

# Chapter 1

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## The War for Talent

In the modern-day business environment, competition in the marketplace has intensified from the basis of product and price, to the core of a business organization—what many human resources (HR) professionals describe as “The War For Talent.”

A business organization is by definition a group of people assembled to accomplish common objectives or goals, such as maximizing the profits of investors, catering to new lifestyles and trends, or performing a particular service for customers or society for a fee. The key element no doubt is *people*. People set out the structure, business model, and governing modus operandi of an organization. People also bring various functions of the organization together and produce synergy. Particularly in the service sector, employees are an organization’s most important asset.

It is therefore logical to conclude that any top-performing company, whether a multinational or local small and midsize enterprise (SME), must have an effective approach and framework for attracting and selecting talent. The result of the “War for Talent” is that businesses must be competitive in attracting and selecting the necessary people, and must ferret out the rare individuals who can eventually take up leadership positions and drive the company forward.

What we present here is a step-by-step framework for talent management and leadership development. We will refer to a few study

surveys to illustrate the latest broad trends, and use the example of the Lafarge Cement Company Chinese joint venture to show successful HR in practice. In all of this, we hope to provide some unique and helpful insights into the practice of talent management in Asia.

## What is “talent”?

We all want talent, whether it is as individuals looking to make our mark on the world or as companies wanting to hire a body of capable workers. But just what is “talent”? A dictionary definition offers a few clues: 1: *A special natural ability or aptitude*, 2: *a capacity for achievement or success*, 3: *A talented person*, 4: *A group of persons with special ability*, 5: *A power of mind or body considered as given to a person for use and improvement* ([www.dictionary.com](http://www.dictionary.com)). But in truth talent is something more complex than that. It is partly innate, partly learned, and it can be subject to other dynamic forces. For example, having talent without accompanying moral standards is the equivalent of a walking time bomb because that talent could be deployed, in the worst case, in a way that is harmful to society and the business community.

### *Attributes of talent*

Intelligence is essential to talent and it helps to be aware of its different forms. For instance, IQ (intelligence quotient) measures cognitive capacities, while EQ (emotional quotient) measures our ability to recognize our own feelings and those of others, motivate ourselves and manage emotions well internally and in our relationships.<sup>1</sup> The abilities ascribed to emotional intelligence are distinct from, but complementary to, academic intelligence, that is, IQ.

Talent, we would argue, is similarly differentiated by hard and soft qualities. The former (hard) is usually related to learned sciences, such as mathematics, engineering, and physics, while the latter (soft) deals with the softer expressive skills that are harder to learn and relate more to personality, such as painting, music, emotional control, or sociability. The good news is leadership, management, and technical skills can be developed and learned through experience and education, though social skills are more related to personality and a person’s mindset.

In business, the standard approach in developing talent has been to acquire more technical abilities, but current trends show a drift toward endowing our leaders with softer skills, such as being able to adapt to a diversified environment.

### *Ethical values and talent*

Talent is also distinguished by ethical values. Talented managers may be great at management and analytical skills, but this doesn't necessarily relate to their moral values. For instance, Enron Chairman Kenneth Lay and CEO Jeffrey Skilling are both sophisticated and brilliant businesspeople, yet their unethical business practices overshadowed their talents. Is it desirable to have talent without business ethics, like these Enron executives or those at WorldCom (Nanda 2003)?<sup>2</sup> The growing emphasis on business ethics for today's leaders means that personal integrity has become a major consideration in selecting corporate leaders.

Ethics is the steering wheel, while talent is the vehicle being driven. It really depends on how the leader implements his or her talents and in what direction. With the introduction of the Sarbanes–Oxley Act in 2002 to govern corporate accounting and auditing compliance, the integrity of corporate leaders becomes a significant factor when selecting talent. Finding the right people who also have the correct personal values to fit the company's culture and mission has become very important.

### **Attracting talent in Asia**

Attracting talent is difficult all over the world, but the situation is even more complicated when the battlefield turns to Asia. This broad geographical region is rich with many distinct histories, cultures, languages, value systems, and people. Furthermore, countries at different stages of economic development are juxtaposed, and external failure issues such as spillover, exploitation, and wage differentials are all a common part of daily operational conflicts that organizations need to resolve. Bribery and reliance on personal relationships to move business forward are prevalent in Asia, particularly in newly developing countries.

Political economy also comes into play, such as the various rules and factors that restrain the mobility of talent across borders. What we can observe today in rapidly growing Asia as a whole is a unique interaction of all these socioeconomic factors, sometimes co-existing perfectly, sometimes clashing with each other. In summary, Asia is nothing like the Western analytical framework that traditional theories have been based on.

Although it is rather risky to make generalized claims about attracting talent in Asia as a whole, there are some commonalities that can be derived from the complex situations that abound. These can help to provide business enterprises in the region with insights into and practical ideas for finding talent.

An interesting place to start is with prospective talents themselves. What qualities in a company attract MBA graduates? This is an interesting question because MBA training provides graduates with sophisticated analytical approaches and tools that can be useful to corporations worldwide.

A survey of MBA graduates from leading international schools was conducted by public relations consulting firm Hill & Knowlton in 2007. It found that “company reputation” was the most important factor for choosing which company to join. Furthermore, the respondents identified the five top drivers defining company reputation—things like the quality of management, the quality of products and services, employee talent, financial performance and investment value, and innovation (see table 1.1). In particular, Asian MBA

**Table 1.1: Hill & Knowlton survey of MBA graduates (2007)**

<b>Factors in Company Reputation</b>	<b>Percentage that Rate this Extremely or Very Important</b>
Quality of management	89%
Quality of products and services	88%
Employee talent	83%
Financial performance and investment value	71%
Innovation	68%
Global reach	58%
Social responsibility (significant in Asia)	58%

students ranked corporate social responsibility (CSR) highly, significantly more so than their counterparts in North America and Europe.<sup>3</sup>

Further insights into what defines “company reputation” can be drawn from another survey on “The Best Employer in Asia,” carried out by international leading personnel consulting firm Hewitt & Associates and the *Wall Street Journal Asia*.<sup>4</sup> It surveyed employees of 750 companies across the region and came up with the rankings in table 1.2. The top-ranked companies had in common a humane and friendly working environment and an effective personnel management policy. These employers were credited with promoting self-motivation and they had the full trust and high regard of their employees. They also enjoyed an edge over their competitors, with a comparatively lower turnover rate of an average 10 percent per year.

When comparing the two studies, it is no surprise to find that the factors that make these companies tops among employees are also the ones that MBA graduates consider desirable. Management quality, product and service quality, and employee talent can only be produced and developed in a working environment that encourages self-motivation and drive, and provides a clear track and goal for its employees. The Hewitt survey further indicated that respecting the organization and the leadership in the organization is a universal element affecting employee loyalty across Asian cultures.

**Table 1.2: Hewitt & Associates, best employer in Asia survey (2007)**

Ranking	Company Name	Market	Origin
1	FASL Semiconductor (AMD-Fujitsu JV)	Suzhou, China	USA/Japan
2	Three On The Bund Group	Shanghai, China	Singapore
3	Ritz Carlton Hotel Hong Kong	Hong Kong	USA
4	Shangri-La Hotel Kerry Center Beijing	Beijing, China	Hong Kong
5	Four Seasons Hotel Singapore	Singapore	USA
6	Sales Force	Australia/NZ	Australia
7	Marriott Hotel India	India	USA
8	SK Telecom	Korea	Korea
9	Four Seasons Hotel Shanghai	Shanghai, China	USA
10	Southern Lee Kum Kee Mfg. Ltd.	Guangzhou, China	Hong Kong

A surprising finding in the Hewitt survey is the performance of local and joint venture businesses over multinationals. Traditionally, multinational corporations (MNCs) had the advantages of an established reputation, established corporate structure, and career development path to attract talents. They easily attract highly talented individuals with multilingual capabilities and employees who have a strong desire or expectation to work in a multicultural environment and are open to the notion of job assignments. However, in the Hewitt survey, Asian firms did very well. FASL Semiconductor, a US–Japan manufacturing joint venture operation in Suzhou, came out on top. Three on the Bund, a Singaporean restaurant/real estate group, came second, and the Guangzhou manufacturing unit of Lee Kum Kee, a Hong Kong-based food processing firm, came tenth. Hotels also scored well—despite their overseas parent company heritage and management system, they are often operated independently and locally with relatively few staff.

We can therefore conclude that a solid corporate reputation built on ethics, integrity, and quality management, which encourages respect and promotes self-motivation in employees, is the best assurance for drawing in new talent and retaining it. It is wise and useful for businesses to consider investing in and working on these traits, regardless of the company size, industry or markets, whether local or multinational.

### **Talent retention and training in China**

Companies all around Asia are facing challenges on the talent front, perhaps nowhere more so than in China. Not only can it be a trial to hire new staff, it can sometimes be even more difficult to retain them.

With 1.3 billion citizens, one might think China had an endless pool of available workers. This is true for several types of professions and work requirements. However, when it comes to skilled managers who need to face problem-solving situations and aggressive growth demands, China is at a huge deficit. Even though universities are increasing student quotas and accepting more students, their graduates have little actual experience in the field, and often lack enough of the soft skills required to perform in today's competitive environments.

Moreover, MNCs also want their Chinese employees to have sufficient English-language skills so that they can communicate within the company and globally, plus experience dealing with a global corporation in a multicultural setup. As more and more companies enter into China, the competition among MNCs over the few available skilled managers who can fit that profile is increasing, and salaries are skyrocketing.

This situation has led to the current situation of sourcing three distinct groups of skilled staff: expats, locals, and “hybrids.”

### *Sources of talent*

*Expats*, or expatriates, are transferred in to provide highly skilled, highly paid management and to oversee strategy, business development, government relations, and business units. They also maintain the company culture and open connections with headquarters. Employing expats is usually an expensive proposition. Not only are they paid high salaries, but their packages often include housing and schooling allowances, car and driver, and more. The extras can depend on the city they are assigned to—in some cases there may be additional bonuses and “compensation” for agreeing to live and work in certain locations.

There are several challenges in employing expats. One common concern is that these individuals often don’t understand Chinese culture, and are distant and less involved with the local employees, so they fail to create a unified company culture. Expats are a temporary solution; organizations tend to want them to train and prepare local managers to take over management responsibilities. A Deloitte & Touche consultant suggests that when appointing expats, “key selection points are cultural awareness (more important than ‘sensitivity’), curiosity and a strong family and marriage.” Language skills, though rare, can often make the difference.

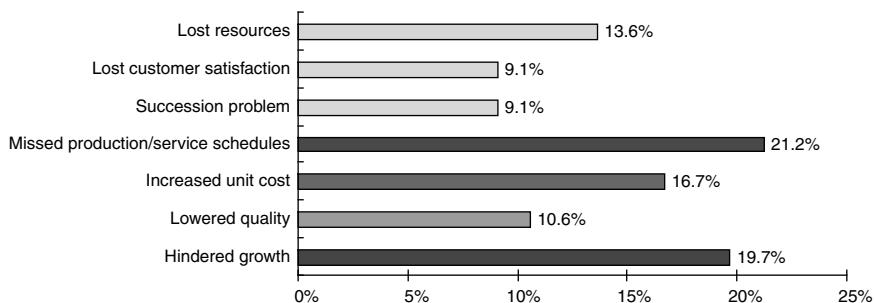
*Local hiring*, on the other hand, is very straightforward. Most employees in the Chinese operations of corporations will be locals, with salaries within the market range. Challenges arise, though, when skills are in short supply, for example, in areas outside the main cities. Companies may then have to rethink their compensation packages (see the Lafarge Cement case that follows).

“Hybrid” workers are becoming more popular among MNCs in China, and encompass a variety of subcategories of employees. One prominent group is returnees, who are Chinese born, have lived overseas, and have returned to China. They offer a combination of China–West language and cultural knowledge, experience in international environments, and ease in communicating with the outside world. Another group of interest is foreigners who have lived in China for years. One of their most attractive characteristics is that they are not employed under a full expat package, so it is expected that their commitment and tenure will be longer. Retention is a key consideration for hybrids, though—they have the highest rate of turnover because the market is very hungry for employees with these types of experiences and skills. In a sense, hybrids could be seen as a natural replacement for some of the jobs eventually freed up by expats. This is a good reason to focus on retaining them.

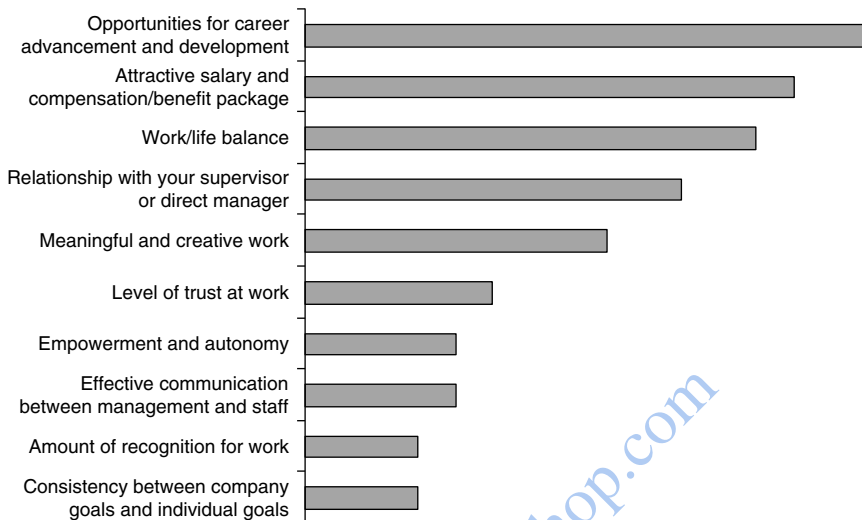
### Retention

In a 2006 survey of companies by Mercer Human Resource Consulting Company, 87 percent of companies said turnover was a key organizational problem, and about 60 percent thought the problem was getting worse.<sup>5</sup> More and more companies treat the problem strategically because they recognize that turnover affects business growth (see figure 1.1). Retention of employees has been a top objective for HR practices in companies operating in China.

**Figure 1.1: Employee turnover: impact on business**



Source: Mercer.

**Figure 1.2: Top 10 factors in retaining talent**

Source: Mercer.

A basic requirement for retaining talent in China is to understand what motivates employees. Although salaries keep increasing due to the competition over skilled employees, it would be wrong to say salaries alone are the number one motivator. Mercer found that other factors also hold sway when it comes to retention. Opportunities for career advancement and development topped the list (see figure 1.2), ahead of cash and compensation. This is strongly linked to the Chinese sense of family tradition, respect, and caring for the younger generation, according to other research. Companies that create a positive working environment and show employees they have a future there enjoy lower turnover rates.

### Case Study: Lafarge Cement

The various human resources challenges faced by China today can be illustrated through the case of Lafarge Cement. Lafarge is the world's number one cement producer. It operates in more than 80 countries and has its home base in France, having been in existence

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since the mid-1800s. Safety and people development are at the heart of its managerial responsibilities and it does not take them lightly. Almost 50 percent of bonuses for senior managers worldwide are tied to these two components.

#### **LAFARGE IN CHINA**

Lafarge entered China in 1994. It started small then expanded its operations, inaugurating its new Dujiangyan cement plant in 2002, the first greenfield cement plant for the Lafarge Group in China. This would be one of many investments in the country and a small sample of what was to come.

In 2005, Lafarge entered into a joint venture with Shui On Construction & Materials Ltd., a subsidiary of Hong Kong's Shui On Group. Lafarge owns 55 percent of the entity. A significant milestone was achieved in May 2007, when the China Central Government approved its acquisition of Sichuan Shuangma Investment Group for RMB305 million. This made the company the largest cement producer in southern China and a wholly owned foreign enterprise.

Lafarge's cement production in China is expected to be greater than in any other country it operates in by 2012. It needs people to fuel that expansion. At the end of 2006, it had almost 12,000 employees in China and by early 2008 nearly 18,000, rivaling the workforce of its North American operations. This rapid growth, while very welcome, presented challenging human resource issues. However, Lafarge has a management system that enabled it to deal with the potential problems.

#### **LAFARGE'S HR APPROACH**

Lafarge has a global talent pool and a core of expatriate workers who are transferred around the world. The first CEO of Lafarge Shui On was Cyrille Ragoucy, formerly the president of Lafarge Canada. One of the challenges faced by Lafarge and all other international companies is language. The official language for Lafarge's business meetings worldwide is English. Hard to believe for a premier French company, but true. The approach in China has been to partner senior managers with Mandarin-speaking,

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native Chinese counterparts. Many of the positions being posted for senior management have a requirement today for fluency in Mandarin, and it is no longer common for senior leaders to be non-Chinese. It's also interesting to note that while much is said of the need for *guanxi* and relationships in China, this has not been the approach of the French as they traveled the world, cementing their position as the world's leader in construction materials.

Lafarge's localization efforts also include drafting local Chinese HiPos (high potentials) into the talent pool. They are given assignments in different parts of the world to build experience, then rotated back to China in leadership roles. This is a strategy that has worked fairly well for the company in many countries. No doubt, as these local HiPos mature, they will eventually join the senior ranks of executive leadership. China represents a huge part of the Lafarge Group's future, and having proper representation of that future on the board of directors is seen as a necessity.

Leadership is not the only focus for localization, though. Local employees are also replacing expats in other strategic areas, including production, maintenance, and environmental and safety standards. There are complications in this. Lafarge needs skilled mechanical, electrical, and industrial engineers and, while these are abundant in China compared to other places, such as North America, they are not always easy positions to fill. Challenges arise when staff or recruits, many of them younger individuals, realize that they must relocate to smaller communities. Cement plants produce pollution (breaking big rocks into smaller and smaller rocks is hard to do in an environmentally neutral way), so many facilities are found outside the big cities, or increasingly forced to locate there. Luring the younger generation away from city bright lights and shopping is not the easiest thing to do, especially in a competitive environment. Lafarge, though, has been able to develop a compensation package that attracts the right skill set from this demographic. Progress is being made and HiPos within this group are being moved around the world to give them additional experience.

Lafarge's efforts to educate employees about the "Lafarge Culture" and encourage rotation of employees around the world, thus opening up career paths, has helped it to retain staff in China and elsewhere. The case shows that a strong corporate culture can transcend national, cultural, and language barriers to develop a common bond among employees.

## Leadership development in Asia

The ultimate goal of HR management is to identify and develop potential leaders who can steer the company onward. Leaving natural talent undeveloped is like having uncut rough diamonds—there is no shine. To bring out the luster of talent, liberalized systems need to be established to encourage talent development and expression. HR managers should also bear in mind that leadership development is not only about training individuals to lead a team, it's also about polishing interpersonal relations in the company to tighten the “chemical bonding” among team members. An HR system that promotes team play, integrity, trust, initiative, humanity, and diversity has become essential in today's business environment.

Talent can be developed by wisely using the human resources that a company already has at its disposal. Good internal management systems and a structure that offers employees opportunities to advance in their careers can help a company succeed financially. An often quoted example of this is Southwest Airlines. Southwest employs very few MBAs and most of its employees have minimal qualifications, but it is still a successful and efficient business compared to its competitors.<sup>6</sup> Another example is Procter & Gamble, which also does not bring in stars (for example, top MBAs from Harvard or Stanford), yet is one of the most successful consumer-product companies in the world.<sup>7</sup>

Our research into talent retention and our own experiences have shown that there are a few things companies can do to develop leadership capabilities among their staff:

- *Invest in proper training.* Soft skill training is recommended alongside technical and professional training. This shows that the company is serious about investing in its employees and equipping them to perform their duties well. Moreover, this training also gives important insight about individual employees, their values, and other significant skills that might not be apparent when they carry out their daily job. Employees should have opportunities to explore and develop their strengths and weaknesses.
- *Provide career paths and development.* When an employee sees a future in the company and a clear career path, chances are that he or she will not only be motivated to stay, but will be motivated to

excel. Career paths should be clearly communicated to employees by the company; it should not be assumed the initiative will come from the employee. There should be an objective, comprehensive personal development plan based on individual assessment results (for example, the PDP—Professional Dynametric Program—and the Hogan Development Survey) and past performance that aligns with the company's or group's strategic targets.

- *Rotate staff.* Employee rotation can have significant long-term benefits. Employees who are interested in exposure to other cultures and opportunities will be very positive about this option and the new experiences will excite and motivate them.
- *Promote cultural understanding.* A lot of companies use the word “global” when describing their operation, but there needs to be something to back that up. Companies should teach employees about cross-cultural considerations and behaviors, to increase tolerance and avoid conflicts. This is especially true for international assignments, allowing expats to understand the intrinsic cultural characteristics of their host country clearly.

A good first step is to establish a plan with clear goals for talented individuals that is supported with innovative learning or training programs. Moreover, individuals should be encouraged to practice leadership skills and make continuous improvement based on fair assessments to reinforce their successful development as leaders in the company.

### **Summary: completing the framework**

Talent retention will likely be an issue in China and Asia for some time to come, but it is not an insurmountable problem. Companies should bear in mind that their integrity and reputation play a role in attracting and retaining the kind of people who, as their hard and soft skills mature, can help drive an organization to further success.

Companies should also consider that providing career and personal development programs could help them hold on to capable and promising employees. The surveys cited in this chapter showed that this was a top consideration among employees in China, which we take as a positive sign. It shows that talented recruits are no longer

drawn by cash and compensation alone, or even by whether a company is a multinational. Although it means HR management has to take a more sophisticated approach, it also shows that any business, regardless of size, can attract talent if it offers the right combination of career-leadership development opportunities, job satisfaction, achievement, and compensation.

So companies in Asia take note: the best universal policy for attracting and retaining talented people is to build up a reputable, ethical business organization. These people could ultimately become leaders in the firm or, at the very least, be quite likely to have high individual satisfaction, which can help improve productivity and give the company a critical edge. As HR managers have declared, this is not just a fight for talent, *this is a war*.

**STEVE DEKREY, Associate Dean and Director of  
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***“It’s not just numbers. We need a new brand of leader.”***

The sophistication demanded of talent in this part of the world magnifies the war for talent: It’s not just the numbers, it’s being able to manage in a complicated environment. You have different cultures, languages, countries, the East–West dynamic—all these complications that managers have to be able to negotiate. The people who can handle all of this are few and far between. So the dearth of leadership is magnified by that.

This is why the leaders in our program see talent as issue number one. It’s become so serious that it limits the growth of companies and they can’t capitalize on opportunities.

What we’re trying to do here at the School of Business is address the high-level demands in this part of the world. It’s not just numbers. We need a new brand of leader.

I started out in my work in Asia trying to identify the Asian leader. I’ve given that up, it doesn’t exist. We need global leaders. Identifying the Asian leader isn’t useful.

No doubt I can find differences between Chinese and American business leaders, but it isn’t useful. The typical leaders from these

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places can't take companies to global levels. We need visionaries who are responsive, open-minded, multicultural, driven by curiosity.

These kind of people are very hard to produce. The best place to find them is among returnees who have done their education in the West. That's why we're here, we're providing a Western-style education in Asia.

So what skills does a global leader need to have? When you talk about leadership there are three general components: knowledge, skills (what you've done in practice), and outlook (personality, interpersonal skills, leadership orientation).

Our program provides all three—some form of experience, formal and informal knowledge, interpersonal development, and so on. And we add global into the mix through multicultural leadership interactions, teaching across cultures—these things you can't learn in many places. You need contact with people from elsewhere, live sharing in the classroom to bring the global perspectives to life. There is a shortage of opportunities for learning in such an environment. So we help leaders to develop their skills.

The success of global leadership also depends on the attitude of leaders. I've seen surveys done of executives to see who can adapt best to an expat international life. Get this—one of the key questions that relates highest with successful overseas assignments is whether you enjoy trying different types of foods. It's one of the best predictors because it shows openness to differences, a willingness to embrace and try new things.

Sometimes you can get managers who are very successful in their countries but they are dogmatic and don't have the open mind you need to succeed in a global environment.

Global leaders need to be open and intellectually curious. They are listeners, not talkers. How else do you lead a multinational team, without listening? Or deal with the unique political environment of China? Or figure out what headquarters wants? Team leadership, an open mind and an open door are critical in balancing all of these demands.

## Notes

- 1 Daniel Goleman, *Working with Emotional Intelligence* (New York: Bantam Publishing, 1999).
- 2 Ashish Nanda, "Broken Trust: Role of Professionals in the Enron Debacle," *Harvard Business Review*, February 2003.

- 3 Hill & Knowlton, "Eighth Corporate Reputation Watch," 2007.
- 4 Hewitt & Associates, "Best Employer in Asia Survey," April 2007, [www.bestemployerasia.com](http://www.bestemployerasia.com).
- 5 Mercer Human Resource Consulting, "Snapshot Survey of 'Top Ten Factors to Retain Talent,'" 2006.
- 6 Malcolm Gladwell, "The Talent Myth," *The New Yorker*, July 2002.
- 7 Ibid.

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