



## WORKING FOR CHINESE ENTERPRISES: TREND FOR TOP TALENT?

Highlights from Spencer Stuart's Beijing HR Roundtable

During the late '90s and throughout the '00s, multinational companies (MNCs) became the employers of choice for Chinese management talent thanks to their higher compensation, training opportunities and performance-oriented cultures. In recent years, many have observed a reversal of that trend as more and more Chinese executives leave multinational companies to join Chinese enterprises. However, this may be a risky move, as some observers estimate that there is only a 50-percent success rate when these executives do make the transition.

A panel of leading human resources leaders in Beijing joined Spencer Stuart to lend their firsthand perspectives about their own moves from MNCs to Chinese companies during the past five years. Following are highlights from the candid discussion, which explored reasons why people leave MNCs for Chinese organizations, the challenges these executives face, as well as how both Chinese enterprises and executives can prepare for a successful transition.

## The lure of Chinese enterprises

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One of the major motivations for making the leap from an MNC to a Chinese company is career advancement. Participants noted that working at the headquarters presents greater opportunities to influence the strategy and overall success of the company than a regional role that focuses on execution. Many Chinese companies have evolved to an advanced stage in which they need senior-level talent with global perspective, which opens the doors for seasoned leaders to make a significant impact.

In addition, roles are not as narrowly defined at Chinese companies as they might be at MNCs. “At Chinese enterprises, there is an opportunity to move beyond a particular functional area, such as HR,” said one leader. “I am now a vice president responsible for a number of areas, including HR. This would not be possible at a multinational company in China.”

A general lack of “status quo” in the Chinese market also empowers talent to innovate and test new ideas. In these organizations, decisions tend to be made more quickly than at MNCs, allowing executives to move at the same speed as the markets. Many Chinese enterprises

also offer lucrative compensation packages, including a significant number of pre-IPO stocks, which is another reason that motivates multinational-trained executives to jump ship.

Culture, as well as a sense of national pride and ownership, also plays a role in the shift to Chinese companies. “Although I speak English well and understand everything that is being talked about at a management meeting in a multinational company,” said one executive, “I still don’t get all the nuances — I understand a few, if any. But when I sit at the table with executives at a Chinese company, I get all the nuances and I feel at home culturally.”

Both feeling and being at home can also translate into better, smoother career advancement. According to one panelist, “At a foreign company, I would have to relocate to the U.S. or European HQ to take the next step. I have reached the ceiling here in China and can’t relocate because of family reasons. However, at a Chinese company, I am already based at the HQ.”

## The potential culture shock

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Encountering resistance to changing “how we’ve always done things” is a common challenge for any new executive, and the situation can be even more pronounced in some Chinese enterprises, which often have a private owner and an “old camp” consisting of long-time management. This core management team typically has the ultimate trust of the owner and, thus, is very powerful.

Hence, newly hired executives need to gain the trust from the owner quickly while maintaining a solid working relationship with the current team. However, this can be a daunting task when also trying to implement their own ideas. “One of the key mandates many HR VPs are hired to do is to design a performance-driven compensation program and culture,” said one HR leader. “But once it’s put into practice, the owner may say, ‘It looks good, but

I wanted so-and-so as exceptions since they have been with me for many years and have earned discretionary bonuses that I will decide.”

In addition, panelists identified the hierarchical nature of Chinese enterprises and the overall centralization of decision-making with the owner as obstacles to effecting change.

“The owner and CEO is the sole decision-maker, and he or she has the final say,” said one HR executive. “He or she usually wants to maintain control over everything, but may change his or her mind frequently as well. So it is, in general, a challenge to maintain consistency in management processes and business direction in a Chinese company.”

The HR leader and his or her team, in particular, can struggle with this organizational dynamic; Chinese management may say they want to build a talent pipeline, yet there remains a heavy reliance on existing relationships. As one participant observed, “Whoever has the right relationship gets the deal done and many key executives are hired due to the relationship they have,

but not their skills. The company does not need bench strength; it only needs to keep the key people happy and the business runs.” This practice does little to bring in fresh perspectives and experiences, and creates an assimilation challenge for the executive coming in from an MNC.

## How MNC executives can bridge the gap

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Both the Chinese enterprises themselves and the senior executives transitioning into them need to prepare and adapt. Chinese companies first need to decide if they are really ready to maximize their investment in senior executives from multinationals — namely, will the culture allow new executives to share and execute plans based upon their expertise? Is the company ready to change its current way of doing things and adopt ideas and best practices from elsewhere? What is the real reason the company wants to improve its systems and processes: Is it just for show, or is there a real commitment to change?

At the same time, executives considering a move to a Chinese enterprise need to manage their expectations before joining and realize they will face multiple challenges, especially related to culture and business practices.

“Executives from MNCs may likely find that the team they will be leading is not as efficient. They also need to spend a lot of time managing their boss. The first six months is a honeymoon period, but afterward, it is very hard

work and it takes a lot of political savvy, influence and persuasion skills in order to succeed and survive longer than one year. It is important to find some low-hanging fruit and achieve a few fast wins in the first six months,” one panelist cautioned.

Additionally, executives must be much more attuned to the subtleties of working relationships in Chinese companies. According to an HR leader in attendance, “The executives joining Chinese enterprises need to read the ‘hidden agenda’ more and be more thoughtful before making any bold moves. It is important to have independent thinking and judgment at Chinese enterprises — things are not always transparent.”

However, even when considering the challenges of making a transition from an MNC to a Chinese enterprise, the HR leaders in our panel said they would not choose to return to a multinational after enjoying much broader roles at their Chinese companies.

## The fight for talent: How can MNCs compete with Chinese enterprises?

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MNCs are not powerless when it comes to retaining their top talent despite the allure of Chinese enterprises. Compensation is a clear competitive factor and MNCs must be mindful of how their pay measures up to that of their Chinese counterparts. However, a greater philosophical change may also be needed. MNCs must start viewing China as an integral part of the global talent pool, one that warrants their investments in training Chinese managers not only for positions in their native country, but also abroad. Multinationals can create

global functional roles that are based in China or Asia, rather than international headquarters, and provide these executives with work of a more strategic nature. Our panel of HR executives also suggested that MNCs can combat the perception of having a glass ceiling by creating more growth and development opportunities for senior executives in Greater China and Asia, such as rotating them into a new function. Competition for talent will continue, but if MNCs become more proactive, they can put themselves in a winning position.

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