



CHINA



LEADERSHIP DEVELOPMENT WILL SPUR CHINA'S GLOBAL MARKET EXPANSION

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BUSINESS IN CHINA TODAY

China's enterprises are emerging from adolescence and entering young adulthood. Having come into existence in the 1980s when China implemented economic reforms to spur modernization, these enterprises are flexing their muscles and seeking to gain their rightful place in the global economy.

Few business leaders in either the West or Asia would deny that China is already a world market force. In the past 20 years, more than 400 companies in the FORTUNE 500 have invested there. And, it is not just foreign investment that is fueling growth. A recent survey of Asian CEOs conducted

by Korn/Ferry found that 72 percent of CEOs in China plan "aggressive" investment during the next two years.

Our experience providing talent management services in the region indicates that growth is not limited to the well-developed business centers of Beijing and Shanghai. The western territories of Chongqing and Xinjiang are also growing rapidly. The Chinese government currently plans to invest US \$10 billion in Xinjiang alone across ten major sectors, including agriculture, coal, electricity, oil, transportation and water.

As China's enterprises enter fully into the global marketplace, forming worldwide alliances and competing domestically with multi-national corporations (MNCs), they will encounter diverse business cultures and dynamics. The job of navigating this new and ever-changing landscape rests with leaders who understand the nuances of global business and can adapt their approach to ensure successful partnerships. An initial study of the leadership styles of today's Chinese executives indicates that implementing more formal leadership development processes may help organizations achieve their goals more effectively.

The Chinese people's innate industriousness and drive to excel will certainly propel the nation towards its goals. But the challenges of global business will also have to be met through inspired executive leaders who can navigate the multi-cultural marketplace and adjust business practices as needed to remain competitive.

WHO ARE CHINA'S BUSINESS LEADERS?

Because of the pivotal role business leaders will play as China becomes a world economic force, Korn/Ferry sought to understand the current state of China's business management ranks. In 2004, the Firm entered into a multi-year agreement with the Guanghua School of Management at Peking University (PKU) to conduct a series of joint research projects aimed at tracking and influencing the development of leadership practices in China. The initial study, supported and guided by Professor Zhang Weiying, executive dean of the Management School, and Professor Zhang Zhixue, head of the Organizational Management department, involved assessing the leadership styles of 100 students in the PKU Executive MBA (EMBA) Executive Development Program.

Korn/Ferry applied our proprietary Strategic Management Assessment process, a series of situation-based and self-rated questions that attempt to uncover how an individual makes decisions and acts on them in a business context. This assessment tool shows an individual's inclination to utilize each of four basic leadership styles, defined as the approach used by an executive when he or she is interacting in groups, influencing others, motivating people and presenting information (see Figure 1). These four styles are:

Task Leadership— A style that emphasizes rules, processes and procedures, is task focused and provides clarity around goals and objectives.

Social Leadership— A style that centers on engaging others, initiating relationships, cooperating readily and providing positive reinforcement.

Intellectual Leadership— A style that emphasizes high standards, demanding goals, strong opinions supported by logic and data, and a take-charge attitude.

Participative Leadership— A style that focuses on ensuring participation, listening openly, seeking consensus, building teams and exploring new ideas.

The EMBA participants are a prestigious group. Sixty-five percent are at the CEO level, with an average age of 37 and average work experience of 16 years. Seventy percent are men, 30 percent women, and 89 percent hold at least a bachelor's degree. In terms of their current employment status, 39 percent are in private Chinese-owned firms, 31 percent in state-owned enterprises and the remainder at multinational and joint venture companies spanning a wide range of industries, including technology.

	TOO HIGH	TOO LOW
Task	<ul style="list-style-type: none"> ■ Closes discussions too quickly or does not respond well to different views ■ Could seem too brief or blunt ■ May be seen as inflexible ■ May be seen as impatient ■ May not be politically savvy 	<ul style="list-style-type: none"> ■ Too slow to reach conclusions ■ Might let deadlines slip ■ Not straightforward enough or sufficiently to the point ■ May not follow up with others ■ May not get things done
Social	<ul style="list-style-type: none"> ■ Could seem too concerned about being agreeable and helpful ■ Too vacillating and quick to shift positions and points of view ■ Might resist structure ■ May not hold people accountable ■ Might overuse humor 	<ul style="list-style-type: none"> ■ Insufficiently agreeable or helpful ■ Could seem insufficiently open or responsive ■ Might seem less accessible than necessary ■ Might not focus enough on relationship building
Intellectual	<ul style="list-style-type: none"> ■ Gets into too much detail ■ Could seem too controlling or dominant ■ Too concerned with logic or analysis ■ Might create excessively formal relationships ■ Could come across as too serious ■ Could seem too opinionated 	<ul style="list-style-type: none"> ■ Avoids getting into detail ■ Might not seem concerned enough with logic and details ■ Could seem to lack commitment or focus ■ Might not stay on top of things ■ Might be perceived as lacking conviction
Participative	<ul style="list-style-type: none"> ■ Too slow to reach conclusions ■ Tries to deal with too many issues at once ■ Too focused on consensus decision-making ■ Ambiguous in communication ■ May seem disorganized to others ■ May seem too passive or too loose 	<ul style="list-style-type: none"> ■ Not sufficiently open to alternative ideas ■ Might not show enough concern with participation and consensus ■ May not focus enough on team building ■ May not listen openly enough

In an effort to gauge how their leadership styles match those of business leaders worldwide, the PKU assessment findings were analyzed by Decision Dynamics, LLC, a firm that specializes in behavioral assessment systems, and compared to the "best-in-class" profiles of more than 100,000 executives contained within Korn/Ferry's global database. Additionally, findings were compared to the database profiles of some 6,000 executives in the "Four Dragon" countries: Hong Kong, Korea, Singapore and Taiwan.

Source:
Korn/Ferry International
and Peking University,
2005

LEADERSHIP DEVELOPMENT PATTERNS DIFFER

Chinese leaders in the study showed a markedly greater inclination to use task-oriented and intellectual styles than did their Western counterparts (see Figure 2). PKU participants and the Four Dragon executives were more similar to each other than to their Western counterparts, but the Four Dragon leaders tended to place more emphasis on a participative mode of leadership than did the PKU participants.

Perhaps more interestingly, the Chinese executives demonstrated a unique leadership development pattern currently not found anywhere else in the world. Our assessment work internationally has found that as managers move up through an organization, their leadership styles adapt to meet the requirements of new situations. At the entry level, managers generally demonstrate task and intellectual leadership styles and become more social and participative as they grow into more demanding leadership roles. Notwithstanding the small sample size, we were surprised to find little evidence of a similar development pattern among PKU survey participants. Task and intellectual leadership styles seemed to dominate among Chinese managers regardless of their rank and position.

We have found the tendency to shift styles as executives assume larger roles to be widespread, based on our analyses of executive assessment findings in North America, Latin America, Europe and other parts of Asia. The uniformity of this pattern suggests the emergence of a global management culture. This culture reflects the globe-spanning influence of large MNCs and the basic skills necessary to run a large complex organization with operations worldwide.

One of the significant drivers of this development pattern may be the growing need for information at higher levels of management. Strategic decisions require volumes of accurate information, much of which lies deep within an organization.

The more open, interactive and less formal leadership styles are most effective for surfacing that information because they foster an atmosphere in which knowledge sharing and cooperation across the organization are valued.

Why do Chinese leaders appear to be different? Part of the answer may be connected to the life cycle of Chinese enterprises. They are still young and many are led by entrepreneurs who have, by necessity, been very “hands on” in running their companies. But this level of day-to-day involvement is not sustainable as an organization grows, and these business leaders would be wise to begin grooming middle managers who can help them shoulder the burdens of expansion, particularly on a global basis. The need to develop these supporting casts also exists in start-up companies, many of which likely will grow substantially as the pace of China’s economic development quickens. MNCs, because they are more closely based on Western business models, tend to have better developed corps of middle managers.



PREPARING FOR THE FUTURE

There is no one-size-fits-all leadership development solution for China’s enterprises, nor for MNCs investing there. More research will help to create a clearer approach. What is evident, however, is that Chinese enterprises that want to succeed globally must address certain leadership development issues.

Different economic sectors may require different approaches. For example, in traditional smokestack industries or labor-intensive projects, a tendency toward a hierarchical or top-down leadership style may produce superior results. Knowledge industries, however, which rely more heavily on the creative efforts of individuals, may need leaders who are more

participative, social and can motivate employees while encouraging greater information sharing.

In a recent publication of the University of Pennsylvania's Wharton School, David Michael, vice president of the Boston Consulting Group, observed the talent challenges for MNCs with knowledge-based employees in China:

"In the past it's been simple to have a global manufacturing platform in China. You have 10,000 assembly-line workers helping you make products you sell all over the world. That's now a relatively straightforward thing to do. It's another thing to have 10,000 R&D engineers, software engineers and programmers integrated into your global operations. The next wave for companies will be to truly make a China-based capability and leverage it for the benefit of their global competitiveness, not just in manufacturing but in a variety of other aspects of the company."

The key for MNCs and Chinese companies that wish to reach this new level will be local managers who:

- are aware of the differences among business cultures around the world;
- can adapt as circumstances dictate; and
- can motivate workers.

It is worrisome, therefore, that while 60 percent of Chinese executives in Korn/Ferry's CEO survey identified "finding and retaining good talent" as

their greatest challenge, only 45 percent of these respondents considered "stimulating professional growth and development" as a way to attract and keep good people. Competitive compensation was believed to be of greatest value, despite other studies of talent motivation that have indicated knowledge workers are more interested in career development, autonomy and recognition from managers than in salary alone.

Organizations that decide to pursue formal leadership development for their promising Chinese employees can, as a first step, design a road map for executive development, which identifies the competencies necessary at different levels of responsibility. With this knowledge, mentoring or coaching programs, still relatively new in the region, can be developed. Additionally, formal training and development programs, such as those conducted by PKU for Motorola, Pfizer, Samsung, Ericsson and China Construction Bank, can be designed.

Regardless of the path Chinese enterprises take in identifying their leadership development needs and in seeking solutions, such self-evaluation is essential for those companies that wish to assume international leadership. Organizations that identify competencies and develop their managers accordingly are likely to experience a change in the definition of "high potential" and, consequently, a change in how promising individuals are selected, evaluated and developed.

A LONG-TERM APPROACH

Put simply, high performance in the early stages of one's career is an important but insufficient indicator of later high performance under entirely different demands. In the complex world of global business, the ability to continually adapt one's styles of leading and thinking could become more

critical in selecting and grooming leaders than any other particular behavioral competence. Chinese organizations that take a long-term approach towards leadership development stand the best chance of achieving and maintaining success in the global arena.

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ABOUT KORN/ FERRY INTERNATIONAL ASIA PACIFIC

Korn/Ferry International, with more than 70 offices in 40 countries, is a premier global provider of talent management solutions. Korn/Ferry was the first major U.S. executive search firm to operate in Asia Pacific when it opened its doors in Tokyo in 1973. Today it has 15 offices in key business centers throughout the region, including: Auckland, Bangkok, Beijing, Hong Kong, Jakarta, Kuala Lumpur, Melbourne, Mumbai, New Delhi, Seoul, Shanghai, Singapore, Sydney, Tokyo and Wellington.

Based in Los Angeles, the firm delivers an array of solutions that help clients to identify, deploy, develop, retain and reward their talent. For more information on the Korn/Ferry International family of companies, visit www.kornferry.com.