

# THE HUMAN FACTOR

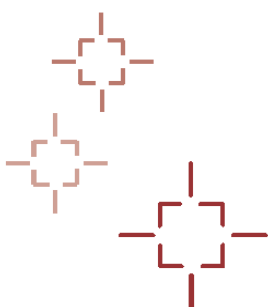
## EVOLUTION OF HR IS NEEDED TO WIN IN CHINA

### Key Takeaways

- Businesses are shifting their focus from the U.S. to Asia and HR is playing a very critical role in business migration.
- HR leaders across China need to evolve from administrative-oriented roles to one of business partnering.
- The need for expats to drive growth in China is steadily evaporating as local Chinese business leaders develop their own skills.
- The challenge for HR is to develop and equip high-potential local talent with the right set of skills and capabilities they need to reach senior roles.

**A**long with the maturity and increasing sophistication of business in China has come growing recognition of the strategic role of the human resources function. Among top-flight companies, HR has progressed from focusing on administrative tasks to playing a central role in critical areas, including how and where firms will grow or shrink, marketing the firm to needed talent, training future executives and more. As a result, chief HR officers in China increasingly find their expertise needed.

For instance, the HR director of a laboratory equipment supplier in China noted their department was at the center of the company's decision-making during the global financial crisis. The company cut its global headcount overall but grew its headcount and business in China and India by 20 percent.



“On one end there was cost cutting and contingency planning but at the same time, we continued to make investments,” the executive said at a roundtable of corporate HR leaders in Shanghai organized by Korn/Ferry International’s Asia Pacific HR Center of Expertise. “The business is slightly shifting its focus from the U.S. to Asia, and I clearly see that HR is playing a very critical role in helping this business migration to Asia.” During the hour-long discussion, other HR executives described how their function is now at the hub of how - and how well - businesses can grow in this most dynamic market.

### **Facing Talent Scarcity**

The world’s most populous country, China has no shortage of people; however, talented staff is another matter. Demand for employees with the right mix of skills, education and experience outstrips supply in several sectors, and it falls to HR to attract, train and retain the best employees so their company can compete in this booming market.

The reputation of the firm is key, and companies go to great lengths to establish themselves as employers of choice. There is no magic formula for achieving this status, however. Branding certainly plays an important role; a company with an identifiable personality and culture resonates with prospective hires. But this must reflect more than marketing. Whether the desired image is of a company that cares for its employees, or one where employees enjoy rapid advancement, there has to be real, employee-pleasing programs and initiatives backing that up. Word-of-mouth will trump marketing every time.

Competition is particularly fierce in industries where specialized knowledge is crucial, such as pharmaceuticals. Workers hold the advantage here; if they are not happy, or are not promoted for a few years, they may simply move on to a new company. Yet this can lead to hazardous over-promotion - companies promoting staff in order to retain them, rather than because it is warranted by growth in their skills or experience.

For Sally Shi, HR Director of China Vaccines for GlaxoSmithKline, one of the challenges is how to pace employees’ expectations and meet the needs of the company: “The industry pool is relatively small, so it’s difficult as you need a lot of talent from the market. For example, we did more than 80 percent of our promotions internally. The challenge for our HR is how to speed up and develop those leaders.”

A limited talent pool plagues underdeveloped industries as well. The consumer industry - particularly at the premium or luxury level - is still fairly new in China. Angel Yu, Starbucks' vice president for HR in China, noted: "It's quite difficult to find local talent with specialized retail expertise, especially for senior-level retail management positions. So it is quite common for companies to look for such talent outside China, for example Hong Kong, Singapore or Taiwan, where the retail industry is more sophisticated than mainland China."

### Tactics from the Trenches

HR executives reported using several methods to overcome recruiting obstacles in China.

- **Campus Recruitment:** Hiring graduates straight out of university and putting a bit more effort into on-the-job training can prove highly successful for some industries. Also, while it is always tempting to recruit from the top-tier schools, some companies find a rich vein of talent at lesser-known schools, where their top-tier grads are more hungry, focused, creative and team-oriented. Supporting student-oriented NGOs in China such as Students in Free Enterprise (SIFE) and Junior Achievement also gives companies a positive presence on campus. As Norwell Colquillard of SIFE shared, "Many of our corporate sponsors get involved as part of their company's corporate social responsibility initiative but end up hiring many of our students as interns or full-time staff. Many then go on to high-potential management training programs."
- **Out of the Box:** Sometimes it is the soft skills that count - so it's safe to look further afield from your industry. This has proven to be true for Marlene Ye, HR vice president at pharmaceuticals company Boehringer Ingelheim: "We've had some top sales staff who did not possess any prior sales experience, but had core competencies like resilience, persistence, and empathy who proved to be extremely effective at their jobs."
- **Referrals:** Getting employees to refer prospective new hires - even using monetary incentives - can be very effective. They often come up with people well suited to work at the company. Jeremy Yao, HR Vice President, Greater China from QHSE certification, inspection & testing group Bureau Veritas, noted: "Last year, we recruited 1,300 people, of whom nearly 300 were referred by our own employees. For the referred candidates, the success rate is always high."
- **Culture:** When different companies within the same industry offer fairly similar opportunities in terms of roles, responsibilities and remuneration, one area in which a company can set itself apart is corporate culture. A strong and clearly articulated culture with which employees can identify can be quite effective in attracting staff. One approach to communicating corporate culture while at the same time making new employees feel immediately at home in their new company is through a buddy or mentor program.

### **Climbing Ladders, Skipping Rungs**

Expats played a central role in driving the growth of companies in China for decades, bringing management experience and expertise to bear - but that need is steadily evaporating as local Chinese business leaders develop their own skills.

According to Scott Slipy, head of global compensation and benefits with Cisco and formerly based in Shanghai as senior director of HR in Asia Pacific, the need for experienced expats will continue for some time, but as a proportion of China's total management pool, their decline is imminent: "We will continue to see a need for people that have experience from bigger markets to pop in, but in percentage terms it should go down as business develops and as you grow your own talent, with the local talent taking on increasingly senior roles."

The boom in China-based regional headquarters is helping. For many years, Hong Kong and Singapore were the top choice, but in the past few years, more companies have chosen Shanghai as their main Asia Pacific hub. In addition to affirming the strategic importance of the China market, this trend has also created excellent opportunities for Chinese executives to take on regional responsibilities.

Not only does this boost Chinese executives' experience quickly, it also increases the confidence that staff from other countries have in their Chinese colleagues. With this, the voice of China within global organizations is gradually becoming louder. "They have more exposure, they're involved more in the business and decision-making," said Angel Yu of Starbucks. "It's not like before in China, when we would just focus on implementation."

Given China's annual double-digit growth and many companies' equally blistering expansion, rapid advancement and salary increases also have become the norm in China. Unfortunately, this fosters some unrealistic expectations among employees. Christina Antoniou, human resources leader for Deloitte China, a professional services firm, commented: "The China market demands accelerated promotional opportunities. But the parallel challenge is the acquisition of skills and capabilities at the same pace, something that many employers in this market struggle with. One of the key challenges is equipping people with the skills they need so that when they reach senior roles they possess the right set of skills and capabilities to be successful."

## Pinpointing Potential

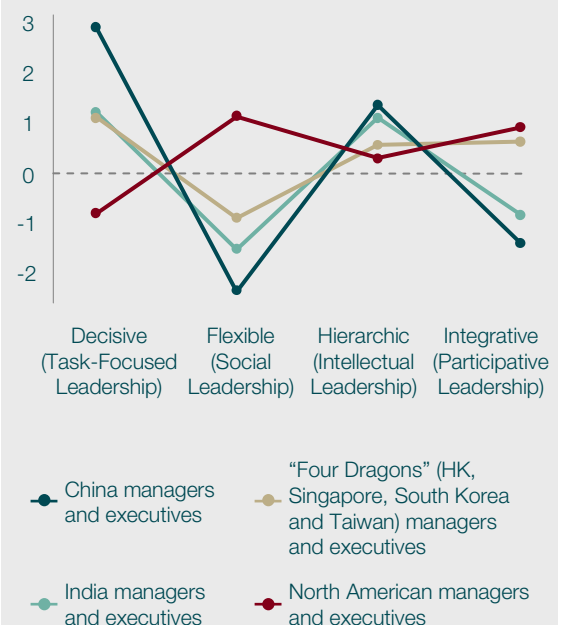
Identifying the true high-potential personnel who can handle top roles is an important part of any HR function. But in China, it is not always straightforward. Performance evaluations and assessments to measure potential are useful. But getting a picture of an individual's ambition - a crucial determinant of success - can prove tricky, says Scott Slipy of Cisco. "I find it really difficult to assess ambitions because people are sometimes a little bit reserved around really talking openly about personal ambitions, and they can be very sensitive about maybe disappointing their boss."

Likewise, most Western multinationals' concept of leadership is still based on what great leadership looks like in the U.S. or Europe. To succeed in that company, Chinese executives might have to make adjustments - to become a bit more vocal, a bit more confident and to make a bit more eye contact. While these differences can appear trivial, in practice they can greatly affect his or her chances of gaining the support and confidence of his or her colleagues and staff in the West.

Even high-potential Chinese employees - as well as those from other East Asian nations - can sometimes be hampered by a hesitance to take the lead without some form of guidance. Such attitudes reflect cultural norms in China, where people are often discouraged from standing out or upsetting the balance within an organization.

Slipy has seen this dynamic play out. "We say here's the problem, you guys figure out your own structure, you decide who your leader is, you decide your group process, and we leave it like that. People from East Asia are clearly disadvantaged, because they immediately start to focus on... building relationships, not sticking themselves too much in front," he said. "And people from other cultures immediately go in the other direction and think about their own achievement."

### Regional Leadership Styles



Source: Averaged scores from Korn/Ferry International database of executive assessments.

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Chinese executives may not thrive in such unstructured situations, even though their approach to leadership could serve them very well in situations where roles are more clearly defined. Nonetheless, when it comes to succeeding in business at the global level, the ability to take initiative is often a prerequisite for leadership roles. Hesitance is a marked disadvantage, one that is often exposed when a Chinese business leader is sent to work in Europe or North America.

Indeed, a willingness to move is also often an important requirement for advancing into the higher levels of corporate management, particularly within multinational companies. There is often only so far that an executive can go without gaining experience in one or more markets outside of his home country. However HR executives report that Chinese executives sometimes resist moving even within China, with employees from Shanghai sometimes unwilling to move to Beijing, or vice versa.

Such attitudes are malleable, however, according to Wilson Zhang, Managing Principal at Korn/Ferry International in Beijing. It depends a lot on what the opportunity is and how is it presented: "If you ask people 'do you have mobility?' they might say no. Ask: 'Do you have mobility if the job is challenging?' They will answer, 'I can consider.' And if you ask, 'Do you have mobility if the job is challenging and you get a promotion and it will prepare you for becoming a general manager?' the reply will be 'I can go tomorrow.'"

## **Conclusion**

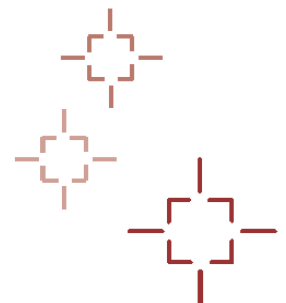
HR is at the center of whether companies will thrive in China – whether they will find and keep the business leaders they need to win there. It is imperative that HR leaders across China evolve from administrative-oriented roles to one of business-partnering and strategic thinking. They must establish their company as an "employer of choice," tap the veins of local talent, develop talent from outside fields, and identify the high-potential leaders who will rise through the executive ranks. HR's success will not only guarantee a continuous pool of business leaders in China, but the development of truly global executives that can be deployed in the region and around the world.

### **About Korn/Ferry International Asia Pacific**

Korn/Ferry International, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa, is a premier global provider of talent management solutions celebrating 40 years in business. Korn/Ferry was the first major global executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973 and today has 18 offices in key business centers throughout the region. Based in Los Angeles, the Firm delivers an array of solutions that help clients to attract, develop, retain and sustain their talent. Visit [www.kornferryasia.com](http://www.kornferryasia.com) for more information on the Korn/Ferry International family of companies and [www.kornferryinstitute.com](http://www.kornferryinstitute.com) for thought leadership, intellectual property and research.

### **About Korn/Ferry International Asia Pacific's HR Center of Expertise**

Korn/Ferry International's Human Resources Center of Expertise (COE) is the world leader in conducting senior-level Human Resources searches across industries. Korn/Ferry's team of dedicated HR COE practitioners possess hands-on experience in and keep abreast of the latest trends and challenges in the Asia Pacific HR landscape. Through numerous HR engagements, regional proactive candidate pool development initiatives, and HR roundtables and panels, Korn/Ferry has developed industry-leading access to the top HR practitioners and in-depth knowledge of their accomplishments, competencies, areas of development and career aspirations.





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