

CHINA'S EXPAT MASH-UP

FOREIGN EXECUTIVES AT CHINA'S STATE-CONTROLLED ENTERPRISES

MIX ATTRIBUTES OF ASIAN AND WESTERN LEADERSHIP

BY DANA LANDIS, JENNIFER PREDOLIN, JAMES LEWIS, AND MEI-FUN KUANG

September 2012

Adaptability is the name of the game in all overseas assignments, but for Westerners working in state-controlled industries in China, it's even more pronounced. Such expatriate executives adopt leadership and communication styles that mirror those of local Asian executives.

International experience has become a price-of-admission skill for rising Western executives in an increasingly globalized market. At the same time, Asian nations with booming economies have intensified their need for talent, including seasoned executives imported from the West (Bolino 2007; McDonald 2010). Although this appears to create a win-win for both Asian employers and potential expatriates from the West, bridging the cultural divide is never an easy task for a business leader. And one scenario creates a particular wrinkle: the Western expat working for a state-owned enterprise (SOE) in China.

A bit of background: China's rapid economic growth (a rate of 10 percent per year since 1979) can be traced directly to the implementation of several economic reforms in 1979, shortly after the death of Mao Zedong (Morrison 2009). Generally speaking, these reforms relaxed the government's economic control (previously it had engaged in tight regulations such as price fixing), decentralized enterprises, and opened the country to foreign investment. Between 1980 and 2010, China's economy skyrocketed to eighteen times its initial measured size, and by 2010 it was declared to be the world's second-largest economy (Morrison 2009). This explosive growth and unprecedented involvement with the West (including foreign

investments, imports, exports, and hosting offshore manufacturing) created a steep learning curve about private business ideology and practices. Enter the need for expatriates.

Decades after the 1979 reforms, however, China still retains some measure of state control over industries such as banking, utilities, telecommunications, mining, petroleum, and transportation (Morrison 2009). State-owned enterprises are afforded unique protections, such as typically being the only Chinese entities permitted to invest overseas or other forms of insulation from competition. They might also have access to deep reserves of government capital. Rather than recede as China's economy modernizes, SOEs are in fact growing. One indication of their power and influence: they make up the majority of companies listed on the country's two stock indexes. Another indication: the U.S.-China Economic and Security Review Commission estimated in early 2012 that state-owned companies accounted for about 45 percent of the nation's economy.

Today, more expatriate executives are taking positions in such companies, which are expanding into areas previously dominated by the private sector (Park and Vanhonacker 2007). Expatriate assignments always present

challenges, but working for a state-controlled enterprise raises the stakes significantly. Rather than joining offices that have headquarters or strong ties to the

Expatriate assignments always present challenges, but working for a state-controlled enterprise raises the stakes significantly.

West—and thus are accustomed to Western business models and cultures—these executives must navigate a highly political, often bureaucratic system. This trend torques our previous understanding about who makes a successful expat leader. What does it mean to be a Western executive in a state-owned company? Who will thrive in those roles?

Asian and Western leadership patterns

To answer this question, Korn/Ferry engaged in a two-step process. First, we looked at the leadership and problem-solving behaviors of executives from Western countries (United States and Canada) and Asia (China, South Korea, Singapore, and Hong Kong) when each were working in their home market—and found some clear distinctions. Then, using those patterns as a measuring stick, we took a closer look at Western executives who held expatriate positions at multinational corporations (MNCs) versus those at state-owned companies in China. The data were collected between 2008

and 2011 using Korn/Ferry’s proprietary Decision Styles assessment, which measures executive behavior in both managerial and private decision-making contexts. Specifically, the online assessment tool gauges the ratio of time executives are likely to engage their various leadership styles (i.e., how social vs. directive they are), and how they leverage information to make decisions and solve problems (i.e., how explorative vs. efficient they are with available data).

Previous Korn/Ferry research has shown that leadership and thinking styles shift as an executive moves up the ladder from a supervisory to an upper management role, and that appropriate use of each of these styles at various leadership levels correlates with better performance (Brousseau et al. 2006). Research into Decision Styles scores across regions also has identified significant differences in how Asian and Western executives approach leadership and decision making (Lewis 2012). Furthermore, these scoring patterns are consistent: Asian executives’ scores look very similar regardless of whether they’re employed by an MNC or a regional company. Likewise, Western executives show common patterns when working in MNCs or regional companies based in their home country.

Here, we found that Asian and Western executives differ the most in their leadership styles (as Figure 1 illustrates), which reflects their behavior when communicating with and managing others. Overall, the Asian executives in our sample tend to use more instructive, structured communication. They emphasize clarity, expertise, and logic.

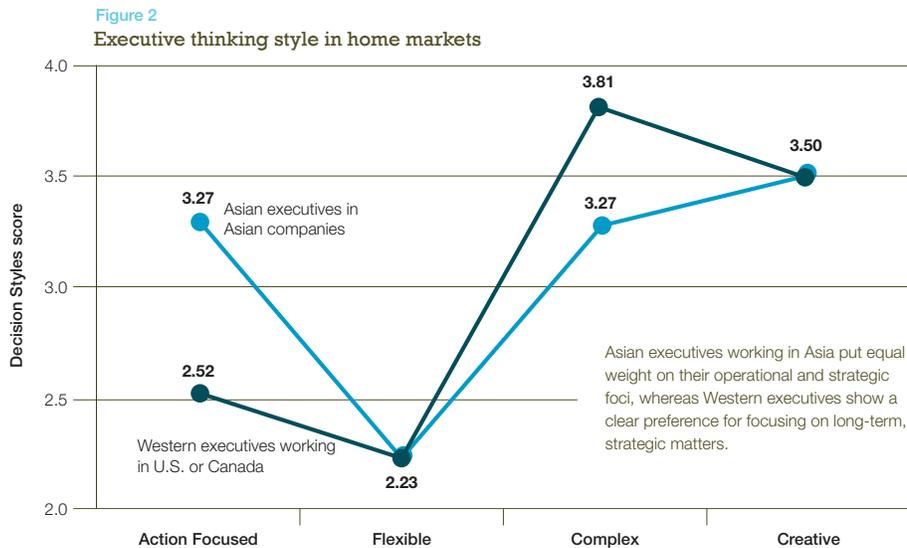
Western executives, on the other hand, gravitate toward more receptive, informal styles, emphasizing flexibility and informality. Although seasoned executives from both regions are surely accustomed to bridging the gap between their corresponding styles, Western expatriates working in Asia face the challenge of navigating an organizational culture built on more formal, focused lines of communication than those used in the West. Over the long term, this means adjusting the way one communicates with teams and subordinates, as well as manages up to secure resources and support.



Thinking style differences

When it comes to decision-making, Western executives show a clear preference for long-term, analytical approaches (complexity), whereas Asian executives balance that strategic approach with decisive execution

(action orientation). Both groups, however, appear to front-load their creative thinking process, attempting to brainstorm and consider all possible solutions or issues when thinking about the future before setting a plan in motion.



The scores in Figure 2 also suggest that Asian executives value efficiency and time sensitivity on day-to-day matters (high Action Focused thinking), but when it comes to the big picture, they prefer to collect as much data as possible, working for ingenuity rather than

implementation (high Creative thinking). Western executives are far less concerned with operational issues, which may reflect the more seasoned structure of Western business culture. Instead, they are more focused on making long-term, detailed plans to bring solutions to bear.

Western expats working in Asia, then, need long-term strategies that are pragmatic and responsive to tactical, operational challenges. Relocation experts would be wise to make note of this issue, and orient executives to this shift. If properly prepared for this discrepancy, expats will be better able to gain buy-in from Asian stakeholders and set realistic long-term goals.

MNC versus SOE expats in China

So how do things shake out when we look more closely at China and state-controlled enterprises there? We theorized that MNCs operating in China would be familiar with and accommodating of Western leadership styles, but that SOEs would require Western executives to adapt more closely to Asian-style thinking and leadership. Although this makes intuitive sense, no research along these lines had been done before to establish whether this was the case.

As the scores in Figure 3 show, Western expatriates in China’s SOEs produce scores that are a mash-up of Asian and Western leadership patterns. They become more task oriented and intellectual, as reflected in Figure 3, and less social in their leadership style. In essence, they become more concise, demanding, and aware of protocol, and simultaneously less accommodating, relaxed, and informal.

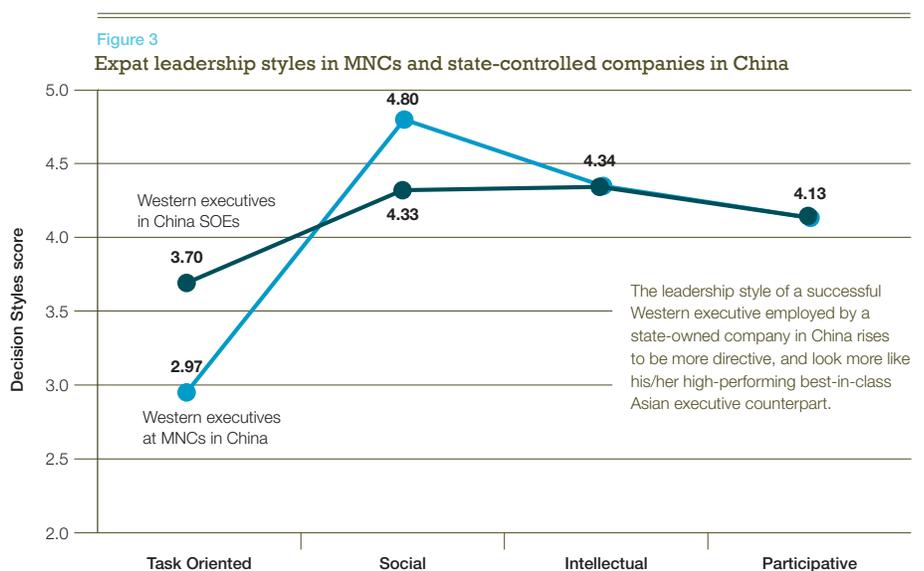
MNC expats in China also increase their task-oriented and intellectual leadership styles, but they retain their social and participative approaches. In other words, they build their delegation and instruction muscles, but not at the expense of their social connectedness.

Recall that for the purposes of our study, both groups of Western expatriates—those at SOEs and those at MNCs—were employed in Asia, so the results are presumably not shaped by geography. This suggests that the variance in leadership style is instead a result of working environment. One explanation is that Western expatriates in MNCs maintain more diverse connections with the broader world, such as a headquarters office, which calls for retention of the more relationship-driven styles. Western expatriates at Chinese state-owned organizations, by contrast, must adapt themselves more wholly to function within a thoroughly Chinese business culture.

Thinking style stays steady overseas

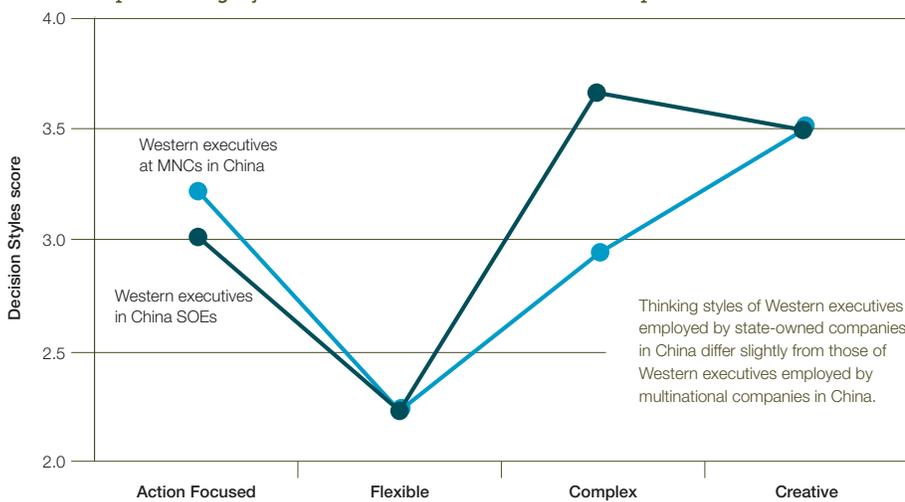
You can take the expatriate out of the West, but you can’t take the West out of the expatriate—at least in terms of thinking style. As Figure 4 illustrates, there are no statistically significant differences in the decision-making behaviors of Western expatriates in multinationals versus those in state-owned operations.

Unlike leadership style, the way an executive goes about using data to solve problems tends to remain stable across cultural settings. Additionally,



Chinese and Western executives have a similar approach to decision making in the first place. And although leadership style is public facing—and therefore subject to social pressures—decision-making is a more private process. Thus, Western executives adjusting to a foreign business environment are far more pressured to adapt in the realm of leadership and interpersonal styles than in the areas of decision-making and problem solving.

Figure 4
Expatriate thinking styles in MNCs versus state-controlled companies in China



Learning agility critical for expats in China

So, who will succeed in an expatriate assignment in China? We now know that part of the answer lies in the nature of the company.

As China's state-owned companies recruit more expatriate talent, greater attention must be given to the particular hurdles those executives will face in

adjusting to more traditional Chinese business cultures. It may feel counterintuitive, yet executives may need to adopt behaviors that, in fact, might have hindered them in past roles in the West. Changing the way one communicates can be difficult, and thus the best candidate for that posting would have a high degree of flexibility, receptivity, and emotional intelligence.

Another excellent predictor of an individual's ability to navigate new conditions or unfamiliar situations is learning agility. A history of lifelong learning, a track record of seeking novel experiences, and a high degree of self-awareness are all possible indicators of the presence of learning agility.

Although learning agility is a critical attribute for anyone working overseas, our research indicates that expatriates going to work for state-owned companies in China have an especially pronounced need for this kind of flexibility and openness. Taking inventory of past successes in novel environments and assessing one's overall learning agility will help inform that career choice. For those with an impending expatriate assignment, developing and increasing learning agility might help ensure a smoother transition into an overseas role and, ultimately, success.

Success for those who can stretch

Expatriate assignments are challenging for everyone. For the best possible outcome it's important to consider the match between an executive's past experiences and the particulars of the business environment he/she is entering. Although some Western expatriates will land in Asian assignments that are more accommodating of Western management styles (such as MNCs), an increasing number will enter companies that are, for all intents and purposes, in state-controlled industries (such as Google China or NBA China). Those assignments will require a greater degree of flexibility and a real shift in leadership and management styles.

Who will thrive in these unique conditions? The short answer is executives who can quickly intuit the new rules and adapt accordingly. This requires, among other things, high levels of learning agility and a motivation to shed more familiar attitudes and behaviors—in order to transform oneself into a truly global executive.

References

- Bolino, Mark C. 2007. "Expatriate assignments and intra-organizational career success: implications for individuals and organizations." *Journal of International Business Studies* 38(5): 819-35.
- Brousseau, Kenneth R., Michael J. Driver, Gary Hourihan, and Rikard Larsson. 2006. "The seasoned executive's decision-making style." *Harvard Business Review* 84(2): 110-21.
- Lewis, James. 2012. "Model-Based Best-in-Class Profiling with Decision Styles, an Overview and Technical Report." Los Angeles, CA: Korn/Ferry International. Available by request.
- McDonald, Joe. "China in global talent search for state companies." The Associated Press (Aug. 30, 2010). Accessed Aug. 28, 2012. <http://www.apnewsarchive.com/2010/China-in-global-talent-search-for-state-companies/id-d1e4569c5fe943ad-8c7f11ff218bc1c8>.
- Morrison, Wayne M. 2009. *China's economic conditions*. Washington, DC: Congressional Research Service, Library of Congress. <http://opencrs.com/document/RL33534>.
- Park, Seung Ho, and Wilfried R. Vanhonacker. 2007. "The Challenge for Multinational Corporations in China: Think Local, Act Global." *MIT Sloan Management Review* 48(4): W8-W15.



Dana Landis, PhD, is Vice President, Global Search Assessment for Korn/Ferry International, based in Los Angeles.



Jennifer Predolin, PsyD, is a Search Assessment Manager for Korn/Ferry International, based in Los Angeles.



James Lewis, PhD, is a Director of Research for Korn/Ferry International, based in Los Angeles.



Mei-Fun Kuang, PhD, is the Director of Assessment Services for Korn/Ferry International, based in Shanghai.

About The Korn/Ferry Institute

The Korn/Ferry Institute generates forward-thinking research and viewpoints that illuminate how talent advances business strategy. Since its founding in 2008, the institute has published scores of articles, studies and books that explore global best practices in organizational leadership and human capital development.

About Korn/Ferry International

Korn/Ferry International is a premier global provider of talent management solutions, with a presence throughout the Americas, Asia Pacific, Europe, the Middle East and Africa. The firm delivers services and solutions that help clients cultivate greatness through the attraction, engagement, development and retention of their talent.

Visit www.kornferry.com for more information on Korn/Ferry International, and www.kornferryinstitute.com for thought leadership, intellectual property and research.