

## Hot Expat Destination: China

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**By: Robin Pascoe**

With world foreign direct investment (FDI) set to rebound in 2004, the attraction to China in particular is growing. The country is forecast to receive FDI of USD 58 billion in 2004 according to the fourth edition of the World Investment Prospects from the Economist Intelligence Unit.

It's no wonder then that companies are scrambling to figure out how to do business in China, and more importantly, looking hard at their HR strategies in order to make them relevant and productive.

"When you see the amount of foreign investment flowing into China, and the growing impact of China on the global economy, the country has become the place to be for most international firms," says Carlos Mestre, who heads the International Unit in Mercer HR's Global Information Services Practice in Geneva, Switzerland.

"For many firms, this has meant a need to develop and enhance policies to cover the diversity of assignments, the multiple nationalities, and the important differences that exists from city to city in China," he says.

Mercer held its 8th annual Expatriate Management Forum in Paris last month. More than 60 HR managers from European companies attended the two day meeting, which included a special presentation on international assignment management in China.

Presenter Peter Schoof, who has been responsible for the International Transfer Centre at Daimler Chrysler since 2001, believes the role of HR has not developed yet in China.

"The current HR challenges in China include recruiting, training and qualification, integration and retention, and the introduction of HR policies and procedures," Schoof told the audience, with a particular emphasis on retention of local Chinese managers.

Schoof proposed that higher salaries could help retain local Chinese managers but it was also pointed out during the session that loyalty and the building of relationships are key business values in China. This means, among other things, that if expat managers are rotated out of positions too quickly or too often, the Chinese employees will also leave out of sense of loyalty.

The importance of understanding the Chinese value of *guanxi*—which translates from the Chinese as the "relationship between people"—is typically stressed by most cross-cultural business trainers preparing managers to work in China—and there's a good reason for that.

According to business Professor Oliver Yau, the Chinese style of management tends to be very human-based. Professor Yau is the chairman of the Academy of Chinese Management and Vice Chairman of the Academy of Knowledge Management in Hong Kong.

"The importance of *guanxi*, for example, indicates a task-focused approach which emphasizes the human side of a relationship and personal behaviour," says Professor Yau.

"Most international joint ventures fail because people are unable to handle the relationship [side]. There are generally misunderstandings on both sides as to the way in which the other side works.

Both sides need to try to understand how the other party thinks. This is crucial if the venture is to succeed. Trust is also very important.”

So should managers go for long- or short-term assignments in China?

This question was also raised during the Mercer meeting by Taina Makkonen, who is responsible for Nokia’s international transfer programmes. Nokia currently has 220 expats in China.

“China must be considered a long-term assignment to be successful,” believes Makkonen based on Nokia’s experience. “It takes a long time—typically longer than in other countries—to learn to do business and be effective in China. Companies therefore need to determine whether some allowance is required to compensate for the extended duration of a Chinese assignment.”

Accompanying family considerations must also not be ignored, according to panel members, otherwise it will be difficult to find staff to move to China even though the availability of western amenities in the major cities such as Beijing and Shanghai has improved dramatically over the past five years.

“A key factor for the success of assignments—to China and elsewhere—will be how well the many family issues are dealt with,” points out meeting organizer Carlos Mestre.

Other conclusions reached by this particular panel on HR challenges in China included:

- there is still a big gap between managerial and other salaries as the dramatic growth in China has pushed local salaries up, with upper management levels creeping towards international standards;
- there is increased competition for local talent which is driving up cash incentives so that firms wishing to retain talent must constantly evaluate incentive schemes; and,
- training opportunities are an essential weapon in the war for local talent.

China is destined to be the biggest expat destination in the next five years, according to Daimler Chrysler’s Peter Schoof. He underscored the importance of companies understanding the Chinese way of doing business by adding: “We consider our expats as ‘ambassadors of the brand’.”

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