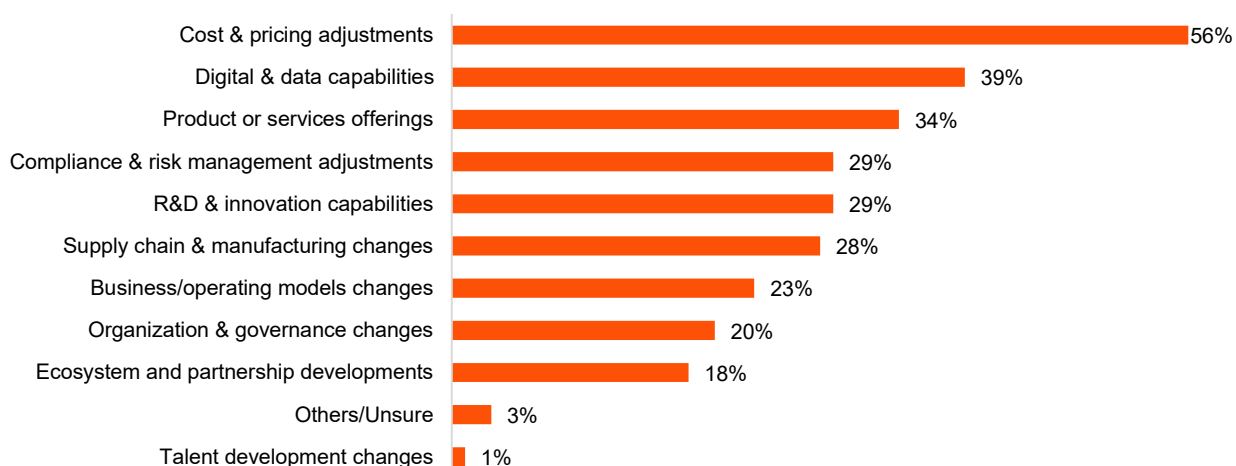
## Key focus areas of local business reinvention

Over the past two years, MNCs operating in China have embarked on a profound and comprehensive journey of local business reinvention. A series of challenges, such as climate change, demographic shifts, inflationary pressures, supply chain volatility and technological disruption, has created an increasingly uncertain operating environment. MNC leaders must navigate short-term challenges while repositioning their organisations to seize opportunities presented by long-term trends. Business model reinvention represents the most effective way for enterprises to make forward-looking changes. It extends far beyond launching new products, optimising processes or modifying supply chains and digital application interfaces. At its core, it entails a systematic restructuring of how value is created, delivered (through customer engagement and product/service provision) and captured. This reflects not only MNCs' profound understanding of the Chinese market's distinct characteristics, but also their strategic agility in responding to global changes.

PwC's survey reveals that cost and pricing adjustments emerged as the most prevalent area of change, cited by 56% of respondents. This finding directly reflects the proactive measures MNCs are taking to adapt to intensifying local competition and rising costs. By optimising cost structures and refining pricing strategies, companies aim to preserve and enhance their market competitiveness. Closely following is digital and data capability upgrade, identified by 39% of participants. This highlights the centrality of digital transformation in MNCs' China strategies. According to the World Investment Report 2025 issued by the United Nations Conference on Trade and Development (UNCTAD), despite a second consecutive year of decline in global foreign direct investment (FDI), China continued to rank among the world's leading destinations for both inbound and outbound investment. In the digital economy, seven Chinese mainland enterprises feature among the top 20 digital MNCs globally, alongside the US at the forefront of the global digital landscape. As China's digital economy expands, MNCs are accelerating their digital investments to improve operational efficiency, deepen market insights and build more intelligent business models. Product or service portfolio adjustments rank third at 34%. This indicates that MNCs are actively refining their product strategies to better align with the diverse needs of local Chinese consumers, enabling more targeted marketing and differentiated competition.

Additional areas of focus include compliance and risk management adjustments, R&D and innovation capability upgrade, and supply chain and manufacturing change. Each of these was identified by nearly one-third of the surveyed MNCs. Business/operational model evolution, as well as organisational and governance changes also garnered significant attention. Together, these findings illustrate the systematic and multidimensional nature of MNCs' local business reinvention. The changes span from strategic planning to daily operations, and from product innovation to organisational structure, demonstrating MNCs' sustained commitment to deepening their presence in the Chinese market.

### Which of your business areas in China have seen the most distinct local reinvention in the past 2 years? (Choose Top 3)



## Key drivers of local business reinvention

**The forces driving MNCs to pursue local business reinvention in China are complex and multifaceted.** Among these, competitive pressure ranks first at 77%, followed closely by profitability and cost pressures at 68%. These two core drivers directly illustrate the challenging market dynamics MNCs now face. Local competitors, harnessing their flexible mechanisms and rapid iteration capabilities, continue to erode MNCs' market position. At the same time, with rising labour costs and supply chain inputs, MNCs are compelled to reconstruct their cost structures and optimise operational efficiency through deeper localisation to maintain competitiveness.

The significant impact of customer behaviour changes (35%) and regulatory and compliance changes (31%) signals a deeper transformation in the external environment. Chinese consumer preferences are migrating rapidly towards personalisation and digitalisation, forcing MNCs to rethink their product and service propositions. Meanwhile, the evolution of regulatory frameworks related to data security and anti-monopoly requires MNCs to establish compliance systems adapted to local requirements. Together, these forces create what might be termed “adaptive pressures” for MNC localisation. Business growth opportunities (26%) and market differentiation (18%) indicate that strategic considerations now extend beyond defensive adaptation to proactive positioning. The scale and segmentation of China's mega-market, combined with the significant regional variations in consumption patterns and industrial ecosystems, are pushing MNCs beyond standardised replication of global models to locally tailored innovation. By developing customised strategies, companies can unlock new sources of growth. The convergence of three reinforcing trends—the rise of local enterprises, the emergence of new business formats and the generational shifts in consumption behaviour—has created a “triple resonance” effect, further accelerating the pace of localisation. For MNCs, the path to sustainable competitive advantage lies in deep integration into China's industrial ecosystem, leveraging the synergy of global resources combined with local insights to compete effectively in this dynamic market.

### What have been the primary drivers behind these China-driven reinventions? (Choose Top 3)



# 04

## Harnessing China's global influence



## The global spillover effect of China-led experience

**The local business model reinvention underway at MNCs in China is generating increasingly significant global spillover effects.** PwC's survey reveals that while 36% of participants currently confine their China-developed innovations to the domestic market, they nevertheless show the potential momentum for transitioning from an "in China, for China" to an "in China, for the world" paradigm. A further 30% have broken through geographic boundaries, selectively transferring successful practices from the China market to other regions and creating cross-market synergies through China-to-global knowledge transfer. An additional 10% (comprising 6% achieving global adoption and 4% realising deep integration) have successfully scaled their China-born innovations worldwide. This marks a shift: the "China model" is evolving from a recipient of global strategies to a source of global innovation.

These findings illustrate the evolving role of China within the global value chains. No longer the "world factory" that passively implements global strategies, China is emerging as a "marketplace of ideas" that actively shapes innovation standards and contributes to global business innovation. A leading multinational pharmaceutical company exemplifies this shift through its differentiated innovation strategies, precisely aligning market positioning with innovation stages to optimise synergy between global resources and regional value: For "in China, for the world", it focuses on new drugs with global competitiveness, leveraging its global network to bring China-led innovations to international markets. For "in China, for China", it targets unmet local clinical needs, accelerating therapy introductions through local partnerships. For emerging markets, it provides affordable innovative medicines that balance commercial viability and accessibility. Through these tailored approaches, the company addresses the needs of Chinese patients, and at the same time, increases its global market opportunities.

The intensive localisation efforts of MNCs in China have not only honed their capabilities tailored to a large-scale single market, but have also generated replicable "China solutions" across digital ecosystem development, consumer experience innovation and supply chain management. These insights, exported through MNCs' global network, provide emerging markets with a paradigm combining low cost with high-efficiency, while injecting developed markets with innovation momentum capable of breaking traditional path dependencies. Essentially, the China innovation spillover represents a catalytic combination of local market uniqueness and global resource integration capabilities. When the personalised needs of 1.4 billion consumers intersect with a complete digital infrastructure, and when rapid business experimentation meets vast application scenarios, China transforms into the "ultimate testing ground" for business innovation. The solutions forged in this environment carry global relevance and leadership potential.

### To what extent have China-driven reinventions influenced global strategies or operating models in your company?



## Constraints on global influence

**Despite the demonstrated strong vitality of China-developed innovation in business practices and models, its global influence faces multiple constraints.** Headquarters or global cultural or organisational resistance emerged as the biggest obstacle, cited by 73% of respondents. This finding highlights the deep-seated cultural differences and coordination challenges within MNCs. Potential divergent values, mindsets, management styles and work habits across different cultural backgrounds create friction that impedes the smooth transfer and implementation of local innovations within global systems. Global corporate governance and decision rights ranked second at 55%, indicating that existing decision-making mechanisms at MNC headquarters constrain the global expansion of locally developed innovations. Overly centralised or standardised decision-making processes make it difficult for China-specific innovations to gain timely recognition and effective promotion at the global level.

Risk and compliance constraints (41%) and the lack of China leadership representation globally (39%) represent additional significant barriers. The former relates to the compliance imperatives governing MNCs' global operations, while the latter affects the weight accorded to Chinese innovation perspectives in global decision-making. In addition, 31% expressed scepticism about the global applicability of China-developed models, questioning the universality of "China experience". To break these constraints, MNCs must undertake fundamental changes across organisational mechanisms, cultural integration and talent development, building a global innovation ecosystem that is more inclusive and agile.

The relatively low weight given to difficulty in measuring ROI and talent mobility constraints suggests that most MNCs maintain clear expectations and judgment regarding the potential returns from China-developed innovations in global markets, and that talent allocation and mobility across borders function relatively smoothly. MNCs appear to possess reasonable visibility into the potential value of local innovations in China, while benefiting from increasingly open global talent markets and mature talent management systems that facilitate the deployment of China-experienced personnel to relevant positions and regions based on their business needs.

### What key factors constrained China-led reinventions from having greater global influence? (Choose Top 3)



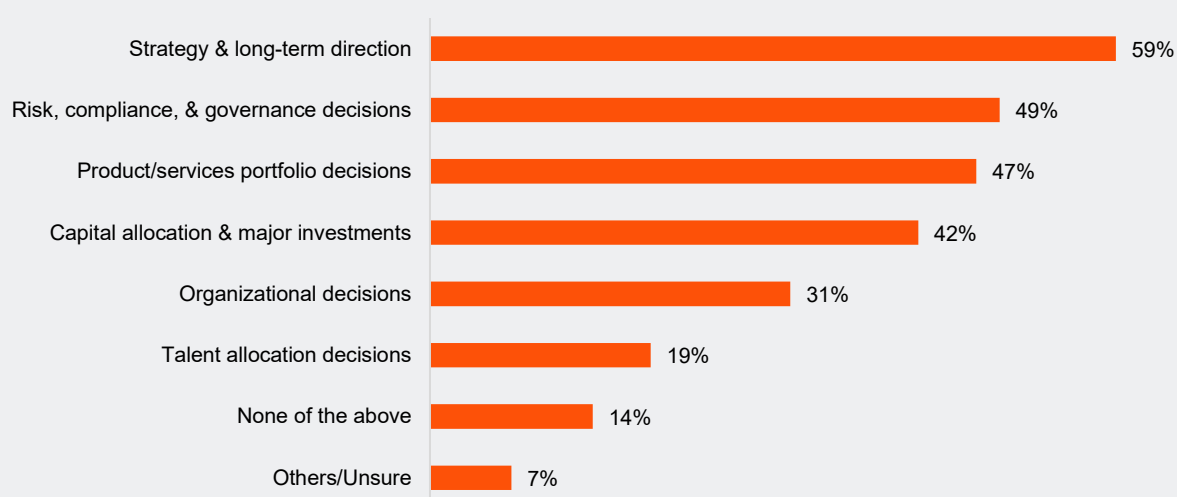
## Participation of China-based leadership in global strategy

**The increasing participation of China-based leadership in global strategy-related domains is introducing new dynamics and opportunities for MNCs' global positioning and long-term development.** PwC's survey shows that decision-making for strategy and long-term direction represents the area of highest engagement for China-based executives at 59%. This reveals that perspectives shaped by China's unique market ecosystem, economic environment and consumption trends have become deeply integrated into global strategy formulation. As the world's second-largest economy, China's vast and diverse market demands, rapidly evolving technological innovation and increasingly sophisticated policy and regulatory frameworks provide Chinese executives with rich practical experience and insights, enabling them to accurately assess market trends and contribute forward-looking, targeted strategic recommendations within global planning processes.

Chinese executives also show significant engagement in risk, compliance and governance decisions (49%) and product/service portfolio decisions (47%). This reflects China's indispensable role in building global risk management systems and optimising product strategies. The complex regulatory environment and fierce market competition in China have equipped China-based leadership teams with extensive experience in risk identification, compliance management and product innovation—expertise that strengthens MNCs' global risk control and product positioning capabilities. Additional domains showing positive participation trends include capital allocation and major investment decisions (42%), organisational decisions (31%), and talent allocation decisions (19%). These figures further demonstrate the influence and contribution of China-based leadership across multiple key aspects of MNCs' global operations.

However, 14% of respondents reported no China leadership participation in any of these areas. This suggests that some MNCs retain room for improvement in empowering their China teams with global voice and building efficient collaborative decision-making mechanisms. Moving forward, MNCs must further optimise their internal governance structures, strengthen communication and collaboration with China-based teams and fully unleash the potential and value of their China leadership to achieve sustainable growth and high-quality development in global markets.

### Which of the following global strategy-related areas is the China leadership team actively participating in? (Choose up to 6)



## The challenge of building global influence

**Despite increased participation of China-based leadership in global strategy, underrepresentation remains a prominent issue.** Survey results show that 39% of MNCs explicitly identify underrepresentation of their China leadership in global decision-making as a core constraint on the global influence of China-developed innovation. This finding stands in stark contrast to the 59% participation rate of China leadership in global strategy decisions. This contradiction exposes a significant gap between “participation” and “influence” within MNCs’ global governance systems. High participation rates may indicate physical presence in the decision-making processes, but do not guarantee that their perspectives and suggestions receive full consideration and translate into actual decision-making influence.

As a global executive vice president and head of China and international markets at a leading MNC observed in a recent interview: “Although many Chinese executives now hold important roles internationally, their numbers are still far from sufficient. The world needs a deeper understanding of China, and only by integrating Chinese perspectives into global strategic decisions can companies accurately convey the full picture of the Chinese market. The most critical skill for global talent is the ability to adapt communication styles and leadership approaches across different cultural contexts. Indeed, cultural adaptability is the core requirement for global leadership positions. At its heart, this perspective-taking means understanding both global rules and local logic, ensuring that strategic execution does not go off track due to cultural misunderstandings.”

Meaningfully enhancing the global voice of China-based leadership requires systematic, multi-dimensional change rather than quick fixes. Organisational restructuring provides the foundation: developing flatter, more flexible and inclusive global governance architectures that ensure China team perspectives reach decision-making cores. Cultural transformation is crucial: breaking down inherent cultural biases and mental models to create global corporate cultures that respect diversity and encourage innovative thinking. Talent pipeline development provides the guarantee: investing in developing and selecting leaders with global vision, cross-cultural communication capabilities and strategic thinking to support China-based leadership in assuming greater roles on the global stage. Only through multi-dimensional adjustments can MNCs establish more inclusive global governance mechanisms, fully unlock the strategic value of their China leadership teams and achieve sustainable business development.

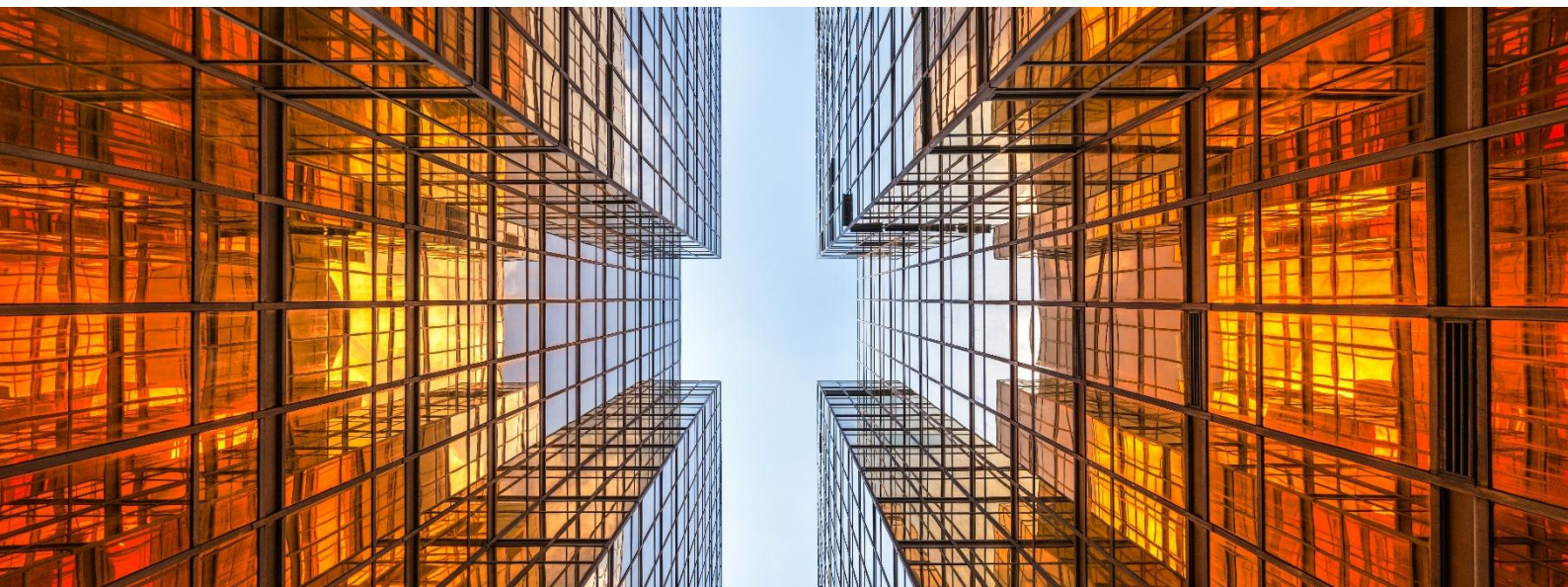
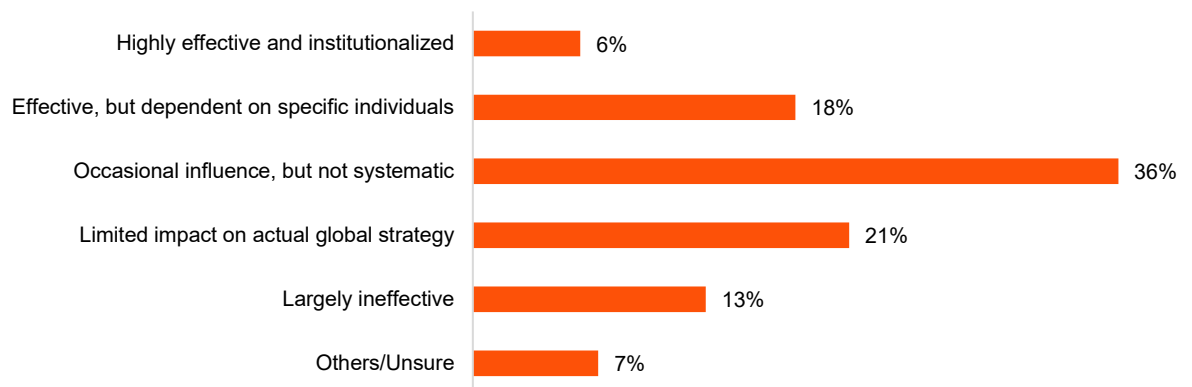


## Evaluating the global impact of local strategies

**The effectiveness with which MNCs integrate China's local business reinvention into global strategy varies considerably.** PwC's survey shows that only 6% of the participants consider their integration practices as efficient and institutionalised, which indicates that few MNCs have established mature, stable and replicable integration models. 18% view integration as effective but overly dependent on specific individuals, suggesting outcomes lack sustainability and could diminish significantly with key personnel changes. 36% indicate that China local business reinvention occasionally impacts global strategy but lacks systematic integration, reflecting the absence of complete, structured processes and methodologies that results in inefficient innovation transfer. Another 21% believe the actual impact on global strategy is limited, while 13% consider integration largely ineffective.

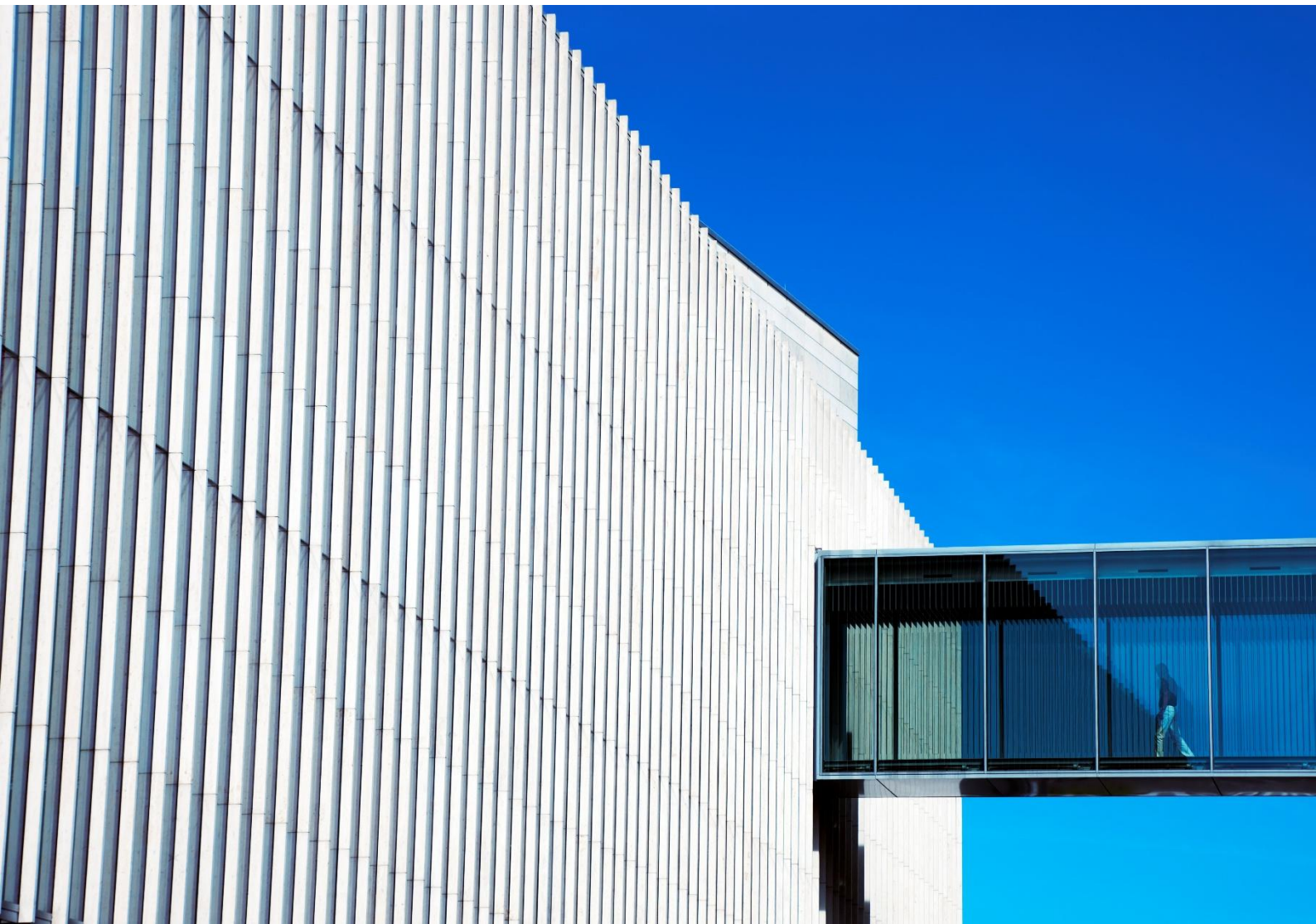
These data point to significant room for improvement in their global strategic integration. Some MNCs remain trapped in "individual driven" approaches or achieve only "sporadic impact", having yet to establish systematic mechanisms for effectively integrating China's rich innovation practices into their global strategy frameworks. Breaking through this impasse—transforming China's local exploration into strategic assets with genuine global influence—has emerged as a core challenge for MNCs and a key determinant of their competitive positioning in future global markets.

### Rate the current processes in your company for bringing China reinventions into global strategy?



# 05

## Future investment priorities



## Strategic investment directions for the next two years

Looking ahead to the next two years, MNCs are actively planning to increase investment across multiple core areas as they seek to further strengthen China's pivotal role within their global strategic frameworks. With the accelerated development of “new quality productive forces” (新质生产力) and the implementation of policies aimed at economic stabilisation, opening-up and foreign investment attraction, the investment environment for high-tech industries is steadily improving. The rising share of high-tech industries in total foreign investment, together with growth in actual utilised foreign capital, clearly demonstrates that foreign investors are actively reallocating their investment toward high-tech manufacturing. They are deepening their integration into China's industrial and innovation chains with substantial capital commitments—a trend that aligns closely with China's push to develop new quality productive forces and advance a new wave of industrialisation. The 27th China Business Environment Survey Report, released in 2026 by the American Chamber of Commerce in China, confirms that China remains an important market for US-funded companies. 48% of surveyed MNCs list China among their top three global investment destinations, while a further 21% consider it one of several priority markets worldwide.

According to PwC's survey findings, China cost and pricing adjustments for global competitiveness rank first, cited by 47% of respondents, as a key investment focus. Close behind, China-based R&D for global products and services is prioritised by 42% of companies, which demonstrates that cost optimisation and innovation capabilities are key investment themes in MNCs' strategic planning for future development. Ranking third at 41% is China supply chain and manufacturing upgrades for global efficiency. In today's complex and volatile global trade environment, building supply chain resilience remains a top strategic imperative. Additional areas garnering significant attention include China-led innovations for global advancement (26%), China digital/data investment for global integration (25%) and China-led operating model reinventions for global application (12%). Collectively, these findings reflect an expanding investment vision among MNCs—a gradual shift from traditional cost-driven models to innovation-driven approaches, and an evolution from simple local optimisation strategy to a more forward-looking global empowerment strategy.

### In the next 2 years, what are most likely the main investments from the China leadership to enhance China's role in your company's global strategy? (Choose Top 3)



## The strategic rationale behind investment decisions

**MNCs' investment approaches in China are far from arbitrary; they reflect clear and precise strategic orientation.** The high priority accorded to cost and pricing adjustments, cited by 47% of respondents, stems from a fundamental recognition: price competitiveness remains a critical competitive lever in the Chinese market. By optimising cost structures and adjusting pricing strategies, MNCs can maintain their competitive edge locally, increase market share and build a solid foundation for their global business development.

The substantial investment in local R&D (42%) fully reflects MNCs' "in China, for the world" strategic orientation. China offers abundant talent resources, immense market size and a dynamic innovation ecosystem—conditions that create unique advantages for R&D activities. National Bureau of Statistics data show that China's total investment in research and development (R&D) exceeded RMB3.6 trillion in 2024, a year-on-year increase of 8.9%, maintaining a stable growth trajectory. In the same year, enterprise R&D expenditure grew by 8.8% compared to the previous year, accounting for over 75% of total national R&D spending for several consecutive years and contributing 77.1% to total national R&D expenditure growth, serving as the primary driver of China's R&D expenditure. The concept of "R&D in China" reflects a shift in how MNCs position themselves in the Chinese market. By increasing R&D investment and establishing R&D centres in China, they aim to fully leverage local advantages to develop products and solutions for global markets, rapidly scaling China-led innovations worldwide and pursuing dual leadership in technology and market reach. Taking automotive sector as an example, where international OEMs once completed product development in Germany, Japan or other countries before launching in China, they are now increasingly integrating advanced Chinese technologies into their products, drawing on China's leading position in electric vehicles and intelligent technologies to strengthen competitiveness and prepare for product launches in global markets.

The sustained investment in supply chain and manufacturing upgrades (41%) represents both a positive response to MNCs' supply chain security concern and high recognition of China's manufacturing quality and efficiency advantages. Against a backdrop of ongoing global trade tensions and increasing geopolitical risks, supply chain stability and security have become paramount concerns for MNCs. As a global manufacturing powerhouse, China offers a complete industrial chain support system and efficient production and manufacturing capabilities. By upgrading their supply chain and manufacturing operations in China, MNCs can improve their supply chain resilience and flexibility, reduce the risk of supply disruptions and ensure stable global operations.

The increase in digital and data investment (25%) reflects MNCs' desire to leverage China's leading digital ecosystem to achieve digital integration and empowerment across their global operations. According to the 2025 World Investment Report, the digital economy has emerged as a major highlight of global investment, with developing countries attracting USD531 billion in greenfield digital economy investment between 2020 and 2024. About 80% of new digital projects worldwide are concentrated in 10 countries, six of which are in Asia: China, India, Malaysia, Singapore, Vietnam and Indonesia. China ranks among global leaders in digital technology application and digital economy development, with a massive internet user base and a vibrant digital innovation ecosystem. By increasing digital and data investments in China, MNCs gain access to advanced digital technologies and management practices, enabling them to optimise global business processes, improve operational efficiency and contribute to their own digital transformation globally.

## Strategic transition from Localisation to Globalisation

Overall, MNCs in China are undertaking a fundamental strategic transition—from localisation to globalisation. The traditional “in China, for China” model, in which MNCs treated China primarily as a sales market and adapted products and services to local needs, is being supplemented, and in some cases, superseded by the new “in China, for the world” paradigm. Today, MNCs no longer view China solely as a consumer market; they are positioning it as a source of innovation, a testing ground for new models, a supply chain hub and a key pillar for global competitiveness.

This strategic transition places higher requirements on MNCs’ organisational capabilities, cultural integration and governance mechanisms. In terms of organisational capability, MNCs must build more flexible and efficient structures capable of balancing global standardisation with local responsiveness. On one hand, they need to maintain unified standards and norms across global operations to achieve economies of scale and capture synergies. On the other, they must fully respect the distinctive characteristics and needs of the Chinese market, granting local teams sufficient autonomy to respond rapidly to market changes and deliver products and services tailored to local consumers.

In terms of cultural integration, MNCs must foster communication and exchange among employees from different cultural backgrounds, cultivating an inclusive and diverse corporate culture. As Chinese teams increasingly participate in global business, cultural awareness and integrations are inevitable. Through cultural training, team-building and other activities, MNCs can enhance mutual understanding and trust among employees, break down cultural barriers and achieve deep cultural integration, thereby stimulating employees’ innovative vitality and work enthusiasm.

With respect to governance mechanisms, MNCs must amplify the voice of the China-based leadership in global decision-making processes. In the past, Chinese teams’ participation in global decisions was relatively limited, making it difficult for innovations with Chinese characteristics to gain traction and scale globally. Going forward, MNCs should establish a robust global governance mechanism that fully incorporate the perspectives and suggestions of the Chinese leadership team, effectively transforming China-led innovations into global assets for sustainable global development.

The strategic investment directions MNCs are charting in China over the next two years reflect their profound understanding of the importance of the Chinese market, as well as a positioning of their global strategies. By increasing investment in cost and R&D, supply chain and manufacturing, and digitalisation, MNCs aim to achieve a strategic transition from localisation to globalisation. Yet this ambition brings with it significant challenges in organisational capabilities, cultural integration and governance mechanisms. The extent to which MNCs successfully navigate these challenges will determine not only their success in the Chinese market but also their ability to secure competitive advantage in global markets going forward.



# 06

## Highlights from MNC executive discussions





## The pragmatic shift in China's strategic positioning

**From “predicting the market” to “building resilient organisations”:** A clear theme emerging from the discussions was the shift away from excessive macro-environmental forecasting toward building organisations capable of rapid response. Speakers emphasised that performance, rather than projections, earn headquarters' trust and resource autonomy.



“We don't spend a lot of time making predictions. What we need to do is to develop scenarios and ensure that we can adapt to changes. As long as our performance and cash flow are strong enough, headquarters will be willing to invest.”

**Ludovic Weber**

CEO Asia Pacific, Saint-Gobain

**Balancing “in China, for China” with “in China, for the world”:** China's evolution from an execution centre to an innovation centre was widely acknowledged, but executives also highlighted the challenge of gaining buy-in from global headquarters. This requires carefully balancing between local breakthroughs with compatibility across global systems.

**The dual imperative of cost and R&D:** The China leadership of MNCs articulated a clear investment logic for the future: ensuring survival through cost competitiveness while pursuing global leadership through locally driven R&D.



“China is now the initiator of innovation, leading in many areas. But we also face the challenge of localising innovation. We must replace old methods with new one.”

**Ludovic Weber**

CEO Asia Pacific, Saint-Gobain



## Core drivers of local reinvention

**Consumer behaviour evolution driving innovation:** Chinese consumers' willingness to experiment, combined with their demand for quality upgrades, is reshaping how MNCs approach product innovation and R&D investment. Several executives cited examples of establishing R&D centres in China to serve the Asia market, leveraging local technologies and talent to develop the solutions suitable for the Chinese market.



“The Chinese market is very active. The younger generation of middle class is more concerned about health and nutrition. More and more people are willing to pay a premium for sustainable products.”

**Lily Guan**

President, Cargill China; Group Counsel, Ag & Trading APAC

**Compliance complexity as a strategic challenge:** The rapid change in the regulatory environment is no longer simply a cost of doing business—it has become a strategic variable that drives business model restructuring.



“For example, food regulation in China is very strict, and so the compliance-related risks are much higher than before.”

**Lily Guan**

President, Cargill China; Group Counsel, Ag & Trading APAC



## Governance bottlenecks at global headquarters

**Cultural resistance as the primary constraint:** A recurring theme across discussions was that the biggest obstacle to scaling “innovation from China” globally is not capability—it is organisational structure and cultural-cognitive barriers.

**The evolving value of cross-border talent mobility:** The purpose of international talent mobility has shifted. Rather than simply dispatching personnel, MNCs now focus on cultivating global decision-makers who genuinely understand China's realities.



“We have at least one senior executive from headquarters visit China every year. We make efforts to facilitate exchanges between headquarter personnel and local personnel, with hopes that headquarter personnel can gain a comprehensive understanding of China.”

**Ludovic Weber**

CEO Asia Pacific, Saint-Gobain

**Risk perception constraining investment willingness:** Executives observed that headquarters' tendency to impose “ceilings” on China investment often stems from strategic risk control, rather than purely economic return considerations.



“When the proportion of the China team reaches 40% of the Group's global workforce, the headquarters—based on strategic considerations of diversified risk management to avoid over-concentration in a single market—would recommend controlling the size of the team.”

**Ludovic Weber**

CEO Asia Pacific, Saint-Gobain



## Structural advantages in energy and supply chain

**Energy stability forms a manufacturing moat:** By ensuring a stable supply of energy and key materials, it effectively hedges against risks arising from price volatility and supply chain disruptions in global markets. This enhances China's overall resilience and strategic initiative in a complex international environment. Advantages in energy and key materials have evolved beyond cost competitiveness into tools for enhancing bargaining power and achieving strategic autonomy across value chains.



“For industrial manufacturing infrastructure, stable power supply is very important. The Chinese government is implementing more stringent power regulations across all industries, which is both a call and a strategy being adopted. China's stable energy supply and price advantages extend beyond cost benefits. They constitute the underlying infrastructure supporting the intelligent manufacturing and industrial upgrading and represent a key prerequisite for strategies that substitute automation for labour.”

**Julius Shen,**

Leading Partner, Strategy&, PwC China





## Closing remarks

MNCs operating in China have entered a critical phase of strategic restructuring. China is transitioning from its traditional role as a sales market and manufacturing base into a core source of global business innovation and a key pillar for strategic decision-making. The essence of this transformation lies in embedding the distinctive advantages of the Chinese market—its unparalleled scale, sophisticated ecosystems and rapidly iterating business models—deeply into MNCs' global strategic architecture and organisational DNA. Through systematic local business reinvention—spanning cost structure optimisation, global R&D deployment, supply chain resilience upgrading and cross-border digital capability transfer—MNCs are building a two-way empowerment loop: “Chinese model, global application”. They are transforming practical insights gained in the Chinese market into the systematic capabilities that drive global business growth.

Yet the vision of China-empowered global strategy continues to face profound tests in organisational mechanisms and cultural cognition. Cultural barriers between headquarters and regional operations, centralised decision-making inertia and limited compatibility of global governance systems with local innovations have consigned most companies' China experience to the realm of ad hoc transplantation or individual-driven initiatives. These experiences have yet to be elevated into institutionalised global strategic assets. Going forward, MNCs must move beyond simple experience export or one-way adaptation. They need to establish more inclusive global collaborative innovation networks, undertake structural changes in organisational structure, talent development and cultural integration, empower China-based teams with substantive global decision-making voice and build the dynamic capabilities required to seamlessly integrate Chinese insights with global resources.

Looking ahead, as MNCs accelerate their strategic transition from “local optimisation” to “global empowerment”, China will assume an increasingly active role as a standard-setter and model exporter within the global value chains. Those companies that succeed in breaking through internal and external boundaries and deeply integrating their local reinvention in China into their global strategic frameworks will not only secure sustainable competitive advantages in China, but also contribute solutions originating from China to global business innovation. In doing so, they can potentially establish a difficult-to-replicate leadership position in the evolving landscape of global competition. Harnessing China to shape global strategy and drive business model reinvention is no longer optional. It has become an imperative for MNCs seeking high-quality growth in an increasingly complex and dynamic global environment.



## Contact Us

### **Linda Cai**

Inbound Outbound Leader, PwC China  
Leader, Corporate Finance, PwC China  
linda.cai@cn.pwc.com

### **Alan Yam**

MNC Program Leader, PwC China  
Leader, Central Tax, PwC China  
alan.yam@cn.pwc.com

### **Julius Shen**

Leader, Strategy&, PwC China  
julius.shen@strategyand.cn.pwc.com

### **Jan Jovy**

Director, Inbound Outbound, PwC China  
jan.j.jovy@cn.pwc.com

### **Steven Shum**

Associate Director, Inbound Outbound, PwC China  
steven.shum@cn.pwc.com

### **Connie Jiang**

Manager, Research, PwC China  
connie.j.jiang@cn.pwc.com

