

WHITE PAPER SERIES ON TALENT MANAGEMENT

'Best Practices in Talent Retention in Chinese Companies'

The Current Realities

Many large multinational corporations (MNCs) as well as domestic Chinese companies, when entering the China market, tend to assume that a country with a population as large as China's would not have a labor shortage issue. Although this may still be the case for the country's unskilled labor market, organisations looking for professional staff or individuals with transferable skills in marketing, operations, finance, technical, or managerial openings have a difficult time attracting and retaining employees. With steady economic growth and an increasingly mobile labour market, China's business landscape has generated unprecedented opportunities for employees to hop from job to job and reap substantial pay increases. Salary increases are growing at about 10 percent a year in china, and managers are getting promoted at a much faster rate than other managers in Asia. Further, when talent is lured away from another Chinese company, they not only get a promotion, they typically get a 40 percent increase. Attracting and retaining staff under such an environment is one of the top challenges facing companies in China today.

In the critical area of leadership and talent development, for example, a few companies are recognizing that building up skills locally—rather than depending exclusively on expatriate talent—is necessary in an environment where complex social dynamics underlie all business interactions. Companies that are taking the lead in implementing such measures are among those whose business leaders demand more value from HR, such as to help grow the bottom line, quantify talent needs, recruit the best candidates, and develop and retain the highest performers. Hence, HR is expected to be a Strategic Business Partner to the CEOs and Business Leaders. HR is expected to have the business acumen to contribute to strategic conversations and respond with speed and agility to changing circumstances, such as when we are entering a new market. In China, that can be particularly challenging not only because of profound cultural differences but also because of the rapid socioeconomic shifts occurring there. But with China becoming increasingly influential as both a market and a competitor, some companies are gradually adapting to specific Chinese practices. These companies are positioning themselves for long-term success by aligning their human capital strategy to China's changing realities as well as the country's cultural norms.

Managing Across Generations - Retaining Gen Y in China

Today in China, an unprecedented number of workers from four generations – Traditionalist, Baby Boomers, Gen Xers and Gen Yers – are working alongside one another and bringing their own values, goals and communication approaches to the workplace. Such generational dynamics in the workplace affect morale, productivity, recruitment and retention. Organizations are facing immediate challenges when it comes to optimizing productivity, protecting profits and growing their businesses. In particular, retaining Gen Y is increasingly of growing importance and at the same time poses a real challenge to leaders. Some observations include:

Culture: In order to engage Generation Y it is critical to nurture the bond between an individual employee and the co-workers, the supervisors and the organization at large. These bonds are personal in nature and only in their collective becoming a sticky organizational culture. Despite their desire for strong ties to the people in the work place, Generation Y is competitive and has a sense for achievement.

However, this has a more complex manifestation than Generation X, expecting to consider more performance parameters than just individual quantitative targets. Generation Y emphasizes work-life balance and appreciates employers who provide the necessary flexibility to correspond to personal needs, e.g. working times, working location or recreation.

Job Mix: Generation Y easily gets bored by singular activities. Asking Generation Y in China about what they expect from their work reveals universal concepts such as “communication” to be important rather than specific activities. They expect stretch assignments, even if they might not yet be technically equipped for them, if necessary with intensive guidance of the supervisor.

Leadership: Despite the fact that Generation Y is more self-confident than previous generations, they often have no clear targets concerning what type of specific job content they are seeking or in which specific functional role they see themselves now or in the near future. They have a better understanding of how the work needs to feel. To find the right career path and job content they expect mentorship, guidance and leadership from their supervisors. Generation Y has an ambivalent relationship with authority. On the one hand Generation Y requires clear leadership, structures, and guidelines. On the other hand, they expect leaders to facilitate two-way communication and to be open to criticism.

Managing Generation Y is often a challenge for Chinese as well as for foreign managers. However, given the importance of Generation Y as the single most important asset to the Chinese economy for at least the next 15 years to come, it is imperative that companies and its managers adapt their talent management approach to meet the demands of Generation Y.

Best Practices adopted by HR Community for Talent Retention in China

Talented employees frequently cite two reasons for their departure from a company: a higher salary or more career opportunities elsewhere. Certainly, salary levels are important, but recent surveys indicate that a better work environment or career opportunities are also heavily factored into a Chinese employee's decision to switch jobs--or, conversely, to stay in a current one.

Companies with successful retention programs focus on expanding training opportunities in house--and then tying these training opportunities back to compensation. Companies should also solicit employee input when devising career development and training programs.

Over the years, the following are some of the most common HR practices adopted by MNC with the view of retaining talent in China:

Compensation & Benefits: Gone are the days when companies seeking skilled managers could save substantial costs by hiring local Chinese employees. This is particularly true of compensation for employees that possess technical talent. Best practices regarding compensation and benefits include Institute transparent, performance-based incentive structures, such as bonuses or savings plans that, in turn, encourage retention. Design pay packages and raises according to a mix of both performance and skill development. Clearly communicate opportunities for skill development and how taking advantage of those opportunities is linked to compensation. To the extent possible, avoid having different pay scales for local, foreign, overseas Chinese, and returning Chinese employees doing the same job. Salary levels should be based on specific skill sets, levels of experience, and performance once on the job, regardless of what passport the employee carries.



Consider supplementing insurance plans: Many employers have moved to supplement state health insurance with voluntary plans, funded by contributions from both employer and employee and managed by reputable private health insurance companies. These types of benefits are particularly important in attracting and retaining senior local hires.

Social Benefits: Chinese laws require all companies to pay social benefits to their employees. Still, some companies choose not to and all the employee receives is the monthly salary. The cost of all benefits including taxes are somewhere between 40-50% of the paid salary and although the actual benefit to the employee can be questionable, there is a clear advantage in staff retention.

Allowances: To offer allowances may sound strange to Westerners but it can be an essential portion of the Chinese employees' overall package. Allowances come in four main parts: transportation, telephone, meal and housing.

Staff Training and Development: Chinese employees both expect and require opportunities for training and development (T&D) and often T&D opportunities are the most valued benefits a company can offer. Don't underestimate the importance of this and cut this away from your budget in hard times. Training seminars that take place in other cities or countries can be great ways for employees to build skills while staying with the company. For employees that do not have this opportunity, training or certification classes can be held in house. Awarding certificates and holding acknowledgement ceremonies are important recognition tools in China. However, as in any company environment, align the T&D solutions with that of the business requirements.

New Staff Induction: The Chinese workplace often has complicated interpersonal relationships and new employees will need some time to be accepted by peers in the new environment. If the fresh recruit comes from a State Owned Enterprise, or even an MNC from a different country, he or she may be subject to a culture shock in the new organisation. This is often overlooked in MNC and could cause a new employee to quit after only a few months.

Performance Reviews and Career Advancement: Performance reviews are a fairly new concept in the Chinese work environment and, while employees in general welcome the practice, it will need some training and monitoring to work well. It is also important to use a system that has criteria tailored for the Chinese value base.

Job Titles: A common mistake by MNCs is to underestimate the importance of job titles in China. Your organisation may already have an organisation wide policy on ranks and titles that you would have to conform to but you can work around this by inflating the employee's Chinese title. For example, a regular "Purchasing Manager" may be given the more important title of "Purchasing Director" in Chinese.

Offer job rotation: Job rotation can keep employees interested in their work and expose them to all aspects of the company's operation. This is one way to "re-recruit" employees.

Career Development: Link career and promotion and establish a career development path that is integrated with a track for merit-based promotion.

Be aware of reluctance to relocate: Be careful with programs that require employees to move to another city within China for long periods of time. Chinese employees often have close ties to their hometowns and may be unwilling to relocate.

And Chinese residents of first-tier cities like Beijing and Shanghai may not want to move to smaller, more remote locations. Some companies even provide hardship allowances to Chinese employees who move from major cities to smaller ones.

Consider your office space and location: Be careful in selecting locations for office space, whether for expanding operations or new facilities. Traffic conditions in major Chinese cities are worsening each year, and the length and difficulty of the daily commute will be a major consideration for employees. Office locations in prestigious buildings or commercial districts can help attract and keep employees, while locations far from the city center can be a disadvantage.

Invest in working conditions: Making small investments in working conditions, such as keeping air-conditioners in good working order, or providing showers, can go a long way toward maintaining employee satisfaction.

Establish community service programs: Building the company's brand and reputation within China through community service projects or corporate social responsibility programs may help strengthen employee loyalty toward and pride in the organization.

Communication in Complex Hierarchies: Chinese employees are culturally and traditionally not very suited to work well in complex matrix organisation where teamwork is more valued but rather prefer one manager that leads and establishes goals. This is often not possible in MNCs when employees often have several reporting lines, some which could be overseas. Keep HR communication channels open because the traditional employer-employee relationship in China tends to discourage employees from speaking up, it is particularly important to establish channels of communication on HR issues.

Use non-compete agreements: One important retention tool that can act as a disincentive for an employee to leave--and can be important to protect a company's trade secrets and competitive position in China--are employee non-compete and confidentiality agreements. Non-compete agreements are enforceable in China.

Bonding the Employee: On a related note, if employees are considering working for a year prior to attending an MBA or other graduate degree program overseas, offering a "Golden Handcuffs" program may be worth consideration. Under such a program, a company can offer to subsidize a portion of the manager's education in exchange for a certain number of years of service following graduation.

Plan social gatherings: Social gatherings, sports competition outings, company trips, and other "extras" deemed important by local hires that were traditionally provided by the work units in China can prove helpful in retaining local hires.

Conclusion

In general, employees who feel undervalued or unwanted are likely to leave. This is an especially important issue in China, where employees are possibly among the least satisfied in the world. While the number of dissatisfied employees is significantly greater in the Chinese state-owned enterprises, employee dissatisfaction in MNCs is a big issue as well.

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Prof Bawany was until recently the Managing Director and Coaching Practice Leader for DBM Asia Pacific, a global human capital consulting firm in the career transition and talent development/coaching space. Prior to joining DBM, he has assumed various senior management roles including Regional Business Leader, Business Development Head, Coaching Practice Head and Executive Coach with Mercer HR Consulting, The Hay Group and The Forum Corporation.

Prof Bawany is an astute advisor to executives who need to know how they are perceived and want to focus on what is most important in their professional and personal lives. He has coached a range of leaders, from CEOs, to senior vice presidents, and high potential managers. His current work in organisations focuses on encouraging individual initiative and leadership from a systemic perspective in order to achieve clearly defined business results. His specialty is effectively linking people processes to business outcomes.

He is a Graduate of Corporate Coach U and a Licensed Coaching Clinic Facilitator. He is certified in the administration and application of various psychometric instruments including the Myers-Briggs Type Indicator™ (MBTI), Bar-On EQ 360™ and EQ-i™. He is also certified in the administration and application of the MRG's suite of instruments including "Leadership Effectiveness Analysis™" (LEA 360 Assessment tool) and "Strategic Leadership Development". He is also accredited in the administration and application of the Benchmarks® and Skillscope® Profiling Instruments.

He holds an Executive MBA from Golden Gate University and a Bachelor in Business Administration (Marketing) from Curtin University. He is currently pursuing his PhD in Business Administration with Asia e University and his Doctoral Research is on 'The Impact of Executive Coaching on the Personal & Professional Development of Leaders'.

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