

Talent Diversity

Talent Diversity:
A Strategy for
Dancing with the Dragon
in the 21st Century

The Ming Emperor Hong Wu (1328-1398) famously claimed that China needed nothing from the outside “barbarian” world ushering in one of China’s closed door eras. Under this policy, much of the Ming and early Qing dynasties prospered socially and economically for centuries. Although some small-scale commercial transactions with the outside world continued, the country missed out on the Industrial Revolution’s technological developments and fell behind the West as a result. This contributed to the unequal treaties and threats to its sovereignty that China suffered at the hands of more technologically advanced nations in the 19th century.

In modern times, China once again found itself absent from the world stage. While free trade and the free exchange of people and ideas raised the standards of living of hundreds of millions around the world during the post-WWII era, China entered another isolationist period after 1949. Its directive economic system and failed economic experiments caused stagnation from the 1950s through the 1970s, and its isolation only compounded the country’s

economic challenges. One of Deng Xiaoping’s first acts when he began reforming China’s economy in the late 1970s was to introduce an open-door policy. This has remained one of the pillars of China’s unprecedented economic development over the past 30 years, which recently made it the world’s second-largest economy.

Today, almost every European multinational company engages with China in some way: exporting to and importing from there, and even maintaining a physical presence in China through joint or wholly foreign-owned ventures. However, as China asserts its influence and plays a growing role in shaping the global economy, are these companies mentally as well as physically present; and are they prepared for the worldwide influence this emerging global economic superpower will wield in the future?

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Chinese Leaders In European Multinationals

Heidrick & Struggles' 2009 Corporate Governance Report¹ reveals that only 0.5% of non-executive board of directors of leading European listed companies are of Asian origin. The situation is similar at the executive director level. James Wei, an Executive Board Member of Beiersdorf and the only DAX 30 Executive Director of Asian origin, says: "Decisions made at the supervisory or executive board level require judgements that go beyond simple facts. Asian directors can bring more in-depth understanding of Asia to all board members and better quality decision-making will be the result." Zhengrong Liu, who is responsible for Human Resources at Lanxess, recently described this as "Chinability."²

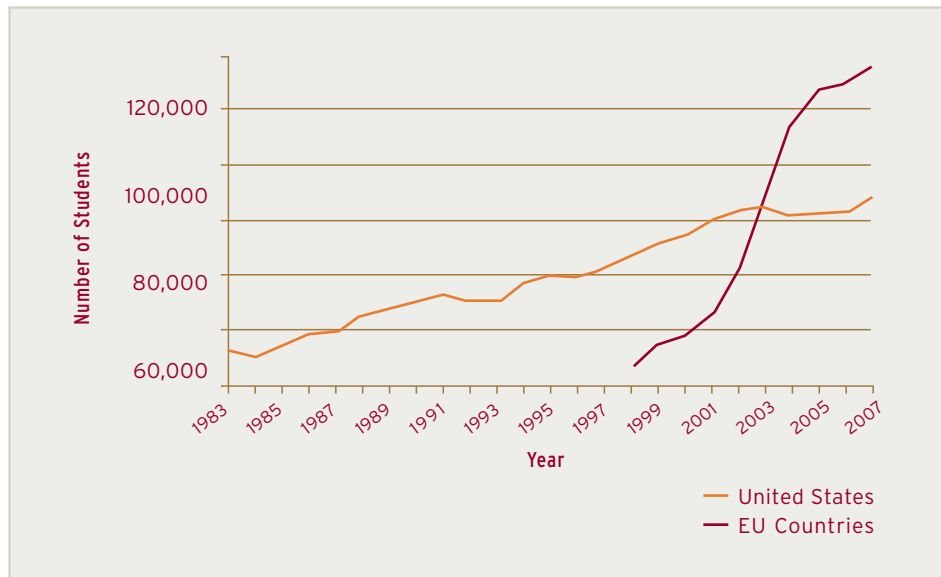
Accenture's 2010 Phoenix Report³ validates that view. To identify successful leadership factors, it surveyed 358 European companies and found diversity to be a key success factor, including gender, educational background and national origin. The study noted a correlation between the international diversity of a company's executive board and its stock market performance. Companies with a more multinational board provided better returns to stockholders and tended to be more profitable.

Chinese Leaders: 30 Years in the Making

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When China re-opened its doors in 1978, a bridge was needed to span the deep cultural, economic and knowledge divide between the country and the outside world. Following the diplomats who were first in after the re-establishment of diplomatic relations, the pioneers of this knowledge and cultural bridge were Chinese students, who fanned out around the world in the 1980s and 1990s to discover how business was done outside the Marxist world. Unlike their peers who remained in China, many of them returned with knowledge and experience in the head offices and

FIGURE 1: Chinese Students in US & EU Countries ⁴



international operations of multinational companies. And it is this cultural savvy and global perspective, plus their knowledge of China, that enables them to step into global roles in European companies.

The majority of students from China gravitated to the United States during the first two decades of China’s open-door policy [FIGURE 1]. They only began to attend European universities in significant numbers after 1998, and the figures rapidly accelerated after the year 2000. The reasons are varied and many. The Chinese-American communities in the United States provided the students with a base and support from their extended families and friends, who by their example demonstrated the potential for remaining and building a successful life there after graduation. More practically, America’s relatively homogenous and English-speaking culture, appeared easier to master than multi-cultural Europe. As James Wei describes it, “I only need to learn one language and one culture in the US, but in Europe, I’d need to learn many.”

Europe’s “Lag Effect”

James Wei points out that “It takes an average of 10 to 12 years to get into a senior management position, and even 20 to 25 years for a board position.”

This implies more recent Chinese graduates from European universities have a long way to go before they reach senior director level. While Europe's companies are free to compete for today's American-educated and experienced Chinese leaders, they prefer those with "European experience." But do they incorporate Chinese leaders effectively at corporate level? "Diversity tends to be more of a corporate agenda for US companies than European ones," according to Wei. Sharing his own experience when he first arrived at Beiersdorf, "I encountered well-intentioned people who were tremendously curious about 'this guy from Asia,' what he looked like, what food he ate, etc. Then, they came to me and said, 'You are just like us, family and personal life is important to you,' and so on. They eventually accepted me."

Lafarge: Talent Diversity Is Best Practice

European cement titan Lafarge SA has long had diversification of its senior leaders on its boardroom agenda. Kit Fan, its Senior Vice-President for Asia, says "Leadership diversification, including nationalities, is a top priority to match our company's global footprint. One of our most important strategic HR imperatives is to develop our Chinese talent as future leaders of the company. We are doing that systematically and on multiple levels." It is important to note this drive for Chinese talent parallels the development of Chinese leaders over the past three decades. Fan observes that: "The quality of Chinese talent in terms of leadership skills, competency levels and strategic vision, is very much improved from, say 15 years ago."

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Yet, Lafarge's extensive and sophisticated internal talent development program is still a work in progress. Only five or six of its top 100 key influencers are of Chinese origin. "The pipeline we have built up over many years has put us well on the way to increasing that number and to even see them move up to the Top-25 influencer's level in the very near future." Size has its

advantages in the competition for Chinese talent. “The so-called ‘lag-effect,’ or the talent shortage in this area, has not significantly affected us because, although we seek senior Chinese leaders externally, we have mainly developed them internally.”

Lafarge’s approach ensures its Chinese leaders simultaneously permeate the organization at various levels. For example, the strategy team at its Paris headquarters consists of senior representatives from all major regions and markets, including China. They have a direct line to the company’s top decision makers and therefore have global influence. At the operational level, Lafarge rotates its high potential Chinese employees to its head office and different regions, or sends them to Lafarge University in Paris, with the mission to return to China. According to Fan: “After returning to Asia, they provide us with better resources in the region, while also infusing our Asian operations with a more global perspective.” And there are other benefits to this approach. “Mobility for Chinese leaders throughout our organization allows personal relationships to develop, and it is this ‘personal touch’ that builds trust and understanding across the global organization. At the same time, in the exchange, China’s ‘can-do’ attitude is imparted to our other operations worldwide.”

And companies that continue to only maintain a transactional relationship with China - and fail to achieve a more integral engagement with this newest member of the global economic club, risk facing similar pitfalls from a Euro-centric cultural isolation.

Isolating itself from the outside world and preventing the free exchange of people and ideas made Imperial China vulnerable and ultimately impotent when dealing with the rising powers of the West during the 19th century. Today, just 30% of European executives believe their companies are well prepared for the challenges from emerging markets like China⁵, and therefore recognize their own vulnerability to the new rising power of the East. And companies that continue to only maintain a transactional relationship with China – and fail to achieve a more integral engagement with this newest member of the global economic club, risk facing similar pitfalls from a Euro-centric cultural isolation.

ENDNOTES

- 1: Dr. Catherine Albert-Roulhac, Project Manager, “Boards in turbulent times,” Page 14, Figure 19 GC09 “Country and region of origin of non-national directors,” Heidrick & Struggles Corporate Governance Report 2009.
- 2: Weber Stefan, “Der Mann aus Shanghai,” Sueddeutsche Zeitung, July 2007. <http://www.sueddeutsche.de/wirtschaft/talente-zhengrong-liu-der-mann-aus-schanghai-1.589364>
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- 4: US data for 1983 to 1997 sourced from Dudley L. Poston, Jr. and Hua Luo’s “Chinese Student and Labor Migration to the United States: Trends and Policies since the 1980s,” presented at the Conference on Global Competition on International Students, Georgetown University, Washington, DC, March 31, 2006. This report cited U.S. Citizenship and Immigration Service (USCIS) statistics for the number of PRC students in the US on F1 and M1 Visas. US data for 1998 to 2007 sourced from Open Doors® Online Report on International Educational Exchange, Institute of International Education, 809 United Nations Plaza, 7th Floor, New York, NY 10017, USA. EU data for 1998 to 2007 sourced from Organization for Economic Co-operation and Development (OECD) web-based database at: <http://stats.oecd.org/Index.aspx>.
- 5: Bigalke Silke, “Wie Ideen Flügel kriegen,” Handelsblatt, May 2010

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