

China Leadership Challenge

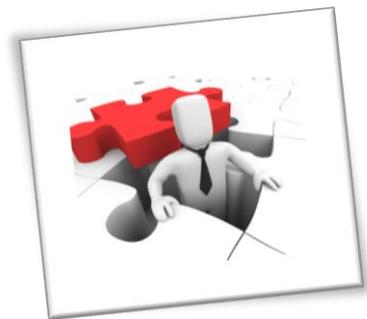
The significant challenge to find and develop the right future leaders in China just got even more challenging.



Over the last two decades double digit growth primarily fueled by the manufacturing sector enabled China to enjoy success even with moderate levels of leadership capability. However, the shift to a knowledge based economy is changing the face of leadership in China and significantly raising the bar for managers and leaders to achieve success. To compound the challenge, recent single digit growth has sparked adjustments in hiring practices and companies are no longer able to rely on 30% pay increases to lure top talent. As the slowdown is set to continue in the coming quarters, competing for the best employees primarily on salary, in a 'salary war' fashion, will no longer be a sustainable human capital practice for business growth in China. According to China Daily 'the trend of falling wage growth will continue.'

In order to meet these challenge businesses will need to demonstrate agility and quickly adapt their overall business strategy and human capital strategy in 5 key areas:

- **Get serious about promoting a Company Culture that lures the best people**
- **Select more Global Ready Leaders**
- **Develop the Global Mindset of people in key roles earlier on**
- **Empower Employees by rewarding 'soft' leadership and people**



In this MDS leadership series we will investigate each of these focus areas, which can be true differentiators for both multi-national and Chinese companies aiming to up their leadership game.

The Asia human capital trend of employees going from one company to another primarily based on a 30% salary increase has been a nightmare for managers and HR professionals struggling to increase retention figures. On the other hand, the 'salary war' game has in many ways made it easy for leaders and recruiters to lure top talent without having to do the hard work of actually making the organisation more attractive for employees. The downside has of course been that the top talent they managed to bring in would be moving onto the next company in around 18 to 24 months. Focusing on luring employees based on the company's values, vision, policies and practices and overall reputation is a great opportunity for businesses in China to not only attract, but also to retain employees far beyond the recent two year turnover cycle.

According to Antal International's "Global Snapshot" surveying hiring practices across 17,000 organisations, Chinese hiring rates are once again well above the global average of 55 percent again this quarter, standing at 72 percent of companies now hiring. And hiring activity in China is set to remain above 70 percent. So how can companies in China fill the many roles they will be seeking to fill, without relying as much on salary increases? What type of culture can attract the best people?

1. **A culture of Inspiration:** providing meaningful work opportunities that are aligned with employee values. China's younger generation of workers are far more driven by something they believe in and somewhere where they feel they are making a difference. Companies must clearly articulate what their business and their vision is really about and how even junior employees will be making a difference in their day to day work. Leaders must continuously demonstrate that they are living the values of the organization and provide ongoing communication that fuels employees belief that they are on the way to achieving that vision.

2. **An Enterprising Culture:** engage employees by making them feel that they really have a stake in the business. Directions Consulting found that the organizations in China with the most engaged employees were those with an enterprising culture. An enterprising culture encourages new ideas, taking risks and makes employees feel valued based on their performance. For some organizations dramatically changing performance and pay systems may be required. The international accounting firm KPMG, for instance, has recently implemented a reward system for high-quality employees and designed a rapid-promotion plan to encourage staff members. "We fine-tuned our HR strategy amid the gloomy economy, otherwise we will not be able to survive," said Kin Chong U, director of Organizational and Leadership Development at KPMG China.



3. **A Culture of Continuous Learning:** employees in China greatly value opportunities to learn and develop themselves in ways that they feel will strengthen their long term career path. This is an area where employees in China have typically been dissatisfied over the last few years because managers do not provide them with the time or the learning and coaching opportunities that they would like to have.

For most organizations in China, getting serious about establishing a culture that will really attract the best employees will require some drastic and significant changes to human capital policies and practices. Will your organization have the agility to make the changes ahead of the curve?

References:

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Future articles in the MDS Newsletter will continue to examine some of the other characteristics of successful global leaders – so please stay tuned!

Any comments or questions on this topic are welcomed – please send to elisa@mdsbeijing.com

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