Talent retention and development within multinational company in China

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Abstract
China’s economy is experiencing the most tremendous growth in the world. Many MNCs come to China mainly expecting cost-reduction and new market. But these MNCs face a shortage of talents in China. Thus, the MNCs search the ways to develop the talents by themselves and retain qualified talents. But not all Western retention and development tools can be applied to Chinese employees.

Thus the main question company has to answer in China is “How to retain and develop Chinese talents?” So in our study we intend to answer on this question and realize which tools MNC can use for retention and development of Chinese employees, and in what way it should adjust them with the cultural characteristics of Chinese employees.

In order to achieve it, we conducted our research using different methodologies (literatures, case studies, interviews) to find the answer about effective retention and development of Chinese employees.

Key words: motivation; talent retention; talent development; retention tools; development tools, Chinese culture, Confucianism, Daoism,
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1. Introduction

In this chapter we introduce our topic of research and main research questions. We explain why our research problem is so important today. We also represent the purpose of our research and the framework for the thesis.

1.1. Background

Today, the constantly changing environment, global competition, the nature of work made companies to realize the importance of talent in the success of organization. Now-days the competitive advantage of most companies on global market lies in the ability to create a profit driven not only by cost efficiency, but by the ideas and intellectual know-how. The networked and knowledge-based environment made the intangible assets like skills, relations and reputations of highest value (Bryan, Lowell L. 2007). In average across all industries, only around twenty to thirty percent of value is given to tangible assets (Cheese P., Thomas R. J, Craig E., 2008). The greatest part of a typical company’s value comes from intangibles, including unique knowledge, ideas, customers, people, time, reputation etc. The intangible assets in the organization are created by talented people, whom company needs to attract, develop and retain. Thus talent management is “the implementation of integrated strategies or systems designed to improve processes for recruiting, developing and retaining people with the required skills and aptitude to meet current and future organizational needs” (Snell, 2007). The result of taking talent management as a strategic issue is mainly delivery performance improvements.

China’s economy is experiencing the most tremendous growth in the world and China is quickly becoming the actor of the superpower set. With a fast developing economy and an improving investment environment, China has attracted many multinational corporations to come and do business. Additionally, since 2004 it has become the world largest recipient of inward FDI (Chen, 2008). Global competition also accelerated the MNCs to search for cost –reduction and new markets. During the third wave of internationalization many Western MNCs established themselves in Chinese market (Jansson, 2007). And in recent years, emerging markets are getting even more attractive as the talent pool is shrinking continuously in the mature market owing to the low birthrates and the aging population.
1.2. Problematization

1.2.1. Shortage of talents

As we observed above, talent management includes recruitment, development and retention of talents in the company. Today most of companies don’t focus on all the components of talent management. Huge amount of investments of money, energy and time have been spending today by big multinational companies in order to attract top talents. But the issues of development of the personnel within the company as well as retention are put aside, leading to higher turn-over and less effective performance. The issues of development and retention are getting even more important in case of Chinese environment, where the gap of skilled and qualified talents takes place. In the conditions of emerging market, the demand for Chinese labor aroused rapidly, and the demand of talents today exceeds the supply. China possessed only a very limited “qualified” pool of talents that is employable in the types of positions required by foreign invested enterprises, owing to many social factors, such as lagging education system, dispersion of labors and lack of mobility of population etc. Because of China’s looming talent shortage, the competition for this talent is intense. The main problem of modern organizations is their lack of attention to the development and retention of current employees, which is getting even more essential for companies operating in Chinese environment.

1.2.2. Motivation of Chinese employees

With deeply involvement in global economy, the Chinese traditional managerial styles are partly influenced by Western systems, but working motivation is still based on Chinese cultural model. In this sense, a huge gap between Chinese and Western culture leads to difficulties for MNEs to fit the Chinese way to motivate. In terms of benefit packages, one issue taken into consideration by the MNEs is high family values in China, such as monetary assistance with single child family, payment of wedding and parental leave and housing allowance etc. But foreign firms always ignore these valuable factors of working motivation in China. Moreover, difficulties of promotion as well as heavy workload in foreign firms make huge number of employees flow out from foreign companies these years. Today, many Chinese employees are taking advantage of the opportunities a tight labor market has to offer, showing little loyalty to employers who do not provide them the opportunities they want or need (Liu, Kurlinski, 2007). According to the 2008 investigation of Chinese occupational orientation, the percentage of graduates with intention to work in foreign companies is obviously decreasing in the recent years while a growing number of graduates prefer to choose domestic enterprises or SOEs (state-owned enterprises) (China
Economic net., 2008). It can be seen that ongoing mismatch of Western and Chinese motivation styles make retaining employees the greatest challenge the MNEs face in China.

1.2.3. Talent development within MNC

At a time of greater awareness of China’s looming talent shortage and competition for it, and the importance of talent management, as sequence, has become one of the hottest topics in the context of understanding those factors which will ultimately help foreign companies to be successful while operating in China. Effective development of talents within the company is based on the learning processes built within the company. During the building of learning processes within the company in China Company can meet difficult challenges due to unique characteristics of Chinese culture and educational system particularly. Thus, giving ideas by the employees to their managers, Chinese assumption that senior person knows better, as well as can be directed by the fear to lose “face”. The other option, preventing from effective learning and exchange of knowledge and experience can be feature of China’s education system, which rewards people who know the “one right answer” (T. Woodland, 2007). The effective learning process demands the team – work, but now the new generation of singles, one-child-in family generation is coming, which is not used to perform in group. Also lack of creativity and initiative to learn can be raised by prescribing Asian education tradition, when students don’t have to plan or manage their learning - they need just follow requirements of teachers. As we already mentioned the concept of ‘face’ plays the critical role in Chinese society. The concept of ‘face’ leads to high sensibility of Chinese employees to feedbacks about the work from managers and colleagues. These are main challenges the company can meet while building learning processes.

Regarding to ability of dealing with the change in learning process, MNCs will meet a difficult challenge, that is, Chinese employees have strong resistance or immunity to change. Admittedly it is natural habit for people and organizations to resist change when being forced to give up something that was the basis of past success (Woodland, 2007). But in the Chinese case this resistance to change is much stronger. Confucianism and Daoism have deeply influenced the Chinese cultural formation as well as a way of people’s life. But, as Tawney and Chiang (2002) note, the negative side of Confucianism or Daoism is conservative and oriented toward the past. These philosophies, developed in an agricultural and patriarchal society, claim taking things as they come but strongly argue against any form of transformations or changes. Even young generation who accept education based on Confucianism and Daoism appear more conservative, having strong resistance to change. So in the process of learning process overcoming Chinese
employee resistance to change is of particular importance.

1.3. Research questions

*Research question 1: How to retain Chinese talent in MNC?*

*Sub-question 1:* What motivate the Chinese talents to retain in MNC?

*Sub-question 2:* What kind of retentions tools can be used to retain Chinese talents?

*Research question 2: How to develop Chinese talent in MNC?*

*Sub-question 1:* Which tools can be applied for the development of Chinese talents?

*Sub-question 2:* In what way the development tools can be applied for Chinese talents?

1.4. Purpose

The main purpose of our thesis is to describe the development and retention strategies of the MNCs operating in China. We analyze the challenges these companies meet in China while developing and retaining talents. Based on the research done we intend to recommend MNCs with the local offices in China how they can improve their approaches to talent retention and development, how they can use the tools and methods for retention and development more effectively.
1.5.1 Structure outline

1. Introduction
2. Methodology
3. Theoretical Framework
4. Empirical Study
5. Analysis & Findings
6. Conclusions & Recommendations
2. Methodology

This chapter aims to describe how we performed our research. We cover different research methods and explain why we use them. We start with the description of research approach we deployed, then we give reasoning for research strategy chosen. After that, we move to the data collection aspect and finally argue for validity and reliability of our research.

2.1. Research approach

In order to construct the process of our research we used abductive approach. This approach integrates the deductive and inductive approaches, making research more interactive and resulting (Dubois A. and Gadde L.-E., 2002). The inductive method relies on theory, which is developed through empirical findings. On the contrary, deductive method implies to practical testing of already existing theories.

The abductive approach helps us to realize the fit between empirical data received and theoretical knowledge on development and retention theories for China. By that we develop the background for expanding our understanding of these two aspects. In our research we went “back” and “forth” moving between theoretical findings and empirical data we had received, as a result we got more insights and more deep understanding of our research problem.

In our study, firstly, we identified the sphere of our interest - talent management in China. After that we explored the articles, books, internet resources on this subject and identified the problematic aspects, which have not been penetrated in previous research. After that we formulated the research problem and built theoretical framework for its resolving. The other step we took was testing of the theoretical findings and our hypotheses, made from knowledge about Chinese culture. Then, we received the empirical data from interviews and sites of companies which provided us with approvals or disapprovals of theoretical findings and hypotheses. This empirical data enhanced our understanding of research problem and became a background for resolving of our research problem.

So the abductive approach allowed us to discover new approaches to the existing problems in reality and to develop the theory on retention and development strategies in China.
2.2. Research strategy

Yin (2003) accounts for five different research strategies: experiment, survey, archival analysis, history, case study (Yin 2003). Three aspects distinguish these strategies – types of research questions, the extent of behavioral control and the degree of focus on contemporary events. In our research we have mostly “how” and “why” questions, these research questions can refer to the following strategies – history, experiment or case study. Obviously, history strategy focuses on the past and concerns situation when the research is based on the secondary data or artifacts. In our case, we research on contemporary events. Experiments and case studies imply to contemporary situation. But experiment refers to situation when the behavior of respondents is controlled directly and systematically. In our situation, we research on multinational companies and can’t manipulate their behavior. So after the analysis of different research strategies we can see that the most appropriate strategy in our thesis is case study research strategy. Firstly, we use “why” and ‘how” research questions in our thesis: “How to retain talents in MNCs in China?” and “How to develop Chinese talent in the MNEs?”. Secondly, we analyze current situation - we observe the current behavior and relationships of MNC companies in China with Chinese employees. Thirdly, we don’t manipulate relevant behaviors, we observe them and analyze. We conclude that case study is the most appropriate strategy for our research.

2.2.1. Case study

2.2.1.1. Case study design

Case study design is an important part of research work called to connect empirical studies with theoretical findings. According to Nachmias & Nachmias - research design is a plan that “guides the researcher in the process of collecting, analyzing and interpreting observations”. Case study design enhances the ability to find relevant for the research questions data. There are four main case designs: holistic single-case design, embedded single-case design, holistic multiple case-designs, embedded multiple case-designs (Yin, 2003). In our research we imply embedded multiple design. Embedded design means that the cases we are taking are characterized by multiple units. The multiple units in our cases are: the way in which MNCs in China retain local employees and the way it develops them. We have two-case studies, thus we can come to more substantial conclusions and to be more objective than in one-case studies (Yin, 2003). Also two cases have different circumstances and we still give the same conclusions for them, making our studies more general and reliable. In our thesis the multiple case design is more relevant as we need to develop existing theoretical framework: we already have plenty of theories devoted to
the development of Western employees. But our research intends to develop theory concerning especially Chinese employees’ development. Contrary, the single-case study is associated with risk that it is a unique case and it can be special conditions surrounding this case, making it hard to fully rely on empirical study. Two cases resolve the risk of skepticism and make our empirical study more reliable.

2.2.1.2. Choice of companies

The selection of companies was made according to different issues. Firstly, we searched for multinational companies which use development and retention tools for their personnel. Secondly, we had positive cooperative experience with Swedish companies, thus, we focused on the Swedish MNCs operating in China. After that we established personal contacts with the HR managers of the companies Electrolux and Atlas Copco in Sweden. Finally, these HR managers kindly provided us with relevant contact persons in China. Thus, we consider that selected companies are relevant for our research, being MNCs developing talents in China. We also contacted two more companies, but after interviews we figured out that they don’t use retention and development tools in their everyday work in China. So, we assumed the data collection of these companies to be irrelevant for our research and continued to analyze two remained cases.

2.3. Research method

2.3.1. Qualitative research

When processing a research, it is crucial to choose a proper research method. There are two different types of research methods: quantitative and qualitative. In our research we use qualitative research. Qualitative research approach concerns the real situation with specific conditions, without any emphasis on statistics or quantifications (Patton, 2002). The findings in qualitative research arrive from the observation and analysis of real situations. Contrary to the quantitative research, “which seeks predictions, facts, statistics and generalizations” (Hoepfl, 1997).

There are several circumstances when the usage of qualitative research is more relevant. According to Strauss and Corbin the qualitative methods can be used for better understanding of any issue about which little is known. Also qualitative approach is effective for getting a new perspective on the well-known things. Qualitative method can be used for making research where quantitative analysis can’t give clear explanations. In our situation we have little theoretical background concerning special retention and development tools used for Chinese
employees, thus we use qualitative methods. We observe, describe and interpret information, received from different sources: interviews, documents, observations and forth (Hoepfl, 1997).

2.4. Data collection

Data that collected for this study is from both interviews and the second data of MNCs.

2.4.1. Interview

The primary data in our research are gathered through interviews within two Swedish MNCs. As Glaser (1992) said that the common way of collecting qualitative data is to the conductive of interviews, it enable one to acquire loads of insightful data in a very short time. It is also possible in this technique to ask follow-up questions if the respondents don’t give enough information (Bryman, 2002).

With respect to the researcher’s desire for structure, there are two different kinds of interviews: highly structured questionnaire-driven interviews vs. unstructured open-ended conversational formats (Merriam, 1998). In the study, we developed a highly structured questionnaire, emulating from the formulated research questions, which were based on the theory background for talent retention and development. However, rigidly adhering to predetermined questions may not allow access to participants’ perspectives and individual perceptions. This is true also for this study. During the interviews, we attempted to generate more less-structured and open-ended questions according to interviewees’ responses. So our interviews are conducted as semi-structured conversational manners. As Bryman (2002) states that semi-structured interviews allow the researchers to interview the respondent more times if necessary. This data collecting method is also appropriate for collecting the empirical findings as it gives the study deeper information and wider angles about the subject straight from the source (Jacobsen, 2002). Using this method, we can therefore be able to adapt our questions to the situation.

All interviews have been mainly conducted through telephone, email with the HR manager or Learning & Development manager, for each of chosen companies. The interviews varied from company to company due to the time availability. As Jacobsen (2002) said that the telephone interviews, in comparison with personal visits, are negative in aspects such as the interviewer is not given the opportunity to observe the interviewee during the interview. In addition to this, a face-to-face interview is likely to be more opened and thus more rewarding since the contact becomes more personal between participants involved. The main reason we choose this data collecting method is due to the limited time and limited financial resource we have. Thus, face-to
face meeting could not be conducted, and the high traveling fee constrains us to China to have face-to-face interviews. In order to offset the negative effect of phone interview, we informed case companies about our main questions before the interview and make it possible for interviewees to prepare in advance; after our interview we sent our follow-up questions to case companies and also get the supplementary information via email.

2.4.2. Secondary data

As Strauss and Corbin argued (1990) it is not necessary to master the field by thoroughly reviewing literature before starting the research. The literature here can be newspapers, books, journals, articles, and so forth. Indeed, literature is used somehow throughout all stages of the research, but when using secondary data as a source in a research it is important to be critical to the data and also to the selection of the data, thus to make sure that the data is reliable (Jacobsen, 2002).

2.5. Quality of Research

Patton (2001) states that validity and reliability are two factors that any qualitative researcher should concern about while designing a study, analyzing results and judging the quality of the study.

2.5.1. Validity

In general, validity concerns the degree to which an account is accurate or truthful as well as the degree to which a finding is judged to have been interpreted in a correct way (Golafshani, 2003). There are three main types of validity in qualitative research: internal validity, external validity (generalizability) and construct validity (Yin, 2003).

2.5.1.1. Construct validity

Merriam (1989, cited in) introduces this type of validity during the data collection and data coding, namely construct validity. It refers to the establishment of correct measures for the concepts investigated in the study (Yin, 2003). A number of methods are used to enhance the construct validity:

- Using multiple sources of evidence
- Establish a chain of evidence or protocol illustration
- Use key informants and influential figures to review the case study report
Hsieh and Shannon (2005) suggested that the data coding in directed content analysis is started with a theory or relevant research model, so the categories are generated from the framework. In our case, we select two main categories which are two building blocks of our theoretical framework in our thesis: talent retention and talent development. The one of constructs include subcategories (as Figure 1 shows).

We construct these categories because they consequently lead us to answer our main sub-questions and then help us figure out the resolving of our main research question: how to retain and develop Chinese employees in the MNC. Regarding the motivation of Chinese employees, we used Western basic theories of motivation and cultural model as a framework upon which data was matched and collected. The analysis of this subcategory brought us to the conclusion about talent retention of Chinese employees in terms of motivational factors. As for retention and development tools, we pick up existing and approved theoretical concepts and categories (Vaiman & Vance, 2008; Janet Chew, 2004; Rothwell, W.J., 2001; Rothwell, Jakson, Knight, Lindholm, 2005 etc.).

Additionally, triangulation was used to gather data from many sources, thus acquiring legitimacy. In our study, we collect primary data from interview and second data from the theory review. Due to all mentioned factors, we can make objective judgments. Thus we argue that our construct validity is high.

2.5.1.2. Internal validity

Internal validity refers to the level of matching and congruence of findings in relation to reality (Merriam, 1998). Internal validity plays a very crucial role for the conclusions and
recommendations, we give AC and ELS on how to retain and develop their Chinese employees by considering cultural issues. As Merriam (1998) claims that “data do not speak for themselves”, the researchers are those playing the role of interpreters of the phenomenon studied. Interpretive validity is obtained to the degree that the participant’s viewpoints, thoughts, intentions, and experiences are accurately understood and reported (Johnson, 1997). In our case, both respondents speak Chinese in the phone interview and we need to translate into English, in which process small translation error is hard to avoid. Several strategies can be also applied in order to enhance internal validity. Merriam (1998) suggests the usage of triangulation which is using more than one researcher, as well as carrying out checks with respondents, repeated observations, peer examination and collaborative modes of research. Firstly, to improve mutual understanding and interpretation, we conducted interview in Chinese. One of interviewers is from China and has a good understanding of what participants articulate in the interview. Secondly, we have used two sources of information and data—primary data from interview and secondary data. Thirdly, during our interviews we also send the data translated into English to respondents and make them to confirm the information. In order to keep the interviews genuine and transparent, we provide the representatives accounts in empirical study when translating them into meaning structures in order to enable the reader to evaluate the translation. Last not least, researchers are representatives of different cultures from West and Asia, and we constantly made mutual supervision by that keeping the right interpretations of our research. Additionally, we constantly involved our tutors to participate in process of interpretation. In short, we deem our internal validity is high.

2.5.1.3. External validity

A second concern that needs to be discussed is to what extent the results of a research study are generalizable, which refers to the external validity of a research study (Merriam, 1989). External validity concerns the extent to which the empirical and the theoretical results can be applied to other situations other than the present case study. But in qualitative research, prior elimination of threats to validity is less possible, since qualitative research is more inductive, and it focuses primarily on understanding particulars rather than generalizing to universals. Merriam (1998) suggests two relevant strategies for enhancing the possibility of generalization of case study: rich thick description which requires enough context description provided by the researchers; modal category which describes how typical the phenomenon studied is. These methods allow the readers to make relevant comparisons related to their own situation. In the
study, we do not only give a full description of different approaches to talent retention and development applied by the MNC, but give insight into characteristics of Chinese culture as well as national condition where MNC are operating. Within our investigation we described the applicability of Western approaches to talent retention and development in China. We researched on two case-companies instead of one, which makes our study more valid. The other fact is that we picked out typical multinational companies: both of them MNCs originated from Sweden, with the similar quantity of employees, and solid experience in China. All these facts can ensure that other Western MNC company of similar size can have the same challenges and ways to overcome these challenges, while working in China. Contrary, we suppose that the results of our research can hardly be applied to the multinational small-sized company in China. So according to all these facts we consider our research to be characterized by rather high external validity.

2.5.2. Reliability

Reliability refers to ability of other interested persons to repeat the research and receive the same results. According to Joppe (2000) reliability is “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. (p. 1).

According to Yin the main method to assure reliability is to record all the steps conducted in details, like a supervisor looks after every your action (Yin, 2003). So we documented all our steps carefully. We constructed questionnaire and used it for both companies, in order to ensure the quality of conclusions made. Importantly, we attach the questions and the answers to our thesis to ensure the reader that our research results are reliable. In our research we used same questionnaires for both companies. Due to cultural peculiarities interviews were conducted in Chinese language, thus some data can be misinterpreted due to the translating issues. The interviewed figures were given wide explanations of questions given. Also in case of misunderstandings the interviewer asked additional questions for clarification and details. Both respondents were asked to provide examples, which decrease the risk of misinterpretations heavily, making our research more reliable. In the same time both interviews were recorded electronically and then transferred in written form, so as to guarantees that we do not miss any details from the interview. The results of translation and interpretation were sent to interviewed persons for approval. After that, we analyzed the information received from our case companies and provided some extra questions for respondents in written form, in order to clarify some
issues. In spite of the need to translate the data collected from Chinese to English we evaluate the reliability of our research to be acceptable.

In sum, in our exploratory research, we use the qualitative research method, applying both secondary and primary data collecting approaches in order to interact as much as we can with the empirical and theoretical levels. The deployment of case strategy enhances our findings concerning the tools of retention and development to the Chinese talent within the MNCs. Whenever we gather the first hand data or secondary data, we emphasize the validity and reliability of our research. We emphasize the validity and reliability of our research.
3. Theoretical framework

In this chapter we will present the theoretical foundation for our thesis. Firstly we will present basic theories of motivation and talent retention approaches that provide an insight in our first research question which is: “How to motivate and retain Chinese employees in MNC?” Then it will be continued by the theories discussing strategic approaches to talent development, which concern our second research question: “How to develop Chinese employees in MNC?” The chapter will end with a synthesis that sums up the essentials of our theoretical foundation.

3.1. Talent retention and development

On the process perspective, talent management includes recruiting, developing and retaining people within the organization (Alice Snell, 2007). In the whole process, Echols (2007) claims the retention as the final struggle of the talent war, aiming to take measures to encourage employees to retain in the organization for the maximum period of time. Talent leaving is harmful to a company's productivity because costs of attrition are high. Direct cost refers to leaving costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale (Schlesinger and Heskett, 1991).

Talent Development is the process of changing an organization, its employees, its stakeholders, and groups of people within it, using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization (Rothwell and Kazanas, 2004). As businesses continually apply new technologies, new business growth models, and new market strategies, the workforce’s up-skilling becomes constant and continuous.

Understanding strategies to talent retention and development is able to help foreign companies to be successful operating in the Chinese marketplace.

3. 2. Talent retention in China

3.2.1 Basic theories of motivation

There is a hidden force to enable organizations to keep talent, that is, motivation. What people view as a motivation is grounded in their individual values, beliefs and attitudes which can vary among cultures and continents (Vaiman and Vance, 2008). To understand these hidden influence and emotions, it is useful to review the basic theories that provide the basis for talent management.
3.2.1.1. Hierarchy of needs

One of the more recognizable motivation theories in the Western world is Abraham Maslow’s “Hierarchy of Needs”. It is depicted as a pyramid consisting of five levels, which signifies needs are predetermined in order of importance. While after the satisfaction of the basic needs in lower level, people are seeking physiological needs, they need to feel safety, need to be loved, to be respected and they want to achieve some sort of reputations or social class. The theory argues that employees must be fully satisfied by lower-level needs before they can move to high-order ones (Maslow, 1954). However, this theory has its limitations when they are applied to Chinese work organizations because it is quite America-dominated. Maslow’s motivational theory has been criticized as reflecting a particular individualist view of the world with the “self-actualization” being at the top of the need hierarchy. It is proposed that there exists a fundamental difference between Maslow’s classic formulation of Western culture’s hierarchy of needs and a Chinese hierarchy of needs based on Eastern culture (Hong, 2000). For example, Chinese employees put the family issues on the quite high positions of their life while Western firms always ignore this cultural message in the Chinese market (Jansson, 2007).

3.2.1.2. Existence-Relatedness-Growth (ERG)

By contrast, Alderfer’s “Existence-Relatedness-Growth” (ERG) argues that people can have more than one level of needs at any given time and there is no orderly progression through level of needs. Employees can pursue personal development while existence and relatedness have not been fully satisfied. It means that companies are able to motivate workers on multiple areas in the same time. It is acknowledged that workers can remain on one level of needs: when they feel dissatisfied with the higher order of needs, they can return to the lower one (Alderfer, 1972).

3.2.1.3. Acquired Needs Theory

In David McClelland’s “Acquired Needs Theory”, individual’s higher order needs are divided into three categories: achievement, affiliation, or power. He argues that people are not born with, but acquire these three reasons for working. Application of these three factors in talent management is able to help companies effectively motivate employees across different kinds of boundaries, both geographical and cultural (McClelland, 1962).

3.2.1.4. Equity theory

Adam’s “Equity Theory” asserted that employees seek to maintain equity between the inputs that they bring to a job and the outcomes that they receive from it against the perceived inputs and
outcomes of others. People value fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. Individuals become distressed when finding themselves participating in inequitable relationships. The person who gets too much may feel guilt or shame. The person who gets too little may feel angry or humiliated (Adams, 1965).

3.2.1.5. Theory X and Y

Douglas McGregor’s Theory X and Theory Y represent two very different attitudes towards workforce motivation and figures out that companies followed either one or the other approach. In theory X, which many managers practice, management assumes employees are inherently lazy and will avoid work if they can. Workers need to be closely supervised and comprehensive systems of controls developed. In theory Y, management assumes employees may be ambitious and self-motivated and exercise self-control. They believe that, given the right conditions, most people will want to do well at work (McGregor, 1960). A cross-cultural comparison of managerial styles shows that Theory X is more applicable in a Chinese context, whereas Theory Y in the West (Evans, Hau, & Sculli, 1989).

3.2.1.6. Cultural model and Chinese cultural messages

As observed above, Child (1994), Henley (1990) and Nevis (1983) indicate basic motivation theories have limitations when they are applied in Chinese work organizations because they are based on Western values. To overcome these inappropriateness, D’Andrade and Strauss develop a cognitive anthropological approach and claims that motivation depends on cultural messages and is realized in social interaction. It is argued that cultural models can have motivational force because these models not only label and describe the world but also set forth goals (both conscious and unconscious) and elicit or include desires (D’Andrade, 1990; Strauss, 1992). Hong (2000) reckons cultural model as the most useful theory applied in the Chinese context.

China is one of the unique countries managed to save its traditional core values along four thousands years of history, in spite of hundreds ethnic groups have existed within the country, among them Confucianism and Daoism are most famous and far-reaching. A major characteristic of relationships within the social network is “face” behavior, which is the major expression of the shame culture. In the shame culture, everyone keep “face”, and this means that values such as dignity, self-respect, and prestige are central factors in a relationships. As for the expression of initiatives, the employer prefers to agree with the senior manager, in order to prevent himself or
this manager to lose “face” and to save harmonic relationships. On the other hand, “face” is also considered as an informal sanction mechanism or custom (Jansson, Johanson and Ramström, 2007). The Chinese culture is also characterized by harmonization of contrasts, namely middle way. Harmonious cooperation, willing to compromise, not contest, is typical of Chinese (Zinzius, 2004). Interpersonal relationships (Guanxi) are still important in the informal Chinese social networks, based on individual trustworthiness.

3.2.2 Talent Retention tools

Only through appropriate tools companies can apply basic motivation theories to strategies about talent retention. Vaiman and Vance (2008) define two classifications of retention tool to suffice employees’ expectation: extrinsic and intrinsic incentives (See Figure 2). Extrinsic incentives includes different sorts of monetary rewards which can satisfy employees’ physiological needs, while intrinsic incentives refer to non-monetary rewards that can fulfill employees’ psychological needs.

The monetary reward is admitted as an essential tool to retaining talent (Vaiman and Vance, 2008). Maslow’s “Hierarchy of Needs” argues the physiological needs have to be satisfied before concerning with the higher order needs. This theory can explain why there are still a lot of people believe that money is the best reward. Facility is another extrinsic motivation. Maslow also addresses the responsibility of employers to provide a workplace environment that encourages and enables employees to fulfill their unique potential (Vaiman and Vance, 2008).
Intrinsic incentive is an indispensable retention tool to satisfy employees’ higher order of needs, such as the needs for achievement, affiliation and power (McClelland, 1962). Current employees like challenges and opportunity for development, work in a great company with great leaders and involve an open, trusting and performance-oriented culture (Angelis, 2004).

Also Janet Chew (2004) categories the retention tools into HR (human resource) factors and organizational factors (see Figure 3).

In terms of human resource factors influencing retention, person-organization fit is considered is a good predictor of intention to staying. It emphasizes match between people’s value and the
value of the organization, because value are conceived of as fundamental and relatively enduring (Kristof, 1996 and Van Vianen, 2000). Besides, employees need to be stimulated with training, development and career opportunities for personal growth and self-actualization unless they will have greater intentions to leave the organization. On the other hand, organizational factors largely influence talent retention. Admittedly leadership behavior has positive influence on retention. It seems that “people do not leave their company but leave their bosses (Conrey, 2007, P102). Retention tools like culture, communication and teamwork relationships are able to suffice employees’ needs for affiliation.

In the Chinese case, the leadership behavior is one of most important tools to motivate employees to keep in the organizations. Leadership styles and skill levels in China are very much a reflection of Chinese culture itself; thus, culture might have implications for how leaders will fare in a fast-growing business environment (Bernthal, Bondr a and Wang, 2008).

These studies above are just a few examples regarding the appropriateness of these retention tools when applied in the Chinese context. When these retention tools are applied to Chinese workers, foreign firms have to rank all the tools in order of importance, and then focus on several areas for motivation and retention talent (Vaiman and Vance, 2008).

3.3. The approaches to talent development in Chinese context

One of the solutions for the filling gap of talent shortage in China can be talent development, made by MNC operating in Chinese market (T.Woodland, 2007). Further we would observe the approaches to talent development and the waysto apply them to Chinese employees.

3.3.1. Talent Development tools in China

As for MNC established in China, the main problem is shortage of qualified and multi-skilled workforce with understanding of multinational business environment, “thus foreign enterprises must take the time to understand what it takes to make employees more productive, more satisfied with their jobs, more likely to want to stay and grow with the company in order to have the type of highly skilled, motivated and stable workforce to do battle with the new competition” (J. Zhang and D.Carter, 2009). Not only MNCs have high requirements for their employees, but also employees are waiting from their managers to be well –awarded and get the opportunities to learn and develop.

The following “typical development strategies” can be used for narrowing gaps between the current competencies of employee and desirable in future:
Further we will consider all these tools in Chinese environment.

3.3.1.1. Mentoring and coaching in China

The effective mentoring and coaching can be a proper solution for retention of current employees and the growing of new-comers to productive managers (HR focus, 2001). Some specialists claim these terms imply for the same issue, but most of sources represent the difference. It is not that easy to distinguish the coaching from mentoring by definition, but in practice these differences are more recognizable (Wright, 2005). In HR Management journal is claimed that mentor transfers his knowledge and skills to protégé, while coacher helps the client to achieve objectives without directing.

3.3.1.1.1. Mentoring

Mentoring refers to intensive developmental relationship between the mentor - the one who implements mentoring, and the protégé -the one who receives direct benefits from mentoring processes. These relationships allow protégés to get guidance in “developing skills, networks, and organizational savvy necessary to survey in turbulent times” (Restifo, V&Yoder, K., 2004). Mentoring can be formal and informal. The formal mentoring is organized by the company, which want to develop certain capabilities and skills. The informal mentoring can evolve spontaneously and is not regulated by the organization (N.Thomas and S. Saslow, 2007). Informal mentoring is supposed to be more effective, because the role of mentor can vary in number and specificity, in the same time being less effective for organization’s specific goals (Rothwell, Jakson, Knight, Lindholm, 2005).

With respect to mentoring in Chinese environment, we would like to emphasize the fact that Confucian philosophy gives mentoring an important role in social relationships in China. As Confucius theory claims that the relationships should be mutual and obligatory between senior and junior member of group, in which senior person have to provide the advice and
consideration. So mentoring is more often met in Chinese culture than in any Western (Int. J. of Human Resource Management, 2006).

3.3.1.1.2. Coaching.

According to the International Coach Federation, “Professional coaches provide an ongoing partnership designed to help clients produce fulfilling results in their personal and professional lives. Coaches help people improve their performances and enhance the quality of their life. They seek to elicit solutions and strategies from the client; they believe the client is naturally creative and resourceful. The coach’s job is to provide support to enhance the skills, resources, and creativity that the client already has.” The coaching aims to empower people to create and help them to discover their potential abilities and talents, instead of focusing on what they can’t do. Coaches believe that in this way the overall mental health and quality of personal and professional life are improved dramatically. Wright believes that coaching is a powerful strategy for the 21st century workplace, as the determinant of the successful company would be their clear sense of individual values of all employees in the company and the alignment of these goals with the values of the company (Wright, 2005).

The success of coaching processes is heavily dependent on the trustful relationships between coacher and employees. Thus, while using coaching methods, Western employer needs to realize that Chinese employees are more trustful to Chinese managers, than overseas. Thus, local coachers and managers need to be educated and include coaching into the talent development strategies (Wright, Philip; Szeto, W.F.; Cheng, Louis T.W, 2002)

Appraisal talks can be considered like a separate tool for employee development as well as like a part of coaching method. Appraisal dialogue or performance appraisal interview implies to strategic interviews between the employee of senior position in the organization and his subordinate that focus on employee development and performance (Asmuss B., 2008). According to Woodland, the following learning skills are important especially for China: learning to ask questions, becoming self-correcting, and getting and giving feedbacks (Woodland, 2007). The appraisal dialogue can improve these skills rapidly. The appraisal talk gives a constructive feedback on what was wrong and enhances employee to think how to improve their performance in future. Appraisal talks help employees to use their skills more effectively and to be more committed to their work (Kirkby, 2002).
3.3.1.3. Learning by doing

3.3.1.3.1. Special job assignments

Special job assignment can imply for (1) "researching a problem or issue; (2) developing a solution or recommendation for dealing with special problem or issue; (3) assuming responsibility for the project" (Rothwell W.J., Kazanas H.M., 2003). Special job assignments are structured and planned by an organization superior, and helps an employee to build own competencies and responsibility. These assignments prepare employees for getting more broad and high responsibilities.

The leaders in China need to transform themselves in order to help the organizations to become what they need to be in future, not just sustain current success. The transformational development of Chinese manager towards the new competencies required, can be stimulated by giving them special new tasks are in new environment. For instance, for improving certain skills of employees many companies are sending them on overseas assignments and give them tough problems that they need to solve with completely new group of people (Teresa Woodland, 2007).

3.3.1.3.2. Action learning

Action learning initially is a different approach to special job assignments. This approach was initially used for the development of executive by teaming up them together and enhancing to share the experiences within the team (Rothwell W.J., Kazanas H.M., 2003). Revans defines action learning like "a means of development, intellectual, emotional or physical that requires its subjects, through responsible involvement in some real, complex and stressful problem, to achieve intended change to improve his observable behavior henceforth in the problem field." (O'Neil, J., 2007). Action learning combines true work tasks with learning components and becoming more popular in big corporations like Siemens, Johnson &Johnson, Boeing etc. (Udo Dierk, 2005). Action learning includes the real business tasks, the participants have to work in groups, bring their special skills and competences. Discussions and reflections have the important role in the action learning method. According to the research conducted by Boston college, the colleagues of participants in action learning pointed out that they developed their "increasingly questioned behavior, especially at the strategic level; they developed a renewed openness to new experiences; they demonstrated greater sensitivity to others; and greater intellectual curiosity was stimulated in them" (Smith, Peter A.C., Peters, V. John, 1997). This approach can help employees to develop their competences and get the leaders who can take vacant leading positions in company.
3.3.1.4. Job rotation

Job rotation is associated with providing an opportunity for employees to change their jobs in order to develop additional competencies and develop themselves. The job rotation can support better relations between managers and employees, also is less costly, than recruitment the person from outside. The employees in China, especially in cities like Beijing, Shanghai, Guangzhou and other locations have high expectations of their employers. Thus company can retain and motivate personnel their by organizing processes for job rotation and making accessible new careers opportunities for existing employees (J. Zhang, D. Carter, 2009).

3.3.1. University-based programs

In spite of the huge governmental investments in the Chinese education system the Chinese university graduates cannot obtain required skill set for MNC. Thus, many big multinationals prefer to grow their own talents n China. The successful companies use to build the network with the best universities and identify talents on a very early stage. These companies donate to the universities in China, sponsor some lectures, recruit the students for summer and support governmental development programs.

We addressed here the most typical strategies to the talent development, and further would represent other approaches, that can together build learning organization in China and provide the company with critical competitive advantage there.

3.3.2. Other approaches to talent development in Chinese context

3.3.2.1. Integration of succession planning and career planning

The companies which succeeded in emerging markets contribute heavy investments in employee career development of different ranks (Ready, Douglas A., Hill, Linda A., Conger, Jay A., 2008). The authors of the articles devoted to Chinese talent development emphasize the importance of clear understanding of the talent skills and competences required in China. (Lane & Pollner, 2008; J.Chen). Lane emphasizes the importance of realizing, which functional capabilities will be required and which kind of leaders will be needed in future. Chen points out the importance of the cultural set of skills identification, which is required for each position. For some positions the global background and experience would be critical, and for other the person with only Western or local experience would perfectly fit in.
One of the systems called to align the individual career plans and the strategic needs of the organization is the integrated model of succession planning and career development (Rothwell, Jakson, Knight, Lindholm, 2005). Integrating the strategic planning and talent planning is of vital importance, especially in China, where the company leader realizes that the talent can make a main input in the whole success of the company (K. Lane and F. Pollner, 2008). The research of highly successful companies shows that company can overcome problems in shortage of talents and other challenges “by marrying the leadership development and succession planning processes” (Groves, Kevin S., 2007).

In order to understand the integrated model we will explain the succession planning and career planning approaches further.

### 3.3.2.1. Succession planning

According to Palma M.G. “succession planning is an evolving, strategic process that focuses on ensuring that there are suitable candidates available to fill key positions within an organization as they become available”(Palma, Michael G., PA Times, 2009). The most important in the succession planning should be developmental activities,” not a rigid list of high-potential employees and the slots they might fill” (Conger, J. and Fulmer R., 2003). Succession planning is a strong tool for assessment of current talents available in the company and company’s ability to attract and develop new talents. Also succession plan gives a clear vision about the talents needed in the future and how talents should be developed within the organization, in order to satisfy the talent demands in talents in long perspective.

### 3.3.2.1.2. Career planning

Career development is an approach of an organization ensuring that people with the qualifications and experience are available when needed (Zheng A. Y., Kleiner B. H, 2001). Using career development approach employers can coach the employee in his individual career planning, and by realizing the plans of employees can plan the allocation of human resources. Thus, the career development is perceived like joint effort between the individual employee and the organization.

Thus, integration of succession planning and career planning can be very important for MNC especially in China, where the shortage if talents and the need to develop them exist, as well as company’s objective to reduce costs.
3.3.2.2. Self–directed learning

Self-directed learning defines a process in which individuals realize their learning goals, identify the resources for learning, planning and implementing learning strategies, conducting self-assessments of results (Straka, Gerald A, 1999). Many organizations started to enhance the self-directed learning of their employees, as they have realized that the learning style of every employee is different, and every employee cannot be fully engaged in corporate face-to-face trainings.

Asian education style differs from Western, in the way that Asian students are having special tasks and homework and constantly guided by teacher in their learning process. And like a sequence, they don’t have to plan their own learning processes (Teresa Woodland, 2007).

3.3.2.3. E-learning

E-learning started to be popular and even necessary in constantly changing environment of modernity. There are different ways to use Web for talent development. One of them- is the creation of the company’s intranet site, which can provide the employee with his individual performance and development plan (Smith., B., 1997). E-learning makes development processes more interactive by using video images of different kind, audios, chats, whiteboard imitating tools. Also e-learning is an excellent way for the employee to learn, in case if he does not want to demonstrate the lack of skills or knowledge, as well is Internet can be accessed from home and empower the employee to devote extra time to self-development. The e-learning had a high-rate of adoption in Chinese companies, and expanded on the University education as well. Some companies in China launched e-learning programs in Mandarin language, so that learning was available for those who do not have enough skills in English language. Connectivity and bandwidth can be still a problem, but most of companies can provide employees with high-speed access to e-learning (Dam N.V., 2005).

This tool can be a good decision for global MNCs, willing to transfer the knowledge around the globe synchronously and to reduce the travel cost, as well as cost of working time, spent by employee on his development. In line with strong advantages of e-learning, this approach can be associated with disadvantages like: relatively high price of intrabase learning software and support, the different computer-skills of employees, the need of some employees to get more special information or just their need to get interpersonal communications (Nick van Dam, 2005).
3.3.2.5. Talent development and training

Training is a mean by which the company can build new competencies that employee needs for new task implementations or for shifting to new position. According to studies the multinational companies in China which outperform rivals are the organizations providing training and developing programs for Chinese employees. The studying also revealed that the willingness of company to provide continuous training and development programs is associated with retention in the company, attract new talents to company, and these companies are associated with higher job and company satisfaction (2005, D. Farrell and A.J. Grant). Some companies are sponsoring their employees for getting advanced degrees such as management programs. Among the skills and competences that MNC companies need to develop by themselves in China are: English language skills, the ability to understand global environment, managerial skills and ability to work in team (Farell D., Grant J.A., 2005).

In this chapter we observed the retention tools and approaches to development and there appliance to Chinese environment.

3.4. Summary of theoretical findings

This subchapter provides the theoretical framework for our thesis. We observed different kind of approaches to the retention of employees and their development. We provided some theoretical background concerning the questions of talent retention and development with the emphasis on China. We observed them and analyzed in order to solve our research questions.

How to retain Chinese talents in MNC?

Sub-question 1: What motivate Chinese talents?

For stimulating motivation of Chinese employees the MNCs can address their needs according to Western motivation theories, which are all about individual mind, based primarily on animal study, advocating a universal model for human motives.

- According to “Hierarchy of needs”, the MNCs can address the low level of needs of Chinese employees first, such as salary and basic benefit, and then satisfy their psychological needs, such as to be loved, to be respected and to achieve some sort of reputations or social class.
- According to ERG theory the MNCs are suppose to motivate workers on multiple levels of need in the same time, for instance, monetary rewards plus non-monetary rewards.
According to “Acquired Needs Theory” MNC can motivate employees by providing the opportunity to fulfill higher level of needs like attaining sense of achievement, affiliation and power.

According to “Equity theory” the MNC can motivate Chinese employees by fair payments and equal opportunities for development.

For effective motivation of Chinese employees according to cultural model company should take in account cultural issues.

By considering the Chinese ethnic culture such as family values and face issues, the MNC can effectively motivate Chinese employees, because self-actualization is not at top of the need hierarchy in China.

By developing comprehensive systems of control to supervise Chinese employees, company can motivate them, because theory X is more applicable to Chinese workers.

Sub-question 2: Which tools can be applied for retention of Chinese talents?

By using different kinds of retention tools, the MNCs can motivate and retain the Chinese workers in the organizations. We find following retention tools which are possible to apply to Chinese workers:

- By compensation approach, the MNCs are able to provide monetary value (salary and wage) to employees in exchange for work performed, in order to suffice Chinese employees’ basic needs.
- Through benefits program, company can make employees realize that they are the most valuable asset for organization and increase commitment to the organization.
- By providing comfortable infrastructures (Office facilities), the MNCs can satisfy physiological needs by providing an opportunity to fulfill employees’ unique potential.
- By caring about work-life balance, the MNCs can suffice the Chinese employees’ psychological needs for release of pressures and harmony of life.
- By training & development the MNC in China can address the employee needs for individual growth and self-actualization, as well as raise their working efficiency.
- By feedback & supervision (Performance management), the MNCs can ensure that goals of organization are consistently being met by Chinese employees who feel motivated and work efficiently under the tight supervision.
Referring **leadership behavior & corporate culture**, the MNCs can fulfill the Chinese employees’ needs for affiliation and involvement through communication and commitment to organization.

These aspects summarize what the MNCs have to consider when they want to motivate and retain their Chinese employees within the organizations.

### How to develop Chinese talents in MNC?

**Sub-question 1: Which tools can be applied for the development of Chinese talents?**

- By using **mentoring** MNC can transfer knowledge from more experienced employees to less-experienced.
- By implementing **coaching** strategy MNC will enhance the skills of employees, their performance and creativity, as well as alignment of these goals to the goals of company.
- By using special **job assignments** MNC can develop new competencies and responsibilities of Chinese employees, thus to prepare employees for getting more broad and high responsibilities in future.
- By using **action learning** MNC can help to develop the competences of its employees and get the leaders who can take vacant leading positions in company.
- By implementing **job rotation** strategy MNC can develop additional competencies of employees, improve relationships within the company, and save costs on the recruitment from outside.
- By being involved in **university-based programs** MNC can develop their own talents for long-term perspective.
- By integrating **succession planning and career planning** company can align the individual career plans and the strategic needs of the organization.
- By implying **self-directed learning** MNCs can provide an employee with a freedom to choose his or her own learning style.
- By using **e-learning** MNC can transfer the knowledge around the globe synchronously and to reduce the travel costs, working time, spent by employee on his own development.
- By using **training** the company can build new competencies that employee needs for new task implementations or for shifting to new position.
Sub-question 2: In what way the development tools can be applied for Chinese talents?

- By transforming informal mentoring to formal MNC can control informational flow and increase effectiveness of learning processes within company transfer knowledge from more experienced employees to less-experienced.
- By educating local coaches MNC can improve the results of coaching strategy. The using of “Appraisal Talk” the MNCs can address the skills to ask questions, can help to become self-correcting, and ability to get and give feedbacks, which Chinese employees tend to lack.
- By sending abroad Chinese employees for special job assignments MNC can help improve certain skills of Chinese employees rapidly.
- By using action learning MNC can enhance the transformational development of Chinese manager towards the new competencies required.
- For successful results of self-directed learning MNC needs to take into account peculiarities of Asian education.
- E-learning should be implemented in a way to avoid or address the lack of computer-skills of Chinese employees, lack of English language skill, the need of some employees to have interpersonal communications.
- By using trainings MNC can effectively address English language skills, the ability to understand global environment, managerial skills and ability to work in team.

In order to solve our main research problem, how to retain and develop Chinese employees in MNC, the empirical study and analytical part will be structured according to the following synthesis model (see Figure 4).
Figure 4: Theoretical model

What motivate Chinese talents?
- Hierarchy of needs
- ERG
- Acquired Needs Theory
- Equality Theory
- Theory X
- Cultural model

Which tools can be applied for retention of Chinese talents?
- Compensation
- Benefits
- Infrastructures
- Work-life balance
- Training & development
- Feedback & supervision
- Leadership behavior & corporate culture

Which tools can be applied for the development of Chinese talents?
- Mentoring
- Coaching
- Special job assignments
- Action learning
- University-based programs
- Integration of succession planning & career planning
- Self-directed learning
- E-learning
- Training

In what way the development tools can be applied for Chinese talents?
- To address the skills which Chinese employees lack;
- Develop the trust;
- To consider cultural issues

How to retain Chinese talents in MNC?

How to develop Chinese talents in MNC?

Effective retention and Development of Chinese talents
4. Empirical Study

In this chapter we present our two case companies Electrolux and Atlas Copco. These two Swedish companies established their local offices in China. We begin with overview of the factors which motivate talents in our case companies and then describe retention tools, which these companies use in China. Then we move to development strategies and tools, observing how they are implemented in Chinese environment. The chapter is the result of preliminary and secondary data received through the interviews with companies and other sources of information.

4.1. Case companies

Our research includes two case companies of Sweden. Atlas Copco (AC) is a world leading provider of industrial productivity solutions and it has involved in the Chinese market since the 1980s. Atlas Copco currently has seven companies on the Chinese Mainland (including four factories), producing, selling and servicing compressors and generators, construction and mining equipment and industrial tools etc. Sales and service offices are in forty locations throughout China. Obviously Atlas Copco in China represents an important part of worldwide sales and has 1,600 employees in the local office, of which about 96 percent are Chinese. According to the data from the interview, Chinese employees account for around fifty percent at the top level, eighty percent at the middle level.

Electrolux (ELS) is a global company, producing household appliances and appliances for professional use. ELS presents in more than 100 countries. Currently Electrolux has 460 employees in Chinese local offices. At the senior management level, Chinese employees nearly account for 30 percent in the local office. At middle level, 100 percent of workers are Chinese people. ELS have the emphasis on the role of talents in the organization: “we consider talent as one of our most valuable assets.” In Electrolux, talent management is a strategic priority. And the vision for talent management is to have a strong pool of outstanding employees and a performance culture that strives for excellence.

4.2. Retention tools for Chinese employees

4.2.1. Motivation of Chinese employees

It can be seen that most Chinese employees in case companies do not have special needs in benefit compared with the Western employees. In fact, they have higher expectancy on compensation, such as good wages and salaries. As stated by the HR manager from ELS in
China, differential needs are largely determined by their different ages, family backgrounds and educational levels:

“Only the people of over 40 years care about the benefit and need stable income; but the Chinese below 35 years expect to be paid well and they have low needs in the benefit” (Interview, 30.04.09).

“The Chinese employees, particularly the young generation, pursue to build their own wealth within the shortest time” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04.09).

Today, facing many employment opportunities in a tight labor market, most Chinese workers of the young generation appear ambitious and cannot wait to find a short-cut to their career development. According to HR manager Leo Zhang (AC), there are two ways to realize their individual development.

“On one side, the Chinese employees make effort to improve their knowledge and competence by different kinds of training programs. On the other side, they want to expand their job responsibilities or get promotion in the organization for a shorter time” (Interview, 30.04.09).

In ELS, as Development & Learning manager Alan Wang describes, a majority of the Chinese employees not merely participate in the trainings within the organization, but also look for other ways of career enrichment on their spare time. For example, they often take MBA or other courses in open universities and take self-taught exams.

In addition, the most Chinese workers hope to be involved in harmonious working environment. It is discovered that Chinese employees pay more attention to the relationships with their immediate supervisors in AC. And most of Chinese employees in ELS are highly concerned about the relationships between colleagues.

In accordance to Chinese employee needs, compensation is still playing a prevailing role among all the factors that make Chinese employees motivated. AC set up a new factory in China and required employees to work nearly every day in the initial period. Swedish managers in Head Quarter worried that the Chinese workers might refuse overtime work. But it turned out that the majority of the Chinese employees accepted the year-around operation when the firm paid them for overtime work according to the labor law.
The second important motivational factor for the Chinese employees refers to their career development. They desire to get improvement in the work through a series of training programs or challenging project-based tasks. As stated by the Learning & Development manager, Alan Wang, the talent chosen for succession can be effectively motivated by the individual development plans (IDP), involving (including) job rotations, other project-based tasks or other kind of training.

As Leo Zhang (AC) mentions that Chinese workers can choose other way of career development—‘title’ promotion.

“They are effectively motivated by their official “title” or “position” which is related to the “face” issue. Actually there exists “title inflation” in the Chinese labor market and workers tend to compete in the “title”, that is, the Chinese employees can be greatly satisfied by the high and fancy title” (Interview, 30.04. 09).

For instance, in Electrolux, when a department head leaves his job, the acting department head cannot wait to get the official promotion and attain a formal “title”. Thus, the firm prefers to change the “title” to motivate the Chinese employees even their job responsibility and compensation remain the same.

Additionally, ELS notice that the sense of belonging and involvement still makes the Chinese talents motivated, particularly for the young generation. Usually this need cannot be satisfied in the big organization like ELS and AC.

“More hierarchical organization, there exist lower degree of employee involvement” (Leo Zhang, HR & Admin Manager of AC in China, Interview 30.04. 09).

ELS attempt to increase worker involvement by organizing different sorts of activities.

In addition, case companies indicate that family issue is not the key element to motivate the Chinese workers, especially people below 35 years old. So in practice, few of Chinese employees attach the family issue to their working. Instead most Chinese employees prefer to spend more time on work and care more about the short-term income.

4.2.2 Retention tools

The empirical data shows that retention tools have their different influences on Chinese workers in comparison with Western employees. According to HR managers of AC and ELS in China, they often use several retention tools, including compensation & benefits, infrastructure,
development & training, work-life balance and leadership behavior & corporate culture. HR managers from AC and ELS rank these tools in order of importance for Chinese workers (see Figure 5).

**Figure 5**

4.2.2.1 Compensation

Both companies recognize that the compensation is still an important motivator for local employees, thus they are constantly improving reward system in the Chinese market for talent retention. With annual compensation survey conducted by Mercer Consulting, AC has more insights into China's specific people issues and business challenges, and continuously adjusts compensation packages for the Chinese workers. ELS also have a salary review each year based on the performance appraisal and increases employees’ wages accordingly.

4.2.2.2 Training & Development

AC provides each Chinese employee with the training of no less than 40 hours (5 working days) per year, including English Language training, managerial skills training and so on. The company makes training and development plan for Chinese employees based on the regular performance evaluation. “We select some local managers to take part in the CEIBS (China-Europe International Business School) every year and award the diploma of management” (Interview, Leo Zhang, HR and Admin Manager, 30. 04.09).

ELS have a formal training and learning system for the Chinese talent, including coaching, job rotation, Individual Development Plans (IDP), Orientation Program EBIS (Electrolux Business Improvement System) and Team Building session etc.
4.2.2.3 Leadership Behavior and Corporate culture

In practice, leadership and organizational culture are inseparable. Atlas Copco promotes an open & informal family culture within the organization and most Chinese employees highly appreciate this culture. As HR manager Leo Zhang (AC) describes that:

“Our corporate culture is close to the Chinese ethnic culture. Within the Group, people are both professional and caring. Sharing of knowledge and experiences are needed for good job results. It is also a key component of personal development. The culture is opened and informal: employees are encouraged to express what they feel and think through the informal processes. New employees can immediately feel welcome and supported by colleagues. Within Atlas Copco, this is known as the family culture. This simply means hard work, but also having fun” (Interview, 30.04.09).

Leaders communicate with employees in both formal and informal way. AC commissions the third party to do an “employee survey” every second years to solicit employee feedback. The information from these surveys gives the company insight into what the Chinese employees’ feel and behavior, thus, boost morale for those who may not have many other opportunities to confidentially express their views. But HR manager Leo Zhang (AC) figures out the communication in bottom-up channel (from the blue-collar worker to top management) still needs to be improved. ELS holds the Town-Hall meeting (informal public meeting) within the organization and every employee is invited to attend, voice their opinions and show their achievement etc. In the formal process, ELS requires that each superior has a one-to-one “Appraisal Talk” with every subordinate quarterly based upon their performance for personal development.

4.2.2.4 Feedback and supervision

Electrolux has a performance appraisal quarterly in each department to help the Chinese employees recognize their problems in the work and figure out the solutions. The ELS Learning & Development manager, Alan Wang describes:

“We have a Reward & Recognition program for the Chinese workers. In this program, we choose top talents from the public appraisal each year and then award different kinds of prizes for them, such as “Business Breakthrough” and “Employee Super Star”. Another program is called “Kaizen” (Improvement in English): the firm rewards the employees who present valuable proposals for improvement and the person who carry them out” (Interview, 30. 04.09).
4.2.2.5 Benefits

All the MNCs have to offer the basic benefits for Chinese workers: pension plan, accident and disability insurance, medical insurance, maternity insurance, unemployment insurance as well as public accumulation fund. The MNCs also provide the employees with supplementary benefit packages, such as housing add, traffic allowance and communication fee etc. Based on Mercer’s Benefit survey, AC can adjust its benefit plans to meet the Chinese employees’ needs. In consideration that the basic medical insurance cannot satisfy Chinese workers’ needs, Electrolux offers the additional Medical Insurance for them. In addition, the company provides the Chinese employees with limited assistance for career enrichment. AC reimburses the Chinese employees for their English learning in the language schools. But other education assistances are not institutionalized and AC deals with them case by case. ELS have a more institutionalized approach by providing the “Education Assistance Program”. If workers want to be sponsored by the company for their career enrichment, they have to apply for this program first and the organization needs to select qualified employees to get this assistance.

4.2.2.6 Infrastructure

AC and ELS offer the same facilities in the Chinese offices as in Sweden.

4.2.2.7 Work-life balance

The foreign companies have to offer public holidays (11 days a year) for Chinese employees according to the labor law. Besides, AC also provides the paid annual vacation for all local employees as follow: worked for the company less than 5 years, 10 days; more than 5 years, 15 days.

4.3. Talent development for Chinese employees

4.3.1 Talent development tools

4.3.1.1 Mentoring

In our case companies the mentoring process is informal. No formal obligations are given to senior or more experienced employees, but anyway the knowledge transfer happens.

“The Chinese employees are willing to lead the newcomers into the work spontaneously, because the mentorship has been part of social network in China based on which employees build up their trustworthiness” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04.09)
Both companies don’t have to make special attempts for mentoring to arise, but ELS meets some challenges associated with informal mentoring. Among them: rumors, wrong facts can be spread fast, and the less experienced employees get wrong information from the mentors who are in fact sometimes have lack of right knowledge.

“...We would like to develop the formal mentoring within the organization to avoid many negative influences in the informal processes... We would have to select qualified mentors for the new employees to guarantee their mentoring skills (Interview, Alan Wang, Learning & Development Manager, ELS, 30.04.09).

So ELS Learning and Development Manager, Aland Wang assumes that the introduction of formal mentoring will be highly beneficial for the company in China.

4.3.1.2 Coaching

ELS uses coaching formally and senior level managers act as coachers and receive special trainings in order to succeed like a coacher. The senior managers conduct “Appraisal Talks” quarterly with their subordinates. These “Appraisal Talks” help employees to realize the problems and to improve their performance. In AC case, the company does not use coaching formally, but expect division managers to act as a coacher in their departments. The HR & Admin Manager of AC in China claims that they attempt to improve the coaching in company and to make it more formal.

ELS use the “Appraisal Talk” with every subordinate regularly, when superior as a coacher helps employees to realize the problems and enhances them to find solutions. Also coacher assists in making individual working plans for employees. Additionally, ELS offers special trainings for improvement of coaching skills of senior staff.

The ELS Learning & Development Manager admits that the company faces following challenges: the lack of trust of employees to their coachers and poor coaching skills of senior managers. ELS intends to improve these skills by different trainings and learning activities for improvement of coacher’s cultural fit, coacher’s competence and coacher’s leadership behavior. But Alan Wang (ELS) also figures out that it will take a long time to build trustworthiness between coachers and Chinese employees.

The way how coaching is conducted depends on the overall policy and values of whole organization. In ELS, coaching is more formal, institutionalized tool, while in AC, it is informal and spontaneous. Still both companies recognize the importance of this tool.
4.3.1.3. Learning-by-doing

4.3.1.3.1. Special job assignments

Both companies use learning-by-doing approach. Talking about special job assignments Alan Wang claims that:

“We have involved learning by doing in our everyday work. And the Chinese employees appreciate these project-based tasks because they can learn a lot from different case” (Interview, 30.04.09).

AC even sends their employees for these assignments abroad. AC recognize that learning-by-doing is the most effective way to educate and develop its employee.

“Atlas Copco always believes the job environment is a more effective measure to learn rather than traditional taught course” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04.09).

4. 3.1.3.2 Action learning

Both companies use action learning approach. AC has a program called “Local High Potential”, participants of which are divided into teams and receive the tasks to resolve existing problems, vital for company. According to HR & Admin Manager of AC in China “this tool ensures Chinese employees to put theory into practice” (Interview, 30.04.09).

Also Alan Wang (ELS) claims that the company is strongly dedicated to the action learning, and Chinese employees also consider action learning to be effective tool for their development. ELS aims not only to teach personnel through action learning, but also to increase commitment by action learning. Here, ELS meets a challenge in perception of Chinese employees: the Chinese employees think that training occurs only in classroom and don’t see the attempts of the company to contribute to their development.

4. 3. 1.4. Job rotation

Both companies use job rotation, mainly for the filling the gap of qualified employees in certain positions. Electrolux has a web resource for job rotation on intranet, called “Opened Labor Market” (OLM). Through this resource, Chinese talents can even get the positions abroad. The Learning & Development Manager of ELS claims that the job rotation within the department or division is more successful. The reason is that a supervisor in one division can observe subordinates and realize suitability of employee for this or that new position.
AC has policy called “Internal Labor Market”, which gives information about opened positions to the employees within the organization first. The AC has a strict examination system for the employees that can ensure that qualified workers move to the new positions.

“We encourage the Chinese workers to apply for vacant job positions. If the appliers pass a series of vocational assessments, they are allowed to work in the new positions” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04. 09).

4. 3.1.5. University-based programs

Both companies don’t cooperate with universities. In AC case they just recruit some employees from Universities of China.

4. 3. 2. Other approaches to talent development in Chinese context

4.3.2.1 Integration of succession planning and career planning

According to the interview ELS integrates succession planning strategy with career planning. ELS makes talent review every year considering employee’s performance and the potential of employees. After that the company selects the most qualified candidates for every position. Then the company works out the individual development plans (IDP) for candidates, using job rotations, project-based tasks and different kind of training. Finally, HR department will supervise the performance of the IDP. In spite of employment of both succession planning and career development, ELS does not make career planning for every employee due to the limited resources. ELS assist in career planning only top-talents chosen after reviewing.

Arguably, “In the most cases the company just tries to suffice the top employees’ needs in career development. For the middle level employees, we attempt to collect information about their individual career plans and then identify the common needs in career development. Based upon these feedbacks, the company attempts to satisfy their needs through training or other methods” (Interview, Alan Wang, Learning & Development Manager, ELS, 30.04.09).

AC does not make this succession planning within the organization because of its corporate philosophy:

“Employees need to be responsible for their career planning and create career opportunities on their own initiative” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04. 09).

Instead AC has the “Local High Potential” program for talent development. The main goal of this program is to cultivate leaders of the company by developing the potential employees. There
are several stages of process. Firstly the General Managers identify highly potential employees according to their performance and potential. Secondly, HR managers and Business Area Managers approve the results. Finally, the competences and leadership skills of best talents are developed in different ways. Different from the succession planning, this program claims that the potential talents are not supposed to work on appointed or planned position in the future.

“The company just acts as a facilitator of career development and provides necessary advices and helps employees in making individual career planning” (Interview, Leo Zhang, HR & Admin Manager of AC in China, 30.04. 09).

In annual performance appraisal, supervisors discuss the results with subordinates and during the discussion make decisions about the problem solutions. By comparing these two cases, we recognize that ELS and AC have different approaches to succession planning and career development.

4.3.2.2 Self-directed learning

Alan Wang (ELS) identified that Chinese employees tend to develop themselves by taking supplementary education or extra training seminars. But the Learning & Development Manager of ELS considers this development to be not always useful for their work.

Leo Zhang (AC) also highlighted the problems of self-directed learning for Chinese employees:

“The computer-based programs and intranet are supported by the Swedish web server and there are many problems with internet when the local workers try to log on from China.”

Alan Wang (ELS) and Leo Zhang (AC) admit that self-directed learning is not effective for Chinese employees as “they are lack of self-awareness and self-management skills” (Interview, 30.04.09).

4.3.2.3 E-learning

Learning & Development Manager of ELS emphasizes that the different types of knowledge can be shared through intranet. But the intranet is not popular among Chinese employees. The language becomes the main barrier of e-learning of Chinese employees, as most of them have poor English skills.

AC in China has some computer-based programs and intranet, which are guided by Swedish head office, but AC in China have problems in broadband techniques, such as the slow speed of file transferring, but AC in China have technical problems like the problems with internet when
the local workers try to log on from China. AC also uses “Virtual Academy” – the internal training institution to provide the learning opportunities to the employees in China”. The AC runs this Virtual “Corporate University” through the intranet for the employees worldwide.

4.3.2.4. Training

Case companies use trainings for Chinese employees widely. AC usually provides the trainings for employees in the Head Quarter (Sweden) or other countries. AC also makes training for English skills and courses in CEIBS (China Europe International Business School). CEIBS is non-profit organization which was established by the Chinese government and the European Commission. This organization aims to exchange information, ideas, knowledge and experience between Europe and China. In CEIBS employees can receive diplomas in management program and extra courses in different fields like financing, leadership, cross-cultural issues and so on. In China, Atlas Copco sponsors 15 local employees every year for receiving diplomas of management in CEIBS.

In the same time, ELS gives “the Chinese employees insights into the ELS values, mission, vision, strategies and organizational structure through “Orientation Program” (Interview, Alan Wang, Learning & Development Manager, ELS, 30.04.09).

Also ELS organizes a “Team Building” Session for all the Chinese employees. The other one training is “EBIS” (Electrolux Business Improvement System), which focuses on improvement the skills of managerial personnel.

So both case companies see the importance of management programs and other trainings for Chinese employees.

4.4 Summary of the Empirical Findings

Within the empirical study we have described the motivational factors for Chinese employees, talent retention and development tools the case company used for local workers, and outlined the advantages and challenges they have met when applying these approaches in China. With respect to motivational employees for Chinese talents, AC and ELS claims the similar answers within the interview: employees have high requirement for good salary, training & development and harmonious working environment.

In spite of ELS and AC use similar approaches to talent retention in China, there are different ways to use these tools. As different approaches are applied in AC and ELS, the following charts
summarize the detailed tools of each company separately (Table 1 and Table 2).

<table>
<thead>
<tr>
<th>Company</th>
<th>Atlas Copco (AC)</th>
<th>Electrolux (ELS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compensation</strong></td>
<td>Reward system Mercer Consulting</td>
<td>Reward system Salary review</td>
</tr>
<tr>
<td><strong>Training &amp; Development</strong></td>
<td>40 hours per year per person; English Skills training Managerial skills training (CEIBS)</td>
<td>Coaching, job rotation; IDP; Orientation Program, EBIS; Team Building session</td>
</tr>
<tr>
<td><strong>Leadership &amp; Corporate Culture</strong></td>
<td>Open &amp; informal family culture; Employee survey</td>
<td>Town-Hall meeting (informal public meeting); Appraisal Talk (one-and-one)</td>
</tr>
<tr>
<td><strong>Feedback &amp; Supervision</strong></td>
<td>Regular performance appraisal</td>
<td>Performance appraisal; Reward &amp; Recognition program; Kaizen (Improvement) program</td>
</tr>
<tr>
<td><strong>Benefit</strong></td>
<td>Basic benefits; Supplementary benefit packages; Assistance for career enrichment (case by case)</td>
<td>Basic benefits; Additional Medical Insurance; Education Assistance program</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td>The same facilities in Sweden</td>
<td>The same facilities in Sweden</td>
</tr>
<tr>
<td><strong>Work-life balance</strong></td>
<td>Public holidays; Paid annual vacation</td>
<td>Public holidays;</td>
</tr>
</tbody>
</table>

While comparing the approaches to talent development from both companies we can clearly see that ELS contributes much more effort to develop its employees. This dedication to development can be associated with the corporate value that considers “the talent as one of our most valuable assets”. In spite the differences in the levels of contribution to talent development, ELS and AC use similar approaches to talent development and face similar challenges companies in China. Our case companies realize challenges of development approaches in China and intend to align them with Chinese cultural issues. The interviews with the companies also gave some insights concerning the ways to overcome these challenges. More detailed information we provide in following Table 2.
Table 2: The development tools for Chinese employees in Electrolux and Atlas Copco

<table>
<thead>
<tr>
<th>Development tool</th>
<th>Atlas Copco (AC)</th>
<th>Electrolux (ELS)</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentoring</td>
<td>Informal</td>
<td>Informal</td>
<td>Spread of irrelevant information</td>
</tr>
<tr>
<td>Coaching</td>
<td>Division managers like coachers</td>
<td>“Appraisal talks”, Assistance in individual working plans</td>
<td>Poor coaching skills, lack of trust</td>
</tr>
<tr>
<td>Action learning</td>
<td>One of the most effective</td>
<td>Effective tool</td>
<td>ELS intends to increase commitment by this tool</td>
</tr>
<tr>
<td>Job rotation</td>
<td>“Internal Labor Market” Strict assessment procedure</td>
<td>“Open Labor Market” Ability to get job abroad</td>
<td>AC sees the future for job rotation</td>
</tr>
<tr>
<td>Succession planning and career planning</td>
<td>“Local High Potential”, just for development not for special positions</td>
<td>Integrate Succession planning and career planning</td>
<td>Cannot do for all employees, only for top best or senior levels</td>
</tr>
<tr>
<td>Self-Directed learning</td>
<td>Computer-based programs, intranet supported by Swedish main office</td>
<td>Employees tend to seek for courses by themselves</td>
<td>Chinese employees are not good on planning their own learning</td>
</tr>
<tr>
<td>E-learning</td>
<td>Virtual Academy (internal)</td>
<td>Intranet</td>
<td>Language barrier, technical and informational problems</td>
</tr>
<tr>
<td>Universities</td>
<td>No(recruitment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>China-based international business school for MBA programs, Language skills</td>
<td>“Orientation Program”, “Team building programs”</td>
<td>Mismatches in communication between trainers and employees</td>
</tr>
</tbody>
</table>
5. Analysis and findings

In this chapter we will consider our empirical findings following our theoretical framework in order to make a profound analysis of our research questions. First of all, we will analyze adaption of Western motivation theories to the Chinese workers in the MNC as well as give interpretation of reasons for adaption or mismatches. Then, base upon motivational factors for Chinese workers, different talent retention tools will be discussed in an analytical manner. Second, we will discuss the effectiveness of talent development approaches applied to Chinese employees' development based upon empirical data. The chapter will end with a summary of the essentials of our analysis.

5.1 Talent retention for Chinese employees

5.1.1. Motivation of Chinese employees

Across the two interviews of MNCs, we identify applicability of each motivation theory for Chinese workers.

5.1.1.1. Hierarchy of needs

Regarding the needs of Chinese employees, both case companies highlight three factors: good salaries and wages, opportunities to individual development, and harmonious working relationships.

In fact, Maslow’s “Hierarchy of needs” theory is able to partly explain the Chinese employees’ thoughts and behaviors. With rapid growth of China’s economy recent years, people are in pursuit of the good material life, which is the second level of hierarchical needs. By 2000s, nearly all Chinese residents have got rid of absolutely poverty and got enough food and clothing, and increasing of people is stepping into moderately well-off life (Chinese Statistic Yearbook, 2007). According to Maslow’s theory, this stage is coming when basic needs have been met, people can move on to fulfilling the “safety needs”, where they will attempt to obtain a sense of security, physical comforts and shelter, employment, and property (Maslow, 1954). As the empirical data shows that salaries and wages make Chinese workers feel more secure and motivated on this stage. Besides, they need basic social security, like pension plan, accident and disability insurance, medical insurance and unemployment insurance and so on.

Regarding the next level of “the belongingness and love needs”, it is widely admitted that the Chinese put heavier emphasis on affiliation, a sense of being welcome and family issues. But the
empirical data shows the need for involvement is subordinate to needs for security and wealth. In addition, both case companies figure out that family issue is not the key to motivate the Chinese workers, especially people under 35 years. Only the employees of over 40 years care about special benefits for family issues, such as on-site day care, parent leave and child allowance etc. ELS recognize a conflict in the employee survey and practices. The survey shows that the Chinese employees put the family value on the first place, but actually few of workers attach the family issue to their work. In this level, it is discovered that the Chinese employees pay more attention to the relationship with their immediate supervisors and colleagues.

In empirical study, we find that “the esteem needs” are highly attractive for the Chinese workers. It means individual desire a sense of competence, recognition of achievement by peers, and respect from others. The Chinese shame culture determines this kind of needs to be of particular importance to Chinese employees. By getting higher position in the organization, Chinese people can get more respects in the working group and the social network. As Leo Zhang (AC) and Alan Wang (ELS) point out that the Chinese can be greatly satisfied by the high title or position. “Title inflation” in the Chinese labor market signifies that employees are highly concerned about “face” and reputation in the social network.

The top of need hierarchy is the “self-actualization”, and according to empirical research it is not applicable to Chinese employees. Most Chinese have the collectivist world view in contrast to the more individualistic outlook of Western European people (Jansson, 2007). As the data shows Zhang (AC) mentions that Chinese workers always look upon themselves belonging to the organization, and they are used to make plans for their working group, family or community rather than themselves, as long as his mistake, loosing of face-means loosing of face for the whole organization or family. Thus there exists a difference between Chinese and Western employees’ top needs in the work.

To sum up, Maslow’s theory can basically explain the lower level of needs for the Chinese employees, but does not work at the top level of hierarchical needs. According to data from the case companies, we create a pyramid diagram of hierarchical needs for Chinese employees as follow (see Figure 6).
5.1.1.2. Existence-Relatedness-Growth (ERG)

ERG theory mentions that people can have more than one level of need at any given time and there is no orderly progression through level of needs (Alderfer, 1972). In accordance with the empirical data, ERG is also applicable to the Chinese context. As Leo Zhang (AC) states in the interview, Chinese employees have different levels of needs in the same time: they expect not only good salaries but also harmonious working relationships as well as their career development. According to Alan Wang (ELS) state, not everyone has to be motivated by the higher order of needs, such like individual development, challenges as well as wider range of job responsibilities. If workers above 40 five years, meet the bottleneck in promotion, they can be sufficed by the lower level of needs, for example, stable but low incomes or comfortable working environment. It could be attributed to the influence of Daoism in the Chinese culture--taking things as they come and be content with current situation. In this sense, the Chinese employees will be easily motivated to retain in the organization, if the MNC can continue to improve their lower level of needs, such as needs for good salary and needs for security rather than higher level of needs.
5.1.1.3. Acquired Needs Theory

From the empirical data, we also discover that the needs of Chinese talent fall in to three general categories: achievement, affiliation and power, which are described in “Acquired Needs Theory”. The Chinese talent in ELS, for instance, appreciates the “Reward & Recognition” program, through which they can get frequent recognition of how well they are doing. They can be partly motivated by the sense of achievement. The needs for affiliation are obvious in the Chinese organization. As the empirical data shows, Chinese workers are looking for harmonious relationships with other people and tend to conform and stay away from standing out. The needs for power could be reflected in the “title inflation”. As Leo Zhang (AC) states, the Chinese employees can be greatly satisfied by the high title or position. The higher title can not only help them keep “face” but also attain the wider range of responsibility and power. Obviously, needs for affiliation is of particular importance among three factors, as ELS and AC realize, the Chinese employees pay more attention on working relationships with superiors and colleagues.

5.1.1.4. Equity Theory

It is discovered that the Chinese employees seek fair treatment which causes them to be motivated to keep the fairness maintained within the relationships of their co-workers and the organization. In ELS case, the company realizes that its education assistance is just opened to a small quantity of employees due to the limited resources of the company and it might lead to inequitable relationships among the Chinese workers: people who get assistance may feel shameful whilst others may feel angry. This is why ELS intends to support more employees for their career enrichment. Similarly, only high potential candidates are able to be involved IDP for improving certain skills and capabilities, and other employees also expect the company to make career planning for them. In the Chinese shame culture, workers are used to compare with others on different aspects, thus they have more needs to be treated equally within the organization.

5.1.1.5. Theory X

The empirical data also indicates that Theory X is more applicable to the Chinese context, and Chinese employees get used to be under the tight supervision of the organization at work. Both foreign firms make regular performance appraisals for the Chinese workers. In ELS, division managers as coaches have “Appraisal Talk” with every subordinate quarterly based upon their performance, in order to assist them to identify problems and then find solutions. Leo Wang (AC) realizes that Chinese workers are relatively passive, and not good at making career plans by
themselves, thus they feel motivated if the company make individual plans and supervise them to implement. This empirical data is real evidence that X theory fit Chinese workers very well.

5.1.1.6. Cultural model

Culture model as motivate is playing a decreasing role and Western motivation theories show an increasing applicability to the Chinese context, since the more and more Chinese workers are influenced by the Western values and thoughts in the process of globalization. However, there still remain some deep-rooted cultural issues, including face behavior, importance of interpersonal relationships, the sense of belongingness, content with current situation as well as lacking of planning.

5.1.2 Retention Tools

Only through appropriate tools can companies effectively motivate Chinese employees. According to HR managers Leo Zhang (AC) and Alan Wang (ELS) state that (Interview 30.04.09), better payment is the number one reason why employees wanted to leave their company. This heavy emphasis on compensation makes it essential for multinational companies to have a clear compensation philosophy and keep up to date on the compensation trends. Then it is followed by better career opportunities, training and development, thus both foreign companies invest heavily in career planning and professional development for Chinese workers. As the empirical data shows the Chinese workers value good working relationships very high, and at the same time they expect that corporate culture make them feel comfortable. Both companies figure out Chinese workers are used to receive regular performance appraisals and feedbacks from their superiors at the work. More interestingly, data shows that most Chinese employees in the organization do not have special needs in benefit and facilities compared with the Western employees. Only people over 40 years care about the benefit program and infrastructures in the offices. As for the Chinese workers, especially the young generation, work-life balance is least attractive. Oppositely, as HR manager Leo Zhang (AC) claims that the majority of the Chinese employees are more tolerant to overtime work than Swedish.

After ranking retentions tools in order of importance, we figured out what kind of tools can be most applicable to Chinese workers. However, how to use these tools in the Chinese context is crucial to foreign companies for achieving competitive advantages.
5.1.2.1 Compensation

The empirical data shows that Chinese workers in foreign companies have high expectancy for salary and wage. As HR manager Leo Zhang (AC) states, most Chinese workers want to build their own wealth within the shortest time. And compensation is closely related to their performance. Thus ELS make an employee review each year based on performance appraisal and then increase employees’ wages accordingly. In a word, Chinese employees tend to stay in the company mostly owing to high salary as well as rapid growth of salary.

5.1.2.2 Training & Development

Empirical data demonstrates that Chinese employees highly appreciate training and development within the organization. As HR manager of AC states that most Chinese workers of the young generation appear ambitious and cannot wait to find a short-cut to their career development. Their pursuit of quick development pushes them to participate in any kind of training available. As discussed in motivational factors above, Chinese workers get used to compare with others on different aspects and they need to be treated equally within the organization. Similarly, they need equal training and development opportunities at the work. AC provides each employee with the training of no less than 40 hours (5 working days) per year. Nevertheless, considering limited resources of companies, special training programs and professional career planning are not open to every Chinese employee, but only focus on a small quantity of qualified employees, such as “Local High Potential” and IDP. In recent years, the MNCs are planning to increase investment of career planning and training for wider range of Chinese employees.

5.1.2.3 Leadership and Corporate culture

According to empirical data, we find that the Chinese employees pay more attention to the relationships with their immediate supervisors and their colleagues than Western employees. In China, Confucius thought has affected the leadership and organizational culture deeply. Firstly, Confucianism emphasizes social and organizational harmony, and people pursue to work in a harmonious environment. Even if the subordinates don’t not fulfill all their obligations in a proper way senior managers cannot criticize them directly and publically, since this will make them to lose their “face” and feel shame. As for the expression of initiatives the employees prefer to agree with the senior manager, in order to prevent himself or this manager to lose the “face” and to save harmonic relationships. For Chinese employees who are shy away to stand out and express their opinions confidently, AC conducts “employee survey” every two years. This
survey enhances employees to give the feedback and provides the company with the information about the employee feelings and attitudes.

Secondly, Confucianism values interpersonal relationship (Guanxi) in the informal social network. Workers desire to build close and stable personal relationships with their superiors and colleagues. In AC, Chinese employees are attracted by its opened and informal family culture, where the employees are allowed to express what they feel and think through the informal processes. Even new employees immediately feel welcome and are supported by colleagues, becoming a part of the family. In ELS case, the company holds the Town-Hall meeting (informal public meeting) and every employee is invited to attend, voice their opinions etc. This informal communication is able to help Chinese employees have a good “Guanxi” relationship (Jansson, 2007).

Last not least, trustworthiness is a major norm prevailing in the Chinese social network. Constructing a trustworthy relationship is the important thing for the leaders or superiors in the organization. As Alan Wang (ELS) state, trustworthiness is the key element of leadership in the Chinese organization, and it largely depends on leadership skills, cultural fit, personal attractiveness and commitment to promises.

5.1.2.4. Feedback and supervision

As discussed above, the theory X is more applicable to the Chinese context. Chinese employees get used to be under the tight supervision of the organization. Both foreign firms make regular performance appraisals for the Chinese workers. Our case companies also realize that Chinese workers are relatively passive, and are not very good at making career plans by themselves, thus it is a good way to motivate Chinese talents through making career plans for them. As observed above, tight supervision is useful to manage the Chinese employees, but in this process of implementation “face” issue should be considered by the MNCs, such like avoiding harsh and direct criticism or showy approval.

5.1.2.5. Benefits & Infrastructure

ELS offer the additional Medical Insurance for Chinese workers because the basic medical insurance cannot satisfy their needs. In addition, the company provides the Chinese employees with limited assistance for career enrichment. Of particular notice is that Chinese employees put heavier emphasis on the benefits for individual development. But is this kind of program is just
open to a small quantity of employees who meet the requirements due to the limited resources of the company.

5.1.2.6. **Work-life balance**

The empirical data indicates that Chinese workers pay less attention to work-life balance. They prefer to spend more time on work and individual development. In AC case, Chinese employees have more tolerance to overtime work. But foreign companies still offer public holidays (11 days a year) for Chinese employees according to labor law. HR manager Alan Wang (ELS) points out, that only employees over 45 years or top talent in the organization are possible to pursue the balance between work and life, and put family issues on the first position. According to Maslow’s theory, most Chinese employees have not reached higher level of psychological needs yet. By contrast, salaries and wages make Chinese workers feel more secure and motivated at the current phase. In this sense, the paid annual vacation is attractive to Chinese workers who are in the pursuit of money.

5.2. **Talent development for Chinese employees**

5.2.1. **Talent development tools**

5.2.1.1. **Mentoring**

Confucius claims that junior and senior members of the society have mutual obligations to each other. Senior member of family, work unit, organization should provide advice to junior member, and in the same time the junior member is obliged to show his respect to the senior person. These mutual obligations are very much resemble the relationships between mentor and protégé in mentoring processes. So the mentoring relationships have already embedded in the social system of China, and probably exist informally. This fact is also approved by both our case companies, which acknowledge the mentoring like informal process. The mentors transfer their knowledge to new employees or less-experienced employees, without any formal guidance from the top of the company. So in this case, deeply rooted Confucian system has positive and negative effects on the development of Chinese employees in the companies. On one hand, the company does not have to put any effort in order to persuade the Chinese personnel to use the mentoring in their work. This tool is used naturally, without any guidance from the top. On the other hand, the lack of control of mentoring relationships between the mentor and his protégés can cause to the spread of inappropriate information.
5.2.1.2. Coaching

Both case companies see great potential in using coaching techniques for the personnel development. ELS practices coaching methods more extensively than AC.

ELS Learning and Development Manager, Alan Wang (ELS) admits that the coaches meet some challenges. As we know from theory the trustful relationships are very important for effectiveness of coaching methods. And Alan Wang (ELS) acknowledges that ELS faces the lack of trust between the superiors acting as coaches and employees. The lack of trust from our opinion can refer to the fact that only 30% of senior level managers are Chinese. According to our theoretical findings, the Chinese employees are more trustful to the Chinese managers than to the Western representatives in the same positions. The main reason is the cultural distance between Western managers and Eastern representatives (Hofstede G., 2003), which makes communication less effective. This distance can exist in attitudes to relationships between Chinese and Western employees. In China these relationships often go far beyond formal communication, and employee regards the senior manager like a higher authority who is able to do much more than others and make decisions independently. Western managers tend to give more responsibility for decisions to their employees like they do in West, by that they can weaken their own reputation in eyes of Chinese employees. Another reason for less successful appliance of coaching methods in China is the lack of coaching skills of senior managers, as ELS Learning and Development Manager acknowledges. And the last reason of low level of trust is that leaders sometimes don’t keep their word, or take too formalistic or wrong decisions.

ELS also realizes the effectiveness of “Appraisal Talk” tool in China and in ELS senior managers conduct “Appraisal Talks” quarterly. By using this tool, ELS intends to guide employees in their self-development, helps to develop self-correcting abilities, critical thinking and problem solving abilities. The development of these skills is particularly important especially in China. The reason is that Chinese employees have different education system: the students who know only one right answer are getting rewards and the learning process is constantly guided by teacher (Woodland, 2007). This attitude influences negatively on critical thinking towards the information received and on self-assessment skills. Also the “Appraisal Talk’ can help Chinese employees to develop more positive attitude to feedbacks. Initially in Chinese culture due to the concept of ‘face’ and attempt to keep harmonious, “middle” way. The receiving and giving opened feedbacks even in face-to-face conversation is strongly connected with the “fear to lose face” in Confucianism, that is why Chinese people rarely give critics and if
they give any, they do it in hidden way (Jansson H., 2007). The critics are not supposed to be given straightly. So by using “Appraisal Talk” the senior manager helps Chinese employees to percept the opened critics more positively and to take it for self-development. The giving feedbacks from employees to managers also hardly can happen, as Confucius culture dictates high respect to people in senior positions and the subordinates often agree on the decisions of managers (Zinzius B., 2004). Due to the concept of ‘face’, the advantage of “Appraisal Talk” is in face-to-face dialogue between manager and employee, without any third parties. All these facts make “Appraisal Talks” effective in China.

5.2.1.3. Learning-by-doing

5.2.1.3.1. Special job assignments

Special job assignments are thought to be an effective tool for expanding skills and competences of employees and prepare them for higher responsibilities. Both companies use special job assignments. AC HR manager assumes that AC implements learning-by-doing widely and percept it to be the one of the most effective ways of learning.

5.2.1.3.2. Action learning

The different sources claim that action learning is more effective than just training programs (U. Dierk.; O’Neil, J.; Smith, Peter A.C., Peters, V. John). The reason is that, the Chinese employees often have very good theoretical knowledge, but are lack of practical experience (Farell D., Grant A., 2005). According to Confucius “Scholars are superior to all other walks of life”. Also the Chinese academic institutions have strict entrance examination with emphasis on the value of theoretical knowledge.

The interviewed HR managers agree that the action leaning is one of the most effective in their companies. AC points out that action learning enhances the employees to put their knowledge in practice. ELS learning and development manager also emphasizes the role of action learning in the company and provides employees with the project-based tasks.

So action learning can stimulate Chinese employees to put their knowledge in practice and to develop their skills rapidly.
5.2.1.4. Job rotation

The job rotation is used by both case companies. But mostly, they don’t use this tool for development of employees and for giving them more insights in the overall processes in the company. They use the employee rotation more for filling gaps of positions, than for the employee development. Our empirical research shows that in job rotation process the development is not considered by companies as a first issue. In the same time, AC HR manager recognizes that the job rotation is very perspective way for employee development and should be applied in their company for giving more insights for into the company’ processes and for enhancing employee job satisfaction.

From other point of view, the job rotation can be implemented like motivational factor. According to Zhang and Carter (2009), the company can retain and motivate personnel by making accessible new careers opportunities for existing employees. This is what ELS do by establishing “Open Labor Market”. Through this system Chinese employees can even be transferred to other parts of the world. But in case of ELS the main challenge is complexity of match the employees from one division to another, as in this case it is hard for managers to synchronize their activities and realize suitability of the talent to other position. But we assume that this challenge is not connected with Chinese culture, but is connected with the hierarchical structure of ELS in China.

Besides the complexity of usage of this tool it can become a good motivational factor and decrease costs of company on searching for new employees outside the company.

5.2.1.5. University-based programs

Unlike our theoretical background shows, the companies in China don’t collaborate with universities in China. The companies only attract some employees from the Chinese Universities. The reason can be an overall policy of head quarter as well as lack of resources. They prefer just to employ the people who have working experiences.

5. 2.2. Other approaches to talent development in Chinese context

5.2.2.1. Integration of succession planning and career planning

The authors of the articles devoted to Chinese talent development emphasize the importance of clear understanding of the talent skills and competences required in China (Lane & Pollner, 2008; J.Chen). Integration of the strategic planning and talent planning is of vital importance,
especially in China, where the company leader realizes that the talent can make a main input in the whole success of the company (K. Lane and F. Pollner, 2008). The empirical research on this issue proves the importance of this integration. ELS integrate succession and career planning and AC has long-term goal to apply this system and expand it. But in case of ELS the succession planning is not used for all employees, but only for the best chosen through their performance and career potential. Also ELS does not pay enough attention for the representatives of the lower level than senior managers’ positions. But according to theory, company should make succession planning for employees of different ranks in order to succeed in emerging markets (Ready, Douglas A., Hill, Linda A., Conger, Jay A., 2008). As for career planning there is similar situation in ELS. Alan Wang (ELS) claims that they don’t have enough resources for making career planning for all employees, and they make career plans only for the best employees chosen through the talent review. For other employees the possibility to get assistance in career planning can arise in “Appraisal Talk”.

Contrary, AC does not have the succession planning system due to the corporate vision. They have “Local High Potential” program that does not assist in career planning of Chinese employees. Arguably, according to Woodland (2007), the education system in China does not encourage Chinese students to plan their own learning activities. The students are guided in absorbing of large amounts of information and are not used to plan their learning, unlike Western students do. Thus they need assistance in planning of their individual learning. This fact is proved by the words of AC HR manager, who admits that career planning system of company should be adapted to Chinese conditions, as “the most Chinese are not good at planning and self-management”.

For company to succeed in China the integration of succession planning and career planning is important, by deploying this tool company can assist talents with their development and guarantee the talents available for the future perspective.

5.2.2.2. Self-directed learning

As we mentioned above due to different educational system, Chinese employees can perceive the self-directed learning like challenging task as they have not enough experience in managing their learning. Chinese are not used to plan their learning activities. But if they plan, they more likely plan the learning process in a wrong way. This challenge was experienced by the Learning and Development Manager in ELS: the Chinese often try to get extra courses by themselves, but sometimes the knowledge received is not relevant to their work. AC HR Manager also considers
that self-directed learning, supported by the Swedish head quarters, is not effective enough in China. Besides the lack of self-awareness, employees experience some technical problems.

Therefore, the self-directed approach can bring low inputs into development of Chinese employees due to their lack of skills in planning their own learning and technical problems.

5.2.2.3. E-learning

The theory claims that e-learning had a high-rate of adoption in Chinese companies. Both companies use intranet for the education of employees. AC even has “Virtual Academy” for all employees in AC. But, both case companies recognize that the technical problems and the language barrier, a lack of attempts by company to motivate employees to use e-learning are main preventing factors for the effectiveness of this tool. The lack of interest of Chinese employees in the e-learning can be explained by immunity to change, which is deeply rooted in Chinese culture. The Chinese society experienced heavy influences by Confucianism and Daoism with the negative side: conservativeness and orientation toward the past (Tawney and Chiang, 2002). These philosophies, developed in an agricultural and patriarchal society, claim taking things as they come but strongly argue against any form of transformations or changes. Even young generation who accept education based on Confucianism and Daoism appear more conservative, having strong resistance to change. The other strong argument explaining low effectiveness of e-learning in China is the lack of English language skills of many Chinese employees.

In spite the theoretical findings about high level of adaption of e-learning in China we come to conclusion that due to immunity to change and lack of certain skills of Chinese employees MNCs can’t use this tool and get positive results.

5.2.2.4. Training

The face-to-face training can be associated with retention in the company, attract new talents to company, and the companies, which use training are associated with higher job and company satisfaction (2005, D. Farrell and A.J. Grant). All companies meet the lack of Chinese talents and they need to train local employees for certain skills. Both companies use training for Chinese employees widely. AC makes an emphasis on the developing of English skills as well as managerial skills. The AC HR Managers points out that the face-to-face trainings are more effective for Chinese employees than self-directed learning and e-learning.
Besides language skill trainings and leadership skills, ELS also makes team building sessions, which enhance team work ability of Chinese and development of managers’ skills. Both companies use trainings systems developed in headquarters, without special adaptation to the Chinese employees, who may need different approach compared to Western employees. This approach can cause to mismatches between the cognitions and values of Western managers and employees, like in case of ELS.

By analyzing the theoretical findings and data from companies, we come to the thought that MNC needs to adapt training systems for Chinese employees, in order to overcome the mismatches in values and cognitions. Also MNC which works in China tend to develop in Chinese employees following skills: language skills, managerial skills, ability to work in team, and training connected with qualification.

5.3. Summary of analysis

In accordance with empirical research, the Western theories of motivation are becoming more applicable for Chinese employees in the recent years, since the Chinese have been deeply influenced by Western values and behaviors. Meanwhile, some cultural characteristics of Chinese still have their influence on the approaches to motivation, retention and development of Chinese employees.

- As “Hierarchy of needs” is able to explain: the Chinese low level of needs—salary and wage has not been completely fulfilled, thus they do not have high requirement in higher level of needs, such as benefit and work-life balance. As we observe from our research, the top need of Chinese employees is high title or position and wide job responsibility, which can be explained by Cultural model. We recognize that Chinese employees have more than one level of needs in the same time, including good salary, individual development and harmonious working relationships, as ERG theory figures out. Case companies claim that Chinese employees are also attracted by the sense of achievement, affiliation and power as Acquired Needs Theory describes. But at the same time the Cultural model can explain why the Chinese employee put heavier emphasis on their relationships with superiors and colleagues. Our research shows that the company can motivate Chinese employees by equal payments and equal opportunities for development. We also notice that Chinese employees in case companies feel more motivated under the close supervision through performance appraisal and feedback, which is able to prove good applicability of Theory X to Chinese employees.
• The empirical research also indicates that approaches have been used by MNCs to retain Chinese employees and the way to apply them. Compensation, benefit, infrastructure and work-life balance in the MNCs have sufficed requirements of the Chinese employees or even beyond. In addition, we discover that some Western retention approaches have to adapt to Chinese workers, such as training tools, feedback & supervision and leadership behaviors, since the usage of these tools by the foreign company are different from that of Chinese organization due to cultural differences. As AC indicates the Chinese employees are in great need of English-skill training and thus the company offers this training for free. And ELS recognized that Chinese employees have more needs to be treated equally in training and development, so the company is planning to open education assistance and career development to more employees. We realize that the MNCs need to consider about characteristics of Chinese culture, including face behavior, harmony principle, importance of interpersonal relationship and trustworthiness, informal communication as well as lack of self-awareness.

• The MNCs which operate in China use the same development strategies as they do in other countries. In practice, some development strategies dictated from Swedish head quarters had low positive impact on development of Chinese talents. The reason is that Swedish managers did not take into consideration Chinese cultural aspects. The example for this situation can be self-directed-learning and e-learning, which Chinese employees hardly use, or if they use, the HR managers consider these approaches to be less effective than others. Also we recognized the communication problems between Swedish managers and Chinese employees, e.g. in career planning, coaching, and training. It can be seen the lack of trust between Swedish managers and Chinese employees, and other communication problems which were observed in ELS case. Also the lack of mutual interconnection and understanding between Chinese offices and Swedish head quarters cause to ineffective deployment of development strategies for Chinese employees. From our analysis we came to conclusion that most of strategies and tools need to be adapted to special Chinese culture.

• The most effective “typical development strategies” in China are claimed to be action learning and trainings. The action learning effectively addresses a lack of practical experience of Chinese employees. Face-to-face trainings help to develop the skills which Chinese talents usually lack, and are considered to be more effective than e-learning or
self-directed learning. Concerning other methods, which can support learning environment, the integration of *succession planning* and *career development* can bring real benefits to the company. The effectiveness of this approach is mainly connected with the motivation of employees by the opportunity to develop their career, as well as the guided learning can solve the problem of the lack of ability to plan their own learning of Chinese. This approach provides wide opportunities for Chinese talents to develop themselves and their career, and these opportunities are highly appreciated by Chinese people. The other benefit of this development strategy is that company gets the talents with the skills it will need in future. Thus, both our case companies make performance appraisals, develop individual plans for development of employees and guide them in that process.

So the effectiveness of methods and tools applied to Chinese employees’ retention and development depends heavily on the match of these methods and tools to the Chinese specific culture.
6. Conclusion and Recommendation

In this section of the thesis, conclusions will be made on the basis of the analytical findings in order to solve our main research problem “How to retain and develop Chinese employees in the MNCs?” The thesis has been divided into four sub questions, which are concluded and answered in the following text. Our conclusion will construct a model that illustrates successful strategies for the MNCs in China. Next, recommendations will be given for the case companies separately.

6.1. Conclusions

The answers for our research questions were discovered through the empirical study of two multinational companies, which have local offices in China. We analyzed the retention and development tools these companies use for Chinese employees, identified the challenges associated with different approaches, as well as attitudes of Chinese employees to them. The results of research on these questions can be used for MNCs operating in China or going to open local office there. The results provided in our thesis will help these MNCs to avoid the mismatches between Western approaches to talent retention and development and the perception of them by Chinese employees, and consequently to improve the talent retention and development approaches of MNCs.

**Research question 1: How to retain Chinese talents in MNC?**

**Sub-question 1: What motivate the Chinese talents?**

Based on the comparison and analysis between theories and empirical data, we have an insight into what exactly makes Chinese workers feel motivated and how to use strategic tools to retain them in the MNCs. With respect to motivational factors, the well-known Western theories of motivation have more or less limitations to explain how the MNCs can incentive Chinese workers, while cultural model is able to makes up for these mismatches.

The Table 3 below shows to what extent the Western motivation theories can be applied to Chinese worker in the MNC. As “Hierarchy of needs” can explain that, Chinese employees have been mainly motivated by good salary on low level of needs, and if this has been sufficed, they are most attracted by high title or position on high level of needs. We recognize that Chinese employees can have more than one level of needs in the same time, including good salary, individual development and harmonious working relationships, as ERG theory argues. As Acquired needs Theory claims that MNC can stimulate Chinese employees by fulfilling their
needs for achievement, affiliation and power. In addition, the company can motivate Chinese employees by fair payments and equal opportunities for development as *Equality theory* figures out. More interestingly, Chinese employees can be effectively motivated under the close supervision through performance appraisal and feedback, which is able to prove good applicability of *Theory X* to Chinese employees. As we see from the empirical research data, *Culture model as motivation* is playing a decreasing applicability to the Chinese context. However, there still remain several deep-rooted cultural issues, including ‘face’ behavior, importance of interpersonal relationships, the sense of belongingness, content with current situation and negative effects of traditional education.

**Table 3. Appropriateness of motivational theories for Chinese employees**

<table>
<thead>
<tr>
<th>Motivation theory</th>
<th>Appropriateness for Chinese employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchy of Needs</td>
<td>Low level: good salary &amp; wage; rapid wage increase</td>
</tr>
<tr>
<td></td>
<td>High level: high title or position; wide job responsibility</td>
</tr>
<tr>
<td>ERG Theory</td>
<td>More than one level of needs: money; relationship; individual development; reputation</td>
</tr>
<tr>
<td>Acquired Needs Theory</td>
<td>Achievement: recognition &amp; approval</td>
</tr>
<tr>
<td></td>
<td>Affiliation: harmonious working relationships</td>
</tr>
<tr>
<td></td>
<td>Power: high title and wide job responsibility</td>
</tr>
<tr>
<td>Equity Theory</td>
<td>Equal payment;</td>
</tr>
<tr>
<td></td>
<td>Same opportunities for development</td>
</tr>
<tr>
<td>Theory X</td>
<td>Tight supervision;</td>
</tr>
<tr>
<td></td>
<td>Comprehensive systems of controls</td>
</tr>
<tr>
<td>Culture model</td>
<td>Decreasing of influence</td>
</tr>
</tbody>
</table>

In sum, we find out what Chinese workers mostly want from the work. First, with rapid economic development, the majority of Chinese workers are in the pursuit of money, thus good salary and wage is regarded as foremost factor to make them feel enthusiastic. Second, they pay great attention on their individual development. Third, the Chinese can be greatly satisfied by the high title or position. Finally, Chinese workers prefer to involve harmonious working environment, and they put heavier emphasis on their relationships with their immediate
supervisors and colleagues. On the other hand, we also identify in which fields Chinese workers don’t have high requirements. The first thing is the work-life balance, since they are willing to dedicate themselves to work and ignore the quality of life. Secondly, most of Chinese workers, especially the young generation, are not so interested in benefits as well as infrastructure.

**Sub-question 2: Which tools can be applied for retention of Chinese talents?**

The empirical data indicates that approaches can be applied by MNCs to retain Chinese workers, as the below table lists in order of importance. We also realize the MNCs need to consider about characteristics of Chinese culture when use these retention tools (see Table 4).

As the table shows, good salary is the number one reason why Chinese employees want to stay at the company. It is essential for multinational companies to have a clear **compensation philosophy** for Chinese employees: rapid increase of wage and equal payment.

Then it is followed by better career opportunities, **training and development** in which process effectiveness and equality are also emphasized.

Thirdly, we find it crucial for the MNCs to provided Chinese workers with **corporate culture** characterized by harmony and informality. And leaders (managers or superiors) are suggested to build close and trustful personal-relationships with subordinates.

Fourthly, Chinese workers can work effectively under the regular **performance appraisals**. And they get used to receive implicit **feedbacks** from superiors and they expect superiors to make career plans for them.

Fifthly, the MNCs have to provide Chinese employees with basic **benefit** at least and additional benefit could be offered according to different needs of employees.

Finally **work-life balance** is least attractive to them, but the MNCs have to offer them public holidays.
Table 4 Usage of retention tools for Chinese employees

<table>
<thead>
<tr>
<th>Retention tools (rank in order of importance to Chinese employees)</th>
<th>Usage of retention tool in China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compensation</td>
<td>Good salary &amp; wage;</td>
</tr>
<tr>
<td></td>
<td>Rapid increase wage based on regular performance appraisal;</td>
</tr>
<tr>
<td></td>
<td>Equal payment</td>
</tr>
<tr>
<td>2. Training &amp; Development</td>
<td>Quick and effective training;</td>
</tr>
<tr>
<td></td>
<td>Relatively equal opportunities for development;</td>
</tr>
<tr>
<td>3. Leadership &amp; Corporate culture</td>
<td>Harmony: less direct critics to keep ‘face’;</td>
</tr>
<tr>
<td></td>
<td>Guanxi: close interpersonal relationship, informal culture;</td>
</tr>
<tr>
<td></td>
<td>Trustworthiness: between leaders and employees</td>
</tr>
<tr>
<td>4. Feedback &amp; Supervision</td>
<td>Tight supervision: Regular performance appraisals;</td>
</tr>
<tr>
<td></td>
<td>Face issue: implicit feedback;</td>
</tr>
<tr>
<td></td>
<td>Career planning for each employee.</td>
</tr>
<tr>
<td>5. Benefits &amp; Infrastructure</td>
<td>Basic benefit + Additional Medical Insurance;</td>
</tr>
<tr>
<td></td>
<td>Special benefit for old employees</td>
</tr>
<tr>
<td>6. Work-life balance</td>
<td>Public holidays + paid annual vacation</td>
</tr>
</tbody>
</table>

Research question 2: How to develop Chinese talent in MNC?

Sub-question 1: Which tools can be applied for the development of Chinese talents more effectively?

According to our analysis MNCs can apply the same strategies for development to Chinese employees as in their home country. Thus, the MNC can easily apply the ‘typical development strategies” proposed by Rothwell: coaching and mentoring, action learning, job rotation, university–based programs. In order for the MNC to succeed in China it should use the development strategies, which can be most effective for Chinese employees.
The first method that can be applied easily in China is **mentoring**. The mentoring stands very close with Confucius system of relationships between senior managers and subordinates, and mentoring usually happens informally.

**Coaching** is another effective approach to the development of Chinese employees. The Chinese employees have a lack of learning skills as such as: the skills to ask questions, the self-correcting skills, and the ability to percept positively feedbacks and to give them (Woodland, 2007).

The other highly effective method for development of Chinese employees is **action learning**. Chinese people often have very good theoretical knowledge, but lack of practical experience. So action learning can enhance the Chinese employees to put their knowledge in practice and to develop certain skills rapidly.

The company can enhance the understanding of the overall processes by using **job rotation** and increase employees’ satisfaction.

**University –based programs** can be a good way for development of future talents for a long perspective, but in this case company needs big contributions of time and money.

**Integrating the strategic planning and talent planning** can contribute to the success of the company in China heavily, because the lack of talents in China is a huge problem. The planning of talents needed in future and the development of potential talents for these positions would be preferable for MNC in China. Lack of resources make it challenging task to imply for all positions succession planning and career planning for all employees, but in this case company can get benefits through increased output of its employees.

The **self-directed learning** and **e-learning** are found to be most challenging approaches for development of Chinese employees. The main reason is educational system, because Chinese are not used to plan their learning activities. But if they plan, they can often plan the learning process in a wrong way. Besides the lack of self-awareness and self-management skills, skills in English language, and the lack of computer-skills, employees experience some technical problems. All these facts make these approaches less effective for Chinese environment.

It is found that face-to-face **trainings** are more effective for Chinese employees than self-directed learning or e-learning.
**Sub-question 2: In what way the development tools can be applied for Chinese talents?**

MNCs which use the development strategies should consider the differences between the culture in their country and Chinese culture, and try to adopt certain tools. Also in order for companies to work effectively the head offices need to have good connection with local offices in order to get feedbacks form Chinese employees and to see the match of different tools and methods especially for Chinese employees (see Table 5).

For company using mentoring as a development tool is very important to change the informal mentoring to formal system in their Chinese office by appointment of mentors and protégés. This will allow MNC to control the relevance and effect of knowledge flow.

For effective implementation of coaching, the company will improve results by consideration that Chinese are more trustful to the Chinese managers, than Western. The usage of “Appraisal talks” as a part of coaching approach can improve the Chinese employees’ development rapidly. The reason is that “Appraisal Talk’ is called to develop the skills in giving and getting constructive feedbacks, and to make employees to become more self-aware and self-correcting, which Chinese employees are lacking due to cultural issues.

**Action learning** can be implemented and it would be highly beneficial for the employees’ development to get real assignments abroad, as many Chinese have lack of global thinking and certain skills that should be developed in completely new environment.

If MNC uses job rotation tool it is of high importance to realize the hierarchical structure and the size of the company, because companies in China tend to be bigger than in Europe. The strict examination and assessment system conducted by company can guarantee that talents will perform well on new places.

Through **Integrating the strategic planning and talent planning** MNC can address the lack of skills of Chinese employees in planning of their own development and receive guaranteed pool of talents in future.

Before launching of self-directed programs, MNC needs to realize the immunity to change of Chinese employees and the lack of skills in planning of their own learning and, if possible, they can address them.
Similarly, while making the e-learning session, the company will make it easier for Chinese employees by considering the language issues, different level of computer skills, technical problems.

While conducting trainings the consideration of the communication differences between Western managers and Chinese employees will improve the results of trainings. That would be beneficial for MNCs to be prepared for development of English language skills, managerial skills and professional skills by face-to-face trainings.

**Table 5 Appliance of development tools for Chinese employees**

<table>
<thead>
<tr>
<th>Development tool</th>
<th>Company</th>
<th>Challenges in China</th>
<th>Ways to overcome challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mentoring</td>
<td></td>
<td>Informal, risk of spreading of irrelevant information</td>
<td>Make it more formal</td>
</tr>
<tr>
<td>Coaching</td>
<td></td>
<td>Lack of coaching skills, lack of trust; Lack of skills in exchanging of feedbacks, self-corrected abilities</td>
<td>Trainings for managers &quot;Appraisal Talk&quot; is effective</td>
</tr>
<tr>
<td>Action learning</td>
<td></td>
<td>Lack of practical knowledge</td>
<td>Make Chinese use their knowledge in practice</td>
</tr>
<tr>
<td>Job rotation</td>
<td></td>
<td>Huge size and hierarchical structure of the organizations</td>
<td>Strict assessment system</td>
</tr>
<tr>
<td>Succession planning and career planning</td>
<td>Only for top best or senior levels</td>
<td>Should be involved employees of all positions</td>
<td></td>
</tr>
<tr>
<td>Self-Directed learning</td>
<td>Are not good on planning their own learning; Less effective in China</td>
<td>Employees need assistance</td>
<td></td>
</tr>
<tr>
<td>E-learning</td>
<td></td>
<td>Language barrier; technical problems and lack of information about</td>
<td>Make it in Chinese language; Get feedbacks form Chinese local office</td>
</tr>
<tr>
<td>Universities</td>
<td></td>
<td>Not enough resources Experienced workers are preferred</td>
<td>Make ‘guanxi’ for long-term perspective</td>
</tr>
<tr>
<td>Training</td>
<td></td>
<td>Mismatches in communication can have place between trainers and Chinese employees</td>
<td>To conduct training for non-Chinese personnel in cross-cultural management; Keep in mind that Chinese employees are more trustful to Chinese managers</td>
</tr>
</tbody>
</table>
6.1.1. Effective retention and development for Chinese employees

During our research we met a large amount of studies devoted to talent management but few of them consider talent retention and development of Chinese employees in the MNC. Regarding motivation and retention, D’Andrade and Strauss (1992) developed the cultural model and claimed that working motivation depends on cultural messages. Hong (2000) described the limitations of the applicability of well-known psychological theories in Chinese organization due to cultural differences. He assumed cultural models as the most useful motivational approaches to Chinese workers. However, he did not figure out how to apply his theoretical findings from Western theories and cultural model to the Chinese employees in MNC. Appliance of his theoretical findings in the MNC is one of our contributions in this study. We identify key cultural messages which still have influences on Chinese employees’ thought and behaviors, including harmonization, face behavior, interpersonal relationships, belongingness, trustworthiness as well as effect of traditional education. Meanwhile, we clearly figure out how to apply it in talent retention and development. With respect to retention tools, few researchers focused on special approaches for Chinese workers. Vaiman & Vance (2008) and Janet Chew (2004) concluded different kinds of retention tools which applied in the Western companies. In our study, we attempt to claim the special retention tools which can be used for Chinese employees and how to apply them according to Chinese cultural messages.

Few authors emphasize the importance of special approaches to talent development in China, but mostly they focus on leader’s development, putting aside other employees. The first author to be mentioned is Teresa Woodland, who gives short overview of problems, which company can meet while developing Chinese leaders. The thing is that she mentions mainly Asian educational system and immunity to change. She provides some recommendations without proposing any special development tools, except proposing action learning (Woodland, 2007). Other authors pick up separate development tools, and provide brief overview of them, without making conclusions for their applicability and effectiveness of these development tools for Chinese employees, eg of P. Wright, Q.F. Szeto, L. Chen;Lane and Pollner; Bozionelos and Li Wang. Thus, our main contribution to talent development of Chinese employees is that we identified the most effective talent development strategies applicable for Chinese employees and figured out the ways MNC can adapt to cultural characteristics of Chinese employees while developing them. Our contribution is of high importance as it observes not just the employees of top-level but includes all employees across organization.
The uniqueness of our study is that we provide overall picture of different approaches to retention and development of Chinese employees in our paper and conclude on how MNC can match existing knowledge in retention and development to special Chinese characteristics (see Figure 7 shows).

**Figure 7. Effective retention and development for Chinese employees**

![Diagram showing effective retention and development for Chinese employees]

- **Harmonization**
- Face behavior
- Trustworthiness

**Chinese culture message**
- Interpersonal relationships (Guanxi)
- Traditional Education
- Belongingness

**Effective retention and development of Chinese talents**
6.2. Recommendations for the case company

In this sub chapter we will provide case specific recommendations that Atlas Copco and Electrolux should take into consideration when retaining and developing Chinese employees.

6.2.1 Recommendation for AC

6.2.1.1 Retention approaches

The company provides the Chinese employees with limited assistance for career enrichment case by case. Of particular notice is that Chinese employees put heavier emphasis on the benefits for individual development. So AC should consider to make this assistance institutionalized and to open to more employees.

In the informal process, AC commissions a third party an “employee survey” every two years to solicit employee feedback for those who may not have many other opportunities to confidentially express their views. In addition to it, we suggest the company to conduct regular face-to-face conversations in the formal way, such as “appraisal talk”, in order to strengthen the supervision of the organization.

In performance management, AC should give Chinese employees feedback one-and-one in an implicit way, in order to keep their face, they might appreciate considerate policies of the leaders and organization.

6.2.1.2 Development strategies

We recommend AC to keep on using action learning and in addition provide Chinese employees with overseas assignments. This will make them more aware of the situation in other countries, enhance their global thinking, which they often lack of and acquire new skills.

The AC should integrate succession planning and career development, making long-term plans for talents required in future and developing the employees within the company according to these needs. This strategy is very important especially in conditions of gap in talents in China. Maybe AC head office need to change approach especially to Chinese employees due to cultural peculiarities they have, such like lack of skills in planning of own development. Also development programs can become a strong motivational factor for career and development-oriented Chinese people. Again the self-directed learning and e-learning need to be adapted to Chinese people, maybe translated in local language and the local office need to involve the employees in using of e-learning and self-directed learning. While making the trainings the
cultural issues also should be considered, in case if some Chinese employees need special individual approaches. The trainings should enhance the Chinese to ask questions and practice the knowledge (see Table 8).

Table 8. Recommendations for Atlas Copco in China

<table>
<thead>
<tr>
<th>Retention and development tools</th>
<th>Recommendation for applying retention and development tools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retention tools</strong></td>
<td></td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>Making this assistance institutionalized and opened to more employees</td>
</tr>
<tr>
<td>Feedback &amp; Supervision</td>
<td>Conducting one-and-one appraisal talk; implicit feedback to employees.</td>
</tr>
<tr>
<td><strong>Development tools</strong></td>
<td></td>
</tr>
<tr>
<td>Action learning</td>
<td>Keep on using; provide Chinese employees with overseas assignments</td>
</tr>
<tr>
<td>Succession planning &amp; career Development</td>
<td>Make Succession planning &amp; Career development for Chinese employees</td>
</tr>
<tr>
<td>Self-directed learning and e-learning</td>
<td>Chinese language for learning web and other software; increase involvement of the employees</td>
</tr>
<tr>
<td>Training</td>
<td>Enhance the Chinese people to ask questions and practice the knowledge</td>
</tr>
</tbody>
</table>
6.2.2 Recommendation for ELS

6.2.2.1 Retention approaches

Since salary and wage is the first motivational factor, ELS should continue to improve their reward system in China, and adjust their salary and wages in time according to the compensation survey for Chinese labour market in order to keep salary competitive. In consideration of workers’ desire for quick accumulation of wealth, case companies need to take regular salary review based on performance and then increase employees’ wages accordingly.

ELS claim that there are problems in communication between the top managers and the employees on middle and bottom layer. Firstly, the cultural differences lead to some mismatches in cognitions and values, thus it is suggested to use more local superiors who have cultural fit in China. Secondly, superiors and managers should pay more attention to cultural factors when rewarding Chinese workers and giving them feedback. ELS holds the Town-Hall meeting within the organization and every employee is invited to attend and show their achievement. But, we would recommend to ELS use other ways of approval or recognition, because sometimes rewards in the public make Chinese people shameful since they tend to conform and shy away from standing out.

6.2.2.2 Development strategies

The first tool we will give recommendations is mentoring. Mentoring exists in ELS China without any attempts from managers and exists informally. The informal mentoring causes to spreading to sometimes irrelevant information from mentors to protégés. So ELS should transform the informal mentoring to formal by opened talks with all levels within companies, as well by choosing appropriate mentors.

In order to resolve the problem of lack of trust between the coacher and employee ELS should appoint Chinese coachers—as Chinese employees are more trustful to Chinese than to representatives of other cultures. The training for better understanding of Chinese culture should be held for non-Chinese managers. It will improve the degree of trust, and as sequence coachers’ performance. Also the coachers should be encouraged by company to be more opened and interested in their subordinates enhancing the opened dialogue. Maybe on the first steps the professional coachers should be attracted in order to help employees to be more opened, as it is
always hard to talk about the problems or expectation with your direct manager. In case if the coachers are Chinese ELS should provide trainings in coaching and management skills for them.

For making employees to recognize the contribution of action learning, company can launch assessment surveys before the action learning and after it. Then the employee will see which skills he or she improved, see the result. The summary can be made and results can be published. Through this assessments company will demonstrate to Chinese talents how it contributed to the development of its employees.

Even though the succession planning and career planning demand many resources, the company should have long-term perspective on its talents and intend to plan the position openings for more employees, than just top. Also ELS should make attempts for development of all employees and give more opportunities for career growth. For improving in self-directed learning and e-learning the intranet base should be changed in Chinese language, also the coacher or person, who have good skills in computer have to coach a group of employees in order to enhance their computer skills and enhance positive attitude to self-directed learning (see Table 9).

Table 9. Recommendations for Electrolux in China

<table>
<thead>
<tr>
<th>Retention and development tools</th>
<th>Recommendation for applying retention and development tools</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retention tools</strong></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>Adjust according to compensation survey and performance appraisal</td>
</tr>
<tr>
<td>Feedback &amp; Supervision</td>
<td>Consider cultural sensitivity to feedbacks received While giving public rewards consider that Chinese can be shameful</td>
</tr>
<tr>
<td><strong>Development tools</strong></td>
<td></td>
</tr>
<tr>
<td>Mentoring</td>
<td>Transform from informal to form</td>
</tr>
<tr>
<td>Coaching</td>
<td>The coacher should be Chinese Or get cross-cultural trainings</td>
</tr>
<tr>
<td>Action learning</td>
<td>Assessment surveys helping to realize how employee was improved due to action learning</td>
</tr>
<tr>
<td>Integration of succession planning and career planning</td>
<td>ELS should make attempts to plan for more positions and involve more employees</td>
</tr>
<tr>
<td>E-learning and Self-directed learning</td>
<td>Translate web-based programs to Chinese language Enhance computer skills of employees; Change attitude to self-directed learning</td>
</tr>
</tbody>
</table>
Interview with “Atlas Copco” in China

1. Chinese employees and their needs

1. How many (or what is the percentage of) Chinese employees in the local office?

About 96% of all employees are Chinese.

2. Which positions do they hold (percentage Chinese vs Western representatives)?

More than fifty percent of the General Managers and financial directors have been localized. Nearly 80 percent of the Branch Managers are Chinese. The low position has been totally taken up by Chinese workers.

3. What are the special needs of Chinese employees?

Actually the Chinese employees do not have special needs in benefit, but expect the relative fast growth in salary or wage. More and more Chinese workers care about their career development. Besides they attach importance to the relationship with their immediate supervisors as well as the leadership behaviour.

2. Talent retention

4. What makes Chinese employees motivated and are there differences in comparison with Western employees? What differences? Please give an example.

Of all the factors that make Chinese employees motivated, employee compensation and benefit packages always play a prevailing role. The Chinese put heavier emphasis upon compensations in contrast with the Western workers, since they are living on the different stages of economic development. The Western workers feel more motivated by work-life balance than do the Chinese. For example, Atlas Copco set up a new factory in China and required employees to work nearly every day in the initial period. Head quarters worried that the Chinese workers might refuse overtime work. But it turned out that the majority of the Chinese employees accepted the year-around operation when the firm paid them for overtime work according to the law. In addition, incentive factors related to family issue is not the key to motivate the Chinese workers, especially the young generation. In a word, most Chinese prefer to spend more time on work and care more about the short-term income.

The Chinese people are not merely content with the favorable material life, and thus they are beginning to focus their attention on their career development. Today, facing many employment opportunities in a tight labor market, most Chinese workers of the young generation appear ambitious and cannot wait to find a short-cut to success. It seems to me that there are two different kinds of career development for the Chinese. On the one hand, the Chinese workers make effort to improve their knowledge and competence in work to get a rapid development. On the other hand, they are effectively motivated by their official “title” or “position” which is related the “face” issue. Actually there exists “title inflation” in the Chinese labor market and workers tend to compete in the “title”. Sometimes under the same duties and tasks, the Chinese employees can be greatly satisfied by the high and fancy title. Thus, the firm prefers to change the “title” to motivate the Chinese employees in terms of career development.
5. What kind of retention tools are you using? Why? How do you use them? Please give an example.

Firstly, Atlas Copco is constantly improving reward system in the Chinese market for talent retention when they recognize the compensation & benefit is still an important motivator to local workers. Thus, we work with Mercer Consulting firm. Based on Mercer's compensation & benefit survey every year, Atlas Copco has more insights into China's specific people issues and business challenges, and continuously adjust compensation and benefit packages for the Chinese workers.

Secondly, Atlas Copco also uses an intangible retention tool—Training & Development. For example, we provide every worker with the training of no less than 40 hours (5 working days) per year. Associated with the training system, we make sound performance appraisals for the Chinese workers every year, based upon which the company and the employees discuss and make the training and development plan for the next year. In addition, we commission the third party to do an “employee survey” every two years to solicit employee feedback. The information from these surveys allows us to have insight into Chinese employees’ feelings and behaviors and thus boost morale for those who may not have many other opportunities to confidentially express their views.

Thirdly, Atlas Copco promotes an open & informal family culture in the Chinese organizations and most Chinese employees highly appreciate this culture. Within the Group, people are both professional and caring. Sharing of knowledge and experiences is needed for good job results. It is also a key component of personal development. The culture is opened and informal: employees are encouraged to express what they feel and think through the informal processes. New employees are immediately feel welcome and supported by colleagues. Within Atlas Copco, this is known as the family culture. This simply means hard work, but also having fun.

Could you rank these retention tools in order of importance to the Chinese employees?


From highest to lowest:

Compensation, Development & Training, Leadership behaviors (communication) and corporate culture, Career opportunities (Challenges), Benefits, Working environment (facilities), Work-life balance

6. Does the company provide the Chinese employees with benefits for career enrichment (such as educational assistance/Tuition reimbursement and rewards for advanced degrees)? If yes, how does it work? Please give an example.

Yes. At the first, Atlas Copco organizes English Language training for the Chinese employees. In big cities the employees can take collective courses in the appointed language Organizations. Employees working in the small cities can also get the tuition reimbursement for English learning. Secondly, Atlas Copco sponsors 15 local employees every year for the Management Diploma in Management program in CEIBS (China - Europe International Business School). All these tuition fees are sponsored by the company. Even for the workers who apply the courses.
outside the organization, Atlas Copco could consider to give some assistance. But this kind of assistance is not institutionalized yet and the firm deals with them case by case.

3. The approaches to talent development in Chinese context

Talent development strategies in China

7. Do you have the system of transferring knowledge from existing employees to new employees, or to the just promoted employee? If yes, please describe how it works (or not works).

Yes. Heads of department will appoint a “veteran” as a mentor to help new employees adapt to the working environment. This kind of mentorship is very useful in transferring technological knowledge and skills in certain department. But this kind of mentoring within our organization is conceived as an informal process, because it is not written in the company manual. The Chinese employees are willing to lead the newcomers into the work spontaneously, because the mentorship has been part of social network in China based on which employees build up their trustworthiness.

8. Do you make attempts to improve the employee self-awareness, enhancing employee skills and abilities, adjusting of management styles or behavior (coaching)? How? Please give an example.

The formal coaching has not been completely formed but this is what we are advocating within the organization currently. Although the company never employs coachers or experts from outside, division managers are viewed as “coachers” in their departments. These coachers are required to focus on employees’ attitude and develop their creativity, self-confidence and optimistic view on the thing.

9. Do you make project-based tasks, for resolving solutions for existing important business problems? If yes, please describe your experiences (good as well as bad).

Yes, learning- by -doing is one of most important tools the company used to develop employees’ capabilities and skills. Atlas Copco always believes that the job environment is a more effective measure to learn rather than traditional taught courses. In the sales department, for instance, there is a program called “Local High Potential”: trainees are divided into several teams and each team is led by a division manager. They have to work in a team to finish differential project-based tasks for resolving existing important problems. After a period of time project-based teams need to report results of the work and get comments from the top supervisors. Action learning can ensure that the Chinese employees put their knowledge into practice.

Do you send Chinese abroad for these assignments?

Yes. The firm often provides the technical staffs and product managers with many opportunities to receive training in the head quarters (Sweden) or other countries.

10. Do you transfer talents within the organizations? If yes, please describe your experiences.

There is no a formal system of job rotation within the organization. However, the company has a policy called “internal labor market”, which gives information about opened positions to the employees within organization first. We encourage the Chinese workers to apply for vacant job positions. If the appliers pass a series of vocational assessments, they are allowed to work in the new positions.
How they work in the new position?

Pretty well. There are strict personnel vetting procedures and scientific vocational assessment that can ensure that qualified workers move to the new positions.

11. Do you collaborate with universities in China? If yes, please describe how it works.

Not yet until now. Our collaboration with the University in China still remains in the stage of recruitment.

4. Integration of succession planning and career planning

12. Do you plan the talents needed in future? If yes, please describe your experiences.

Actually Atlas Copco does not make this succession planning in the global market. It results from the cooperate philosophy: employees need to be responsible for their career planning and create career opportunities on their own initiative. Instead we have the “Local High Potential” program for talent development. The aim of program is to provide more opportunities for employees and to build future leaders for the Group. The employees meet the criteria in Performance and Potential and have more than 18 months service in Atlas Copco, are qualified to be nominated by the General Managers. The divisional HR will review the candidates and submit to Business Area Management for approval. Once the employees are identified as High Potential, they will be invited to some training programs and project assignments for improving their competence and leadership. Different from the succession planning, this program claims that the potential talents are not supposed to work on the fixed position in the future.

13. Do you develop people according to the needs of the organization in the future? If yes, please describe your experiences.

Yes. On one hand, the company gives supports and opportunities to career development according to the needs of the organization in the future. On the other hand, the mainstream of the corporate culture is that “employees are in charge of their own potential development”. The company just acts as a facilitator of career development and provides necessary advices and helps employees in making individual career planning. In annual Performance Appraisal, for example, immediate supervisors will discuss this matter with their subordinates and reach some consensuses. Around the career planning made by employees, the company may figure out problems they still have as well as solutions to resolve the existing problems in the next year.

How often it happens that they can be satisfied by your organization? How do you align their career plans with needs of the organization?

In the most cases employees’ career planning can be supported by the organization. Sometimes, there exist mismatches between individual career plans and needs of organization. For instance, the company will not invest too much in certain field where the employees desire to develop. In this case, the organization shows respect for employees’ individual willing, but the employees have to be more dependent on themselves in career development.

14. Do you use computer–based programs, intranet, and other ways of self-directed learning? If yes, please describe your experiences.

Not exact. The computer-based programs and intranet are supported by the Swedish web server and there are many problems with internet when the local workers try to log on from China. Besides, we do not think self-directed learning is more effective for the Chinese employees than face-to-face training, because they are lack of self-awareness and self-management skills.
15. Do you use e-learning? If yes, please describe your experiences.

“No.”

But “Virtual Academy is the internal training institution to provide the learning opportunities to
the employees in China. It's the virtual "Corporate University" ---- we mainly using external
resources (trainer, facilities) by outsourcing. he aim is to attract, develop and retain employees.”

16. Do you conduct trainings for Chinese employees? If yes, please describe your experiences.

Yes, a lot. We provide each worker with the training of no less than 40 hours (5 working days)
per year. It includes English language training, China-EU joint management programs and
Virtual Academy and so on. Language training and Virtual Academy are both powered by the
third organizations. Our Chinese employees can apply for any course in these two organizations.

17. Could you point out which development tools you use and which of them you see most
resulting and successful in China.

I have to say the learning- by- doing is a fast and effective way to develop Chinese talents, since
most of Chinese receive taught courses in the classroom and have few opportunities to practice.
This kind of tool can help the Chinese workers put their knowledge from the classroom to
practice. Besides, different kinds of training organized by the organization can effectively push
the talent development in China.

18. Which tools you had to adapt to China and how? Why?

Actually I think the individual career planning does not fit the Chinese workers very well. The
enterprise requires the employees to make career plans on their own initiative, but the most
Chinese are not good at planning and self-management. In this sense, maybe the company should
take more responsibility of career planning according to needs of the organization and invest
more to help the Chinese employees make career plans.

19. Which tools you would like to use in future (among those you don’t have yet), as you
heard, or have personal opinion that they can contribute to the performance of the
company? Why?

As observed above, succession planning should be used in future for the Chinese employees who
get used to accept the plans and walk along the well-established paths. The fixed target can
motivate the Chinese employees in an effective way. Job rotation could be another tool that can
contribute to the performance of the Chinese employees. At the senior management levels, job
rotation is tightly linked with succession planning - developing a pool of people capable of
stepping into an existing job. Job rotation is also practiced to allow the Chinese employees to
gain more insights into the processes of company and to reduce boredom and increase job
satisfaction through job variation.
Interview with “Electrolux” in China

1. Chinese employees and their needs

1. How many (or what is the percentage of) Chinese employees in the local office?

There are around 460 Chinese employees in the local office.

2. Which positions do they hold (percentage Chinese vs Western representatives)?

At the senior management level, Chinese employees nearly account for 30 percent in the local office. At middle level, 100 percent of workers are Chinese people.

3. What are the special needs of Chinese employees?

I don’t think the Chinese employees have particular requirements in the work in contrast to the Western workers. In fact, differential needs are largely determined by their different ages, family backgrounds and education levels. With respect to the age group, the Chinese of below 30 years old focus on individual development in skills and capabilities. They pursue a wide range of job responsibilities on one hand, and expect to be paid well on the other hand. This group has the lower needs in benefit packages. By contrast, the other age group of above 35 years old care about the total compensation. They need a stable income and regard benefits or services as part of their compensation, such as comfortable facilities, good benefit/pension plans, work-life balance and harmony working relationships and so on.

2. Talent retention

4. What makes Chinese employees motivated and are there differences in comparison with Western employees? What differences? Please give an example.

In general, differences in motivational factors are smaller and smaller these years. But the sense of belonging and involvement are still making the Chinese employees motivated, particularly for the young generation. “Face behavior” is also common in our organization and people care about their “title” and “position”. For example, as a department head leaves his job, the acting department head will be anxious to get the official promotion and attain a formal “title”, even though an acting manager have the same compensation and job responsibility.

With respect to the family issue, we recognize a conflict in the survey and practices. The survey shows that the Chinese employees put the family value on the first place. But in practice, few of them attach the family issue to their working. It seems that the Chinese employees pay more attention to monetary rewards today.

5. What kind of retention tools are you using? Why? How do you use them? Please give an example.

We are using different retention tools to retain the Chinese employees and they could be divided into tangible (salary and benefits) and intangible tools. As for the tangible incentive, we have a salary review each year based on the performance appraisal, and increase some employees’ wages accordingly. In addition to the basic medical insurance, we offer the additional Medical Insurance for the Chinese employees. As for the intangible incentive, we organized different sorts of training and development, such as coaching, job rotation and team meetings etc. Meanwhile we encourage the Chinese employees to find external channels for development by
themselves, for example, participation of the management program. In addition, we are conducting a “Reward & Recognition Program” within the organization by setting up different kinds of awards, such as “Business Breakthrough” and “Super Star among the employees”. There is another program called “Kaizen” (Improvement in English) in Six Sigma management: the company chooses several valuable suggestions and rewards the employees who present proposal for improvement and the person who carry them out. Besides, the company organizes the Town-Hall meeting (informal public meeting) and every employee is invited to attend, voice their opinions and show their achievement etc.

6. Does the company provide the Chinese employees with benefits for career enrichment (such as educational assistance/Tuition reimbursement and rewards for advanced degrees)? If yes, how does it work? Please give an example.

We have an “Education Assistance Program” for this case. If workers want to be sponsored by the company for their career enrichment, they have to apply for this program first and the organization needs to select qualified employees to get this assistance. For one thing, we need to measure to what extent the education will contribute to the interests of the organization. For another thing, we need to do a comprehensive evaluation of candidates in terms of their length of service in the company, performance and career potential. Of particular notice is this program is just opened to a small quantity of employees who meet the requirements due to the limited resources of the company.

3. The approaches to talent development in Chinese context

Talent development strategies

7. Do you have the system of transferring knowledge from existing employees to new employees, or to the just promoted employee? If yes, please describe how it works (or not works).

Yes. It is an informal process because there are no formal policies to support mentoring within our organization. But most senior staff can impart their experiences and skills to new employees consciously.

8. Do you make attempts to improve the employee self-awareness, enhancing employee skills and abilities, adjusting of management styles or behavior (coaching)? How? Please give an example.

Yes, coaching is a formal process within our organization and we have a series of tools to support the coaching activities. Firstly, we expect that each director has a one-to-one “Appraisal Talk” with every subordinate quarterly based upon their performance. In the personal conversation, the director acts as a coacher helping employees to identify their problems in the work from the performance review and then activates employees to recognize these problems and find the solutions by themselves. Last not least, the director (coacher) needs to help the employees make the working plans for the next stage by identifying potential risks and opportunities. To sum up, our coaches focus on practicing employees’ thinking on the current and future. Besides, the company offers some special training to improve these directors’ coaching skills regularly.
Do coaches face any challenges in China? How do they overcome them?
Yes. There are two main challenges in the coaching process. The first one is that employees do not trust their coaches if the coaches did not meet the promises before (commitment), or they always make the arbitrary decisions (alignment) and these decisions are not right for several times. The second one could be the problems of coaching skills, for example, the existing coaching skills are not applicable to everyone. With increasing of experiences and training for coaches, we are able to gradually overcome these problems and improve our coaching skills. We decide to improve their coaching skills on three aspects: 1. Coachers’ cultural fit; 2. Coachers’ Competence; 3. Coachers’ Leadership behaviors. We can improve coachers’ cultural fit and competence through different kinds of training and learning activities. But it is not easy for coaches to set up trustful relationships with employees.

9. Do you make project-based tasks, for resolving solutions for existing important business problems? If yes, please describe your experiences (good as well as bad).
Yes. Our dedication to the action learning is adequate and we have involved learning by doing in our everyday work. And the Chinese employees appreciate these project-based tasks because they can learn a lot from different cases.

Do you face any problem on making the action learning in China?
Yes. The tricky thing is that Chinese employees do not conceive project-based task as one kind of training program, because it is involved in everyday work and does not occur in the classroom. But we expect from the Chinese employees to realize that the company also invests in the action learning to improve them and thus they increase the commitment to the organization. To this point, we are promoting a training manual for the employees, to inform them about existing training resources, training tools and tasks etc.

Do you send Chinese abroad for these assignments?
I have no idea about this issue.

10. Do you transfer talents within the organizations? If yes, please describe your experiences.
Yes. Electrolux has a web resource for job rotation on intranet, called “Opened Labor Market” (OLM). Via this platform, the employees can attain the priority application for opened positions. The OLM is an international program that makes possible to transfer the Chinese talents abroad.

How they work in the new position?
It depends on. Not everyone can adapt to the new positions. Within a department, the immediate supervisor might observe different subordinates’ potentials and then identify which one is suitable for use in a certain position. Thus this job rotation within a department or division turns out to be more successful.

11. Do you collaborate with universities in China? If yes, please describe how it works.
Maybe. I have no idea.

4. Integration of succession planning and career planning
12. Do you plan the talents needed in future? If yes, please describe your experiences.
Yes, we make the succession planning within the organization. Firstly, we make talent review every year in terms of employees’ performance and career potential. Secondly, we select several successors for each position according to the talent review. Thirdly, we make the individual
development plans (IDP) for different successors, including job rotations, other project-based tasks or other kind of training. Finally, HR department will follow the performance of the IDP. The training cycle depends on different successors and different positions. We need longer time to cultivate a country manager but less time for a middle level manager.

13. Do you develop people according to the needs of the organization in the future? If yes, please describe your experiences.

Yes. But the company cannot make the career planning for every employee. Our career planning just focuses on the top employees chosen from the talent review. Beside, the immediate supervisors will help the subordinates to make their career plans via “Appraisal Talk”. In general, Electrolux needs to improve the career development within the organization.

How often it happens that they can be satisfied by your organization? How do you align their career plans with needs of the organization?

In the most cases the company just tries to suffice the top employees’ needs in career development. For the middle level employees, we attempt to collect information about their individual career plans and then identify the common needs in career development. Based upon these feedbacks, the company attempts to satisfy their needs through training or other methods. But it is impossible to invest in all employees’ career development due to limitation of resources.

14. Do you use computer –based programs, intranet, and other ways of self-directed learning? If yes, please describe your experiences.

Yes. Actually the Chinese employees prefer to find other ways of self-directed learning outside the organization. For example, they often study in open universities or take self-taught exams. In their opinion, this way is more valuable than computer-based programs or intranet. But this own self-directed learning is not always useful to their work, and they need to adjust their ways of learning in the different stages.

15. Do you use e-learning? If yes, please describe your experiences.

Yes. The employees can share different sorts of knowledge and experiences on intranet. But it is not popular among the Chinese employees. For one thing, most of Chinese employees are not informed by the company about access to e-learning on the intranet. For another thing, the language on the web is English and actually most Chinese employees are not good at English. Thus language becomes the main barrier of e-learning and the engagement of the Chinese employees are much low. We are planning to change update this system but it will take around 2 or 3 years.

16. Do you conduct trainings for Chinese employees? If yes, please describe your experiences.

Yes, a lot. From 2009 year, we are conducing “Orientation Program” to give the Chinese employees insight into Electrolux in terms of the value, mission, vision, strategies and organizational structure. In addition, we are organizing a “Team Building” Session for all the Chinese employees. In this session, the employees can know about cooperate culture through different sorts of activities. On the other hand, a series of activities can help the employees get a common finding—what is a high performance team. Based on this finding, we make them to see the gap between the current team and the high-performance team, and realize what they need to improve in the future. There is another associated training-- “EBIS” (Electrolux Business Improvement System), which focuses on how to improve the current management. Through
these three training programs discussed above, we expect that the Chinese employees realize current or potential changes of the organization and then help them adapt these changes.

**17. Could you point out which development tools you use and which of them you see mostly resulting and successful in China-prioritize them.**

I cannot figure out which development tools can be used effectively to all the Chinese employees. I think approaches to talent development depend on different age group, education level as well as family background and so on.

**18. Which tools you had to adapt to China and how? Why?**

I have to say the company needs to change the way of communication in talent development. The cultural differences lead to some mismatches in cognitions and values and these mismatches may disturb the talent development within the organization. So the organization needs to adapt to the way of communication in China through informal and formal processes, such as Town-Hall meeting and Appraisal Talk.

**19. Which tools you would like to use in future (among those you don’t have yet), as you heard, or have personal opinion that they can contribute to the performance of the company? Why?**

As observed above, we would like to develop formal mentoring within the organization to avoid many negative influences in the informal processes. For one thing, formal mentoring system can prevent some rumors in the informal communication. For another thing, we can need to select qualified mentors for the new employees to guarantee their mentoring skills.

On the other hand, we will continue to improve the Education Assitances Program, to support more employees for their career enrichment.
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