

Motivating and Retaining Human Resources in Developing China

Tad Lincoln

Abstract

This paper highlights several important aspects of human resource motivational-management in developing mainland China in areas where foreign managers can take particular advantage of the economic and cultural conditions to best motivate employees. It offers practical proposals in confidence-building, communication, leadership, and organizational structure, and discusses the circumstances in China surrounding these suggestions. Maintaining a motivated and productive team in China, as anywhere, is key to success, and most of the people-management tenets taught around the world apply well in China. However, there are aspects of mainland China that deserve special attention when making decisions on how to motivate people. This paper points out management challenges associated with them, and suggests how to deal with them.

1. The Management Environment

The environment for business in China is clearly exceptional. In a nutshell, the cost of labor is low, and is likely to stay low for years, and the independent unionization of that labor is illegal. China is very stable for a developing country. It has the largest potential domestic market in the world. The economy has maintained relatively high and stable growth rates of around 7% over the past two decades, and about 9 percent in 2003, with the expectation for growth of around 7% to continue for many years. Also

China entered the World Trade Organization (WTO) in 2001. This combination of solid growth, a large market, cheap labor, and stability, along with expected continuing WTO-induced reforms, is why businesses from around the globe have been flooding into China. China's Foreign Direct Investment (FDI), as a result, has grown dramatically in the past decade to its position as the number one, or two, recipient of FDI in the world over the past several years.

However, even with these outstanding conditions, a large number of the foreign companies fail or spend many years in the red before finally turning things around. A major reason for this can be traced to the difficulty of maintaining a well-motivated group of employees. For example, while labor is cheap, it can be quite unproductive without an appropriate motivational environment. Also, although China is stable, the rule of law is weak, and this "law of the jungle" environment leads to numerous management challenges, including building a case for and dismissing an employee, and employment contract enforcement issues.

Another problem is that a large number of the foreign managers in China have come with a staffing mindset that may have served them and their companies well overseas, but is often inappropriate for China. Such managers typically have worked with their organization outside of China for many years, and through those years developed management experience and success

records that led to their being appointed to management positions in China. However, through their experience outside of China, they often have developed a predisposition toward such things as pushing as much responsibility as possible to the lowest levels and bringing the number of employees to a bare minimum. This kind of cost-cutting forms the basis for their staffing decisions in China. They often do not seem cognizant of the fundamental economic, legal, and social conditions that underlie the validity of these approaches at home, and how they differ in China.

A major source of these different conditions in China is the State Owned Enterprise (SOE) legacy. Before the 1980s, when the open-door policy really got underway, most Chinese worked for SOEs. In those days the lives of employees revolved around their SOE work unit, which offered a multitude of services for their families and lifetime employment. It was rare to be able to change jobs or move to another community, and when it was possible the decision was based mainly on political considerations. It was also nearly impossible to fire a non-performer. In addition, both mandatory political meetings associated with the work unit, and the Chinese media, fostered a negative image of capitalism and Western and Japanese business practices, often based on the more extreme, yet usually true, examples of ruthless managers and employee abuse. Such political indoctrination, as well as SOE-provided services and lifetime employment, have largely fallen by the wayside, but in some ways they continue to affect the attitudes, perceptions, and expectations of employees.

Other aspects of SOEs haven't changed much over the years. They are usually hierarchical, with many layers of middle management each micromanaging its subordinates and feeding them tasks. Typically SOE culture is slow-paced and small-task oriented, even for the better-educated employees. Little is expected of the employees, and they are given little responsibility. Pay is low, and productivity is low, sometimes with little to do for long periods of time. Differences in pay levels are generally not great, and rewards for good performance are few. Opportunities to get ahead are scarce, and "guanxi," or connections and relationships, are usually needed to have a chance at them. In such an environment some get used to expending much energy on perceptions politicking, that is, working to create *perceptions* in the eyes of the management that they are loyal or valuable, rather than actually accomplishing much.

Today nearly half of China's employees still work for SOEs. However, this is gradually shrinking, as SOE employees are continually moving into the private sector where most foreigners manage. To some extent they bring SOE culture with them, contributing to the challenging motivational-management environment.

For a quick look at this environment, I will draw on my first management position in China. I had just been relocated to China, and I walked into the facility where I was going to manage for the first time. I found the assistant to the plant manager with his head and arms sprawled flat on his desktop, sound asleep.

In this global company, in America at least, sleeping on the job was grounds for immediate dismissal, although extenuating circumstances

would normally be considered. In his case it was possible he could have worked late the night before completing a project. Or, as assistant to the plant manager, his responsibilities would sometimes include being out late eating and drinking with customers and suppliers while interpreting for the plant manager (who was also a Westerner).

I gave him a nudge. He didn't budge at first. Then he lethargically struggled and lifted his head. He seemed startled when he saw me, although he knew I would be arriving. I introduced myself in a friendly, but stern way. He then muttered that the plant manager was away for the week, which I was well aware of. The plant manager had told me that his assistant would prepare for my arrival. Flustered, the assistant proceeded to tell me that he had nothing to do. Actually, he hadn't prepared for my arrival, and he also had other tasks he was supposed to have been working on.

This could have happened almost anywhere, of course. But, although I had managed Chinese workers in America, this brief experience in China immediately impressed upon me how challenging the motivational environment could be.

2. Individuals and the Organization

I have found that most Chinese are willing to work extremely hard. They will work long hours, and give up many evenings and weekends for their employer. Young people in particular, whether they are new college graduates or unskilled laborers, may have the advantage of not having developed any bad habits from SOE work experience. Young people are certainly

the target of many of the foreign managers' hiring schemes. This generation is more flexible, having grown up in a more open China, and many are simply willing to work hard and follow the company rules in hopes that their contribution will be recognized, and they believe they can get ahead this way. Many young college graduates are excited about their new profession, and the advancement and expansion of their knowledge in their field. They see their whole life ahead of them, in a China with an increasingly exciting and dynamic future, and see much opportunity if they are prepared to compete in an open labor-market.

Usually this eagerness has little to do with obligation and company loyalty, but is more the result of a motivational environment that is perceived as fair with the right incentives. SOEs rarely provide such an environment, and SOE culture has even affected many young people. Many have grown up with SOE culture around them, living in SOE housing with family and relatives working in SOEs. To some extent SOE culture seems to pervade most private-sector workplaces in China. As private-sector employment expands, the SOE culture that so many have been exposed to must be considered as one strives to create the appropriate environment.

One area to consider is organizational structure. As mentioned earlier, SOEs tend to be hierarchical, and FIEs tend to be flatter, with fewer middle managers on the payroll, and with employees having more responsibility. The flatter an organization, the more employees generally report to each manager, and the more autonomy and responsibility employees generally have. In flattening an organization, at some point the gains from removing layers of manage-

ment are outweighed by the losses resulting from the reduction of supervision, and the associated loss of sufficient vertical communication and control. It is not clear where that point is for any given organization, but I will argue that in China today organizations generally should not be as flat as they typically are in the West.

First, relative to the ability of some Westerners to be able to take a project description and run with it to completion with limited directional input, Chinese typically need more guidance. In flat organizations, employees are expected to exercise reasonable organizational skills, and prioritize multiple projects, tasks, and/or other responsibilities. In an SOE, the boss typically directs much of what subordinates do, coordinating project chunks and other work and feeding it to them task by task. Many Chinese seem to need additional clarity and simplicity in their assignments. If the organization is too flat, management resources are not sufficiently available to provide the needed guidance. The frequent Chinese tendency to ask few questions doesn't help either. This may result in well-intentioned employees doing the right things, but doing them the wrong way, or doing a good job on the wrong things. In addition, this more loosely managed environment may result in employees feeling that their supervisor, or the organization as a whole, isn't providing the support that they need and deserve to do their jobs.

Related to this, Chinese are often accustomed to closer, and occasionally "over-the-shoulder" supervision, particularly at the lowest levels. Additional supervision may be necessary to maintain reasonable productivity, otherwise workers may feel that they are being left alone by their supervisor. At somewhat higher levels,

or in the office, the result of managers in flat organizations pushing responsibility down to subordinates is that they are sometimes overwhelmed by the workload or its complexity. Additionally, this action is sometimes interpreted as being asked to do the manager's job.

Furthermore, Chinese don't always work together well. They often don't communicate well either, and I have found they frequently tend to be minimalists when it comes to sharing information. The old saying goes that a single Chinese can accomplish amazing things, but in a group they accomplish little. Enough supervision is needed to make sure employees work together effectively.

A major driver for organizational flatness is the direct cost savings; you have fewer manager salaries to pay. In the West, wages and salaries and the benefits that accompany them make up a large portion, often the largest portion, of company budgets. Reducing these by removing middle-management salaries has a great impact on the bottom line. In China, wages and salaries make up a much smaller portion of the overall budget. The loss of supervision and coordination provided by a middle manager in a somewhat flat Chinese organization may outweigh the direct benefit to the bottom line.

That is not to say that FIEs cannot have relatively flat organizations in China, but only that they may not be able to flatten them as much. This can be disillusioning to some Western managers, who may have initially plugged Chinese labor costs into their barely-modified Western models and seen huge potential profits. Certainly, compared to SOEs, a large amount of flattening is necessary, getting rid of unneces-

sary layers of management, and capturing the gains that come from individuals taking more responsibility and making more decisions about their own jobs, which they know far better than their bosses. But the labor cost is low enough to allow for the cost of a little more supervision, and along with attention to other aspects of the motivational environment I will discuss below, it can lead to higher productivity and ultimately success in China

3. Communicating

As anywhere, positive reinforcement is a great way for managers to communicate with, influence, and motivate people. And I have found that most Chinese are highly receptive to positive feedback. I believe part of the reason it can be so effective is that self-esteem among many mainland Chinese is low. Many Chinese grow up in a “*cuo le*,” or hyper-corrective, culture. “*Cuo le*” means “mistake,” or “wrong!” and is frequently said tersely to children by some teachers and parents when an error is made. This seems to continue to a lesser extent in the workplace by some bosses to subordinates. Positive feedback seems to be in short supply, and as a result there is a real opening for Western managers to build employee self-worth.

Other employees in China seem to have a fear of managers, or at least Western managers, or a fear of being fired, possibly due in part to their introduction to capitalism years earlier through the eyes of the Communist Party. In managing them, too, seek out opportunities to praise a job well done, and offer pat-on-the-back comments. Over time such compliments will help to build confidence and hopefully encourage employees to open up and share more information with you, a challenge I’ll touch on again

below. Of course, to be effective it must be *genuine* positive feedback, and it must be perceived as such by the recipients.

As for negative feedback, I have found it is generally not very difficult to deliver it to subordinates in China. They are usually accustomed to it. It should be limited to *constructive* feedback, done in private, and only offered when necessary to move them or the organization ahead. Your constructive negative feedback must also be genuine. But I have found it is usually better to be brief in the *constructive* aspect, as trying to be very diplomatic in China to soften the blow seems often to be viewed as phony, or as simply a veil for criticism. When you must point out problems or deficiencies, point them out with authority with the expectation that they will improve. This is effective when done within a management style that emphasizes the positive. Talk of deficiencies as if you know they will get better. Let employees know that you know they can do it, and express confidence that positive results will develop. Sandwiching negative comments with positive ones also helps.

Other than criticism directed at subordinates, there is not normally much direct criticism in everyday discussion in the workplace in China, particularly among employees at the same level, or directed at those at higher levels in the organization. In private, Chinese are at least as willing as Westerners to complain about others, but in public under normal circumstances they tend to avoid putting others in a bad light, and may “agree” with things even when they actually disagree, to allow for face-saving.

This tendency can make it difficult to move forward in meetings. To avoid criticizing (or for

other reasons, at times to avoid being criticized themselves), Chinese sometimes contribute little to meetings, particularly where problems need to be brought out in the open and solved. This can be a critical challenge because, as mentioned earlier, Chinese often don't communicate well in general, and meetings are the place to ensure that team members are adequately sharing information, understanding problems, and maintaining alignment with management goals.

Making sure that meetings are effective, and enhancing communication in them, can be tricky. You want to try to work with the culture, while at the same time push ahead. Interestingly though, the face-saving aspect of the culture sometimes takes a back seat when Chinese cross an emotional threshold. When an employee feels challenged or slighted, an argumentative eruption may take place, and the meeting may suddenly become loud. Employees, who may otherwise be tiptoeing around issues, will sometimes dramatically speak their mind, offer their opinions, and scrutinize the opinions of others. A lot of information is exchanged in a short time, and obviously some of it may not be useful.

Such a meeting environment can be unprofessional and counterproductive to the atmosphere a manager should foster. As a result, some Western managers stop these arguments as soon as they erupt. Yet such an environment does not seem to alarm many Chinese. A superficial calm may be restored, but individuals would be stifled. Their thoughts would likely come out in private later, though it might be better to bring them out in the meeting where they can be discussed and/or challenged.

I have found these arguments, if not allowed to exceed reasonable limits, to be a good antidote to the general lack of sufficient communication. I suggest trying to let these arguments proceed at least until the participants have listened to, and have been heard by others. But if the argument starts to become personal, drag on, or otherwise get out of hand, it could be destructive and must be stopped. Certainly don't *encourage* argumentation by any means. But as a compromise to the culture, when arguments come up in a meeting, it often helps the manager and the employees understand the issues better, and as a beneficial side effect, even lets the employees vent, within reason. I have also found that the employees seem to bounce right back after these limited meeting arguments.

To further facilitate communication and make sure meetings are effective, an environment must be maintained where employees feel that what is expected of them is fair and confident enough to speak their minds. Having a reasonable organizational structure and using positive reinforcement, as mentioned earlier, and other techniques that are discussed below, will be helpful along these lines. Managers should expect that all attendees are thoroughly prepared for meetings, and managers themselves should be well prepared and make sure that everyone is followed-up on, and on course.

Have frequent meetings, as they are the best way to ensure sufficient communication. But schedule short meetings, and keep them short. The phrase "time is money" somehow doesn't hit home with many Chinese. It may also be helpful to always exhibit a sense of urgency. Set an example by always starting your meetings on time. This is more efficient and also sets the

tone that time is important. But don't expect Chinese culture to change. Chinese are not accustomed to punctuality being as important as it is to many Westerners, and to Japanese. Start on time, but begin with issues that are less important. You will have stragglers, but over time, if you consistently start on time, your employees will tend to arrive closer to the starting time.

4. Leading to Motivate

Although I have discussed some soft skills such as positive reinforcement, the hard reality in China is that a manager should be a "tough-guy." Managing under a weak rule of law demands a toughness and shrewdness. Doing business and negotiating in this environment where nothing can be taken for granted, and the law is not necessarily behind you, is challenging. Agreements, contracts, and laws may not be enforced. For instance, it is difficult to enforce employment contracts, leading to the need for managers to use less law-based approaches to employee retention. Company rules are also difficult to enforce in a culture where any laws or rules, no matter how "carved in stone" they are supposed to be, seem to be viewed as flexible. A former Chinese co-worker once told me, "In China, anything is possible, but nothing is easy." In this environment, as in "the jungle," a manager's ability to intimidate, project an image of power, and be able to finagle and work around problems, carries a lot of weight.

Of course, this is common in many other developing countries as well, and decades ago it wasn't unusual in the developed world either. Virtually anywhere, a timid manager would have trouble leading; managers obviously

should be assertive and confident. But in China's lawless and SOE cultural environment, the expectation of managers seems to go beyond that, to the point where managers may need to be seen as somewhat uncompromising and dictatorial to consistently maintain the support of employees. And in Asia in general, there seems to be more of a cultural tolerance for dictatorial leadership.

On the other hand, I have met a few young, mainly overseas-educated Chinese managers, who don't fit this description well. Although I believe this tough-guy expectation of bosses will gradually soften, I think the general expectation will continue for many years. I suggest that while managers strive for fairness, since Chinese are very conscious of this, to effectively lead employees in China managers shouldn't show that they care, but just allow it to be revealed through their actions and directives. Project an image that the business is a larger being that must be moved forward regardless of feelings.

Related to this, I have found there is usually a need for non-participatory management in China. This may be a difficult adjustment for some Western managers who have grown accustomed to discussing some issues with employees before making decisions. He or she may have found back home that participatory management results in better decision-making by the manager as a result of employee input, better results from the subordinate as a result of understanding the boss's direction better, thereby maintaining better alignment, building employee self-esteem by showing that their opinion is valued, and generally assisting in efforts to build teamwork, and improve communication.

However, although a credible manager anywhere should have a reasonable grasp of the management issues he or she must deal with, I have found that a boss in China is usually expected to have all the answers. Asking subordinates their opinion is often considered a weakness in decision-making ability. Rather than respecting the manager for making sure the people who know their job best are consulted in matters that relate to them, or feeling valued because their opinion is being requested, they may think the manager doesn't know his or her job, or can't or won't figure it out himself or herself. They may further feel that it is not their responsibility to help the manager make decisions. In addition, Chinese often seem to confuse participatory management with communal decision-making, where decisions are made by the group on a consensus basis. In this case, if the manager asks for opinions, and then doesn't do what is suggested, the subordinates might think the manager doesn't respect their opinions, and wonder why they are being asked at all if the manager isn't going to implement their ideas. Some employees in the West also see participatory management this way, but in China it seems this view is widely held, to the point that it renders participatory management practically ineffective.

Without participatory management, gaining sufficient information from subordinates so that well-informed decisions are made can be difficult. Combined with a culture where subordinates tend to ask few questions, and tend to be minimalists in the sharing of information, it can be a considerable challenge to gain information from employees. As a result, active listening is a critical skill when managing in China.

Active listening is one of the most important management tools, and may be one of the most under-utilized. As a manager listens, he or she should look for hints about the real progress of an employee, or the progress of others. Subtly prod for additional information, or clues about the employees' opinions in important areas. While listening, delicately encourage them to volunteer information through conversation without actually directly asking their opinion. By listening carefully, and providing feedback, subordinates feel that you care about what they have to say. It is also a useful tool in China to encourage employees to open up and improve communication in general.

Also critical to gaining information from and about employees, as well as ultimately being one of the most important skills in China to function in business, is building "guanxi," strong long-term relationships based on trust. Outside the organization, with the weak rule of law, managers must take a long-term approach, building relationships, since one can't depend on contracts and the law. Inside the organization, build strong relationships with some important/key people to help obtain the information you need to make good management decisions. These key people, most importantly the manager's own assistant, should be high-performers who are consistently recognized for their contribution to the organization

5. Conclusion

Mainland Chinese can be extremely highly motivated, but the right environment and incentives need to be in place. The first step is to ensure that the structure of the organization fits the culture, providing a motivating environment that is considered fair by employees. At least

for the current phase of China's development, a typical flat structure imported from the West may result in considerable motivation and retention problems, mainly because it doesn't provide sufficient supervision.

Chinese are particularly receptive to genuine positive feedback, and managers should make every effort to offer it frequently. If an argument breaks out in a meeting, stop it immediately if it appears it would become destructive, but otherwise hang on and allow the exchange of opinions to continue in order to facilitate discussion and offset the general lack of adequate communication in Chinese organizations. Managers in China should be tough to be effective and to

meet the expectations of the culture. Participatory management appears to be ineffective in China, and other methods, such as active listening and building core guanxi relationships, are more effective in gaining feedback to improve management decisions. The follow-up to this paper will include other major motivating and retention issues in China such as compensation, hiring, probation, and training.

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