

## Recruiting Leaders in China

A CTPartners Perspective

As global business leaders consider where to target current and future strategic business expansions, there is no marketplace that surpasses China in terms of raw opportunity. According to IMF predictions, the GDP growth rate in the huge Chinese market should near or reach 10% during 2010 and 2011. And this will come on the heels of 8.7% GDP growth in 2009, a truly difficult year for most world economies. Aspirations for business expansion in China are held by both multinationals and local Chinese companies, as these companies aim to further tap the nation's immense and expanding consumer base and industrial sector.

Indeed, as China helps lead the world out of recession, the nation will experience a renewed war for talent as well as significant upward pressure on executive salaries. Demand for highly skilled talent is expected to be strong across all industries, but most particularly in the life sciences, industrial, and financial services sectors.

Local companies are competing aggressively with multinationals for talent. Many Chinese banks, for instance, are expanding their operations and revising their business models to compete more directly with their foreign rivals. That means competing for talent as well as customers.

Experts also expect employee turnover to return to normal, pre-crisis levels during 2010. And it is worth noting that for new entrants into the Chinese market, poaching talent from local competitors can be far more expedient than attempting to develop talent internally or transplant talent from overseas. Such talent wars mean salary hikes. According to some predictions, wages at multinationals operating in China will rise, on average, by more than 7% this year.

With the stakes so high, companies can not afford missteps in their talent acquisition and development plans. Yet recruiting executive talent in China is unlike recruiting executive talent in any other market. All nations and regions have local customs and cultural

distinctions that must be honored and addressed when doing business in the region. Failing to take full consideration of these local differences can have costly consequences.

In the Chinese marketplace, there are a number of important local customs that should command the respect of anyone seeking to do business in the region. Companies that are serious about making profitable inroads into the Chinese market should be sure to ally themselves with an extremely knowledgeable and locally connected executive search partner.

### The Indirect Path

Effectively recruiting leaders in China requires, first and foremost, the acknowledgement of the region's history and traditions. Those traditions are as important in executive search as they are in all other areas of business relations, perhaps more so. For any company, planning to be both efficient and effective by pursuing a direct path to potential candidates with a Western-style talent mapping system in hand can be misguided. In China, a more indirect approach to recruiting executive candidates is accepted, and indeed, expected.

This indirect approach is necessary for a number of reasons. Among them is the exceedingly rapid economic growth that is taking place in China today. This quickly shifting business landscape makes current, accurate, and public information about executive talent scarce, and so the information gained from extensive networking can be extremely valuable. So, for example, when building an initial long list of potential candidates for a position, a search professional must turn to his or her network of trusted local contacts for guidance.

But beyond the process of identifying some potential talent, the indirect networking approach is necessary as a means of introduction to prospective executive candidates. According to Chinese cultural tradition, in many instances, an inquiry from a stranger, without a prior introduction, should be treated with suspicion. A



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Chinese executive may be unlikely to return a phone call from a stranger. Therefore, it generally is unproductive to approach an executive directly without first seeking an introduction from a mutual acquaintance.

And of course, not all introductions will lead to a promising potential candidate. Not surprisingly, sometimes the person making the introduction is primarily serving his or her own interests. In fact, an introduction that leads down an unexpected path is not uncommon. In one instance, for example, our firm's request for an introduction to an appropriate securities industry executive led us instead to a meeting with a government official whose primary interest was learning about the business expansion plans of our client and the candidate pool we expected to interview.

Yet respectfully working within the customary local system of recommendations and introductions is the key to building influential networks and ensuring broad candidate access. It is not uncommon to conduct 20 or more networking interviews prior to building an initial long candidate list. Such prospecting for candidates and introductions requires a significant investment of time and the offering of real value to those willing to help with ideas and access.

### Titles and Roles

Another common misstep when doing business in China is to assume that an executive's job title clearly indicates that person's business role and skills. Titles can be misleading, at least from a Western business perspective, and the names of some of the company's most influential leaders may not even appear on the company's organizational chart.

This is primarily the result of two forces: the strong hand of the Chinese government in all Chinese commerce, and once again, the nation's robust economic growth. The rapid pace of business growth in China has exceeded the capabilities of companies for

organic development of management talent. With few executives growing up through the ranks quickly enough to meet expanding management talent needs, most senior management teams have been put into place by the influential interests at the top of the company, including government officials, company owners, investors, and board members.

And as business success in China requires that a company operate with the approval of the Chinese government, business leaders often are selected with strong consideration given to their loyalty and influential relationships. A quickly growing company's first generation of leaders will often come from among trusted officials at state-owned enterprises or government agencies. The business priorities generally are connections and influence, especially to government. Industry and functional management experience are not the highest priorities. In such a case, a CEO or Chairman might have the power of a veto and a powerful network to support the business, but these leaders may not necessarily be the ones leading the design or execution of the corporate strategy.

To bring the needed industry, functional, and operational expertise to the company, deputy CEOs, deputy COOs, and other Senior Advisors with such expertise are often retained, although their names may not appear on the company's management list. The Chinese government has been proactive in helping targeted industries grow and adopt international best practices, while also being pragmatic in its efforts to aid those companies in attracting the needed leadership talent, both from within China and from around the globe.

Of course, the absence of transparent organizational charts coupled with less-than-traditional application of executive titles and roles truly muddies the waters for companies seeking talent with specific skills to support a business expansion. The publicly-stated CFO might not have the expected level of financial expertise in that industry, but his or her circle of influence could be an



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extremely valuable asset when approaching local investment funds or seeking to be registered for capital markets. Only through networking can one learn the specific role of any given executive. Finding the executive with the desired skill set whose name may not appear on the organizational chart requires persistence as well as access to an influential network. Additionally, a company may need to give further consideration to retaining multiple executives in order to obtain the desired mix of competencies.

### Appearances Can Be Deceiving

The more subtle challenges of recruiting leaders in China arise from local cultural and historical differences. As we at CTPartners like to say, China does not, and will not, resemble anything we know today. Yes, the globalization of travel, goods, and services has made China's economy and enterprises look like those in many other places in the world in terms of processes, systems, text-book theories, and benchmark performance indicators. And yet, while the external trappings may look familiar, Chinese executives will, most naturally, embrace these business theories and systems while also embracing their traditional Chinese moral structure and mindset.

An increasing number of Chinese business leaders have had international business and educational experiences. Global technology has created common platforms of communication. Yet, while technology hardware and hard, technical skills evolve rapidly and cross global borders, the soft, people-related skills remain more complex, local, and slow to evolve.

Consider the traditional, culture-driven Chinese reluctance to analyze a problem to assign fault. Or consider the tendency to avoid direct negative conflict. Both behaviors are intended to show respect, as assigning fault and direct conflict are each perceived as signs of disrespect for another person. These strongly embedded traditional belief systems will continue to influence Chinese executive decision-makers in many

contexts, just as Western sensibilities and belief systems influence decision-makers from those regions. The net impact is that great care needs to be taken in assessing and understanding a candidate's soft skills.

### Gap Analysis Becomes Critical

To give proper attention to cultural distinctions in terms of value references and decision-making styles, candidates for leadership positions in China are often evaluated on two scales, one that leans toward Chinese business and cultural standards and one that is more Western-leaning. It is important for search professionals to understand the client company's culture, the extent to which the company is utilizing international best practices, and to note where best-practices modifications have been made to meet the local requirements of Chinese social order. Such knowledge is critical to the process of effectively establishing and utilizing competency weightings and assessments.

Additionally, the search consultant must have a deep knowledge of the elements of both Western and Chinese culture in order to clearly articulate and quantify variations from well-understood, traditional behaviors. Due to the large size of the Chinese population, the diversity of ethnic groups, and the drastic changes in political direction experienced in China's recent history, there is a broad spectrum of values and behaviors among Chinese citizens. It is important to create and utilize an assessment tool that investigates the value system of the candidate, rather than presuming simply to know that information.

At CTPartners, we rely upon a system in which all of this information is utilized in a gap analysis process, with triangulation to the two established reference points. Scoring a candidate on both a modern Western and a traditional Chinese standard, and then applying a gap analysis process, significantly advances the task of evaluating and comparing candidates for any given corporate environment and business position.



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### Rethinking Competency Weightings

After successfully navigating the networking process, identifying potential candidates, and understanding a candidate's reference system and decision-making skills, it is time to reevaluate and apply competency assessments and weightings. As we have outlined, in China, in many instances, the prioritization of leadership considerations as well as skills and experiences will be different than in other markets.

It is important to appropriately weigh leadership competencies and execution capabilities. In many cases when placing executives in China, local cultural knowledge and networking capabilities can trump other functional competencies. What may look ideal in other environments may not be what a company actually needs in China.

Of course, rankings also will vary with each position, but in one case, we at CTPartners ranked the desired leadership competencies for a China-based senior executive as follows:

1. Government credibility
2. Local network
3. Decision-making ability and values
4. International exposure
5. Industry expertise
6. Functional expertise
7. People-management skills

While our firm would rarely utilize the above prioritization of competencies when seeking a senior executive for a Western corporation, such attribute rankings are common and appropriate in China.

### Balancing Priorities

Clearly, recruiting executive talent in China requires careful consideration of many local, cultural requirements as well as ready access to a broad range of executives and influential leaders in the region. For new market entrants or companies balancing multiple regional and global priorities, the challenges can be daunting. A seasoned business partner with deep-seated regional knowledge can offer invaluable support.

CTPartners is proud to offer a superior level of access and local knowledge along with decades of on-the-ground experience when conducting searches in China. In fact, with 19 offices and more than 300 professionals worldwide, CTPartners is committed to bringing its local expertise and the highest level of service to executive searches conducted in every region and marketplace around the globe.