



CORPORATE HEADQUARTERS

BY BRYAN VIRASAMI

Who's Got Talent?

As Chinese enterprises poach managers and executives from multinationals, what can U.S. firms do to remain competitive and fight this new trend?

After he graduated from the Beijing Institute of Technology in 2006, Jeff Wenyu landed his first job at Motorola where he worked with a team charged with developing software for mobile platforms. But after two years, he decided to give up his title as senior software engineer and leave his team for a more important title and the promise of short-term financial success.

In essence, he left the global giant for an unknown Chinese startup where he walked in the door as a “team leader” tasked with building new mobile phone software just as the iPhone and other related mobile platforms were making headlines. The new job, however, fizzled out 12 months later, and he jumped to a more established Chinese firm that has a partnership with a mobile phone giant.

Wenyu, 29, said while he was torn about leaving Motorola in 2008, the recession left him uncertain about the financial condition of the U.S. telecommunications giant.

“My current company gives me overall responsibility for a product. Before that, I was focused on software developing,” Wenyu says. “Now I can be in charge of product design, development and operations.”

Wenyu’s experience may be symbolic of the new class of high-skilled Chinese workers – well educated and ambitious with multinational exposure – and yet willing to give up jobs at prestigious multinational companies for fast-growing privately owned Chinese firms that are offering higher salaries and better titles with more power.

While switching jobs is nothing new, the dynamic growth situation in China that’s drawn thousands of U.S.

companies here is also producing countless rapidly growing and financially successful private Chinese firms not to mention giants such as China Mobile, Baidu, Taobao and several mega banks.

According to a recent report from the talent management firm Korn/Ferry, hiring managers and other recruitment experts, the new economic climate is a major reason why MNCs are competing with each other and with Chinese firms for senior marketing managers, chief financial officers and other senior skilled workers.

Steve Fisher, a senior client partner at Korn/Ferry in Shanghai and co-author of the report, said that private Chinese firms are not only doing well, they’re expanding rapidly and want to, in some cases, recruit top talent that could take them global.

“There is a need for new types of talent as companies enter additional sectors, as they make acquisitions and as they go global,” Fisher says. “It really is a phenomenon related to growth in China and the globalization of some Chinese companies.”

The report, “Rise of the Chinese enterprise as employer of choice,” is based on a survey of 40 senior executives in China. The report amplified the suspected trend that MNCs were finding it harder to keep talented people and confirmed the suspicion that Chinese firms were offering them generous compensation packages, faster promotions and sexier titles that carry power-sharing options, to jump ship.

“Gone are the days when receiving a good salary from a prestigious MNC was enough to motivate an ambitious manager in China,” the report says. “Today, smaller local



joining a pre-IPO Chinese enterprise while 30 percent would opt for a publicly-traded Chinese enterprise.

"There are more opportunities for them in Chinese-owned companies, there is also better pay and there tends to be better benefits," says Wendy Radtke, Goodyear's Asia-Pacific vice president of human resources. "The things that keep them at the multinationals are the type of boss that they work for. It's a split between the opportunity and

enterprises with the potential for rapid growth in scale and profitability in China's vast market offer not only a generous salary but also the financial gain from a possible IPO – a gain that has made many people millionaires overnight."

In fact, the report said 45 percent of senior managers polled reported they would consider

the development that Chinese companies give them and multinationals can't at that period of time."

While the Korn/Ferry report focused on MNCs, competition for the best talent doesn't appear to be confined just to large foreign companies. Anecdotal evidence suggests the problem affects various industries and even non-governmental organizations and medium sized businesses.

Angela Fan, human resources director at the Ritz-Carlton in Pudong, says competition for top service staff – from waiters to managers – is fierce especially in Shanghai where the hotel industry is rapidly evolving. But it's not just other high-end hotels eyeing workers who generally speak good English and have training in five-star service.

She says luxury brands and retailers recruit staff at high-end hotels with international standards. "These companies also need talent so they approach hotel industry talent and they will offer higher pay and benefits," Fan says.

Rebecca Liu, the general manager at Cook (China) Medical in Shanghai, says it's always a challenge to recruit industry professionals, including Chinese medical doctors, but they also compete against other Western medical companies in China for talent.

"We're always fighting for people," says Liu. "And in China this could be one of the biggest challenges

Hiring with Disney Magic

Construction of the US\$4.3 billion Shanghai Disney Resort began earlier this year in Pudong. The resort, similar to other Disney parks, will have two hotels, a lake, a shopping and dining area, a castle and other popular attractions. In order to have a successful opening, the resort is wasting no time in recruiting.

Greg Morley, vice president of human resources at Shanghai Disney Resort, responded to a few questions about this process.

Insight: What can you tell me about what the company is doing to gain an edge in this "war for talent?"

Morley: "Competitive salaries, interesting titles and challenging assignments are a standard to be competitive. Our strategy is to deliver once-in-a-lifetime challenging work experiences, unique Disney training and career development that allow our team members to explore and grow. We are also focused on developing a workplace that is just plain enjoyable and fun for our team to come to every day. While we do not have our theme park, hotels or entertainment venues yet, our workplace is going to be a place where magic happens for our cast every day. That is what we are all about."

Insight: How would you characterize the pool of candidates that you've encountered?

Morley: "Passionate, dedicated and proud of being part of the team. We realize with every new joiner, we are building something very special in Shanghai. Our team is aware that they are developing Shanghai's Disney Resort and they take great pride in their work. They look forward to the day when they can take their loved ones to the resort and show off their great work."



Greg Morley

for us, to get good people. How to attract people, how to keep people and how to develop people is always a big task for us."

Korn/Ferry says consultants first heard about the growing loss of senior Chinese staff at MNCs starting in 2009, a year after the recession led to speculation that American MNCs were especially vulnerable all while China's GDP rose about nine percent.

Chinese hiring managers and sought-after workers like Wenyu have also noticed the changing landscape.

"Compared with 2006, nowadays Chinese companies are more powerful and aggressive. There are more opportunities in Chinese companies because they are growing so fast," Wenyu says. "More and more Chinese companies can give good salaries, more chances for a promotion and even the possibility of an IPO."

Although the economic crisis seemed to have largely skipped China, MNCs in China froze hiring, reduced their operating budgets and took other steps to save money – and their Chinese staff noticed it. It also hasn't helped that it's becoming expensive to do business in China.

"Top level managers are priced for the world market. China is not a low cost environment at the managerial level," Fisher says. "It's a matter of supply and demand."

Storming the beach

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Larry Wang, the CEO and founder of Wang & Li Asia Resources, a recruitment firm, says that three years ago, just 10 percent of his clients were Chinese companies while 90 percent were well-known multinational corporations. Today, more than 30 percent – or a third of his clients – are Chinese firms, including some of the largest Internet-based companies that are aggressively recruiting top level MNC-trained managers.

He used a war analogy to explain that more people are willing to follow in the footsteps of others and some are following former colleagues and bosses who once worked at MNCs.

"Ten years ago, it's like being the first on the beach on a landing and you're storming that beach," Wang says. "Now, there's a beachhead of people who have already landed."

Workers admire companies that have the potential to grow and aggressive growth is the top motivational factor. "The multinationals may be growing in the low double digits but a lot of these Chinese companies are growing 30, 40, 50 percent, so it's kind of an accelerated environment," Wang says.

In addition, there's a major difference in the way MNCs operate, according to the Korn/Ferry report, that is starting to look old-fashioned to

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– Larry Wang,
CEO, Wang & Li
Asia Resources

Insight: Are there any special skills or experience that Disney seeks in new hires that is especially challenging to find in China?

Morley: "It will always be a challenge to find the right candidate for every role especially those roles requiring unique rare talent. We are currently focused on recruiting a team of design, development and construction talent to build the resort. While we have been fortunate to find the talent we need to build a high quality product, we will also seek to bring on board emerging talent and develop those talents to be fully capable to delivering the high quality and standards our guests will expect."

Insight: What are some of the expectations that candidates have that's unique?

Morley: "The Shanghai Disney Resort project will require our cast to be imaginative, dedicated, team-oriented and high quality focused. We are also looking for candidates who have passion in their work and for this project. They are proud of what they are doing and the impact the project will have in Shanghai."

Insight: Do you feel there's a shortage of good managerial candidates available to pick from?

Morley: "The talent issues in China are well-documented. Our focus is recruiting and developing leaders with passion for their profession and for the Shanghai Disney Resort project. As we continue to grow our team, we are looking to identify not only the managers of the present but those emerging talent who will take leadership roles as the organization grows and matures. We are very excited about the team we have so far."

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fighting for
people.”

– Rebecca Liu,
General
Manager, Cook
(China) Medical

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some Chinese workers. While large corporations adhere to a set of strict standards that translates into slow “controlled career growth,” it is too slow for many.

Wang says he often talks with CEOs who say privately that it's their number one challenge. “I think it is a mission critical challenge for every multinational company operating in China,” Wang says.

Local private firms are not willing to spend years nurturing young workers and see them grow into managers, says an international beverage executive, according to the Korn/Ferry report.

An article in the *Harvard Business Review* that used data from the Corporate Executive Board based in the U.S., analyzed the trend and suggested how MNCs can repair the damage. The article said that in 2007, according to a survey, 41 percent of high-skilled Chinese professionals indicated they preferred to work for a Western MNC and 9 percent picked a domestic company. By the middle of 2010, 44 percent said they preferred MNCs while the preference for Chinese companies jumped to 28 percent. The 32-point gap in 2007 fell to 16 points.

The article also pointed out that MNCs are losing another edge: Chinese employees used to prefer multinationals since they were able to travel and get experience and training abroad. Now they see that their best chance for growth and long-term career satisfaction is in China.

Wang says some candidates he spoke to have complained about the quality of life at MNCs. They are no longer eager to do late-night conference

calls with company officials in the company's U.S. headquarters, conduct PowerPoint presentations to convince them about a proposal and explain what it's like on the ground in China.

“They spend 30 percent of their time trying to convince the home office or presenting things to people that are assigned to be the key decision makers but they're sitting overseas,” Wang says. “If you have the choice of walking upstairs rather than waiting for somebody in a different time zone in a different part of the world, what would you do?”

Radtke of Goodyear echoed some of Wang's sentiments about the new battle for talent. While the international tire company has not experienced loss of staff, she says it's been taking longer to fill jobs and find qualified people. But she doesn't see the sky falling just yet.

“It is a healthy competition because it's forcing companies to really evaluate how they attract and motivate and develop certain people. It's not just about money and it's about developing capacity and it's about creating opportunities and learning how to manage in a very different culture,” Radtke says. “Even some of the multinationals have to learn how to manage in different cultures. The new generation has different expectations.”

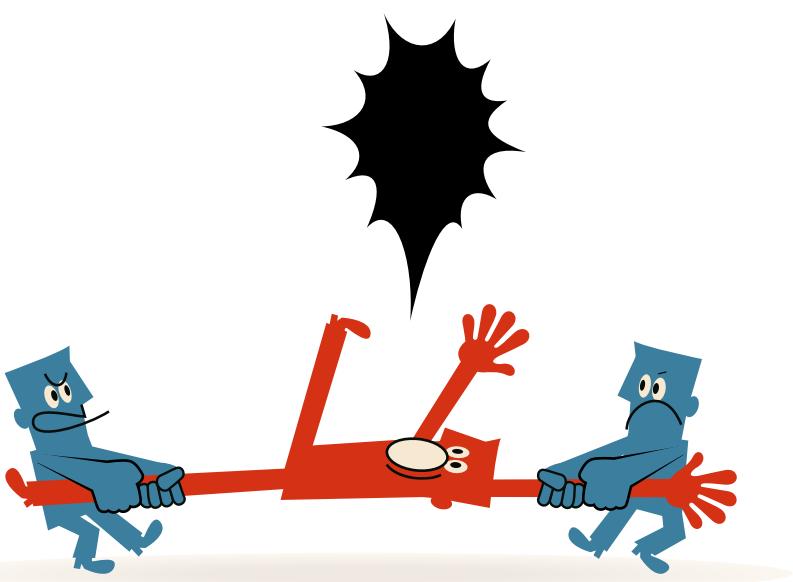
Another issue is the younger generation has grown to value a life out of the office – to socialize and meet their friends for dinner at a reasonable hour.

“They don't want their entire careers at one company, they don't want to spend all their time working, they want to spend time with their friends and to be socially networked, pay is important but they don't want to work as hard other generations,” Radtke says. “People think they can do well and still spend time with friends and family.”

Like others in her field, Radtke says companies must prioritize people before products, and that individualized attention and training will prove effective. This and other techniques have helped Goodyear avoid the loss of senior managers to other companies.

The situation doesn't appear to be hopeless for U.S. companies and the fact that a growing number of companies are relocating their headquarters or research and development centers to China is a positive sign, industry experts say.

The Shanghai Disney Resort, for example, is currently going up in the outskirts of the city and it's fair to say most of the resort's staff will come from China. But even though the resort is years





Larry Wang



Steve Fisher



Wendy Radtke

from opening day, the company isn't waiting to recruit workers – or cast members – as employees are called there.

Asked about some of the issues and challenges the Shanghai resort has been facing with recruitment, Greg Morley, vice president for human resource at Shanghai Disney Resort, says in a written response that the company has had some luck so far.

"It will always be a challenge to find the right candidate for every role especially those roles requiring unique rare talent. We are currently focused on recruiting a team of design, development and construction talent to build the resort," Morley says. "While we have been fortunate to find the talent we need to build a high quality product, we will also seek to bring on board emerging talent and develop those talents to be fully capable of delivering the high quality and standards our guests will expect."

Survival techniques

What does the future hold for MNCs? What kind of changes do they need to implement to gain an edge? Is it just unique to China?

There's no reason to worry or panic. In fact, there's hope for MNCs caught up in the so-called war for talent, but are they doing what they need to win?

The Korn/Ferry survey and report estimates that about 15 to 20 percent of the people who left an MNC for a private Chinese firm left the new job before 18 months. A group of executives that participated in a poll said many of these workers packed up and returned to an MNC.

Recruiting experts said MNCs enjoy an advantage for several reasons, although some may have to work harder to beat the competition.

MNCs tend to have set rules about strong quality control and a set path to climb up the corporate ladder. Chinese enterprises, according to Korn/Ferry, may provide more flexibility and a faster career path but decisions are often ad hoc and transparency may be questionable.

The report called on MNCs to "sharpen" their recruiting and retention policies. Specifically, some senior managers say that it's wise to give more responsibility to staff who go beyond their job description – or make them learn by doing. Of course, raising salaries and getting creative with compensation packages are other ways to keep talent, along with more flexible titles.

Korn/Ferry also suggested that MNCs clearly demonstrate their commitment to China and long-term strategy to grow here and develop managers to take the company forward. As economic conditions improve, MNCs may find that the hiring situation is much smoother.

Radtke of Goodyear says some firms may need to shake up their thinking.

"If the people looking to hire are expats, they need to reshape their thinking and they cannot think in a U.S. or European mindset. They really need to get into the China mindset and figure out how to best attract, retain and develop their talent because what they did in their home country will not work here," Radtke says.

Some companies are raising salaries, offering interesting titles and providing better training. And people like Wenyu expect it.

"Higher salary and promotion look like basic factors for job-hopping, but the major factor that attracts me to a new company is the business model and its blueprint. Personally, I like taking adventure and trying something new," Wenyu says. 

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—Wendy Radtke,
Goodyear Asia Pacific

Bryan Virasami is managing editor of *Insight*.