

# Expatriate or Local Manager?

## How to Make the Right Staffing Decision for China

*The entrepreneurial success of a firm decisively depends on the choice of the right management personnel. Especially in a country like the Peoples Republic of China. The definition of the correct candidate profile or the evaluation of a market oriented salary package are strategically very important decisions that need optimal evaluation and experience.*

*At the last Chamber event held in Zurich on November 28th, Swiss-ASIA Human Resources Ltd. provided their experience together with two of their China based Swiss clients to the highly interested audience and offered business oriented evaluation criteria's to enable companies how to make the right staffing decision.*

According to Swiss-ASIA Human Resources Ltd., the search strategy for a company should not only focus on the profile of the manager abroad. Since intercontinental and intercultural know-how transfer, communication and market knowledge are fundamental for successful global management, the analysis in terms of the head office's intercultural management ability and professionalism has to be critically evaluated too before restricting the recruitment process to only one side. Otherwise, the recruitment might result in a way that the new manager fits more to the head offices management system instead of the local market. Most of the Joint Ventures or investments in China fail because of unqualified managers who are not able to see trends and the business in their local market objectively and early enough, but await decisions from the head office and follow orders instead of providing their own new insightful analysis. They provide feedback to the head office who creates the impression that the branch abroad is "in control" and the know-how transfer is guaranteed and works well. But important market indicators are missing.

But of course, there is also the situation where the communication between the head office and the local manager doesn't work smoothly and differences and or arguments permanently arise. The local branch therefore isn't able to produce or sell tailor-made to the local market need since there is no constructive dialog between the parties. The reporting often results in only fact oriented communication made by the head office where tasks are given and local concerns are often ignored. Also here, important market indicators are missing.

How then to combine both elements, the suitability with the head offices management team as well as the profound local market knowledge at once? See therefore a list of the most important skills to ensure a professional and therefore successful recruitment / employment, additionally to your own company's experiences:

Today' the human resources market especially in China provides enough excellent managers of all nationalities with various profound industry and intercultural experiences (foreigners/Chinese) which allows a company to be very demanding when searching for the best candi-

date. Taking all these facts in consideration, the question "Expatriate or Local" is not relevant anymore. Especially, since it is not easy to categorize the Singapore-, Taiwan- or Hong Kong-Chinese as expatriate or local. China experienced companies know very well that "abroad Chinese" are not necessarily suitable for the mainland China market. The same is true for Chinese people coming back from abroad. On the other hand Western manager with fluent mandarin skills who live and work in China for more than 15 years are not automatically expatriates. But because of money reason, everybody likes to be categorized as an expatriate.

### The Money Issue

Selecting the right individual automatically leads to the question how to determine the right compensation package. This is based on the following criteria's:

#### Main Criteria's when Evaluating a Salary Package:

- Similarity of responsibilities and experiences from past employments.
- Experience in particular industry and country.
- Responsibilities (team leading, P/L, overall management (turn-around, etc.), sales/marketing, specific targets to fulfill (ISO), etc.).
- Length and type of employment (permanent or ad interim).
- Additional bonus payment. Social welfare program.
- Other benefits (housing, company car, annual flights home, holidays, relocation expenses, stock options, etc.).
- Age.
- Market orientation in general comparing to conditions at home or local (living standard, etc.).
- Language skills.
- Educational background.

Swiss-ASIA Ltd. provides interested companies an online salary evaluation tool on:

[www.swiss-asia.com/salary\\_index.htm](http://www.swiss-asia.com/salary_index.htm)

### Summary

When recruiting new management or key-staff in general, don't focus on employing an "expatriate or a local manager". Not for the money issue and not for the expected work progress. The practical experience from a client and managerial viewpoint shared by Hans Ruedi Schürch and Heinz Hochstrasser also confirmed these points. Both stressed the importance of the following success factors in the Chinese market.

These are in case of a Western Expatriate: social competence, willingness to combine the best of both worlds, awareness to be a guest and willing to adapt to the Chinese culture. Learning the local language is not a must. However, it helps a lot within social contacts to know some words.

In case of a local Chinese manager it is essential to take in consideration the culture of "keeping up the face". Chinese people are very polite and expect this from foreigners too. Special attention has to be given when hiring a Singapore or Hong Kong Chinese. In addition, getting work permit and solving tax issues for "foreigners" could be quite difficult and result in an expensive employment issue.

Another specific issue is the so called "guangxi" network. Chinese employees are loyal to their manager and not to the company. If a manager quits the job or has to be fired, the majority of his/her people will follow them to the new employer who is often the market competitor. Therefore, it is recommended to have a second line in place. To keep good managers on board, it could be helpful to take care for their family by providing i.e. housing, health insurance, support for school fees, MBA's, etc. Such items will mostly prevent an unforced loss because of the tight family bonds in Asia.

However, the salary level for an excellent local manager today is not anymore far from ours. China is changing very rapidly and competition is growing. It means, within a few years from now, there will be nearly no difference to the Western world regarding knowledge, business behavior and labor market in general.

#### Note:

*Swiss-Asia Human Resources Ltd. is a Swiss-based International Human Resources Consulting Company with strong presence in Asia (Shanghai, Tokyo, Singapore and Seoul). The following services are offered: Executive search, Selection and Development Assessment, Intercultural Assessment, Strategic Human Resources Management Consultancy, Outplacement, Salary Evaluation and Compensation Structuring.*

*More information can be seen or downloaded (Powerpoint presentations) from the Swiss-ASIA's homepage while visiting: [www.swiss-asia.com](http://www.swiss-asia.com)*

### Self and Market Analysis:

- Analyse intercultural competence and global management experience / understanding of the headquarters management team or key-person.
- Evaluate the local markets (products, environment) needs carefully to be able to define a tailor-made and therefore market oriented candidates profile. Avoid bringing personal preferences. Be objective and pragmatic while defining the profile.
- Define key requirements (skills, interculturalability, characteristics / personality, etc.) and define criteria's to avoid. If existing, involve the responsible Head Asia or Director Asia (who lives abroad) in the recruitment process. Or make sure, that the key-person from the management team the new local manager has to report to is also involved in the recruiting process.

### Key Requirements:

- Ability to bring in Western as well as local Asian business understanding and practices. Experience in developing business and maintaining it through both cultures.
- Easy to establish sense of authority. Displaying leadership qualities.
- Good understanding of company's global business philosophy and mentality.
- Positive impact on the image as an international company to facilitate local market acceptance.
- Smooth communication with the HQ.
- Effective communication with local staff.
- In-depth knowledge of the local market, including future risks and opportunities.
- Strong in establishing local business network.
- Good for government relationship building and public image in the local market.

### Criteria's to Avoid:

- Limited flexibility when restructuring the own once defined work-flow process after a while to adjust on the new market environment.
- Risk of false delegation (intercultural based). Known difficulties to delegate in general.
- Lack of systematic additional training in international / intercultural management.
- Known lack of smooth communication with the headquarter.
- Known cultural based conflicts between the headquarter, peers and subordinates.
- Not familiar enough with the local market (clients, suppliers, government network, etc.).
- To high costs (salary package doesn't fit to corporate structure).

Swiss-ASIA Ltd. can provide interested companies an interview questionnaire or an online selection tool on: [www.swiss-asia.com/selection.htm](http://www.swiss-asia.com/selection.htm)