Made in China: A Chinese Approach to Talent Management

BY ARCHANA MEHTA
China, a country boasting the world’s largest population and quickly emerging as a dominant player in international affairs, would seem like an HR recruiter’s dream. With more than 1.4 billion people, amounting to 20 percent of every human on earth, a multinational company looking to staff up its firm with Chinese talent may believe that the country is ripe for the picking.

Well, it turns out that’s not the case at all. According to several leading HR professionals in China, there is a deficit in the country’s supply of talent. That’s because companies with a demand for highly skilled workers struggle to find exactly what they are looking for in a Chinese workforce with mismatched skill sets and inconsistent proficiency in the English language. Adding to the challenge is a Chinese government skeptical of integrating English and Western culture into schools and the daily lives of young people.

“The mismatch of skill supply and demand in the education and training system has become a major barrier to effective talent development in the workplace,” said Collin Suen, head of human resources for the Greater China Region for Taiwan Life, a Taipei City–based insurance group that was just named one of 2014’s Best Companies to Work For by Taipei City’s Department of Labor.

Jeff Luo, based in Shanghai City and director of human resources for MSA China, a global safety products company, concurs with Suen. He says, “I believe that at a high level, China is short of talent. That’s why experienced returnees [Chinese who come back from the West] are so welcomed on the labor market and occupy a significant portion of senior leadership roles.”

However, the situation is beginning to change. More companies are placing a concerted emphasis on grooming talent at a younger age, attempting to train future employees to develop skill sets that could eventually help their businesses thrive.

In the past, the talent shortage forced established multinational companies to bring in workers from Western countries to fill key strategic positions within organizations in China, something that has a profound impact on organizational performance and culture. However, now the focus is strongly shifting toward developing local employees within China’s domestic talent pool.

Because of the relatively small pool of highly skilled workers, companies are at a steep disadvantage in trying to woo these workers, who essentially have all the bargaining power. A vicious and intense competitive bidding process to find and keep the best employees has resulted. Talent flocks to the highest bidder, which creates a highly mobile pool of workers and a high turnover rate. Luo says it is critical to speed up the development of local talent for most Chinese companies because of the high costs of employing expatriates and the difficulty of immersing them into local Chinese culture.

RECRUITING SKILLS AND TALENT

According to a January 2013 New York Times article, China has made significant progress in expanding its higher-education sector over the past two decades. This comes as a result of the Chinese government making a $250 billion-a-year investment in what economists call “human capital” and has made college education more accessible. In the last decade alone, China has doubled the number of colleges and universities to accommodate nearly eight million graduates a year — with an anticipated 195 million graduates by the end of this decade (in comparison, the United States is predicted to have 120 million graduates by the end of the decade).

Suen says that despite this growing pool of potential talent, companies still complain that the skills shortage is worsening at all levels. He shares the following essential skills that recruiters are looking for in talent in China:

• Novel and adaptive thinking: Employees should be proficient in thinking and problem solving, beyond rote responses.
• Cross-cultural competence: Employees should have the ability to operate in different cultural settings.
• Cross-functional thinking: Employees should possess literacy in and ability to understand concepts across multiple disciplines.
• Computational thinking: Employees should have the ability to translate vast amounts of data into abstract concepts and to understand data-based reasoning.
• Cognitive load management: Employees should be able to discriminate and filter information for importance, and to understand how to maximize cognitive functioning, using a variety of tools and techniques.
Luo says that in China, intelligence still seems to be the No. 1 factor for employers, which is why many are attracted by the halo of alumni from top universities and FORTUNE 500® companies.

However, for small- and medium-sized companies, hiring for attitude and culture fit is the key to finding and keeping the right talent. Thus, employee referrals become the most effective channel for finding appropriate talent. "Culture fit helps to build a sense of belonging and lay the foundation for retention," says Luo. "Nowadays, non-cash rewards are a key currency for retention strategies." He comments that some of the components of a retention strategy include providing an employee with a career ladder, learning and development opportunities, and work-life balance, as well as ensuring the employee is making a meaningful contribution to the community.

**ENGLISH PROFICIENCY**

In order to function efficiently in a Chinese economy with a global market, Suen says that the Chinese need to increase their level of English proficiency. Although Russian was the official second language during the 1950s, English took precedence when China's government launched economic reforms in 1978 under leader Deng Xiaoping. At the time, China was eager for technology and investment from the West.

"Even companies in China that prefer to operate mainly in Chinese are looking for managers who speak both Mandarin and English if they want to expand abroad," Suen says. He adds that English proficiency has become an essential qualification for a white-collar job in large, multinational corporations as well as in major Chinese-based companies.

As a result, Chinese children as young as three are being exposed to English. Suen says that although many Chinese nationals do not like to learn English, they have to keep studying it until they graduate from college to maintain their competitiveness in the job market.

Still, Chinese authorities are currently waging a war on Western culture and the use of English. In May, a number of reports from the Chinese state media confirmed plans announced last fall to reduce the importance of English language instruction and to expand courses on traditional culture in grade school and high school. In part, this shift is due to China's increased purchasing power and its position as one of the largest economies in the world.

Luo concurs, saying, "With the rise of China in the world's economy, arguably, the importance of English seems to be decreasing in China and the Chinese HR field. However, with Western firms that have invested in China, English is still a critical skill for HR to ensure effective communication and learning."

On the other hand, Luo says that since modern HR knowledge and practices are imported from the West, an HR professional who speaks fluent English gains great respect in the HR field in China. And, an HR professional with English-based global credentials such as the Senior Professional in Human Resources (SPHR®), Global Professional in Human Resources (GPHR®) and the U.K.-based Member of the Chartered Institute of Personnel and Development (MCIPD) can be much more confident in their career path than those with local HR credentials.

**CULTURAL FACTORS**

Merging Chinese culture with Western management is not always easy.

Western culture — and management styles — can be very direct. Western cultures are generally more individualistic, meaning a high value is placed on self-reliance. Self-promotion is a generally accepted practice. In contrast, Chinese culture is considered to be collectivist: A higher value is placed on group cooperation and individual modesty.

Research has found that management practices are partly contingent on the environment where they are developed, so they cannot be easily implemented in a different context without some adaptation. There are strong cultural and institutional factors that limit the adoption of many features of Western HR management theory and practice in Chinese organizations.
For example, many Chinese employees do not always own initiatives themselves or make decisions on their own. They refer to their supervisor when something unexpected occurs. In China, taking advice from a supervisor is typically a way of showing respect. Deference, loyalty and work ethic are often valued more than ability.

Furthermore, Chinese employees may refrain from taking on initiatives because they fear misunderstandings with their managers in the high-context [communication style] culture,” says Suen. “Chinese firms face greater difficulties and resistance at every level in their hierarchy. As a consequence, innovations such as using ‘management by objectives’ are not readily and quickly accepted; employees need extended time to provide the expected results.” In contrast to Western organizations, Chinese firms may focus more on relationships instead of resource management.

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"Chinese firms are probably better known for their effective utilization of cost-reduction strategies rather than placing an emphasis on selective hiring or on performance management, or ensuring rewards and recognition tied to performance, or on a heavy investment in training and capability building for long-term development,” Suen says.

To ensure there is cultural empathy, understanding and awareness, companies need to place an emphasis on training expatriate employees.

Kay Kutt, managing director for Asia Relocation Services at Asian Tigers Mobility, based in Hong Kong, says that cultural training is critical for employee success. When new employees begin at her company, they participate in webinars to ensure they understand their new culture and can quickly and seamlessly assimilate. Much of Kutt’s advice to new employees revolves around their need to understand their new culture (company or country), to stretch their own paradigms, and to "lose the stereotypes" in order to better understand a new environment.

In China, national culture also has a large impact on the effectiveness of leadership style. According to Suen, an effective practice of leadership talent development in China is called "turnaround." Turnaround is when talent is assigned to fix and stabilize a failing or underperforming unit or organization.

"Productivity and profitability are achieved by restructuring, downsizing or closing down a unit, function or operation, or by implementing an organizational culture change," says Suen. "These assignments often create turbulent thoughts and feelings in the manager and therefore they learn to lead. This on-the-job training is commonly used in China.”

Suen adds that the practice of turnaround may stem from the fact that many managers have experience being employed at state-owned organizations that then became private businesses and faced serious economic challenges during this transition.

ENSURING GOAL ALIGNMENT

Research shows that the best talent management plans are those that are closely aligned with the company’s strategic plan and overall business needs. Suen says that goal alignment at his company begins with the CEO: “The CEO will clearly communicate strategic business objectives across the entire company, including the board of directors. We adopted an integrated performance management platform in the cloud [Oracle Fusion], and the interdepartmental goal visibility has helped speed up the process of alignment. By allowing managers to access and see the goals of other departments, our company can greatly reduce goal redundancies and conflicts throughout the organization.”

Suen comments that the cloud system is increasing engagement and enabling shared accountability throughout the organization. Sharing goals brings visibility to the forefront and helps department heads find ways to better support each other, as well as identify areas where they may be inadvertently working against each other.

Once company-wide goals have been established, managers can set goals for their individual departments, which clearly support the overall business strategies (according to the performance management policy).

"To be most effective, goals should also pass the SMART [specific, measurable, attainable, relevant and timely] test,” Suen says. "This provides clarity up front to employees who will ultimately be evaluated against these goals.”