

finding china leaders: the challenge for emerging MNCs

By Lawrence Allen

In 1990, when Nestlé opened their first factory in China, Group CEO Mr. Helmut Maucher, was convinced of the potential of the China market. He announced that the company would have 10 factories in the country, in as many years. 18 years later Nestlé operates over 20 factories in China!

Few food companies have gone into China's complex and often bemusing economic environment, with the totality of commitment, as that of Nestlé's.

Over the past 25 years, China has presented a once-in-a-lifetime opportunity to build consumer businesses, with hundreds of millions of newly accessible consumers. Nestlé's market entry was visionary, and even set standards for operational excellence of multinational companies.

Given Nestlé's size and depth of experienced global leadership, their success in China is not surprising. With USD 89 billion sales in 2007, and a presence in over 80 countries and 500 factories worldwide, Nestlé is the world's largest

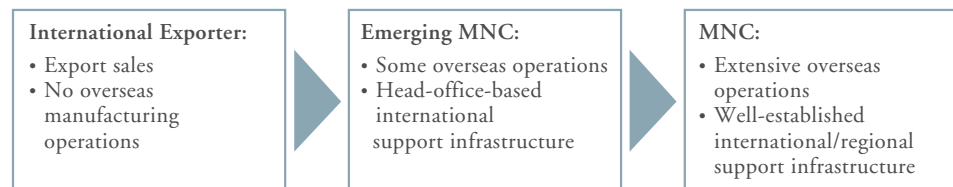
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food and beverage company. Among its 270,000 employees are thousands of career expatriates, experts of all functions, who have successfully established Nestlé businesses and operations in dozens of countries worldwide.

But what about Emerging Multinational Companies (MNC) who don't have Nestlé's global resources? From where will they draw the leadership talent to establish and develop their China operations? Many Emerging MNCs will choose to establish Wholly Foreign Owned Enterprises (WFOE) in China, which like the big global players, have manufacturing that serves both domestic and export markets, and needs to function as a seamless link in a global supply chain for their parent companies.

MNC EVOLUTION



CHINA SUBSIDIARY EVOLUTION



The Job

Senior in-market leaders have to deal with a dizzying array of functions and operations. Beginning with operations start-up, leaders need to manage tasks as diverse as acquiring the subsidiary business license, through overseeing plant construction and IT systems implementation. All subsidiary commercial entities

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must also carry out the full spectrum of finance and accounting activities such as managing commercial receipts, accounting for expenditures, inventory and asset valuation, funds management, banking and cash flow financing – all under multi-GAAP financial management and reporting.

Talent acquisition and training at all levels must be compressed into months. Employee compensation and benefit plans will have to be developed from scratch. Other general management issues, such as compliance with dual government regulations, intellectual property protection, implementation of company-wide initiatives such as Lean Manufacturing for plant operations, need to be executed with the highest degree of integrity, professionalism and excellence.

Enterprise scale is not a determining factor in whether subsidiary leaders need to deal with these issues, since virtually any size manufacturing and sales enterprise must inevitably deal with them in one form or another. Further, the Emerging MNC head office organization deals with these very same issues at home through well-established practices and systems, and dozens of people

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who've been doing their jobs for years. Emerging MNC's China subsidiary leaders, on the other hand, are expected to manage similar work and complexity through an inexperienced or "other experienced" management team of often less than 10 or 20 people. This means these leaders need to be far more hands-on since they cannot extensively delegate to their management team. Worse yet, smaller stand-alone China enterprises do not have the in-market or regional support systems of the large multinational companies. Emerging MNCs quickly and sometimes painfully learn that e-mails from head office, odd-hour phone calls and fly-in management are no substitute for competent on-the-ground leadership and decision-making.

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Finding Leaders For Emerging MNC Subsidiaries

In many ways, it is more challenging for Emerging MNCs to find leaders for their China operations than it is for large multinational companies. For example take two key leadership roles: the General Manager and the Finance Director. General Managers must competently wear all hats in the China operation, function autonomously without day-to-day oversight, while integrating and liaising credibly with the home office. These competencies are normally found with experienced General Managers or Managing Directors of top-tier multinational organizations. Finance Directors must also be capable of leading a wide variety of disciplines such as plant-level cost accounting, while at the same time functioning as high-level financial managers who can effectively source and manage funds, lead compliance, and so on. Again, these broad skill sets and experiences are typically found at the CFO level of top-tier multinational companies.

With smaller operations and budgets, Emerging MNCs find it difficult to attract experienced leaders away from top-tier multinational companies. Rob Brown, Regional Managing Director, Asia Pacific for Weir Minerals, which recently started up a wholly-owned manufacturing and sales operation in Suzhou says, “Even if we hired someone from one of the big global companies, they may not have the right skill-sets and competencies we are looking for. Division heads from these companies, for example, may not have the broad end-to-end leadership experience that a mid-size operation such as ours requires.”

Further, as the lead representative of their companies in China, Emerging MNC’s China subsidiary leaders need to fulfill a diplomatic role as well. Adds Brown, “They may know how to manage internal systems very well, but their experience with managing external relationships, such as working effectively with the various government authorities, will likely be lacking.”

Emerging MNCs need to focus on candidates who are realistically accessible, while at the same time have accumulated sufficient qualifications and experience, and demonstrate the necessary behavioral competencies to step up to these broad roles.

Hiring Realistically

Instead, Emerging MNCs need to focus on candidates who are realistically accessible, while at the same time have accumulated sufficient qualifications and experience, and demonstrate the necessary behavioral competencies to step up to these broad roles. Hiring managers need to be more intuitive and discerning in their judgments about both the role they are hiring for, and the accessible talent pool.

Brown explains, “We really needed to find three kinds of managers in one person. They have to be a hands-on entrepreneurial person, who can think on their feet, to get things going. They then need to start implementing and leading the operation, actually running the business, and know when they have reached this point, and adapt accordingly. Finally, they have to be a management expert, able to get the last 5% or 10% of efficiencies out of a more mature operation. Finding all three of these competencies in one person is very challenging.”

Emerging MNC hiring managers therefore need to become more knowledgeable and develop an appreciation for the myriad of issues that will be facing their China leaders, and be willing to accept that the scope and complexity of the candidate’s day-to-day job may even exceed their own.

Finally, talent acquisition is only the first step in the process of Emerging MNCs building long-term and effective leadership teams in China. They must proactively support, develop and nurture their China subsidiary leaders through a well-managed executive on-boarding program and a comprehensive on-going professional development plan, to ensure ultimate success.

Emerging MNCs that are struggling on their journeys to find leaders for their China subsidiaries might take solace in the words of Deng Xiaoping. 30 years ago, as he set out on the journey to transform a nation of over a billion people, he remarked, “We must cross the river by feeling the stones with our feet.”

One thing is for certain: times have never been better in China to find the right leadership talent for all companies, big and small.

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