

protecting your assets

retaining quality staff

by *Oliver Draper*

Retaining “star” employees is a key issue, particularly in a city like Shanghai, where loyalty to an employer is a rare concept and competitors are prepared to offer incentives to attract the best in town.

In this article we look at the issue of staff retention in China and offer a few suggestions as to how to ensure a return on investment from your human capital.

With China’s rapidly developing economy, its myriad of deep-set complex cultural values and a liberalizing political and economic system, foreign companies often find themselves facing major challenges in recruiting critical management staff from the local labor supply. The major shortage in supply of qualified executives and managers with a proven track record who can seamlessly adopt Western management principles, leads to a huge increase in the level of remuneration that the top talents can demand. In such a market, retaining important staff can be very expensive, with offers of higher salaries often not being sufficient to keep them from jumping to the competition.

Statistics show that in some of China’s major cities such as Shanghai, employees look to change jobs every two to three years. It is therefore crucial for companies to acknowledge and accept the staff retention issue and to prioritize a viable solution to it, before high staff turnover erodes bottom line profit.

The practices and “retention tools” currently used by major employers vary dramatically across the country according to local labor trends and intricacies, however they typically include a combination of:

- Compensation and benefits arrangements
- Incentive and bonus schemes
- Education and training
- Career planning
- Bonding arrangements
- Management skills development and mentoring
- Internal communication and recognition

- Corporate culture and resources/materials
- Travel - domestic and international
- Pension schemes
- Tax planning
- Overseas rotations
- Cash deposit system
- Family protection policies
- School fees
- Housing

Notably, one of the most critical factors in staff retention is to ensure that compensation and benefit levels are reviewed on a regular basis (the generally accepted recommendation is annually or twice yearly) since, as materialism increases, the cash component of remuneration is increasingly important. However, retention strategies that are based purely upon salary levels rarely succeed, giving support to the adage that, "loyalty cannot be bought".

Most Chinese managers place a high value on training both, internally and externally, domestically and internationally and it is important that companies do not underplay the importance of this. Training and development policies need not be considered routine, but should be viewed as part of a retention strategy, representing a special privilege. Business training may include on-the-job training, mentoring by managers and classroom training, while non-business training may include English language tuition, computer training, and other personal development courses. Internal cross-training opportunities should also be explored, to allow employees to become multi-skilled and have a deeper understanding of their corporate environment. Directly related to this, is the growing trend of companies requiring employees to sign an agreement to remain with the company for a set period (often up to three years) after significant training is completed, to cover the cost of this training and ensure appropriate returns. This agreement can be made part of an employee's career plan to provide additional motivation for the employee to remain with the company.

The implementation of a successful retention policy need not involve substantial additional corporate expenditure. Instead, routine retention considerations can be built into the company's existing HR practices and in addition to existing compensation and benefits review practices.

As China progresses down the road of liberalization and global competition, the trends that are emerging from the managerial *crème de la crème* is that the successful businesses of the future will be the ones which not only attract the best employees but create the loyalty to keep them. ■