

**TALOUSSANOMAT**

Wednesday 14 of July 2004

## Change of Top-Management Personnel Strains Western Companies in China

Every year four out of ten company leaders change their workplace.

Western companies striving to enter the Chinese markets face heavy competition for recruiting and keeping their local top managers.

China's workforce is gigantic, but companies want to recruit management personnel already trained by other foreign investors.

The problem of recruiting lays in the rapid change of higher management personnel. Foreign corporations seem to prefer to hire personnel already been trained by other foreign companies - i.e. engineers and financial management personnel.

Salaries, effective incentive systems and staff training are important factors, states the Managing Director of Fiducia Management Consultants, Mr. Juergen Kracht.

Fiducia operates offices in Beijing, Hong Kong, Shanghai and in Shenzhen providing executive search, market research and strategic consulting services for companies with planned or existing business activities in China. Among its international clientele, Fiducia also has Finnish clients, for instance in the machinery industry.

Fiducia is partner of the AIMS International Management Search Association. Apart from local managers, the targets for executive searches also include Westerners with practical working experience in China.

China's overall workforce represents 750 million people. Ten percent of this workforce is employed by companies in the private sector.

### **Proper Introduction leads to Corporate Culture**

According to the personnel consulting company Hewitt Associates, the change rate of top management personnel in China is the highest in Asia. More than 40 percent of company leaders in China change their workplace on their own initiative.

The company has to make sure that the employees are properly introduced to the company values, working styles and quality management systems. According to J. Kracht these are, without exception, very different from the Chinese state owned corporations.

Mr. Kracht advises that in China one must be very observant and critical for what one sees and hears; not everything you are being told is true. The recruiters must make sure that all the academic diplomas and work certificates presented to them are genuine.

Western companies operating in China recruit almost all of their personnel from the local workforce, e.g. 95 percent of the staff working for Nokia in China is Chinese.

According to J. Kracht, the market analyses of Western companies expanding their reach to China are often flawed and misled because they consider China as a one single market area. J. Kracht however divides China into eight areas that are each very different from the other in its economic development. In China the distances are as far as from Helsinki to Palermo: because of China's vast area and regional diversity, no company would consider entering this big market area with just one strategy.

Picture text: J. Kracht does not believe the China phenomenon will slow down. On the contrary, he predicts that the shift of European industry to China will continue for the next ten years.

Table text: A Chinese leader changes (job) easily. The amount of people who have changed their jobs within a year. (source: Hewitt Associates 2003)