

technology MNCs in china: big growth, big headaches

By Jing Xu

To avoid leadership failures in China, technology companies need a more systematic approach to hiring and onboarding leaders.

The last two years have been rough for the country managers of leading technology MNCs in China, with many leaving their posts after disagreements with headquarters. The most recent example of a country head departing under a cloud is Zhou Shaoning, the Greater China co-president of Google. After joining the company in October, 2005, Zhou presented Google headquarters with a radical plan for change. He wanted to increase headcount, restructure the China organization, and change the market strategy. Reportedly citing concerns about how the proposed changes would affect the company's global image, headquarters balked and turned Zhou down. Finally, after just 14 months on the job, Zhou officially resigned on December 31, following months of rumors he would do so.

A few weeks prior to Zhou's departure from Google, Luo Chuon resigned from his post as head of Microsoft Windows Live unit in China. Apparently Luo's

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relationship with the Seattle giant was an uneasy one: he desired to work closely with a local firm to develop the MSN portal in China, but he struggled to convince headquarters. When he finally got their hesitant approval it was too late for MSN China to make a major impact in China's fast moving Internet market.

A year earlier Microsoft's perennial rival, Apple, had its own share of troubles. Although known globally for its innovative, cutting edge branding and marketing capabilities, Apple failed to adjust its strategy to the China market. Nonetheless,

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it held its China leadership team accountable for aggressive sales targets, which the team missed. This resulted in the dismissal of several key leaders including the company's China general manager and several of his direct reports.

Although it is entirely possible Zhou's departure from Google stemmed mainly from poor communications with headquarters, the cases of all three illustrate the leadership challenges tech MNCs face in China. Tech MNCs often have aggressive corporate cultures where meeting the numbers ranks above all other priorities. When entering China they have extremely high expectations, but they often fail to understand the nuances of doing business in this market, placing their China leaders between a rock and a hard place. Too late, they discover that what works in more developed markets may not work in China.

Lost Victories

Unfortunately such leadership debacles result in firms missing the opportunity of a lifetime, being in on the ground floor of China's growth. China has been a part of the World Trade Organization for 5 years, and the country's economy is more linked than ever with that of the world. To deal with the high octane growth and competition this entails, tech MNCs must work to get their China leadership right, or else their extensive investments in China up until now will be wasted.

Tech MNCs in China are in their fourth major leadership stage since China starting opening its economy back in the late 1970s. Up until the early 90s

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most key roles were staffed by western expats; the talent pool was simply not available in China or the other parts of Asia, which were (with the exception of Japan) still developing themselves. From the early 1990s the office suite started to change, with leadership from Hong Kong, Taiwan, and Singapore rising to dominate top leadership posts. Finally, around 2004, tech MNCs started hiring PRC nationals with about 10 years of MNC experience overseas; now it is not uncommon to find senior tech executives whose entire career has been in China.

However important localization is for understanding the market and generating growth, the majority of MNCs (and not just those in the field of technology) tend to lack a systematic process for hiring senior leadership in China. In the rush to fill key posts in a fast moving market, they often shelve their processes for appraising and compensating internal and external candidates. While the nature of the market means international practices may not always work, companies must try to stick to hiring leaders that display a few key attributes.

Most important is the leader's ability to adjust the headquarters global strategy to the realities of doing business in China, while getting headquarters' buy in. For this to be possible a newly appointed leader of a tech MNC needs a support network at headquarters. An effective onboarding process should include a stint at headquarters, where the new leader can develop relationships with key

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colleagues. What's more, an official mentor at headquarters can help provide insight and support, particularly in a China leader's first year.

The leader must also be able to win the loyalty of team in China, where bold, charismatic leaders are admired. The key for the leader is to balance the needs of headquarters with the needs of the China team. China leaders must also be sufficiently hands on to execute in the absence of middle management, and have the ability to deal with the Chinese government.

An example of an MNC that has gotten things right in China is Honeywell. Upon entering the China market in the 1990s, Honeywell committed itself to presenting a unified corporate image – despite the vast range of sectors in

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which Honeywell operates. Before interviewing candidates for top leadership positions the company carefully assessed its own corporate culture, determining the leadership and personality attributes that would work in its global matrix. Ultimately it found the right leader, who has been successful at aligning a successful China strategy with the global strategy of the company.

China will continue to grow from being a low cost center of manufacturing to a dynamic economy that drives innovation. Big challenges such as heavy competition and intellectual property rights concern will remain, requiring China leaders with vision, flexibility, and a close relationship with headquarters. Too much turnover at the top, however, can all but guarantee that the even greater opportunities China presents will be missed.

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