TALENT MANAGEMENT IN CHINA: GUIDANCE FOR MANAGERS

Jason Ross

Western Carolina University

Summary: *Attracting and retaining talent is necessary for organizations to thrive. However, effectively managing talent is becoming more difficult as several barriers including an ageing workforce, increased global mobility, and the rise of the knowledge worker are hampering managerial efforts. While many countries deal with these barriers, China presents an interesting case for scholars and practitioners alike because of a rapidly changing economy, unique culture, and enhanced government oversight. This paper explores the Chinese talent management literature, and recommends managers focus on individual development plans, strengthen relationships with subordinates and recruit employees through weak ties to improve talent management.*

Keywords: Talent management, China, Human resources

INTRODUCTION

Talent management is considered one of the greatest challenges regarding human capital of the 21st century (Dries, 2013) as no organization can optimally function without talented, effectively managed people (Lawler, 2008). Talent management practices enable organizations to recruit and retain the best and brightest minds from around the globe helping companies generate a sustainable competitive advantage (Tarique & Schuler, 2010). But what is talent management? While no consensus definition exists, scholars suggest that effectively managing highly talented employees require a set of practices distinct from those normally practiced by human resource departments (McDonnell, Collings, Mellahi & Schuler, 2017:116). Key talent management practices help create tailored strategies and incentive systems to attract and retain talent (Hiltrop, 1999; Lewis & Heckman, 2006).

However, attracting and retaining top talent is difficult due to an ageing workforce, falling birthrates, increased internationalization, more diversity, enhanced global mobility and the rise of the knowledge worker (Florida, 2003; Kaliannan, Darmalinggam, Dorasamy & Abraham, 2023; Tarique & Schuler, 2010; Wilton, 2008). Issues, such as aging, make effective talent management of greater importance as many experienced leaders retire with few competent managers able to fill leadership roles forcing companies to compete for limited talent (McCauley & Wakefield, 2006). Many countries, including China, struggle with demographic changes as more experienced employees retire with younger employees lacking needed education and experience (Chuai, Preece & Iles, 2008; Tucker, Kao & Verma, 2005). The purpose of this article is to summarize the existing literature in talent management and provide recommendations to managers, specifically those within a Chinese context.

LITERATURE REVIEW

Making the Case for China

While most research in talent management has focused on practices within the United States (Schuler, Jackson & Tarique, 2011), an emergent line of scholarship examines how Chinese organizations execute talent management practices (Wang, Xu, Zhao & Bian 2022). This emergence is primarily due to China's large population, economic potency, and being a popular destination for foreign investment (Cooke, Saini & Wang, 2014). China's economy has grown rapidly with the largest population in the world necessitating changes in economic priorities. Formerly, China depended on fossil fuels and cheap labor, but this has limited viability, so the Chinese government began prioritizing a new knowledge-based economy (Simon & Cao, 2009). Due to this, new knowledge, skills, and abilities are needed for China to compete globally and maximize its economic potential (Brown & Tannock, 2009). Chinese talent management is also of interest to scholars and practitioners due to the uniqueness of the system as the government and Chinese culture are supremely influential in the business environment (Cooke, et al., 2014; Wang, et al., 2022).

Talent Management in China

Talent management originates in the late 1990's and early 2000's in western society. However, talent management dates back to the 1970's in China as the government created systems to encourage better practices (Wang, et al., 2022). Private enterprises are slowly catching

up but public sector organizations such as state-owned enterprises (SOE's) are at the forefront as they are considered more prestigious, offer stronger benefit programs, and better mobilize talent through having a grip on the market (Cooke, et al., 2014).

As China's talent management programs focus on the top performers, high workforce differentiation practices were instituted (Collings & Mellahi, 2009). This occurs because investing in the most-skilled employees often account for a disproportionate percentage of workforce productivity (Kwon & Jang, 2022). Given this, organizations compete for these stars. This area of talent management research practices has received the bulk of scholarly attention. To recruit top talent, Chinese enterprises often turn to the external labor market for a quick fix (Cooke, et al., 2014) resulting in massive spending. One advantage of this approach is companies acquire talent as needed, even if only for short periods of time (Lawler, 2008). Chinese organizations rely on this approach as they struggle to gain needed talent to fill key management positions, since so many Chinese graduates lack required skills which has led to wage inflation for talented managers. This allows experienced candidates to take advantage of high demand and hold themselves out as free agents and elongate the interview process in hopes of landing more lucrative offers (Downing, Rolueau & Stuber, 2008).

Given the difficultly of obtaining talent, retaining it is especially important. To help with this, incentive systems were set up. Many talent management programs utilize individual-oriented reward systems with government encouragement as younger employees become more individualistic (Cooke, et al., 2014). Additionally, as Chinese professionals adopt reduced workloads and embrace work-life management, these policies serve as tools to retain employees with corporations engaging in these practices viewed as more caring and better places to work (De Cieri & Bardoel, 2009).

Chinese culture plays a large role in organizational management as relational factors can be more important than performance in some organizations (Wah, 2001). Chinese organizations often emphasize more traditional values such as sacrifice, acceptance of hierarchy and concern for interpersonal relationships (Leung, 2008). These interpersonal relations help guide economic and social organizations (Bian, 1997; Lin, 2011) and are often referred to as "guanxi" which helps facilitate favor exchange (Hwang, 1987). Guanxi has been described as "an intricate and pervasive relational network which traditionally the Chinese are conscious of cultivating as guanxi creates and perpetuates implicit mutual obligation while assuring and governing Chinese attitudes toward long-term social and business relationships" (Gibb & Zhang, 2017: 80).

As the economy has increasing uncertainty and market competition, guanxi becomes more important (Bian & Huang, 2015). Talent management is heavily influenced by guanxi as it forms the choices, consideration, challenges, and consequences of talent management practices (Gibb & Zhang, 2017: 79). Guanxi impacts how organizations recruit, retain, and ultimately develop talent as it reduces uncertainty, builds trust and familiarity, while improving reciprocity between employees and organizations (Gibb & Zhang, 2017). This occurs through using personal networks as these help organizations bypass Chinese bureaucracy (Dunfee & Warren, 2001). For example, Bian (1997) discovered extensive use of personal networks as individuals utilized their strong ties to influence hiring authorities to assign prime jobs to friends. However, this extensive use of guanxi can lead to hiring employees not based on talent, but on their networks which leads to bringing aboard subpar talent (Gibb & Zhang, 2017). Given the issues Chinese organizations currently face regarding talent management, guidance for managers follows.

DISCUSSION AND IMPLICATIONS FOR PRACTICE

Recommendations for Managers

First, managers should focus on developing current employees. Talent management must be driven by senior executives with talent management considered an organizational objective for all employees. The belief that only a small percentage of employees are talented is mistaken as research shows that making individuals believe they are talented leads to increased organizational commitment, more support for strategic objectives, lower turnover and better performance (Bjorkman, et al., 2013). Organizations are failing to search widely and deeply enough within their own rosters as many exclusively focus on the top 20% of employees and overlook the 60-70% of employees that show up every day and receive little appreciation (Kaye, 2010). To help with this, organizations should create individual development plans for all employees to help maximize their potential (Kaye, 2010). These plans should focus on continuous learning as the knowledge and skills needed are everchanging and organizations must help new employees develop by placing them in situations enabling them to enhance their competence for management positions. Chinese organizations should develop programs to help lift the workforce to meet or even surpass professional standards (Simon & Cao, 2009).

Managers can enhance individual development by regularly scheduling developmental dialogues with everyone throughout the organization. They should encourage all employees to create a roadmap laying out plans for advancement and provide development opportunities to make these plans a reality. Doing this can have psychological benefits for employees, leading to enhanced organizational commitment. Managers can create stretch goals for employees aiming to advance into management and slowly increase responsibilities for employees with managerial aspirations, so they can be ready to assume leadership positions. Managers should also focus on creating talent inventories in which they have documentation of an employee's skillset. They can analyze these talent inventories and compare them against employee developmental plans to see the skills needed to develop employees for future positions.

Second, organizations should expand their recruiting practices as relying upon guanxi may be limiting their quests to attract top talent. While strong, familial ties have advantages, they are not always the best sources of talent. Overly relying on strong ties limits talent as organizations are unable to probe the market as they focus on those already known by organizational members. This results in attracting, selecting, and retaining individuals who already fit the organization as it is currently constructed (Schneider, 1987). While focusing on fit has some benefits, it also increases the probability of obsolescence as organizations are unable to adapt to changing environments. To rectify this, organizations may consider individuals with no connections or those with only weak ties to the organization as these people are more likely to possess novel information (Grannovetter, 1973) which helps organizations adapt to the environment as these individuals bring new knowledge, skills, and abilities to organizations.

Managers may consider "blind recruiting" and intentionally sourcing candidates from diverse industries as actionable insights. To do so, managers could have human resources remove identifying characteristics from resumes and assign each candidate a number. Individuals evaluating resumes would only have access to the blinded resume. For sourcing candidates from diverse industries, organizations can assign recruiters to hunt employees from areas where the organization does not typically hire. For example, more prestigious organizations often hire from select universities, so these organizations may consider opening the pool of universities they

recruit from. This could allow a more diverse candidate pool which can help introduce weaker ties and novel information into the organization.

Third, organizations should focus on creating better relationships between supervisors and subordinates as employees having strong relationships with their supervisors are more engaged in their work, demonstrate higher effort, and take on more responsibility (Bernerth, Walker & Harris, 2016). When managers take a personal interest in employees, supervisors are better able to make judgements about individuals and find ways to deploy and develop their talents (Charan, 2008). Strong relationships help create more loyalty and higher feelings of organizational commitment. These relationships are of increased importance in China due to the large influence that interpersonal relations play in Chinese business and society (Purdum, 2005).

Managers should consider instituting "stay" interviews where they delve into what keeps an employee at the organization and what could entice one to leave. The idea helps create an open dialogue so managers can better understand what attracts certain employees to the organization and what repels them. Doing this can demonstrate a commitment to promoting the positives to working in the organization, while alleviating some of the negatives. For example, a manager may discover during one of these "stay" interviews that an employee is struggling with caring for an ill family member and is considering leaving the organization. Instead of departing, the organization could temporarily offer virtual working arrangements allowing an employee to better care for relatives by reducing commuting times, while still being productive for the organization. Displaying empathy for what an employee is going through could enhance leader-member exchange and increase loyalty to the company. For managers having very large spans of control, "stay" interviews may not always be practical. Instead, they should consider utilizing regular "pulse" surveys, so that managers can get a general feel for how employees view management and the overall organization.

Key Takeaways for Managers

To help win the "war on talent" managers should focus on developing all employees to the best of their abilities. An exclusive focus on the top talent, risks overlooking hidden gems and could create disgruntled employees as they feel unappreciated. Managers should also focus on finding ways to inject novel ideas and skillsets into the company by expanding their recruiting to attract more diverse applicants which allows "weaker" ties to enter the company. This can help protect against potential stagnation and groupthink. Finally, managers should focus on developing better relationships with their employees. When employees feel that management cares about them as actual people and not just as workers, employees are more willing to go the extra mile which helps the organization better compete in the marketplace.

CONCLUSION

Talent management is critical to organizations as the ability to attract, retain, and develop good employees is key to creating a sustainable competitive advantage. As the world continues to evolve, organizations must tailor their strategies to meet the needs of talented workers. While the literature has focused on western talent management practices, China stands out as an excellent area for additional research given its large population, economic potence, and unique culture.

Corresponding author: Dr. Jason Ross, jrross@wcu.edu

REFERENCES

Bernerth, J. B., Walker, H. J., & Harris, S. G. (2016). Rethinking the benefits and pitfalls of leader–member exchange: A reciprocity versus self-protection perspective. *Human Relations*, *69*(3), 661-684.

Bian, Y. (1997). Bringing strong ties back in: Indirect ties, network bridges, and job searches in China. *American Sociological Review*, 366-385.

Bian, Y., & Huang, X. (2015). The guanxi influence on occupational attainment in urban China. *Chinese Journal of Sociology*, *1*(3), 307-332.

Björkman, I., Ehrnrooth, M., Mäkelä, K., Smale, A., & Sumelius, J. (2013). Talent or not? Employee reactions to talent identification. *Human Resource Management*, *52*(2), 195-214.

Brown, P., & Tannock, S. (2009). Education, meritocracy and the global war for talent. *Journal of Education Policy*, *24*(4), 377-392.

Charan, R. (2008). *Know-how: The 8 skills that separate people who perform from those who don't*. Random House.

Chuai, X., Preece, D., & Iles, P. (2008). Is talent management just "old wine in new bottles"? The case of multinational companies in Beijing. *Management Research News*, *31*(12), 901-911.

Collings, David G., and Kamel Mellahi. "Strategic talent management: A review and research agenda." *Human Resource Management Review* 19.4 (2009): 304-313.

Cooke, F. L., Saini, D. S., & Wang, J. (2014). Talent management in China and India: A comparison of management perceptions and human resource practices. *Journal of World Business*, *49*(2), 225-235.

De Cieri, H., & Bardoel, E. A. (2009). What does 'work–life management'mean in China and Southeast Asia for MNCs? *Community, Work & Family*, *12*(2), 179-196.

Downing, J., Rouleau, W., & Stuber, S. (2008). The war for the talent in China. *Kellogg School of Management, Northwestern University, Evanston, IL*.

Dries, N. (2013). The psychology of talent management: A review and research agenda. *Human Resource Management Review*, *23*(4), 272-285.

Dunfee, T. W., & Warren, D. E. (2001). Is guanxi ethical? A normative analysis of doing business in China. *Journal of Business Ethics*, *32*, 191-204.

Florida, R. (2003). Cities and the creative class. *City & Community*, *2*(1), 3-19.

Gibb, S., & Zhang, S. (2017). Guanxi influence and talent management in Chinese organisations; evidence from the real estate sector. *Human Resource Development International*, *20*(1), 79-98.

Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology*, *78*(6), 1360-1380.

Hiltrop, J. M. (1999). The quest for the best: human resource practices to attract and retain talent. *European Management Journal*, *17*(4), 422-430.

Hwang, K. K. (1987). Face and favor: The Chinese power game. *American Journal of Sociology*, *92*(4), 944-974.

Kaliannan, M., Darmalinggam, D., Dorasamy, M., & Abraham, M. (2023). Inclusive talent development as a key talent management approach: A systematic literature review. *Human Resource Management Review*, *33*(1), 100926.

Kaye, B. (2010). IDP 2.0: The future of the development dialogue. *T+ D*, *64*(12), 52-55.

Kwon, K., & Jang, S. (2022). There is no good war for talent: A critical review of the literature on talent management. *Employee Relations: The International Journal*, *44*(1), 94-120.

Lawler III, E. E. (2008). *Talent: Making people your competitive advantage*. San Francisco: Jossey-Bass.

Leung, K. (2008). Chinese culture, modernization, and international business. *International Business Review*, *17*(2), 184-187.

Lewis, R. E., & Heckman, R. J. (2006). Talent management: A critical review. *Human Resource Management Review*, *16*(2), 139-154.

Lin, N. (2011). Capitalism in China: A centrally managed capitalism (CMC) and its future. *Management and Organization Review*, *7*(1), 63-96.

McCauley, C., & Wakefield, M. (2006). Talent management in the 21st century: Help your company find, develop, and keep its strongest workers. *The Journal for Quality and Participation*, *29*(4), 4.

McDonnell, A., Collings, D. G., Mellahi, K., & Schuler, R. (2017). Talent management: a systematic review and future prospects. *European Journal of International Management*, *11*(1), 86-128.

Purdum, T. (2005). China Check: Managers Must Rethink HR Practices To Keep Skilled Workers. *Workforce*, 22-25.

Schneider, B. (1987). The people make the place. *Personnel Psychology*, *40*(3), 437-453.

Schuler, R. S., Jackson, S. E., & Tarique, I. (2011). Global talent management and global talent challenges: Strategic opportunities for IHRM. *Journal of World Business*, *46*(4), 506-516.

Simon, D. F., & Cao, C. (2009). *China's emerging technological edge: assessing the role of high-end talent*. New York: Cambridge University Press.

Tarique, I., & Schuler, R. S. (2010). Global talent management: Literature review, integrative framework, and suggestions for further research. *Journal of World Business*, *45*(2), 122-133.

Tucker, E., Kao, T., & Verma, N. (2005). Next-generation talent management. *Business Credit*, *107*, 20-27.

Wah, S. S. (2001). Chinese cultural values and their implication to Chinese management. *Singapore Management Review*, *23*(2), 75-83.

Wang, M., Xu, J., Zhao, S., & Bian, H. (2022). Redefining Chinese talent management in a new context: a talent value theory perspective. *Asia Pacific Journal of Human Resources*, *60*(2), 219-251.

Wilton, P. (2008). Unlocking the talent of generation y. *Engineering & Technology*, *3*(14), 80-83.