



# 2011 GREATER CHINA

## TALENT ENVIRONMENT INDEX

Produced by The MRI China Group

# TABLE OF CONTENTS

INTRODUCTION .....	3
METHODOLOGY .....	3
KEY FINDINGS .....	4
MARKET CONDITIONS DRIVE CANDIDATE CONFIDENCE .....	5
KEY MOTIVATORS .....	7
TALENTS ARE HIGHLY MOBILE .....	10
RECOMMENDATIONS .....	11
CONTACTS .....	13

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## THE MRI CHINA GROUP

The MRI China Group is a leading Asia based HR services organization. It provides executive recruitment services, talent market intelligence and, through its subsidiary Tal-os, recruitment outsourcing solutions. The group has operations in Mainland China (Beijing, Shanghai, Guangzhou and Chengdu), Hong Kong, Taiwan and Singapore. It employs 200 people with over 100 specialist recruitment consultants supporting local and multinational clients across major industry segments. It is part of The MRI Network, one of the largest executive search and recruitment organizations in the world.

The MRI China Group has been awarded CCH/China Staff Recruitment Firm of the Year, China in 2003, 2005, 2006, 2007, 2009 and 2010 and HCM Magazine: Best Recruitment Company, Greater China 2009/2010.

# INTRODUCTION

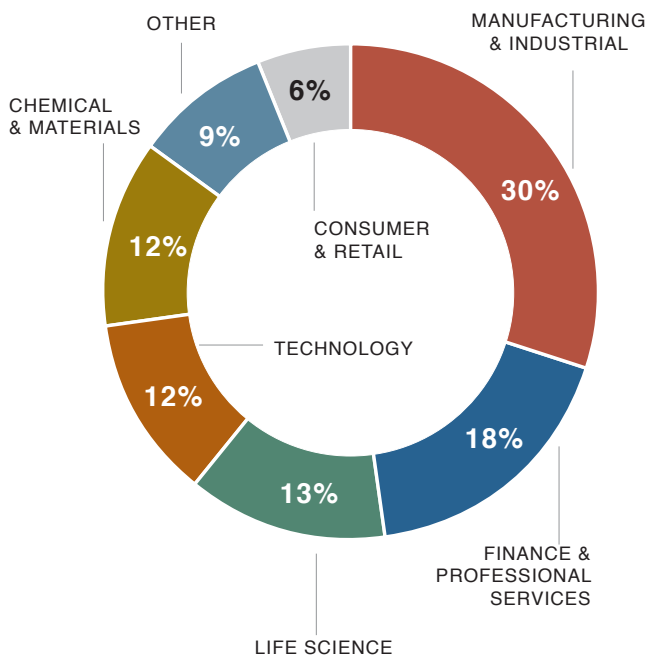
Just a few months after the PRC became the second largest economy in the world, we surveyed over 3,000 professionals and managers to gain a deeper understanding of what motivates them as they pursue a job they love. Our research produced interesting insights about the changing ambitions of Chinese professionals that can be utilized to attract and retain top talent.

# METHODOLOGY

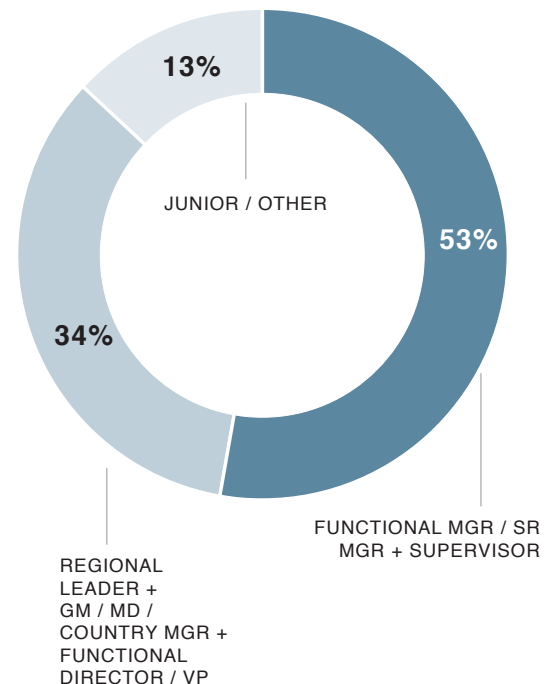
The “MRI China Group Talent Environment Index” was conducted during Q4 of 2010 in the PRC. The survey was targeted at the mid- to senior-level management talent market, across a wide range of businesses, industries, and locations. (See Figure 1)

Out of a total 3,185 respondents, 2,265 were based in China and 348 in Hong Kong. Of the respondents, more than 90% hold full-time positions, are educated to Bachelor / Master degree level, and work within publicly listed, local, regional, and multi-national companies. (See Figure 2)

**FIGURE 1:** Respondents by industry (PRC)



**FIGURE 2:** Respondents by level (PRC)



# KEY FINDINGS

## THE JOB MARKET IN MAINLAND CHINA IS HIGHLY VOLATILE.

Sixty-four percent of our respondents had received job offers in the last 18 months. 77% of respondents indicated that they are more confident about career opportunities in 2011 vs. 2010. 87% of respondents said they are open to making a move in 2011.

These respondents are predominately mid- to senior-level executives in China, well-educated and perhaps a good representation of China's middle-class. As we have seen on the back of the Chinese People's Political Consultative Conference ("CPPC") and the annual plenary session of China's National People Congress ("NPC") in March, a key trend among China's middle-class is an increasing demand for higher quality of life.

## HAPPINESS IS AN EMERGING THEME.

While "compensation" has long been a key motivator for Chinese talents, "work/life balance" is increasingly an important factor. This is indicative of a greater emphasis on happiness and quality of life amongst Chinese talents. According to our survey, work/life balance has emerged as a key criterion for talents to evaluate their level of job satisfaction. As China continues to push forward the national "happiness and livelihood" agenda of its current five-year plan, we expect to see more talents in China putting "work/life balance" as their top priority. This new mentality requires employees to take an innovative approach to managing employees' expectations as well as retaining top talents within companies.

## PRC TALENTS ARE HIGHLY MOBILE IN TERMS OF WORK LOCATION.

According to our survey only 29% of locals seeking work are doing so only inside their local market; 64% of respondents actively seeking work, indicated that they are looking inside and outside their local markets.

## A "CONSERVATIVE" HONG KONG AND A "PROGRESSIVE" MAINLAND

When asked about reasons for changing jobs, mainland and Hong Kong respondents indicate different priorities. "Compensation" ranks first in Hong Kong, while "Increase in responsibility" ranks first in the mainland. "Job Security" and "Compensation" appear to be stronger drivers of retention in Hong Kong. "Lifestyle" on the other hand seems to be a mounting preoccupation of junior professionals and managers in the mainland, while this trend is less apparent in Hong Kong.

## IT'S ALL ABOUT MONEY, OR IS IT?

Our survey shows that the majority of respondents, including the ones who believe they are in the top percentile of compensation remain dissatisfied with their current compensation.

However, career advancement, or "increase in responsibility" received the highest response rate as the most important reason to move to a new role in Mainland China and our survey also showed that "Challenges" and "People" are the most important motivators to remain in their current job.

# MARKET CONDITIONS DRIVE CANDIDATE CONFIDENCE

Over the course of 2010, as the world and China were emerging from the financial and economic crisis, PRC-based Talent has been courted highly, actively responding and planning further moves in 2011:

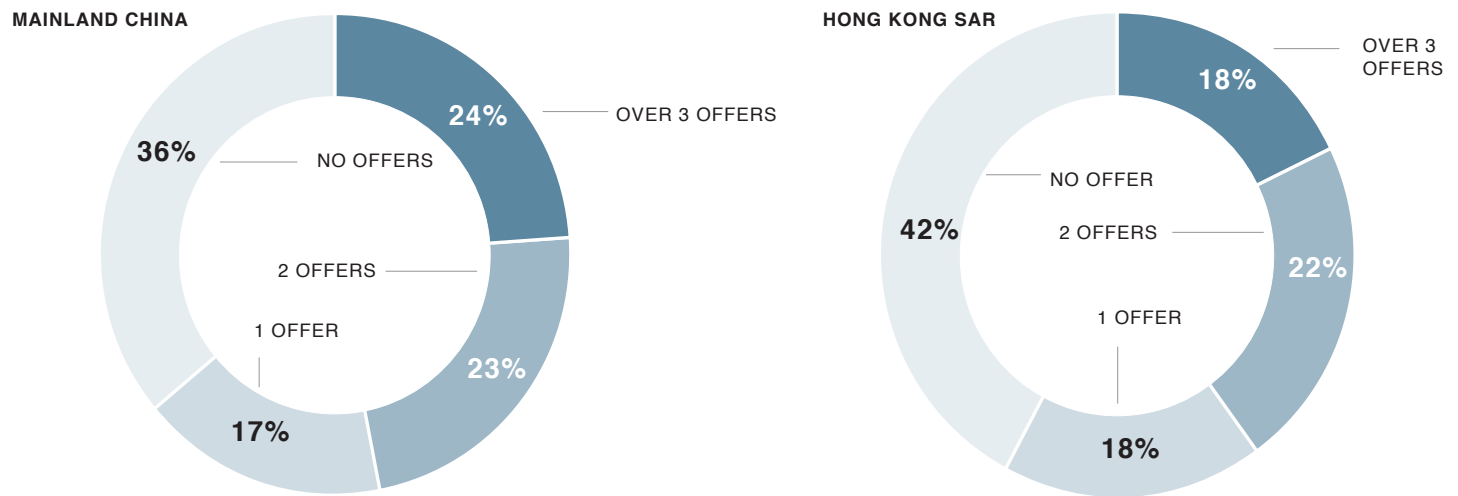
- The volume of opportunities and the considerable rewards available combined to give people confidence in the market and this drives their engagement in reviewing

or considering new opportunities

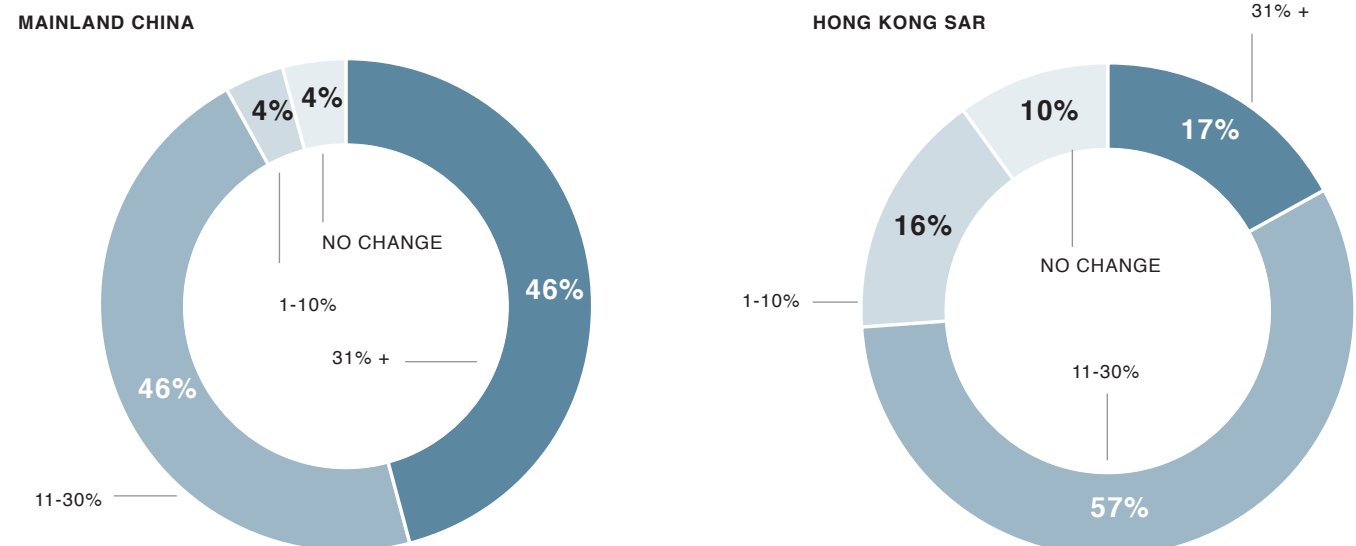
- 64% of Mainland China respondents had received an offer from another company in the previous 18 months; 24% had received at least three offers. (See Figure 3)

- Almost half of Mainland China respondents (46%) moved to a new role with a compensation increase of more than 30%. (See Figure 4)

**FIGURE 3:** Respondents with job offers within the last 18 months



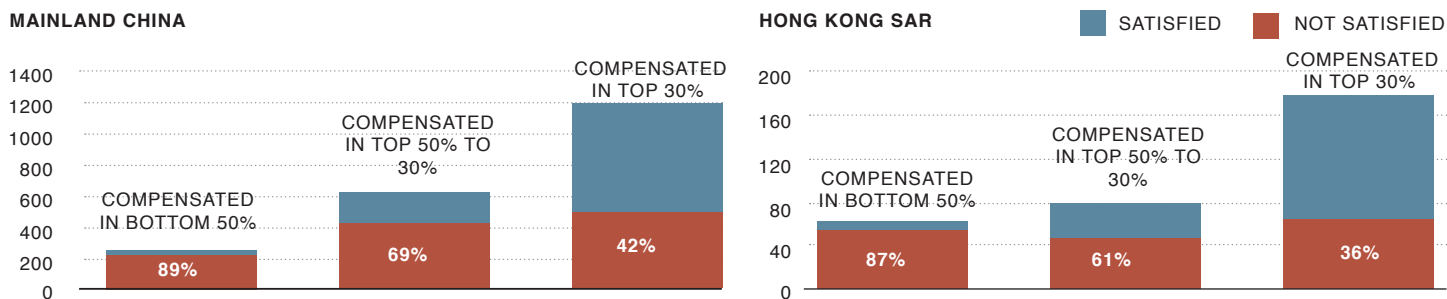
**FIGURE 4:** Increase in remuneration on job change



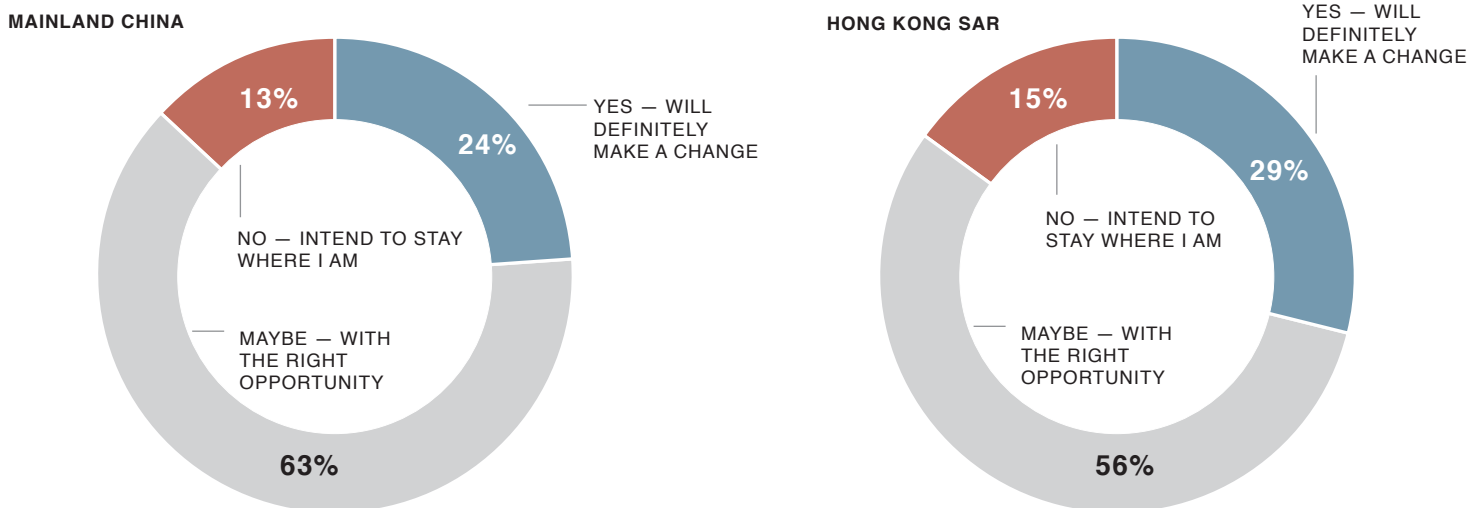
- Whether perception or reality, the majority of respondents indicated that they see themselves in the top 30% of the market in terms of compensation, yet 42% in Mainland China and 36% in Hong Kong are not satisfied with their current compensation. (See Figure 5)

- Accordingly, very few respondents are genuinely steady in their current job with 24% of the respondents in Mainland China and 29% in Hong Kong determined to make a change in 2011 and the vast majority open to new opportunities (See Figure 6)

**FIGURE 5:** Respondents' perception of compensation level and satisfaction rating



**FIGURE 6:** Respondents intention to change job in 2011



In conclusion, the outlook of talent markets in both mainland China and Hong Kong appears unstable for the following reasons: First, talents in general are unhappy about compensation. While the mentality of “there’s never enough money” may still be valid, we tend to believe that the lack of satisfaction is mainly driven by skyrocketing living costs in China. Second, the high volume of jobs continuing to be offered in both mainland and Hong Kong markets will prompt dissatisfied candidates to make quick changes. These factors combined make for a potentially lethal combination for employers in China.

Companies seeking to attract and retain talent are likely to face considerable pressure and increased costs on two counts should these market conditions continue. To retain current talent, rewards will play an important part, but can be balanced against areas such as challenging work, and increased earnings through increased responsibility. However, they also face the reality that almost half the candidates achieved over 31% increases in salary on making a move. This can and will make hiring new talent a potentially expensive business.

# KEY MOTIVATORS

## “CHALLENGES” AND “PEOPLE”

Respondents were asked to share their first motivator, the “trigger”, for remaining in their current employment.

The two key words seem to be “Challenges” and “People” well ahead of compensation especially in Mainland China.

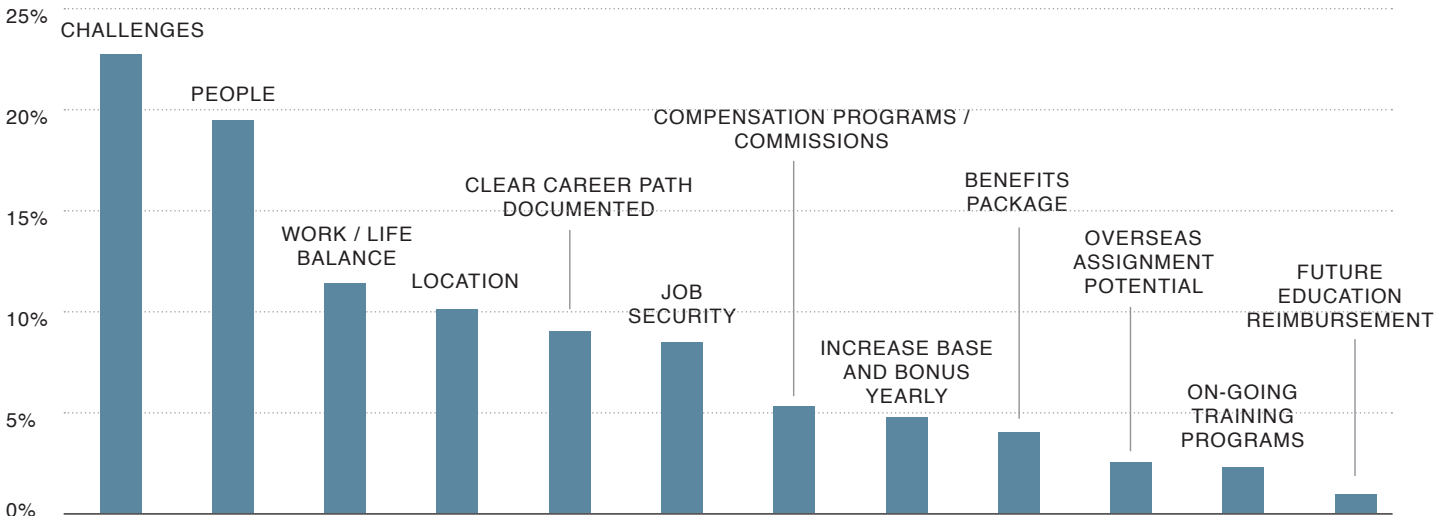
This finding emphasizes the fact that people satisfaction in the workplace is first and foremost

linked to a sense of progress and achievement in their work and to the culture of the company which is embodied by the people surrounding them.

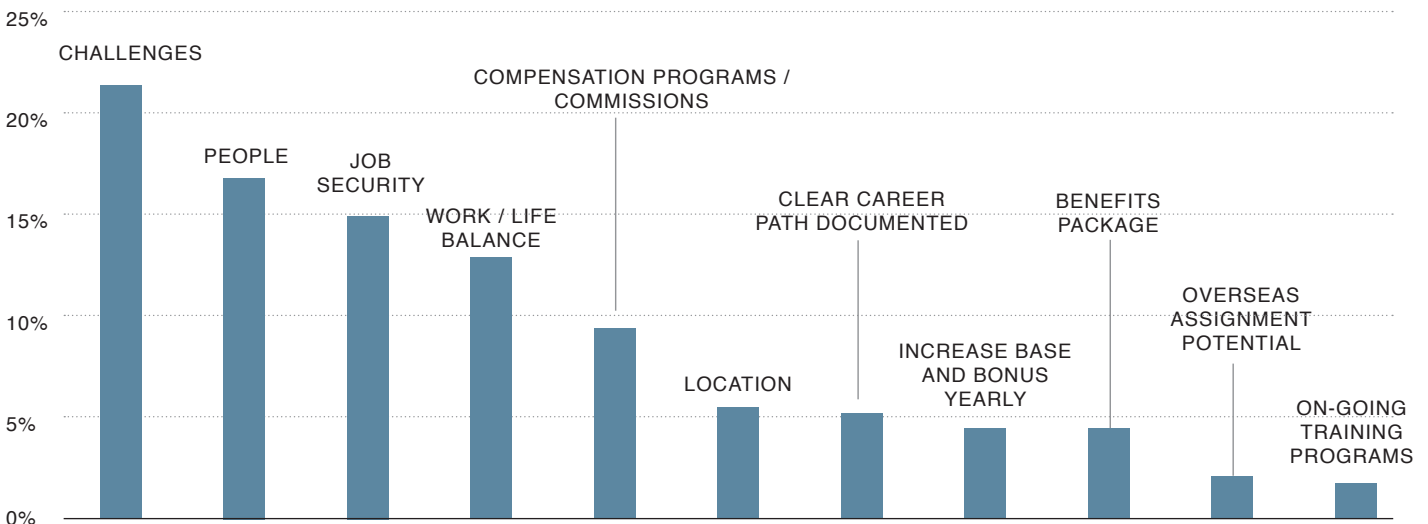
It is also interesting to note the relative importance of “Job Security” and of “Compensation” in Hong Kong when compared with Mainland China respondents. (See Figure 7)

**FIGURE 7: FIRST motivator to stay in current job**

### MAINLAND CHINA



### HONG KONG SAR



We then asked our respondents to share their first motivator, the “trigger” as well as their top three motivators when accepting a new role. We looked at

any differences by industry and were not able to find any significant ones – we also looked at differences by seniority level and found nuances worth highlighting.

## “RESPONSIBILITY” VS. “COMPENSATION”

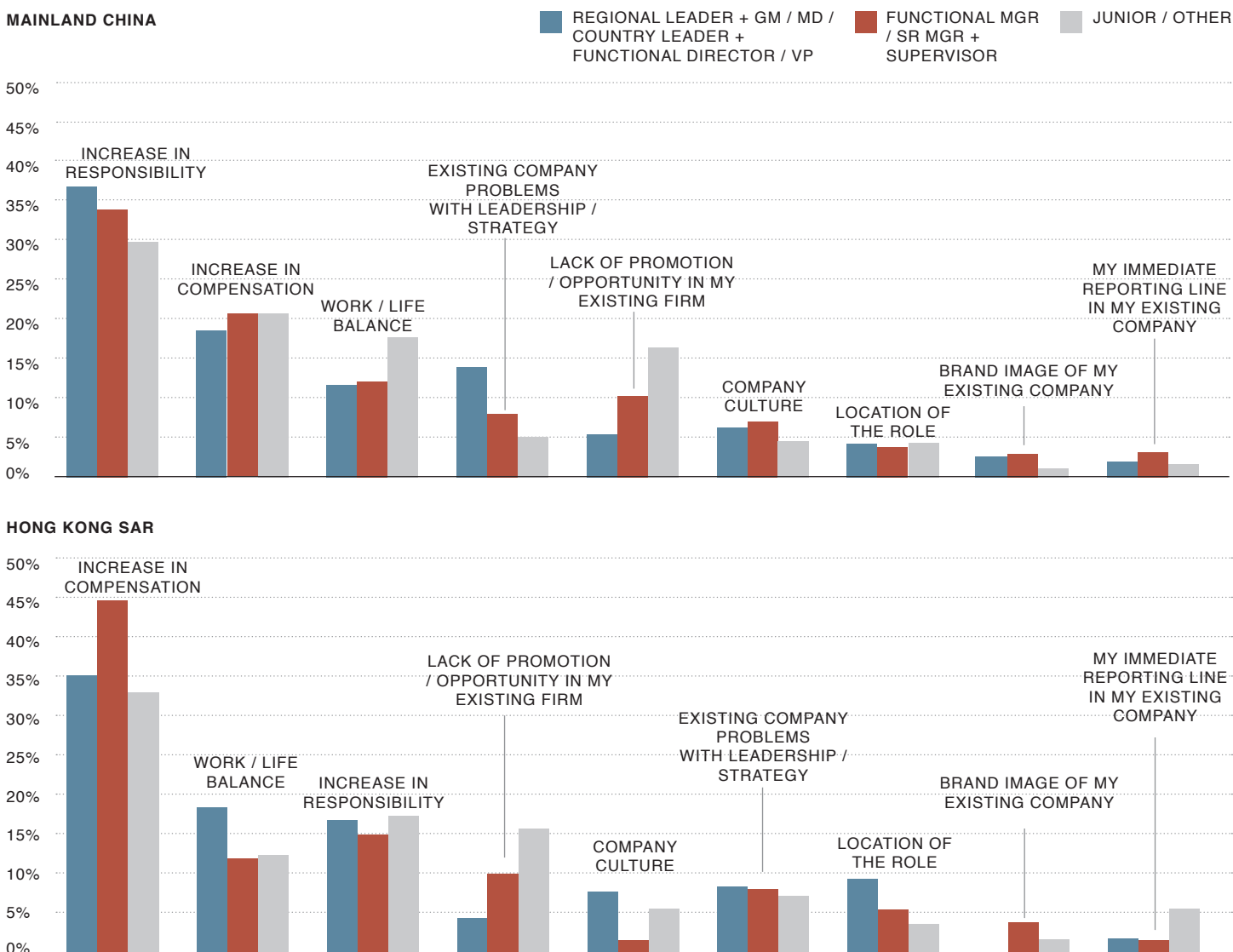
Perhaps confirming an underlying concern of job security and of financial pressure, 38% of Hong Kong respondents place compensation as their number one trigger for changing jobs whereas Mainland China respondents placed increased responsibility as their main trigger. (See Figure 8)

Considering that an increase in responsibility is usually accompanied by an increase in compensation, the outcome is probably the same, especially when referring to compensation

increases in Mainland China which were much higher than in Hong Kong.

However a worthy nuance to note when trying to attract talent in Mainland China is that increased responsibility and career progression is the most important driver ahead of compensation in absolute terms. Hence, Mainland Chinese people are probably reluctant to accept lateral moves even for more money.

**FIGURE 8:** First motivator to change job



# WORK / LIFE BALANCE

Work/Life balance is ranking third as the most important trigger for accepting a new role and one of the most cited drivers among the top three. (See Figure 9).

This is a significant finding as the notion of Work/Life balance has not been associated until now with the preoccupations of the workforce as it has been commonly thought that the talent in China was primarily motivated by compensation increases.

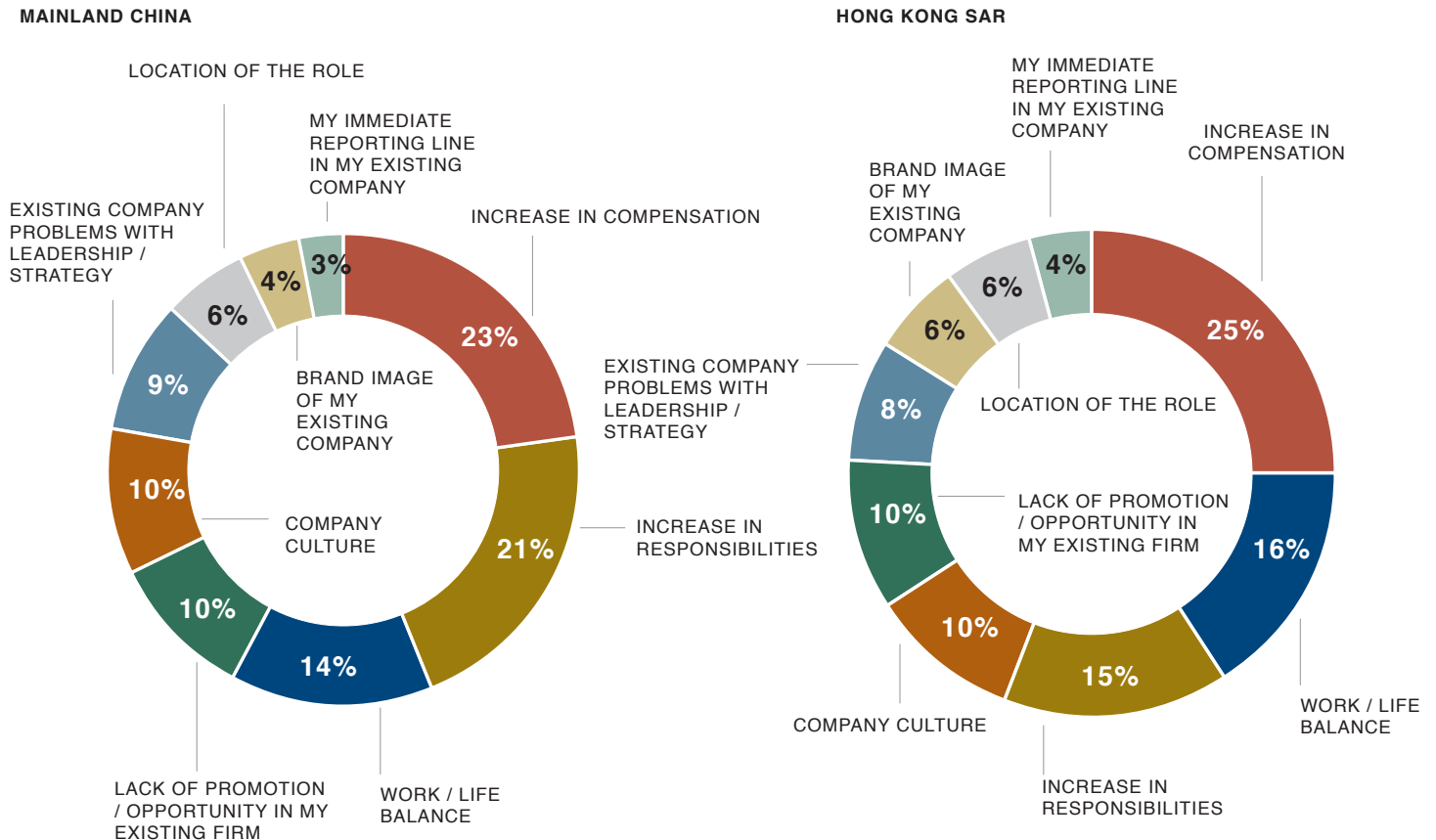
One possible cause can be seen in the rapid increase in compensation for mid- to senior-level talent over the past five years, which may put people in a more comfortable position to look for a broader, more holistic approach to their career choice. Those born from 1975-1987 now make up a significant portion of this highly sought-after talent pool. This coincides with a time of life when many are getting married, buying homes, and starting families during a critical phase of one's professional career. The competitive intensity and pace that characterizes business in China has

created a highly stressful environment for this new generation of professionals.

The desire for increased responsibilities and for Work-Life balance could create a significant challenge for companies seeking to attract and retain top young talent in China. China's pace of development and the year-on-year growth of companies combine to produce long work hours for management; not to mention the matrix management structures of companies that require China-based mid-to-senior talent to be engaged in late night and early morning calls to corporate offices in the US and Europe.

While in Hong Kong, Work/Life balance seems to be relatively more important to the most senior people who are also less keen on increased compensation, Figure 9 shows that younger managers in China are the ones facing the complex choice of wanting to achieve both: career advancement and Work/Life balance.

**FIGURE 9:** Key motivators to change job



# TALENTS ARE HIGHLY MOBILE

Since 2007, many parts of inland China have been growing at a faster pace than the coastal areas. The economic expansion of inland Chinese cities should further accelerate in the coming years with an increased demand on key professional talent.

This talent should ideally be found and developed locally. However, in a first step, companies will have to attract management and professional talent from their coastal based operations in order to transfer best practices and support their expansion.

Our survey indicated a strong appetite for mobility within PRC and Asia:

- 64% of respondents in Mainland China indicated that they are seeking work both inside and outside local markets while 29% of national respondents seek work inside their local market. We observed the same trend in Hong Kong.

- After the homeland, Singapore and Australia are the most sought after destinations.

- Within Mainland China, our respondents, primarily living in coastal areas, still chose coastal area cities as their location of choice. We could not find any indication that any of the “go west” initiatives or cost of living (i.e. housing) increase in tier 1 cities is a great influencer to relocate. Therefore, despite significant media coverage and investment in the “go west” initiatives, there could be a “disconnect” in the talent pool.

From a motivational standpoint, only 6% of respondents had indicated location as one of their top three motivators for a change, possibly implying that with the right incentives people would move. However, this may also imply that incentives to move, including responsibility and compensation, should be high. Workforce planning should be a very high attention area for companies looking to expand inland.

FIG. 10: Mobility intentions

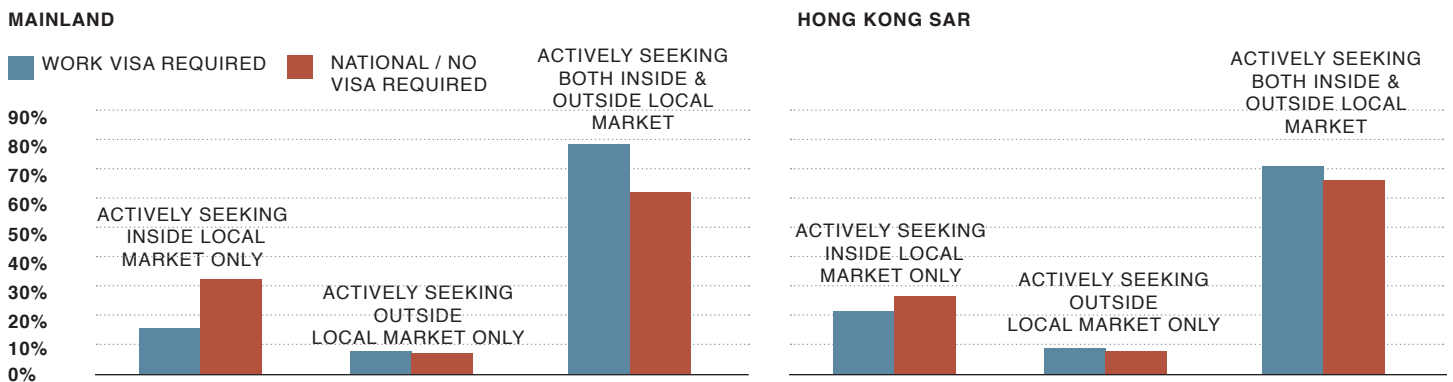
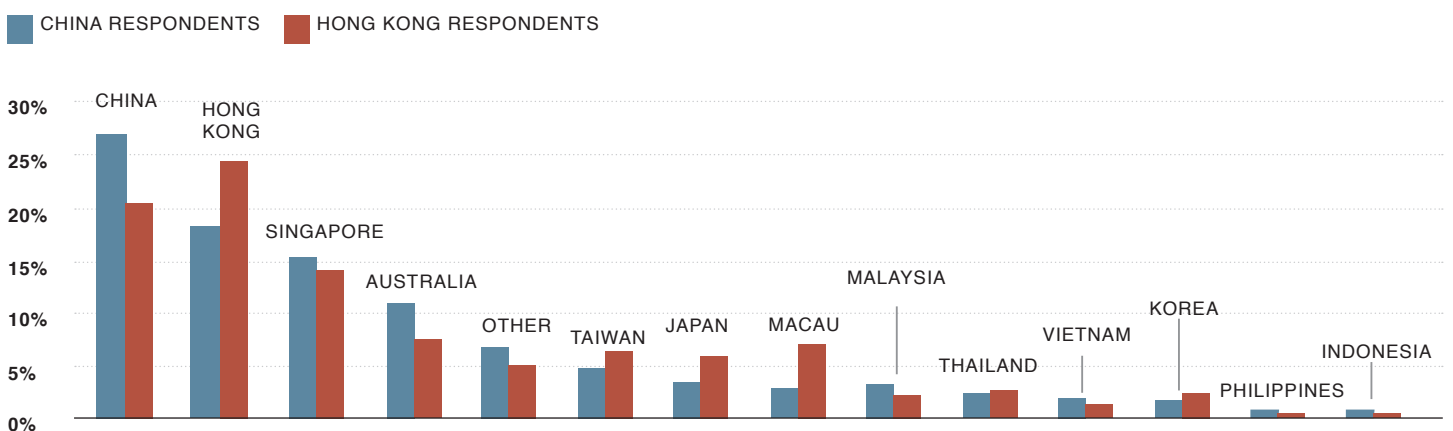


FIG. 11: Mobility interest by country



# RECOMMENDATIONS

Many companies are experiencing 10% to 40% growth in their top line revenues and significant headcount and leadership needs when, due to similar growth in China over the last decade, talent is already in short supply. This means companies must re-assess and consider new approaches to talent management and attraction.

In light of our survey results, this challenging search for talent is compounded by the added complexity of a maturing mid-to senior-level management profile seeking something more than a fast career and money.

There is no easy answer in such a competitive talent environment even when companies recognize the issue. However, placing the talent agenda at the core of its China strategy may mean the company stands a better chance of successfully coping with and transforming a talent problem into a strategic weapon to win over the competition.

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**Bearing in mind the insights gained from this survey, it is now our recommendation that, in order to retain top talent, companies should:**

## **1. UNDERSTAND AND LISTEN TO THEIR WORKFORCE.**

More specifically, identify key internal talent as they are most vulnerable to outside proposals for higher responsibility and compensation. Each business unit or department might perform a vulnerability assessment of their top people through an annual review process or some other vehicle to identify where there is most risk of losing talent and reduce these risks by offering solutions in a proactive way.

## **2. PROVIDE A CAREER PATH FOR TOP TALENT.**

In our experience, people listen to outside proposals when they have no vision of their potential evolution in their current company. Top executives should communicate their vision and expansion plans for the business, as well as the career paths within their organization that will enable individuals to strive for the top while enhancing company success. The good news is that talent in China does not leave for a new opportunity for money only – they are also seeking responsibility. Therefore, a promotion policy framework must be put in place in a proactive manner to prevent the attrition of key talent. Knowing that key staff may receive 20-30% increases externally is extremely painful but this does provide a benchmark as to how aggressive the company should be in considering compensation for critical staff.

Counter-offers, to be effective, should be sincere rather than reactive to a situation. Key talent will leave within a year of accepting a counter-offer if the promises made during the process, such as increased responsibility, are not fulfilled.

## **3. OVER-INVEST IN DEVELOPMENT AND MENTORING**

Western organizations are often surprised at the speed of promotion of young talent in China. As we can see from our survey, it is a self-inflicted collective challenge in the sense that talent shortages force greater risk-taking, leading to the promotion of young talent who are not necessarily ready for a higher challenge. Understandably, ready or not, when offered they seize such opportunities. Organizations should over-invest in developing and mentoring their talent in China to enable them to go up the career path at a faster rate than would normally be considered.

## **4. USE TIER 2 AND TIER 3 EXPANSION PLANS TO RETAIN TALENT**

High potentials respond well to increased responsibility and autonomy. Companies might implement an internal development plan for key staff that includes assignments with higher responsibility in less desirable locations on a project or fixed term basis. Such approach will help retain key talent in the organization, while giving them a chance to thrive in a visible role, earn more money, and grow in a high impact assignment.

## 5. BECOME AWARE OF WORK / LIFE BALANCE ASPIRATIONS

Like all challenges, this may also be turned into an opportunity. Companies should be aware of potential derailment in this area and develop initiatives after internal consultation. Since this is a relatively new concept in China, some business leaders may even want to build a strategy around it as a core value of the company and their employer value proposition.

**When attracting new talent to their organization, companies should:**

### 1. PUT TALENT ACQUISITION AT THE HEART OF THEIR BUSINESS STRUCTURE

Companies might assign a talent acquisition leader with a strong line to the CEO or MD of China. In many companies, this role is often situated 2-3 levels down from the head of the business. By greater emphasis, talent acquisition shifts from a recruitment procedure to becoming a strategic driver of the business. Nearly every executive in China identifies failure to attract top candidates to their company as a major obstacle to meeting the business goals of the company. By repositioning this function as its own department, with the full sponsorship of the MD/CEO, the function has a better chance of receiving the necessary resources and attention which in turn will result higher attraction of key talent.

### 2. DEVELOP AN ATTRACTIVE EMPLOYER VALUE PROPOSITION

In line with first recommendation, in this competitive market, delivering a clear message on the company's promise to an employee will enhance the effectiveness and the return on investment of talent acquisition efforts. With career development and Work/Life balance holding such a strong position in the minds of the talent pool, companies should align their promises accordingly in representing themselves in the market place. They should also choose the right talent acquisition partners who are able to convey in a positive way their promise and employment brand to the market.

### 3. BE PROACTIVE

Taking a proactive approach to talent acquisition is required if a company is going to prevent "crisis hiring."

Through talent mapping and a thoughtful candidate engagement strategy, companies can increase their chances of attracting "passive" (not actively looking for opportunities) candidates. Passive candidates will, by definition, be at a lower risk of receiving multiple offers during the recruitment process and thereby give the company the ability to approach without having to face competition from multiple suitors.

### 4. BE DECISIVE

The length of the selection process in China is a critical component for a company's success rate in attracting top talent. The survey indicates that many job seekers receive multiple offers. Often these multiple offers are received at the same time due to the slow interview and offer process of most companies. This gives the candidate the opportunity to interview with multiple companies and then compare offers to determine their "market value," and play companies off against one another. Much of this could be avoided if the selection process could be kept to 30 days. A streamlined process would eliminate much of this risk.

### 5. BE AWARE OF THE COMPENSATION CHALLENGE

As mid-to senior-level talent in China demand international standards of compensation and sometimes at a premium, companies must be competitive to attract the best people to their business. Derailing an internal compensation system to attract new talent is not an easy option, so companies will have to juggle and adapt to outside demands, seeking damage control while shaping their proposition around multiple dimensions, including career development and working environment.

In an overheated talent market, 2011 holds significant challenges as companies come to grips with the rising and shifting ambitions of talent in China. More than anywhere else in the world, talent should be on the agenda of any PRC-based CEO, as business success will be achieved through the retention and growth of a highly capable but demanding pool of professionals and executives. As always – a problem to solve and also an opportunity for the best employers.

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