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Using Chinese managerial values to win the war for talent

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China's rising importance as an economic and political power makes it crucial for Western business to understand what drives Chinese managers and leaders. For foreign investors in China, this is even more important as they compete for increasingly scarce managerial talent. This contribution uses original research, including in-depth interview and survey data, to examine the values of two generations of Chinese business managers. We use these data to help understand employees' motivations and how multinational corporations (MNCs) can more effectively design human resource management systems to attract, retain and leverage talent in China. The piece concludes by suggesting successful strategies for attracting, managing and retaining staff in MNCs in China and winning the war for talent.

Keywords: Chinese management values; inter-generational values; multinationals in China; Schwartz Values Survey; talent strategies; war for talent

Introduction

China is the world's heavyweight economic growth engine and recently surpassed Japan as the second largest economy after the USA (CIA Factbook 2011). Last year, foreign direct investment into Mainland China hit a record of $105.74 billion, up 17.4% year-on-year (China Daily 2011). To succeed in this rapidly growing market, it is crucial for Western firms to understand the motivations and values of their Chinese managers in order to effectively attract, develop and retain them in an environment of both a shortage of qualified executives and a fierce war for talent.

This contribution examines the values and motivations of Chinese managers, drawing on interviews and Schwartz Values Survey (SVS) data with Chinese Generation X (Gen-X) executives. We examine executives' prevailing values and compare them across generations, drawing on original survey and interview data with Chinese Generation Y (Gen-Y) managers. We also discuss the opportunities and challenges for successfully leveraging Chinese talent in multinational corporations (MNCs) using a values-based approach.

The piece begins with the current talent context in China. Then, we review the literature on values and cultural differences, focusing primarily on the work of Schwartz and his colleagues, and discuss why understanding values is critical to effective talent management and to organizational success. After reviewing our quantitative and qualitative research methods and results, we discuss their implications and make recommendations for practice.

The Chinese context: the war for talent

According to McKinsey, who coined the phrase 'war for talent', talent is 'the sum of a person's abilities... his or her intrinsic gifts, skills, knowledge, experience, intelligence,

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judgment, attitude, character and drive. It also includes his or her ability to learn and grow' (Michaels *et al.* 2001, p. xii). For McKinsey, talent refers to 'the best and the brightest', and many organizations have adopted the term to refer to their 'A-Level' employees who rank in the top 10–20% (Beechler and Woodward 2009).

In this contribution, we adopt the view of human resource (HR) guru David Ulrich who takes a more holistic view with his definition where talent = competence × commitment × contribution (Ulrich 2006). In his formulation, competence means that individuals have the knowledge, skills and values that are required for today and tomorrow. Commitment means that employees work hard, put the time in to do what they are asked to do, giving their discretionary energy to the firm's success. Contribution means that they are making a real contribution – finding meaning and purpose in their work. Using Ulrich's terms, the talent war represents the drive to find, develop and retain individuals who have the competencies and commitment needed for their jobs and who can find meaning and purpose in their work.

According to news accounts and academic research, the talent war in China is as fierce as ever (Raynaud and Watkins 2011) and is one of the biggest challenges to competitiveness of MNCs in the country. China has bounced back from the global economic crisis of 2008–2009, and the national rate of voluntary employee turnover of 16.7% has increased significantly. At the management level, the turnover rate in foreign-owned enterprises has climbed to more than 25% above the global average, and international companies like Eli Lilly face 20–30% turnover among their managers (Thorsell 2011).

Historically, Chinese workers have viewed foreign MNCs as employers of choice with higher status and better career prospects than domestic companies. However, that attitude is shifting as a growing number of high-potential Chinese workers see domestic employers as a better bet. Foreign companies have retrenched in the past 2 years, reduced hiring, cutting expenses, lowering salaries and bonuses and even laying off employees (Schmidt 2011), thereby reducing career opportunities and decreasing the long-term reliability of the foreign MNC's brand with employees. At the same time, many state-owned enterprises (SOEs) received large injections of capital, enabling them to expand fast, keep hiring and maintain competitive salaries for high-level managers (Schmidt 2011). Local companies are increasingly poaching trained staff from multinationals (China Market Report 2010), aggressively recruiting MNC's experienced managers and offering them skip-level promotions (Schmidt 2011). Most MNCs do not have enough local leaders to manage their expanding businesses in China (Beechler and Woodward 2009), and IBM China admitted to losing half of its potential business as a result of not finding sufficient staff in some locations (Stremme 2007).

Multinational corporations partly have themselves to blame (Hexter and Woetzel 2008). In spite of the critical importance of Chinese talent to the success of firms in China, foreign companies have underinvested in systems designed to bring out the best in their employees: 'You typically find spotty adherence to tried-and-true performance management practices common in a multinational's global operations, such as setting clear missions and goals, creating the right organizational structures to support goals, and putting in place good processes for individual and departmental feedback' (Hexter and Woetzel 2008, p. 152).

This assertion is supported by a study by DDI and HRoot, which found that frontline leaders in many organizations are not competent in applying talent management tools and processes: 'The current state of talent management in China is mediocre at best' and this impacts business performance (Wellins *et al.* 2008, p. 18). Hexter and Woetzel (2008) find

that 'Organizations with high maturity of talent management perform well in retaining best talent, engagement status, leadership, and staff satisfaction. These factors help drive higher efficiency, and better product and service quality' (p. 17). Companies need effective management systems to attract, retain and develop the talent they require to succeed in China (Yeung 2010, p. 54ff., Weitzman 2011).

Values theory and literature review

Effectively managing talent requires that management understands their employees' values and motivations. In cross-cultural psychology, value theory has been used to explore the ways in which individuals' value priorities relate to their attitudes, behaviour and social experience and roles (Ros *et al.* 1999). Values are hypothesized to play a functional role in work-related processes and outcomes, such as job satisfaction, organizational commitment and work performance. In addition, they help determine the fit between the individual and the organization. The underlying assumption is that people will be happier and more motivated, satisfied and committed when their values are congruent with those emphasized in the organization (Cohen 2010).

Understanding employees' values is critical to companies in establishing effective recruitment, development and retention systems. When there is a good fit between employees and the organization, they tend to be more productive, have higher levels of motivation and stay committed and focused on the job (e.g. Choo *et al.* 2009). In addition, job satisfaction is impacted by the fit between an individual's values and the culture of the organization (Choo *et al.* 2009). Research demonstrates that the personal values held by managers impact their decision-making and ultimately influence organizational performance (Westwood and Posner 1997).

Rokeach defines a value system as 'an enduring organization of beliefs concerning preferable modes of conduct or end-states of existence along a continuum of relative importance' (Rokeach 1973, p. 14). Schwartz (1994) defines values as desirable trans-situational goals, varying in importance, which serve as guiding principles in the life of individuals or other entities. People's values are shaped by their experiences and how they are socialized in their own culture (Giddens 1989), and values can thus differ by culture, generation, class and personal background.

Values measurement: cultural and individual levels of analysis

Hofstede (2001) surveyed 116,000 employees of IBM in 53 countries and identified four dimensions of national culture:

- Individualism versus collectivism: the tendency of people to look after themselves and their immediate family and neglect the needs of society.
- Uncertainty avoidance: the extent to which people in a society feel threatened by ambiguous situations.
- Masculinity: the degree of typical masculine values such as assertiveness, paternalism and a lack of concern for others.
- Power distance: the level of acceptance by a society of unequal distribution in power.

The GLOBE project measures nine cultural dimensions in 62 cultures (House *et al.* 2004). Both the Hofstede and GLOBE studies identify the most significant patterns for the Chinese as strong reliance on the collective, the importance of networks, the overlap

of government and business, the existence of strong hierarchies and the dominance of relationships over rules in all aspects of life (Bond 1991; Chen 1995; Lynton 2009; Ramasamy *et al.* 2010).

Seeking to understand the values driving the economic growth of the Asian Tigers, Hofstede and Bond (1998) proposed a fifth cultural dimension called 'Confucian Dynamism' that measures persistence, thriftiness, endurance and discipline, along with acceptance of delayed gratification and an overarching focus on the future.

Because we are interested in examining values at the individual level, we use the SVS, a cross-cultural psychological survey measuring an individual's personal core values and used in recent research examining values and commitment (e.g. Cohen 2010).

Schwartz (1992, 1994) defined a model of the content and structure of values on the basis of empirical cross-cultural studies. He postulated that three universal requirements drive values: needs of individuals as biological organisms, requisites of coordinating social interaction and requirements for the functioning of society and the survival of groups. From these Schwartz derived 10 motivational values:

1. Achievement: personal success through the demonstration of competence according to social standards.
2. Benevolence: concern for the welfare of close others in everyday interaction.
3. Conformity: restraint of actions, inclination and impulses likely to upset or harm others and violate social expectations or norms.
4. Hedonism: leisure and sensuous gratification for oneself.
5. Power: attainment of social status and prestige and control or dominance over people and resources.
6. Security: safety, harmony and stability of society, relationships and self.
7. Self-direction: independent thought and action.
8. Stimulation: excitement, novelty and challenge in life.
9. Tradition: respect, commitment and acceptance of the customs and ideas that one's culture or religion imposes on the individual.
10. Universalism: understanding, appreciation, tolerance and protection of the welfare of all people and for nature.

Studies conducted by Schwartz and his colleagues in 155 samples from 55 countries show substantial support for the values theory and reliability of the assessment (Schwartz 1994; Schwartz and Sagiv 1995; Ros *et al.* 1999) as do numerous other studies that have used the SVS (e.g. Burroughs and Rindfleisch 2002, Knafo *et al.* 2011).

Values research on the Chinese

Reviewing the extant values research in China displays a high degree of inconsistency among the findings. For example, Ramasamy and colleagues found no consensus across 11 studies they reviewed, which they attribute to dissimilarities among Chinese individuals' value profiles (Ramasamy *et al.* 2010). The authors conclude that values surveys still provide important insight into individual decision-making but that groups in China need to be segmented to be meaningful (*ibid.*, p. 264).

Egri and Ralston (2004) used the SVS to study the generation cohort value orientations of Chinese and US managers. They found that the three Chinese generations since 1949 were significantly more open to change and self-enhancement values than their American cohorts. The study seems to confirm the Chinese Gen-X emphasize openness to change and innovation (Egri and Ralston 2004) and supports an earlier study of managers in

Chinese SOEs that concluded that the values of Chinese managers varies by generation (Ralston *et al.* 1999, p. 424).

Research questions

Three research questions guide this study: How can MNCs attract and retain talent in China (1) by better adapting to Chinese values; (2) by learning from Chinese companies' approaches and (3) by considering the impact of the current demographics in China, namely a shrinking and yet more demanding generation (Gen-Y)?

To compete effectively in the world's fastest growing market, it is crucial for companies to understand the values of managers in China so that they can establish appropriate systems to recruit, hire, train, motivate and retain Chinese talent. This is a complex set of tasks as these values differ not just by national culture but also by region, generation, education and other factors (Ralston *et al.* 1993, 1999, Egri and Ralston 2004, Wee 2010).

Corporations in China are experiencing challenges incorporating Gen-Y entrants. Chinese managers of Gen-Y employees, in particular, report difficulty motivating, managing and understanding their new subordinates. Hence, we expect to see a difference in values between generations of Chinese. We also expect a significant correlation between Chinese respondents' hierarchical position and their preference for innovation values (e.g. stimulation stronger than security). Given China's hierarchical culture, the higher managers rise in the organization, the more decision-making power and influence they have (Hofstede 2001). They are also expected to think more strategically and politically than their employees, who tend to follow instructions. Since 2006, the Chinese government has been pushing for more indigenous innovation – and Chinese managers know it is wise to align with such programmes (Lynton 2009), which are perceived to lead to achievement. These factors support the assumption that those who have been successful and risen to high positions do not value security but rather seek innovation.

Methodology

We employed the SVS in a quantitative survey of 96 Chinese executives and conducted qualitative interviews with 20 additional respondents to understand their values in context. We then compared the results with existing research data by the first author on the generation below the current sample, Gen-Y, to ascertain similarities and trends. These data are based on convenience samples of students, which raises methodological questions (Peterson 2001, Flere and Lavrič 2008). However, given that the primary research sample consists of executives who are also attending a part-time Executive MBA programme, even critical views of student samples exempt them from student bias (Bello *et al.* 2008, p. 361). While the Gen-Y data relies almost half on MBA students, they too differ from college students in having at least 3 years of work experience, while Flere and Lavrič (2008) find that in cross-cultural studies even pure student samples are a good indicator of national sample rankings. The samples therefore appear reliable.

The sample sizes are relatively small although sufficient for establishing themes (Guest *et al.* 2006) and using the SVS instrument allowed us to verify the plausibility of results in comparison with other Chinese samples in the SVS database as indicated in Graph 1.

The SVS measures enduring core values at the individual level and has the advantage of being validated for China (Ralston *et al.* 1999, p. 417). It consists of 57 value items, and
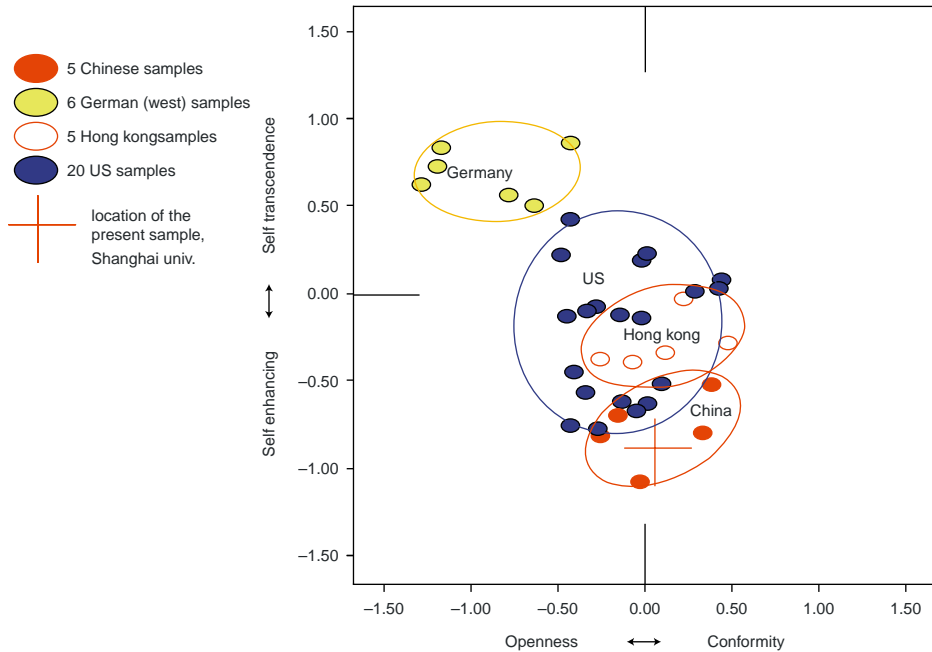
Graph 1.   Comparison of current research sample with existing Chinese, Hong Kong, German and US samples in the SVS database.

the SVS database has over 75,000 global responses (raw scales, $N = 75.148$) and includes five other Chinese samples, in addition to our own ($n = 1006$).[1]

We collected SVS data from two classes of Global Executive MBA students from a leading business school in Shanghai in 2008. All respondents are considered to be high-potential managers and were working while enrolled in the Executive MBA programme. All students enrolled in two leadership elective courses taught by the second author were included in the study. See Table 1 below for details on all research samples. While not a random sample of Chinese managers, this group is representative of the successful group of executives leading enterprises in China.

In addition to the SVS, we carried out in-depth narrative interviews of 20 Chinese business leaders using a convenience sample. We defined our group as middle-aged successful Chinese managers working in Chinese companies or MNCs and followed up on referrals from the business school's alumni office and our existing business contacts. The interviews took about 1 h and were conducted in English, with Mandarin translation, when necessary, by the authors who also took notes and transcribed them. We analysed the SVS data, extracted key themes from the interviews and correlated these with studies of Chinese values (Bond 2009, 1991) and Chinese generational values (Egri and Ralston 2004, Lynton 2011).

We drew on the first author's previous research on the values of Gen-Y (born 1975–1990), and how to best motivate and manage them, based on the data from in-depth interviews of 40 Gen-Y employees and students and surveys of 192 Gen-Y employees and MBA students living in Beijing and Shanghai from 2008 to 2011. First, 110 MBA students at the business school who have a minimum of 3 years work experience before starting their degree completed an English-language paper-based survey during a special

Table 1. Organizational and demographic details of research samples.

	Sample size	Organization type	Demographics
Current sample			
Respondents	96 (original 100, rejected 4 non-Chinese results)	9.9% SOE, 28.6% private Chinese firms, 27.5% listed Chinese companies, 18.7% in foreign-invested firms, 9.9% in foreign-invested joint ventures and 5.5% other organizations. Average 13 years of work experience, of which 8 years in management positions	Age: 33–52; average age: 38.2; 77% male (73); 13% female (13); 69% resident in major urban areas and 31% in second-tier cities
Interviewees	20	50% head local private firms (9) or state-owned companies (2); 50% manage the China operations of multinational companies in industries including energy, manufacturing, chemicals and pharmaceuticals	Age: 36–55; average age: 44; 85% male (17); 15% female (3); 75% resident in Beijing or Shanghai and 25% in second-tier cities
Gen-Y sample			
Respondents – paper based	192	43% working in public or private organizations (82); 57% MBA students with minimum 3 years of work experience (110)	Age: 22–37; average age: 27.7; 55% male (106); 45% female (86); resident in Beijing or Shanghai
Interviewees	40	20% SOE or government (8); 10% private or listed Chinese companies (4); 30% foreign-invested firms (12); 20% students at university (8); 21% MBA students with 3 years of work experience (9)	Age: 21–33; average age: 26.3; 68% male (27); 32% female (13); resident in Beijing or Shanghai

classroom session. This was not a mandatory class but part of the school's programme to expose the students to professors who do not usually teach MBAs. Students agreed to participate and had 30 min to complete the survey. An additional 42 employed respondents completed the same paper-based survey. These were sourced through a snowball effect asking managers in a range of corporations and staff of the business school to send the survey to their contacts. Finally, 40 Chinese completed the same survey online. These respondents were also recruited through a snowball effect with interviewees sending the survey link to their contacts who further passed it on. An additional 40 were interviewed based on the survey questions but seeking longer and contextualized answers. The interviews were in English and lasted about 1 h. They were carried out and transcribed by the first author from notes and, in some cases, audio recordings. Table 1 provides details on these samples which are all urban, well-educated young professionals.

Data analysis

Our quantitative data is based on 96 fully completed SVS questionnaires. Respondents in our sample show normal variances on the values scales: the standard deviations range from 1.28 (stimulation) to 0.81 (benevolence). In examining the data, we find significant variances within the data-set according to age and position (Table 2).

Since the current data-set shows unusually high scores on all value scales, we compared it to the five Chinese samples ($n = 1006$) found in the SVS data-set collected by Schwartz and his colleagues and also to the entire SVS sample population ($N = 75{,}148$).[2] This comparison focused on the mean and standard deviation scales to measure comparability between the total sample of Chinese respondents in the Schwartz data-set and the data collected for this study.

From these analyses, it appears that the preference for power values is culturally determined: respondents of the Chinese sub-samples of the SVS data-set and of the present study rate power values significantly higher than respondents of other nationalities.

Table 2. Correlation between demographic items and value orientations.

	Age	Gender (feminine)	No. of employees	Square root of employees
Age	1			
Gender_feminine	−0.031	1		
How many employees	0.123	−0.031	1	
Square root of employees	0.124	−0.016	0.940*	1
SVS self transcendence	−0.051	0.006	0.015	**0.033**
SVS conformity	−0.046	*−0.329*∗	−0.147	**−0.174**
Mean10 (acquiescence)	*0.260*∗	−0.018	−0.124	−0.188
i_univer	0.064	0.057	0.011	−0.031
i_benevo	−0.018	0.007	0.274*	*0.311*∗
i_confor	−0.091	*−0.240*∗	−0.124	−0.153
i_tradit	−0.116	*−0.336*∗	−0.129	−0.178
i_securi	0.040	−0.120	*−0.230*∗	−0.184
i_power	0.026	0.028	0.041	0.015
i_achiev	0.168	0.103	0.249*	*0.249*∗
i_hedoni	−0.106	0.118	−0.195	−0.158
i_stimul	0.110	0.158	0.235*	0.207
i_selfdi	−0.059	0.180	−0.045	0.028

*$p < 0.05$.

This reflects the high cultural value placed on hierarchy and the tradition of centralized, authoritarian structures in Chinese organizations (Bond, 2009, 1991).

We find some support for our prediction of a values shift across Chinese generations. The SVS results show that Chinese Gen-X executives emphasize self-enhancement values while balancing openness and conformity. Gen-Y respondents, however, focus on self-determination – a self-enhancement value – while feeling responsible for their social circles. They have high expectations for personal achievement but expect to sacrifice in order to reach their goals. They not only accept but also expect on-going change. In China, Gen-Y maintains traditional values but refuses to accept hierarchy at face value outside the family (Lynton and Thøgersen 2010a, 2010b). Considering that the generations are only separated by one decade, the differences are notable.

Finally, we find support for our prediction for significant correlations between respondents' hierarchical position and their preference for innovation values (e.g. stimulation stronger than security). The data show that the higher the position of respondents, the higher the preference for *benevolence, achievement and stimulation values. Security values* rank fourth.

The data discussed here support our predictions that Chinese have different value orientations than do Western executives and that value differences among the Chinese are linked to generation and professional status. Older Chinese managers have somewhat stronger conformity and self-enhancement values than do Gen-Y, reflecting the socio-economic context in which each group matured. Since corporate systems are strongly influenced by the values of those in senior management, these differences help explain the difficulty that Western companies have in developing good talent management systems for Chinese managers and also explain the tensions in the workplace between the generations.

Gen-X executives were born before 1980 at the beginning of economic reforms in China. They were children when material goods were meagre (MacDonald and Iyer 2011) and finished their education as foreign investment poured in, bringing opportunities galore. They wanted to get ahead quickly because no one knew how long the opportunities would last; inflation was above 20% and urban employees switched jobs every 3 months for higher salaries (Anon 2008).

Gen-X, our main sample, was the first group since 1949 with the freedom to apply for the job of their own choice rather than being assigned to a work unit. They were exposed to Western management and ideas and began building a consumer society. But they also experienced the end of the cradle-to-grave care provided by the Iron Rice Bowl, the unbreakable source of government-paid care through SOEs. Some of their families received their apartments virtually free, but in return they were on their own financially (Ralston *et al.*, 1999, p. 425). For this reason, stability was key.

Our interviews with Gen-Y respondents show that most maintain traditional Chinese values. For example, 98% say family is the most important thing in life. This contrasts with the preceding generation of whom only 28% put family as a top priority, with 45% choosing career first (Tan *et al.* 2005). However, they adhere to traditional expectations of sacrificing for the family good, building the family reputation and caring for the elderly. Career, however, is inspiring and fulfilling, and survey respondents are willing to work hard for success.

Flexibility is perhaps the best word to describe Gen-Y; they see change as positive. Significantly, Gen-Y accepts hierarchic relationships at home but not at work. While previous generations respected the boss because of his or her position, Gen-Y wants to know why they should show respect. Both generations hold many deeply traditional Chinese cultural values, and the top values identified by our respondents are discussed below.

Achievement

Driven by self-enhancement, achievement values refer to achieving personal success through the demonstration of competence, according to the criteria, rules and values of the organization. Typical achievement values that came through in our interviews include working extremely hard, showing endurance and being responsible.

In this regard, when asked about their role models of leadership, a number of respondents identified Mao, as demonstrated by this excerpt from our interviews:

> My role model is Chairman Mao. He had a very strategic view. And was very adaptive to changes. He also had the qualities to be a great leader – well educated, very great objective to establish the new China. In order to achieve the objective he made the strategies that were very adaptive to the situation in China.

Our interviewees also talked about the all-encompassing ambition of most Chinese: 'In my heart I always push myself to do it better and better, I prepare myself for the worst, I never relax', says one top manager.

Numerous such statements from our interviews confirm that Chinese seem working extremely hard as an important and normal part of life.

In addition, Chinese business leaders set up situations in which they and their staff are motivated to achieve their common goal:

> There are not many rules in the company. In the end, we care about results, nothing else. We don't care about how people get to the results. How many hours people work or what time of the day they work is not important. We must all be very flexible. People adjust by themselves. When we have big projects, we all work very hard, we give everything.

Determination to achieve is a Chinese strength and leaders know how to harness it.

Self-direction

The value of self-direction arises from openness to change and emphasizes independent thought and action. This is often expressed as having a vision to share so that the group can all move in the same direction. It also includes the traits of being bold and quick as well as flexible and adaptable. Our interviewees said:

> When making decisions, I encourage my core team to express their different points of views and try to reach common interest while keeping different aspects. I will dominate the decision if that is the area I am good at, and will leave the decision making right to them if I am not good at that area.

> It is like in nature. Things work out best on their own energy. When good things happen, don't disrupt the energy. Like in an organization, if you can create liveliness and spark, new ideas will come. People will know what to do.

The Chinese leaders we interviewed focus on building team and family spirit in their enterprises. They emphasize the on-going joint struggle for success, the need for endurance and mutual support. The most frequently described leadership attributes are as follows: the ability to create cohesion, generosity and the skill to set the right direction. In other words, the overarching task of leadership is setting the right frame of reference for followers, to establish norms of behaviour and performance that will inspire the group around them to act in concert.

Benevolence

Benevolence is motivated by self-transcendence and is demonstrated through concern for the welfare of those close to oneself. Chinese management style is traditionally

paternalistic, with managers playing a role not just in their employees' professional but also in their personal lives (Bond 2009). Research on employee retention demonstrates that bosses who care for their employees know their personal situations and acknowledge or even attend family occasions, garner loyalty, at least from staff born before 1980 (Thorsell 2011). But even younger generations hold to the image of the company as a family (Lynton 2011). For example, our interviewees refer to the need to care for their staff:

> My role model is Premier Zhou Enlai. He was generous to others. Very wise. Cares about details . . . . I also learned a lot from the CEO of my own company, Mr Tsai. He is very wise and very sensitive, especially to people's personalities. He was very good at balancing the interests of different parts and very patient.

> I think being people-oriented may be an advantage of Chinese leadership. Like in my industry, when setting up a new business, people care more about relationships.

Interviewees also emphasize the leader as a role model exhibiting a greater purpose than making a profit: 'A leader has to be generous, have high integrity, be agreeable and have good communication with customers and employees, pay attention to others' feelings. Humanity'.

Three interviewees talked about the power of belonging: 'We are a team, we can achieve success in working together and never giving up'. 'The company's dream is my personal dream'. 'We do things for real, we do real science. We don't copy things, we care for society, we love the people. They all say: Yes! We need passion, we need straightforwardness, openness, this is me! If you want growth, then you need a company culture that is strong enough to contain peoples' dreams'.

Caring for those around you is a key part of the paternalistic culture in China. An entrepreneur talked about giving back to society:

> I have a role model, his name is Chen Jia Gen, a businessman in Fujian before 1949. He made lots of money and he then spent it all on schools and roads, even a floating university on a ship in Xiamen – Ji Mae College, its still there. He enjoyed making money and enjoyed spending it the right way. I want to be like this. To add value, to get the recognition and so create a fortune, then pay the price and spend it for the social good. This lets you get well known, this is a kind of immortality.

Benevolence not only helps others but also builds the leader's status.

Security

Our respondents also exhibit strong security values, characterized by conservation and emphasizing safety, harmony and the stability of society, relationships and self. Given the impact of the Cultural Revolution (1966–1976) in which these interviewees grew up, it is not surprising that they would be uncomfortable rocking the boat. Chinese culture highly values stability and harmonious relationships:

> You have to be very generous, have high integrity, agreeable and good communication with customers and employees, pay attention to others' feelings, humanity. I think that these are the most critical things. Control can be done by your subordinates. You have to have a broad horizon, be very generous and have a peaceful mind. Both the outside and the inside reflect you as a good leader.

Security values also emphasize a leader's responsibility as a role model. In this sense, the leader is like a father, and as such is expected to be authentic, dependable and honest. Our interviewees described such role models:

> My role model is Mr. Shi, who started the health care industry in China – quite popular. He just restarted his enterprise after he failed the first time, which indicates that he has a strong

> soul and mind. It's easy to be physically strong but difficult to have strong mind and strong will. He's honest and never avoids his responsibilities. And he's very dependable, reliable.

> This company works like a Chinese style family. We do lots of things together. We go to the movies together, celebrate festivals, all the things that families do. The most important thing is that we completely trust each other. ... We care for each other, we know everything about each other, and I mean *everything*. Problems with family at home and so on, we know it all.

Traditional Chinese views of integrity are based on a high standard of sincerity and trust between individuals in a network; this does not apply to people beyond one's close circle of contacts. But Chinese intellectuals and businessmen are beginning to explore this further:

> Unless the leaders of a company have morals and love, they will not be able to answer questions that companies must ask, like: 'how should we act? how should we treat people?' If we treat people with honesty and sincerity, then we earn the public's respect and society's trust.

At the same time, safety in such a collective society is achieved through having strong networks. The emphasis on harmony and status combines in motivating the leader to be a role model.

Discussion

The quantitative and qualitative data indicate that there are significant value differences between Mainland Chinese and non-Chinese in the Schwartz SVS database, between different generations of Chinese executives as well as between executives at different hierarchical levels in the organization. Successful talent management in China must therefore adapt to account for these differing values. This further complicates matters for MNCs whose own national values influence their human resource management philosophies. They rely on their local senior Chinese executives for guidance in adapting to Chinese values. But these executives are probably from the wrong generation to woo Gen-Y employees.

Older Chinese managers have somewhat stronger conformity and self-enhancement values than do Gen-Y, reflecting the socio-economic context in which each group matured. Since corporate systems are strongly influenced by the values of those in senior management, these differences help explain the difficulty that Western companies have in developing good talent management systems for Chinese managers and also explain the tensions in the workplace between the generations.

Implications for theory

There is no single theory explaining how the HRs function can positively impact organizational performance. Recent theorists focus on understanding the way that shared cultural values among stakeholders contribute to the strategic development of an organization. The managing by values (MBV) theory assumes that companies which find a fit between the values of individual employees and the organization raise productivity, motivation levels and ultimately organizational performance (e.g. Dolan *et al.* 2006, Choo *et al.* 2009). Personal values also impact managers' decision-making and performance (Westwood and Posner 1997).

Yet, MNCs often struggle to apply MBV in contexts very different from their home cultures, such as in China. The applicability of theories developed in established markets and to emerging markets is questionable (Tsui *et al.* 2004) although there have been some attempts to test it (e.g. Zhang and Albrecht 2010).

We believe that this theory raises important considerations in talent management by focusing on the need for organizations to fit their company cultures, systems and processes to the values and motivations of individual employees. At the same time, our research data supports the insight by Ralston *et al.* that 'the generation in which one grew up appears to be crucial to understanding the values of Chinese managers' (1999, p. 424). Therefore, our findings indicate that the usefulness of MBV is contingent on the use of finer-grained analyses. For example, groups of managers must be segmented to include important value drivers not only for different generations of employees but also for hierarchical level of the employee.

In the following section, we look at approaches to talent management in China, identify some successful Chinese companies and then draw on our interviews to illustrate the way each of the values identified in the Schwartz survey can help shape an effective talent management strategy.

The challenge to attract young talent

Managing talent in China has never been easy for MNCs (e.g. Farrell and Grant 2005), and today, MNCs are particularly impacted by the generation gap in China. Most Chinese managers in senior positions in multinationals belong to Gen-X, born in the 1970s, or to the 'lost generation' born in the 1960s. The older group will retire over the coming 10 years, but Gen-X, who are usually the direct supervisors of Gen-Y staff, still mostly want to maintain the existing hierarchical structures. They grasped opportunities and often endured great sacrifice for career development during the early economic boom. Today, few understand why they should give up their hard-earned privileges to attract the next generation.

MNCs therefore have three major challenges regarding Gen-Y.

1. Winning the battle to attract and retain them.
2. Keeping Gen-Y's supervisors, usually Gen-X, engaged and interested in working to keep and motivate Gen-Ys.
3. Walking a tightrope between needing to listen to local Chinese executives and respecting their decisions while knowing that many older Chinese managers have difficulty managing the next generation.

Given the demographic pressure resulting from the one-child policy and the sheer decline of population in Gen-Y, this means that MNCs must use input from their local management and also data from local employee satisfaction and engagement survey results, and good strategic planning to devise a successful talent strategy for China.

Implications for management practice

In 2011, McKinsey announced that MNCs must improve their performance in emerging markets by developing and placing local managers at the top of their organizations (Joerres 2011). Doing so makes it even more imperative for MNCs to understand and leverage the values of their Chinese managers for organizational success. This cannot be accomplished by exporting talent strategies from multinational headquarters to China (Ready *et al.* 2008). It also cannot be accomplished by leaving the strategy to older Chinese executives. Instead, successful talent strategies for emerging markets must focus on four aspects: (1) brand as inspiration for excellence and status; (2) purpose as a chance to be part of changing the business model or impacting society; (3) opportunity for rapid individual

growth and (4) corporate culture as building on meritocracy and transparency (*ibid.*). These all four aspects speak particularly to Gen-Y, who demand respect based on contribution, social consciousness, innovation and accelerated development.

Looking at the reams of advice proffered for winning the talent war, some elements for success are indisputable: devise a flexible compensation system and review salaries twice annually; build a core of local talent in top positions to demonstrate there is no glass ceiling; prioritize strategies for development of management talent, including offering interesting training opportunities and linking development to succession plans (Manpower 2010).

Studies of successful Chinese companies indicate some additional aspects to consider; in particular, technology companies globally depend on investment in talent and on keeping a young pipeline of leaders. Intel, ABB automation and other large high-tech manufacturing companies in China were among the first to recognise the concerns of middle managers who have great difficulty accepting and managing Gen-Y. Technology companies are adapting global competency models to the Chinese business environment and emphasizing rigorous performance management and high rewards, maintaining customer focus, communicating a vision, being a role model and delegating responsibility. They accomplish this HR systems shift through regular talent reviews, rapid career advancement and development programmes, emphasizing social meaning and providing a traditional familial atmosphere (Heidrick & Struggles 2006).

Our research indicates that these are effective models because they emphasize power through achievement, individual responsibility and reward, and underscore the leader as a role model within a personal, almost familial, work atmosphere. That means international HR processes can be and are adapted to Chinese values although sometimes loosely (Qiao *et al.* 2008).

The high value placed on achievement is tied to cultural values of power distance and performance orientation. As consumers, Gen-Y maintains status in their search for quality as well as brand names (Bergstrom 2010), and company reputation is important in their employment decisions. Successful brands in China market themselves internally to employees, and even purely business-to-business (B2B) brands do consumer advertising in China to raise their status as employers. Popular talk shows highlight interviews with CEOs, and many CEOs are featured in print media, writing about their philosophy of leadership and life stories. There is a hunger for such material, and MNCs should use these channels to attract talent.

Self-direction, stimulation and universalism values meld with cultural values of performance and orientation towards the future. The interviewees underline the importance of verbalizing corporate values, motivating people as a team, empowering them and making it across the finish line together. Innovation, coolness and daring are attractive to Gen-Y who wants to belong to a team and also seek change. Caring for the in-group is important, but increasingly Chinese managers, especially Gen-Y, want to make a difference. Corporate social responsibility (CSR) has therefore become a real issue in light of this demand and can be used to help build the MNCs brand and attractiveness with potential and current employees.

Aligning achievement and self-direction values with power and performance creates a powerful combination that can motivate Chinese managers. The high turnover results from these values not being satisfied. Chinese Gen-X and Gen-Y managers want to climb the ladder, learn, be stretched, recognized and rewarded. This demands highly adaptable systems, for instance, creating not just annual but bi-annual or quarterly performance and bonus reviews, closely and publicly linking development to succession planning, openness

about horizontal moves and the like. Stock options or schemes for participation in company results also help satisfy these values. The examples of Huawei, Lenovo or Neusoft show that Chinese companies use all these methods and apply them quite strictly. MNCs should consider adopting these practices to attract and retain talent.

Benevolence links with security and tradition in offering employees a place where they feel they belong – and even Gen-Y wants this. But the addition of achievement values means the successful corporate culture today must balance warmth with fast growth opportunities. When this is done transparently, as at Huawei where managers regularly rise and fall based on their results, then a tough system can be accepted. For MNCs, the challenge is also how to populate enough top positions with Chinese executives so that the glass ceiling disappears. Many currently try this with overseas Chinese, a strategy that pleases headquarters but makes local Chinese managers cynical, eroding trust. And trust is key to activating the cultural value of collectivism or belonging, the basis for retention.

Given the values discussed here, we propose several ways to increase attraction and retention that can also improve business results.

(1) Appeal to Chinese achievement values by:
   - Marketing the company externally as a successful and recognized brand. Even B2B companies such as ABB and BASF use typical business-to-consumer marketing channels including billboards, print and other media to build their recruiting attractiveness. The more recognizable the brand, the more attractive the company and hence the wider the pool of potential employees.
   - Giving true responsibility for parts of the business, or the whole China operations, to Chinese leaders in charge. Do not force them to explain to headquarters at every decision point.
   - Making promotion and/or hiring criteria transparent. If you choose an expatriate for a position in China, communicate to the local staff what that person brings, i.e. unique to the organization.
   - Offering benefits that can raise status: club memberships, travel, golf clubs and so on.
   - Offering multiple career steps through smaller layers of management.
   - Developing cross-division mobility to encourage horizontal moves and so creating senior executives with a big-picture view of the business.
(2) Appeal to benevolence values by:
   - Advertising the company's community engagement and CSR activities (inside and outside of the company).
   - Recognizing employees who participate in community outreach and CSR activities.
   - Recognizing leaders who build team spirit.
   - Giving credit to leaders who develop staff.
(3) Appeal to self-direction values by:
   - Demonstrating that there is no glass ceiling; appoint Chinese leaders to top positions and publicize them in the media.
   - Involving Chinese leaders in setting the China strategy; they often see opportunities and ways of growing that outsiders miss.
   - Evaluating opportunities quickly and, if approved, delegating responsibility for swift implementation. If headquarters is seen as too slow, the best managers will feel hampered from contributing and leave for more flexible competitors.

(4) Appeal to security values by:
- Emphasizing the company reputation as a fair and ethical employer.
- Setting clear guidelines and insisting that leaders be role models in following them.
- Helping managers adapt to the new generations through training in soft skills and communication and even coaching.

Conclusions

Chinese managers born in the 1970s, the main focus of this study, are quickly moving into leadership positions in China and are challenged with managing in a complex and swiftly changing environment. Based on their values, they seek success and are willing to endure long hours and hardship to achieve it; they also want to go beyond self-interest to care for their employees. They have a long-term vision to share and can be adaptable and quick to grasp opportunities in the short term. They seek stability, avoid conflict and wish for security and often use the role model of a general, keeping control as he pushes the troops to victory.

At the same time, the world is rapidly changing: economies evolve, new generations put pressure on existing structures and norms, laws change, and leaders attempt to make things work in a system that is still largely based on personal relationships and often on corruption (Thornton 2006). It is an exciting but difficult environment to navigate.

To make the MNCs task even harder, there are not only differences across cultures but also significant differences across generations of Chinese managers. However, many global HR policies are based on the notion that employees of the same generation have similar motivation structures across borders (Hole *et al.* 2010). This is simply not supported by the data, and MNCs must implement talent management systems deigned to match the unique characteristics of their local employees or selectively hire those who fit the current system.

In conclusion, this contribution has looked at how MNCs can win the war for talent in China by further adapting their HR systems and talent strategies to fit Chinese values. This necessitates paying attention to and segmenting information, so processes can be specifically adapted to the generation and hierarchical level of employees. Finally, we suggest that some Chinese companies, particularly technology firms that tend to be non-state owned and are highly dependent on human assets, provide models from which multinationals can learn. Non-Chinese executives must understand the values of their top talent and devise systems adapted to both the local culture and to differences between generations.

Notes

1. The data source for all SVS data beyond the current research set is the Israel Social Sciences Data Center (ISDC) at the Hebrew University of Jerusalem.
2. 38% students, 21% teachers, rest general; assessed 1988–2005; median 1994.

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