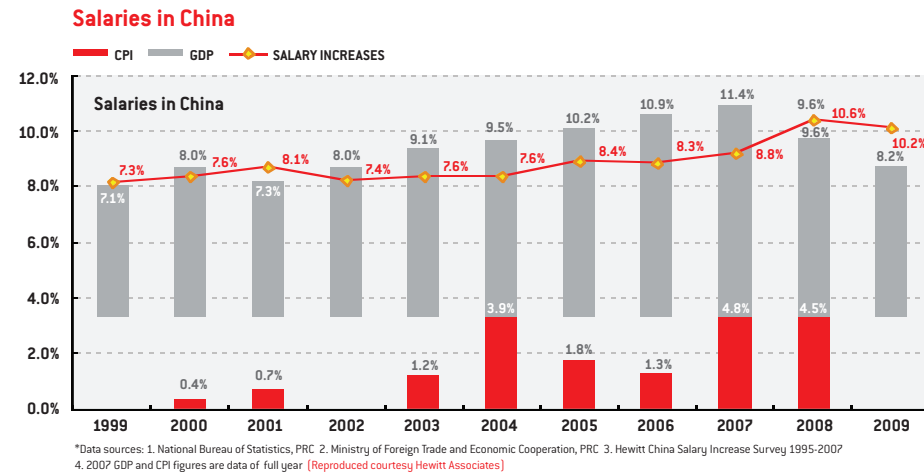


GOING LOCAL

With the right expectations, there's plenty of talent in China reports *Sophie Loras*.



Richard McCooley, the human resources and marketing director for consulting firm ACT Link China, is tired of hearing about talent shortages in China.

"There is not really a shortage," he says. "You just need to look harder – finding good people for jobs is a challenge anywhere in the world."

McCooley's firm has helped clients fill more than 95 percent of all middle and senior management roles, but from his experience, local Chinese are still the best choice.

Western expatriates have their advantages, says McCooley. They have a global business knowledge and "sing from the same ethical hymnbook as the parent company." Good expatriate managers will impart their knowledge to local staff and with the popularity of working in China increasing, expatriate salary expectations are better value than before. "The days of the company having to educate the candidate's whole family at the best international school, is fading fast," says McCooley.

Overseas Chinese from Hong Kong, Taiwan, Singapore and Malaysia, have a strong understanding of both western and Chinese culture and language and have extensive international experience, but command some of the highest salaries.

McCooley says the trick with hiring Mainland Chinese with overseas education or management experience is finding someone with enough "real" experience. Many return to China with high salary

expectations and can be several years out of touch with what is happening on the ground.

He says that with the right training, local Chinese can be the best way to go.

"You can find some bright candidates who have graduated from some of the good Chinese universities. Select someone who has some real skills and drive, someone who can be trained to make decisions," McCooley says.

"These employees have reasonable salary expectations and respond to motivation and training."

Peter Arkell, the China managing director of executive search firm Swann Global, agrees that talent shortages in China are a myth. Before arriving in China several years ago, Arkell was certain of the potential of returning Chinese, and was busy convincing employers of their assets.

"My spiel was that the returnees were the way to go. But when I came here I realised there was already a massive talent pool here."

He says that firms themselves create an artificial shortage, often by demanding a certain level of English.

"I think quite often we overplay the English and neglect the talent for the life-long technical ability of a person – what's more important – the lifelong training and technical ability of an employee or their level of English? We can always get a translator or an interpreter to work

alongside that person." Arkell says that in many cases locals do a better job because they already understand the Chinese business culture. And that while hiring trends show expatriate levels are staying steady – with no real decline but no particular growth either – it is equally interesting to note the number of local Chinese in executive management positions in the mining sector, which has doubled on the previous year.

"I've checked with other sectors and it's consistent with what's happening elsewhere.

"It's no longer about cost as local salaries are also increasing significantly, but it's now more that expats have to have a Chinese face."

Finding good local staff and training them up is the first step. The next is retention.

I don't think China is unique in terms of retention," says Arkell.

"There are HR policies which work well in China that are not just about money, but as treating people to the visibility of a career path – it's about the glass ceiling and moving up and if you have good opportunities in your company you attract good people and you'll keep them," Arkell says.

According to Hewitt's *Best Employers in China 2007 Study*, the top driver of engagement for Chinese employees was career opportunities. In the report, the best employers brought a "sense of clarity and fairness" to the career management process and a culture of "results-based advancement."

The second driver was pay, and the third was performance assessment. The best employers provided the tools and training for effective performance reviews with the "outcome firmly linked to both rewards and career opportunities," the report says.

While local Chinese command lower salaries than expatriates or returning and overseas Chinese, and do not require extensive relocation packages, salaries in China are going up significantly.

Audrey Widjaja, a talent and organization consultant with Hewitt Associates Beijing, says local base salaries for senior level employees (director and senior management) are on the

rise and in some cases have increased to almost the same levels as expatriates.

"Today local wages for senior level employees can be around 60 percent to 70 percent of an expat wage where seven years ago it was about 30 percent," says Widjaja.

For lower levels of employees though, she says, there is still a significant pay gap between local nationals and expatriate employees.

Generally though, Chinese salaries are on the rise. In 2007, Chinese salaries increased by 8.8 percent. Based on a Hewitt annual compensation survey of mostly multinational companies in China, the forecast for 2008 salary increases in China is 10.6 percent before dropping slightly in 2009 to about 10.2 percent.

Lorraine Jennings, Sirva's consulting services manager for the Asia Pacific and Middle East, says one of the big problems with retaining valuable staff is that while companies put a lot of investment into it, very few take the time to measure the success of their retention policies.

"A lot of them will have retention strategies such as a bonus component, development

opportunities and global opportunities in career development," says Jennings.

"But companies do not measure their return on investment – it's amazing that companies want to retain their talent but they don't want to measure it."

Westpac, which opened its Shanghai branch at the start of the year, is made up predominantly with local Chinese staff. John Habgood, Westpac's head of relationship management in China, says the Shanghai office employs three Australians and 15 Chinese, one of whom is Taiwanese.

He says local Chinese staff have a strong understanding of local customs and experience with the local market, as well as the local regulatory system and the local banking environment. "At a day-to-day level some things are best handled by other Chinese," says Habgood. "We needed to rely quite heavily on our staff for their knowledge of local banking practices. We also needed staff with existing relationships with regulatory figures in China – a foreigner could not ever do it as well as a Chinese."

Habgood says that when recruiting, Westpac has gone to great lengths to make sure new staff identify with its core values and receive the same levels of training they would receive in the bank's Australian offices.

He believes the sense of "ownership" in developing the business in China has resounded with his local Chinese staff.

"I like to think that if we keep the successes rolling, they will want to be a part of the ongoing Westpac experience," says Habgood. Westpac also has a strong emphasis on work/life balance.

"There a degree of informality not common to this market and I don't know if that is seen as a trade off for the really high paid salaries," he says. For the long-term outlook, Habgood is committed to making sure the bank has choices when replacing key people in the future.

"I want to make sure the bank has options when expats decide to leave or decide not to extend their role. I'd like to have the option that I could offer a role to local staff and I'd like everyone to see some real succession planning with Westpac in China." ■