

Challenges and Success Factors for the Human Resources Management of Multinational Companies in China

Executive Summary



The German Chamber Network 



Deutsche Handelskammer
German Chamber of Commerce
in China • Shanghai

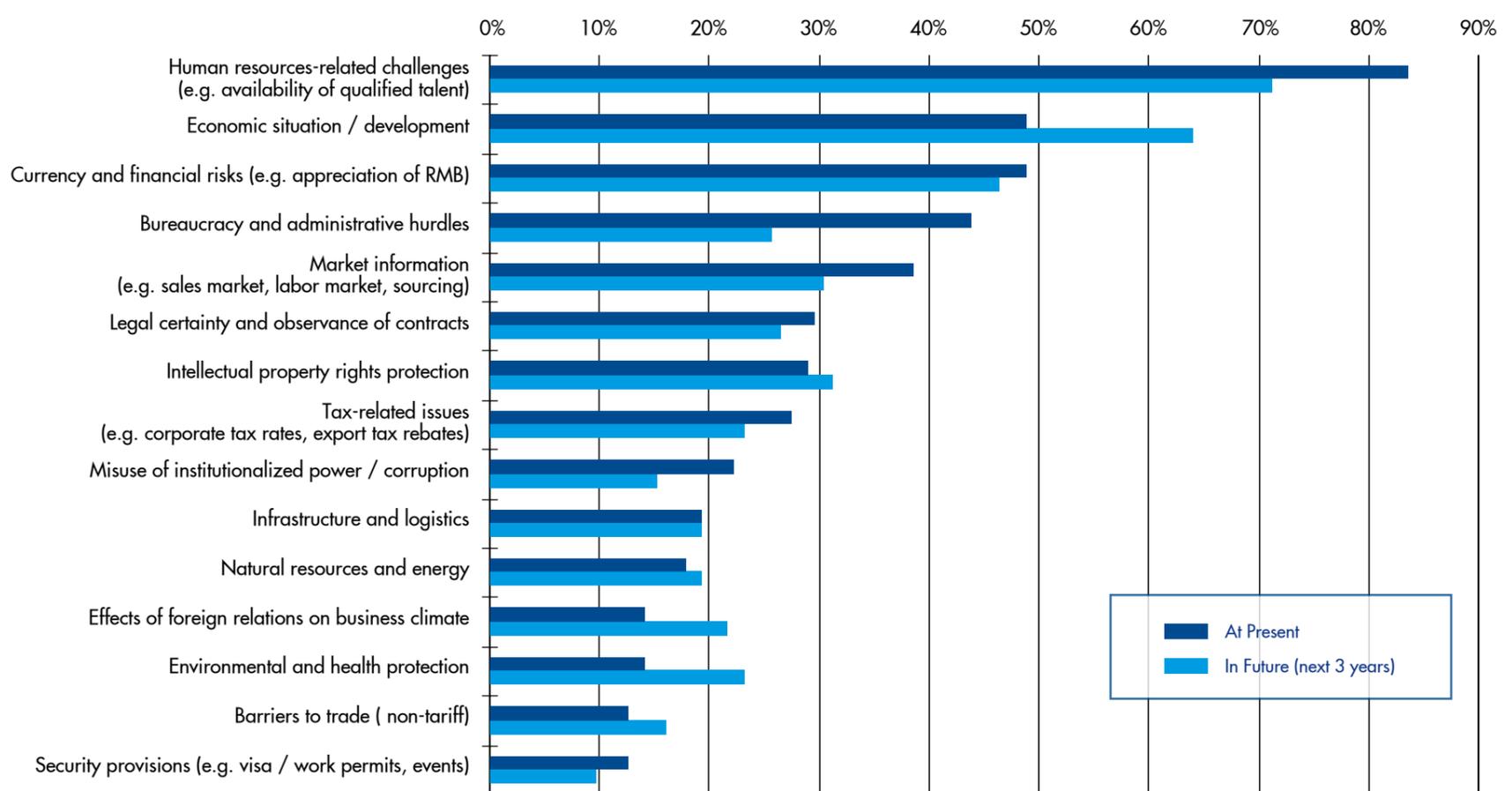


HR Continues to Top List of Business Challenges in China

As the impact of the global economic downturn takes hold, foreign employers in China are wondering how they can adjust their human resources programs to ensure that they stay on-course and move their business – and their people – forward. While the economic situation as well as currency and financial risks are major concerns, human resources remains by far the most serious business challenge for doing business in China, according to a study conducted by the German Chamber of Commerce in China in collaboration with Watson Wyatt.

The economic uncertainty is clearly reflected in the study's results: The economic situation as well as currency and financial risks are the second and third most serious business concerns (49 per cent each) faced by the surveyed organisations. They expect the economic situation to become more challenging (64 per cent) and the currency and financial risks to remain difficult (46 per cent) in the future.

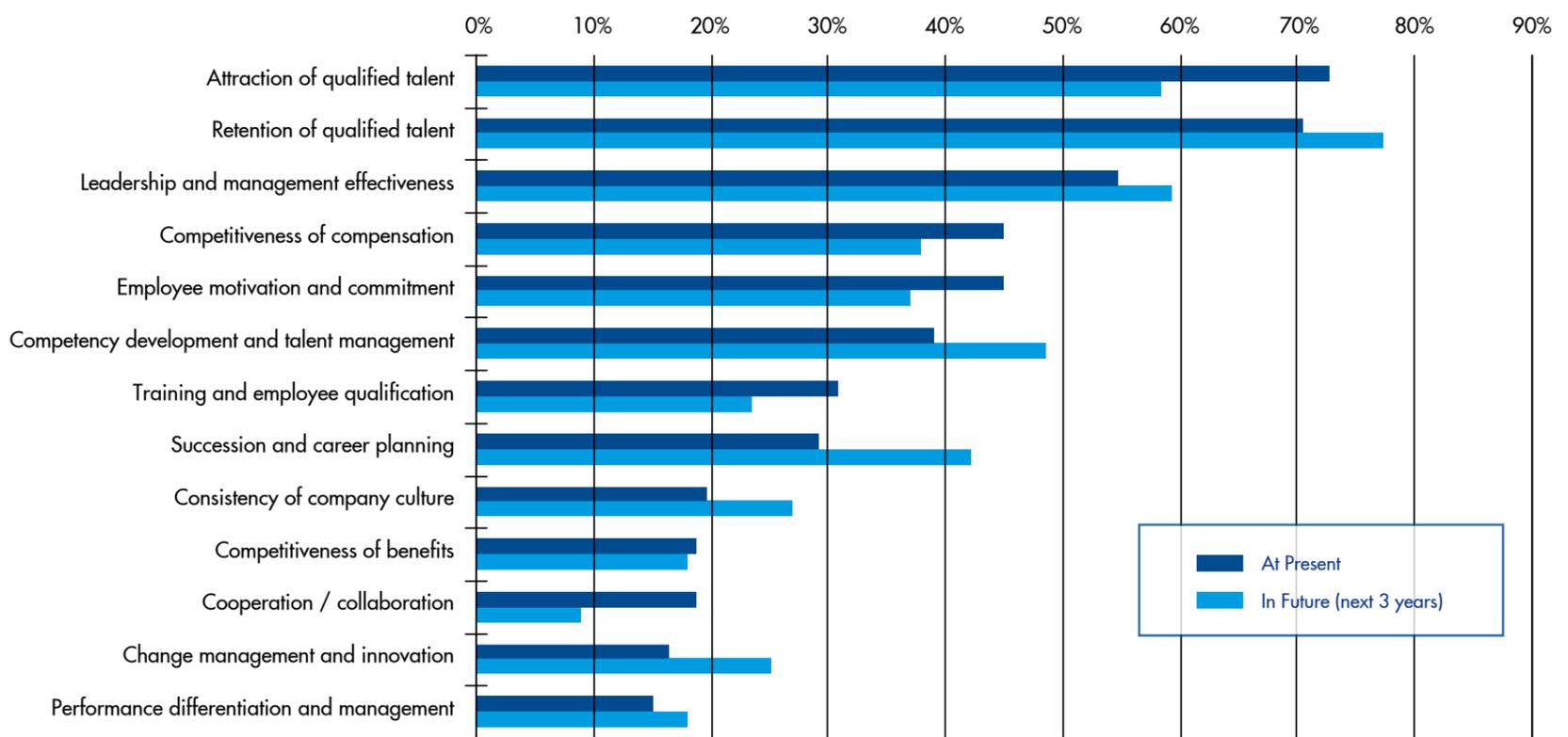
“What are the greatest business challenges your company is facing in China?”



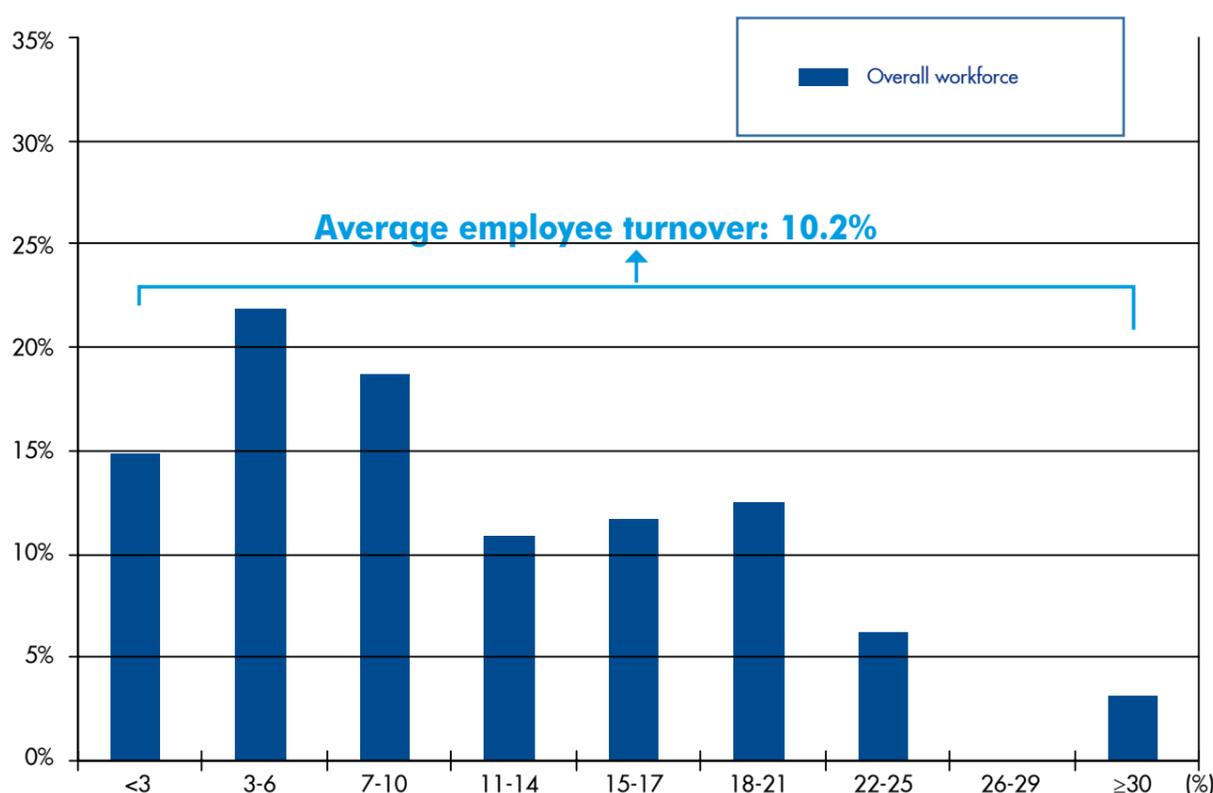
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However, according to the study's findings, multinational companies in China believe that the current developments are not going to reverse the long-term imbalance between the supply and demand for talented individuals in the Chinese growth market. Attraction (73 per cent) and retention (71 per cent) of qualified local employees remain the top concerns of the surveyed companies. The reported average staff turnover rate is 10.2 per cent per annum, while significant variances can be witnessed according to employee segments, with top management being the lowest and general staff the highest. Interestingly, in line with the trend in economic consolidation, the attraction issue is expected to decline (to 59 per cent), while the retention focus will intensify (to 77 per cent).

“What are the greatest human resources challenges?”



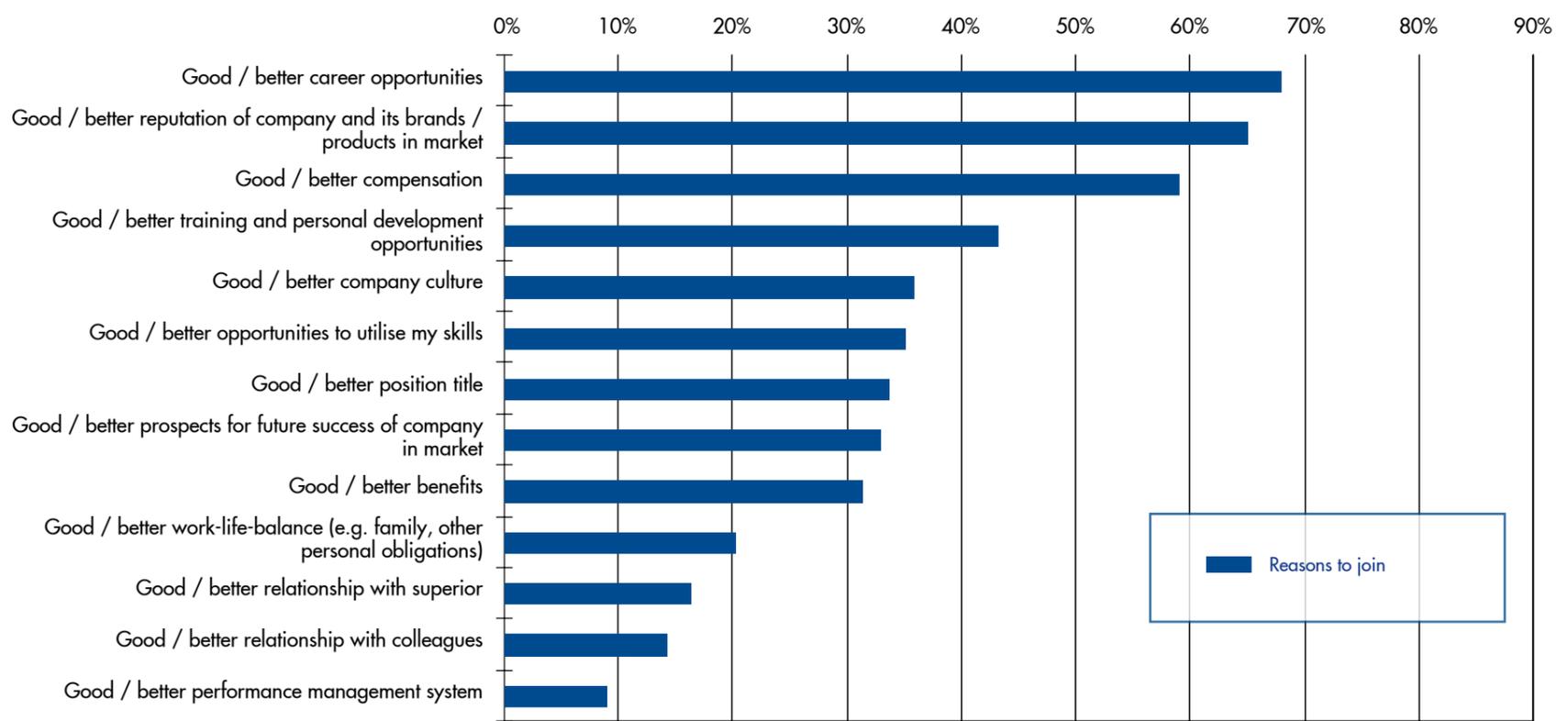
“What is the employee turnover in our company in China?” Average employee turnover: 10.2%



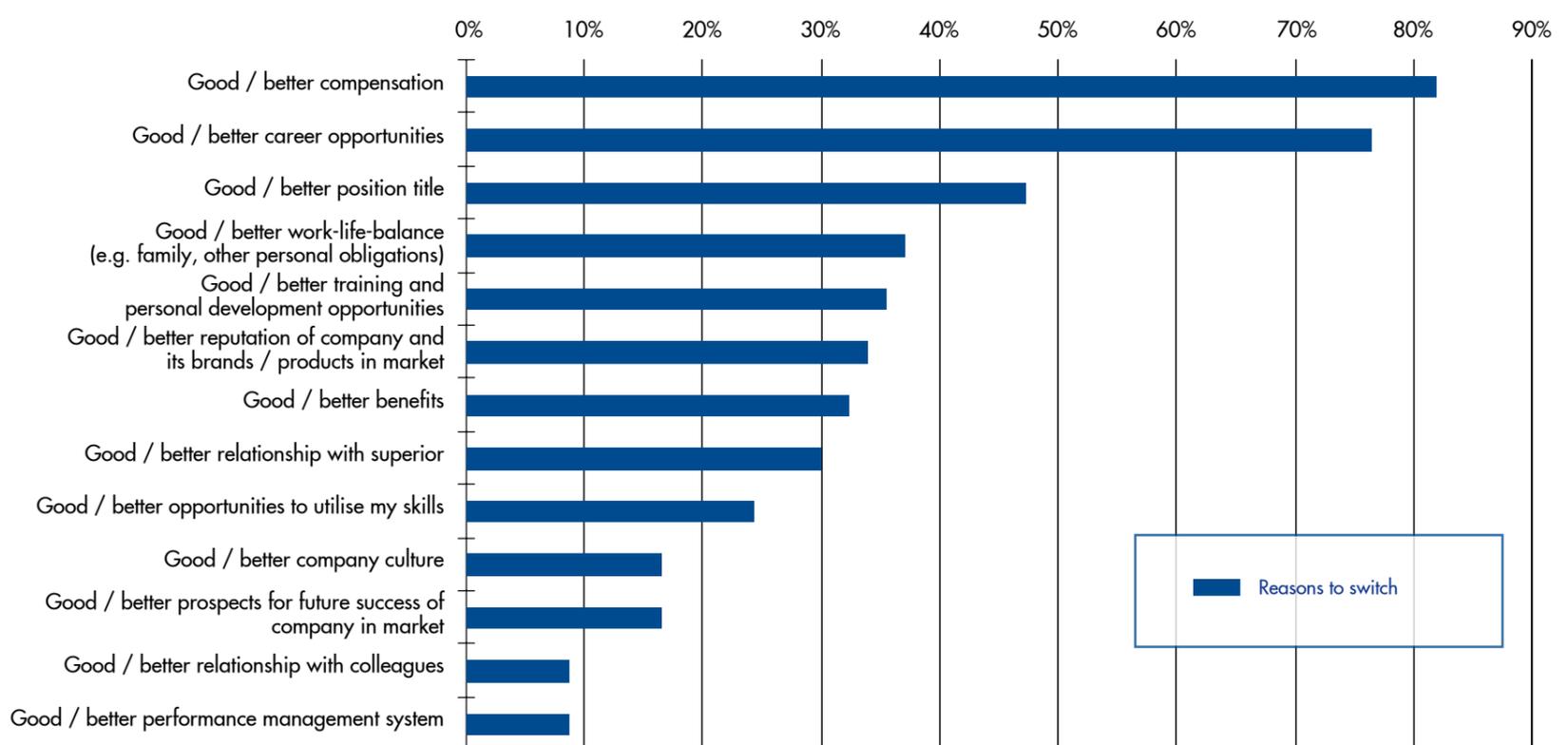
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When speaking about attraction and retention, survey participants named career opportunities (68 per cent), company/brand reputation (65 per cent) and compensation (59 per cent) as the most important reasons for candidates to join an organisation. Similarly, compensation (82 per cent) and career opportunities (76 per cent) were named as the top reasons for switching jobs, followed by position title (47 per cent) and work-life balance (37 per cent). The fact that position title ranks third (out of 13 surveyed aspects) underpins the significance of status-related aspects for employees in China, who regularly benchmark themselves with their classmates and friends. The relatively high results for work-life balance correspond with the central role of family bonding. Exit interviews reveal that, in many cases, family-related issues are the underlying reasons for job resignations.

“Based on your experience, what are the push & pull factors that make talent in China join your organization...”



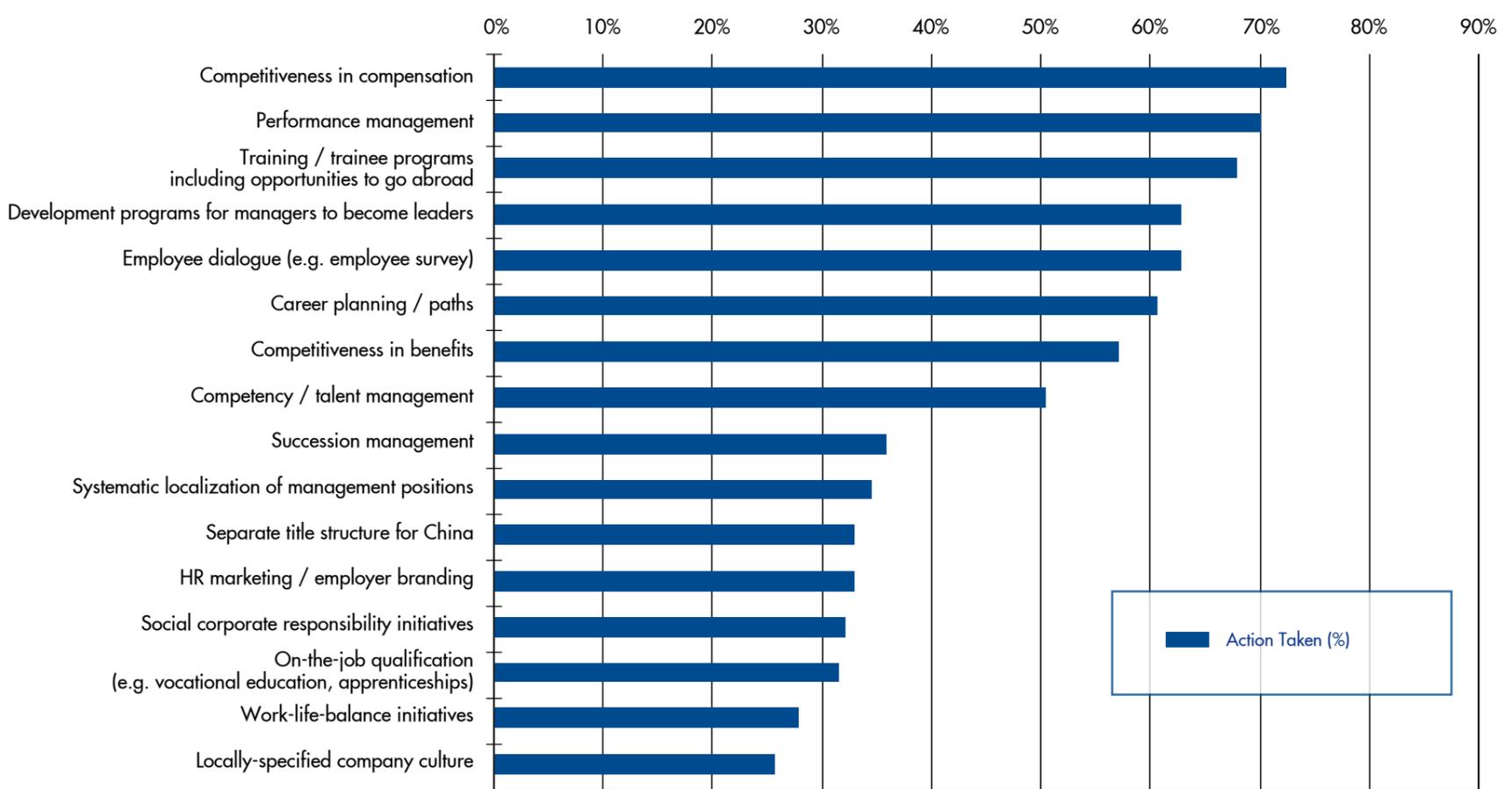
“... or switch to another employer”



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Based on their critical issues, multinational companies have taken action in the most pressing areas: More than two-thirds of respondents focus on compensation (72 per cent), performance management (70 per cent) and training (68 per cent). These acts show that companies are clearly trying to respond to the raging war around talent. However, by outbidding themselves with ever-increasing salaries, or by trying to shoehorn candidates into jobs through training, companies get themselves trapped in a vicious cycle of short-term tactics. In order to achieve sustained growth and performance, a more long-term approach is needed. However, as the survey findings show, strategic issues for systematically building-up the organisation are less frequently addressed: While half of surveyed companies (50 per cent) have a competency management system in place, only 36 per cent of respondents operate succession management plans. Furthermore, only one-third (33 per cent) is engaged in employer branding activities and a clear minority focuses on corporate social responsibility initiatives (32 per cent), work-life balance issues (28 per cent) and aspects of company culture (26 per cent).

“What actions has your company taken to respond to the human resources challenges and how do you judge their effectiveness?”



The challenges for multinational companies in China have increased manifold. Not only do they have to balance the short-term and long-term aspects of their expansion plans, but they are also increasingly called upon to contribute more to the global bottom line, despite the fact that China’s market is starting to slow. Nevertheless, this situation can represent a window of opportunity that yields some bright spots for business. Companies willing and able to adopt a bold approach can, for instance, acquire assets at low prices, snare the best talent available and build long-term loyalty among existing employees. Those multinational companies which adroitly manage the economic slowdown, whilst remaining visibly committed to the future of their key people, will be able to achieve superior organisational performance and prevail as long-term winners.

Limited
Service
Providers!

China HR

How German Companies can balance long-term vision with short-term needs

Tomorrow

Shanghai

June 4 - 5, 2009



Deutsche Handelskammer
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China HR Tomorrow – 3rd Sino-German HR-Fair

Thursday, March 26, 2009 | German Centre Shanghai

Contact fair to meet 500 future graduates of three top universities in Shanghai, which educate according to the German model of "Fachhochschule":

- Chinesisch-Deutsche Hochschule für Angewandte Wissenschaften der Tongji Universität (CDHAW)
- Shanghai-Hamburg College
- East China University of Science and Technology (ECUST)

Friday, March 27, 2009 | German Centre Shanghai

Job fair for graduates of above mentioned universities, Chinese job seekers and local foreigners with job experience and returnees.

China HR Tomorrow – The Summit

Day 1: Thursday, June 4, 2009

CEO Speaker Session (GC ballroom)

Time	Topic
08:00 – 08:45	Registration & reception @ Atrium and Ballroom
08:45 – 09:00	Opening Remarks & Welcome Speech
09:00 – 09:45	1st keynote speech: Quo Vadis: Leadership in Turbulent Times
09:45 – 10:30	2nd keynote speech: Mastering the Strategic U-Turn: From Growth to Consolidation
10:30 – 11:00	Coffee Break
11:00 – 11:45	3rd keynote speech: Adapting the Organization: Restructuring, Change Management and Cultural Alignment
11:45 – 12:15	Panel Discussion with all 3 key note speakers
12:00 – 13:30	Lunch @ German Centre Restaurant

Workshop Session 1

Time	WS 1 (Rm. Shanghai)	WS 2 (Rm. Munich)	WS 3 (Rm. Berlin)
13:30 – 14:30	Maintaining a strong Employer Brand	Unions, Arbitration Courts & Officials: Best practises for a smooth cooperation	Expatriates: Magic Bullets or Endangered Species?
14:30 – 15:00	Coffee Break		
15:00 – 16:00	Maintaining a strong Employer Brand	Unions, Arbitration Courts & Officials: Best practises for a smooth cooperation	Expatriates: Magic Bullets or Endangered Species?
16:00 – 16:30	Coffee Break		
16:30 – 17:30	Wrap-up Day 1		
19:00 – 21:00	Networking Reception (Park Hyatt Shanghai, Shanghai World Financial Centre 86. Floor)		

Day 2: Friday, June 5, 2009

HR Speaker Session (ballroom)

Time	Topic
08:00 – 08:30	Reception @ Atrium and Ballroom
08:30 – 08:35	Opening Remarks & Speaker Introduction
08:35 – 09:20	4th keynote speech: Fostering Employee Engagement: United we rise, divided we fall?
09:20 – 10:05	5th keynote speech: Enhancing Productivity through Performance Management
10:05 – 10:30	Coffee Break
10:30 – 11:15	6th keynote speech: Building world-class Talent in China
11:15 – 12:00	7th keynote speech: Preparing for the Market rebound: The Day after Tomorrow
12:00 – 12:30	Panel Discussion with all 3 key note speakers
12:30 – 13:30	Lunch Break

Workshop Session 2

Time	WS 4 (Rm. Shanghai)	WS 5 (Rm. Munich)	WS 6 (Rm. Berlin)
13:30 – 14:30	Cutting the fat but not the muscles - traditional & innovative ways to drive down personnel costs without losing top performers	HR Controlling: How to Demonstrate HR's Contribution to Company Results	After 1 Year: Practical Experiences with the New Labour Contract Law
14:30 – 15:00	Coffee Break		
15:00 – 16:00	Cutting the fat but not the muscles - traditional & innovative ways to drive down personnel costs without losing top performers	HR Controlling: How to Demonstrate HR's Contribution to Company Results	After 1 Year: Practical Experiences with the New Labour Contract Law
16:00 – 16:30	Coffee Break		
16:30 – 17:30	Wrap-up Day 2		