



No Longer the Employer of Choice? Attractiveness of Multinational Chemical Companies versus State-owned Enterprises for Mainland Chinese Chemical Professionals

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Even if – like me – you have a feeling that chemical companies tend to exaggerate their efforts to find the right staff, the importance of being able to pick from a large pool of qualified candidates is certainly an important success factor in China's chemical industry. In the past, it was one of the major advantages of foreign chemical companies to be the employer of choice for the best chemical professionals available in China. However, recently some of these professionals have joined domestic chemical companies, in particular state-owned enterprises (SOEs). This paper will look at the rationale for this development as well as some likely future developments in this area. It is based on a number of interviews with experienced mainland Chinese chemical professionals, which were used to identify the perceived advantages and disadvantages of different types of employers. Note that this paper focuses on "typical" MNCs and SOEs – particularly among SOEs, some such as Sinochem actually are aiming to become much more competitive and will thus in some aspects resemble MNCs more than typical SOEs.

About 10 years ago, the vast majority of Chinese professionals in the chemical industry strongly preferred to work for a multinational company (MNC). Salaries at these companies were on average 5-8 times higher than at state-owned entities, providing a major incentive for this

preference. In addition, MNCs were starting many big projects such as the investments in the Nanjing and Shanghai chemical parks, giving professionals the opportunity to get hands-on experience in handling such activities. Due to the constant expansion of staffing levels, positions at MNCs were perceived as secure and as providing ample opportunity for career developments.

Some of these and other advantages still persist today, while others have diminished or even turned into disadvantages of MNCs compared to SOEs.

Working for an MNC is now considered to be far less stable than working for an SOE. In the latter, state-ownership and the associated company target of contributing to a high employment rate make it very unlikely for an employee to be made redundant. In contrast, chemical MNCs in China often seem to undergo periodical phases of staff reduction, in which even highly regarded local staff may lose their job. As a result, job security is one of the key reasons for some professionals preferring to work for SOEs.

Salaries are still somewhat higher at MNCs. However, the difference has shrunk substantially as SOEs have raised their salaries while increases at MNCs have been much more muted. For selected positions, SOEs even offer salaries that are competitive to MNCs.

According to the professionals

interviewed, the workload at MNCs is on average higher than at SOEs, though this does not necessarily apply to management positions in SOEs. However, overall it was frequently stated that maintaining a good work-life balance is easier in SOEs than in MNCs with their higher work pressure.

This is also related to the culture of the two different types and the key criteria that drive the career of professionals. In MNCs, work performance is by far the most important criterion and the main factor driving career progression. In SOEs, this is also an important factor; however, developing relationships to important colleagues and managers within the company is stated to be of at least similar importance. Local Chinese may generally feel more comfortable in the cultural environment of an SOE as they are more familiar to it than the more open, less hierarchical culture in MNCs. However, in the longer run the higher willingness to discuss and accept different opinions – particularly if coming from employees lower in the company hierarchy – may also be a motivating factor in MNCs.

As for the work environment itself, MNCs are described as offering a much more structured environment than SOEs. This may be an advantage as it allows for an efficient working style and simplifies tasks particularly for less experienced professionals; however, it may also



be regarded as a limitation of options. Employees in MNCs often only have limited power to influence such structures as they have already been in place for a long period of time and also often are being decided at company headquarters outside of China. On the other hand, SOEs mostly lack clear career development plans, which leaves career progression of its professionals more to chance.

As mentioned earlier, 10 years ago one of the big attractions of joining an MNC was the opportunity to participate in big investment projects. This opportunity is now much smaller as the enthusiasm of MNCs for big investments in China has dwindled. In contrast, domestic SOEs (and private companies) still offer such opportunities as there is ample capital for investment, and new plants are still being established at a high rate.

Global experience is an important part of an attractive CV. It is still much easier to obtain working for an MNC as for them the exchange with their headquarters and possibly other countries is part of their corporate core. However, increasingly SOEs also offer such options as they make more investments outside of the mainland.

Many Chinese professionals feel that there are still limitations regarding their career perspective working for an MNC. This does not necessarily mean they are actively being discriminated against. Rather, MNCs require certain capabilities (e.g., regarding language skills) and experiences (e.g., work experience outside of the home country) which are very hard to obtain for locally educated mainland Chinese. Indeed, many if not most of the Chinese who have reached high positions in MNCs are either foreign-born or have spent a large part of their life overseas. Such a CV obviously cannot

easily be copied by a mainland Chinese professional. As a consequence, these overseas Chinese do not provide proof to local professionals that they indeed can reach a high career level in an MNC.

Some Chinese professionals even suspect there is a “glass ceiling” for Chinese in MNCs created by the general difficulty of creating sufficient trust between a mainland Chinese manager and the foreign headquarter. Of course, in an SOE with its predominantly Chinese staff, no such restrictions apply to Chinese professionals. Indeed, those professionals who joined SOEs around 10-15 years ago and did not switch to MNCs later now often hold key positions in important projects of these SOEs. For professionals with a strong desire to shape the course of the company, e.g., by developing its strategy, this is an incentive to join an SOE if it is possible to do so at a fairly high level.

In conclusion, the preference of Chinese professionals has shifted somewhat towards working for SOEs; however, MNCs are still the more attractive option for a large proportion of professionals. Within the last year or so, there may even have been a slight backlash against working for SOEs as Xi Jinping’s anticorruption campaign has made working at an SOE somewhat more burdensome or even risky.

How will the preference for different types of employers develop in the near future? Interestingly, so far private chemical companies have not been much of an option for Chinese professionals, though there have been a few exceptions of staff switching from MNCs to such companies. This is likely to change as more and more private domestic chemical companies emerge and in China, and as their market share increases. This will turn a career at such companies into a more stable choice at the same time

that career opportunities at MNCs and probably also at SOEs dry up due to slower growth. And private companies will have a strong need for experienced staff as they become bigger and more professional, necessitating them to offer good salaries and other benefits such as stock options.

This will require yet another type of professional – a type that is entrepreneurial rather than the structured, performance driven type working at MNCs or the relationship-driven, security-oriented type working at SOEs. Fortunately for the private companies, this is well aligned with the younger professionals born in the 1980s and thereafter. They are more individualistic and value their freedom more than earlier generations of professionals, even if this means accepting a somewhat less stable work environment. However, to be attractive for high-performing employees, private companies will probably have to take a more strategic approach to their business, e.g., by spending more resources on long-term development and R&D.

Professionals working for SOEs will likely also need to change somewhat and become more performance oriented if SOEs are to keep their role in the Chinese economy. For MNCs, the best option may be to truly take bigger steps towards empowering local staff and offering them a truly global career path as they are unlikely to be able to compete with SOEs regarding job stability, or with private companies regarding incentives.

Overall, as the role of MNCs in China’s chemical industry has diminished in the last decade and is likely to diminish further, professionals may do well to look for opportunities at SOEs and particularly at private domestic companies instead of focusing only on a career in an MNC. ■