Leadership Talent Status and Practice in China
Oracle Talent Management Forum
August 17th, 2012
Shanghai
Agendas

• Asia 2.0 - The changing business landscape
• Changing leadership requirement
• On-going Talent Challenges
• Observations: How our Clients Address these Challenges
• Recommendations
Asia 2.0 will be characterized by 3 shifts

<table>
<thead>
<tr>
<th>CONSUMER SHIFT</th>
<th>Asia 1.0 (1990 to 2010)</th>
<th>Asia 2.0 (2010 to 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Serving the western consumer with goods and services produced in Asia</td>
<td>Understanding the emerging Asian consumer and serving local needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INNOVATION SHIFT</th>
<th>Asia 1.0 (1990 to 2010)</th>
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<tbody>
<tr>
<td></td>
<td>Building production capacity to deliver cost efficiencies to western brands and consumers</td>
<td>Building innovation capacity to create new products, services and brands for the emerging consumer</td>
</tr>
</tbody>
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<tr>
<th>WORKFORCE SHIFT</th>
<th>Asia 1.0 (1990 to 2010)</th>
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<tbody>
<tr>
<td></td>
<td>The ability to hire and retain a productive workforce, skilled to deliver to specifications</td>
<td>The ability to hire, engage and nurture a creative talent pool, skilled to deliver new ideas and solutions</td>
</tr>
</tbody>
</table>
CONSUMER SHIFT: Asia’s middle class is set to grow at an unprecedented rate over the next 2 decades

% of World's Middle Class: Population and Spending (PPP 2005 USD)

Source: The New Global Middle Class: A Cross-Over from West to East, Homi Kharas and Geoffrey Gertz, Wolfensohn Center for Development at Brookings, 2010
INNOVATION SHIFT: The Asian Innovation Model is beginning to work...

Asian companies in the Top 50 Global Innovators 2010

- Toyota Motors, Japan
- Honda Motor Company, Japan
- Fast Retailing Company, Japan
- Nintendo, Japan
- Sony Corporation, Japan
- LG Electronics, Korea
- Samsung Electronics, Korea
- Hyundai Motor Company, Korea
- BYD Company, China
- Haier Electronics, China
- China Mobile, China
- Lenovo, China
- HTC Corporation, Taiwan
- Tata Group, India
- Reliance Industries, India

Companies placing priority on innovation

<table>
<thead>
<tr>
<th>Priority Level</th>
<th>China</th>
<th>India</th>
<th>Mature Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Ten</td>
<td>8%</td>
<td>21%</td>
<td>7%</td>
</tr>
<tr>
<td>Top Three</td>
<td>51%</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>Top Priority</td>
<td>41%</td>
<td>35%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: BCG Business Week, Innovation 2010
WORKFORCE SHIFT: Asia is home to an increasingly global and talented workforce ...

- China alone is home to more than 1200 foreign invested R&D centers (according to the Ministry of Commerce), creating more than 1.5 million high end, knowledge-intensive jobs in the country over the next 3 years.

- Novartis, for example, plans for invest more 1 billion USD over the next 5 years in its R&D center in China, creating the largest comprehensive R&D facility in the country.

- 35% of Accenture’s global workforce is estimated to be working from India.

- Cisco is building its 2nd global headquarters in Bangalore, shifting 100’s of senior, global governance and strategic roles to Asia.

- Companies like Huawei, Acer, Infosys, Wipro, Tata Group and LG are fundamentally re-shaping their talent management capabilities to be able to attract, develop and nurture leaders with a new set of global management skills and multi-cultural mindset.
### Asia 2.0 – Implications for Organizational Capability

<table>
<thead>
<tr>
<th>MARKET SHIFTS</th>
<th>ASIA 2.0 CAPABILITIES</th>
</tr>
</thead>
</table>
| CONSUMER SHIFT | - Consumer insight – understanding the emerging customer  
| |  
| | - Building and leveraging brand equity  
| |  
| | - Re-shaping value propositions for diverse segments  
| |  
| | - Strategic pricing targeted at emerging income segments  
| |  
| | - Managing across a portfolio of products and businesses |
| INNOVATION SHIFT | - Managing innovation cycles and disruptive innovation  
| |  
| | - Commercialization of innovation in emerging markets  
| |  
| | - Collaboration and co-development  
| |  
| | - IP management and protection  
| |  
| | - Global relevance of local innovation |
| WORKFORCE SHIFT | - Ability to develop and retain knowledge-intensive talent  
| |  
| | - Creating a learning environment  
| |  
| | - Talent magnet – creating a talent brand that attracts and retains the best  
| |  
| | - Multi-cultural management  
| |  
| | - Leadership skills to engage and motivate high-end talent |
Agendas

- Asia 2.0 - The changing business landscape
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Leadership Challenges Are Different among MNC/SOE/POE

- Headquarters Roles
- Technical/Action to Social/Participative
- Agility
- Globalization
- Controlling to Engaging
Asia 2.0 leaders will lead with multi-focus (non-linear) thinking and style of decision making

**Asia 1.0 Leadership**: success depended on single-minded focus on strategy and execution

**Asia 2.0 Leadership**: success will depend on ability to handle multiplicity, diversity and uncertainty

**Responsive**

**Solution Focus**

**Responsive**

**Information Use**

**EXECUTOR**
- Clear
- Directive
- Task focused
- Productive

**CONTROLLER**
- Logical
- Serious
- Data driven
- Thorough
- Detailed

**ENERGIZER**
- Open
- Informal
- Outgoing
- Humorous
- Intuitive

**INTEGRATOR**
- Inquisitive
- Listening
- Involving
- Analytical
- Patient

Source: Korn/Ferry Leadership and Thinking Styles
Leadership styles in Asia are still 1.0 focused

- Indian and Chinese senior leaders show a more task-focused, more hierarchical, more socially distant style compared with successful global executives

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Least Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful “Best in Class” Global Executives (n= 1,000 +)</td>
<td>ENERGIZER</td>
<td>INTEGRATOR</td>
<td>EXECUTOR</td>
</tr>
<tr>
<td>Chinese C-suite Leaders (n=100)</td>
<td>EXECUTOR</td>
<td>CONTROLLER</td>
<td>ENERGIZER</td>
</tr>
<tr>
<td>Indian C-Suite Leaders (n=99)</td>
<td>CONTROLLER</td>
<td>EXECUTOR</td>
<td>ENERGIZER</td>
</tr>
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</table>

Source: Korn/Ferry’s research using Leadership and Thinking Styles assessment
Talent Implication on Continuous Economic Growth in 3 Decades: Faces of a Typical Business Group Leader

**CHINA**
- 38 years
- College + MBA
- 8-10 years’ business experience
- 5 jobs

**US**
- 45-48 years
- College + MBA
- 15-20 years’ business experience
- 2-3 jobs
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The challenge for Talent Managers in Asia

- **Shallow pool**: Asia 2.0 talent is very hard to find (*4 times harder than finding job qualified candidates*)

- **Attracting Talent**: Asia 2.0 talent will not be attracted by 1.0 value propositions: ‘brand’ or ‘pay’

- **Development**: converting Asia 1.0 managers to Asia 2.0 leaders will be very challenging

- **Retention**: retaining Asia 2.0 talent is impossible without a ‘constant stream of opportunities and challenges’

- **Motivating**: quality of leadership will be key to motivation
Executive Talent Landscape in Greater China

Themes

- 1 language, 4 distinctive talent markets within Greater China
- 3 decades of double digit-growth led to serious talent shortage
- Quickly inflating / converging compensation among 4 candidate categories
- Returnee: the much sought-after profile. PRC-born/US-educated, w/ track record in China

Four Job Markets

- PRC Tier-1 plus: Beijing & Shanghai are career destinations; highest pay & fiercest talent competition
  - Peripheral zones: Shenzhen, Guangzhou & Suzhou
- PRC Tier-2: Hardship cities. Near impossible to hire PRC execs
- Taiwan: Net exporter of tech/operation execs
- Hong Kong: Diminishing role as regional HQs; hub for financial services, net exporter of FD, HR, Ops execs.
Executive Talent Landscape in Greater China (cont’d)

Talent Gaps

- Pressure to chase market growth lead to hiring/promotion beyond capabilities
- Business & talent competition discourage company to develop talents
- Few execs have multi-functional experiences
- World class capabilities in all functions are missing
- English & communication capabilities are still under-developed among local candidates
- Returnees: gap versus expectation

What cost advantage?

- Explosive inflation in executive compensation (example: US$500K++ cash comp for US$200M BU GM)
- Top 5% of local talents are paid at 30-50% premium vs. next performance category
- Significant disparity among new hires vs. existing staff
- Compensation of locals & expats quickly converging
The relative importance of future career & development opportunities in Asia is higher compared to other regions.
Professional & Mid-level Talents: – switching premiums in Asia

Switching premium is the % change in current compensation on changing roles

Source: Corporate Executive Board. Labour Market Briefing – Asia. June 2011
The Rise of the Local Enterprise as the Employer of Choice is Amazing...

According to research preference for MNC’s is declining relative to domestic employers

Five strategies to counteract this:
I. Employment Branding
II. Local Development Opportunities
III. Career paths
IV. Compensation strategies
V. Develop local company attributes

Source: The Battle for China's Talent
Harvard Business Review, March 2011
Key Findings from CTML Survey Wave 2

Top 3 most scarce talent in organization:
- Senior technical expert;
- First line employee (execution);
- Middle-level managers (e.g., first line manager to department head)

Top 3 most wanted leadership competencies in organization:
- Strategic skills
- Operation skills
- Courage

Top 3 engagement drivers:
- Below 30 years old: learning; money; boss
- 30-40 years old: money; achievement; boss
- Above 40 years old: money; achievement; flexible working hours
Key Findings from CTML Survey Wave 2

Top 3 focused levels of leadership development:
- Managers and senior managers
- Supervisors
- Directors

Top 3 talent management challenges:
- Weak organizational culture (resulting in ambiguous directions of talent development)
- Heated talent competition (resulting in high turnover rate, low employee loyalty)
- Lack of holistic talent management system or framework

-- Korn/Ferry China Talent Management Landscape Survey 2012
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Building Asia 2.0 pipeline requires a new set of “thought-ware” in talent management

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<th>Asia 1.0 thought-ware</th>
<th>Asia 2.0 thought-ware</th>
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<td></td>
<td>Educational background</td>
<td>Diversity of experience</td>
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<td></td>
<td>Experience profile</td>
<td>Behavioral profile</td>
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<tr>
<td>What to assess</td>
<td>Competence</td>
<td>Leadership Style</td>
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<td></td>
<td>Performance</td>
<td>Learning Agility</td>
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<tr>
<td>What to develop</td>
<td>Managerial Skills</td>
<td>Self-awareness</td>
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<td></td>
<td>Rational Thinking</td>
<td>Emotional Competence</td>
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<tr>
<td>How to develop</td>
<td>Training</td>
<td>Challenging assignments</td>
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<td></td>
<td>Apprenticeship</td>
<td>Feedback and coaching</td>
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<td>Internal networking</td>
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<td>Career growth</td>
<td>Functional career</td>
<td>Cross-functional career</td>
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<td></td>
<td>Uni-dimensional</td>
<td>Multi-dimensional</td>
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# Building the Chinese Leadership Pipeline ... the Early Movers

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<tr>
<th>Client</th>
<th>Purpose</th>
<th>Delegates</th>
<th>Design</th>
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<tbody>
<tr>
<td>Big-Four</td>
<td>Building Future Firm wise Leadership Bench</td>
<td>40 potential future leaders</td>
<td>• Identify Future Leader Profiles&lt;br&gt;• Comprehensive Assessments (Decision Style, Learning Agility, Competency 360)&lt;br&gt;• Succession and Development Plans</td>
</tr>
<tr>
<td>FMCG</td>
<td>Grow middle-level leaders</td>
<td>45X5 managers</td>
<td>• Group development workshops&lt;br&gt;• Internal senior leaders to facilitate&lt;br&gt;• Invite external consultant to provide inputs</td>
</tr>
<tr>
<td>FMCG</td>
<td>Building emotional intelligence and soft skills in China</td>
<td>20 senior leaders in China</td>
<td>• Assessments (Leadership Style, EQ)&lt;br&gt;• 1:1 Coaching and Feedback</td>
</tr>
<tr>
<td>Fast-food</td>
<td>Enhancing self awareness and global perspective in leaders</td>
<td>Global high potential program</td>
<td>• Assessments (Hogan Derailers)&lt;br&gt;• Development planning&lt;br&gt;• 1:1 Coaching</td>
</tr>
<tr>
<td>Chemical</td>
<td>Building a pipeline of global-ready local leaders</td>
<td>25 senior leaders in North Asia</td>
<td>• Assessments (Decision Style)&lt;br&gt;• Interview&lt;br&gt;• Feedback to raise awareness</td>
</tr>
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</table>
Local Companies Overly Rely on Assessment and Training

• Huge investment on training
• Increasing investment on assessments for everybody
• Tried everything, without materialized actions
• Lack of real efforts on feedback, coaching
• Job rotation at cost of diminishing functional expertise
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Leadership Talent Development Tips

• Hi-po Identification
• Profound assessment for 10%, instead of trying everything for 90%
• 70:20:10 Development
• Leadership development from the inside out and outside in – going beyond competency
Korn/Ferry International

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