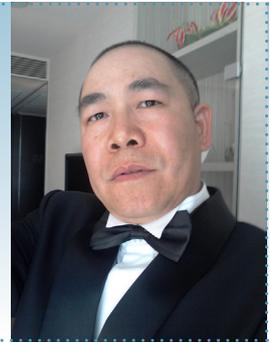


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Challenges for Japanese Companies to Acquire Talents in China

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While Japanese companies are successful in campus recruitment for the fresh and young talents, most of them are facing the challenges of obtaining high-caliber talents for their middle to senior level positions. The following provides the potential reasons behind the challenge and my suggestions for a good personnel system and human resources management.

Cultural Difference in Values towards Job Change

Japanese companies in China tend to recruit on campus, and talent management begins before the new graduates start at the company. Several recruitment tests are held not only to evaluate candidates' knowledge but also their quality. After strict filtering, companies provide training and education to nurture the new employees so they can promote internally, foster employee loyalty and raise productivity.

Japanese companies have a deep-rooted concept of “long-term” and even “life-long” employment and are less willing to hire job hoppers. Thus they may be missing out on potential talent, particularly the experienced ones from middle to senior levels.

Job-hopping is very common in modern China as the country experiences economic growth. Japanese companies should broaden their recruiting channels rather than solely recruiting on campus and promoting internally. Other channels including executive search/recruitment firms, social networking sites, job boards, and employee referrals have been proven to be very effective recruitment channels.

Present an Opportunity for Promotion to Competent Chinese Employees

“Experience” is an important factor for the Japanese promotion system. There also are very few opportunities for promotion. In addition, Japanese companies usually do not share confidential technological information with their Chinese employees, and few Chinese employees are promoted to Department Managers or further. This has led to limited promotional prospect for Chinese employees. Furthermore, senior level positions are essentially held by the Japanese personnel who are seconded from headquarter, therefore the “glass ceiling” is clearly visible to local talents who are ready to reach the senior level roles. If shown a possibility to get promoted, capable Chinese employees should be willing to take initiative and likely to exhibit strong feelings towards the company.

Desirable Salary System Reflects Employee Performance

Influenced by the traditional Japanese management system, Japanese companies generally give a raise or a promotion not based on the employee’s ability or performance but rather on how long they have worked with the company. This “long-term employment” system at Japanese companies helps strengthen the hiring system, reinforce the team stabilization and mend employee relations.

However, there are disadvantages. In the Chinese society, high-performing employees expect their salary to be linked to their job description, achievements, and responsibilities. Japan’s system would make them feel as though their talents are being neglected and their employment is insecure. This will hinder Chinese employees from taking initiative, resulting in low efficiency. A clear understanding of how much achievement is linked to compensation will greatly raise employees’ motivation.

Japanese companies should define tasks and responsibilities as well as present a clear system where salary interlocks with job responsibilities. The data we have collected for the past three years through our recruitment business clearly show that Chinese employees at Japanese companies generally earn 20% less than employees at European and American companies. Also, Japanese companies lack specific evaluation index or standard to motivate and incentivize “top performers”. Salary should be adjusted based on the market situation in order to raise competitiveness.

Japanese Management Style Seen from the Eyes of Local Staff

Among the Chinese employees we interviewed, most of them admitted that Japanese companies are excellent in KPI, risk control and process management. Our findings also indicate that many of the middle to senior level staff feel that there is room for improvement in terms of work efficiency and decision making process.

Localization strategy as an option

A number of multinational firms maximize their profit in different regions by adapting to the local culture and utilizing local talent to fully meet the local market demand .

Implementing localized strategy and cross-cultural management is beneficial in limiting conflicts and inefficiency caused by cultural differences, which accordingly will allow multinational firms to sustain their competitiveness. Localization strategy is to localize talent, in particular to place a locally hired employee to the senior management position. Japanese companies in China should accelerate the process of localizing talent and placing them in senior positions, broaden the promotional prospect of local employees, and provide decision-making authority to the local management. Since local employees are familiar with local customs and rituals, as well as market information and laws, it is easier for them to come into agreement with local consumers. Hiring local employees will not only save cost, but will also help expand the market locally and stabilize the business.

In terms of salary system, the seniority based system of Japanese companies should be changed and adapted to the market economy. When ability is used to determine employees' salary, Chinese employees will be more willing to contribute to the organization and be advantageous to the company as local culture experts.

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William has over 17 years of executive search experience and specializes in GM/MD searches, as well as top-level functional assignments in sales, operations, finance and HR, particularly in the FMCG & Retail, Technology and Manufacturing & Engineering sectors. He is an expert in PRC labor laws and employee benefits,

William has developed a vast network of contacts from provincial government bureaus, regional research institutes, local universities and foreign corporations in China, having previously worked for the Guangdong Friendship Labor Service Corporation for Foreign Enterprises (FESCO). After joining Bó Lè Associates in 1996, he has since moved to the firm's Beijing office.

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This column has been posted to the website of Recruit Works Institute.