

## Some HR issues of MNCs in the Chemical Industry in China

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These days it is an enormous challenge for chemical players to hire and retain good talents is extremely as all players are either investing and building new projects, or expanding their existing capacity in China. As a consequence, manpower demand as well as local employees' salaries have increased sharply. While filling entry level positions is generally not a major problem as long as qualification requirements are realistic, many MNCs find it particularly hard to hire experienced staff as job expectations rising rapidly. In the current situation, attracting and retaining staff therefore is much more of a top management topic than in more mature markets such as in Europe or the US.

Many HR managers in China describe the talent pool in the chemical industry as still relatively shallow. Obviously, there is a lack of technical expertise in highly specific areas of the chemical industry as many sub segments have only recently started developing locally. However, key deficits of candidates frequently are in areas outside of the technological know-how. Language skills are a typical example, though some HR managers see this as a lesser problem as initial language weaknesses often improve rapidly once an employee is forced to communicate in English on a regular basis. More severe are deficiencies in soft skills, which are more severe in China than in Western countries due to the different education system and the shorter average work experience in China. Almost no mid-or upper-level position in an MNC requires only technical expertise but also capabilities that can broadly be described as management skills. These include project management skills, an understanding of the basics of business, communication skills as well as leadership skills. Hiring staff possessing these skills is a big challenge for MNCs not only because of their scarcity but also because these skills are more difficult to assess and prove than technical skills. Demonstrating leadership capabilities in a job

interview may be easier for a good actor than for a competent manager, and it takes experienced interviewers to spot the difference.

It is important to note that despite these difficulties in finding qualified local staff, most MNCs more and more prefer them to expatriates. This is becoming less of a salary issue (though the average salary is still lower for local Chinese). More importantly, local staff obviously has a better understanding of the local markets and culture, and are also more suitable to deal with local government. Exceptions are MNCs still regard China mostly as a production location, not a market on its own right. For these companies, expats can still be preferable as they bring a high level of experience and stability. However, this does not apply if MNCs use China as a dumping ground for managers no longer needed for shrinking operations in Western countries.

How do MNCs deal with the deficiencies of the local candidates as described above? The HR departments of these companies play an important role in managing their companies' expectation with regard to the qualifications of candidates. Particularly Western managers with limited China experience sometimes have unrealistic requirements for candidates, such as asking for low-paid security staff with fluent English, or combining a number of individually realistic requirements into one, almost impossible to fill position (such as the example of searching for a native Chinese chemist with expertise in water treatment and fluent English and Japanese skills). Fortunately, the role of HR has gradually changed in the recent past, with the HR department shifting from being merely an executor of management requests to becoming a more holistic partner with regard to HR issues (a change to some extent signaled by the HR Business Partner title now common in many chemical companies).

Taking a realistic perspective also means that most companies do not expect candidates to fit the job profile to 100% but rather to see these profiles as stretch targets into which the successful candidate is required to grow into. This has the additional advantage of offering applicants some additional motivation as it is hardly very fulfilling if a new position does not require to learn any new tasks.

Once a candidate has been hired, training organized by his new employer is an important tool to broaden the skills of the new hire. HR managers stress the need to focus on training specifically required for the new position rather than just general education. Paying for an unnecessary MBA of a technical manager may lead to frustration and subsequent job change rather than to increased loyalty to the company supporting the MBA.

Retaining good staff is as important as hiring them in the first place. Given the current hot job market, there are many temptations for employees to leave their current employers, often gaining substantial pay increases in the process. In addition, good employees have a choice to either join a direct MNC competitor, or alternatively a private domestic company or a SOE. While about 5 years ago, SOEs were not particularly popular as employers in the chemical industry, they are now regarded as quite attractive. The shrinking salary gap between MNCs and SOEs is a major factor - some SOEs now pay quite competitive salaries. After the financial crisis, the greater perceived job security at SOEs is another major factor in their favor. Finally, SOEs are seen as allowing for a better work-life-balance as they have more local resources and thus lower work pressure. Private domestic companies are an attractive option to some highly ambitious and dynamic employees. Private companies

may offer a very quick career progress and high incentives, e.g., via stock options. It is much more likely for a local Chinese to get into the top management of such a company than in an MNC. However, job security as well as management efficiency may not be very high. Both SOEs and private domestic companies offer two major advantages compared to MNCs. The language requirements are low to non-existent, while acceptable English skills are a prerequisite for a career in a multinational. Importantly, as both types of domestic companies are run by Chinese, there is no perception of a glass ceiling for local employees. There are also important reasons why employees may prefer to work for MNCs. The name of an MNC strengthens a CV for a future career, and the advanced knowledge and (on average) superior business efficiency offer a good opportunity for fast learning. Therefore ambi-

tious graduates often prefer MNCs. In mid-career, the advantages of MNCs are the greater responsibility and lower degree of hierarchy compared to an SOE - C some employees perceive a career in an SOE to be more determined by networking and politics than by personal capabilities.

***What does this mean for the individual multinational chemical company in retaining its employees?***

\* Actively promote local Chinese (not just those educated abroad) to leading management positions. This will demonstrate to staff that there is no "glass ceiling" for them

\* Provide specialized trainings that cover subjects both in the interest of the company and the employee

\* Create/promote a company culture that is distinctively different from that of SOEs - it should focus on individual merit, capabilities and responsibilities. This may turn

some employees off, but not the ones you really want to keep

\* Take HR seriously as a partner to your businesses, particularly if the managers choosing new hires are recent expats and thus have limited assessment capabilities of candidates

\* Try to offer your above-average employees a continuous career progress (though obviously there are limits with regard to what the company can offer to each individual employee)

Utilizing and optimizing these tools will not allow an MNC to retain all good employees - this is not a realistic goal as some reasons for job changes will always be on a highly personal level (e.g., disharmony with line manager). However, reducing the systematic reasons for leaving can already give an MNC a substantial edge in the competitive HR marketplace. ■