

# Leading with Vision and Passion

An interview with Merle A. Hinrichs, co-founder, Chairman, and CEO of Global Sources, on leading with vision, focus and passion

— Jet Magsaysay

The story of Merle A. Hinrichs and how he founded Global Sources is almost legendary, but true. It's the story of how a 22-year-old recent graduate from the American Graduate School of International Management (also known as "Thunderbird"), arrived in Asia with US\$25 in his pocket, a suitcase, a business degree – and a sense of mission.

In the last 35 years, he has parlayed these assets into founding and building Global Sources, a leading business-to-business (B2B) media company and primary facilitator of two-way trade with Greater China. Today, Global Sources delivers information on 1.4 million products and more than 130,000 suppliers annually through 10 leading online marketplaces and monthly magazines, more than 90 sourcing research reports, and 14 China Sourcing Fairs and other trade shows. Global Sources is the corporate parent of *Chief Executive China*.

In this interview with *Chief Executive China*, Mr. Hinrichs talks about leadership, with an emphasis on vision, focus, and passion, three attributes that have been among the keys to the success of Global Sources.

When people talk about Global Sources and its history, many mention your vision. With other

companies, a vision/mission statement comes later in their development. With Global Sources, it was there from the start. How important was the mission for you?

It was instrumental for all of us in the early years. We felt we were working for something greater than ourselves, and sincerely felt the importance of our cause. We believed that working with companies looking to build their business would create jobs, income, better standards of living, and better education generally.

It would also create a greater interdependency between countries and certainly increase the level of understanding and knowledge.

Now, what is the measure of success? And to what extent does one participate in making this happen?

It's a difficult question, and I'm not even sure if there is an answer. I do know that we have helped thousands and thousands of companies increase



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Merle Hinrichs prefers to work on the front lines meeting face-to-face with advertisers.

their business, grow their sales connections, improve their product design, and also build skills by working with buyers that needed assistance to manufacture new products.

So I have no doubt that Global Sources and all of our publications and websites have contributed substantially to the economic growth of Asia and, indeed, to the economic growth of Western countries as well. I say that because the opportunity for consumers to pay less for the

products they purchase provides them with money to invest elsewhere. That, in turn, spawns new industries, new operations, and new possibilities in many countries.

**Global Sources has consistently found opportunity in the midst of all of the big shifts in world trade over the last 35 years (please see the article, “History Lesson: How Global Sources Has Supported World Trade,” in this issue). Is there a deliberate process that helps you to envision where these opportunities might be?**

Yes, there is – one that is both scientific and also intuitive. I think a business that does not map its activities closely and regularly to the industries it serves will be sidelined very quickly. Being in the publishing business, we report on the front line every day of the week. We talk to buyers and manufacturers. We see how the market is changing. We are able to identify new product opportunities. We are able to identify new markets. As an example, 15 to 20 years ago Eastern Europe was not a market at all for products from Asia. Today, it’s a huge market.

At Global Sources, we monitor what is happening and how industries are shifting. And by doing so, we are better placed to bring new solutions to our users.

Yes, the market is very dynamic. If we did not respond to market changes, of course the company would not have the long history it has today.

**You also mentioned that there**

**is an intuitive part to seeking opportunity. How do you develop that?**

Data is not knowledge and knowledge is not wisdom. Data is all over – but how do you aggregate that data so that you can see patterns of change, as well as the intensity and speed of change? It takes a lot of analysis. It takes a lot of systems to refine it into knowledge. Then, based upon your wisdom, experience, and maturity, you can look at this body of knowledge and say, “I’ve seen this pattern before.” Or, “I’ve seen this evolution or development before and I would think it has a nine out of ten chance to move forward in a certain way.”

We have a lot of senior people in the company with real appreciation for the markets we serve, and if we gather enough data points, we can become more knowledgeable about a situation. We have enough experience that, typically, we can be right eight or nine times out of ten. However, you can never be 100 percent correct. You are always going to make mistakes; you simply have to be ready to make those mistakes.

**Management literature says you have to stay ahead of the customer but not too far ahead. I suppose the system that you described allows you to achieve this?**

Absolutely. If you test things, and you know that the uptake of a certain solution is not there yet, you have to back off and wait till the market’s ready. That was very true of e-mail. We were the first in Asia to provide

supplier information in a database on the Internet. We were telling all of our customers, “To use this service, we have to digitize your information and you will have to install an e-mail service.” Some of them did not know about e-mail. So we had to actually install e-mail for customers around Asia. We were setting up e-mail for advertisers long before they really knew why they needed it.

**Could we shift to the subject of managing growth? One of the toughest decisions for a business leader is how to decide how big the company should be. If you look back, did you envision how big Global Sources would be?**

I don’t think I have ever consciously said the company should be this large or this small. I have tried to formulate business policy, and executed it, on the basis that we expand in relationship to the markets that we serve. And it is important not only to look at the top line – but also the bottom line. In this business, you have to be very careful that your costs do not get ahead of you. So we have always been cash-positive. We have always operated on the assumption that we fund our own expansion and development. We never had to go outside to raise money to fund the organic growth that we wanted to achieve.

If you wish to do anything inorganically, then obviously the cash requirement may be larger than what your balance sheet can support. In those situations you have the opportunity to invite investors to buy stock in order to move the company forward.

Peter Drucker said the requirement for growth is that top management change its attitudes and behavior as the company grows. In the case of Global Sources, how do managers cope with growth?

First of all, almost without any exception, you have to remain plan-focused. You have to remain customer-focused. We have two customers, the buyer and the seller. We have to serve the buyer in order to serve the seller, in that order.

This is easy to say. It's not always easy to fulfill, especially when you are operating in many different locations. So trying to delegate the responsibility for "customer comes first" is not easy to do.

So how do you keep an organization focused on serving the customer?

In my view there are three steps to achieving that.

One is that your people have to see themselves as a team, and to work together as a team. They must have a sense of belonging. They must have a sense of teamwork. They must have a sense of the mission. And, of course, they must be incentivized.

The next step is to say to everyone in the company: What are the objectives? What are we trying to do in the next year or two, but more importantly, what are we trying to do in the next six months? What are we really looking to do as an organization? And, to the extent possible, get everyone to agree on the answers.

The third important component typically involves the upper five percent or ten percent of your

management team. These top managers really have to understand why they are doing what they are doing for this company, and why are they sacrificing in order to work for the company as hard as they do.

Now, again, this sounds simple. But there is a lot more involved than just agreeing to a mission. They have

“**What fills me with passion is our continuous achievements, our products and services.**”

to agree with their families. They have to agree with themselves. They have to look at their own motivations, their own priorities, and decide to the fullest extent possible that this is where they want to be and that this company is the kind of company they want to work for – typically on an indefinite basis.

So I think it is very important that you get that kind of buy-in and that kind of comfort at the senior management level. If they are unhappy with the company, if they are constantly grouching about their jobs, then it's not good for the company and it's not good for the ultimate objective of serving the customer.

Regarding leadership, one of the words you have often used, even in this interview, is the word "focus." How do you keep the company focused?

The business we are in is so

dynamic. There are so many vectors, possibilities, and opportunities, that if you don't keep the organization focused on the customer and what you can do for the customer, then you have people doing things which are not productive, which are distracting, and which could disorganize the

company. For there to be coherence within the company, you have to sustain focus.

And focus is not saying, "This is where we are going to be in 30 years." Focus is saying, "Here is the general direction in which we are going, and in the next six to twelve months, these are the steps I would like to take."

You cannot work as a team when you have people going in different directions. Otherwise, it's like going into battle and having several platoons running in different directions. You absolutely can't do that. I tell my managers, "Maybe it would be a good idea to do this today, or to do that today, but we're not going to, because we must stay focused on what we are trying to achieve in the nearer term."

Another word that has been used to describe you is "passion." Is being passionate about your work important to you?

I think it is important. If you don't get up in the morning and want to go to work, or if you're easily distracted, or if work is not enjoyable for you, or if work is a distraction for you, then you're not going to be as productive as you could be. You're not going to be efficient. You're not going to enjoy working with people and they won't enjoy working with you. So if you don't have the passion, then how can you expect your subordinates to be passionate about what the objectives are and what you want to do?

### And what specifically are you passionate about?

I am passionate about success. I want to succeed in what we want to achieve. It's not just money. I was not driven by money when I started this business and I am not possessed by money. I recognize that you must have the resources necessary to operate a business. You must have a profit; we have demonstrated clearly that this company is a profit-driven company. But I am passionate about consistent performance in order to survive in a very, very competitive market. I am passionate about the products that we provide. I am passionate about the services we provide to our suppliers. I dearly love going out to talk with our advertisers. It's an absolute pleasure for me to work in the field and work with our customers. I cannot tell you how much of a pleasure it is to come to work in the morning and to enjoy the people that I spend the rest of the day with.

### Many have described you as successful. What is your own personal measure of success?

First of all, I think success is being comfortable with who you are, and being comfortable with where you are in life, whether that be as a student, whether that be as an employee or employer or whatever capacity that you fill in life. If you are happy in that capacity, if you are happy in the duties of your day, then you're successful. It's about achieving what is fulfilling to you as a human being or as a person. It's about fulfilling your responsibilities – to yourself, to your family, and to the community that you are in. Each one of these is equally important. But you cannot fulfill any of these responsibilities without fulfilling the first one, which is your responsibility to yourself.

### If you look forward from this point, what do you see in international trade and Global Sources' role in it?

We have many opportunities in this business. We can expand in terms of the number of industry verticals that we serve. We can expand the number of geographical areas we are engaged with. We can expand the depth at which we serve any one vertical. I don't see us ever facing a shortage of opportunities. What we have to focus on is how well we can execute and how well we can succeed in whatever endeavor that we set out to do.

### In terms of the future for your customers, what can they get excited about in their own fields?

One thing for sure is that the consumer is becoming more and more participative and engaged in deciding what they want in their lives. Historically consumers have

been provided designs, functions, and features that someone else thought appropriate for them. What we are seeing in today's consumer world is increased customization.

I have no doubt in my mind that we will see a lot more product customization at all levels and in all industries. Products will become much more intelligent than they have ever been before. People concerned about information privacy will realize that by providing personal information, they will in fact enrich their lives, giving themselves alternatives they never dreamed of before, for example, health and other services critical to their well-being.

In serving our customers, we wish to participate in this evolution of customer responsiveness, making sure we do this in the most efficient way but also in the most ethical and appropriate way possible.

I am delighted we have found a niche to support this growth and to help economies and people who are striving to improve their own lives and well-being.

We have been blessed to live in a time of exceptional change in our society and economy. There's no doubt that the future will hold even more for Global Sources if it can sustain its position, its services, and its leadership.

If you have any comments or advice, please send e-mail to: [ceceditorial@globalsources.com](mailto:ceceditorial@globalsources.com)