



MU LEADERSHIP ADVISORY



Nordic Companies in China People & Organization

Survey Report 2025/2026

Shanghai | January 2026

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Acknowledgements and Forward-looking Perspective

SwedCham and Mercuri Urval extend our sincere appreciation to our partners – the Danish Chamber of Commerce in China, the Finnish Chamber of Commerce in China, and the Norway Business Association, and to all Nordic business community members who contributed to the People & Organization Survey 2025/2026. We are particularly grateful to the seventeen companies that participated in in-depth qualitative interviews. Your insights have been invaluable in shaping the findings and recommendations presented in this report.

As 2026 unfolds, the survey highlights key imperatives for Nordic organizations operating in China. First, companies must balance a disciplined lean mindset—driving operational efficiency and productivity—with targeted strategic investments in innovation, leadership development, and critical talent capabilities. This dual approach ensures near-term cost discipline without compromising long-term growth and organizational resilience, while reinforcing psychological safety and signaling a clear commitment to human capital.

Second, organizations should prioritize leadership development and talent capability enhancements as strategic enablers. Cultivating adaptive, resilient leaders and strengthening employee skills through continuous learning sustains engagement, drives performance, and equips teams to navigate increasing market complexity.

We hope this report provides actionable insights to guide decision-making, inform investment in people and organizational capabilities, and support Nordic companies in building agile, resilient, and high-performing operations in China. We wish all participants a productive and successful 2026, with continued focus on achieving sustainable growth and organizational excellence.

About Mercuri Urval

Mercuri Urval (MU) is a global Leadership Acquisition and Leadership & Organizational Advisory firm, combining Nordic heritage with deep local expertise. We serve over 3,000 multinational and SME clients across industries including Mobility, Industrial, Technology, Consumer, Professional Services, Energy, Manufacturing, Transport & Logistics, and Life Sciences. Beyond industry segments, MU delivers expertise in Leadership Advisory, Board & CEO Services, Digitalization, and ESG, enabling organizations to drive strategic impact across functions

MU's integrated approach strengthens leadership, teams, and organizational capability, enabling clients to execute strategy, drive transformation, and build resilient, high-performing, future-ready organizations. Using science-based, precisely tailored, and ethical methodologies, MU delivers Executive Search, Professional Search, Leadership Assessment, Coaching, Organizational Diagnostics, and Succession Planning with quality assurance and a track record exceeding 90% success.

Mercuri Urval in China: Driving Leadership and Organizational Impact

Mercuri Urval China, established in 2006, celebrates 20 years in the Chinese market. Our teams combine local market knowledge with global standards, helping Nordic and international clients navigate China's complex business environment.

Leadership & Organizational Advisory Services in China include:

- M&A integration and strategy implementation through people and organizational design
- Change management emphasizing resilience, agility, adaptability, and team effectiveness
- Board and executive coaching, succession planning, and off-boarding solutions
- Personnel assessments and organizational diagnostics

Through these services, we deliver results-driven interventions that support strategy execution, strengthen leadership capability, optimize teams, and enhance organizational effectiveness. With free-flowing global reach as a core value, MU ensures consistent, high-quality service wherever our clients operate—whether in China or globally.

We exist to ensure organizations outperform through diverse and sustainably successful leadership, guided by expert, dedicated teams committed to strategic priorities, ethical standards, and measurable impact.

Leveraging this deep global and local expertise, the insights presented in this report draw on MU's experience in leadership, organizational design, and talent strategy to highlight the key people and organizational priorities shaping Nordic companies' operations in China.

About SwedCham

The Swedish Chamber of Commerce in China (SwedCham China) is a non-profit, non-governmental organization with 200+ Swedish and Sweden-related member companies, officially recognized as foreign chamber by the PRC. Our mission is to advance our members' business interests through the role as Facilitator for Networking and Information flow.

To that end, our activities include events, seminars, closed-door dialogues, surveys, reports as well as top-level meetings. Furthermore, we aim to improve Sino-Swedish business ties and promote the Swedish brand through the Team Sweden collaboration with among others the Swedish Embassy and Consulate General, Business Sweden, and Visit Sweden.

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Background & Rationale

This report presents the findings of the People and Organization Survey 2025/2026, conducted jointly by Mercuri Urval and the Swedish Chamber of Commerce in China (SwedCham China), in collaboration with the Finnish Chamber of Commerce (FinnCham), the Danish Chamber of Commerce in China (DCCC), and the Norwegian Business Association China (NBA).

Historically, SwedCham China and Mercuri Urval conducted an annual salary survey for Swedish companies in China. However, in response to shifts in the economic landscape, sluggish growth, declining turnover, and a stagnant market environment, the survey has transitioned from compensation benchmarking to focus entirely on broader people and organizational development (P&OD) topics, prompting an updated survey title.

This year, **115 member companies** participated across the Nordic chamber network, supplemented by **17 qualitative interviews**. The methodology combined quantitative survey data with qualitative insights to provide a comprehensive understanding of current practices, challenges, and priorities. The survey aims to capture the talent, leadership, and organizational challenges Nordic enterprises face, and to examine how these factors influence business strategies amid China's economic slowdown and in alignment with European headquarters.

As 2026 unfolds, the survey highlights key P&OD priorities, projected budget allocations, and the evolving adoption of generative AI across functions such as learning and development, recruitment, performance management, and employee engagement. These insights illustrate how organizations are planning to strengthen leadership, enhance workforce effectiveness, and drive transformation in a complex and dynamic business environment.

While responses reflect diverse perspectives across industries and company sizes, common themes emerge, highlighting persistent challenges and potential opportunities. This report distils these insights to inform executive decision-making, guide P&OD program development, and support Nordic companies in building agile, resilient, and high-performing operations in China.

Executive Summary

Purpose

The People & Organization Survey 2025/2026 aims to capture insights into the key challenges facing organizations in people and organizational development (P&OD) amid evolving market dynamics. The survey provides a strategic overview of how Nordic companies prioritize initiatives to support their business objectives effectively. It also identifies critical areas for enhancing leadership, team performance, and organizational effectiveness, while highlighting emerging trends and priorities for 2026.

Context

The Swedish Chamber of Commerce (SwedCham) collaborated with Mercuri Urval (MU), a leading talent acquisition, leadership and organizational advisory firm, to survey the Nordic business community in China. Responses were collected from **115 subsidiaries** of Swedish, Danish, Norwegian, and Finnish companies, providing a representative view across company sizes and sectors. Additionally, in-depth insights were gathered from **17 Nordic companies** operating in China.

Participants included 10.4% from large organizations (1,001–2,500 employees), 22.6% from mid-sized companies (101–500 employees), 7% from organizations with 501–1,000 employees, and 60% from small entities (fewer than 100 employees). Most respondents are based in Shanghai and the Eastern China region, with primary sectors including manufacturing (54.2%), consumer and retail (13.9%), and professional services (11.3%).

The survey captured insights from senior leadership, with 51.3% of respondents serving as General Managers, Managing Directors, CEOs, Presidents, or CFOs, and 40% in people and organizational development roles. This mix provides a strong foundation for understanding the leadership, talent, and organizational challenges Nordic companies face in China and informs actionable recommendations for 2026.

Findings and Recommendations

As 2026 unfolds, Nordic organizations operating in China continue to navigate a complex array of challenges and opportunities. The latest survey—conducted at the end of 2025—paints a compelling picture of these companies' growth trajectories, highlighting both the struggles they face and the strategies that may drive success.



State of Business Growth:

A significant 47% of respondents reported low business growth of around or below 5%, with 18.3% experiencing negative growth. However, a noteworthy 14.8% achieved double-digit growth between 11% and 20%, and 7.8% reported substantial growth exceeding 20%. This dichotomy indicates that while many firms are facing headwinds, a select group is successfully capitalizing on market opportunities.



Communication and Alignment with Headquarters:

The relationship between local offices and their Nordic headquarters is predominantly characterized by ambiguity. Approximately 38.3% of respondents expressed a neutral stance regarding HQ's understanding of the challenges faced by the China operations, while 16.5% felt that their headquarters struggles to grasp these issues. Alarmingly, 3.5% conveyed complete dissatisfaction with the HQ response to China-related matters.

In contrast, only 7% of respondents reported feeling adequately supported by their headquarters. This misalignment signals a critical need for enhanced communication strategies to foster a greater understanding of the local operational context.



Alignment of P&OD Initiatives with business strategy:

The survey indicates that 49% of organizations believe their P&OD initiatives align with their broader organizational strategies. Yet, less than 10% report high alignment, underscoring an opportunity to strengthen this connection to drive improved business outcomes.



Voluntary Turnover Trends:

While 75.7% of respondents report low voluntary turnover (0-5%), this reflects a risk-averse workforce shaped by sluggish 2025 growth and recent layoffs. Exit analyses show that 46.1% of departures cite limited career development, 42.6% cite uncompetitive compensation, and 22.6% leave due to management and leadership issues, including micromanagement and lack of support. The survey further underscores that psychological safety is increasingly recognized as a critical driver of engagement and organizational execution capacity.



Layoff Dynamics:

The survey indicates that 57.4% of organizations have implemented layoffs, driven primarily by cost optimization (54.8%) and anticipated declines in business demand (51.3%). This trend may impact employee morale and raises concerns about the long-term sustainability of operational strategies.



Localization Effects:

The findings also shed light on the implications of localization. While 55.7% of respondents appreciate the benefits, such as improved customer understanding and expedited decision-making, 41.7% recognize knowledge gaps in global standards and compliance challenges. This duality suggests a pressing need for organizations to bolster their competencies in managing both local and global expectations.



Focus on Organizational Effectiveness:

In terms of enhancing organizational effectiveness, the survey highlights vital areas of emphasis. Key priorities include developing a resilient organizational structure (42.6%), optimizing employee productivity (40.9%), and fostering an innovative culture (36.5%). Furthermore, challenges related to team effectiveness are evident, particularly in achieving cross-functional alignment, which 58.3% of organizations identified as a primary concern.



Leadership and Execution Gaps Threaten Transformation:

54% of respondents emphasize the need to enhance leadership resilience and adaptability. Strengthening middle management capabilities, fostering strategic thinking, and improving cross-functional alignment are critical levers for translating strategy into action. Gaps in empowerment, decision-making, and siloed behaviors risk slowing execution and limiting organizational responsiveness.



Budget Allocation Trends:

When it comes to budget considerations, 47.85% of organizations intend to maintain current P&OD budgets, reflecting a cautious approach in a challenging market environment. Notably, this reluctance to invest in strategic initiatives suggests a disconnect between the desire for enhanced organizational resilience and the perceived need for substantial budget allocations.



Urgent Need to Accelerate AI Implementation:

Finally, while AI adoption is gaining attention—primarily for automating L&D, recruitment, and performance management—organizations have yet to fully leverage AI to drive transformation, particularly in China, which offers a unique opportunity as a testbed for scalable, innovation-led solutions.

Summary

The survey underscores the critical drivers shaping Nordic organizations' operations in China and highlights the imperative for targeted investment in people, organizational capability, and strategic alignment. To succeed in the complex 2026 business environment, leaders must prioritize resilience, strategic thinking, and agility. Building these capabilities across both leadership and organizational levels is essential to sustaining performance and enabling long-term growth in the Chinese market.

Close alignment with headquarters emerges as a decisive success factor for local subsidiaries. Strong HQ support and shared understanding allow China operations to implement locally relevant people and organizational initiatives, respond effectively to competitive pressures, and maintain performance in an increasingly constrained environment.

Findings signal a broader shift from expansion-led growth to strategic optimization. Respondents—primarily from manufacturing, followed by consumer & retail, professional services, and other sectors—emphasize disciplined cost management alongside accelerated adoption of automation to address structural human capital challenges.

Looking ahead, organizations are prioritizing workforce optimization over headcount expansion. This is evident in the focus on Learning & Development as the leading area for AI-enabled solutions, surpassing recruitment. While near-term financial growth expectations remain modest, sustained investment in leadership resilience and cultural transformation reflects a deliberate effort to strengthen internal capabilities, enabling organizations to navigate a prolonged period of market stagnation and structural change.

Recommendations

01. Balance lean mindset ¹with strategic investment:

Organizations should sustain a rigorous lean mindset to drive efficiency and productivity, while protecting targeted investments in innovation, leadership development, and critical talent capabilities. This dual focus ensures near-term cost discipline without eroding mid- to long-term strategic advantage. By continuing to invest in people during periods of market pressure, companies reinforce psychological safety and signal a clear commitment to their most critical asset—human capital.

02. Prioritize leadership and capability building as strategic enablers:

Organizations should focus investment on targeted leadership development that builds adaptive, resilient leaders capable of navigating increasing market complexity. In parallel, strengthening talent capabilities through continuous learning and development sustains engagement, motivation, and long-term organizational performance.

¹A lean mindset is a way of thinking that prioritizes efficiency and value creation.

03. Strengthen cross-functional collaboration and organizational design to overcome silos:

To address siloed operations, organizations must deliberately strengthen cross-functional collaboration by adjusting organizational design, governance, and ways of working to better enable teamwork and cooperation. Improving sales team effectiveness and closing organizational gaps in career development will further enhance employee engagement and drive sustainable productivity improvements.

04. Adopt a balanced localization strategy anchored in long-term workforce and succession planning:

While localizing leadership and talent can deliver near-term effectiveness, organizations must proactively manage long-term risks, particularly in knowledge gaps, compliance and regulatory capability. Developing foreign and local leaders with deep understanding of Chinese culture, language, and business practices enables companies to meet local market requirements while preserving a distinctive Nordic leadership and values-based identity. This balance strengthens employer branding and creates a sustainable advantage in attracting and retaining critical talent.

05. Accelerate AI adoption to drive productivity and capability building:

Organizations should proactively scale the adoption of AI technologies to unlock productivity gains and enable more effective learning and development. Today, many remain constrained by the pace of HQ-led implementation, which often lags the speed and specificity required by the Chinese market. Empowering local organizations to pilot and deploy AI-enabled solutions will enhance agility, strengthen talent capabilities, and reinforce a people-centric approach—positioning companies for sustained performance in an increasingly dynamic and competitive environment.

Quantitative Survey – Total Number of Respondents 115

Figure 1: Participants' Position in the Company (N 115)

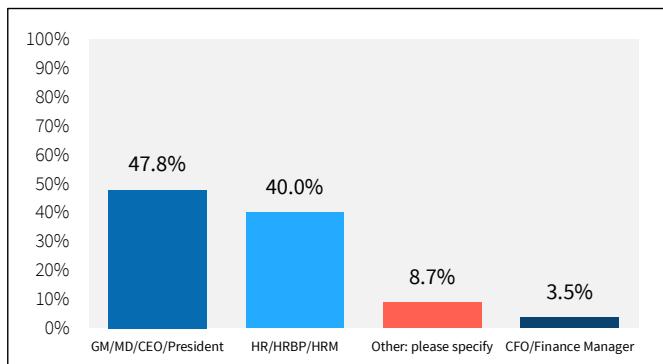


Figure 2: Participants per Chamber of Commerce (N 115)

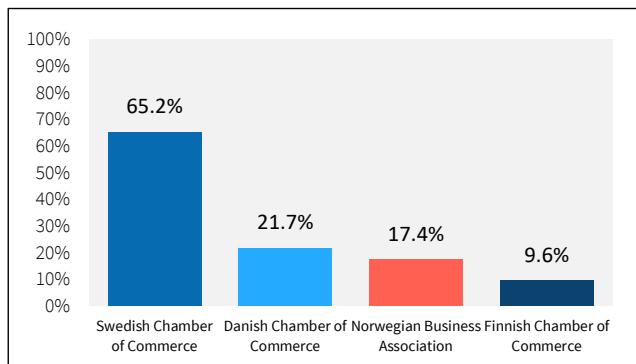


Figure 3: Organizations' Industry Segment (N 115)

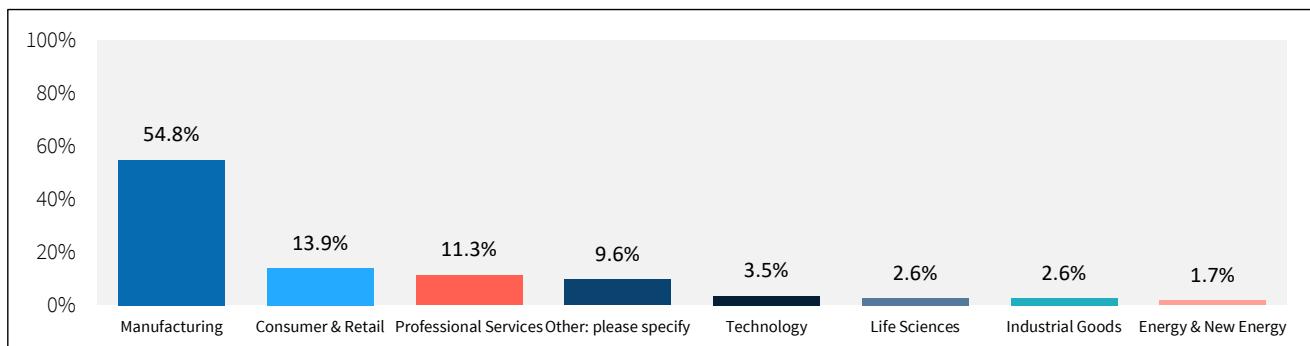


Figure 4: Organizations' Employees Count in China (N 115)

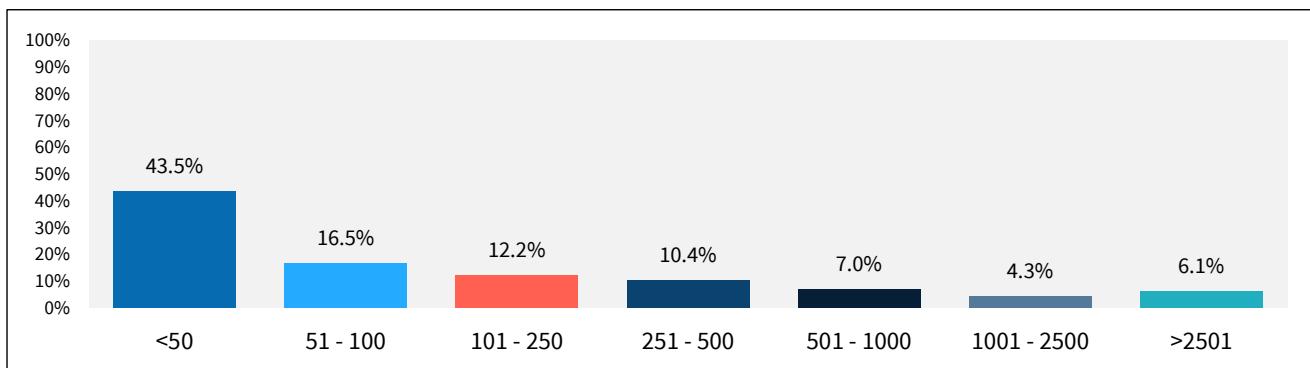
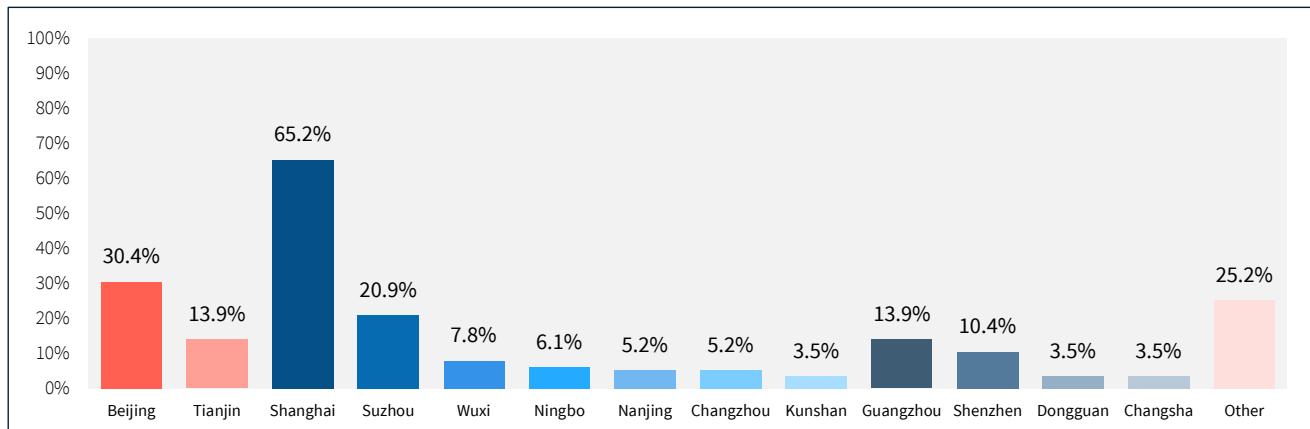


Figure 5: Organizations' Geographical Location (N 115)



Qualitative Survey - Total Number of Respondents 17

Figure 6: Participants' Position in the Company (N 17)

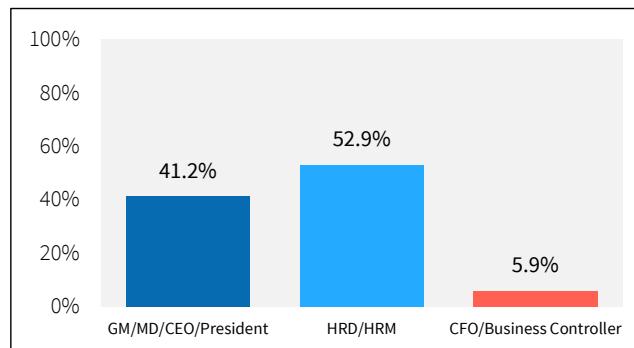


Figure 7: Participants per Chamber of Commerce (N 17)

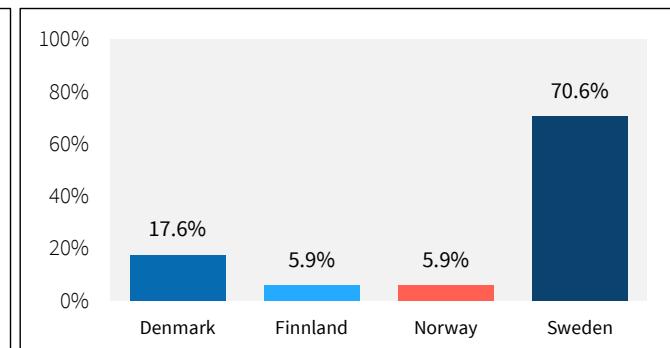


Figure 8: Organizations' Industry Segment (N 17)

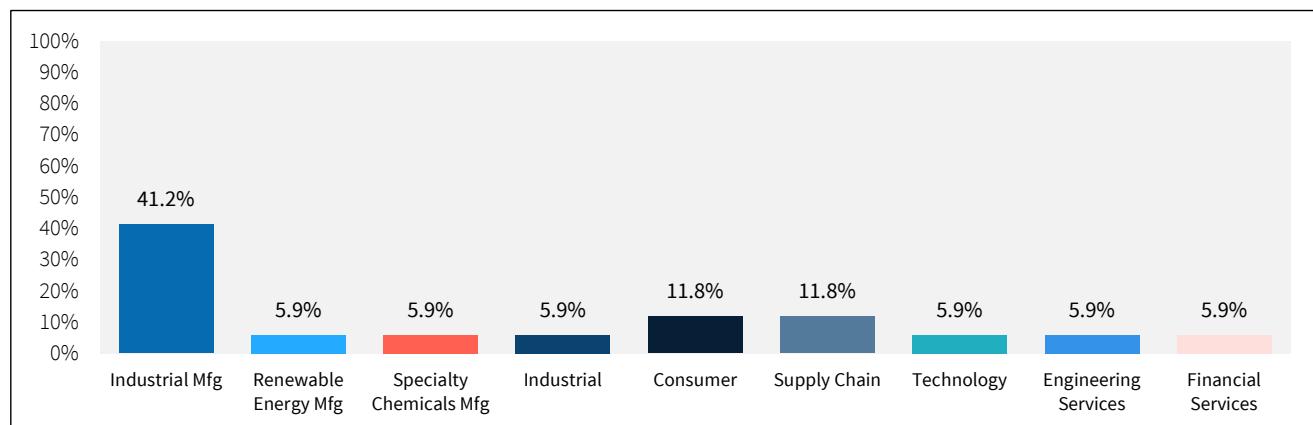


Figure 9: Organizations' Employees Count in China (N 17)

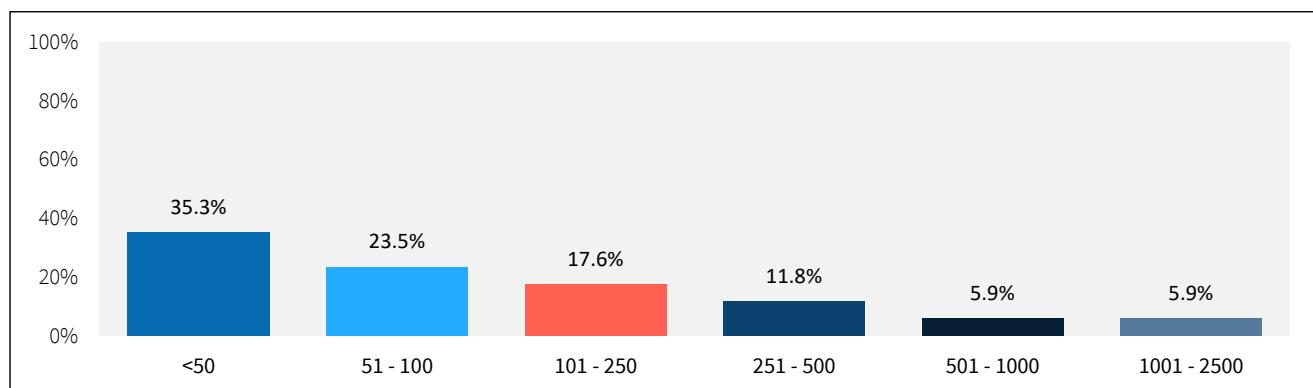
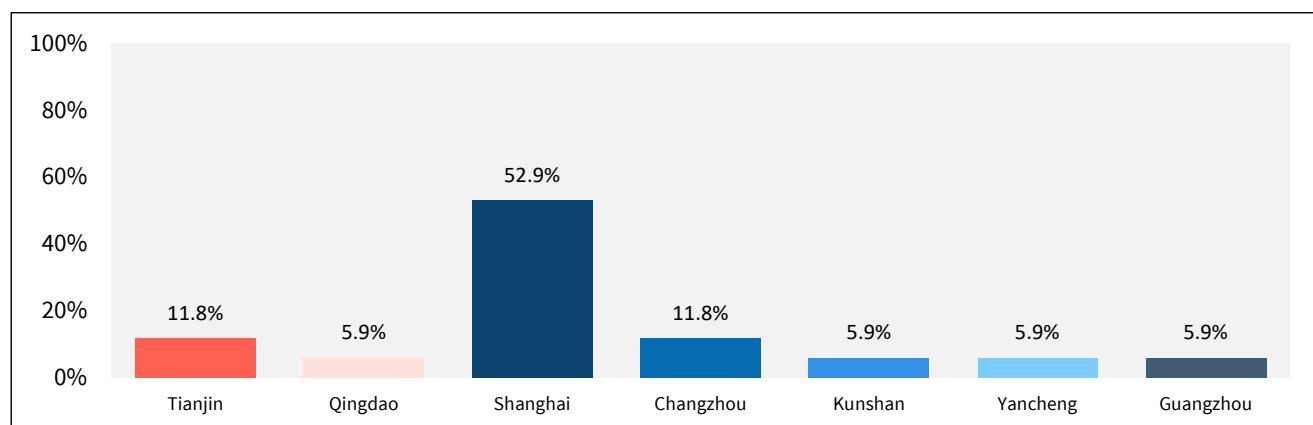


Figure 10: Organizations' Geographical Location (N 17)



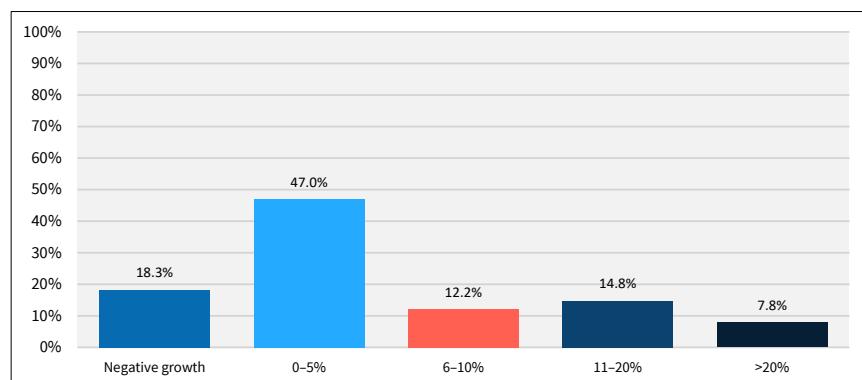
Survey Results

1. Business Growth Results for 2025

The survey points to a challenging and uneven growth environment in 2025

- **Nearly half of respondents (47%) report low growth of 5% or below**, indicating broad-based stagnation across the sample. More concerning, **18% experienced negative growth**, signaling structural vulnerabilities driven by market pressure, intensified competition, and ongoing economic uncertainty.
- **Only a minority achieved meaningful expansion.** Approximately **27%** of respondents reported growth above **6%**, including **15.8% achieving double-digit growth of 11-20%**.
- **Exceptional performance remains rare**, with **fewer than 8% exceeding 20% growth**—suggesting that strong outperformance is concentrated among a small subset of companies with differentiated strategies or advantaged market positions.

Figure 11: Nordic Companies' Business Growth in 2025



Overall, the growth distribution underscores increasing polarization.

While most organizations are sustaining marginal growth, relatively few are breaking out, and nearly one in five are contracting. This uneven performance landscape reinforces the need for leaders to reassess strategic priorities, strengthen resilience, and invest selectively in innovation and adaptability to navigate continued market volatility.

“

Over the past 12 months, we have been operating in a challenging economy where consumers are cautious about their spending. Intense competition arises not only from competitors but also from partners, who are under pressure to engage in extreme behaviors.

”

“

We are facing overcapacity, which is leading to a price war due to too many companies competing in the market. This competitive landscape is likely to persist next year.

”

“

We anticipate a decline in order intake over the next couple of years, leading to a significant drop in revenue in 2-3 years.

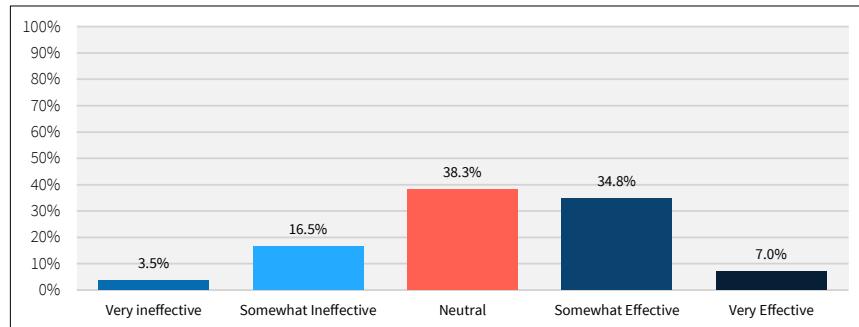
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2. Evaluating HQ Awareness and Strategic Alignment with the China Office - HQ's Role in Supporting the China Office

The survey highlights a material alignment gap between Nordic headquarters and China operations, particularly in the understanding and communication of people and organizational priorities.

- **Perceptions are fragmented**, with a plurality of respondents (38%) **expressing a neutral view**—suggesting limited clarity on whether HQ strategies and support effectively address China-specific challenges.
- **A meaningful share of respondents perceives insufficient HQ understanding.** Approximately 17% believe HQ struggles to grasp the realities faced by the China organization, while a small but concerning segment (4%) reports outright dissatisfaction with HQ's management of China-related HR and organizational matters—indicating pockets of significant disconnect.
- **Positive assessments remain constrained.** While 35% view HQ as **moderately effective** in aligning with China challenges, only 7% feel they receive adequate support. This gap between perceived understanding and tangible support points to execution and communication shortfalls.

Figure 12: Nordic Headquarters' Understanding, Communication Effectiveness and Alignment on People and Organizational Challenges in the China Office



Overall, the findings suggest partial alignment without full enablement.

Closing this gap will require sharper two-way communication, deeper immersion in local market dynamics, and clearer translation of global people and organizational strategies into locally relevant actions. Strengthening this alignment is critical to sustaining engagement, decision quality, and performance in the China market.

I **Nearly 20%** of respondents perceive **HQ support** as ***Somewhat or Very Ineffective***, while **38%** hold a ***Neutral perspective***.

“

As China increasingly becomes the primary manufacturing and service hub, we would like to see a greater transfer of strategic decision-making to the region.

”

3. Assessing the Effectiveness of P&OD Initiatives in Supporting China Strategy

Alignment between P&OD initiatives and organizational strategy is a critical driver of business performance—particularly in dynamic and complex markets such as China. Effective alignment ensures that P&OD practices not only support overall business objectives but also respond to local market realities. When HR functions operate with a strategic lens on people and organizational priorities, they can increase engagement, improve performance, and build a culture that enables sustainable growth.

Against this backdrop, MU included a dedicated survey question assessing the alignment between P&OD initiatives and the China organizational strategy. In line with common practice among multinational corporations operating in China, the findings reflect a structural challenge: many HR teams have yet to fully adopt a strategic approach to people and organizational initiatives that directly enable business strategy execution. Instead, decisions are frequently driven by budget allocation—particularly for learning and development—rather than by a systematic diagnosis of capability gaps or organizational needs. This limits HR's ability to address critical issues linked to strategic priorities and evolving market challenges.

The survey results reveal a mixed picture of alignment effectiveness, with clear implications for improvement:

- **High alignment remains limited.** Fewer than **10%** of respondents (**9.6%**) report a high degree of alignment between HR initiatives and the China organizational strategy. This suggests that achieving tight, end-to-end integration between people initiatives and strategic priorities remains difficult for most organizations, likely reflecting gaps in strategic planning, communication, and ongoing effectiveness reviews.
- **Moderate alignment is the prevailing state.** Nearly half of respondents (**49.6%**) indicate that HR and organizational initiatives are aligned with the China strategy. This points to a baseline level of coherence, with many organizations successfully linking HR activities to broader business objectives. While encouraging, this level of alignment often reflects consistency rather than differentiation or strategic advantage.
- **Partial alignment indicates unrealized potential.** A further **38.3%** report that initiatives are only somewhat aligned. These organizations recognize the strategic intent but face execution gaps—highlighting opportunities to sharpen focus, address capability mismatches, and more directly link HR initiatives to priority business outcomes.

“

We have many programs rolled out from HQ; however, many of these are challenging for local teams to understand and implement. The difficulty lies not in the language used, but in the concepts and the manner in which the content is presented...

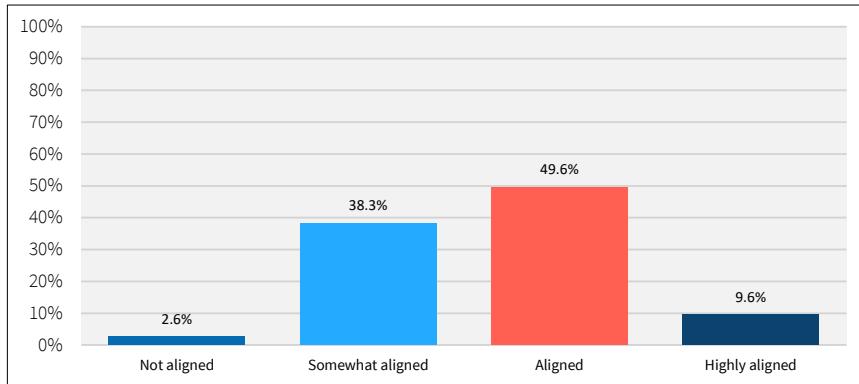
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I 49.6% indicate *Moderate Alignment* between current *Organization & People Development Initiatives* and the *Overarching China Strategy*.

- **Misalignment, while limited, remains a risk.** A small but notable **2.6%** report no alignment between HR initiatives and organizational strategy. Even at low incidence, misalignment can result in inefficiencies, misallocated resources, and reduced employee engagement—underscoring the need for regular strategic reviews of HR priorities.

While alignment is broadly recognized as important, **true strategic integration of P&OD initiatives and strategy remains the exception rather than the norm.**

Figure 13: Alignment of Current Organizational and People Initiatives with the China Organization Strategy



Overall, the findings suggest that while alignment is broadly recognized as important, true strategic integration remains the exception rather than the norm.

Strengthening this alignment will require HR functions to move beyond activity-based planning toward insight-driven, strategy-led people and organizational decisions—particularly critical for organizations navigating the complexity and pace of the China market.

In a nutshell, the findings point to partial but inconsistent alignment between people and organization development initiatives and organizational strategy in China. While many organizations report a baseline level of alignment, significant opportunities remain to strengthen strategic coherence and execution. To close these gaps, organizations should focus on four priority actions:

01. Institutionalize regular strategic reviews

Conduct periodic assessments of people and organization development initiatives to evaluate their impact on business priorities and ensure continued relevance as strategic objectives evolve.

02. Strengthen business–people dialogue

Establish clear, consistent communication channels between people and organization development teams and business leadership to improve mutual understanding, accelerate decision-making, and reinforce shared strategic priorities.

03. Increase rigor in value measurement

Apply qualitative and outcome-based evaluation of return on investment for people and organization development initiatives to ensure resources are directed toward areas with the greatest business impact.

04. Embed people and organization development in strategic planning

Involve people and organization development leaders early and systematically in strategic planning processes to enable joint prioritization and tighter alignment with long-term organizational goals.

By advancing these actions, organizations can move from functional alignment to true strategic partnership—strengthening execution, enhancing leadership capability, and supporting sustainable growth in the China market.

“

Many of the truly talented individuals tend to stay in their current positions rather than seeking new opportunities unless necessary. We remain optimistic about identifying more talent in the market.

”

4. Employee Voluntarily Turnover² Rates

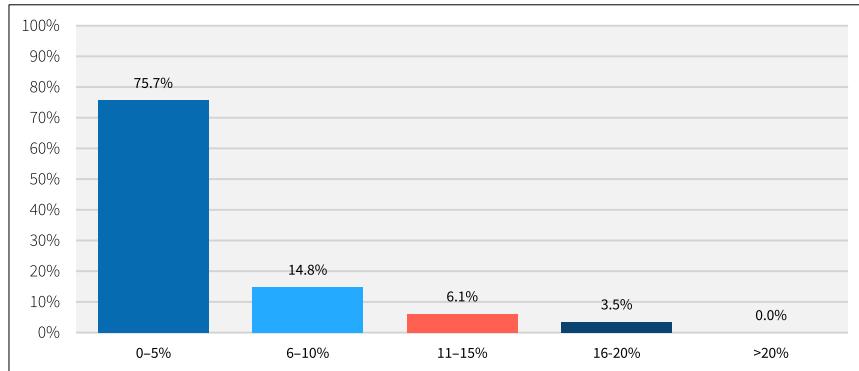
The survey results reveal important insights into employee voluntary turnover rates, with a significant majority of respondents reporting low or minimal turnover:

I 75.7% of Nordic companies report a stable labor market with voluntary turnover rates below 5%.

- The survey indicates a largely stable labor market, with voluntary turnover remaining low across most organizations.** A clear majority of respondents (75.7%) report voluntary **turnover of 0–5%**, pointing to a high degree of workforce stability. This stability likely reflects a combination of employee satisfaction, strong organizational culture, and effective retention practices. It is also shaped by broader market dynamics, including widespread layoffs across sectors, which appear to have increased risk aversion and reinforced employees' preference for job security over mobility.
- Career movement remains limited.** A further 15% report voluntary **turnover below 10%**, reinforcing the overall trend toward cautious career decision-making. Across these groups, employees appear to prioritize stability and continuity, particularly in an environment characterized by economic uncertainty and constrained external opportunities.
- Elevated turnover is concentrated in a small minority. Fewer than 10%** of respondents (9.6%) report voluntary turnover in the range of **11–20%**. While limited in scale, this segment may signal localized challenges related to engagement, role fit, or unmet expectations, warranting targeted diagnostic review.

²Voluntarily Turnover Rate refers to the percentage of employees who leave an organization by their own choice, whether for personal reasons, new job opportunities, or career changes

Figure 14: Current Voluntary Turnover Rate (%) in Nordic Companies



Overall, the findings suggest a risk-averse labor market rather than an absence of underlying talent issues. Low turnover should not be interpreted solely as a positive signal. Prolonged stability can also increase the risk of complacency and reduced internal dynamism if not actively managed.

Implications for organizations:

To convert workforce stability into sustained performance, organizations should complement retention efforts with regular capability and role-fit diagnostics. Ensuring that the right talent, with the right capabilities, is deployed in the right roles will be critical to maintaining momentum, supporting future business outcomes, and fostering a culture of continuous improvement and adaptability.

In summary, while voluntary turnover remains low, leading organizations will use this period of stability to actively strengthen capability, engagement, and performance—rather than equating low attrition with low risk.

5. Primary Reasons for Voluntary Turnover

Against a backdrop of economic uncertainty and widespread layoffs, Nordic companies face a dual challenge: attracting scarce talent while retaining critical capabilities. To better understand the drivers of voluntary attrition, MU included targeted questions on employee turnover motivations to identify where organizations should focus retention efforts.

The findings highlight a clear hierarchy of factors driving voluntary turnover, pointing to structural rather than purely transactional issues:

- **Limited career development remains the primary driver.** Nearly half of respondents (**46.1%**) cite the lack of attractive career development opportunities as the main reason for leaving. This underscores the growing expectation for clear advancement pathways, skill development, and differentiated career experiences. Where progression opportunities are perceived as constrained, retention risk rises materially.

“

In the past, if we wanted to renew a contract, we were less critical and had lower expectations; if an employee was performing adequately, the contract would typically be renewed. Now, we will adopt a more careful approach, including evaluation meetings with managers followed by a second evaluation with the Managing Director. If an employee's performance is merely satisfactory rather than strong, we will discuss whether to proceed with their renewal.

”

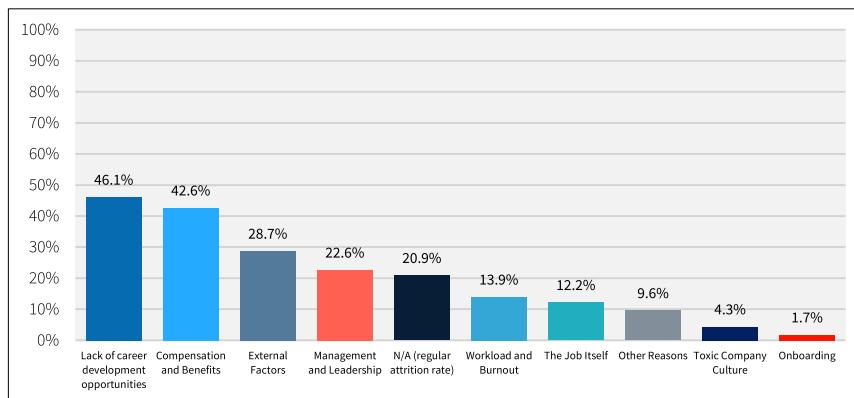
| The findings suggest a **risk-averse labor market**, rather than a lack of underlying talent issues.

| **46.1%** cite the **lack of Attractive Career Development Opportunities** as the **primary reason for leaving**.

- **Compensation remains a close second, but not the sole lever.** A significant **42.6%** point to uncompetitive salary and compensation packages as a contributing factor. While competitive pay remains essential, the data suggests that compensation alone is insufficient to retain talent in the absence of compelling growth and development opportunities.
- **Personal considerations play a meaningful role.** Almost **29%** of respondents cite personal reasons for leaving, reflecting factors such as family considerations, relocation, or shifting priorities. While these drivers are less controllable, organizations that offer flexibility and supportive policies may mitigate attrition risk at the margins.
- **Leadership and management quality matters.** More than one in five respondents (22.6%) attribute their departure to management or leadership issues, reinforcing the critical role of leadership capability, trust, and day-to-day people management in sustaining engagement and retention.
- **Workload and burnout are emerging risk factors.** A further **13.9%** identify excessive workload and burnout as drivers of turnover. This risk may intensify as organizations pursue cost optimization and operating leverage, often redistributing work following workforce reductions.

| Over **22.6%** of respondents attribute their departure to management or leadership issues.

Figure 15: Primary Reasons for Voluntary Turnover of Key Personnel



Taken together, the results point to a multidimensional retention challenge. While compensation remains a necessary hygiene factor, the dominant drivers of voluntary turnover are linked to career development, leadership effectiveness, and sustainable ways of working. Notably, the absence of visible development pathways emerges as the single most critical risk.

Implications for organizations:

Leading organizations will need to adopt an integrated people and organization development approach—strengthening career architecture, investing in leadership capability, and actively managing workload and well-being. Failure to address these areas risks converting short-term cost discipline into longer-term capability erosion and elevated attrition.

In summary, retention in the current environment will be won less through pay alone and more through differentiated development, credible leadership, and sustainable operating models.

Insights from qualitative interviews provide a deeper view into the structural retention and attraction challenges facing medium-sized Nordic companies. Two recurring themes emerge:

- **Limited strategic focus on people and leadership development.** Many medium-sized organizations lack a deliberate, long-term approach to people and leadership development. Flat organizational structures constrain traditional upward mobility, making it difficult to offer visible career progression—an increasingly critical factor for retaining high-performing talent.
- **Constraints in attracting highly skilled talent.** Compared with large multinational corporations, medium-sized companies often lack strong employer branding, reducing their ability to compete for scarce, high-skilled professionals in an increasingly competitive labor market.

Taken together with the quantitative findings, the evidence points to the need for a more intentional and differentiated approach to talent attraction and retention. To shift from tactical responses to strategic capability building, organizations should focus on the following priorities:

01. Strengthen employer branding around differentiated value propositions.

Emphasize employee well-being, work-life balance, and learning and development opportunities. Where vertical progression is limited, highlight horizontal career moves and cross-functional exposure as attractive alternatives.

02. Deploy structured, 360-degree leadership development programs.

Introduce comprehensive leadership initiatives that appeal to growth-oriented professionals seeking broader responsibility and skill expansion. Well-designed programs can serve as a differentiator versus larger organizations with more standardized offerings.

03. Invest systematically in leadership capability.

Build managers' leadership effectiveness and emotional intelligence to strengthen engagement, trust, and day-to-day employee experience—key drivers of retention in flatter organizations.

04. Expand career development beyond vertical advancement.

Enable horizontal mobility and exchange opportunities with headquarters to create diverse career pathways, even within constrained organizational hierarchies.

05. Institutionalize open and continuous dialogue.

Establish regular feedback mechanisms—such as pulse surveys, one-on-one check-ins, and focus groups—to surface employee needs early and reinforce a sense of inclusion and belonging.

06. Ensure compensation remains competitive and transparent.

Conduct regular market benchmarking to validate pay structures and communicate clearly about compensation philosophy to manage expectations and reinforce perceived fairness.

By addressing these levers holistically, medium-sized Nordic companies can move from reactive retention measures to a coherent people and organization development strategy—strengthening employer attractiveness, improving workforce stability, and supporting long-term organizational performance.

“

The primary challenge we face is driving efficiency, which has resulted in the need to reduce specific positions. Over the past 12 months, we have had some downsizing, as we need to produce our products with fewer people. This has led to a reduction of 10-15% across the board.

”

6. Layoff Trends Among Nordic Companies

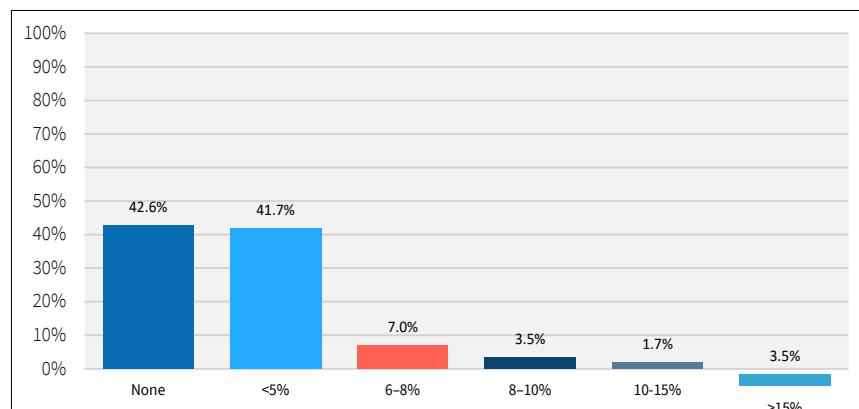
The survey highlights a widening gap between workforce intentions and execution among Nordic companies over the past year.

- **While 42.6% of respondents aimed to maintain workforce size**—reflecting a clear intent to preserve talent and operational stability—57.4% ultimately implemented some level of layoffs. This divergence underscores the intensity of economic pressure and the constrained degree of control organizations currently have over workforce outcomes.
- **Most workforce reductions were contained, indicating a cautious approach to downsizing.** Among organizations that reduced headcount, **41.7%** report **minimal layoffs of 0-5%**. This suggests that many companies sought to limit disruption, protect critical capabilities, and preserve morale, often through incremental adjustments rather than large-scale reductions.
- **Moderate reductions were less prevalent but evident.** Approximately **10.5%** implemented layoffs of **6-10%**, while **1.7%** reduced headcount by **10-15%**. These figures point to targeted rightsizing efforts, with organizations balancing cost pressure against the need to retain core talent and sustain operational effectiveness.
- **Severe workforce reductions remain limited but carry elevated risk.** A small subset of respondents (3.5%) reported layoffs exceeding 15%. Such actions typically signal significant financial stress or strategic repositioning and may have lasting implications for organizational culture, engagement, and execution capacity if not carefully managed.

| Most layoffs were minimal, with 41.7% reporting reductions of 0-5%, indicating a cautious downsizing approach.

Overall, the findings reflect a defensive workforce posture rather than proactive workforce transformation. Organizations appear focused on near-term cost containment while attempting to protect key capabilities. Going forward, the challenge will be to complement necessary workforce adjustments with forward-looking people and organization development measures to avoid longer-term capability erosion.

Figure 16: Layoffs Experienced by Nordic Companies in China in 2025



7. Motivations behind Layoffs

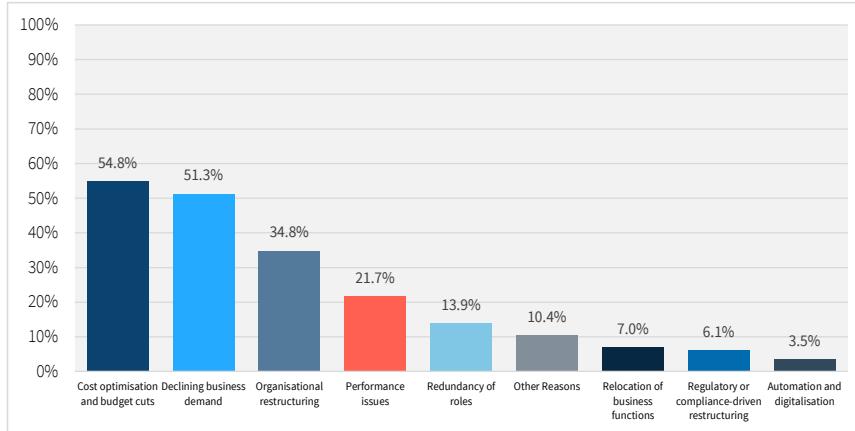
The survey identifies three primary drivers behind workforce reductions among Nordic companies, reflecting sustained economic and structural pressure. Layoffs are predominantly driven by **cost optimization and budget constraints (54.8%)**, **expectations of declining business demand (51.3%)**, and **broader organizational restructuring**, including consolidation, divestment, and M&A activity.

- **Cost optimization remains the dominant trigger.** More than half of respondents (**54.8%**) cite cost and budget pressure as the main driver of layoffs, underscoring the imperative to protect financial performance amid uncertainty, margin pressure, and heightened competition. While effective in the near term, cost-led workforce reductions carry longer-term risks related to engagement, culture, and capability erosion if not carefully managed.
- **Demand uncertainty is a close second.** A similar share of respondents (**51.3%**) report anticipated declines in business demand as a key factor. This reflects volatility in customer behavior, supply chain dynamics, and sector-specific shifts. In response, organizations are adjusting workforce size to align costs with revised revenue outlooks—often as a defensive measure that may constrain recovery when demand rebounds.
- **Structural transformation also contributes materially.** Organizational restructuring—including consolidation, divestment, and M&A—continues to shape workforce decisions. While such moves aim to improve efficiency and competitive positioning, they increase uncertainty for employees and heighten the need for clear communication, change leadership, and targeted capability retention.

Layoffs are primarily driven by **cost optimization and budget constraints**, accounting for **54.8%**.

A significant motivation for layoffs is a **lackluster future outlook**, with **51.3%** citing **declining business demand**.

Figure 17: Primary Reasons for Layoffs in Nordic Companies in China in 2025



The findings suggest that Nordic companies are operating in a sustained period of economic pressure, where disciplined workforce management and strong talent capabilities are critical to performance. To navigate this environment, organizations must balance short-term cost actions with longer-term capability resilience. Practical levers include building shadow roles for critical positions, developing multi-skilled, cross-functional talent, and enabling individual contributors to operate with greater ownership and entrepreneurial mindset. Together, these measures help create a more agile, decisive, and market-responsive workforce.

Key implication and recommendations include :

01. Protect morale and psychological safety during transitions.

While workforce reductions may remain necessary, organizations must actively safeguard employee engagement and trust. Clear, transparent communication and targeted people care programs are essential to maintaining psychological safety and stability during periods of uncertainty.

Psychological Safety has emerged as a **strategic performance lever**.

02. Strengthen strategic workforce planning.

The data reinforces the need for forward-looking workforce planning that enables rapid adaptation to market shifts without undermining critical capabilities. Scenario-based planning and contingency options can help organizations respond effectively while limiting disruption.

03. Provide structured support for affected employees.

For organizations implementing larger-scale layoffs, robust transition support—including career coaching, job placement assistance, and mental health resources—can mitigate the human and reputational impact of downsizing and reinforce organizational values.

04. Sustain investment in talent development.

Even amid cost pressure, continued investment in learning and capability building is critical to retaining key talent, closing skill gaps, and positioning the organization for recovery and future growth.

“

The primary challenge we face is driving efficiency, which has resulted in the need to reduce specific positions. Over the past 12 months, we have had some downsizing, as we need to produce our products with fewer people. This has led to a reduction of 10-15% across the board.

”

05. Reinforce a resilient organizational culture.

A strong, inclusive culture can buffer the negative effects of workforce actions. Recognition programs, regular feedback loops, and initiatives that promote collaboration and teamwork help sustain engagement and performance during challenging periods.

Overall, organizations that pair cost discipline with deliberate people and organization development will be best positioned to maintain resilience, protect critical capabilities, and emerge stronger in a volatile market environment.

8. Localization Strategies in Chinese Subsidiaries

8.1. Managerial Foreign Staff in Nordic Organizations

The survey results reveal a striking trend regarding the presence of foreign employees within Chinese subsidiaries of participating organizations. An overwhelming **92.2%** reported either a complete absence or a minimal count of foreign employees (below 5). This statistic illustrates a significant reliance on local talent, highlighting the localization strategies employed by these companies in adapting to the Chinese market.

With regards to foreign staff occupying managerial roles, the survey results indicate:

- **Complete Absence or Minimal Presence of Foreign Employees**

Among the respondents, 36.5% indicated a complete absence of foreign employees in their Chinese subsidiaries, while **55.7%** reported having **fewer than 5** foreign employees. This indicates a strong preference for hiring local management-level talent, reflecting a strategy that seeks to align closely with the cultural, regulatory, and business environment of China, which is often seen as crucial for success in the region. Companies may believe that local employees possess a better understanding of the market, consumer behavior, and business practices unique to China, facilitating smoother operations and integration.

- **Limited Numbers of Foreign Employees**

A small fraction of respondents noted having a limited number of foreign employees in leadership roles. Specifically, **2.6%** reported having **between 6 and 10** foreign employees, and **4.3%** indicated **between 11 and 20** foreign employees. This suggests that while some companies may benefit from the expertise of foreign nationals, the numbers remain low, potentially due to high costs, visa restrictions, or strategic decisions to invest in developing local talent rather than relying heavily on expatriates.

“

People localization offers several advantages; we operate in manufacturing, not technology, and our EBIT is at 10%, which doesn't represent double-digit profitability. However, it's still essential to maintain a reliable bridge between HQ and the local team, which is facilitated by the GM role.

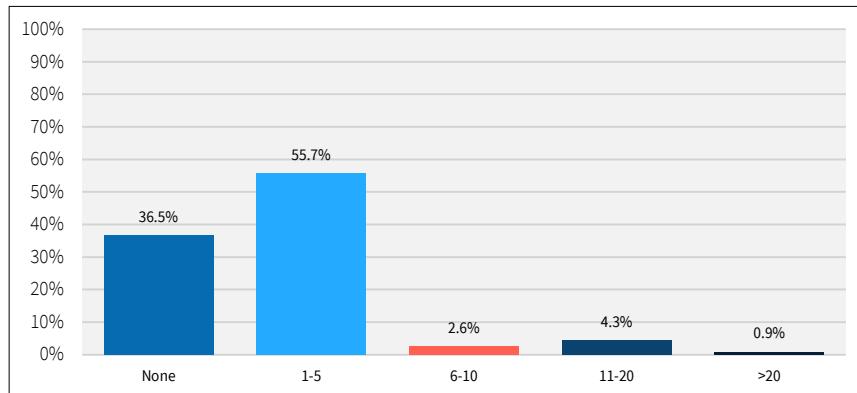
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I Over **1/3** of firms **have no foreign** managers, and **nearly 3/4 have no foreign staff**, highlighting **limited cross-cultural exposure** and **potential risks to knowledge transfer** and **global alignment**.

- **Very Few with Significant Foreign Presence**

Notably, less than **1%** (0.9%) of respondents stated that they have **more than 20** foreign managers in their Chinese subsidiaries. This reinforces the overall trend of localization, as the vast majority of companies prefer to develop their workforce from the local talent pool instead of importing foreign expertise.

Figure 18: Foreign Managerial Staff in Nordic Companies in 2025



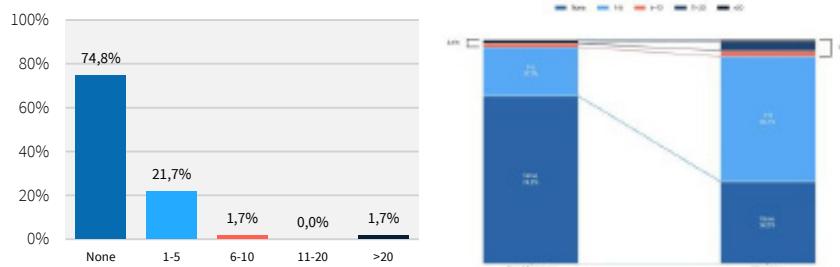
Overall, the findings confirm a decisive shift toward local leadership in China operations. The strategic challenge for organizations is no longer whether to localize, but how to ensure that localized leadership is fully equipped with the capabilities, governance alignment, and succession depth required to sustain performance and manage complexity in a rapidly evolving market.

The strategic challenge for organizations is no longer whether to localize, but **how to ensure that localized leadership is fully equipped with the capabilities, governance alignment, and succession depth required to sustain performance and manage complexity in a rapidly evolving market.**

8.2. Non-managerial Foreign Staff in Nordic Organizations

- Survey results point to a clear and accelerating localization trend in non-managerial roles. **78.4% of respondents report employing no non-managerial foreign staff**, a share significantly higher than at managerial levels. This indicates that localization is no longer selective but structural in workforce composition.
- The absence of non-managerial foreign staff suggests a deliberate emphasis on **local talent for operational execution**, reflecting the need for cultural fluency, language capability, and proximity to customers and regulators—factors that are particularly critical in China. Organizations appear to view local talent as essential to operational effectiveness, internal coordination, and market responsiveness.
- Among the minority that do employ non-managerial foreign staff, **21.7% report only 1-5 individuals**, pointing to a targeted, capability-driven use of foreign expertise rather than broad deployment. These roles are likely designed to supplement local teams with specialized knowledge while maintaining a predominantly localized workforce.
- Only a marginal share of companies ($\approx 3.4\%$) employ more than six non-managerial foreign staff, reinforcing the conclusion that reliance on expatriate labor at this level is now the exception rather than the norm.

Figure 19: Foreign Non-managerial Staff in Nordic Companies in 2025.
Comparison Managerial and Non-Managerial Staff in Nordic Companies



These findings reinforce a sustained post-pandemic acceleration of localization strategies. The shift toward local talent and management is neither new nor unique to the current cycle; rather, it reflects a recurring pattern among global companies operating in complex markets such as China. Understanding the strategic and operational drivers behind this shift is critical to assessing its long-term implications for capability building, leadership pipelines, and HQ-China alignment.

9. The Dual Impact of Talent Localization: Benefits and Challenges

9.1. Talent Localization Benefits

The survey findings reveal that a significant majority of respondents—**55.7%**—believe that the positive effects of localization trends are primarily tied to a stronger understanding of Chinese customers and the local market. This understanding is critical as it enables organizations to tailor their products, services, and marketing strategies to effectively meet local needs and preferences.

The survey confirms that localization delivers clear operational and strategic benefits for organizations operating in China. A majority of respondents (**55.7%**) associate localization primarily with a deeper understanding of Chinese customers and local market dynamics—a critical enabler of relevance and competitiveness.

Key benefits cited include:

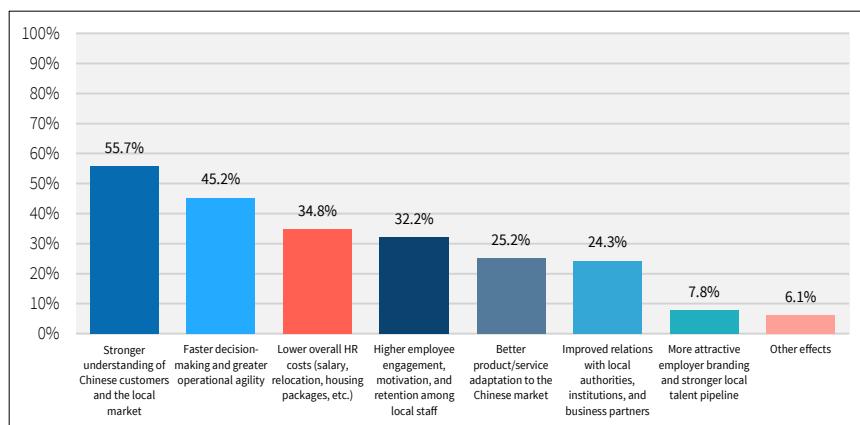
- **Stronger customer and market insight (55.7%).** Localized talent enables organizations to better understand customer behavior, preferences, and cultural nuances, allowing for more tailored products, services, and go-to-market strategies. This proximity to the market strengthens customer satisfaction, brand relevance, and long-term growth.
- **Faster and more effective decision-making (45.2%).** Organizations with predominantly local teams report greater speed in decision-making and execution. Reduced reliance on cross-border approvals enables faster responses to market shifts—an important advantage in China's fast-moving and highly competitive environment.

| The top two benefits of localization cited are a stronger understanding of Chinese customers & the local market (55.7%), followed by faster decision-making & greater operational agility (45.2%).

- **Lower people-related costs (34.8%).** Localization reduces reliance on expatriate roles, lowering costs associated with international assignments, relocation, and complex mobility arrangements. These efficiencies allow resources to be reallocated toward strategic priorities such as technology investment and capability building.
- **Higher employee motivation and engagement (32.2%).** When organizations demonstrate commitment to local talent, employees report stronger engagement and motivation. Cultural alignment and local empowerment contribute to higher job satisfaction, productivity, and innovation.

Overall, the findings indicate that localization is not merely a cost or compliance lever, but a material contributor to market responsiveness, organizational effectiveness, and employee engagement.

Figure 20: Positive Impact of Talent Localization in Nordic Companies



9.2. Talent Localization Challenges

While the benefits of localization are clear, the survey highlights several structural and capability-related risks that organizations must actively manage. These challenges, if unaddressed, can dilute strategic coherence, increase risk exposure, and limit long-term performance.

Key challenges identified include:

- **Knowledge gaps in global standards and corporate culture (41.7%).** The most frequently cited risk relates to insufficient familiarity with global standards, policies, and corporate norms among local talent. These gaps can lead to inconsistent execution, deviations from group-wide practices, and weakened adherence to shared values—undermining organizational coherence across markets.
- **Weaker alignment with headquarters strategy and decision-making (35.7%).** Respondents report that deep localization can reduce strategic connectivity with headquarters. This misalignment may result in fragmented priorities, slower escalation of critical issues, and missed opportunities for cross-market synergies and collaboration.

“

We currently have three foreign staff members from different countries. Due to mandatory social payments required by the government, the costs associated with employing foreign staff are significantly higher. While hiring locally is more manageable, the policies in place make foreign employment more expensive.

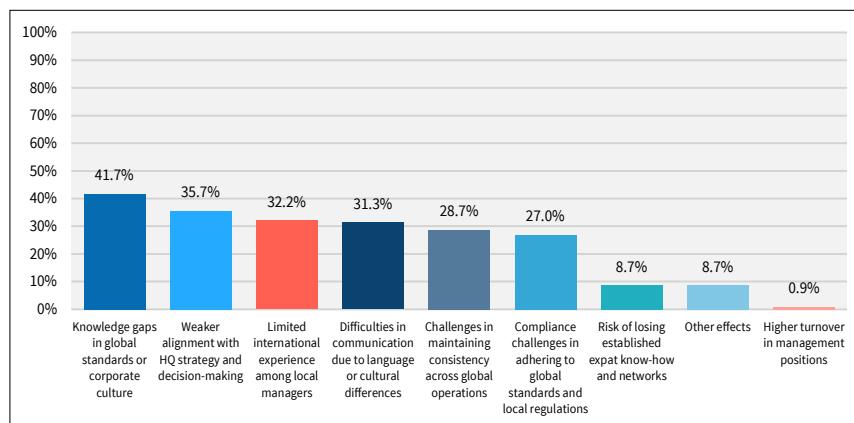
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| 41.7% cite knowledge gaps in global standards and corporate culture as the primary drawback to localization.

- **Limited international exposure among local managers (32.2%).** A lack of international experience among locally developed leaders may constrain their ability to operate effectively in a global context. This can limit strategic perspective, reduce innovation, and weaken the organization's capacity to respond to global market shifts and complex cross-border challenges.
- **Compliance and risk-management challenges (27%).** More than a quarter of respondents highlight difficulties in balancing adherence to global standards with local regulatory requirements. When combined with knowledge gaps in global frameworks, these challenges can create elevated operational and reputational risk.

Taken together, the findings suggest that localization, if pursued without deliberate capability building and strong governance, can create unintended trade-offs between local responsiveness and global integration. Leading organizations therefore treat localization not as a binary choice, but as a managed system—balancing local empowerment with global standards, leadership development, and robust connectivity to headquarters.

Figure 21: Drawbacks of Talent Localization in Nordic Companies



Implications and Recommendations

To capture the full value of talent localization while safeguarding strategic coherence, companies must manage localization as a deliberate system rather than a tactical staffing choice. The following actions emerge as priorities:

- **Build strategic local capabilities.**

Invest in structured people and organization development programs that strengthen local employees' skills while embedding global standards, leadership expectations, and corporate values.

- **Enable targeted knowledge exchange.**

Promote systematic collaboration between local and international talent—through project-based teaming, short-term rotations, and expert exchanges—to accelerate learning, innovation, and capability transfer.

I **32.2%** cited **Limited International Exposure among Local Managers** among the top 3 localization drawbacks.

“

Our focus is on developing our leaders... One leader may have subordinates reporting from different countries, presenting a challenge in leading international teams effectively. Not everyone is currently in an optimal position to do so.

”

“

It's important to have a reliable team that adheres to all compliance requirements, as many other companies face compliance issues.

”

- **Institutionalize integrated succession planning.**

Develop formal succession plans that combine local and international talent, ensuring leadership continuity, resilience, and reduced dependency on single-market pipelines—particularly in critical roles.

- **Expand international exposure for local leaders.**

Create opportunities for high-potential local managers to gain cross-border experience, strengthening global mindset, strategic judgment, and adaptability.

- **Strengthen headquarters–subsidiary alignment.**

Establish regular, structured dialogue between headquarters and local leadership to reinforce strategic priorities, decision rights, and execution discipline.

- **Mitigate compliance and risk exposure.**

Embed targeted compliance training and governance mechanisms to ensure consistent adherence to both global standards and local regulations.

- **Track impact and refine continuously.**

Define clear metrics and KPIs to monitor the effectiveness of localization efforts and adjust strategies based on business outcomes.

Taken together, these actions enable organizations to balance local responsiveness with global integration—reducing risk, strengthening leadership pipelines, and supporting sustainable growth in complex markets such as China.

10. Organizational Effectiveness: Navigating Key Challenges Ahead

The survey highlights four interrelated people and organization development challenges that materially affect the effectiveness of Nordic companies. Together, they point to the need for structural agility, disciplined productivity levers, and renewed focus on engagement and innovation.

- **Agile and Resilient Organizational Structures (42.6%). The most frequently cited challenge** is the need for more agile and resilient organizational structures. Respondents recognize that traditional hierarchies are increasingly misaligned with the speed and complexity of today's business environment. Rapid technological change, shifting customer expectations, and ongoing uncertainty require organizations to make decisions faster and closer to the market. The challenge lies in redesigning structures and governance models that enable flexibility and empowerment while preserving clarity of roles, accountability, and execution discipline.

| **42.6% cited Agile and Resilient Organizational Structures as the top challenge for organizational effectiveness.**

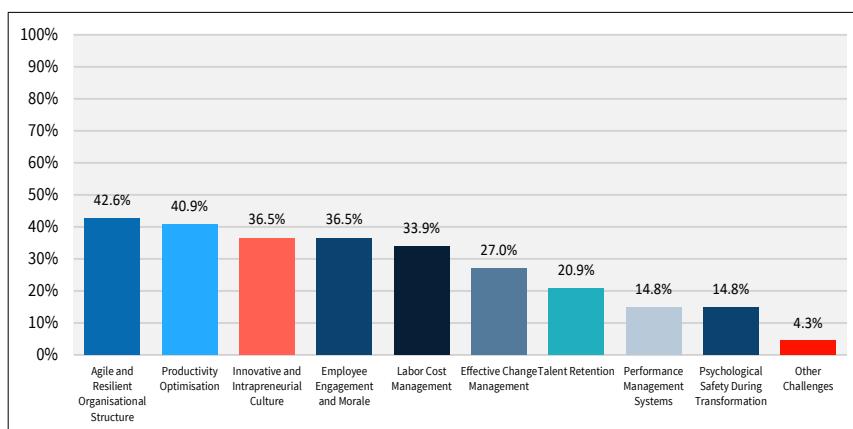
| **Localization does not equal Agility.** Agility is not merely a skill; it encompasses a way of thinking, a system, and an organizational design that enables the organization to function as a unified body.

- **Productivity Optimization (40.9%).** Productivity remains a pressing concern as companies face continued cost pressure and rising performance expectations. Respondents point to inefficiencies stemming from outdated processes, insufficient digital enablement, and misaligned priorities. At the same time, organizations must manage the tension between driving output and sustaining employee well-being. Improving productivity therefore requires a holistic approach—combining process simplification, effective use of tools and technology, and an environment that supports focus, engagement, and sustainable performance.
- **Innovative and Intrapreneurial Culture (36.5%).** Over one-third of respondents identify the lack of a strong innovation and intrapreneurial culture as a constraint on organizational effectiveness. This underscores the difficulty many companies face in translating ambition into everyday behavior. Risk aversion, rigid approval processes, and limited incentives often inhibit experimentation and ownership. Building an intrapreneurial culture requires leadership commitment, psychological safety, and clear mechanisms that allow ideas to move quickly from concept to execution.
- **Employee Engagement and Morale (36.5%).** Employee engagement and morale remain critical challenges, particularly in hybrid and distributed work environments. Insufficient communication, limited recognition, and unclear development pathways continue to erode engagement levels. As engagement is closely linked to productivity, retention, and organizational resilience, companies must take a more intentional approach—strengthening leadership communication, reinforcing recognition and feedback mechanisms, and providing visible career and learning opportunities.

| Over one-third of respondents identify **weak innovation, intrapreneurial culture, and low employee engagement as constraints on organizational effectiveness.**

| **36.5%** highlight **Employee Engagement and Morale** as a key challenge to organizational effectiveness, despite typically high scores in annual engagement surveys from China.

Figure 22: Key Organizational Effectiveness Challenges in 2025



Overall Implication

Taken together, these findings suggest that Nordic companies are at an inflection point. Addressing structural agility, productivity, innovation, and engagement in isolation will deliver limited impact. Sustainable progress will require an integrated people and organization development agenda—one that aligns structure, culture, leadership, and capability-building with evolving business priorities. Doing so will be critical to building resilient organizations capable of sustained performance in an increasingly complex environment.

In conclusion, the organizational effectiveness challenges facing Nordic companies underscore the need for a multifaceted people and organization development approach. Strengthening agility and resilience, improving productivity, fostering innovation, and sustaining employee engagement are critical priorities for navigating today's volatile and complex business environment. Targeted investment in these areas provides the foundation for sustained performance, enabling organizations to adapt more rapidly and capitalize on emerging opportunities.

However, **the findings also reveal a structural tension. While talent localization is recognized as a contributor to stronger engagement and market relevance, Nordic companies continue to face persistent challenges in agility, resilience, and employee engagement.** This indicates that localization alone is insufficient to build the capabilities required for long-term competitiveness.

To close this gap, organizations must complement localization with a broader organizational agenda. This includes prioritizing strategic leadership, strengthening decision-making speed and quality, and building effective organizational systems and networks that enable cross-functional collaboration. Such enablers are essential to ensure that local talent can operate with both autonomy and alignment, and that organizations remain responsive to external market dynamics.

Ultimately, companies that integrate local talent within a cohesive organizational framework—supported by scalable systems, entrepreneurial ways of working, and robust governance—will be best positioned to enhance organizational effectiveness and achieve sustainable success in a dynamic business environment.

Strengthening agility and resilience, improving productivity, fostering innovation, and sustaining employee engagement are critical priorities for a comprehensive people and organization development strategy.

11. Team Effectiveness – Navigating Critical Challenges

The survey highlights several structural and capability-related challenges that are constraining team effectiveness across Nordic organizations.

- **Cross-functional alignment remains the most critical issue, cited by 58.3% of respondents.**

As organizations operate with increasing complexity, effective collaboration across functions—such as sales, marketing, and product development—has become essential to execution speed and outcome quality. Weak alignment often results in siloed decision-making, fragmented priorities, and inefficiencies that dilute overall performance. Addressing this challenge requires clearer shared objectives, well-defined interdependencies, and structured forums that reinforce joint accountability across functions.

“

As we encounter more external business challenges, internal cohesion becomes increasingly important. Different functions must work together and align more effectively to address these challenges.

”

- **Agility and decision speed within functional teams represent the second major challenge, highlighted by 50.4% of respondents.**

In an environment characterized by rapid market shifts, teams must be able to respond quickly and adjust course as conditions evolve. Rigid processes, unclear mandates, and layered approval structures continue to slow decision-making and reduce responsiveness. Organizations that successfully improve agility typically simplify governance, clarify decision rights, and adopt more flexible, agile ways of working that empower teams to act with greater ownership.

“

Being agile and flexible is essential; without these qualities, it becomes challenging to survive in a constantly changing environment where companies frequently start and close.

”

- **Salesforce effectiveness is also under pressure, with 47% of organizations identifying the need for a mindset and capability shift within sales teams.**

Changing customer expectations, digitalization, and more complex buying journeys require sales organizations to move beyond traditional approaches. Without targeted capability development and updated sales models, organizations risk misalignment with market realities and missed growth opportunities. Continuous upskilling, stronger customer insight, and clearer integration between sales and other functions are critical to sustaining sales effectiveness.

“

We need to develop strategies for navigating the complexities of a VUCA to effectively handle challenges as they arise.

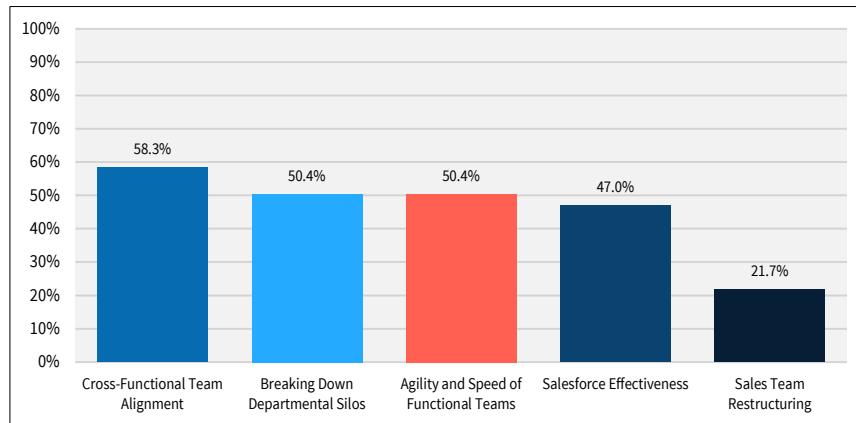
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| 47% of organizations identified the need for a mindset and capability shift within sales teams.

Implications

Taken together, these findings point to a broader need to strengthen team effectiveness through intentional organizational design and capability building. Improving cross-functional collaboration, accelerating decision-making, and modernizing sales capabilities will be essential to building agile, execution-oriented teams. Organizations that address these challenges holistically will be better positioned to improve performance, enhance resilience, and compete effectively in an increasingly dynamic business environment.

Figure 23: Key Team Effectiveness Challenges in 2025



In summary, the challenges identified around team effectiveness—most notably cross-functional alignment, decision speed, and salesforce effectiveness—highlight the need for a more deliberate and integrated approach to collaboration and execution. Addressing these issues is critical to building cohesive, agile teams capable of operating effectively in an increasingly complex and fast-moving business environment. When done well, these efforts not only improve team performance but also strengthen organizational resilience and competitive advantage.

Cross-functional alignment emerges as the primary constraint, cited by **58.3%** of respondents, alongside **persistent siloed ways of working affecting 50.4%** of organizations. These challenges closely mirror broader concerns around organizational agility and speed, underscoring a strong interdependency between collaboration, decision-making velocity, and execution effectiveness. In practice, sustained agility cannot be achieved without effective coordination across functions and clear alignment around shared business priorities.

These quantitative findings are further validated by qualitative insights, which indicate that team leadership, cross-functional collaboration, adaptability and agility are among the most frequently mentioned competencies for leaders and teams for Nordic companies aiming to enhance their competitive edge in China:

01. Team Leadership

Effective teamwork is crucial, especially in a diverse and geographically dispersed workforce.

02. Cross-Functional Collaboration

Leaders must promote collaboration within teams and across departments to drive success and collectively address challenges.

03. Communication and Transparency

Strong communication skills are essential for leaders to foster open dialogue and ensure team members understand the company strategy. Transparent management aligns employees with organizational goals and cultivates a culture of respect, where every voice is valued.

“

I've observed a tendency in China for individuals to work in silos and assign blame to others. For us to succeed, it is essential that everyone collaborates and supports one another. Fostering a strong team spirit is vital.

”

04. Adaptability and Agility

The ability to adapt to rapidly changing conditions is vital for survival in the dynamic Chinese market. Leaders should embrace an agile mindset to navigate complexities and be prepared for future challenges.

To improve responsiveness to market changes, organizations must reorient internal collaboration toward enterprise-wide outcomes rather than functional optimization. This requires intentional leadership focus, aligned performance mechanisms, and enabling structures that promote day-to-day cross-functional interaction.

Key recommendations include:

- **Strengthen cross-functional understanding**

Build transparency around roles, interdependencies, and deliverables across functions through joint workshops, shared learning initiatives, and regular cross-functional forums.

- **Align performance metrics**

Introduce shared KPIs across functions to reinforce collective accountability and ensure that functional success is directly linked to enterprise-level objectives.

- **Increase leadership connectivity**

Establish regular interactions among senior and mid-level leaders across functions to drive joint planning, faster issue resolution, and consistent decision-making.

- **Empower frontline collaboration**

Enable employee-to-employee problem-solving by simplifying escalation paths and providing tools and forums that support rapid cross-functional coordination.

- **Deploy cross-functional delivery teams**

Form temporary, outcome-driven teams with representation from multiple functions to address priority initiatives, accelerate execution, and embed collaboration into daily operations.

By systematically strengthening cross-functional alignment and dismantling organizational silos, Nordic organizations can materially improve execution speed, enhance agility, and build teams that are better equipped to respond to evolving market demands.

“

The ability to adapt to rapidly changing conditions is vital for survival in the dynamic Chinese market. Leaders should cultivate an agile mindset to navigate complexities, embrace innovative thinking, and be prepared for future challenges.

”

12. Leadership Effectiveness: Navigating Major Challenges

The survey findings highlight several critical leadership-related challenges facing Nordic organizations, each with direct implications for organizational resilience, execution quality, and long-term performance. Respondents consistently point to capability gaps across the leadership pipeline, underscoring the need for a more deliberate and future-oriented leadership agenda. The most material challenges are outlined below.

- **Building Resilient and Future-Ready Leadership (53.9%).** The most frequently cited challenge is the need to develop leaders who are resilient and equipped to navigate sustained uncertainty. As organizations contend with rapid technological change, market volatility, and evolving workforce expectations, leaders are increasingly required to operate under pressure while maintaining clarity, confidence, and direction. This calls for **leadership development that extends beyond technical competence to include emotional intelligence, adaptability, and effective communication.** Embedding continuous learning and change readiness into the leadership model is critical to sustaining performance and trust during periods of disruption.
- **Strengthening Middle Management Leadership.** The effectiveness and motivation of middle management emerged as a second major concern (**43.5%**). As the connective layer between strategy and execution, middle managers play a pivotal role in translating organizational intent into day-to-day action. When insufficiently supported, this group can become a bottleneck rather than an accelerator of performance. Targeted development programs, clearer decision rights, and greater involvement in strategic discussions are essential to empower middle managers, strengthen accountability, and reinforce engagement across teams.
- **Developing Strategic Thinking Capabilities.** More than one-third of respondents (**35.7%**) identified limitations in leaders' strategic thinking capabilities. In an increasingly complex operating environment, leaders must be able to anticipate trends, assess trade-offs, and make forward-looking decisions aligned with long-term objectives. Strengthening this capability requires intentional exposure to strategic planning processes, cross-functional perspectives, and structured reflection on external market dynamics. Mentorship, scenario planning, and enterprise-wide initiatives can further reinforce strategic acumen across leadership levels.

| Building resilient and future-ready leadership is cited by **53.9% of respondents as a key challenge.**

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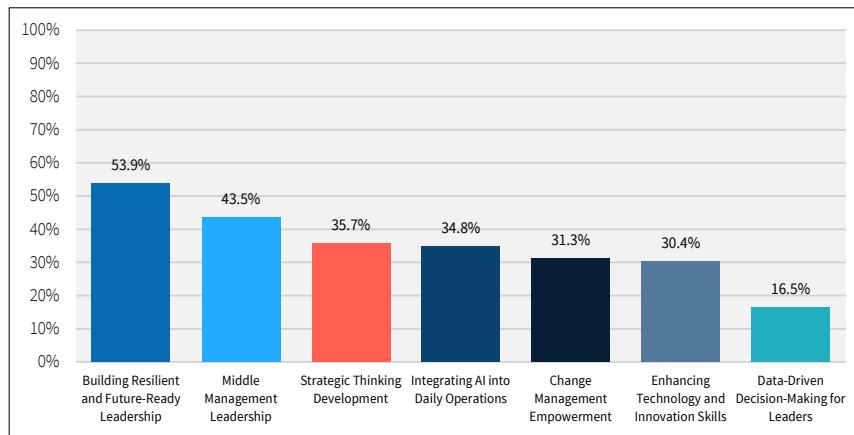
Department managers serve as a bridge between employees and top management. They need to fully grasp the company strategy; however, some may struggle with this due to limited capabilities.

”

- **Integrating AI into Daily Operations.** A growing proportion of organizations (34.8%) recognize leadership capability gaps in adopting and scaling artificial intelligence across daily operations. Leaders are expected not only to understand AI's potential impact on productivity and decision-making but also to guide their teams through responsible and effective implementation. This necessitates targeted upskilling on AI applications, limitations, and ethical considerations, alongside the creation of environments that encourage experimentation while maintaining governance and accountability.
- **Empowering Leaders in Change Management (31.3%).** Finally, change management capability remains a persistent challenge. While transformation is a constant, many organizations lack practical, accessible tools that enable leaders and managers to effectively lead change. This limits execution quality and increases change fatigue. Strengthening hands-on change leadership capabilities—through pragmatic training formats, toolkits, and real-time coaching—will be critical to unlocking leadership effectiveness during transformation initiatives.

Change management is recognized as critical but remains under-enabled with **31.3% citing Change Management capability as a persistent challenge in leadership effectiveness.**

Figure 24: Key Leadership Effectiveness Challenges in 2025



Implications for Leadership Effectiveness

Taken together, the leadership challenges identified by Nordic organizations—building resilient and future-ready leaders, strengthening middle management effectiveness, developing strategic thinking capabilities, and integrating AI into daily operations—point to the need for a more cohesive and systematic leadership agenda. These capabilities are highly interdependent. For example, resilient leaders are better positioned to lead technological adoption, while effective middle managers are essential for translating strategic intent into execution. Similarly, strategic thinking enables leaders at all levels to prioritize initiatives, manage trade-offs, and navigate uncertainty with greater confidence.

The findings also reveal **a strong linkage between strategic thinking, middle management effectiveness, and change management capability. Middle managers, in particular, serve as the primary drivers of execution and change on a day-to-day basis.** Their ability to think strategically, convert direction into actionable plans, and mobilize teams determines whether transformation initiatives gain traction or stall. Without sufficient leadership capability, decision authority, and sponsorship from senior leadership, middle managers risk becoming constrained executors rather than effective change leaders.

Closing these leadership gaps is therefore critical for organizations seeking to remain agile in a volatile and fast-evolving market environment. This requires a deliberate focus on building change leadership capabilities across all leadership levels, with particular emphasis on middle management. Targeted development programs, practical change tools, and clear empowerment mechanisms can significantly improve leaders' ability to drive transformation and manage complexity.

Ultimately, **effective change leadership has become a core determinant of organizational success.** By strengthening leadership resilience, embedding strategic thinking, and enabling leaders to lead transformation with confidence, organizations can enhance their adaptability and execution capacity. Sustained investment in leadership development, continuous learning, and a culture that embraces change will be essential to building organizations that are both competitive today and prepared for the challenges ahead

13. Outlook for People and Organization Development Budgets in 2026

The survey results indicate a cautious outlook on budget allocations for people and organization development in 2026.

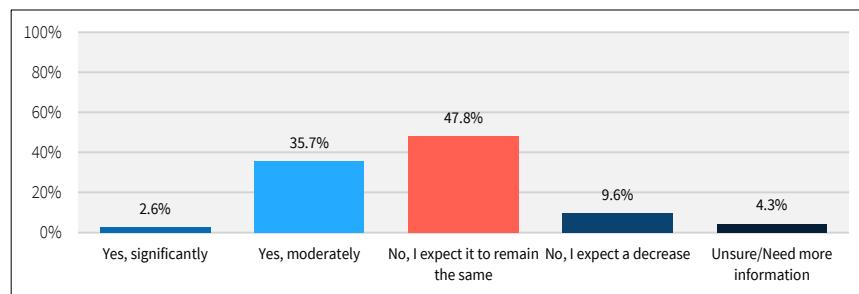
- **Nearly half of respondents (47.9%) expect to maintain current spending levels.** Given that 2025 budgets were already significantly constrained, this suggests **continued conservatism in investment—despite heightened expectations around organizational effectiveness, productivity gains, and leadership capability building.**
- **A further 35.7% of organizations anticipate a moderate budget increase,** signaling selective investment in priority initiatives rather than a broad-based uplift. These organizations appear willing to fund targeted interventions that support strategic objectives, while remaining disciplined on overall cost levels.

- **By contrast, only 2.6% of respondents plan a material increase** in people and organization development budgets, underscoring the limited appetite for step-change investment. At the same time, 9.6% expect further budget reductions, reflecting ongoing cost optimization pressures that may constrain future capability building.

Taken together, the findings suggest a clear tension between strategic ambition and financial commitment. While organizations articulate goals related to resilience, agility, and salesforce effectiveness, most remain reluctant to significantly increase investment in the people and organizational capabilities required to deliver these outcomes. This disconnect raises a critical question: whether incremental investment will be sufficient to close capability gaps and sustain performance in an increasingly complex and competitive environment.

The findings suggest a clear tension between strategic ambition and financial commitment. While organizations articulate goals related to resilience, agility, and salesforce effectiveness, most remain reluctant to significantly increase investment in the people and organizational capabilities required to deliver these outcomes.

Figure 25: Projected Budget Increase for Organizational and People Development Initiatives in 2026



In summary, the findings point to a broadly cautious stance on investment in people and organization development. While flat budgets may provide short-term stability, they also raise questions about organizations' readiness to build the capabilities required for future growth and adaptability. The limited appetite for step-change investment, coupled with a meaningful share of respondents anticipating further reductions, indicates ongoing reluctance to commit resources at a level aligned with increasing market complexity.

This gap between stated ambitions around resilience and agility and the level of financial commitment suggests a need for recalibration. To deliver on these priorities, organizations may need to rethink how resources are allocated, shifting from incremental funding toward more deliberate, outcome-driven investment in workforce capabilities and organizational effectiveness. Doing so will be critical to sustaining performance and remaining competitive in an increasingly dynamic environment.

14. Priority Areas for People and Organization Development Investment to Support the China Strategy (2026)

As organizations plan their 2026 investments in people and organization development, several priority areas emerge that reflect where leaders believe capability building will have the greatest strategic impact. These focus areas signal an intent to strengthen execution, resilience, and market responsiveness in an increasingly complex operating environment.

- **Leadership development ranks as the top investment priority, cited by 44.3% of respondents.** This emphasis reflects recognition that business performance in China is increasingly shaped by leadership capability—particularly leaders' ability to demonstrate resilience, adopt a coaching mindset, and mobilize teams through uncertainty. Strengthening leadership effectiveness is viewed as a critical enabler of change, innovation, and sustained performance in volatile market conditions.
- **Cost optimization and organizational restructuring follow closely, with 33% of organizations allocating budget to these areas.** This focus underscores continued pressure to streamline operating models, reduce complexity, and improve efficiency. Beyond short-term cost savings, these initiatives aim to create leaner, more agile organizational structures that can respond more quickly to market shifts.
- **Organizational culture transformation is a priority for 31.3% of respondents,** highlighting growing awareness that structural change alone is insufficient without corresponding shifts in mindset and behaviors. Organizations increasingly recognize that a culture supporting collaboration, accountability, and adaptability is essential to maintaining engagement and performance in a challenging environment.
- **Global strategy implementation, identified by 27% of respondents,** reflects the ongoing need to translate global priorities into locally relevant execution. In the context of China's regulatory complexity and distinctive market dynamics, this investment signals a focus on strengthening alignment between headquarters strategy and local execution while preserving sufficient flexibility for localization.
- **Finally, salesforce transformation, cited by 25.2%** of respondents, points to continued efforts to recalibrate commercial capabilities. Investments in sales effectiveness, skills, and ways of working are seen as critical to responding to evolving customer expectations and sustaining revenue growth in a highly competitive market.

Taken together, these investment priorities reveal a pragmatic but selective approach: organizations are directing resources toward leadership, structural efficiency, cultural alignment, and commercial execution—areas viewed as most critical to delivering the China business strategy in 2026.

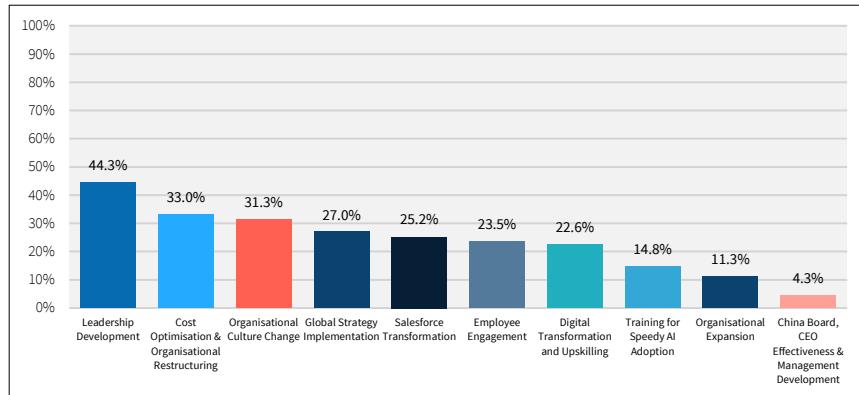
Leadership development ranks as the top investment priority, cited by **44.3%** of respondents.

“

Senior leaders need to embrace the company's strategy and vision, especially in a tough market. Focusing too much on difficulties can be detrimental; instead, fostering a belief in the future and maintaining a fighting spirit and persistence is essential for competing effectively in the existing market.

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Figure 26: Key Organizational- and People-Related Initiatives for which Nordic Companies have allocated budget to Support Their China Business Strategy in 2026



In aggregate, the 2026 budget allocation priorities point to a deliberate concentration of investment in a small set of high-leverage people and organizational capabilities—namely leadership effectiveness, structural efficiency, cultural alignment, global-to-local strategy execution, and commercial performance. Taken together, these choices suggest that **organizations are seeking to balance short-term efficiency pressures with selective investments in capabilities that directly enable execution** in a volatile and complex environment.

Notably, the prominence of leadership development alongside cost optimization highlights a dual agenda: **strengthening decision-making and change leadership while simultaneously simplifying operating models**. This indicates recognition that productivity gains will not be achieved through structural measures alone, but require leaders who can mobilize teams, sustain engagement, and translate strategy into action. Similarly, the emphasis on culture change and salesforce transformation suggests that organizations are prioritizing behavioral and frontline impact over broad, enterprise-wide transformation programs.

At the same time, the **concentration of investments raises questions around sufficiency and coherence**. Without tight integration across these initiatives—particularly between leadership development, middle-management enablement, and change execution—**there is a risk that impact remains fragmented**. Moreover, limited investment in broader capability building may constrain organizations' ability to sustain momentum as market complexity increases.

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Our focus is on developing our leaders. One leader may have subordinates reporting from different countries, presenting a challenge in leading international teams effectively. Not everyone is currently in an optimal position to do so. We need to explore ways to cultivate entrepreneurship within our leadership ranks.

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While it's valuable to have impressive presentations and creative ideas, the focus should ultimately be on execution—transforming concepts into reality rather than just showcasing appealing proposals.

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To maximize returns, organizations will need to move beyond activity-based investment toward outcome-driven portfolio management—systematically tracking how these initiatives translate into measurable improvements in execution speed, productivity, and market responsiveness. Continuous review and reallocation of resources, informed by real-time performance indicators, will be critical to ensuring that people and organization investments remain aligned with evolving strategic and market demands.

15. Key People and Organizational Priorities Heading into 2026

As organizations look toward 2026, survey responses point to a concentrated set of people and organizational priorities, reflecting continued pressure to execute transformation while operating under economic and capability constraints. Overall, the findings suggest that organizations are prioritizing execution discipline, leadership effectiveness, and workforce resilience over large-scale technology-led disruption.

- **Organizational Transformation and Change Execution (42.6%).**

Successful transformation and change execution emerge as the top priority. This reflects growing recognition that strategy alone is insufficient; value is realized only through disciplined execution and sustained behavior change. Organizations increasingly acknowledge the need to strengthen change leadership, stakeholder alignment, and employee engagement to overcome resistance and accelerate adoption. Prioritizing change management signals a shift from episodic transformation efforts toward building repeatable change capabilities.

- **Cost-Effective Leadership and Talent Development (34.8%).**

More than one-third of respondents emphasize cost-effective leadership and talent development, underscoring the tension between capability building and budget discipline. Rather than large-scale programs, organizations are seeking pragmatic, scalable solutions—such as internal faculty models, digital learning, and on-the-job development—to strengthen leadership pipelines. This indicates a focus on “good enough” capability building that delivers impact without significant incremental spend.

- **Psychological Safety and Workforce Resilience (33.9%)**

The prioritization of psychological safety reflects a growing recognition of its critical role in sustaining performance amid layoffs and ongoing cost pressures. Workforce reductions, while necessary for optimization, often erode morale, trust, and employees’ willingness to speak up or take risks, leading to compliance rather than commitment. In such environments, transformation efforts slow as collaboration weakens and middle managers become more cautious.

| To maximize returns, organizations will need to move beyond activity-based investment toward outcome-driven portfolio management.

| **Organizational Transformation & Change Execution (42.6%) are the top priorities for Nordic Companies in China in 2026**, driven by a competitive and dynamic market environment.

| **Psychological safety and workforce resilience (33.9%)** are gaining momentum and should be seen by leaders as **strategic tools to enhance engagement and performance**.

As a result, organizations increasingly view psychological safety not as a cultural “nice to have,” but as a core execution enabler—essential for rebuilding trust, maintaining engagement, and preserving speed and resilience in periods of uncertainty.

- **Salesforce Assessment and Transformation Aligned to China Market Needs (27.0%).**

Salesforce transformation remains a targeted priority, particularly in the context of China’s evolving market dynamics. Organizations are emphasizing sharper alignment between sales capabilities, customer expectations, and local market realities. This suggests a move toward more granular, market-specific capability interventions rather than broad, one-size-fits-all sales transformations.

- **AI and Digital People Practices (26.1%).**

By contrast, AI and digital people practices rank lower on the priority list. This relatively modest emphasis suggests that many organizations remain focused on foundational leadership, culture, and change execution challenges before scaling advanced digital solutions. It also points to potential capability gaps or uncertainty around value realization, which may delay broader adoption of AI-enabled people practices.

Overall implication

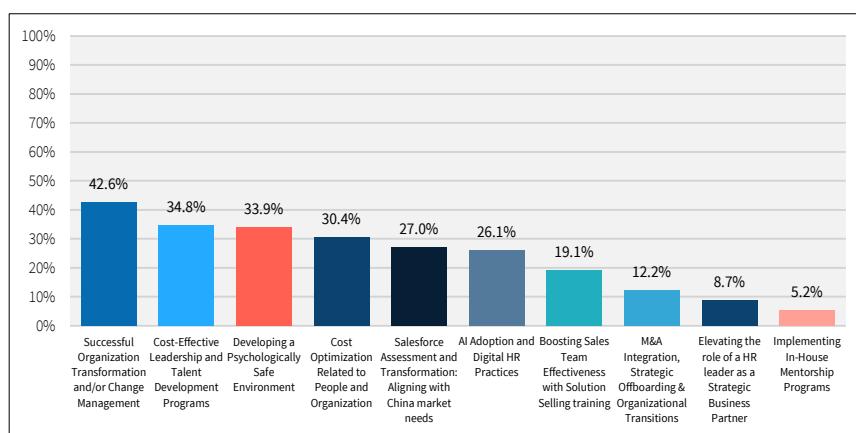
Taken together, these priorities indicate a pragmatic, execution-oriented agenda. Organizations appear to be concentrating on strengthening core leadership, change, and cultural capabilities as prerequisites for more advanced digital and AI-driven transformation. The risk, however, is that delayed investment in digital people capabilities could constrain future scalability and productivity gains if not addressed in parallel.

“

The data has not yet been collected in a manner suitable for AI usage, but we are actively working towards that goal with Smart Factory initiatives. We are currently in the preliminary stages of preparing the data for AI analysis. Our next steps involve making the data AI-ready, after which we will implement the necessary systems.

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Figure 27: Key Organizational- and People-Related Topics for Nordic Companies to Prioritize in 2026



Conclusion

Taken together, the priorities identified point to a pragmatic recalibration rather than a radical shift in people and organization agendas. **Organizations are concentrating first on strengthening execution fundamentals**—effective change management, cost-efficient leadership development, psychological safety, and salesforce capability—recognizing that transformation outcomes are ultimately constrained by leadership capacity, trust, and frontline effectiveness. This emphasis suggests that many organizations are still in a stabilization and capability-building phase, seeking to restore confidence and performance following prolonged disruption and cost pressure.

At the same time, the comparatively lower prioritization of AI and digital HR signals that **technology adoption is being treated as a second-order lever**, dependent on organizational readiness rather than a standalone solution. Without leaders who can drive change, psychologically safe environments that sustain engagement, and capable sales organizations aligned to market realities, digital tools are unlikely to deliver their full value. As organizations move toward modernization, the critical challenge will be to deliberately sequence investments—anchoring transformation in strong people fundamentals while progressively integrating digital and AI capabilities—to build resilience, sustain execution speed, and compete effectively in an increasingly complex and uncertain environment.

16. People and Organization Tasks Most Likely to be Automated through AI Integration (Next 6–12 Months)

The findings on AI integration provide a nuanced view of how organizations are approaching automation across people and organization processes. Contrary to the prevailing assumption that recruitment dominates AI adoption, respondents indicate a broader, more capability-driven application of AI—one that prioritizes workforce enablement over transactional efficiency.

- **Learning and Development emerges as the leading use case, with 47.8% of respondents identifying it as the top area for near-term automation.** This reflects a clear recognition that rapid skill renewal is critical in an environment marked by accelerating change. AI-enabled L&D—through personalized learning pathways, adaptive content, and scalable digital platforms—allows organizations to upskill at speed and at lower marginal cost. The focus on L&D suggests that organizations see AI not only as an efficiency lever, but also as a strategic enabler of workforce readiness and long-term capability building.

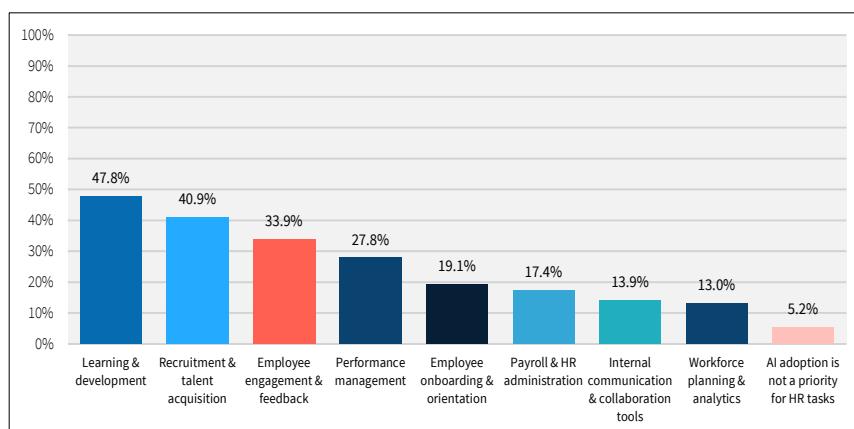
“

The plan is to utilize AI as a second opinion for enhancing KPIs in the future. The data will be leveraged to train both the managers and the AI, enabling it to provide insights for KPI development and identify areas that may have been overlooked by humans.

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- **Recruitment and talent acquisition follow closely, with 40% of organizations prioritizing automation in this area.** AI-driven sourcing, screening, and matching can significantly reduce time-to-hire and improve candidate quality, while freeing people and organization teams to focus on higher-value activities such as employer branding, candidate experience, and strategic workforce planning. Notably, this positioning suggests a shift away from viewing recruitment automation as an end in itself, toward embedding it within a broader talent strategy.
- **Employee engagement ranks third, cited by 33.9% of respondents.** Here, AI is increasingly used to analyze sentiment, enable continuous feedback, and personalize communication at scale. This reflects a growing reliance on data-driven insights to detect early signals of disengagement and to support retention in an environment characterized by heightened uncertainty and workforce fatigue.
- **Performance management is prioritized by 27.8% of organizations,** indicating cautious but growing interest in automating objective tracking, real-time feedback, and performance analytics. While adoption is more measured, AI-enabled performance management can increase transparency and consistency, supporting more frequent and development-oriented performance conversations.
- **Finally, a small but notable minority (5.2%) do not view AI adoption as a priority.** This hesitation likely reflects concerns around data privacy, implementation complexity, or organizational readiness. However, as peers increasingly embed AI into core people and organization processes, these organizations risk falling behind in both efficiency and capability development.

Figure 28: People & Organization Tasks Most Likely to be Automated by Generative AI in Nordic Companies over the Next 6 to 12 Months



Implications

The expected acceleration of AI-driven automation across people and organization processes signals a clear strategic intent: strengthening learning and development, talent acquisition, engagement, and performance management to address persistent capability and retention challenges. The prominence of L&D automation is particularly telling, given that lack of career development remains the leading driver of voluntary turnover. Organizations are increasingly leveraging AI to personalize and scale development pathways, seeking to meet employee expectations for growth while reducing administrative complexity.

However, these findings also raise a critical question: whether career progression can be sustained through knowledge delivery alone, or whether deeper elements—such as meaningful roles, leadership support, and experiential development—are required to truly engage and retain talent.

Qualitative insights further indicate that AI adoption remains largely headquarters-driven, with most Nordic organizations limiting implementation to generic, off-the-shelf tools. This top-down, cautious approach contrasts sharply with local Chinese enterprises, which are more willing to experiment and operationalize AI at pace. As a result, Nordic companies risk underutilizing China as a high-potential testbed for AI-enabled people and business innovations with global relevance.

To close this gap, organizations will need to complement central direction with bottom-up experimentation, empowering local teams to identify and pilot AI use cases that deliver measurable impact. Without this shift, Nordic organizations may struggle to build the AI maturity required to compete in an increasingly technology-driven operating environment.

“

Teaching the team how to effectively use AI is crucial, as it can significantly enhance working efficiency. Staff members use DeepSeek daily, and the leadership has expressed a strong interest in AI this year. We need to explore new ideas and applications for integrating AI into our processes.

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Critical Highlights and Conclusions

Business Outlook for 2026 is cautiously optimistic

The outlook for 2026 is cautiously optimistic, reflecting the complexities across various industry segments in China. Companies partnering with local state-owned enterprises (SOEs) must evaluate their ability to maintain a competitive advantage in a market increasingly favoring local suppliers. Additionally, businesses must strike a balance between price and quality to secure sales volumes and profitability, which are essential for sustained success. Many Nordic companies have yet to localize their R&D for key components due to intellectual property (IP) concerns. To ensure a long-term presence in China, these firms must reevaluate their strategic decisions.

In today's interconnected economy, the performance of international markets significantly influences strategies and outcomes. For companies heavily engaged with the European market, the impact extends beyond the Chinese economy; the EU economy is also a crucial factor.

A growing ambition–investment mismatch is constraining impact

Organizations articulate high aspirations around agility, resilience, leadership effectiveness, and salesforce performance. However, cautious budget allocation in people and organization development indicates a reluctance to invest at the scale required to deliver these outcomes, creating a material execution risk.

Talent localization improves engagement but does not build organizational capability

While localization contributes positively to morale and engagement, it does not, on its own, create the leadership depth, decision velocity, or operating model maturity required for sustained performance. Capability building must extend beyond talent to systems, governance, and ways of working.

Middle management represents the primary execution bottleneck

Middle managers are central to translating strategy into action and driving change on the ground. Gaps in strategic thinking, empowerment, and change leadership significantly weaken transformation effectiveness.

Cross-functional alignment is the key enabler of agility and speed

Challenges related to agility, decision-making speed, and siloed behavior are closely interconnected. Organizations that fail to align objectives, KPIs, and incentives across functions will continue to struggle with responsiveness in volatile markets.

“

Our customers include a significant number of state-owned enterprises (SOEs), and in a precarious consolidating environment, there is a risk that the government may prefer to promote local companies. Business decisions can become influenced by political agendas, making it essential to navigate these complexities carefully.

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| Talent localization enhances engagement but fails to build organizational capability. If the talent pool in China remains undiversified for an extended period, it poses long-term risks.

Psychological safety has emerged as a strategic performance lever

Heightened focus on psychological safety reflects the cumulative impact of cost pressure, restructuring, and prolonged uncertainty on employee morale. Trust, speak-up culture, and well-being are no longer “soft” topics but critical enablers of execution speed, innovation, and resilience.

Leadership development remains the anchor investment—but requires recalibration

Leadership development is the top budget priority, yet traditional programmatic approaches risk underdelivering. Future-ready impact requires sharper focus on resilience, coaching capability, change leadership, and strategic judgment.

Change management is recognized as critical but remains under-enabled

Despite being a top stated priority, change management capabilities—particularly practical, scalable tools for line and middle leaders—remain insufficient. This gap continues to undermine the success of transformation initiatives.

AI adoption is currently efficiency-led, not transformation-led

AI is being deployed primarily to automate HR processes (e.g., L&D, recruitment), rather than to fundamentally redesign work, decision-making, or operating models. The value captured to date remains incremental.

AI-enabled L&D reflects a retention response—but may be incomplete

The prioritization of AI in learning and development signals an attempt to address career progression as a key driver of voluntary turnover. However, career growth cannot be addressed through content and skills alone; experience, exposure, and leadership sponsorship remain critical.

China remains an underutilized testbed for organizational and AI innovation

Nordic companies continue to take a cautious, headquarters-driven approach to AI adoption, missing the opportunity to leverage China’s speed, experimentation mindset, and market complexity as a proving ground for scalable solutions.

Cost optimization continues to dominate decision-making

Persistent emphasis on restructuring and efficiency suggests organizations are still operating defensively, limiting their capacity to invest ahead of change and build long-term competitive advantage.

“

Regarding AI, large multinational corporations may use it to reduce their workforce. However, for us, AI will serve as a tool to enhance efficiency. Currently, we have 4,000 employees globally, and with the implementation of AI, we won't need to increase our headcount but can instead focus on increasing added value.

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Organizational readiness—not technology—is the primary constraint

Hesitation around AI adoption and transformation is less about tool availability and more about leadership capability, governance clarity, change capacity, and cultural readiness.

Sustainable success will require integrated, not isolated, interventions

Winning in 2026 will depend on the coordinated advancement of leadership capability, organizational design, psychological safety, AI enablement, and change execution—rather than fragmented, stand-alone initiatives.

Top 5 Recommendations & Call to Action for Executive Leadership in China

01. Ensure Strategic Financial Commitment

Aligned with Business Goals. Allocate resources consistently to leadership development, change management, and capability-building programs, ensuring that people and organizational strategies are fully aligned with overall business objectives. Treat these investments as critical for driving resilience, agility, and long-term growth in China.

02. Accelerate AI-Driven Transformation Locally

Prioritize rapid experimentation and rollout of AI tools—across L&D, recruitment, performance management, and engagement—to improve efficiency, decision-making, and workforce development. Leverage China as a testbed for scalable, high-impact solutions.

03. Invest Seriously in Leadership Capability Building

Commit to developing strategic thinking, change management, and cross-functional leadership skills among managers and executives. Strong leadership capabilities directly influence employee performance, retention, and the successful execution of transformation initiatives.

04. Drive Cross-Functional Collaboration and Innovative Organization/Team Design as a Lever for Agility and Speed

Break down silos through aligned KPIs, structured communication, and project teams designed to foster collaboration. Optimize organizational and team structures to enhance responsiveness, accelerate decision-making, and enable rapid adaptation to market changes.

05. Embed Psychological Safety and Employee Engagement

Maintain morale and engagement amid organizational change, cost pressures, and layoffs by cultivating trust, transparency, and a safe environment for feedback, experimentation, and learning. Ensure employees feel empowered to contribute and innovate.

Top 5 Recommendations & Call to Action for Headquarters Leadership

01. Strategic Financial Commitment with a China-Tailored Approach

Allocate resources specifically for China operations, recognizing that local investments in leadership development, change management, and organizational capability may differ from global programs. Tailor funding to address unique market, regulatory, and talent realities.

02. Accelerate AI Adoption and Empower Local Leadership

Fast-track the rollout of AI tools across HR and operational processes, giving China teams ownership and leadership in implementation. Actively engage with local executives to identify high-impact use cases and scale innovations effectively.

03. Strengthen Alignment through Listening and Local Insight

Combine strategic alignment with deep engagement: HQ should actively listen to China leadership, understand operational challenges, and adapt global strategies to local realities, ensuring plans are actionable and contextually relevant.

04. Balance Talent Localization with Strategic Succession Planning and Compliance

Develop a diversified workforce of local and foreign staff to maintain MNC culture, strengthen collaboration between HQ and China, and reinforce compliance mechanisms. Build a robust succession pipeline covering both managerial and non-managerial roles to sustain organizational resilience and leadership continuity.

05. Engage China as a Strategic Partner for Global Learning

Leverage China operations as a testbed for speed, agility, AI, and technology innovations. Collect best practices and capabilities locally, and integrate these insights into global operations to enhance HQ's strategic execution and responsiveness.

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