

Risk Dialogue Magazine, 28th May 2015

PERSONNEL MANAGEMENT IN CHINA

Hans J. Roth, 26 May 15

Selecting, developing and retaining employees is a challenge everywhere. But when a company operates in a culturally different environment, the tasks get even more demanding, as evidenced by the turnover rates in foreign-owned companies operating in China. What are the companies that are successful doing better than the rest? Why do they succeed where others struggle or even fail?

Individualistic vs collective societies

The recognition that operations in a different cultural environment demand different management styles is probably the most important success factor in these companies. The point had been well taken in the 1980s before rapid progress in internationalisation began to hide the truth again. Globalisation supported the traditional view that management is the same worldwide. Unfortunately, this is not the case. A simple model making a differentiation between societies where members have developed a certain distance from both the natural and social environment and another group of societies where members have remained part of a group shows substantial differences in thinking and behaviour patterns that must be taken into account by a business leader working in different cultural environments. The first group of societies may be called individualistic, the second collective societies.

Management styles

Interestingly enough, there is a correspondence to this very rough social differentiation when looking at management styles. More than a half century ago, the Ohio and Michigan Universities undertook large studies to determine key factors for good leadership. Both ended up with two very simple components, management by objectives and management by employee orientation. They named the variables differently. In the Ohio Study, the researchers used “initiating structure” and “consideration”, while the Michigan study used the terms “production orientation” and “employee orientation” for the same results. The studies were slightly different because the Michigan interpretation directly linked the two components. A stronger employee orientation automatically meant a weaker production orientation and vice

versa. In the Ohio explanation, the two components were independent. Both could be high for instance, or both could be low at the same time. The utmost objective, production, obviously remains the most important target in both studies, but it can be attained either stressing it directly or achieving it through employee motivation.

Looking at these results in the context of the social model mentioned above, the Michigan interpretation seems to be more likely. Managing a company in a cultural environment where people have remained part of the group, as in the case of China, it becomes essential to use a management style directed at employees. Coaching and caring become essential factors for creating a positive working environment. Relationships between employees are a high priority. Unfortunately, both on the European continent and in North America, management by objectives has become the cornerstone of our management philosophy. An expatriate leader must realise the change in cultural conditions when working in China. If he neglects the necessary change of attitude, he will be confronted with difficulties from the very start.

Challenges facing expatriate leaders in China

The challenge to the expatriate leader comes from the fact that the Chinese person has never detached him- or herself from the social environment. The individual belongs to a group that has priority at all levels of society. A member of the Wang family is supposed to behave the way the Wang family wants him or her to behave. A Chinese national is supposed to behave the way the government or the majority of the nation wants him or her to behave. The term for "nation" - "guojia" - means "national family," a notion that has been artificially created and tells us a lot about Chinese social understanding, even on the national level.

Managing employees in China provides a particular challenge because loyalty is primarily directed to the in-group. In the Chinese case, this is the core family, unless the general manager succeeds in creating a family feeling within his company. He needs to build up personal relationships with his employees in order to create this understanding. Team building in a Chinese environment starts at a very different level from team building in a Western company because the original family ties have to be developed on a higher social level. This is only possible when leaders do not only take the employee, but also his or her family situation into account. Like with time management, work and private life are not neatly separated, they ultimately belong together. Taking the concerns of employees seriously and making an effort to help them with their private problems as well can have an important impact. The corresponding personal links create and guarantee loyalty and form the base of a good Chinese company culture.

The understanding that employees must come first is a recognition that successful companies have made.

Closeness in the Chinese context

Once a leader realises that employees are most important, he or she must make the next step that consists of getting closer to them. As this is not so much part of

socialisation in Western countries, Westerners usually lack the experience on how to approach the Chinese. The following learning process is not easy because learning means making mistakes. Learning and making mistakes as an adult can be more painful, while mistakes are expected in youth. There is certainly no reason to believe the Chinese when they say that we will never understand them. This view is pure self-defence. What is demanded is an interest in them. And the interest starts with an interest in the Chinese person and in the Chinese cultural environment.

Managing Chinese employees demands a good understanding of closeness. But this kind of proximity is something which a Western manager often avoids. Closeness makes us work with senses that need proximity. Touch and smell are very important under these conditions. But they function very differently from sight and hearing. Pieces of information from touch and smell are directly sent to the brain and reactions are usually following nearly instinctively because these senses are associated with imminent danger and survival. Hearing and seeing both leave us some time to react. Touching a hot plate does not. The hand shrinks back immediately. Touch and smell are therefore highly subjective, whereas decisions need objectivity – at least in Western eyes.

Closeness also creates the challenge of emotions. It is intrinsically linked with them, both positive and negative ones. But decisions no longer follow rules of Western binary logic where black is black and white is white. The inclusion of emotions in our decision-making creates ambiguities because emotions allow the unity of contradictions that is excluded in Western logic. Black is not only black, it can be white at the same time – and usually there are all kinds of grey dominating reality. All this is very abstract. Again, let me give an example. When my daughter gets a college scholarship for a place quite far from home I am happy of course that she got recognition for her work. But at the same time her being away most of the year is something I know the moment I hear the news. It is something that I will also regret. This kind of contradiction is normal in emotions, but is excluded in binary logic. Successful companies take this different thinking pattern seriously and try to understand it. They are not just thinking that “Chinese are not logical.” Successful companies know and accept that Chinese logic does not correspond completely to Western logic.

Information input from all the senses, especially from the ones relying on proximity, quickly leads to an information overflow in neural activity. The brain has to switch to a different mode to manage this incoming mass of information. The real problem is the fact that information from close sources cannot be avoided. If somebody in a densely packed bus steps on my toes I cannot avoid the sensation of pain. I have no control what information to take up and what to leave in such a dense environment. With things far away, I can decide whether they interest me or not. But facts close by just flow onto me, whether I like it or not. The following change in understanding the environment is very similar to the one from photo to film. When you are shown a 35mm film with very low speed, your eyes are able to detect the photos that compose the film. When increasing the speed of presentation, there is a moment when the brain is no longer able to make a difference between one photo and the next, and it starts to see the sequence of photos as movement. Information from proximity leads to an understanding of reality in flows, while distance allows us to see reality as

static.

Chinese perceptions of time and space

Chinese employees grow into a community where proximity is unavoidable. They have to adapt. Their perception horizons are shorter than Western horizons, both in relation to space and time. A Chinese person lives here and now. Of course Chinese have a view of the future, too, but it is completely detached from the present; it remains pure vision. The actual situation dominates everything, and it is understood in very concrete terms. There is no way to extrapolate this actual situation into the future as we usually do in Western planning. The future is seen as completely independent from the actual situation.

The consequences of these differences of perception are enormous and define our Western strength in strategic issues and the Asian strength in the operational field. Planning is not a Chinese strength, but moving is. In the West, we have a detached view that allows us to see things statically and to concentrate on information that is essential for what we want to know. These facts are the conditions for analysis and abstraction and are at the base of Western strategic strength and basic research. Chinese people, on the other hand, live here and now and are confronted with much shorter perception horizons. They cannot limit their information intake, it just flows onto them, whether important or unimportant. This leads to an overflow of information to the brain and to a different management of information coming in. Whereas the West sees reality in photos, China sees it as a film. Reality is constantly moving on. So Chinese persons see things in a very concrete way, have immediate solutions to them and are very strong on the operational level and on applied research – but rather weak in strategy and in basic research. They swim like fish in a current and adapt to it. It becomes therefore essential for an expatriate manager to realise the cultural differences and to see the strengths as well as the weaknesses of expatriates and Chinese employees. The usual reaction would unfortunately be an underestimation of the unknown side, due to the simple fact that it presents itself differently. To realise and to accept the other thought and behaviour patterns not only with their disadvantages, but also with their advantages, demands clear intercultural knowledge and relies on strong intercultural competence.

Key success factors

Successful foreign companies are managed by leaders open to these cultural differences and to changes in a culturally different environment. If a Western manager does not have these characteristics and the necessary openness for the other environment represented by local employees, then he finds himself in a difficult situation. His employees will test him from the first day in the new working environment. If he does not succeed at convincing them as a human being first and as a professional manager next, he will never be accepted and will be a real problem for his company. But the mother company has to realise the problem first before it can act. Both elements usually take quite some time, time in which the trust of the employees in the company is disappearing rapidly. The replacement of the general manager will not only start at zero when he finally comes in, he starts below zero because he has to excuse the company for the mistakes made wherever he goes to introduce himself.

The expatriate leader's part in the challenge of selecting, training and retaining employees is thus very obvious and targets may fail just because the support of the troupe from the management team is not sufficient. It is company loyalty to its employees that counts first. Only then employees will also develop feelings of loyalty towards the company. This model has mostly been discarded in Western management culture. What counts is management by objectives.

If the employees do not master their independence and are not showing results, then they are dismissed. Exaggerating a bit I could say that with the exception of well-managed family companies, I have only heard about employee orientation in management courses. In reality, today I rarely see company responsibility for its employees as it still existed some twenty to thirty years ago on the European continent. Now, American management culture, especially "HR management," has been adopted in Europe as well. A notable exception are family-led companies where the owners still have a high respect for their employees and where life-time employment remains quite normal. But, in general, attitudes have changed. Under these circumstances it becomes difficult for a Western manager to understand that cultural interest and cultural understanding are key components in motivating and keeping employees.

Given these problems, it would seem that an easy, but not necessarily a cheaper way out would be to hire a Chinese general manager. But what is demanded from an expatriate leader is also demanded from a Chinese leader. He has to care for his employees. In this case, the company is also confronted with the question whether the Chinese general manager is loyal to the company. Again, this is not an automatic reaction to his being employed. The headquarters must be able to create the family feeling towards him as well. The ideal cases I have seen were companies that hired Chinese people abroad. They were in fact employed by the head office directly after finishing their studies abroad and were then asked to work some years in the company's headquarters before being sent to China. The years at the head office created the network and the integration in the company necessary for success in China.

In any case, the headquarters must have full confidence in the person sent to China, be it a foreigner or a Chinese person. The challenges with which the general manager is confronted in the Chinese working environment are such that the most important task of the head office is to show confidence in the manager. The best recipe for failure is a lack of confidence in the person managing operations in China.

The employees form the other part of the challenge. How does the company deal with local employees? How are mixed teams managed and what are the problems that may develop between Chinese employees of a subsidiary or a joint venture and employees at the headquarters? There can be some rude awakenings when the two sides start to plan for instance, because planning and planning horizons are completely different. The cultural differences are not only an issue for the general manager or the management team, they are a challenge on the employee level as well. Intercultural awareness and training programmes may help, and an exchange of people on this level may be another means to improve mutual understanding and

increase motivation.

On the Chinese side, the challenge starts already with recruitment. But retention is the real problem at this particular moment of Chinese development where everybody sees better chances somewhere else instead of trying to improve their current situation. And finally problems may not end with dismissal, a fact that is often overlooked.

The selection process

As loyalty is so central to business success, good companies pay special attention to the selection process. It should include an evaluation of identification and self-assurance. What is the potential employee's position toward his own society? Is he too integrated or is he too independent? Women are usually better integrated, but keep a good sense of independence. They can be very loyal when treated well. Furthermore, they are usually well educated and are, at the same time, somewhat underrated by their own society. Employing women becomes thus interesting for foreign enterprises. With the male labour force, the situation is more complicated. Foreign companies are often confronted with a first group of men who do not find jobs in a Chinese company. They are probably not an interesting group for a foreign-owned enterprise either, although they might speak a foreign language quite well. Persons in the second group are very different. They belong to the best, are usually well educated and probably had an experience abroad. But they present a real challenge. They may be highly qualified, but tend to look for themselves. Under these circumstances, loyalty from the company towards the employee, and creating loyalty in a local leader as well, will become essential. Unless the headquarters succeeds, he will leave as soon as a competitor offers a better position.

These persons are often hired, too, because they are rather independent and may show a certain reserve towards China, a fact that is seen in a positive way by a Western company looking for critical and independent potential leaders. But "critical" in a Western environment does not correspond to "critical" in a Chinese environment. The independence of this kind of person may also be too much for a Western company. As an advisor for operations in China, the person may actually present a risk when he uses his own convictions in the Chinese working environment. Instead of seeing the environment the way it is, he will see it the way he would like it to be.

Retention and former employees

Once a person is engaged, the process of retention becomes important. In my experience, it is company culture that plays a key role in the retention challenge. If a company culture is good, then employees are understood to be the capital of the company. They are supported in their career prospects and much is done for their further development. Furthermore, salaries are acceptable as well. Contrary to a Western business environment, where leisure has a high value as well, Chinese employees still see material benefits as more important. Loyalties are felt by both the management and the employees if treatment and salaries are perceived as fair. Under these circumstances, retention is not so difficult, as people are interested in staying with this kind of employer. The ones who want to leave should be left to do

so. They are not adding anything to company culture because they do not seem to be satisfied. They will very likely leave by themselves.

More of a challenge is presented by employees who do not fit into the harmonious company culture. The company may consider dismissing them. But how this done is crucial. Contrary to Western employees – and Western clients – you do not simply leave a company with which you are not satisfied. As a Western client, you would never buy the product of that company again. And as a sacked employee, you may just turn your back on your former employer. In China, however, the situation is different. A disappointed employee or a dissatisfied client will act very emotionally and create difficulties for the company for quite some time. The emotional side comes into play and personal networks are used to help. Nowadays, the internet provides yet another possibility for this kind of person. Within a few days, the company can be confronted with a storm on the internet that will considerably damage its reputation. Dismissing people should therefore be done with great care. The personnel department should neither be too stingy nor too generous when the person leaves. Stinginess invites anger from the person's side, while generosity creates the impression that the company has an obligation or feels bad towards the dismissed person. This impression is used immediately by the dismissed to ask for a supplementary amount of money, although the contractual obligation has already been more than fulfilled. Both reactions are troublesome for the company and the responsible managers.

The right mix of very hard - ie "brutal" dealings with people in certain circumstances in order not to create any misunderstandings - and the very soft, conciliatory and harmonious ways of handling a situation are absolutely key to good personnel management in China. But it is by far the most difficult thing to learn. And even knowing it perfectly well, it remains difficult to apply.

Conclusion

Some Westerners believe that being the boss in Asia means that you can and should act in a very autocratic way. The high hierarchical differences that exist in these societies seem to point in this direction. Even the employees may support this impression because they ask the boss "to decide." And it is true that the decision must come from the boss. But we rarely realise in the West that this kind of patriarchal leadership asks for listening to the people who depend on you. They must be represented in a good business decision. We have forgotten in Western management science that loyalty is a mutual concept. Companies ask for loyalty from their employees – and forget that loyalty is mutual and must first be exercised by the company as well. Why should an employee be loyal if the employer is not?

Employee orientation is the key concept for management in a collective environment like China and will create huge managerial problems when overlooked in these societies. Low personnel turnover in companies that do not master engagement and retention of personnel mainly depend on company culture. If there is none, or if it is a wrong one, like the modern American business culture aimed at branding or at HR management, where people are seen as resources, companies operating in collective environments like the Chinese society may face significant problems.

Successful companies take loyalty seriously and do not neglect their responsibility to create a bond with employees.

[Download full article \(PDF 92 KB\)](#)

Author

Hans J. Roth

*Diplomat in Residence, Regional Development Programme,
Geneva Centre for Security Policy*

Hans J. Roth entered the Foreign Ministry as a career diplomat in 1982 and spent most of his professional life in Japan and China. He started as a young diplomat from 1984 to 1990 at the Swiss Embassy in Tokyo and was Deputy Head of Mission in China from 1990 to 1995. After a term in the capital he was serving as Consul General of Switzerland in Shanghai from 2001 to 2006 and in Hong Kong from 2006 until autumn 2010. He returned to Switzerland as the Special Advisor (Asia) to the Secretary of State in August 2010 and was appointed Ambassador for transborder cooperation in 2012. Since 2014 Hans J. Roth is working as Diplomat in Residence at the Geneva Centre for Security Policy, helping to build up the Far Eastern network of the centre.

Hans J. Roth is the author of „Managing China“ (2007), „Leitfaden China“ (2008) and of a comparative theory of culture with the title „Kultur, Raum und Zeit“ (2012). His new book on „Die Krise des Westens – eine Krise des Individualismus“ has been published in autumn 2013.

Hans J. Roth was born in Switzerland in 1951, studied history, economics and social psychology in Basel, Geneva, Beijing, Rome, and Hagen (Germany). He has a PhD in economic history and is specialized in intercultural management.