



# Management Challenges in China

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25th October 2016

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# Agenda



- 1. Shortage of skilled Labour & Skills / Salaries**
- 2. Leadership Style differences (CH-CN)**
- 3. Interim Management as an effective Management Tool**
- 4. Survey on Intercultural Leadership**
- 5. BRAINFORCE**
- 6. Discussion**

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# Shortage of Labour & Skills



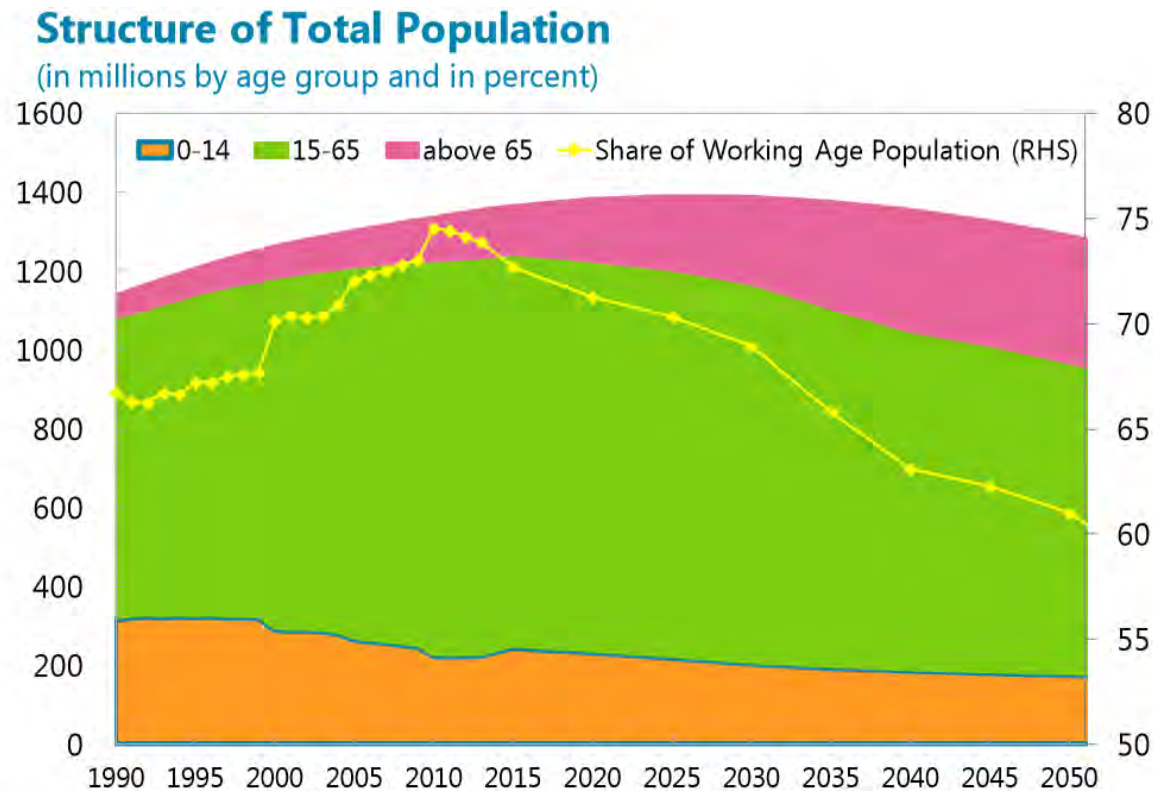
## Transformation of Economy

- From manufacturing to services
- From know-how to know-why
- Industry 4.0 / IoT

**But:**

- Declining working age population
- Declining Workforce & less University Graduates?
- Only 20% aged 15+ in tertiary education

# Shortage of Labour & Skills



Sources: United Nations Projections.

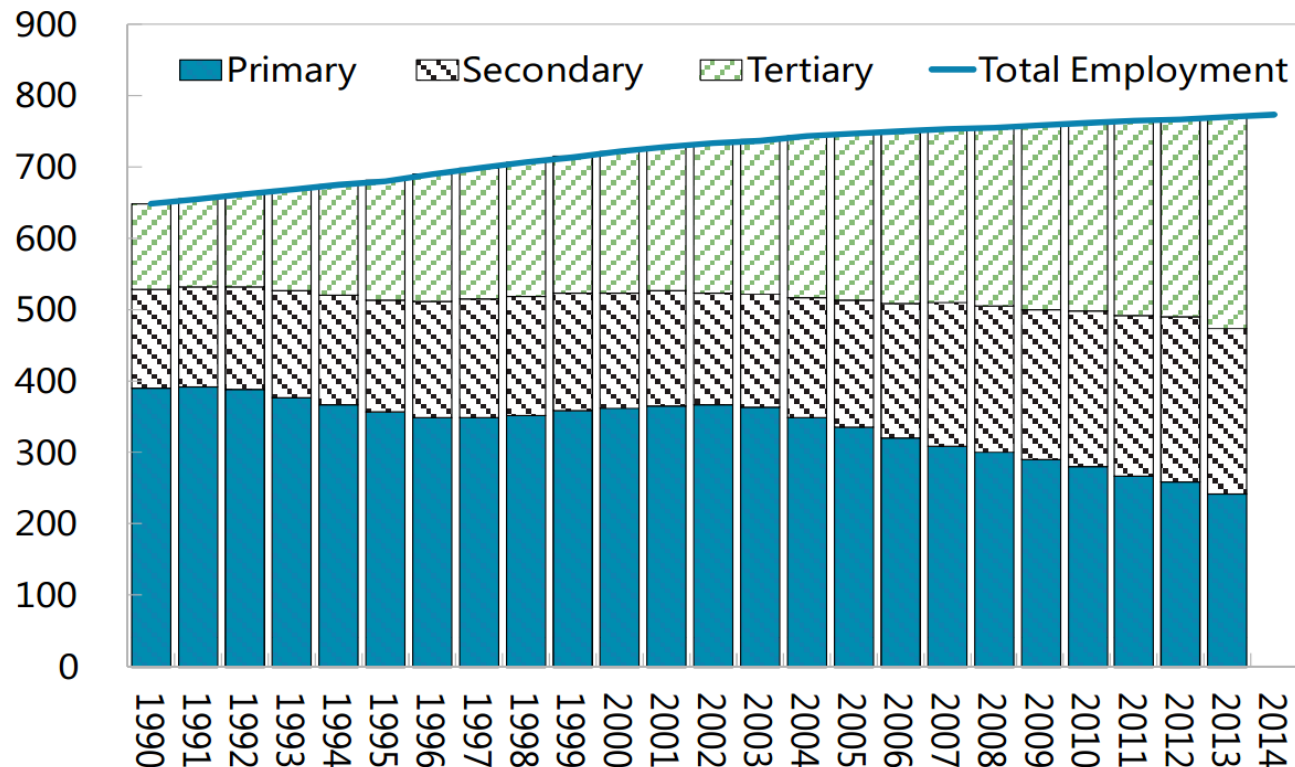
**Share of working age population declining since 2010**

# Shortage of Labour & Skills



## Sectoral Employed Persons

(in millions)



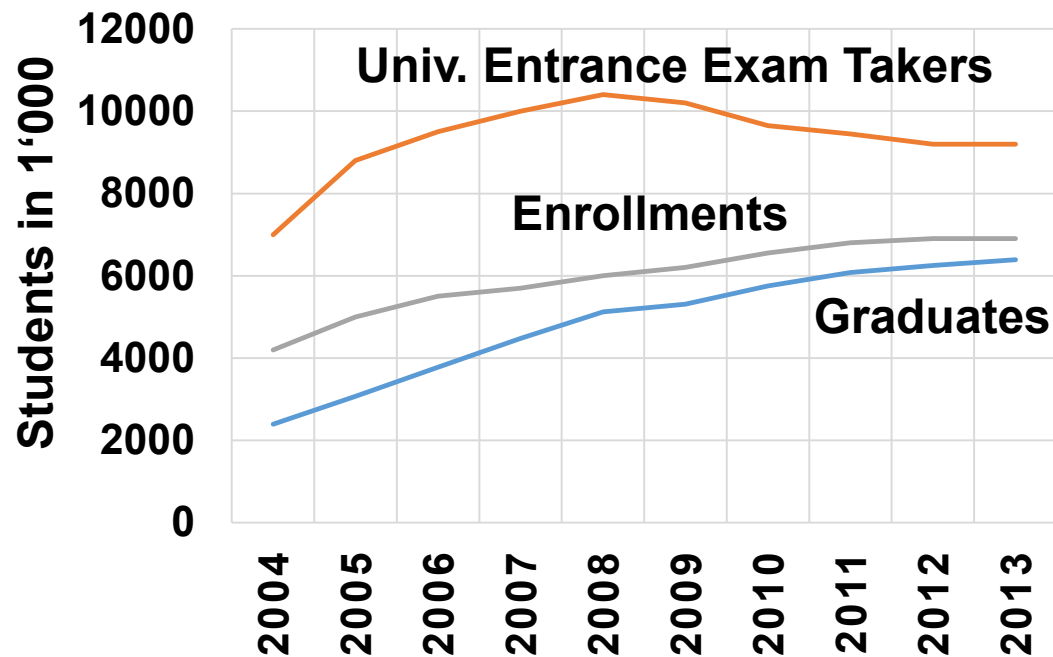
Sources: NBS

**Growth rate of Employed Persons is slowing down**

# Shortage of Labour & Skills



## UNIVERSITY STUDENTS



Source: Ministry of Education

**Since 2008 decreasing number of university entrance exam takers.**



# Shortage of Labour & Skills



## Competition from Public Sector & SOE's

- **Governmental Institutions and SOE's increasingly popular**
- **Preferred employers are domestic Chinese companies (7 of Top 10)**

Source: South China Morning Post

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# Shortage of Labour & Skills



## Shrinking Talent Pool

- Decreasing rate of employment growth
- In mid-term less university graduates
- Education system not expected to change in near future

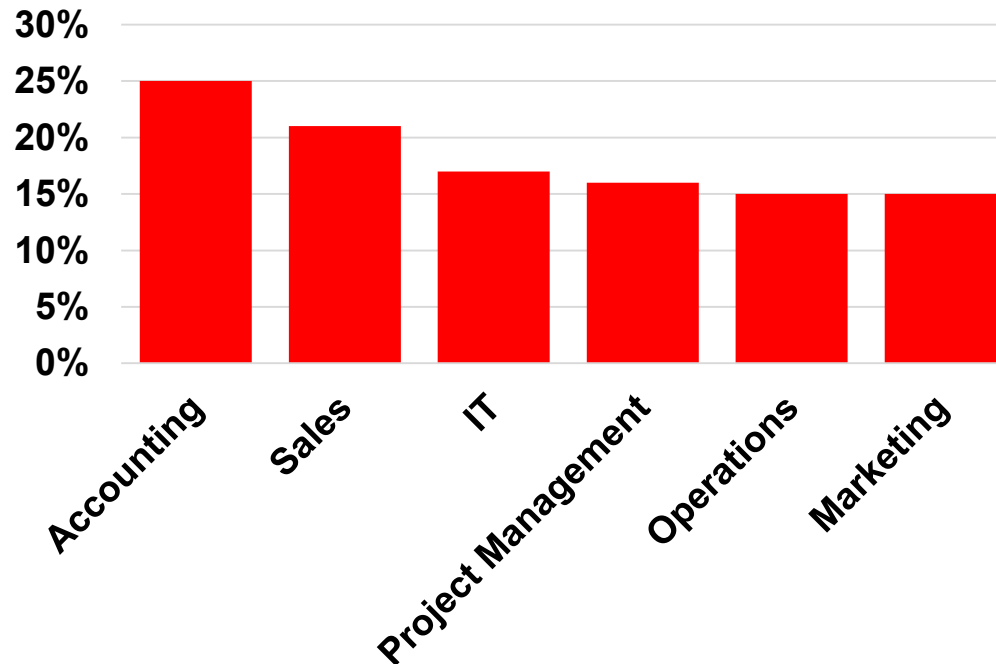
Source: Harvard Asia Pacific Review, AHK , South China Morning Post,

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# Shortage of Labour & Skills



## Shortage of Skills



**66% of companies in need for talents to achieve targets.  
50% of companies claimed that shortage affects operations.**

Source: Hays 2016

# Shortage of Labour & Skills



## Changing Mindset

- **Generation Y: From „Live-to-Work“ to „Work-to-Live“ („Work-Life-Balance“)**
- **One-child policy with behavioural impact on society**
- **44% of workforce aged >20 yrs. actively looking for a new job**

Source: AHK, Hays 2016

# Salaries – Minimum Wages



**1st Tier Cities:  
260-320 CHF/mo**

**2nd Tier Cities:  
190-230 CHF/mo**

**3rd Tier Cities:  
160-190 CHF/mo**

# Salaries - Automotive



**Annual Base Salary Range for Chinese and Foreigners  
for mid to large size SME company;  
Bonus: add 10-30% of Base Salary**

**In 1'000 CHF**

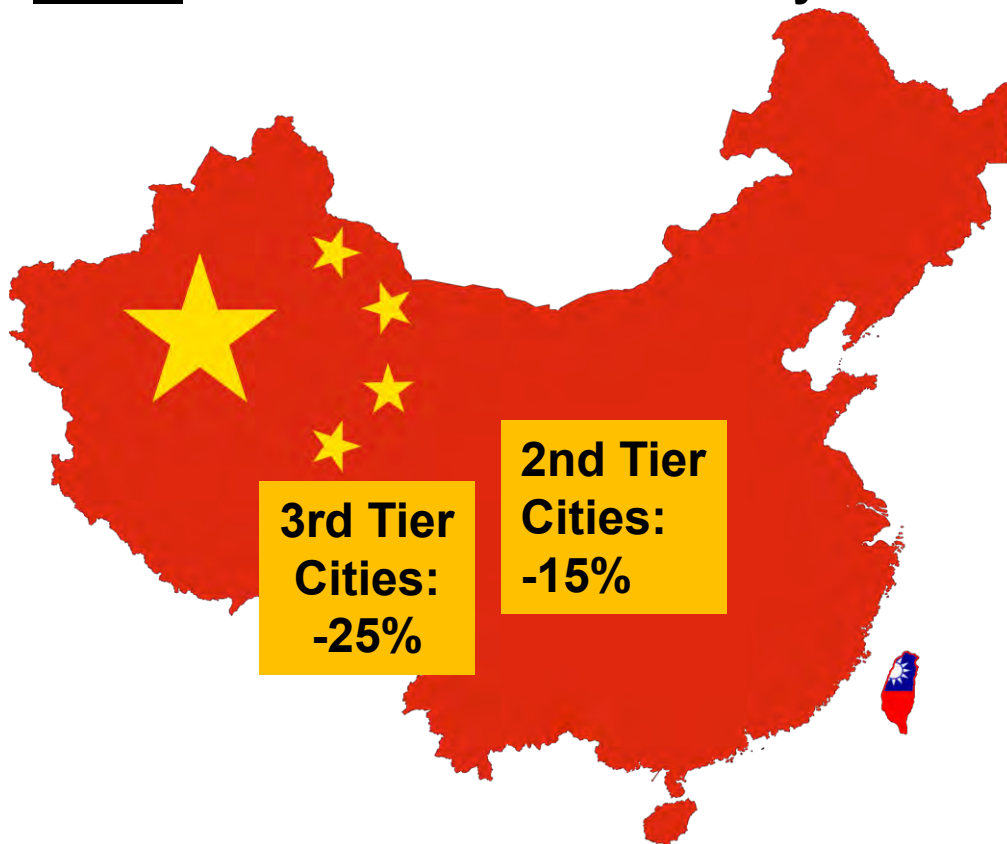
## **1st Tier Cities:**

**General Mgr. = 190-380**

**HR Director = 120-240**

**Prod. Mgr. = 60-150**

**Annual Salary Increase:  
ca. 10% (2016)**



# Salaries - Machinery



**Annual Base Salary Range for Chinese and Foreigners  
for mid to large size SME company;  
Bonus: add 10-30% of Base Salary**

**In 1'000 CHF**

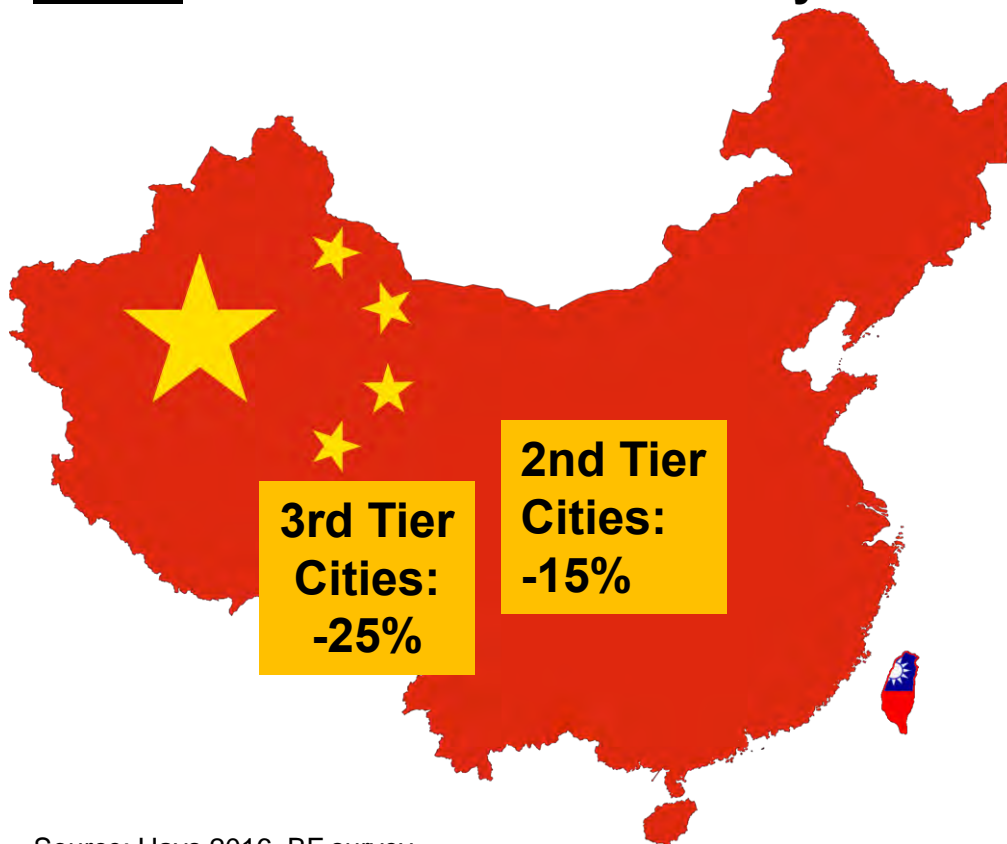
## **1st Tier Cities:**

**General Mgr. = 110-180**

**HR Director = 100-180**

**Prod. Mgr. = 50-80**

**Annual Salary Increase:  
ca. 5% (2016)**



Source: Hays 2016, BF survey



# Salaries - Chemicals



**Annual Base Salary Range for Chinese and Foreigners  
for mid to large size SME company;  
Bonus: add 10-30% of Base Salary**

**In 1'000 CHF**

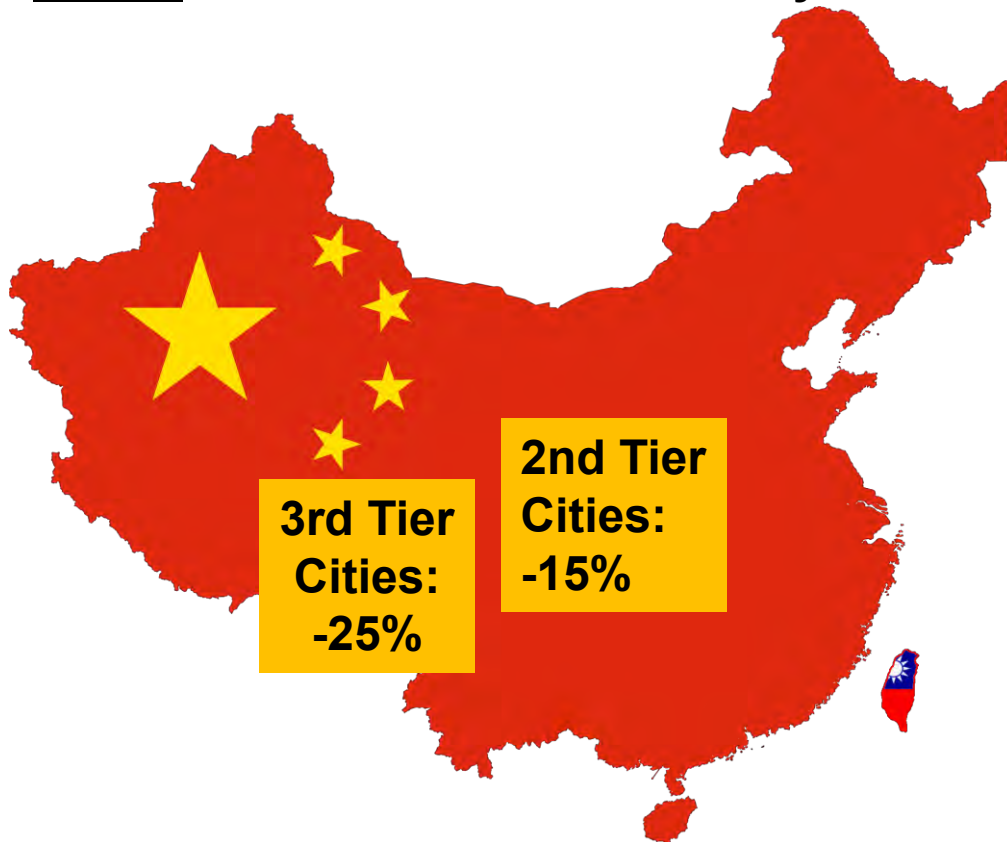
## **1st Tier Cities:**

**General Mgr. = 120-200**

**HR Director = 110-200**

**Prod. Mgr. = 55-90**

**Annual Salary Increase:  
ca. 10-15% (2016)**



# Management Challenges



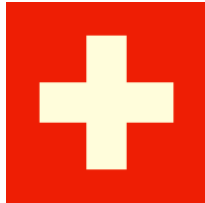
- 1. Talent pool shrinking?**
- 2. Shortage of skills / education system**
- 3. Declining attractiveness of foreign companies**
- 4. Money/Salary still most important**
- 5. Management salaries at European levels**
- 6. Wages increase still 5-15%/year**

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# Leadership Style Differences – Decision Making (I of II)

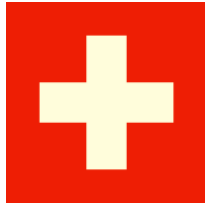


- **Based on fact & figures**  
- considering all scenarios before committing
- **Review risks carefully**  
before delivering commitment/promise or signing a contract
- **Slow and low risk**



- **Based on persons,**  
personal judgment & experience - Trial & Error
- **Catch the chance first &**  
find solution later
- **Fast but high risk**

# Leadership Style Differences – Decision Making (II of II)

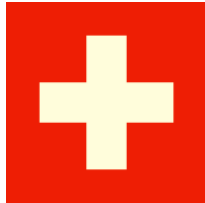


- Focus on details within the bigger picture
- Mid-term/Life-cycle cost considerations
- Assuming responsibility for the consequence
- Setting priorities and do one-after-another



- Focus on the mainline only
- Short-term/first cost considerations
- Rather don't decide than assuming responsibility for an adverse outcome
- Priorities set by the day's needs – “Fire-fighting”

# Leadership Style Differences – Managing (I of II)



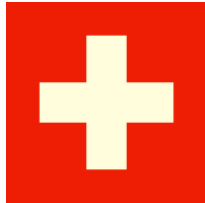
- Cooperation based on process, procedures and rules
- Compliance comes first – “result through process”
- Prefer to find solution based on procedure and root cause analysis - prevent problem tomorrow



- Cooperation mainly based on trusting each other and unwritten rules
- Result-oriented, very pragmatical approach – “process may serve to achieve result”
- Prefer to find solution for quickly fixing the problem now



# Leadership Style Differences – Managing (II of II)

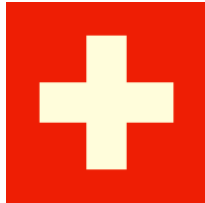


- **Clearly defined responsibilities and reporting line**
- **Tell subordinates “what is expected as a result”**
- **Flat hierarchy, cooperative enhancing innovation and sense of duty**



- **Often unclear responsibilities and reporting line**
- **Tell subordinates “what & how to do”**
- **Strong hierarchy causes low innovation and less sense of duty**

# Leadership Style Differences – HR Issues (I of II)

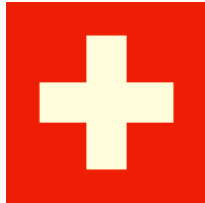


- Continuous high working pressure for delivering performance, but work-life balance respected – “9/5”
- Less personal and informal relationships between each other
- Pay for performance



- Working pressure varies; work-life balance not well respected – “24/7”
- Complicated personal relationships
- Not always performance-based; pay for loyalty

# Leadership Style Differences – HR Issues (II of II)

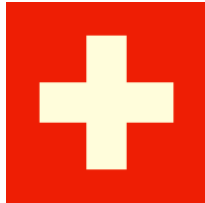


- **Recruiting: previous experience and skills count**
- **Transparent processes to maintain control; reporting**
- **More training provided → appreciation of good work & better career opportunities in same company**



- **Personal relationships and soft factors count**
- **Intransparent organization with hidden/subtle ways of asserting control**
- **More training provided → higher salary expectations & career opportunities outside**

# Leadership Style Differences – Communication



- **Straight forward or diplomatic depending on situation**
- **„Understating“**
- **Truth instead of illusion: addressing problems and failures, learning from them**



- **Often indirect and “overly” polite, avoid embarrassing others**
- **“Overpromising”**
- **“Shining” appearance & results to create positive impression & motivating atmosphere**

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# Sustainable Success through Experience & Speed



**Years**

**20+**



**2  
Weeks**

**9  
Months**



# Interim Management



## Your Organization



## Interim Manager

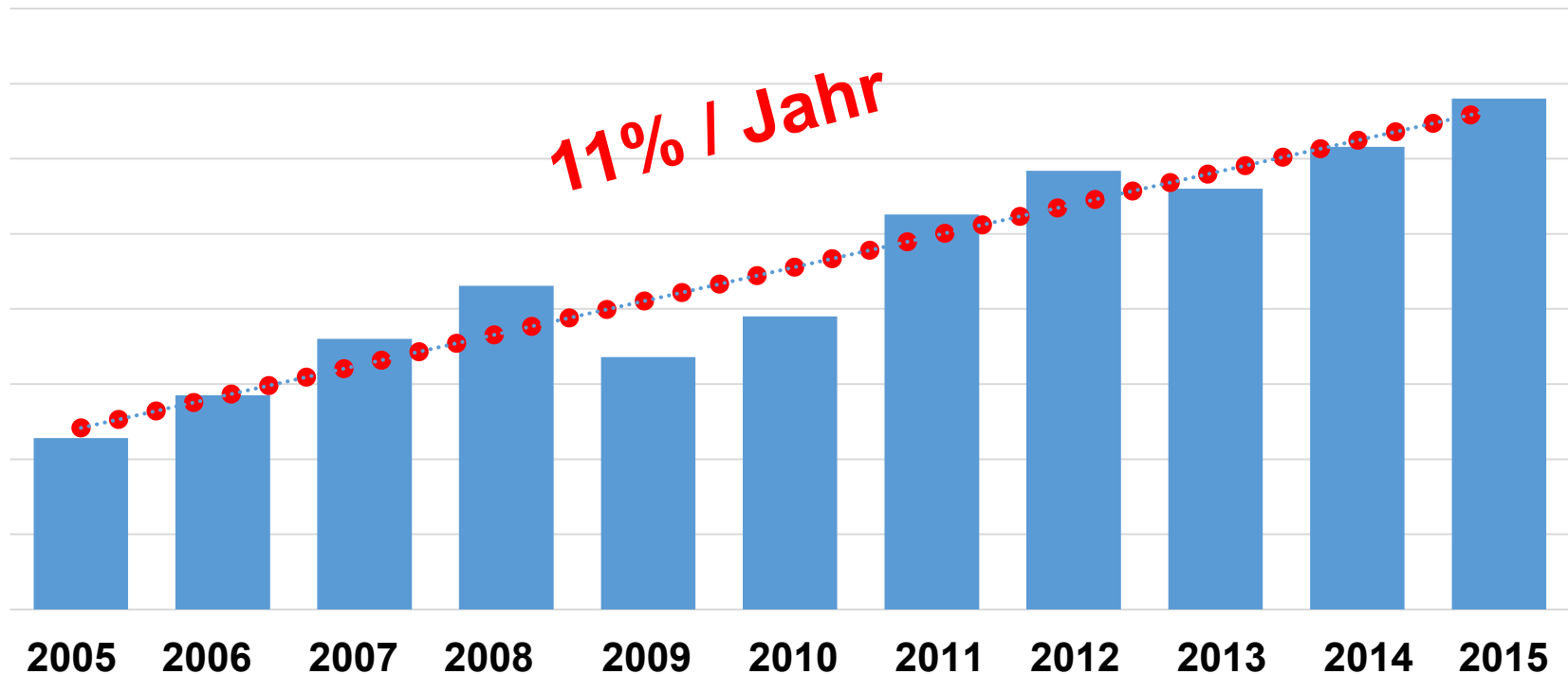
- ✓ Immediate
- ✓ Neutral
- ✓ Perfect Fit
- ✓ Defined time period
- ✓ Results

# Interim Market Growth 2005-2015



Germany - Switzerland - Austria

**2.2 billion EUR (2015)**



Source: AIMP Provider Survey 2016

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# M.A.S.T.E.R.<sup>3</sup>-Pool® - A Tool Box?





# M.A.S.T.E.R.<sup>3</sup>-Pool<sup>®</sup> - Manual Selection!



# Just Bridging Gaps – or more?



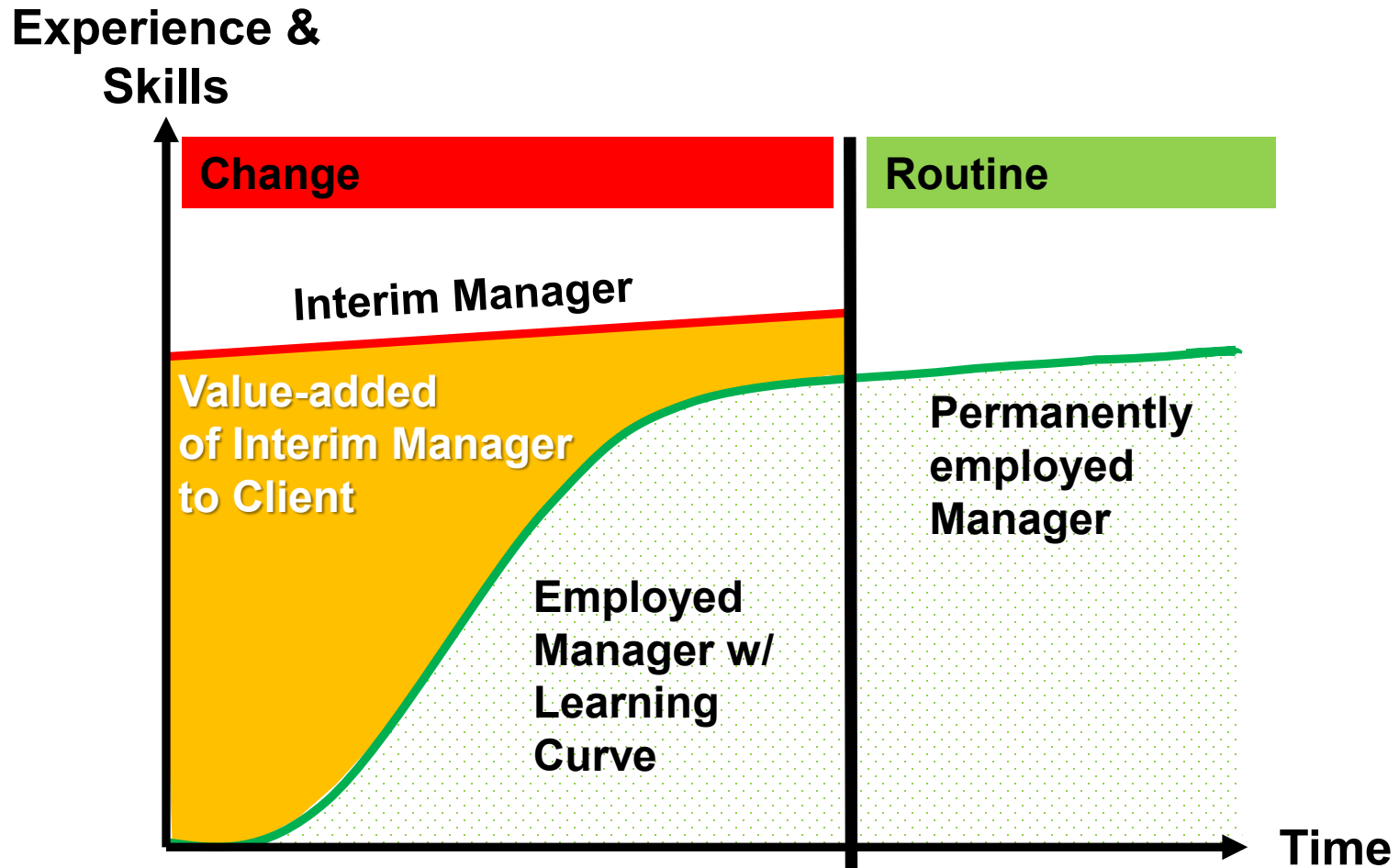


# To Move a Factory 10,000 km and re-start in 12 Months



India – China – Singapore  
Textile Machinery, Machine Tools,  
Solar Panel Manufacturer, Med Tech, ...

# The Benefit of Interim Management





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# BRAINFORCE Intercultural Leadership Survey





- **10 Questions to 170 Interim Managers in China (70% Chinese, 30% foreigners)**
- **57 detailed responses**
- **Analysis completed**
- **Paper currently in process**
- **Preview of results on 4 questions**

# Intercultural Leadership (Preview)



What strengths are needed for managing in a diverse and cross cultural environment in China?

## #1 To listen = tīng

ěr = Ear →  Eye = mù   
← Heart = xīn

# Intercultural Leadership (Preview)



**What strengths are needed for managing in a diverse and cross cultural environment in China?**

**#2 Walk the talk and do what you say**

**#3 Curiosity**

**#4 Respect to other culture**

# Intercultural Leadership (Preview)



**What do you focus on to engage and how do you engage people in China?**

**#1 Credibility**

**#2 Skill to align people to a common company goal**

**#3 Willing to help people at any time**

# Intercultural Leadership (Preview)



**What values are you focusing on when working in a different culture like in China?**

**#1    Honesty**

**#2    Professional dedication**

**#3    Business ethics**

# Intercultural Leadership (Preview)



**How to change things in a Chinese Working Environment?**

- #1 One-to-One Communication**
- #2 Step-by-Step**
- #3 Giving messages personally and applying a “carrot and stick” approach**



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# M.A.S.T.E.R.<sup>3</sup>-Pool®



Over **5,000** Top Managers, Project Mgrs., Specialists  
**52** Average Age  
from **30+** Countries  
**20** Languages  
**10-20+** Years managing Experience  
on **5** Continents

# 37 Years BRAINFORCE®



30 Years Anniversary 2009

**Zurich – Munich – Hamburg – Vienna – Tallinn – Moscow –  
Johannesburg – Bangkok – Hongkong – Shanghai**

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# Thank you



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# Discussion



- **How to find the right talents as an SME?**
- **How to educate the workforce for higher value-added work with affordable effort?**
- **How to minimize personnel turnover?**
- **Has it become easier to do business in China?**
- **Interim Management as the most effective Management Tool?**