



## The Boyden Report: **China**

Exploding the Myths in China

**Boyden**  
*global executive search*

**I Welcome to the Boyden Report**

**II Understanding the Market**

:: Assessing China's future

Myth One. The Chinese Economy as Threat

:: Export success breeds fear

:: Who can help leverage the tiger?

Myth Two. China v. India: A Zero-Sum Game?

:: Cultural differences

Myth Three. One China, One Market

:: Many Chinas

:: Strong internal competition

:: Domestic purchasing attitudes

:: Segment the market

Myth Four. Human Resource Best Practices

:: Introducing best practices in Chinese companies

:: A diverse mix of talent

Myth Five. Returnees

:: Emphasise local market knowledge

Myth Six. 'War for Talent'

:: Sector-specific skill sets

:: Retention

:: Matching individual aspirations to corporate objectives

Myth Seven. One Country, Two Systems

:: One country, two cultures

Myth Eight: Proprietary Technology

:: The future of Chinese R&D

:: A different 'workshop of the world' emerges

:: R&D today

Conclusion

**III The Boyden View**

Multinational expansion in China

Chinese expansion beyond China

About the Report

About Boyden World Corporation

Sources



## Welcome to the Boyden Report

Welcome to the second edition of *The Boyden Report*, a quarterly series to provide a deeper understanding of the global market for talent.

At Boyden, we work closely with global companies to craft their executive strategy. But that strategy must be continuously reevaluated. What works in one market may not be effective in another region. Each industry has its own management dynamics.

*The Boyden Report* is designed to help you navigate this complexity in the ever-changing global market for talent. Each report will provide you with the context to make sustainable strategic decisions about your executive team.

In this second report, we look at another key emerging market where economic growth is rapid.

Reports on China can be misleading to external audiences not attuned to the cultural and historic legacies that have shaped China's story. This research provides insight from both Western and Asian business leaders. They have generously shared their expertise to help readers appreciate the true picture in China, how to understand its executive talent and how to navigate the rapidly changing, increasingly global business environment.

"The Boyden View" on page 23 offers some practical points of advice for clients and friends in multinational and mainland Chinese companies, to help them attract and retain executive talent in a market buoyant with personal opportunity.

We would like to thank the business leaders of Chinese companies and the Chinese subsidiaries of multinationals who provided fascinating perspectives for this report. Individuals are listed in the Sources section at the end of this report.

**Chris Clarke**  
President and CEO,  
Boyden Worldwide Corporation

**Brian Renwick**  
Managing Director, Boyden China

**Charles Bien**  
Managing Director, Boyden China



## Understanding the Market

China has become a nation of superlatives: the most populous nation in the world also benefits from the fastest-growing economy. Media reports stun the world with unimaginable numbers.

In 2006, there were 15 billionaires in China. A year later, there are more than 100, according to the widely watched Hurun survey, while *Forbes* places the number at 66. Business and industry are expanding at exponential rates, with China now home to the world's largest company by market value, PetroChina (\$1 trillion), in its debut on the Shanghai stock exchange in November 2007 – eclipsing US giant Exxon Mobil (\$488 billion).

The media reports that the average Chinese citizen now wields 10 times the purchasing power of 25 years ago. Yet the numbers deceive those trying to make sense of China's story.

"The sheer numbers involved in China distort everything from basic communication to economic argument," says Brian Renwick, Managing Director of Boyden China. "The pressure on individuals and on the government in dealing with such vast populations is enormous." While the government pursues reforms to business, education and finance, it knows that it can too easily be defeated by numbers, no matter how much progress is made.

In *China Shakes the World: The Rise of a Hungry Nation*, James Kynge argues that "even when the [Chinese] economy grows at 9 or 10 percent, it fails by a margin of several million to create the 24 million new jobs required each year." As a result, it creates "unyielding pressure for growth that influences every economic plan and strategy" in China. In order to bring China's labour laws up to international standards, new laws effective from 1 January 2008 require local governments above the county level to establish a raft of protection mechanisms. For example, the new Labour Contract Law entitles employees who have worked in one company for 10 years or more, to sign contracts that protect them from dismissal without cause. At 56 percent of the total, according to China's National Bureau of Statistics, there is also a pressing need to help China's vast rural populations.

This backdrop of numbers, combined with logistical and geographic challenges, a paternalist government legacy, complicated communications and use of language, makes it hard to truly understand China—its people, business culture and the position it will hold in the global economy.

As Francis Yuen, President, Trane Asia, observes, "China could be just as good as any other country; the political organisations are successful, whether this is recognised or not. To manage, well, 1.3 billion people is a great achievement."

## Assessing China's Future

The rapid pace of economic development in China and its astonishing headlines have created a series of misconceptions about the territory. Only when combined with an understanding of the historic, cultural and political differences can we see what China's economy means for Western companies in part and for the global economy as a whole.

The challenge for commentators then is to explain China in terms that foreigners can understand. Without an intricate level of detail and no culturally aligned way of processing facts, big picture 'myths' about doing business in, or with, China have become truisms. These misconceptions are impacting the strategic thinking of multinational corporations today and hindering the development of transnational organisations for the future.

Interpreting these myths will help us to understand China's story, its people and how the right bridges can

be built for future prosperity – both in China and in the rest of the world. Below are eight commonly held myths that distort the true picture in China. Eight is the luckiest number in China because in Mandarin it sounds like the word for 'prosperity' or 'fortune.' "Even here, we can see how the complexity of language in China conveys more than just a word or a fact, and often more importantly, spiritual meaning," says Charles Bien, Managing Director of Boyden China.

**// The Chinese have an expression: 'learn how to ride on the tiger's back.' Western companies need to realise that you should never try to fight the tiger—learn how to leverage the tiger! //**

FRANCIS YUEN  
President, Trane Asia

### MYTH ONE

**"Western companies should view the rapid development of the Chinese economy as a competitive threat to which they are vulnerable."**

Western headlines about China have primarily been about fear. China's economic possibilities are seen by some as a threat, particularly to the manufacturing sector in Europe and the United States. Ee Soon Kiong, President/Chief Representative of Textron China, puts it succinctly: "The unions in the United States fear that China will take away their rice bowl." As the 'workshop of the world,' China has enormous value and a clear position in global business dynamics. However, as a fast-growing economy 'in its own right,' what lies beyond its cost-efficient, high-volume manufacturing capabilities?

**// China is without doubt an opportunity. It's at the heart of many of our strategic discussions. //**

OLIVIER CHARMEIL  
Senior Vice President, Asia Pacific, Sanofi-Aventis

Despite the internal pressures that China's government faces, leaders in Beijing are also focusing on external factors that will enable China to reach its economic potential.

This means playing a greater role in global business. At a corporate level the foundations have been well established. TCL Electronics bought Thomson, the French television manufacturer, in 2003, and when Chinese computer giant Lenovo purchased the personal computer unit of IBM for \$1.75 billion in 2004, the acquisition of such a heavyweight brand changed perceptions about the extent of Chinese companies' ambitions outside China.

It was China's investment in non-manufacturing areas that started to open the eyes of global economists. BOE Technology purchased the liquid crystal display unit of South Korea's Hynix Semiconductors and, although unsuccessful, consumer electronics firm Haier launched an aggressive bid to acquire the US corporation Maytag. As Vice President of Founder Group Kehai Xie notes, "Leaders in Chinese companies know that without key technologies, they cannot become international players."

Now China's foreign investment strategy is very much focused on enhancing its global position for the long term. The Ministry of Commerce's 10th Five-Year Plan (2001-2005) was the first iteration of the government's 'going global' strategy, resulting in investment geared



// The current competition between the Chinese and Western economies is constructive, rather than destructive. So-called competition is actually to the benefit of both markets: as China becomes increasingly open, it creates more opportunities for the Western market. Competition builds bridges. //

KEHAI XIE  
Vice President, Founder Group

to accessing foreign technologies, raw materials and management skills. Smaller, 'educational' stakes are being taken, for example, in the British bank Barclays (3.1 percent) by China Development Bank, and the American Bank UCBH (9.9 percent) by China Minsheng, the country's first privately owned bank. Chinese buyers are also more comfortable investing in intermediate companies; for example, China Investment Corp. (CIC)'s investment in American private equity group Blackstone and the interest shown by China's social security fund in taking a stake in KKR, Carlyle Group or Texas Pacific Group.

### Export Success Breeds Fear

So, not only is China using its vast financial resources to make international acquisitions and establish a position in the global economy, but its leading companies are also increasing their export activities. With poor national distribution systems at home, Chinese companies benefit from exporting to other markets that have mature distribution and transport systems and logistical support. For Chinese entrepreneurs who successfully build local businesses against a backdrop of weak infrastructure, fierce local competition and personal hardship, coping with the dynamics of international competition is no more demanding. For example, according to the Organisation for Economic Cooperation and Development (OECD), by early 2006 China had overtaken the United States to become the world's largest exporter of information-and communications-technology goods.

Given this phenomenon, executives leading multinational subsidiaries on the Chinese mainland find that their role therefore involves a degree of 'campaigning,' in order to convince their global headquarters that the most effective way to address a more internationally assertive China is to overcome their concerns about sharing know-how and intellectual property with their Chinese subsidiaries. Only if they do so will they overcome their current nervousness about the commercial potential for their Chinese operation.

More enlightened leaders with an international perspective are able to see and communicate the big picture. Kehai Xie explains, "All European companies today enjoy the prosperity of their neighbours: competition, transaction and communication make your business partners rich as well as you. As China and India become increasingly competitive with Western markets, they will become increasingly stable and developed: increased wealth will create common interests. It is not good for Great Britain if Germany or France is poor; the same is true in Asia and Africa. We need to have the same attitude about undeveloped countries. It is in everyone's best interest to develop them."

One executive points out the irony of the fears often expressed by foreigners: "The manufacturing market is dominated by foreign companies, not by Chinese companies." Indeed, according to *Business Week*, 60 percent of exports are made by foreign-invested technological enterprises in China.



## Who Can Help Leverage the Tiger?

Given China's increasing participation in global markets, technological advances and consumer potential, the spotlight falls on the individuals behind the stories, the Chinese executives—their skills, operating styles and how these can be developed by transnational organisations.

Reid Walker, Vice President, Global Communications at Lenovo, explains, "Integrating these skilled workers into a global company's talent portfolio will be crucial to global success."

To succeed in the era of globalisation, he argues, "All companies must embrace 'world-sourcing' – finding the best talent and resources, no matter where they are located. China represents another important place companies can get the skills and talent they need to create competitive advantage in their businesses. And it's a double win, because adding the cultural influence of Chinese workers to this world-sourcing mix lets companies connect more closely with potential customers in China."

Very little is understood in the West about Chinese executive and management talent, beyond the fact that executives have learned fast from their multinational colleagues. An understanding of the importance of building the right international bridges has seen a plethora of East-West educational relationships, with university 'joint ventures' at both the secondary and tertiary stages. In fact, the United Kingdom is already benefiting from a greater influx of Chinese students who since 9/11 have found it difficult to get visas to the United States. Ee Soon Kiong comments, "When they return to China they present a positive view of the United Kingdom and the people there. They also talk positively about Canada, Australia and Continental Europe."

The challenge for multinationals today is to blend the right Chinese talent with the mix of Western, Asian, Chinese and 'international Chinese' executives. With such a large spread of skilled managers, China is a good example of the need to build transnational companies, with no overriding headquarters culture. "In these transnational organisations, the best executives from around the world are aligned through organisational goals and an understanding of the unique part they play in achieving them," comments Charles Bien.

## MYTH TWO

“The position of Asian superpower can be won by either China or India, not both. It’s a zero-sum game.”



Their populations and the size of their potential consumer markets tempt many observers into assuming that China and India are in competition with each other. Some commentators even yoke them together as one entity, “Chindia,” with common issues and challenges.

**// ‘Chindia’ is already the world’s biggest exporter of goods and services. China produces the goods and India provides the services. Together they cater to the full range of the industrialised world’s outsourcing requirements—or pose a competitive threat, depending on one’s outlook. //**

Financial Times, 18 September 2007

However, the idea that there is only room in the global economy for one Asian superpower is supported neither by the facts, nor by the opinions of senior executives we spoke to working in Asia.

The economies, historic legacies, business environments and people in the two nations diverge too sharply for meaningful comparisons to be made.

There is some inevitable competition between neighbouring countries that are both enjoying unprecedented growth, but it is not at all clear that one must emerge an uncontested victor.

Each country offers different strengths and weaknesses in the global market and each faces different challenges. As Francis Yuen explains, “In China you have one-party rule, so decision-making is very straightforward. In India, the world’s biggest democracy, it is hard to get policies through.” He points to the example of the Baima Road, built in Beijing for the 2008 Olympics. Yuen says, “The military built it in a few months. This would not happen in India. In China if you want to relocate a town, it is possible. In India today it would never happen.”

India has advantages in terms of levels of investment, its transport networks and its legal system, which are more established than in China. However, one of India’s disadvantages is the lack of widespread computer use. Yuen sums up, “It needs a greater proliferation of modern technology.”

China’s advantages include a vast savings reserve that creates huge potential for foreign investment: at \$4,800 billion, China’s savings dwarf India’s \$215 billion.

China also enjoys the advantages of Hong Kong as a significant and established gateway to international capital markets in China’s efforts to build international presence. According to *Asiamoney*, Deutsche Bank expects up to 40 mergers and acquisitions between leading Chinese state-owned enterprises, many through subsidiaries floated on the Hong Kong exchanges.

What China and India do share though are some challenges common to all emerging markets: a need to move up the value chain, develop their own intellectual property, integrate their financial sectors with global markets, and maximise the value of their talented executives.

**// In economic terms, China will grow faster. China will race ahead at 80 miles an hour, whereas India will be going 50 miles an hour. //**

FRANCIS YUEN  
President, Trane Asia

## Cultural Differences

Senior executives leading companies in China point to the fact that Chinese culture does not promote an ethos of domination or aggression. The cultural values of humility and self-deprecation are consistent neither with the desire to be a superpower nor to dominate the continent. A 'follow the leader' mentality lingers from the period when the state was the provider. 'Self-improvement' is a relatively new concept.

Economists predict that within a generation China will face problems created by the 'one-child' rule. While China's working-age population will decline from 2020 to 2050, India's will increase until 2045. China's current working-age population dwarfs India's by 230 million. However, by 2050 India's working-age population is forecast to exceed China's by the same amount. The Chinese government has begun to address this by considering lifting the restriction on young couples today where each partner is a single child.

Most agree that China and India are developing at different paces and in different directions. But they are also increasingly doing business with each other, and recognising the benefits and bonds that trade can create.

As *Business Line* reported in November 2007:

Bilateral trade between India and China is expected to cross the \$40 billion mark in 2008, two years ahead of the targeted year of 2010, according to the Chinese ambassador to India, Mr. Sun Yuxi. He also said India expects bilateral trade to cross the \$50 billion level in 2010.

This would show exponential growth from a level of \$4.8 billion in fiscal year 2002-2003 and \$25 billion in fiscal year 2006-2007. Both countries are also working towards a regional trading agreement, expected to be signed in early 2008.

What is clear is that each presents significant economic opportunities that could reshape the world economy. "It is only through people with an international perspective and a belief in collective success that East-West bridges can be built, enhancing commercial relationships and building transnational companies," says Brian Renwick.



## MYTH THREE

**“China is a huge, single market with weak local competition.”**

The potential size of the consumer market lures many foreign investors to China, but that market is something of a mirage.

The idea that China offers a billion ready-made consumers just waiting for the chance to buy Western goods represents a serious oversimplification. All those we spoke to say there is no ‘one China,’ and there is no one Chinese market.

**// China isn't one country, it's many countries. Success in China requires a multi-country strategy. //**

OLIVIER CHARMEIL

Senior Vice President, Asia Pacific, Sanofi-Aventis

While it is true that the potential market for Western goods in China continues to grow, it is also the case that real hurdles remain for Western companies wishing to expand in China. By no means should they expect to find a ready-made pool of customers, for several reasons.

First, China is simply too large to treat as a single market. Its growing middle class is the size of the entire population of Europe, but it is far from homogenous. Marketing strategies must take account of different languages, lifestyles, regional preferences and local influences, and the fundamentals of segmenting such a market are complex.

### Many Chinas

There are immense local and regional differences across the country: China has more than 200 languages and countless dialects, and climate, food, lifestyles and attitudes are as different across China as they are across a whole continent such as Europe.

Unlike countries such as the United States, however, China also presents a highly diverse mixture of local markets with broadly ranging socioeconomic and cultural demographics. These regional markets are separated by regulatory differences, communication difficulties, regional competition and historically inadequate infrastructure.

**// Success requires on-the-ground knowledge of regional and provincial differences as they relate to a business's products or services. It takes focus and patience to understand these differences and establish relationships in each market segment. //**

REID WALKER

Vice President, Global Communications, Lenovo

Those areas of China that are most highly developed are least representative of the country as a whole. Western corporate strategies tend to think of China in terms of the tier one cities of Beijing, Shanghai and Guangzhou, but each city has only 15 million people in a country of 1.3 billion. Shanghai might have an appetite comparable to Paris for glamorous, luxury items, but other cities such as Chengdu, Huangzhou and Nanjing and provincial communities are in another world.

Also, the way people spend money varies across different provinces. In Sichuan, the savings rate is very low compared to other provinces, and people in Harbin in the northern Heilongjiang Province are more ostentatious, copying Paris fashion trends.

Historical underinvestment in infrastructure and the absence of a national distribution system mean companies located in other cities cater primarily to customers within close proximity.

Charles Bien adds, “Just as it is very difficult for companies to expand or market nationally in China, so it is hard to move executives from one province to another. The documentation to cross provincial borders is still cumbersome, and the logistics of moving people can be as challenging as the logistics of moving goods.”

**// It is not a homogenous market, and many foreign companies fail because they do not understand this. //**

EE SOON KIONG

President/Chief Representative, Textron China, Inc.



### Strong Internal Competition

Any assumption that domestic competition in China is weak is wrong.

On the contrary, there are many strong domestic companies, and internal competition is fierce, with numerous domestic companies producing goods at competitive prices.

The immense wholesale Yiwu consumables market offers goods made by domestic producers at a fraction of Western prices. It has become a key link in the chain of world commerce with daily exports of 1,000 containers. Most local traders have established relationships with overseas counterparts, selling products to 188 countries and regions.

The new enterprise tax law harmonises tax at 25 percent for foreign and domestic businesses. Many thought the previous 15 percent tax for foreign companies created tougher competition for domestic businesses after joining the World Trade Organisation. This levels the playing field, but many foreign businesses now feel disadvantaged, competing with progressively stronger, domestic companies.

Chinese companies have always been used to producing high volumes. In the past, the resulting imbalance of supply to demand destroyed pricing mechanisms, leaving those in the planned economy bewildered. However, today the biggest Chinese companies, with large workforces, are using high volumes to compete with Japanese and Korean producers.

The proliferation of Chinese manufacturers and consequent intense internal competition keep prices low. The domestic market is therefore dominated by low-cost goods of low quality. For Chinese consumers, breaking away from this is very difficult. The historic pressure on resources at state and family levels created a practical, non-credit mindset that will take time to loosen.

### Domestic Purchasing Attitudes

Most Chinese consumers across the country continue to buy the least expensive product, even if quality suffers and product life is short. Practicality takes priority over durability.

As a result, Western companies still struggle to sell high-quality, more expensive goods and services to Chinese consumers beyond first-tier cities. This is changing rapidly, but there is not yet a national market for higher-quality goods, and it will take several more years for a widespread, luxury goods market to develop.

The *Financial Times* reported in 2007, "Just as China's manufacturers are moving up the value chain, so are its consumers. According to McKinsey & Co., China will have the world's largest luxury market by 2025." Again, the numbers are as deceptive as the geographic generalisation. Beijing and Shanghai might see an increase in luxury shopping malls, predicted by the *Economist*, but the rest of China will evolve in very different ways.

This includes attitudes toward credit. Introducing credit cards to a nation of savers is an ambitious but necessary part of high-end consumer marketing. So far, credit cards have only been introduced in supermarkets as a way of improving transactions, rather than encouraging purchases of expensive items that can be paid for over time. This impacts both multinational and local companies.

The biggest challenge for Chinese companies learning to deliver luxury goods is persuading Chinese customers to overcome a long-standing bias against domestic products in the luxury market. Domestic brands have an economic legacy that is hard to shake off. Nevertheless, the Chinese government knows that it needs to keep developing its domestic players.



// Chinese companies learn very fast. They may be weak today but they will not be weak tomorrow. Western companies currently have the competitive edge and can gain much from doing business in China, but at the same time they are teaching Chinese businesses a great deal. Competition, transaction and communication with Western companies are making us stronger every day. //

KEHAI XIE  
Vice President, Founder Group

## Segment the Market

The solution? Western companies need to focus on market share, not size.

Only certain sectors of Chinese society are willing consumers of most products; local protectionism makes it difficult to reach target markets.

“Keys to successful entry include the ability to quickly build on-the-ground market presence,” explains Reid Walker, “and to operate with the agility necessary to modify and even customise offerings for the diverse socioeconomic and cultural segments that compose this vast market.”

Olivier Charmeil, Senior Vice President, Asia Pacific, Sanofi-Aventis, agrees: “The market is so different from one province to another. To give you an example,

I would say our biggest challenge in pharma is to understand the dynamics of the demands and tastes of China’s rapidly growing middle class. The question we need to ask ourselves is: How do we reach them and how do we satisfy them? And any business model that we use will have to be different and adaptable.”

Specific business models in the pharma industry could include other types of partnerships, minority stakes and strategic alliances with various players.

Ee Soon Kiong concurs, “This is where local companies beat foreign companies. They understand how to segment the market appropriately.”



## MYTH FOUR

**“China has a consistent management culture, which is ripe for introducing human resource best practices.”**

China’s organisational landscape is far more heterogenous than many Westerners appreciate. The emergent entrepreneurial ethos and success of China’s many startup ventures have produced some insight into HR best practices, but implementation can be uneven.

**// At Lenovo, we adopted many HR policies from the legacy China business across our international operation (the legacy IBM PC Division). For example, our new performance management and incentive system is based upon many of the ‘pay for performance’ practices of our original China operation. These practices helped Lenovo grow from a small startup to a leading global multinational. //**

REID WALKER

Vice President Global Communications, Lenovo

Unlike the situation in many emerging markets, the Internet has not helped. “Chinese executives look at Chinese websites, so the Internet will not help bring about change in China as much as some people predict,” comments Ee Soon Kiong.

Most respondents agree that China currently operates a two-tier market in terms of HR. Multinationals make human resources part of their strategic planning, whereas Chinese companies tend to practice ‘personnel management’ rather than integrate HR planning as part of the overall business strategy. These companies tend to seek organisational advice and then look at human resourcing after that.

Those with experience in the market advocate a carefully integrated approach. “We analyse organisational structure in terms of strategic objectives and the people needed to achieve them,” says Brian Renwick. “This results in smoother transitions and much higher success rates, where executives have been part of the company’s development and goal-setting process.”

### Introducing Best Practices in Chinese Companies

Many Chinese companies employ a top-down, hierarchical leadership strategy; the culture is evolving slowly from its legacy of ‘follow the leader,’ where previously the

‘leader’ was an individual personifying the state. Given the ready acceptance of this, it will take time for it to change.

**// The big challenge for HR is how to get people to talk individually and instil individual behaviour. //**

EE SOON KIONG

President, Textron China, Inc.

Changes in HR practice are still very much personally driven, depending on the mindset of individual business leaders. A bottleneck at the top is often caused by senior managers with a local mindset rather than an international perspective on HR practice. Kehai Xie notes, for example, “Out of fifty-six joint ventures that a German-based conglomerate did in China, only three to four of the organisations had Chinese general managers; the rest were non-locals and thus had the necessary international perspective to do a joint venture.”

Despite the rapid pace at which the socioeconomic parameters are transforming, it remains the case that substantial change in corporate practices usually meets with initial resistance.

“To introduce changes in HR practices,” says Kehai Xie, Vice President of Founder Group, “you need one hundred percent support from top management; to have modern HR thinking, you need senior management who must be very practical and really understand business.” Most Chinese organisations have less international exposure, therefore, to modern HR practices.

At the same time, Chinese HR people are learning on the job at a rapid pace.

Ruth Yu, HR Manager at Textron China, offers the reminder that “there were no courses in HR in Chinese universities twelve years ago. HR people have learned on the job.”

### A Diverse Mix of Talent

An area where HR best practice is crucial is the management of diverse cultures and nationalities. How is this achieved? Francis Yuen explains their three-pronged approach at Trane: “First, from the top down, you have to make sure people behave according

to the requirements of the culture. At Trane it is customer focus, safety, delivering on promises, integrity and embracing diversity.”

At Trane all formal meetings are held in English, “but I speak to individuals in Chinese because it helps to clarify what I want to say,” explains Yuen. “More people now speak English, but it is not easy to convey the message of what you are trying to say always in English.”

Secondly, Trane has a formal process to introduce new joiners to the company’s business ethics. Informally, senior executives lead by example, and safety meetings are held and messages conveyed from the chairman every week.

Thirdly, Trane adopts a ‘SPACER’ approach for meetings, focusing on Safety, Purpose of meeting, Agenda, Code of conduct, Expectations of the meeting, and Role of those at the meeting (action).

Yuen explains, “Chinese operations learn from Western companies how to behave in terms of running meetings and managing expectations. Chinese companies don’t have this kind of culture. For example, a joint venture with a Chinese company requires a lot of handholding at board meetings in terms of who decides what at which level and so on. So it can be hard to follow a Western-style agenda.”

**// The convergence of practices between Chinese and Western companies means that the Chinese companies understand that they need foreign talent. //**

FRANCIS YUEN  
President, Trane Asia

Chinese companies have long acknowledged their need for Western expatriate experience, skills and leadership ability. Cultural and language affinities mean that Asian expatriates are also important, particularly with regard to regional expansion from within China. However, Charles Bien asserts, “Mainland executives who work for foreign companies are learning fast, introducing best practices to improve management. They are building up valuable skills and therefore have a lot to offer.”

Two other groups of executives—Chinese returnees and local hires—are dispelling myths of their own, at times to the surprise of companies whose experiences have not matched their expectations.



## MYTH FIVE

“Multinationals wishing to establish operations in China should hire Chinese ‘returnees’ who have

valuable international experience, a non-Chinese perspective and non-Chinese business education.”

Any company that intends to establish itself in the international market needs leaders with an international perspective. However, it is not the case that returnees are the only, or necessarily the best, executives for providing such a perspective.

It is important to distinguish between two groups of returnees. First, those who were born in China and then went abroad when young. There are big cultural difficulties – initially at least – for these executives who are more attuned to where they grew up. Colleagues will treat them with confusion, particularly if the returnee speaks only English. “The language shows the immediate difference,” says Francis Yuen. He explains, “If a foreigner speaks English to communicate, that’s fine, but if a Chinese person speaks English and not good Chinese, they will be less accepted.”

The second group of returnees are those who have studied abroad and after a few years are hired to work in China. These executives can struggle in a private company, still possessing a mindset that everything belongs to the state, which causes difficulties with budgeting and spending.

The general consensus is that it is a mistake to focus exclusively upon returnees. These executives bring a useful Western perspective, but they don’t always fully embrace or comprehend the Chinese point of view. Many feel they have moved beyond Chinese borders into a different group, and in many ways they have, because their international experience has taken them away from China during a period of rapid change. They no longer understand the market and their old relationships have fundamentally changed.

**// Returnees are helpful for doing international business in the short term: they are good for transitional periods, but not as a permanent strategy. Technically, returnees are helpful, but culturally they are not helpful because some of them view themselves as foreign. Western companies need to train and build up locals. //**

KEHAI XIE  
Vice President, Founder Group

For the returnees themselves, it can be very hard to find a job when they come back. Ruth Yu explains, “If they can overcome the hurdle of that first year back – getting a job and the right experience – then they pick up very quickly. It is beginning to filter through to those interested in gaining international experience how difficult it will be to come back.”

The growing pool of mainland executives includes many who have gained international exposure through working with international companies in China. Charles Bien comments, “These executives communicate more successfully with locals and have a greater understanding of recent changes in local provinces and beyond.”

Teams that combine returnees and locals must be carefully managed in order to avoid any perception of a two-tier system. Returnees may feel entitled to higher levels of remuneration, reflecting their international experience, while locals may resent the arrogance and sense of distinction on the part of returnees.

Asian expatriates can help to build bridges between the two cultures, adding a healthy third dimension to the mix of talent and experience. The opportunity to learn from Asian and Western expatriates is a key motivator for mainland executives, and also for returnees with the right mindset.



## Emphasise Local Market Knowledge

A global perspective may be more successfully developed by training locals in the company to understand variations in the business ethos of different cultures.

“Companies doing business in China,” says Reid Walker, “also need managers with significant local market knowledge, who understand the key officials and business practices, as well as the unique requirements of customers in different provinces and market segments.”

**// It is important to hire both locals and returnees. We want to develop local people, and the quality of growing people locally is extremely important. Our experience is that local people are excellent. //**

OLIVIER CHARMEIL  
Senior Vice President, Asia Pacific, Sanofi-Aventis

Local Chinese may not always be ready for senior positions, but training high potentials and grooming them for senior roles will pay dividends in the future.

**// Multinationals must build management through hiring and training local people. //**

BENGT HAMSTEN  
Former CEO, MAN Truck & Bus China;  
Professor, Mechanical Engineering, Chongqing University

Increasingly, however, local Chinese demonstrate their readiness for high-level positions in management. Indeed, some argue that mainland Chinese executives are just as liable to have acquired the knowledge and skill sets as any others. “Mainland executives are the most expensive people to employ,” points out Brian Renwick, “for good reason: they are the best.”

## MYTH SIX

**“The ‘war for talent’ is a Western phenomenon. No such war for talent exists in China where supply of talent outstrips demand among leading firms.”**

With the rapid growth of China’s economy comes increased competition for skill sets and talent.

Respondents concur that there is just as much of a war for talent in China as in any other market, perhaps even more so. Opportunities and salaries are rising fast in China, and labour costs are going up.

### Sector-Specific Skill Sets

Competition for talent in China changes in relation to the competitiveness of the sector or industry.

**// On the contrary, the war for talent is very fierce in China. If anything, talent wars are worse than in Europe. //**

BENGT HAMSTEN  
Former CEO, MAN Truck & Bus China;  
Professor, Mechanical Engineering, Chongqing University

Although the prospective talent pool in China may seem vast, numbers again are deceptive, and skill sets vary hugely across provinces, industries and sectors. For example, technical people are hard to find in northern cities because these cities are ‘second tier’ and therefore home to fewer multinationals. “Executives from second-tier cities do not immediately have an affinity for modern management approaches, so hiring from these locations requires the hiring company to lower its requirements,” explains Ruth Yu.

“Supply may outstrip demand on a macro basis,” warns Francis Yuen, “but on a micro basis, skill set by skill set, sector by sector, there’s a mismatch. Certain skill sets, especially at senior levels, are in great demand.”

**// One skill is in big demand: speaking English drives up remuneration and therefore the price of everything else. //**

EE SOON KIONG  
President/Chief Representative, Textron China, Inc.

Spoken English is highly prized and, for executives who do not offer this, an English-speaking environment, supported by coaching, is a strong factor in hiring.

### Retention

Retention is a challenge, especially among senior managers.

**// Executives are changing jobs every two to three years, usually for a 30-50 percent increase in salary. //**

RUTH YU  
HR Manager, Textron China, Inc.

Some attribute the problem with retention of talent to a lack of ‘employee loyalty,’ but when confronted with so much opportunity, executives in China are as motivated as executives elsewhere in the world. Economic success is driving up the cost of living, the dream of career advancement has become a reality, and with so much change in the market, it is not always the case that executives feel they are in the right place at the right time.

**// There’s still a gap in expertise, which makes some professionals much more in demand than others. Opportunities are exploding, and young people are looking for opportunities. People are people: they will accept what they see as the best offer. //**

KEHAI XIE  
Vice President, Founder Group

### Matching Individual Aspirations to Corporate Objectives

As anywhere, if employees are not satisfied with the dynamism and career prospects in their positions, they will leave for greener pastures. “Retention starts with selection,” says Brian Renwick. “When companies get that right, executive mobility decreases dramatically.” In China’s rapidly changing corporate life, selection has to match an individual’s current and future aspirations to the company’s current and future objectives. “We need to make sure that a great fit today will also be a great fit tomorrow,” says Brian Renwick. This means looking at an executive role in terms of how it will change in the future, and whether the final candidate will respond well to increased opportunities. Renwick continues, “This consulting approach means using our experience to determine a client’s future prospects and the kind of executives they will need to maximise opportunities in the market.”

Companies need to remember to reward talent with more than just pay. The work environment and career prospects are key motivators in terms of both performance and retention.

“This is one important reason,” explains Reid Walker, “why our management team has made building a world-class team and culture a top strategic priority. The best work environment with attractive career development opportunities is what will win the war for talent in China and everywhere else.”

Renwick sums up, “Retention of executives on the mainland depends upon selecting them carefully and looking after them well. People leave jobs when their expectations aren’t met.”

## MYTH SEVEN

**“Since the reunification of Hong Kong and the People’s Republic of China, the administrative and business relationships are seamless.”**

On the contrary: ‘One country, two systems’ continues to be the rule for the relationship between Hong Kong and Mainland China.

The ‘two systems’ principle was the solution to reunification proposed by former Chinese leader Deng Xiaoping in the 1980s. He promised that this rule would safeguard Hong Kong’s capitalist markets, hybrid culture of East meeting West, and administrative autonomy for 50 years after the territory was unified with China in 1997.

After 10 years of Chinese sovereignty, Hong Kong’s economy is thriving, and its government continues to keep Britain and the Mainland’s promises to protect the former colony’s financial autonomy.

**// They are like two different countries; China wants Hong Kong to be self-sufficient and run itself. //**

EE SOON KIONG  
President/Chief Representative, Textron China, Inc.

Hong Kong operates to a great extent as an autonomous region. There continue to be customs checks, visas and

import duties when travelling between the mainland and Hong Kong, while language and cultural differences are numerous and widespread.

In terms of executive mobility, Linda Downs, Head of Resourcing, North East Asia, Standard Chartered Bank, comments, “The ‘border’ between Hong Kong and China is very porous; talent is moving in both directions and demanding regionally competitive opportunities. Rather than providing a ‘one-size-fits-all’ approach, Standard Chartered is delivering unique employee value propositions tailored to individual talent needs, focusing on providing both compelling roles with growth opportunities and competitive compensation.”

### One Country, Two Cultures

Given its century and a half of British rule, it should come as no surprise that Hong Kong has many more Western attitudes than Mainland China does.

To take one example: Where Western thought seeks one truth, Eastern thought proposes many truths, many answers to a question. This issue is far from academic. “It means that strategic decision-making processes vary widely between the two systems,” explains Brian Renwick.



According to some observers, however, Hong Kong is growing inevitably more Chinese in its practices, particularly as Chinese entrepreneurs and workers continue to be lured by the economic incentives Hong Kong offers.

**// There is still a gap between the two, but the gap is closing, it's being bridged by doing business together. It's not seamless now, but it will be some day. //**

KEHAI XIE  
Vice President, Founder Group

Economically, most agree it is in China's best interest to protect the determinants of Hong Kong's financial success. Some business leaders in Hong Kong worry that Shanghai – a magnet for foreign investment – will attract regional headquarters away from Hong Kong. Tax incentives can help; for example, there are tax advantages for Hong Kong companies to expand in China almost as part of a 'Godfather arrangement' from a Beijing government keen to ensure Hong Kong keeps its lustre.

As China meets the challenges of developing a capitalist economy, however, it seems clear that it has learned the importance of maintaining relationships with all constituencies, including customers, trade partners and government officials.

As Reid Walker remarks, "The need to engage business and government stakeholders in individual and collective dialogue is the same [in China] as everywhere."

**// For once a political slogan has lived up to its promise. When the Chinese vowed to run Hong Kong as 'one country, two systems,' they knew exactly what they were doing. Why ruin more than two centuries of profitable trading and the creation of untold wealth by changing a system which actually worked? //**

THE SUNDAY HERALD, 1 JULY 2007



## MYTH EIGHT

**“China is a low-cost manufacturer, not a platform for product and service innovation and the development of intellectual property in its own right.”**

China today is rapidly becoming one of the world’s leading engines for innovation in proprietary technology.

**// Mark my words: in less than five years it will be the Chinese who are developing technology for export to others who haven’t discovered it yet. //**

FRANCIS YUEN  
President, Trane Asia

“The observable reality,” explains James Kynge in *China Shakes the World: The Rise of a Hungry Nation*, “is that China is climbing the technology world at a rapid pace and its ascent is neither localised nor specialised, but identifiable almost across the board. The difference between China’s technological emergence and that of developed countries is that it is driven not so much by research as by commerce. Chinese companies, by and large, derive their technologies by buying them, by copying them, or by encouraging a foreign partner to transfer them as part of the price for access to a large potential market.”

For China, the Communist state legacy of ‘what’s yours is mine’ is being consigned to history with the development of China’s own innovative intellectual property.

### The Future of Chinese R&D

China’s 11th Five-Year Plan (2006-2010) stresses a scientific approach to development. Coupled with the global focus of its 10th Five-Year Plan, China is communicating a powerful vision that attracts greater international collaboration. For example, the European Commission marked 2007 as China-EU Science & Technology Year.

The vision of Guanhua Xu, Chinese Minister of Science & Technology, “to upgrade innovation capability and build an innovative country,” coupled with China’s growing role in the global economy, has secured further partnerships with the European Commission.

Looking to the future in Europe, the European Commission has created ‘The 7th Framework Programme for Research and Technological Development (FP7)’, running from 2007 to 2013 and providing a vision for the future of research and innovation in the region. The Commission notes: “[The Framework Programme] also provides

a structure for opening the European Research Area to the world, and China is an important partner due to its spectacular rise as a key player on the world stage backed by concerted internal reforms.”

### A Different ‘Workshop of the World’ Emerges

“China used to be the place for grafting,” comments Francis Yuen. “But now it is a good location for structured analysis and design of Asian products for Asian needs.” The North of China is currently the second largest outsourcing region in the world, supplying Japan and Korea. China is already exporting wholesale plan designs.

The OECD notes that China has become the world’s second largest investor in research and development. The country now ranks second worldwide, with 926,000 researchers—just behind the United States (more than 1.3 million), according to the OECD.

Francis Yuen points to the anecdotal evidence in the automotive industry that shows how China managed to achieve this position:

“In the days of joint ventures, the first-generation car lasted a few years and the company would make the latest models. Now Chinese companies can afford to make their **own** cars, incorporating the latest Italian designs. The Koreans started with low-quality cars; now they produce world-class quality cars. Chinese companies will work with a foreign company, then develop their own intellectual property and have a good product to sell **at a lower price**. How? Because they are happy with three to four percent gains. Others need 10 percent to satisfy Wall Street. Chinese companies go for volume because of the economies of scale and they are therefore a force to contend with.”

This is an ongoing development and Yuen takes us back to the fallacy, therefore, of protectionist attitudes from multinationals in Europe and the United States. “In the high-end goods market, it’s time for multinationals to start watching their local competitors,” he says. “They will start to develop high-end, competitive products, so the challenge is to develop a viable strategy for the long term and leverage resources and talent in China. Otherwise, the locals will eat your lunch as well.”



// The entrepreneurial spirit is very strong in China. We have to tap into that. //

OLIVIER CHARMEIL  
Senior VP, Asia Pacific, Sanofi-Aventis

This is why Trane is building the largest factory outside the United States and the biggest in Asia at Taicang, due to open in 2008. This factory will provide high-end air conditioning systems that China does not produce in general in a market currently dominated by cheaper, mid- to lower-market goods.

Yuen's advice to other multinationals? "The company which picks the right resources and leadership from outside China will be successful. Hire someone with many years of experience. Not Chinese, but a foreigner who is Chinese-speaking, because he has to work with young engineers. This can pay off quickly if you get it right."

He continues: "You must work well with the local government and choose your location carefully. Build in new areas and create relationships among a number of governments. General Electric and Procter & Gamble manufacture all over China because of the logistics and the size of the country. This also provides opportunities to cultivate relationships with different parts of the market."

## R&D Today

The design and technology talent pool is already in place. For example, the percentage of engineering students is increasing in China (and India and Vietnam), while it is decreasing in the United States.

According to *Science Business*, China filed 2,452 patents in 2005, the second highest number of patents among developing countries. The Republic of Korea filed 4,747. China is the 10th largest user of the World Intellectual Property Organisation's Patent Cooperation Treaty, moving ahead of Canada, Italy and Australia.

Reid Walker shares an example from Lenovo: "You can see significant innovation coming from the China market. At Lenovo, for example, we're introducing several pioneering technologies, such as face recognition for logon, that originated in our China development labs."

## Conclusion

China's position as the 'workshop of the world' is changing. It still remains cost-effective to manufacture in China, but it is not getting any cheaper.

// Right now this is true: being a low-cost manufacturer is a competitive advantage for China in the international arena. But Chinese companies know that without proprietary technology they cannot become international players, so this will change in the foreseeable future. //

KEHAI XIE  
Vice President, Founder Group

What is happening is that China's 'emergence' has moved on to the next stage, with resulting benefits for other countries.

"It's not the end of the great China manufacturing story," says Jonathan Anderson, the chief Asia-Pacific economist for UBS. "But you're no longer going to be talking about China having labour so radically cheap that it will capture all the investment flows. This is an opening for Vietnam, it's an opening for India and Cambodia."

China's executives and entrepreneurs are lifting the country into a new era. They have learned fast and taken its apprenticeship to an advanced stage. China is no longer just exporting goods. It is exporting a determination to claim a greater role in the global economy. As the banking sector transforms itself at home and abroad, the impact of financial reforms will ripple across the business world to consumers catching up with changes at a very personal level.

As Charles Bien of Boyden observes, "Different factors are converging incredibly fast in China, and change happens on a massive scale. In six months' time, the conversation will change again."





## The Boyden View – A Selection of Current Truths

China is a wonderful example of the fluidity of Eastern thought, which results in ‘many truths.’

As one Western expat said, “You are only an expert on China in your first year. After that, you realise there is so much to learn you can’t ever get on top of what it all means.”

Here is Boyden’s view on some current truths for multinational and local companies hiring in China.

### Multinational Expansion in China

Many companies come to us saying, “We should have been in China ages ago.” Expanding into China today means considering the opportunities it offers in global human resourcing terms, not simply in the cost-cutting terms of yesterday.

What we now know to be true is that the impact of expansion into China will affect the whole company. “This growth economy provides a global opportunity to transform business operations and human resources across the organisation,” says Brian Renwick. “Greater manufacturing and intellectual property development in China will have an extremely positive, global impact. It means that managers at headquarters and across international markets can build stronger skills in areas such as sales, customer relations and distribution management.”

In short, China can be the catalyst for a new era of skills development in mature markets.

For those companies already in China, many lessons have no doubt been learned, and there will be many more to come.

### 1 The greatest challenges in recruiting are cross-cultural.

*When a new executive hire fails, it is usually for cultural and not financial reasons.*

The complexity of China is evident among its people. To expect an immediate bond among executives from different parts of Africa, Europe or South America is unrealistic; it is the same for China.

One of the attractions of working in a Western company is that most Chinese executives in these companies like to work for a Western expat. Their management style of creativity and flexibility is prized above the Chinese style – with lingering connotations of being planned and over-disciplined.

Chinese returnees are no quick fix. Mainland companies have an advantage here in that they understand the cultural dynamics; their executives are not under the threat of a returnee being hired to lead their team.

## 2 Mainland Chinese companies are serious competitors in the war for talent.

*The combination of a Chinese culture, internationally competitive remuneration and the chance to learn global best practices is very powerful.*

Mainland companies are beginning to pursue international ambitions and are attracting Chinese executives back from Western companies, where international exposure has been gained in a local context. Chinese companies are also culturally attractive. Mainland companies are copying international business strategy and best practices (particularly those headed for the stock market), while at the same time remaining bullish about being Chinese.

Remuneration among Chinese companies is now much higher and closing a historic gap with multinationals.

## 3 Mainlanders lead the talent contest.

*There is a growing pool of mainlanders who are extremely talented and worthy of internationally competitive remuneration at the senior levels. Quite simply, they are expensive, but the best.*

The most senior positions in the Chinese subsidiary of a multinational will often be held by a Westerner from the headquarters or an Asian expatriate. Asian expatriates who adapt well are those with the greatest cultural synergies; for example, those from Malaysia, Singapore and Taiwan.

Yet for almost all second-tier positions and many leadership positions, the mainlander is now king. Mainlanders are the highest-paid executives in Chinese companies – they possess all the cultural advantages, and many have Western experience gained within China. The most sought-after executives fall into the following order:

- Mainlanders
- Chinese-speaking Asians
- Westerners
- Returnees

## 4 Retention is an issue that starts with selection.

*Base the selection process on alignment with company culture, and retention will be less of an issue.*

This is common to recruiting in all markets, but in China the complexities are far greater. Because of the cross-cultural talent mix in most mainland and international companies, the overriding, unifying factor is the company

culture. And the stereotypes of national cultures are just as relevant for Chinese managers working for companies with headquarters in one country or another. They have to learn to cope with a multitude of foreign styles.

Change programmes tend to include a comparison of the company's values with an individual's perception and preferences. View the recruitment of an executive as a microcosm of change.

The company's values, proposition, definition of ethics and specific expectations of behaviours are critical in the success of individuals and the organisation as a whole.

Diagnose company values and an individual's perception and preferences as the core part of the selection process. If they can detect and integrate with the culture, a new hire's success, remuneration and satisfaction will serve as natural retention factors.

## 5 China is poised to become the design and research centre of the world.

*Famed for copying other goods and brands, China is quickly leaving behind its Communist legacy of 'what's yours is mine' and inventing for itself.*

China's history includes inventions generally considered Western: clockwork, water power and the compass. This legacy of talent marks China as a pivot for global prosperity, inventing proprietary technology and other intellectual property not yet imagined.

The challenge for multinational companies is to overcome a fear of loss. Chinese thinking turns loss into gain. Brian Renwick comments, "The potential shift in manufacturing jobs is having greater global benefits in quality of life and access to goods. Mature economies have a rare chance to transform themselves through the opportunities offered by China."

He sums up, "With careful strategic considerations, often in a global context, the consultants at Boyden work with multinationals to invest in China and share intellectual property. Through this, workforces in mature markets will continue to move up the executive levels to provide new leadership talent for the next century."

## Chinese Expansion Beyond China

"China has changed its position to a greater degree in a shorter space of time than any other country in world history. In just 25 years, not only has it become a major influence on—if not a determining factor in—the world economy, it has also become the design and research centre of the world," says Charles Bien.

## 1 We must hear China's voice.

*Our future appreciation of China depends on internationally minded people continuing to build the right bridges.*

In seeking to educate the world, the media has pursued such a demystifying approach to China that the global population can only attempt to understand China in terms of each nation's frame of reference. It's a self-perpetuating flaw.

"It is only when enough people have experienced China and shared their experiences that we can truly begin to understand what it offers to future global prosperity," comments Brian Renwick.

## 2 The consulting approach in the search for senior-level assignments can have a significant impact on mid-level assignments.

*Boyden's consulting approach helps companies hire the right mid- and senior-level talent to grow in China, develop an international business and position themselves to participate in the stock market.*

The tendency for Chinese executives, in keeping with Chinese culture, is to buy professional services, as well as goods, according to price. But the experience and consulting approach of a search partner are critical success factors, and can have a huge impact on mid-level positions.

In mature markets, there is acknowledgement that for mid-level positions a large number of potential candidates exist. The focus is primarily on their technical skills and ability to interact with a team. Senior positions are approached with more detailed exploration of personal drivers, ambition, quality of vision, leadership ability and brand synergies.

A high-quality search firm that invests in companies operating in China by taking their mid-level recruitment as seriously as their senior-level search is rare. Few search firms offer this, but if you find it, a little more investment will pay dividends in the future.

## 3 Be bullish about hiring foreigners and build international financial stature.

*City executives from mature markets could be attracted by the opportunity to play a significant part in opening up China's banking sector to the global economy.*

Two key developments will set China onto an even broader, global economic path:

First, the expected flow of international capital into the country now that mainland asset managers have their qualified domestic institutional investor licences; and second, Industrial and Commercial Bank of China's (ICBC) application for banking licences in the United States and Russia, which underscores China's determination to extend business beyond its home market.

Chinese companies learn fast and are good at using the expertise of foreigners to build knowledge into the local workforce. Use a global search firm to help define what foreigners need to bring to the table in terms of technical knowledge, governance issues, know-how and people skills.

## 4 When hiring foreigners or Westerners, be aware of the complexities outside China.

*Western employees have much to offer, and Chinese companies need to apply the same cultural diligence in hiring Westerners as multinationals need to do in hiring Chinese-speakers.*

An executive who has worked for a German, Italian, British or American company will demonstrate the cultural characteristics of success in very different ways. Education systems, work exposure, accounting and legal procedures and corporate governance are just some of the areas where marked differences will show.

The Chinese company needs to be very specific about the kind of technical, business and personal expertise it seeks to bring into the workforce. The most successful Westerners or foreigners are those who have already worked in other countries and have proved themselves to be culturally adaptable.

You will know when you have been successful because your foreigner will start to envisage him/herself at home, not as an expat, but as a 'returnee.'

## 5 International expansion for Chinese companies includes a need to demonstrate an understanding of human resource issues in addition to the financials.

*Acquisition targets may be sensitive to the implications of state-backed Chinese ownership and the fact that a big culture change might destabilise the workforce to the detriment of the business.*

For Chinese companies wanting to expand overseas, particularly with a view to buying executive management skills, understanding the management culture and the executives they are 'buying' is as important as finessing the financial details. An executive search firm with

strong consulting experience can provide senior executive and leadership assessment, coupled with the impact on organisation structures and managing integration issues.

Adding a human resource focus to the due diligence stage makes an enormous difference to the likelihood and subsequent success of an acquisition. Assessing the senior executives also enables Chinese companies to gain a greater understanding of the real value of a deal.

Confucius might have said of individuals, "Wealth and rank can be as insubstantial as floating clouds," but we now see that collective wealth and rank is China's new destiny. The challenge for China's leaders, as ever, will be in the numbers.

## About the Report

This report was developed by Boyden World Corporation in collaboration with the business research group Lighthouse Global ([www.lighthouseglobal.eu.com](http://www.lighthouseglobal.eu.com)). The content was created from research and a series of interviews with the following business leaders:

- Olivier Charmeil, Senior Vice President Asia Pacific, Sanofi-Aventis
- Linda Downs, Head of Resourcing North East Asia, Standard Chartered Bank
- Bengt Hamsten, Former CEO, MAN Truck and Bus, China and Professor of Mechanical Engineering, Chongqing University
- Ee Soon Kiong, President/Chief Representative Textron China, Inc.
- Reid Walker, Vice President Global Communications, Lenovo
- Kehai Xie, Vice President, Founder Group
- Ruth Yu, HR Manager, Textron China, Inc.
- Dr Francis Yuen, President, Trane Asia

## About Boyden

Boyden is a global leader in the executive search industry with more than 70 offices in over 40 countries. Founded in 1946, Boyden specialises in high-level executive search, interim management and human capital consulting across a broad spectrum of industries. For further information visit [www.boyden.com](http://www.boyden.com).

## The Boyden Reports

*Other reports in the series:*

The Boyden Report: India–The Sun Rises on the Indian Executive

## Sources

- BBC
- Business Week
- China Europe International Business School
- China Economic Review
- Company Annual Reports
- European Commission
- Financial Times
- James Kynge, China Shakes the World: The Rise of a Hungry Nation (2006)
- New York Times
- Organisation for Economic Cooperation and Development (OECD)
- Science Business
- The Economist
- [www.trak.in](http://www.trak.in)
- [www.china.org.cn](http://www.china.org.cn)



## Boyden Offices

### The Americas

Atlanta  
Baltimore  
Bogotá  
Buenos Aires  
Calgary  
Caracas  
Chicago  
Detroit  
Houston  
Lima  
Mexico City  
Minneapolis  
New Jersey  
New York  
Pittsburgh

San Francisco  
Santiago  
Sao Paulo  
St. Louis  
Toronto  
Washington DC

### Western Europe

Amsterdam  
Athens  
Barcelona  
Berlin  
Brussels  
Copenhagen  
Düsseldorf  
Frankfurt-Bad Homburg

Helsinki  
Lisbon  
London  
Lyon  
Madrid  
Milan  
Munich  
Oslo  
Paris  
Rome  
Stockholm  
Valencia  
Zurich

### Eastern Europe

Bucharest

Budapest  
Istanbul  
Moscow  
Prague  
Sofia  
St. Petersburg  
Warsaw

### Middle East

Dubai

### Africa

Johannesburg

### Asia-Pacific

Auckland

Bangalore  
Bangkok  
Beijing  
Guangzhou  
Hong Kong  
Jakarta  
Kuala Lumpur  
Melbourne  
Mumbai  
Pune  
Seoul  
Shanghai  
Singapore  
Sydney  
Taipei  
Tokyo