

# The Alchemy of Leadership Acquisitions

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ON average, the 100 best workplaces in the West get almost eight job applications a year per headcount and have a voluntary employee turnover of just 8 percent, allowing companies to save money on hiring and training. It's not the same in modern China.

A major multinational company which has had world-class human resource management systems in place in China for decades had a voluntary employee turnover of over 30 percent last year.

Every year, multinational companies in China spend millions on recruitment, training, development, providing a good work-life balance and tons of overseas travel opportunities -- all of which should keep good people.

Unfortunately the situation is not improving. In fact, in my experience, a cost accountant today is much worse off than a cost accountant 15 years ago in terms of fundamentals, professionalism, loyalty and overall competitiveness. It is likewise for other similar positions.

Kelly Qian of recruitment firm The Jace-Kelly ([www.jace-kelly.com](http://www.jace-kelly.com)) says: "Percentages of overall spending

on people are increasing. Yet, people competitiveness is deteriorating."

"The root cause for this problem is no secret at all. This is just a simple microeconomics equation. Every year there is a huge incremental influx of new FDI setups. Demand much higher than the supply of good people drives up the turnover rate and down the people competitiveness in businesses."

Looking ahead to the confrontations now challenging many businesses in China, it's clear that sustaining comparative advantage over the long term will require equal measures of creativity, resourcefulness, and partnership from both troubled executives and their external recruitment strategists.

Kelly says: "Traditionally, most recruitment budget is spent on middle level positions. But if you spend well on acquiring top leaders as well as managing the landing of the new executive on a new job, these leaders can help lower the overall recruitment and retention cost and strengthen your long-term competitiveness. A great leader can easily attract 50 to 1,000 great performers into the organization."

Kelly adds: "My theory can actually work very well in a modern Confucian

system. Compared to the Westerners, the Asians tend to cooperate better with a charismatic leader. Therefore, Confucius says: The emphasis on leadership acquisition will work well in China."

It reminds me of a design-implementation relationship theory an expert once shared with me. A small degree of design accuracy can have a huge impact on implementation, if you can envision design is equivalent to the top corner and implementation is like the horizontal base of a triangle. Leadership seems the next big thing to look at. But why acquisitions? Sounds a bit hostile, doesn't it?

Kelly counters: "In fact, quite the opposite. The word acquisitions remind us that such are not an easy process.

"It is already difficult from a company's point of view to integrate a new leader into the leadership team. In fact, it is even more difficult from a candidate's perspective to land well on a new job."

"Typically it is a six to nine months' process. It can be longer sometimes. And at any second a new input can come in, whether from your spouse or your former boss. Imagine the situation when a counter offer suddenly flies

in with some beautiful regards handwritten by your former boss. How should you react?

"It can be extremely difficult sometimes. It's my duty to offer some professional comfort and objective situation analysis. The decision is still yours. There is no right or wrong answer. But we just try to help by making the decision process more comfortable and informed."

So, is there a secret formula to successfully acquiring the best leaders?

Kelly says: "Business ethics, a good work-life balance and corporate social responsibility which work extremely well in the West for attracting and retaining talent might not work very well in China. Respect, flexibility and understanding of the culture are far more important. A big but not too big salary increment is helpful. A quick feedback mechanism is useful too."

Candidates today who possess the experience, relevant market knowledge and leadership competencies are on pricy expatriate or local plus packages. And while their respective companies recognize the value of "high impact executives" and also know the time and cost that it will entail to replace such an executive if he/she leaves,

they are in a conundrum as they seek solutions which will allow them to phase out expatriates and replace them with locals. As a result, to attract the returnees and locals alike, many companies are ratcheting up short-term compensation, promising more corporate visibility and career benefits. According to one recruiter in California, there are not many "bargains" in attracting local or returnee "A" players to multinational companies in Asia today.

Because of this, employers in need of senior executives with the proven ability to make a difference, have turned to professional leadership acquisition firms for assistance when traditional recruiting methods fail to yield the best leaders.

Kelly says: "China is unique. It is important to engage a recruitment firm rooted here. It is important to understand that hiring a new senior-level executive creates a series of related events, decisions and reactions that have a lasting affect within the business team. The engaged firm must have insight into the qualities and competencies of leaders that can translate into success in critical senior-level positions in the local context."