

Changing Business Landscape in China Presents New Challenges for CEOs and HR Professionals



With the continued buoyancy of the Hong Kong and China markets, hiring and keeping talent have become “hot” topics as the gap between the expectations of employees and those of their employers on salary and career development has continued to widen. As a result, HR practitioners have become much more involved in translating business strategy into people strategy, designing organizations and identifying core competency needs. CEOs likewise have become more deeply involved in talent management initiatives. In fact, my colleagues at Korn/Ferry International and I foresee the Head of HR role becoming as important as the CFO role, even leading to CEO succession. Ms. Katherine Tsang, CEO China of Standard Chartered, is an example of someone who parlayed her

contribution to the company's talent strategies into being the one driving its vision from the top. We will not be surprised to see similar developments in the future.

Increasingly, operational and tactical personnel matters like maintaining employee records or processing payroll are slowly becoming fully automated or even outsourced so that the HR Manager or “Chief People Person” can design and build a competent and cost-effective organization that aligns with its overall business objectives. Doing so in such a relatively difficult market naturally requires new ways of thinking and creative solutions, allowing HR departments across the Greater China Region to become more sophisticated in their approach. What follows is a summary of some of the more interesting initiatives we have observed in recent times.

Innovative HR measures and Compensation Programs Help Retain Top Talent While Delivering Shareholder Value

Some of the new and innovative programs reflecting this evolution involve:

- **Longer Term / Non-Financial Performance Measures:** Traditionally, annual bonus plans contained revenue and earnings performance measures to ensure that bonuses were tied to profitability. But in today's environment, “Key Performance Indicators” (“KPIs”) have replaced simple measures of an executive's success, since many strategic goals -- e.g., establishing a new office or market presence, launching a new brand or product -- typically take more than one fiscal year to achieve. Annual bonus plans at a growing number of local companies include achieving certain business objectives and hitting customer satisfaction performance measures that encourage employees to deliver against non-financial or longer term business objectives.
- **Multi-tasking:** Another trend we see on the rise is for regional governments investing in infrastructure across Asia and the Middle East to ask well-run public sector organizations in Hong Kong and Singapore (like the Mass Transit Authority, Ocean Park, the Hong Kong Jockey Club, the Airport Authority, the English School Foundation, and even the Urban Renewal Authority) to help them replicate their success by acting as joint venture partners, management know-how transfer agents, consultants or even co-investors. Consequently, employees in these organizations are challenged not only to operate their daily businesses but to multi-task, be prepared to relocate, deal with people from different cultures and wear the multiple hats of an

international consultant, a franchise operator or a strategic investor at various times in his/her career. Demanding such multi-tasking has become a fashionable way of developing high-potential employees as well as expanding corporations.

- **Shareholder Value Alignment:** Long-term incentive plans everywhere typically are designed to ensure that senior executives focus on driving share appreciation while out-performing the competition in a broader sense. To do this, they reward executives with stock options. Increasingly, stock options have become a way to attract senior management to high-growth and pre-IPO companies in Asia -- especially in markets like Hong Kong, China and India -- to save on the cash component of compensation packages while aligning shareholder interest with Management's. The question remains as to whether stock option awards should be granted more broadly to mid-level professional staff. However, as global financial markets become more volatile, executives will take a harder look at a business' long-term growth prospects and current valuations before blindly accepting packages with high equity content.

- **Attracting and Keeping High Performers:**

Increasingly we see "Employer Branding" as key to attracting top talent. The best employer brands position the company as offering a real career path rather than just "another interesting job that pays better." The most discerning executives would prefer to join or stay with a company with a clear employer brand proposition and well-structured people development program any day over one without. In particular, accelerated executive fast-track programs are extremely attractive to high-potential, upwardly mobile professionals.



Another consideration is lifestyle. Nowadays, many young and highly talented executives would rather give up a well-paid job requiring them to work incessantly -- into the wee hours of the morning and on weekends and public holidays -- if given the option to join a more "humanely" run organization that emphasizes work-life balance. Finally, one should not underestimate the value of a well-articulated and "tried and true" diversity policy with promotions based on merit and cutting across gender, race or other cultural boundaries.

- **Partnering with a Talent Management Solutions Provider:** All of the above points to the need for the old school personnel manager to become a strategic HR manager who knows how to work with top management and service providers to rise to the occasion and come up with innovative ways to identify, develop and nurture talent, not just for today but for the future. Our firm is among the first to recognize that recruiting is only the tip of the HR iceberg and has expanded its offerings to include people assessment, benchmarking, development and other creative consultancy solutions in China and across the Asia Pacific region.



About the Author

Mr. Andrew Tsui is Chairman, Southern China and a senior client partner in Korn/Ferry International's Hong Kong office, from where he serves clients operating in the Pearl River Delta region. In addition, he heads the academic, education and not-for-profit specialist teams and is also active in the local corporate, financial and government sectors in Hong Kong.

About Korn/Ferry International in Greater China

Korn/Ferry International is well positioned to deliver the most effective leadership and executive talent for your China operations. Our team of more than 25 talent management consultants in the Greater China Region, including Hong Kong, is comprised of mainland Chinese, returnees and international expatriates. Our advisors deliver strategic guidance leveraging the Firm's global network of consultants as well as their personal insights into the China market and understanding of their individual sector and functional specialties. No other firm knows China like we do. Our reputation here is recognized by the deep, long-standing relationships we have with our clients, and also by the HR industry at large. In 2005 and 2006, Korn/Ferry was ranked among the "Top 10 Chinese HR Organizations" by China HR Net.