



Lessons in Leadership

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

All across China, there is a shortage of leadership talent. Management-level human resources constraints have consistently ranked as the top challenge facing foreign multinational companies in China. For many years now, the demand for talent to staff rapidly expanding businesses has outstripped the supply.

To complicate matters, successful Chinese corporations are starting to compete with multinational companies (MNCs) for top business leaders. The intense competition for talent translates to high turnover rates, as employees follow higher compensation and explore the broader range of growth opportunities being presented to them. “The competitive landscape here is on a scale much more dramatic than you might find in some other regions,” says Tierney Remick, global managing director of the consumer markets practice for talent management consultancy Korn/Ferry.

To address this persistent issue, many companies have adopted creative approaches, including searching across other industries. “You measure people based on their core competencies. If somebody has the right competencies, experience and a track record of building successful businesses, they can learn a different business,” says Marie Han Silloway, leader of Korn/Ferry’s Asia Pacific consumer markets practice. “They are business strategists and the leaders, and all those skills are highly transferable.”

As the quality of the talent pool will not improve dramatically overnight, it is imperative that businesses looking to develop or expand in China staff management positions carefully while also cultivating local talent for future leadership roles. Korn/Ferry’s Ms. Remick and Ms. Silloway share their thoughts on finding effective leaders in China and the importance of China experience.

The evolving leadership landscape in China

Tierney Remick: There are tremendous changes going on not only in Greater China but in India and other emerging markets which are creating demands on the talent pool and impacting the supply and the ability to really get that talent developed quickly enough, given the scale and complexity of the businesses that they will be asked to manage.

Historically, the Asia-Pacific region was led by someone from the home country. Within the last decade, it’s become obvious that having local knowledge, local heritage and the ability to create a local feel is a key derivative of success. Also, just five years ago, people viewed Chinese companies as important, but not necessarily as competitors for talent. Today, they’re incredible competitors and you have new companies coming into the marketplace every day.

Marie Silloway: Specifically in China, hiring managers have to be more creative about the types of people that they’re willing to look at, simply because there are not enough people to fill top positions. As FDI continues to increase, retailers and consumer clients have aggressive plans to expand, but then the question becomes how do you staff new projects?

You need to be very thoughtful about top management. You’ve got to have the management team populated with the right combination of people from the home office who understand the DNA of the company, build the competencies that are necessary and then complement that with the right local know-how. When you get down to the lower levels, it becomes a matter of talent pipeline development, making sure you’re training the right people up, and making sure that you’re hiring the right people into leadership positions.

Opportunities for China returnees

TR: It's a huge market opportunity. We are actively seeking Chinese in other parts of the world who are willing to come back or second- and third-generation Chinese that may have never lived here, but have roots from a familial perspective and are willing to exploit that while they also develop their professional careers.

MS: One key challenge for us in terms of the top-level positions is that the preference is always going to be for somebody who already has China experience. The ideal is always the PRC Chinese whether it's a Returnee or whether it's somebody who grew up in China and has developed through the MNC ranks. That's a Catch-22 though, because the reality is that there just aren't enough of those people to go around. We frequently now see China country head-level positions populated with talent who are Asian expatriates or Returnees, and then the next level down is being filled by the PRC national talent as those folks start to grow up and move up the ranks in the MNCs.

Working in China is very desirable right now because it is such a hot market for most corporations. You get visibility if you join a company and make the venture successful.

Localization of expatriate compensation and benefits

MS: What we are starting to see now are companies moving towards being flexible based on the individual. It may not be the standard expatriate package as in years past, but it might be a hybrid package whereby there are some expatriate benefits being provided for families that have certain requirements.

Much of the localization also tends to be driven by the fact that companies want to start building local talent through the ranks. That's really the main goal – to build up the talent pipeline in China and that's going to take some time.

TR: All while making sure the Chinese talent understands the real value of their contribution and that the organization is not always going to look outside to find talent. In part, [localization] is a retention tool used to create a sense of culture within organizations amongst local talent to let them know they are really valued. The organizations want to invest in developing local talent because they see them as the future leaders in this part of the world.

Expanding from first-tier to second-tier cities

TR: Many people come and say, "China, one size fits all," when in fact, it's absolutely not true. That's the biggest misconception people have when they come. The number one assumption that sets retailers up for failure is that they can approach the entire country as "everybody will be the same as in Hong Kong," which is untrue even in Shanghai. They are coming in with the wrong perceptions to begin with. Other challenges include being able to staff to maintain appropriate levels of service, working out how the consumers shop in those cities, and then adapting the format, product, or the shopping experience appropriately to meet consumer needs. It's all about paced growth. Companies growing too quickly usually don't do it right.



The importance of China experience

TR: Someone who is running China for an organization is not running a country. They are running a very complex business that is, in many respects, multi-regional within the context of one geographic boundary. You have to lead a very large region that operates like a highly evolutionary region and that experience in and of itself is very desirable, wherever you are in the world.

In addition, this market requires a tremendous amount of adaptation at a very fast pace. The facility of the leadership has to be much more nimble because the decisions made today will probably be different 12-18 months from now. It is why organizations are demanding their best talent now come to this part of the world to get that leadership challenge and training, because they also need to be prepared for the influence that Chinese companies are going to have in their home markets.

MS: The market is so dynamic that a successful executive quickly learns agility. This is a unique and desirable skill in a market where your response time needs to be faster. For example, new products and new technologies get applied very quickly and the ability to marshal your company's resources and effectively drive this innovation process nimbly from conceptualization to market commercialization – is very desirable. This mindset and skill set is something that also has strong relevance to more developed markets.

Tierney Remick is the Managing Director of Korn/Ferry International's Global Consumer Market, based in Chicago.

Marie Han Silloway is the Regional Market Leader, Asia Pacific for Korn/Ferry International's Consumer Market, based in Shanghai.