

MANAGING GLOBAL ENTERPRISES: The Critical Developmental Needs of Chinese Executives

By Jack Lim, Guangrong Dai, Kenneth P. De Meuse

Key Takeaways:

- Chinese business has been increasingly integrated into the global economy. Accompanying the globalization is the acute scarcity of Chinese leadership talent.
- In our study, Chinese managers were compared with a global sample to gain insights into their leadership development.
- We found that Chinese executives appeared to be less competent than their global counterparts, particularly at the executive level.
- Five critical development needs for Chinese executives were identified: (a) Business Acumen, (b) Strategic Agility, (c) Managing Vision and Purpose, (d) Comfort around Higher Management, and (e) Command Skills.

Chinese businesses have been integrating into the global economy at an extraordinary pace during the past decade. Several statistics demonstrate the extent of this global transformation. For example, China's total two-way trade in goods and services reached nearly \$1.3 trillion by the end of 2004, ranking it third in global trade. Further, China has been the world largest foreign direct investment (FDI) recipient among developing countries since early 1990s. The FDI flowing to China stood at merely \$80,000 in 1979; in 2008, the amount of FDI skyrocketed to \$92.4 billion. Moreover, as the competition has increased at home, indigenous Chinese companies with a desire to grow have begun aggressively "going global" and have invested heavily abroad. It has been estimated that China owned 12,000 official investment projects in more than 180 countries and regions by 2008, ranking it the world's sixth largest outbound investor (Zhang, 2009).



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This large scope of globalization in China has created unprecedented human resource challenges. A chief concern has been the acute scarcity of Chinese leadership talent (Grant & Desvaux, 2005). In a growing economy, preparing leadership to meet tomorrow's challenges is exceedingly difficult. It may take only a few years to build a skyscraper. However, building a strong talent pipeline can take a decade or more, especially at the middle to top leadership levels.

Many factors, such as education, language, communication style, and social demographics, have contributed to the current leadership skill gap. With less than two decades of globalization experience, Chinese managers have limited opportunities to develop the necessary leadership skills to run businesses in the global environment. Although the pool of local managers is expanding and locals are learning fast, the demand for multinational executives is expanding faster as companies around the world enter into the world's fastest growing major market. Two facts, in particular, illustrate the leadership skill shortage in China: (a) the glass ceiling barrier, and (b) the high failure rate of Chinese companies expanding overseas.

The Glass Ceiling Barrier. Many local Chinese managers have confronted so-called "glass-ceiling barriers" in multinational companies (Ye, 2004). The top executives in many multinational companies in China are expatriates from headquarter offices overseas. These companies have the desire to give locals the opportunity to hold executive positions. However, they frequently experience difficulty in finding suitable local talent. Consequently, multinational companies tend to select expatriates for general management positions. An exception occurs in certain functions, such as sales and marketing, due to the substantial local and cultural knowledge that is required to perform successfully in these roles.

The High Failure Rate of Chinese Companies Expanding Overseas. A growing number of Chinese companies are seeking to expand overseas to bolster their technology know-how, as well as to escape the intense domestic competition that gnaw at profit margins. Unfortunately, poor management and the lack of international experience hamper their ambitions to go global (Oster, 2006). Many Chinese companies have chosen to expand overseas through mergers and acquisitions. From 1986 to 2006 among the 213 cases of Chinese mergers abroad, 67% failed. According to one study

examining Chinese overseas investment companies, 30% made losses, 40% broke even, and only 30% made profits (cited in Yang & Teng, 2007).

Overall, the development of capable executive leaders represents one of the top business priorities for MNCs operating in China and Chinese enterprises going global. Recently, we conducted a global leadership competency norms study. We collected data on leadership from numerous companies located around the world. We then contrasted the Chinese managers with a global sample to gain insight into leadership development in China. In particular, we investigated the following four questions:

1. Do Chinese managers perceive characteristics of effective leadership the same way as the global management population?
2. What are the most important competencies for successful transition from middle to top management?
3. How are Chinese managers skilled on these competencies?
4. What are the critical developmental needs of Chinese executives?

We hope this research will help Chinese companies advance their knowledge of leadership and enable them to prioritize their future leadership developmental efforts.

Description of the Study

Our sample consisted of 5,124 managers in various organizational positions from around the globe who participated in the study. A multi-rater assessment was used to evaluate each of the managers on 67 leadership competencies. Self-ratings were excluded from our analysis (i.e., boss, peer, and direct report were averaged to compute an “all others’ mean rating for each competency). Two different rating scales were used. A *Skill Rating Scale* asked raters to assess how skilled a target manager was on a competency. Responses could range from “a towering strength” (5), “talented” (4), “skilled/ok” (3), “a weakness” (2), to “a serious issue” (1). The *Importance Rating Scale* asked raters to indicate how important a competency was for the target manager’s job. This scale could range from “mission critical” (5), “very important” (4), “nice to have” (3), “less important” (2), to “least important” (1).

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Among the total sample, (a) 39% of the participants were supervisors, (b) 36% were middle-level managers, and (c) 25% were executives. The Chinese sample comprised 92 supervisors, 72 middle managers, and 60 executives ($N = 224$). All the Chinese participants were from multinational companies.

Findings of the Study

Leadership Characteristics for Effective Leadership

Based on the *importance ratings*, we rank ordered the 67 competencies to identify their relative importance for effective leadership. Three separate sets of rank orders were obtained for the three different organizational position levels: (a) supervisor, (b) middle manager, and (c) executive. The comparison between the global rank orders and Chinese rank orders revealed a very high similarity. The correlation coefficients between the global and Chinese rank orders for supervisors, middle managers, and executives were 0.80, 0.82, and 0.85, respectively. Consequently, the results suggest Chinese raters perceive the important leadership characteristics for effective leadership in about the same way as people from other regions. This finding is consistent with other research (Zhou, 2006). Thus, it appears that people in China are increasingly adopting a globally prevalent view of management.

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We also compared the skill ratings on the 67 competencies between Chinese managers and the global sample. Correlation coefficients were 0.57 for supervisors, 0.69 for middle managers, and 0.66 for executives (all $ps < .01$). Although these correlations are statistically significant, they are noticeably smaller than the correlations on importance ratings. Hence, we can infer that although there tends to be a converged view regarding what is important for effective leadership, Chinese leaders demonstrated clear skill differences relative to the global sample. Therefore, the leadership shortage in China does not appear to result from their perception of skill necessity. More than likely, Chinese managers haven't had enough time and experiences to develop important skills.

The Top 20 Most Important Competencies for Executives

Since it has been suggested that the leadership skill gap is particularly critical at the top management level, we focused our research attention on executives. We identified the Top 20 most important competencies for executives and examined how the skill

ratings on these competencies change as one progresses up the corporate ladder. Table 1 presents the average skill ratings on the 20 competencies for each of the three management positions.

One observation is especially noteworthy. The skill ratings on most of these competencies improved from supervisor to middle manager for *both* the Chinese sample and the global sample. In fact, the data indicate that Chinese middle managers are as skilled as the middle managers from other regions. The improvement continues from middle to top management for the global sample. To the contrary,

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TABLE 1.

The Top 20 Important Competencies for Executives

Competency	Chinese Skill			Global Skill		
	Supv	Mgr	Exec	Supv	Mgr	Exec
Ethics and Values	3.86	4.02	3.94	3.97	4.01	4.09
Integrity and Trust	3.92	4.01	3.92	3.96	4.01	4.05
Customer Focus	3.74	3.78	3.81	3.86	3.82	3.83
Drive for Results	3.67	3.83	3.79	3.77	3.81	3.90
Intellectual Horsepower	3.73	3.92	3.76	3.93	3.96	4.06
Problem Solving	3.58	3.80	3.71	3.71	3.71	3.76
Priority Setting	3.62	3.72	3.66	3.53	3.60	3.63
Timely Decision Making	3.57	3.77	3.60	3.55	3.59	3.64
Directing Others	3.39	3.57	3.60	3.42	3.48	3.50
Building Effective Teams	3.43	3.61	3.59	3.48	3.50	3.50
Functional/Technical Skills	3.54	3.83	3.58	3.92	3.91	3.95
Comfort Around Higher Management	3.58	3.74	3.57	3.63	3.82	3.92
Decision Quality	3.45	3.61	3.55	3.59	3.67	3.73
Managerial Courage	3.42	3.61	3.54	3.50	3.62	3.67
Business Acumen	3.47	3.63	3.53	3.65	3.76	3.84
Command Skills	3.37	3.57	3.48	3.47	3.60	3.68
Motivating Others	3.37	3.50	3.46	3.41	3.43	3.46
Managing Vision and Purpose	3.36	3.47	3.37	3.35	3.40	3.50
Strategic Agility	3.20	3.46	3.32	3.41	3.51	3.62
Hiring and Staffing	3.22	3.55	3.30	3.53	3.50	3.51
Average	3.52	3.70	3.61	3.63	3.68	3.74

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the skill level on majority of the 20 competencies actually decreased from middle to top management for the Chinese sample. The Chinese executives appeared to be noticeably less competent than executives from the global sample. It also should be noted that the skill ratings for *executives* are lower than the skill ratings for *managers* in China. On the other hand, we should not conclude that Chinese executives are less skilled than managers. When raters do the rating, they may refer to different performance standards for executives and managers. Never the less, it is clear that the leadership skill gap is widened from middle to top management in China.

Critical Competencies Needed for Transitioning from Middle to Top Management

We further narrowed down our attention to the five competencies that appear to most differentiate executives from middle managers. This subset of competencies was among the Top 20 for executives in general and substantially increased in importance from middle to top management. Coincidentally, all five of these competencies also have been found to be related to executive job performance in previous research (Lombardo & Eichinger, 2003). Table 2 presents the importance rating rank orders of these five leadership competencies.

TABLE 2.

The Importance Rank Orders of the Five Most Critical Competencies

Competency	Importance Rating Rank Order		
	Supervisor	Manager	Executive
Strategic Agility	34	14	6
Business Acumen	28	12	7
Managing Vision and Purpose	46	31	16
Command Skills	36	29	19
Comfort Around Higher Management	43	28	20

As can be seen from the Table 2, the five competencies become more and more important as people move up the corporate ladder. The development of these leadership skills appears absolutely crucial for the successful transition from low-level management to high-level management.

Table 3 presents the skill ratings of the five competencies for each position. Contrasting the Chinese sample with the global sample, we can see that the skill levels of the five competencies improved from supervisor to middle manager to executive for the global sample. In contrast, improvement occurred only from the supervisor to middle manager position for the Chinese sample. The skill level actually decreased from the middle manager to executive position. In sum, these findings suggest that Chinese managers did not develop their skills on the key competencies critical for transitioning from middle management to top management.

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TABLE 3.

Skill Ratings on the Five Critical Competencies

Competency	Chinese Skill			Global Skill		
	Supv	Mgr	Exec	Supv	Mgr	Exec
Strategic Agility	3.20	3.46	3.32	3.41	3.51	3.62
Business Acumen	3.47	3.63	3.53	3.65	3.76	3.84
Managing Vision and Purpose	3.36	3.47	3.37	3.35	3.40	3.50
Command Skills	3.37	3.57	3.48	3.47	3.60	3.68
Comfort Around Higher Management	3.58	3.74	3.57	3.63	3.82	3.92
<i>Average</i>	<i>3.40</i>	<i>3.58</i>	<i>3.46</i>	<i>3.50</i>	<i>3.62</i>	<i>3.71</i>

Discussion and Implications

In this study, we found a widening leadership skill gap in China. The data reveal that people from around the world, including China, have about the same perceptions regarding what are important characteristics for effective leadership. However, compared to executives from other regions, Chinese executives appear *less* skilled on the leadership competencies most frequently mentioned as important for success. We further identified five competencies that are most critical for the successful transition from middle management to top executive positions. Again, Chinese executives were *less* skilled on these competencies. The comparison between Chinese managers and the global sample pointed out the leadership weakness of the executives in China.

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Chinese executives should recognize that the transition from middle management to top management requires a corresponding change in their roles.

Our findings strongly suggest that firstly, it is more critical to focus our effort on developing Chinese managers during the transition from mid-managers to executives, than on the transition from supervisors to mid-managers; Secondly, Chinese executives need development in the following five competencies: (a) “Business Acumen,” (b) “Strategic Agility,” (c) “Managing Vision and Purpose,” (d) “Comfort around Higher Management,” and (e) “Command Skills.” The first three competencies are related to making strategic decisions and setting the direction for organizations. These leadership behaviors traditionally are viewed the functions of top executives. The findings from our study reinforce the general impression that Chinese executives lack visioning and strategic management skills. Chinese executives should recognize that the transition from middle management to top management requires a corresponding change in their roles. They must become less of a “doer” and more of “thinker” and “planner.” They must develop the skills to inspire others to execute what they believe is true.

Chinese culture is high on Hofstede’s power distance dimension (Hofstede, 2001). This may explain why Chinese executives are not highly skilled on “Comfort around Higher Management.” Historically, Chinese have demonstrated much respect for hierarchical structure, finding it a natural way to organize their life. In multinational companies or a different culture, this power distance may become a barrier for Chinese managers’ career advancement. In less hierarchical organizations, individuals frequently find themselves having to influence others without formal authority. The skill to manage up is especially important for executives who are dealing with both internal and external stakeholders.

Traditional Chinese culture also may influence how Chinese executives make decisions and command others. Previous research found that compared with their Western counterparts, Chinese leaders are less likely to adopt a social/participative leadership style. Rather, Chinese managers tend to depend on their formal authority to direct others and execute their influence (“Road to success...,” 2005). However, to work effectively in multinational companies or other cultures, Chinese executives have to recognize the potential negative impact of this very hierarchical, one-directional command style.

The old Chinese model of leadership might have worked very well during previous times. However, as the business in China increasingly becomes integrated into the global economy, new Chinese leaders must learn new competencies.

Living within society's mores, culture plays an important role on people's behaviors. Obviously, Chinese managers' leadership competencies are influenced strongly by their Chinese culture. The old Chinese model of leadership might have worked very well during previous times. However, as the business in China increasingly becomes integrated into the global economy, new Chinese leaders must learn new competencies. As a result of the recent economic integration, it is not surprising that Chinese raters now endorse similar characteristics for effective leadership as their Western counterparts. Currently, Chinese executives are less skilled in these important areas. A key for Chinese executives to compete will be their ability to understand and develop in these critical competencies.

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Jack Lim, is the Managing Director of Greater China Korn/Ferry Leadership and Talent Consulting, based in Shanghai.

Guangrong Dai, Ph.D. is a Research Scientist with Korn/Ferry Leadership and Talent Consulting.



Kenneth P. De Meuse, Ph.D. is the Associate Vice President of Research with Korn/Ferry Leadership and Talent Consulting, based in Minneapolis.

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