

Fosun News VOL.26

Fosun's to-do list in the second half of 2019 by Chairman Guo Guangshang and CEO Wang Qunlin



July 1st marks the beginning of the second half of 2019 and it is the time for us to summarize the earnings from the first half and plan for the next half and future. During 75000 20 minutes meeting on July 1st, Chairman Guo and CEO Wang shared their thoughts on the work in the past six months over the subjects of business operations, organizational optimization and mid-office system buildup, and set a to-do list for Fosun in the second half of 2019.

To Do 1: Dare to take challenges and turn the challenges into opportunities.

Chairman Guo: In the first half of the year, I have been busy with traveling around and meeting people. When I talked to people about work, everyone often said, "Mr. Guo, it is really difficult!" and then I answered: "If it is easy, why do I need you to do it?" Frankly speaking, what we are doing now is by no means easy. And value lies in the things that are not easy to do. If everyone can do it, the work might have little value, and even negative value. That said, if you accomplish the difficult work, you actually create value and it is the right attitude and right approach.

I think the most difficult thing is to turn around the underperforming companies, just like driving a car down the hill. It is too difficult to control the speed, stop it, turn back and start up step by step to form an upward inertia. But such work is the most valuable. It applies to the company management as well. The most difficult thing is to let an underperforming company stop the downward trend and form an upward momentum.

There is a saying that I agree with and would like to share. We always overvalue the short-term changes and downplay the importance of long-term changes. Sometimes if you hold onto your long-term plan, from five to ten years, the change will beat your expectation. On the other hand, if you only look at the shorter time horizon from three to six months, you might end up being the exception. This is because time is too tight to implement the strategy. Therefore, we should stay the course to do the right thing, step by step, and keep patient, especially in the area of industrial operations. We will aim at the right target, keep the strategic courses from top to bottom to earth to grow and develop, and make every step solid and firm. Fosun's strategy is very clear. It is to create healthy, happy and wealthy lives for global families through our initiatives such as building of "1+X" industrial ecosystem, globalization, and technological advancement.

To Do 2: Continuously improve business operations

CEO Wang: We should adhere closely to in-depth industrial operations, while leveraging our strong capability in "Investment + Capital". As to operations, in addition to membership marketing and product innovation, we should establish new core competences in terms of the smart mid-office platform and the "3 lines" part of CSM strategy such as the supply supply chain. As to the "investment and capital", we should strive for majority holding position to invest to gain an upper hand to turn business around. Besides, our capability over the unicorn incubation should be stressed. And the ability of Business Development should also be strengthened. Namely to incorporate IP, patented technologies, brands and the concept into Fosun through the Tencent approach. This is one of our core tactics to leverage the China momentum by introducing the global resources to China. Of course, we will let the numbers talk. We set our KPIs on ROE for operating companies, valuation increase for incubated businesses and IRR for the minority shareholding companies. Regardless of the holding company or vertical industrial groups, the numbers are the hard criteria for evaluation. In the meantime, we will also pay close attention to the ROE in our marketing efforts. Of course, the cash flow is also of paramount importance to us, not to mention the profits.

Chairman Guo: We used to pay great attention to the M end of CSM initiative, namely the product side. We attach great importance to the products and maintain that the good products will speak for itself. This is correct, whether it is tourism industry or fashion industry, we must have possession of high-quality products, enter with unique characteristics or with competitive edge. But it is far from enough. We realize that C-end marketing is also of parallel importance. Therefore, we should expand the horizon of cooperation to work with more companies to form more comprehensive C-end capabilities. Likewise, the partnership with different companies on the M end is also highly valued. In addition to our own investments, it is to and-to. As a result, our offerings on both C-end and M end will be much more abundant and richer through cooperation and partnership.

To Do 3: Continuously strengthen organizational optimization

CEO Wang: After all, the improvement of the business performance and solution of problems both down to the people. In particular the rewards and punishments. In terms of our organizational structure, which includes majority controlling companies, there are three categories of employees: 2% are senior level, 18% are middle-to-senior level, and 80% are junior and front-line employees. To create best products and services for our customers, the key is to incentivize our frontline employees. In addition to over 1,000 staff members at our headquarters, who constitutes the middle-to-senior and senior level employees, we should never ignore frontline employees who interacts directly with and provides services to our customers. That said, we should work out mechanism of reasonable rewards and punishments for them and bring out their best performance. In terms of organizational optimization, our intelligent mid-office should draw up relevant data related to employee management and customer service so as to have a better picture about how to create applicable mechanism and measures. Of course, our headquarters and investors should attach equal importance to three key points, namely to solve the problems in a down-to-earth manner, to use the best talents and to use right people according to the work if we are unfamiliar with certain area.

To Do 4: Continuously optimize mid-office mechanism

CEO Wang: With a view to providing better service to our customers, we should accelerate our employees to optimize our processes. As to the process optimization, we should have a sound system in place to make it happen, to establish a balance over people, mechanism and processes. To achieve this, we have HR (Human Resource System) established as Fosun's intelligent mid-office. A system is not enough, we should have people deliver it. On one hand, we should strengthen the build-up of our teams in the business lines of intelligent technology and intelligent mid-office. On the other hand, the mechanism should not stop on the vertical industrial group only. It should be incorporated into each and every business line. For example, at least one of the business line executives (Chairman, CEO and Presidents) should have both IT background and comprehensive management capabilities. Likewise, it is also true with the highest organizational design of CSM initiative. We should have people with both industrial expertise and comprehensive capabilities. As to personnel in the area of "2 lines" out of CSM, IT background is a must. We want to recruit more talents with above-mentioned capabilities. This era entails both challenges and opportunities. To achieve our vision and mission, we should evolve consistently and stride ahead unswervingly around pre-set strategies, in terms of business development, financial capability, organizational optimization and system build-up.

Chairman Guo: It is definitely not an easy path to take. Many investors have asked me why we choose an arduous path, why we choose to do so many things and whether we can deliver it. My answer is that it is surely difficult. But as long as the strategy is right and we stay the course, we can make it with everyone's concerted hard work. Therefore, despite the challenges, we should firmly believe that every step we make is creating value for our customers and society as a whole.