Winning the talent war in China

A search-firm expert offers advice on tailoring successful talent strategies to a changing China.
As more and more multinationals open offices in China, attracting and retaining the best local talent is becoming an increasingly strong differentiator of success. So says Emmanuel Hemmerle, a principal with executive search firm Heidrick & Struggles, in its Shanghai office. In this video interview, Hemmerle challenges many of the classic assumptions about talent management in China and shares his insights on finding expert local talent, setting compensation levels, and understanding the evolving credentials and desires of Chinese executives.

Clay Chandler, an editor with McKinsey’s publishing group, interviewed Hemmerle in Tokyo in October 2009.

**There’s a wrong assumption** with regard to China. Headquarters in Japan, in Europe, in the US tend to believe that China, because it’s low cost, should be cheaper in terms of executives’ packages. Nothing is more wrong. In fact, if you want to woo top talent, you’re going to have to pay the right amounts.

Often you end up with packages for similar skill sets, similar responsibility, scope, size, everything that is higher in China than what would be the case with similar counterparts in Europe and the US. And we spend a lot of time coaching companies, especially those that are headquartered overseas, that they need to invest in talent [in much the same way as they would] invest to create a new research center, to create new production facilities in China. They need to invest in the talent. If you want top talent, you’re going to have to pay for it.

We’re starting to see some interesting trends. We can start seeing a number of top talents who meet the international best standards, who could compete with their peers in the US or in Europe—and I’m talking about in terms of performance, in terms of skill sets. And probably, we’re going to start seeing more and more of that. A number of companies over the last few years have decided to appoint a mainland Chinese in the top job. And it’s not just for show. It’s really because they believe the person can deliver superior performance, as much or even better than Westerners or the Japanese or whatever.

In China, I believe you can—and you have to—differentiate the strong performers from the low performers. And if you don’t do so, you may meet resentment, in fact, and a sense of unfairness. “Why is he being compensated as much or as closely as I am, while I’m a stronger performer and it’s recognized across the organization?”

Of course, you would create political issues and reactions, negative reactions, if you were to differentiate on a [level] that is not performance [based]. I believe that it makes less and less sense to have Westerners, or [expatriates], let’s say, who are compensated twice or three times
as much as the local mainland Chinese, while performance is equivalent or sometimes even lower. That will create issues, very serious issues, in your organization. I’m always concerned and worried when a company tells me that they want to localize because they want to drive down costs. There’s a host of reasons that are better reasons than just cost.

**Recruiting outside the box**
The market economy isn’t that old in China. Take, for example, luxury goods. It really started ten years ago. So if you want to find very senior talent, very senior managers in that space, it’s almost impossible. You will have to jump into, say, hospitality. You will have to jump into consumer goods to find those talents. You need to go across and beyond your boundaries to find talent. That’s one direction.

Another direction: you need to take risks, as well, in terms of seniority and in terms of responsibility. You won’t necessarily take an experience-confirmed sales director or [business unit] head for another sales director or another BU head position. You may have to look one step below and take a risk with them, which you wouldn’t necessarily do in mature markets. To give you some enlightening statistics, or data: in China, the bulk of our placements are between age, say, 37 to 38; so, late 30s to early 40s. In mature markets, we would have talents whose ages would be much more advanced than that.

**Career planning**
Senior executives in China are becoming much more mature and long termed, in terms of how they plan their career. And so you don’t see that much hopping. Talents tend to do much more due diligence than they used to. And, interestingly, they’re more sophisticated in terms of what they pursue, as much as the consumers are—they’re increasingly sophisticated, in terms of what they demand from the products. Same with regard to careers.

**Three recommendations**
[Have] confidence in mainland Chinese talent, and that will support localization. And again, we’re not talking about 100 percent localization, that doesn’t make sense either. You need a mix. You need to cross cultures. But you need to have a high content, if not a majority of the content, of the management team, who should be mainland Chinese.

So, that’s one. Second: look for the best talent. And for that purpose, you need to know who the best talent is in the market. It always strikes me that a number of organizations look at their competitors, and try to understand their weaknesses and their strengths, and gather intelligence on their competitors. But they don’t gather intelligence on talent. And this is a key factor of differentiation and performance in China. If you get the best talent—beyond the product, beyond infrastructure—that will help you dramatically win in the market. But first you’ve got to know who they are.
A third point I’d say: create an environment, try to build a culture, that is attractive to Chinese talents and helps them remain with the organization. For that, companies should foster, as much as possible, a nonhierarchical environment, with opportunities for growth for the individuals—opportunities to get promoted to the top, but also values that can be demonstrated by, for example, involvement in social responsibility activities. [You should create] a set of behaviors, company behaviors, that make the talent proud to belong.

Related articles:

“How to address China’s growing talent shortage”

“China’s ‘sticky floor’”

“How global organizations develop local talent”

“Why multinationals struggle to manage talent”