



Talent Considerations for Internationalizing Chinese Enterprises

Executive Summary

As Chinese enterprises expand overseas to compete globally, they need to consider not only the long-term business strategy and execution, but also the talent and leadership development implications of international growth. In this paper, we shared thoughts on talent strategy, including the key elements in consistent executive assessment and development; lessons learned and suggestions for navigating some of the most common talent issues for businesses seeking internationalization.

Introduction

China's rapid economic growth and favorable economic policies over the past 30 years have spurred the internationalisation of Chinese enterprises — and will have more and more impact on how the world does business in the process. This new breed of Chinese multinationals arrived on the global scene with some built-in advantages, including enormous domestic markets that provide significant scale and momentum; welcoming environments in various international destinations; and the confidence investors, consumers and other stakeholders have toward the growth potential and capacity of these players. These enterprises may also benefit from organizations that came before them within their own country, as well as those from other major Asian foreign investors like Japan and Korea, which have shown that customers around the world will be open-minded about new brands that prove themselves in the areas of design, quality and value.

Despite these positives, Chinese enterprises do face challenges as they try to stake ground in global markets. They must create and sustain brands that appeal outside their home markets, drive innovation to create differentiated products and services, navigate a range of political and regulatory frameworks and evolve their organisations to effectively manage far-flung and diverse operations. Those relying on acquisitions to propel growth must overcome cultural and other differences to successfully integrate new overseas operations. The most critical challenges are likely to be around talent — acquiring the leadership skills and knowledge base to compete on a global stage and keep pace with an accelerating demand for senior leaders.

Note: Originally published in the Center for China & Globalization's Blue Book of Chinese Enterprise Globalization 2014.

A competitive, but growing talent pool in Asia Pacific and China

The Asia Pacific region has become a prolific producer of and strong magnet for talent, and this has significantly increased the size and diversity of the talent pool. The region also is drawing more Western executives, many of whom view Asia experience as critical to their career advancement, and others regarding the region as a source of long-term opportunity, particularly in light of continued economic uncertainty in the West. The expansion in the size and diversity of the Asia talent pool represents a double-edged sword for companies recruiting in the region: while organizations have more options, the complexity of the talent pool makes it more challenging to find and evaluate the candidates who would be the best fit for specific roles.

Mainland China is poised to be an even more important source of executive talent as the size and experience levels of this pool continue to increase. Chinese enterprises will continue to compete with MNCs and other foreign-based organizations for this sought-after talent. They will also compete with their regional counterparts as a new cadre of top Asian companies are aggressively investing in talent management, including building state-of-art training complexes, residential units and recreational facilities catering to the training and development of junior and senior executives from around the world.

Although there is still a relative scarcity of Asian executives playing top regional and global roles, particularly at MNCs, this situation, especially for Chinese talent, could change dramatically in the next five to 15 years. Aside from lower versatility, the current lack of Chinese talent serving in top regional and global positions has been driven by 1) the current thin bench of Chinese talent with significant management experience, 2) the runaway growth of China, which has required virtually all available Chinese talent, and 3) the fact that the country opened up to Western influence and business education only some 30 years ago.

However, the demographic, cultural and commercial rise of China will create a steady supply of Chinese executives, particularly women, in the coming years as the country's first Western-educated leaders reach their 50s. Furthermore, as Chinese executives gain experience in broader, more regional or global roles, a growing number will have the versatility to step into senior general management positions. And as China's economy matures and GDP growth adjusts to more moderate and sustainable growth rates, Chinese talent may be freed up to rotate among other geographies. More and more Chinese executives have already taken on country head roles in other countries or are serving in Asia CEO-level roles. In short, Chinese enterprises — and their regional and global competitors — will soon be able to draw from a vast senior executive talent pool to help achieve their international aims.

The need for leaders with a global mindset

With a growing pool of qualified executives either native to or moving to the region, Chinese enterprises must evaluate candidates not only on business acumen and strategic thinking skills, but also on their potential to help the organization meet its objectives for globalization. As Chinese companies expand their operations into foreign markets, they have to be able to identify executives who can move seamlessly between markets and cultures, compensating for deficits in local talent and spreading best practices and corporate values into the farthest reaches of the organization.

Our recent research shows that two trends have affected how companies deploy people in overseas markets today and how they think about the talent they send abroad. The first significant shift is that when a company expands into new markets, its center of gravity changes: It starts to source leaders from a broader geographic pool, and places its best people into the right positions regardless of their nationality. In the best cases, talent

becomes mobile, and the organization is infused with a wide spectrum of people from different countries who bring different experiences and fresh thinking. The experience and contributions of these global executives create a point of differentiation and a significant competitive advantage.

The second clear shift is a growing preference for developing and deploying local talent with the skills and market knowledge to manage and grow businesses in local markets. Since finding the right local talent is not always possible in the short term, non-nationals (expats) often have the twin roles of stewarding the business effectively while hiring and developing high potentials from within the market who can take over leadership positions. One of the truest tests of a global executive, then, is to build a legacy for the business above their own personal career goals. Our earlier conversations with senior executives have borne out this point: their talent's knowledge of local nuances has been integral to their success abroad. In some cases, these organizations rely on local partners to lead and manage operations in far-flung markets rather than deploying a leader from headquarters.

For organizations that have successfully expanded internationally, we have found that their senior leaders often share certain characteristics that underpin a global mindset. Chinese enterprises that plan on growing globally may want to assess leadership candidates' strengths in the following areas:

1 Humility

The natural desire to exert influence in a new role needs to be tempered by a willingness to learn. Management pride is dangerous and the global executive needs to be smart and confident enough to admit to what he or she doesn't know. It forces them to be open to new learnings and to consider the opinions of others in the team. In a situation of power, it's easy to be seduced into thinking that you know everything or that you are supposed to. One of the main reasons international executives do not work out is that they try to impose their own cultural or world view, trying to make everything operate the way it does in their own market. Natural relationship-builders who don't make snap judgments tend to have humility.

2 Sensitivity

Sensitivity to cultural nuance is a critical quality for any executive operating on the international stage. It cannot easily be taught, but is most likely to be developed through cultural immersion. Effective global executives demonstrate low ego. They are prepared to listen and immerse themselves in the local culture to sharpen their understanding and insight.

3 Intellectual curiosity

Intellectual curiosity is useful at two levels. It deepens a person's understanding of what drives the local business and what motivates its employees; it also helps develop an appreciation of the broader cultural context. Global executives with a willingness and propensity to learn become increasingly valuable to their organisations over time.

4 Agility

Agility is a quality that every global leader must possess. It has multiple dimensions: intellectual, cultural, social and emotional. The most effective executives can adapt their style and approach to what they see in front of them. Culturally agile people will use their guile and influence to locate the resources they need without trying to learn or do everything themselves. They are prepared to work with what's available and are interested in finding the best solution, regardless of whose idea it might be. In high-growth markets, agility is essential because you don't have the benefit of time — things move so rapidly. You have to be

able to learn quickly. In a state of flux in which even the job scope can change, the global executive has to be comfortable with uncertainty and ambiguity.

Another aspect of agility is the ability to apply learnings to different situations, to sort through a myriad of data and make the right connections. Leaders we've worked with have told us they seek executives with a passion for innovation, the ability to question the status quo and the inclination to find ways to serve the customer while delivering profitable growth.

5 Communication skills

Excellent communication skills mean not only being able to articulate your vision in a different cultural setting and inspire others to execute that vision, but also the ability to win people's confidence and trust to develop insight through a wide range of different conversations.

Organization and leadership lessons learned from globalization

Chinese enterprises could benefit from the lessons learned by other organizations in the region that have pursued globalization. For example, for management at Japanese companies, aligning the organization and talent development initiatives to meet the challenges of globalization was one of the key factors for success. Japanese companies found their greatest success in the post-war era by learning and customizing the best practices of foreign companies. In the era of globalization, a willingness to be open to the successful habits of others may once again prove fruitful. Here are some suggestions from the organization and talent perspective.

Consider implementing a matrix organization. Many of the most successful globally integrated enterprises have a matrix organizational structure, allowing more flexibility and independence among corporate units to serve customer needs and rely less on corporate hierarchy.

Conduct a skill inventory. The talent needed to undertake new global initiatives may already exist in many organizations; it just needs to be located and cultivated. One technology company assigned global talent directors in each region to implement a rotation system, exposing high-potential individuals to different business units and geographies and giving them the skills and opportunities to become future global leaders. In this program, a global talent director identifies and defines the key positions in the region where the company can bring in talent and conducts position-matching at biannual sessions. Another technology industry leader uses sophisticated skill inventory systems enabled by technology. When building client teams, project leaders can use the skills database to identify professionals possessing the necessary expertise to achieve the mission of the project. The database is fully integrated with a communication tool, allowing colleagues in any country to chat over their computers, making it more efficient and productive than a standard messaging system.

Use a consistent approach to executive assessment and development. A rigorous and standardized global approach to developing and evaluating executive talent is an essential tool for staying competitive in a market where companies from around the world are pursuing top talent. Most integrated global enterprises establish common criteria for qualifications and expectations for leadership roles. Some of the best have a management acceleration program through which they identify individuals with the highest potential and give them opportunities to develop needed skills, such as working in different countries. One global IT giant assesses its executives within the context of tangible management standards such as sales and revenue size, number of countries and/or business units managed and complexity of the business. In our own assessment work globally, Spencer Stuart has found that a common methodology for assessing senior-level executive aptitudes can work effectively across cultures.

Attracting talent: Conveying the advantages of working for a Chinese enterprise

During the late '90s and throughout the '00s, multinational corporations (MNCs) became the employers of choice for Chinese management talent thanks to their higher compensation, training opportunities and performance-oriented cultures. In recent years, many have observed a reversal of that trend as more and more Chinese executives leave multinational companies to join Chinese enterprises. As these companies expand globally, they must compete on a larger stage for talent, making it all the more important to convey the unique advantages of working at a Chinese enterprise.

Opportunity for career advancement. One of the major motivations we've seen for executives making the leap from an MNC to a Chinese company is career advancement. While previously, working at the headquarters presented greater opportunities to influence the strategy and overall success of the company, many Chinese companies have evolved to an advanced stage in which they need senior-level talent with global perspective who want to make a significant impact.

The chance to define your role. Roles are not as narrowly defined at Chinese companies as they might be at MNCs. "At Chinese enterprises, there is an opportunity to move beyond a particular functional area, such as HR," said one leader. "I am now a vice president responsible for a number of areas, including HR. This would not be possible at a multinational company in China."

Empowerment to innovate. A general lack of "status quo" in the Chinese market also empowers talent to innovate and test new ideas. In these organizations, decisions tend to be made more quickly than at MNCs, allowing executives to move at the same speed as the markets.

Competitive compensation. Many Chinese enterprises also offer lucrative compensation packages, including a significant number of pre-IPO stocks, which is another reason that motivates multinational trained executives to jump ship.

Company value and culture in the process of internationalization

A critical challenge for fast-growing companies for any region is balancing the need to adapt and evolve the organization to support growth and accommodate the demands of new markets and changing economic conditions, whilst preserving the value and culture that have been instrumental to its initial success and have become the genetic make-up for the brand's corporate personality.

As companies expand overseas, it can be more difficult to inspire and engage a larger and more dispersed group of employees and ensure they feel connected to the mission and objectives of the company. Furthermore, companies must find ways to institutionalize the values — a commitment to ongoing innovation, for example — and preserve the important elements of the culture on which the company was built.

Creating the business models of the future

Many Chinese companies are creating new business models that reflect the values of the East, with its emphasis on people and relationships, and position companies to grow and adapt to market changes. This is a hybrid model that combines best business practices from around the world and the entrepreneurial spirit and values that have propelled their businesses to this point. As Chinese enterprises expand internationally, they will need to ensure they have leaders with a global mindset who can help them realize their vision. The opportunity to innovate and make a tangible impact on the organization will likely attract top leaders to Chinese companies — and perhaps inspire organizations around the world to develop new talent strategies to compete.

Conclusion

Plenty of commentators, local and abroad, have claimed that the battle for success for Chinese enterprise is the battle for talent; that is especially the case when more and more Chinese businesses expand, acquire, establish and operate on the global stage and make inroads into not only the Chinese, Asian and African markets, but also Europe, North America and South America, within a diverse range of sectors and industries. In this paper, we have humbly reflected on the experiences and insight we have had working with clients on leadership and talent development, and shared our observations of the dynamic and fast-changing talent landscape in and around China. This is not to claim any discussion here is the only key for success, but we hope to contribute and further stimulate the debate and contribute to the talent development and business success of this strategic market in which we operate with clients we are privileged to serve.

About the author

Hypatia Kingsley is based in Spencer Stuart's Shanghai office, leads the firm's Greater China business, and serves as a member of the Asset Management Practice globally. With more than 16 years of search experience, Hypatia specializes in a range of financial services assignments, including asset management, insurance, wholesale banking and consumer financial services in Greater China as well as the Asia Pacific region.

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