

### The management crisis in China

As the Chinese economy continues to grow, multinational businesses are facing a shortage of Chinese managers with international experience and strong leadership skills. As foreign companies enter and expand their operations in China, the gap between the supply and demand for managers has increased. There is now fierce competition for the management talent and skilled employees that will be required for China to continue its impressive expansion. In some industries, the scarcity of appropriately experienced and qualified Chinese managers will be a significant impediment to the continued rapid growth of China's economy. A key challenge: managers educated in China have less experience working in teams than those educated elsewhere and they tend not to have the interpersonal skills required of leaders in multinational organizations. With little practical experience collaborating, communicating effectively, delegating, problem-solving and leading others, Chinese employees are, in general, not well prepared to assume management positions.

### Why are so few professionals prepared for management?

Several factors have contributed to the current shortage of managers in China:

- ⇒ Older managers, who were already of working age when the Cultural Revolution took place in China, lack the necessary education and training to serve as senior executives (Manpower, 2006).
- ⇒ Until recently, training and development of managers was rare, as the role of management was to ensure conformance. In this environment, conformance was valued and individual achievement deemphasized (Coffman, The Gallup Poll, April 19, 2005).
- ⇒ China's Confucian values and relations-based way of doing business can be at odds with Western management practices (Manpower, 2006).
- ⇒ China's Confucian heritage also emphasizes rote learning and hierarchy, resulting in a cautious approach to taking initiative (Kundu, *Asia Times*, July 6, 2006).
- ⇒ From primary schools to universities, there has been an emphasis on recitation and memorization instead of problem solving and strategic thinking – skills necessary for management positions in multinational organizations.
- ⇒ China's one-child policy has made it harder for firms to find natural team players (Kundu, *Asia Times*, July 6, 2006).
- ⇒ MBA programs in China are relatively new and not yet able to keep up with China's labor needs.

### **Fast Facts: Managers in China**

- ⇒ Management education is a relatively recent phenomenon in China. It was only in 1979 that China began to embrace a free market approach to business (Knowledge@Wharton, 2006).
- ⇒ China will need 75,000 executives able to work effectively in global environments in the next 10 to 15 years, according to McKinsey & Co. In 2005, it had fewer than 5,000 (Grant & Desvaux, *China Daily*, May 18, 2005).
- ⇒ According to Manpower, Chinese employees are looking for “opportunities to advance and develop their careers, better compensation and benefits, and quality leadership and management” (Manpower, 2006).
- ⇒ A survey conducted in 2006 by Hewitt Associates indicates that 6 out of 10 foreign companies are critically short of experienced Chinese leaders (Hahn, The Logistics & Supply Chain Management Society, 2006).
- ⇒ Because of the Cultural Revolution, between 1966 and 1976, Chinese universities were closed to many young intellectuals. As a result, few Chinese between the ages of 45 and 55 have proper university degrees. In the West, this is the generation leading multinationals (Development Dimensions International, Inc., 2006).
- ⇒ State-owned enterprises represent at least half of Chinese commerce, where loyalty tends to be valued over innovation (*The Economist*, April 14, 2005).
- ⇒ While inflation in China is around 2%, average annual salary increases for mid-level and senior managers are now 6-10% (Coffman, The Gallup Poll, April 19, 2005).
- ⇒ Firms are finding they need to pay bonuses and longer-term incentives, in addition to a growing list of perks including company cars and free housing (Kundu, *Asia Times*, July 6, 2006).
- ⇒ In China, the attrition rate of management level employees is more than 25 percent greater than the global average (Manpower, 2006).

### **Fast Facts: Education Reform in China**

- ⇒ China has 218 million children in grade school through high school (Einhorn, *BusinessWeek*, August 22/29, 2005).
- ⇒ There are over 10.6 million teachers and more than 550,000 schools in all (Einhorn, *BusinessWeek*, August 22/29, 2005).
- ⇒ The children benefiting from compulsory education account for one-sixth of the country's total population (China Education and Research Network, October 2001).
- ⇒ The Chinese government considers overhauling the school system to be critical to social and economic development (China Education and Research Network, December 23, 2004).
- ⇒ The government recognizes that the Chinese education system has not encouraged creativity. Government mandated reforms include a shift from educators lecturing and giving exam-based grades to in-class experiments and discussions (Einhorn, *BusinessWeek*, August 22/29, 2005).

## Retention of quality managers

Because of the current shortage of quality managers, turnover is exceptionally high as talented employees are able to leave for better compensation, perks and promotions elsewhere. Retention of critical talent is key for continued success and growth.

According to a Development Dimensions International (DDI) study on the current state of leadership in China, Chinese leaders “exhibit incredible drive, a desire to get ahead, and a ... thirst for new knowledge and skills” (Tan & Wellins, *T+D*, 2006). DDI compared the younger generation of Chinese leaders who see attractive careers and a chance for their country to become the largest economy in the world, to young Americans who are striving for balance and are more cautious about climbing the leadership ladder. The following chart summarizes some of what they found (Tan & Wellins, *T+D*, 2006).

### Ambition Differences of Leaders

	Chinese	North American
Satisfied with work-life balance	80%	69%
Willing to make personal sacrifices	93%	66%
Desire for promotion to senior level	95%	65%
Agree with statement “Work is more fulfilling than my personal life.”	45%	3%
Too much work	23%	49%

Source: DDI

**What’s your organization  
doing to develop native Chinese managers?**  
Let us know: [info@wfd.com](mailto:info@wfd.com).

## Creativity in place of rote learning – an evolving approach to education

WFD's Janice Pagliasotti visited China in 2005. Here she shares some observations.

Q: *What are some of the significant challenges for companies in China today?*

A: Lack of capable and talented managers. It's difficult to find employees who are creative, can lead, have the ability to be proactive and are confident in problem solving and thinking outside the box. Chinese employees are lacking a number of the skills that are required to be successful managers. For example, organizations need people who make recommendations and judgments on behalf of the company; Chinese employees are not accustomed to doing this. There's also a lack of critical thinking and difficulty with teamwork, partly because education in China has been so competitive in the past.

Q: *What steps is the Chinese government taking to change the educational system to remedy this problem?*

A: China is undertaking educational reform beginning with childcare centers, primary schools and middle schools, and eventually moving up to secondary schools. They are changing the way students are taught. Where before students were fed information, there now is a focus on self study. Students are responsible for their own education and the role of teachers is to help students figure out answers, rather than providing the answers for them. There is also a corresponding emphasis on respecting students' individual needs.

Q: *Are the educational reforms being implemented nationwide or only in certain parts of China?*

A: The changes are being implemented throughout the country. However, the school systems in the cities tend to be better than those in remote rural areas.

Q: *What do companies do now to address the lack of employees qualified for management?*

A: Currently, companies recruit managers from other countries in Asia. They also invest in training their employees to possess the leadership and creative skills that are lacking. Because businesses are growing so rapidly in China, some employees are too busy to go to management training. Firms have found that participation in manager training has a positive impact and is worth the investment.

Q: *Are non-native managers able to fit into the Chinese corporate culture?*

A: Although non-native managers are usually able to fit in, the corporate world does not want it to seem that there is a glass ceiling for native Chinese employees and that they cannot be promoted to higher positions.

Q: *What industries will this shortage affect most?*

A: It affects any industry that values continued improvement—anywhere creativity and leadership are crucial for success.



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