
Hiring the right man in China.

By Ansen Lee | August 2010
For both Chinese and foreign companies, hiring and keeping good employees is a perennial difficulty, perhaps the biggest hurdle facing most China operations. The entry into the workforce of China’s “Generation Y,” or “80 hou,” born in the 1980s and raised in an era of relative affluence, has added to the challenge. With the economy once again booming and labor market conditions relatively tight, 20-somethings with just a few years of work experience are in strong demand. What is the best way to attract and hire this new breed of Chinese employee?

Multinational companies in China have developed unique tests and interview methods to locate good job candidates and retain them. Japanese automaker Nissan Motor Co. has a test of how applicants eat, favoring candidates who disregard instructions to eat slowly and bolt down their food; those who eat faster are thought to have strong stomachs and digestive systems and be in better health. Fast eaters, the theory goes, can get work done quickly and are more mentally acute.

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Taiwan’s largest food maker, Uni-President Co., uses a test that involves cleaning toilets. InterChina uses the so-called “SMC method,” which stands for Skills, Motivations and Commitment, to decide which applicants should be hired after testing and interviewing.

Taiwan’s largest food maker, Uni-President Co., asks job applicants to clean toilets, observing whether the potential hires are willing to tackle the task with zeal and sincerity. Interviewers give the candidate a mop and tell the candidate to clean an office toilet. Those who balk are the first to be eliminated. Uni-President managers want employees who recognize they must work hard and take on whatever jobs required. Anyone who does not fit that criteria is not welcome.

While the job tests mentioned above are creative and have their purpose, InterChina believes that SMC is still required to hone in on the best talent. We have seen good results with this approach. In one case, a leading European pharmaceutical group setting up a global R&D center in Shanghai was searching for a good candidate to be its general manager. The company sought InterChina’s help because the job required both specialized expertise in the area of generic drug R&D and overall plant management skills.

The first step is to understand exactly what a company is seeking and the background and requirements for the positions it hopes to fill. InterChina met with the client and determined that potential candidates should possess five main attributes: 1) generic drugs R&D experience; 2) expertise in Active Pharmaceutical Ingredients manufacturing; 3) proven overall plant management skills; 4) a wide working knowledge of regulatory trends, GMP standards, FDA and ICH guidelines, and 5) excellent English skills and international work experience. Finding a recruit possessing this mix of specialized and general skills and experience was bound to be a challenge. Many pharmaceutical experts do not specialize in generic drug R&D and many local Chinese experts who do have that expertise lack good spoken English skills. InterChina analyzed the job profile and outlined these key criteria as our focus for the search.

To attract the widest possible range of good candidates we advertised the position on the Internet, sought referrals and searched databases. We failed to attract a strong response, despite the potentially large pool of qualified candidates given the fact that there are more than 30 R&D centers of both multinational and outstanding local pharmaceutical companies in Shanghai. Eventually InterChina managed to identify about 10 potential candidates, though several problems emerged when we approached them.

Most of the general managers of pharmaceutical R&D centers in China are expatriates. Since this is a top management position, those employees tend to be quite stable and loyal to their companies. Most are satisfied with their ample remuneration and promising career development opportunities and thus are unwilling to consider changing jobs. About 90 percent of the Chinese nationals working for Chinese companies in top management position have sound experience in generic drug R&D and overall management skills, but most do not have a
good command of English or international work experience.

InterChina found that Chinese returnees from overseas could be good potential candidates. They have experience working abroad and good language skills. Many are keen to return to China and compared with expats or non-Chinese applicants are highly motivated (M) to help their companies grow in China. Since there is a very limited pool of qualified candidates and most are being approached by many companies and headhunters, the key challenge was how to attract them and handle communications and coordination between both parties throughout the recruitment process.

InterChina managed to establish a friendly dialogue and good relationships with the candidates it identified by fully conveying the client’s strong industry position, business potential, people-oriented management style, comprehensive training and competitive employment package. For the client, qualifications and salary costs were crucial issues. Considering both sides’ interests, InterChina interviewed potential candidates. It mapped out the job profile and potential career paths for four candidates who showed interest in pursuing the position and set up interviews with the client.

Returnees from overseas were seen as the best choice for our client because they meet the language requirements and good motivation (M) and commitment (C) for working in China. We advised the client to focus its search in this area.

After two rounds of face-to-face interviews by the client, a candidate for the general manager position was selected and an offer was signed between both sides. InterChina’s role in the follow-up period was in helping the candidate adapt to the client’s corporate culture, rules and regulations and to his new role in the company. Thanks to timely communication and coordination between both sides, InterChina won the full trust and satisfaction of the client, successfully completing the recruitment and setting a good foundation for a longer term relationship with the client and job candidates.

The SMC method proved useful in another successful case, involving a leading European FMCG (Fast Moving Consumer Goods) manufacturing company based in Tianjin. The company needed help finding a capable finance and systems director as part of its localization program in China. InterChina was asked to handle the recruitment services, drawing up the position profile and job description, conducting the search and selection process and providing follow-up services within a set time framework.

Through consultations with the client, InterChina determined that the potential candidates should have four major skills (S): Expertise in FMCG categories and multinational manufacturing; cross-function control ability, an ACCA (Association of Chartered Certified Accountants) or CPA certificate and good written and oral English skills. The pool of candidates with those skills was very limited (many financial directors have no IT responsibilities and candidates with ACCA/CPA certificates tend to work in accounting or consulting firms). Aside from the traditional methodologies of Internet advertising, referrals and database searches, InterChina conducted headhunting for potential candidates. After a first round of hard searching at 13 FMCG companies in Tianjin, InterChina identified 15 people for future contacts.

Several problems emerged when the potential candidates were approached. Nine out of 10 candidates had no IT management experience or no ACCA/CPA certificate. Some were rejected and others were unwilling to relocate, despite a potentially higher salary, because their homes were too far from client’s plant. Some were not interested because they already were satisfied with their positions and career prospects. This left only a few potential recruits, who generally were not strongly interested and were likely to change their minds at any time because they were being approached by many companies and headhunters. Thus, the key issue for InterChina was how to attract and retain the interest of the limited number of suitable candidates throughout the recruitment process.

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After preliminary interviews, InterChina found three candidates who showed strong potential for pursuing the position and a career with the client. To help engage their interest, we sought to convey to the candidates the company’s strong position in the industry, its great business potential in China, its people-oriented management style, comprehensive training and competitive package. After two rounds of face-to-face interviews by the client, one leading candidate was chosen and an offer was signed by both sides. InterChina carried through with the follow-up process to ensure the candidate was successfully integrated into the client’s corporate culture. The recruitment was successfully completed and InterChina built a good foundation for long-term cooperation.

**Background Checks**

There are some important steps that should not be neglected during the interview and testing process. One is the reference check. In China, people tend to exaggerate their backgrounds or abilities and experience. Fake university diplomas and other certificates are easily available. So background checks are crucial and we conduct them ourselves. We check with at least three referees among a candidate’s past three employers, although of course the current employer is not approached to ensure confidentiality. The following issues need to be explored when we conduct a reference check:

- What was his/her position?
- Duration of his/her employment?
- What were his/her duties?
- Whom did he/she report to?
- Who did he/she supervise?
- Was he/she promoted?
- Reasons for his/her resignation?
- What was his/her last month’s salary?
- Was there any salary increase?

We ask the referees to score candidates on the following issues: knowledge of their job, job performance, communications skills, organizational skills, attitude, and conduct, relationships with others, teamwork and his or her work attitudes.

The referees are generally former supervisors, former colleagues who know him/her very well and HR department managers.

**Salary negotiations**

Another important factor is negotiating salaries for new positions.

We do the following:

- Identify industry benchmarks for the position. This is based on our past experience and salary reports from third parties such as Hewitt.
- Get details on the candidate’s current employment package.
- Discover the candidate’s expectations and evaluate whether they are realistic and in line with industry levels.
- Propose and gain client approval of a package.
- Reach an agreement with a candidate on the total package.

In one of our cases, a North American auto parts maker was looking for a deputy managing director for its plant in Wuhan. Our search was going smoothly and eventually, the client selected one candidate and made an offer to him. Since Wuhan was a new city for us, we knew little about the local salary levels, so we studied local benchmarks for similar positions such as general managers or deputy general managers. Apart from 2nd hand research, we also cross-checked data with the local HR association and found that salaries for top management positions in Wuhan, especially in the auto sector, are very close to some other big cities, like Shanghai and Beijing, even though Wuhan is a tier 2 city.

After gathering the data, we proposed a budget for the position to the client. It was approved, and when we presented the candidate’s expectations to our client, they were not so surprised as they otherwise might have been. InterChina’s pre-preparation and practical approach was the key for gaining the
client’s trust and understanding. However, the story does not end there. When our client was ready to make an offer to the candidate, the candidate told us that his salary had just been increased due to his good performance. So his expectations rose accordingly. Obviously, this was bad news for us as the client might balk at this unexpected increase. The question was how to convince our client to adjust its budget and make a new offer to the candidate.

InterChina consulted with both parties and emphasized to the client that the candidate they had selected was the best choice available. If they turned him down, they might not find someone equal to or better than him. We also asked the candidate to provide his latest wage slip to prove that his salary truly had increased. Eventually, the client was convinced and agreed to make an offer based on the candidate’s expectations. Both parties were happy with the result. The chosen candidate has been working at that company for a year and was sent to the company’s HQ for training. His strong performance and capabilities have been further recognized.

Conclusion

There are other techniques you can use to find the best candidate for your company. You can use your own HR department or engage the services of an HR company or headhunter. Cisco, which is expanding its China staff by 60%, recruits 40% of its staff through headhunters but also encourages internal referrals to bring in candidates because its own staff can do a good job of presenting a position to the right candidate. In successful cases, staffs are given special bonuses such as extra pay or trips overseas. Creativity is key in this process and companies need to adopt a range of strategies while keeping in mind some key guidelines as they hunt for the best talent available in China’s challenging market.
InterChina Consulting

Leading Consultancy: InterChina is a boutique management consultancy specialized in strategy, corporate and human resources services for companies doing business in China. Since being founded in 1994, InterChina has emerged as one of the leading consultancies in China, and half our project volume is accounted for by clients choosing to return to InterChina when new consultancy needs arise.

Comprehensive Services: InterChina supports clients along the sequence of challenges faced when entering or expanding in China, and our 3 specialized consulting practices combine to provide a suite of comprehensive and complementary services:

- InterChina’s Strategy Practice assists our clients better understand and penetrate their markets in China.
- InterChina’s Corporate Practice supports our clients establish and expand corporate structures in China.
- And InterChina’s Human Resources Practice helps our clients recruit executives and other key positions in China.

Differentiated Approach: We deploy consulting methodologies developed in China for China. Our strategy solutions are practical, since we often support clients implement the strategies we recommend, and our corporate solutions are always oriented towards strategic objectives. We involve our clients in the consulting process, transferring understanding and receiving feedback, enabling our clients to better adapt to the Chinese environment and ensuring continuity following the project.

Strong Sector Expertise: As our clients are international companies with demanding consultancy needs, InterChina has developed expertise in select sectors to further our delivery of pioneering and practical solutions. These sectors include (but are not limited to): Automotive, Energy & Power, Machinery, Chemicals, Healthcare, Food & Beverage, and Distribution & Retail.

Stable Consulting Team: InterChina’s Board of Partners is both Western and Chinese, and our Partners provide stability through their commitment to the company. In fact, InterChina enjoys one of the highest employee retention rates in China, and as stability is fundamental for Consulting Teams to be successful, our clients benefit directly as a result. Moreover, all our 50 plus consultants are committed and capable professionals, with a balance of experience and skills that allow InterChina to customize Project Teams to meet the needs of individual clients.

Local Presence: InterChina has three operations offices in China, located in Beijing, Shanghai and Shenzhen, supported by liaison offices in Europe, located in Madrid and Milan, and North America, located in Washington D.C.

For further information, please visit our website at www.InterChinaConsulting.com