

MU APAC Seminar 2023

Navigating the Crossroads in China and APAC



MU Greater China

Established in 2006. HQ in Shanghai



Julia Larsen-Disney, Director of Mercuri Urval China, has more than 15 years experience working in international environments, supporting global companies within market access, business advisory and business support services.

Julia is experienced in management and consultancy roles in Europe, Greater China and Southeast Asia, holding industry expertise within Industrial Technology (Automotive and other Manufacturing, Energy) and within the Services Sector.

Julia holds an MBA (special focus on ‘Human Resources Management in Global Markets’) from Heriot-Watt University, UK and a Psychology/Macroeconomics BA Degree from the University of Hamburg, Germany.

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MU Singapore

Established in 2002



Ricky Foo, Partner & Director of Mercuri Urval Singapore, will share valuable insights in how to navigate the new business landscape of APAC. As an experienced Executive Search and Talent Advisory consultant, he works many European companies to select the right leaders to expand businesses in the region.

He is an expert in providing the right advice to leaders in this large and growing region. He has worked with clients in many of the countries in APAC, including South East Asia, Greater China, India, Korea, Japan and Australia. Over the years, he has worked with many companies in the industrial, manufacturing, logistics, life science and technology sector.

He is fluent in English, Mandarin, Cantonese and Malay. He holds a Master of Arts (Education and Human Development) at George Washington University.

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Agenda



Part 1: Update on China (Julia)

- Revising China Strategy
- Opportunities & Risks
- Six Choices to Define China Strategy
- Human Resources 2022, China

Part 2: Update on APAC (Ricky)

- India
- North East Asia
- South East Asia
- Talent and Leadership Trends in APAC

Revising China Strategy

Past	Present – Turbulence	Future
 <ul style="list-style-type: none"> • Low labour cost • Permissive regulations: environmental, business, tech and IP • Infrastructure : dense clusters and production systems 	<ul style="list-style-type: none"> • Low business confidence • Distrust in stability and resilience • geopolitical risk on business 	<ul style="list-style-type: none"> • Profit potential • Return to predictability • Resilience of China's industrial clusters; China for China, C+1 or 2 • Innovation (AI, Robotics, EV, ADAS) • Localized business models
 <ul style="list-style-type: none"> • WTO, reform and opening • China GDP and GDP/capita, domestic consumption increase • Export driven growth • Foreign innovation & technology • Factory, powerhouse of production 	<ul style="list-style-type: none"> • Industrial modernization energy transition domestic consumption • Economic crisis (globally and locally) • Shift from Zero-Covid • Policies expected: pension system, real estate, consumption boost • Design & innovation 	<ul style="list-style-type: none"> • Post-Covid Era • Economic sovereignty (reduction on dependencies) • Industrial modernization and decarbonization; foreign innovation, technology and knowhow input • GDP/capita as growth engine

Opportunities & Risks

Need to revise strategies to succeed in the climate



- **GDP is 18% of the global total** — same as EU, second to US
- **Advanced technology:** AI, advanced connectivity, space technology
- **China's climate transition** brings business opportunities
- One of the world's largest **producers of renewable energy** products (solar panels and battery components for electric vehicle)



- **Rising tensions** with the West have the potential to **disrupt global value chains**
- **China is aging** at the fastest pace among the world's emerging economies
- China's **investment exposure** to rising real estate prices is **driving risk** as well
- The country's ratio of debt to GDP at high levels (274%)



Markets are unpredictable.

Companies need to be more intentional and revise strategy.

Six Choices to Define China Strategy

1. **Capital and ownership.** China subsidiaries or foreign owned?
2. **Innovation.** Within China or elsewhere?
3. **Branding.** Local or global?
4. **Technology and data.** Localizing data and technology, conforming with global protocol?
5. **Supply chains.** Localize or diversify?
6. **Talent.** How should MNCs hire employees from China's increasingly skilled talent pool while still benefiting from global talent flows?

Source: McKinsey

Human Resources 2022, China

- **Labour costs have risen; salary increase for 2023 expected (mostly 3-5 % or above)**
- **Less than 5% turnover**, both voluntary and involuntary (both white- and blue-collar)
- **Impact on business operations from HR perspective: recruitment and retention** of qualified employees, along with **rising labour costs** (Covid relatively low impact)
- **Attraction** of talent through: **flexible working hours, work-life balance, employer branding and performance recognition**
- **Salary adjustments guided by: company performance and the individual's contribution to it** (seniority plays a relatively smaller role)
- Obstacles: **lack of experience within foreign companies** or the company location
- Foreigners employed on **local contract, on expat contract** or having **both models simultaneously**
- **Localisation in management** roles is perceived equally by respondents
- **Annual salary level** for senior Management: **1-2 Million CNY (136k to 272k EUR)**

APAC Update

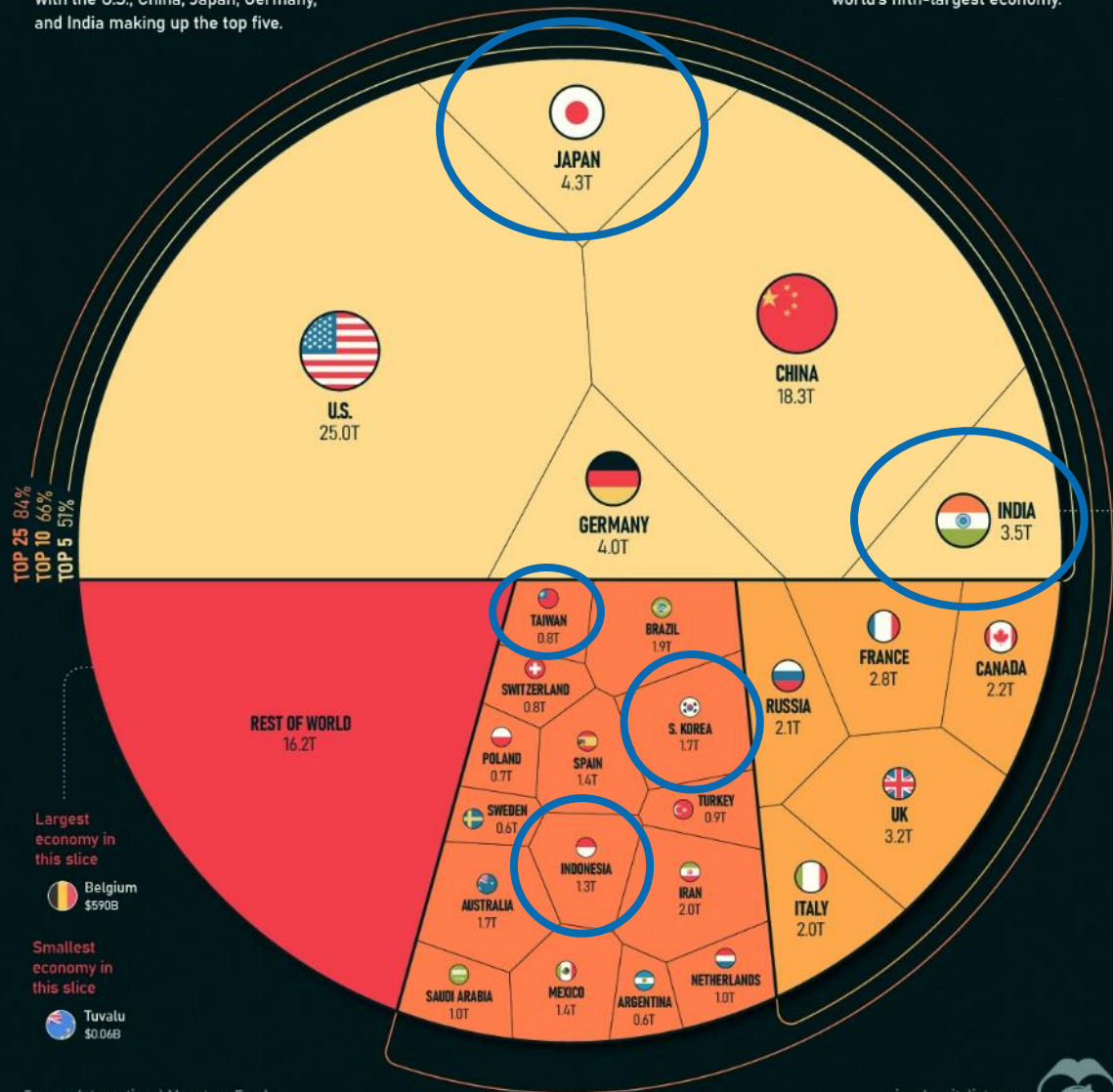
The remaining 2.3 billion

GLOBAL ECONOMY

The majority of global economic activity comes from just a handful of countries, with the U.S., China, Japan, Germany, and India making up the top five.

Share of the \$101.6 trillion global GDP, by country (2022)

In 2022, India overtook the United Kingdom to become the world's fifth-largest economy.



Source: International Monetary Fund

visualcapitalist.com

Observation

- China is 5x of India
- India will overtake Germany by 2030 (assuming 6.3% growth rate)
- South East Asia's GDP (6th largest) = India's GDP

India

Fifth largest economy in the world



- India is a continent, packed into a country. It is very complex!
 - 22 official languages + English. Multi-religions and social customs.
 - Big difference between North, South, East, West.
 - Population exceeds China (1.41 billion by April 2023).
23 mil babies (vs. China 9.6 mil) in 2022
- Infrastructure is improving in the major cities.
- Manufacturing is a growth powerhouse. **“Made in India”** policy.
- Focus on the positive development in specific areas. Don’t be distracted by the macro environment.
- Modernization of cities is happening quickly.
- Modernization of leadership style will take time.

North East Asia



- **Japan** (3rd) and **South Korea** (13th) are among the largest economies in the world.
- Both have **global champions** in multiple industry sectors.
- Strong demand for high quality products (industrial and consumer) from Western companies.
- **Taiwan** is the global semiconductor hub, accounting for 20% of global semiconductor industry.
- In foundry operations, Taiwanese companies account for 50% of world market.
- The most advanced chips (3nm) come from Taiwan.

South East Asia



- **Singapore** is the preferred location for APAC HQ.
 - Manufacturing contributes 20% of GDP. Focusing on Advanced Manufacturing and R&D.
- **Indonesia** plays a key part in nickel production for the Electric Vehicles (EVs) and Battery industry.
 - Government is serious in tackling corruption.
- SEA provides an alternative for **China +1 strategy**.
 - Vietnam, Thailand, and Malaysia are good manufacturing bases to provide resilience to supply chains.

Talent & Recruitment Trends in APAC

- Mismatch of supply and demand. There are **more jobs than relevant applicants**.
- Bidding wars and counteroffers.
- **Unemployment** rates dipping to pre-pandemic lows
 - + global organizations expanding their APAC presence
 - + more job openings, talent scarcity
 - new recruitment, selection and retention strategies
- Inclusion, diversity leading to stronger team decisions and performance.
- Local flexibility to attract/retain skilled talent.
- **Gen Z:** quiet quitting (*tang ping*), work life balance, minimum effort to remain instead of working harder (facilitated through Covid policies); wellness and mental health packages to attract

Source: Mercuri Urval, Korn Ferry

Leadership in APAC

- **High scarcity** of strong leaders for international companies.
- **International profiles** come with a **high premium**.
 - Option 1: Westerner with local experience
 - Option 2: Local with international background
- Many companies are **taking shortcuts** in hiring leaders. Focusing more on “affordability” and “convenience”. Less on “suitability” and “performance”
- It is very hard to tell who can get the job done.
- **Leadership assessment** is the key to success!

MU APAC Team

A team of experts serving our clients in the APAC region

• Singapore

- Team Director: Matt Hill
- Partner & Director: Ricky Foo
- 9 colleagues
- Regional coverage: Southeast Asia, Japan, South Korea, Taiwan and Australia.



Matt Hill



Ricky Foo

• Shanghai, China

- Team Leader: Julia Larsen-Disney
- 4 colleagues
- Regional coverage: Greater China



Julia Larsen-Disney

• Bangalore, Mumbai & Pune, India

- Team Director: Suhail Kazmi
- Partner & Director: Kenneth Lean
- 15 colleagues
- Regional coverage: India and South Asia countries



Suhail Kazmi



Kenneth Lean

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