Perfecting the Balancing Act to Maintain Talent Appeal – Insights from Best Employers in China

By Peter Zhang and Rahul Chawla

Breaking news on Jan 19, 2015 - ‘China’s 2014 GDP growth slowest in 24 years’.

Cut to Jan 28, 2015 – breaking news – ‘Apple, backed by China, posts the highest quarterly profit in corporate history. Revenues in Greater China up 157 percent on a sequential basis’.

China and Apple are two giants that the media loves to talk about. But if we go beyond the sensationalism of the headlines, we uncover an interesting insight. China’s economy, which is slowing down, is still generating revenues comparable to the entire continent of Europe for an American MNC. Till very recently, Apple was facing problems launching its new models in China!

When we met with China CEOs and CHROs of leading MNCs, as part of the Aon Hewitt Best Employers - China 2015, they said they were ‘cautiously optimistic’ about the future and focusing on ‘sustainable growth’. For most of these companies, China is one of their top three sales markets globally, but all of them acknowledged that future business growth would not be easy to come by.

CEOs and CHROs across MNCs in China were (and still are) trying to strike a balance between local realities and global demands, growth and compliance, and employee expectations vs. what is actually offered in an Employee Value Proposition (EVP). Let’s look at these three topics more closely.

The Balancing Act in China

Local realities and global demands – Managing ‘Global’

From the perspective of Western MNC management in China, ‘Global’ often seems to be headquarters asking the China operations to do better and deliver more, quarter on quarter, year on year. The reality that business leaders in China are trying to reinforce to their headquarters is that growth is possible, but it’s not predictable or easy. This uncertainty often requires headquarters to provide more autonomy in a host of areas, including talent management, organization structure, and developing a localized employer brand.

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1 http://www.reuters.com/article/2015/01/20/us-china-economy-idUSKBN0KT04920150120
2 http://images.apple.com/pr/pdf/q1fy15datasum.pdf
One of the key elements study participants talked about was developing local leaders. A deficit in leadership skills, as well as the growing need Gen Yers have to be coached and provided with an inspiring leader-led vision for the future, has become a rising concern. In fact, the Leadership Index\(^3\) for all of China in 2015, when compared to 2013, nosedived by 15 percentage points.

Some companies are doing better than others in this area. For example, Baxter Healthcare already has a succession plan which is now playing out. Their leadership team is almost entirely comprised of local Chinese and the company is being led by a female Chinese leader.

**Growth and compliance – Achieving sustainable growth**

Starbucks in China went from around 500 stores to 1500 in just three years – that's opening almost one store per day on average. While this statistic was still sinking in, the President of Starbucks China told us, 'We could have done much more and grown at a much faster rate, but then it would have been at a cost. Starbucks China will never compromise the core values of the company as well as our partner/customer experience to chase after speed. We want only quality growth, not just growth.'

For another Best Employer, AIA, sustainable growth could only come through positive disruption – a change in business model and organization structure. It went back to the basics in reviewing each and every process in order to achieve growth in a highly competitive market.

**Managing employee expectations**

Although the Chinese economy has started to cool down, the same cannot be said about the expectations employees have of their employers. As the ‘new normal’ of growth starts kicking in, companies are finding it increasingly difficult to articulate a compelling and cost-effective

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\(^3\) The Aon Hewitt Best Employers are evaluated on the 4 pillars of Leadership, Employee Engagement, Employer Brand and High Performance Culture, through a comprehensive process involving employee opinion surveys (EOS), leadership interviews and audited people-process inventories. The Leadership Index score reflects the percentage of employees satisfied with the vision, business excellence and employee care demonstrated by leaders of their respective organisations.
EVP to their employees. Hence, we see a spate of Cupertino-style campuses coming up in suburban areas offering gyms, meditation rooms and innovative ‘deskings’.

Despite this trend, the Best Employers do not believe in showcasing fragmented employee offerings. They have put their trust and efforts into building a compelling value proposition that is communicated through both words and actions. They are approaching the talent market with the conviction that the recruitment promises made to prospective employees will be supported by global frameworks and local practices on talent management, rewards, and work-life balance – all key drivers of employee engagement in China.

A key factor impacting employee expectations is the gap between consumer branding and employer branding. Companies with high employee-engagement levels and employee net promoter scores do well in bridging this gap and dispelling any dissonance in the minds of current or prospective employees. Strong brands like Fiat Chrysler, Starbucks, and Ritz Carlton have put in extra efforts to customise their brand narratives for Chinese employees.

Conclusion

The Aon Hewitt Best Employers, as is evident from the examples above, have raised the bar on their talent practices. Consequently, the gap between average engagement scores for Best Employers and the overall China market has slightly widened from 19% in 2013 to 25% in 2015. These companies, Chinese or MNCs, are in working harmony with internal and external stakeholders to attract, develop, and engage talent for long-term gains. Will they be able to sustain these actions over the next few years as more macro-economic changes roll out? Our Aon Hewitt Best Employers 2016 research team will be hitting the road to witness the action as it plays out!

Contact

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4 Employer Brand Index score reflects the percentage of employees satisfied with their respective organisations’ external market reputation, internal employer brand and delivery of CSR & employee promises.