

EWA Webinar

Get & Keep the Best Talent in China

March 5, 2020

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a s s o c i a t e s

Commercial, Operational & Risk Management Specialists for China/Asia

- A leading provider of commercial, operational & risk management solutions and detailed implementation to western companies competing in the ever-changing China & Asia markets
- Founded in 2005 with offices in the USA and in China
- All EWA executives have lived in China & Asia and held senior management positions with P&L responsibilities for western MNCs with operations in China & Asia, including Briggs & Stratton (NYSE: BGG), Bechtel Corporation and Littelfuse, Inc. (NASDAQ: LFUS)
- Extensive experience in numerous key industries:

Automotive	General Manufacturing	Durable Goods
Metal Fabrication	Consumer Goods	Filtration & Separation Equipment
Chemicals	Packaging	Electronics
Semiconductors	Food & Beverage	Medical Devices
Specialty Metals	Laboratory Equipment	Food Technology
Energy & Natural Gas	Industrial Textile & Apparel	Costings & Building Materials

Strategic Business
Planning

M&A Due Diligence

Risk Management

Performance
Improvement

Senior Management
Recruitment

Working
Environment
Efficiency

Manufacturing
Footprint
Optimization

Supply Chain
Optimization

Business
Assessment

Research Services



ALEX BRYANT

Founder & President

- Former Director of International Business Development for Barnhardt Manufacturing Company
- Former Attorney, Ogletree Deakins Nash Smoak & Stewart, P.C.



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- Human Resource Director, R.R. Donnelly & Sons Company (NYSE: RRD)

Today's webinar is divided into 3 segments:

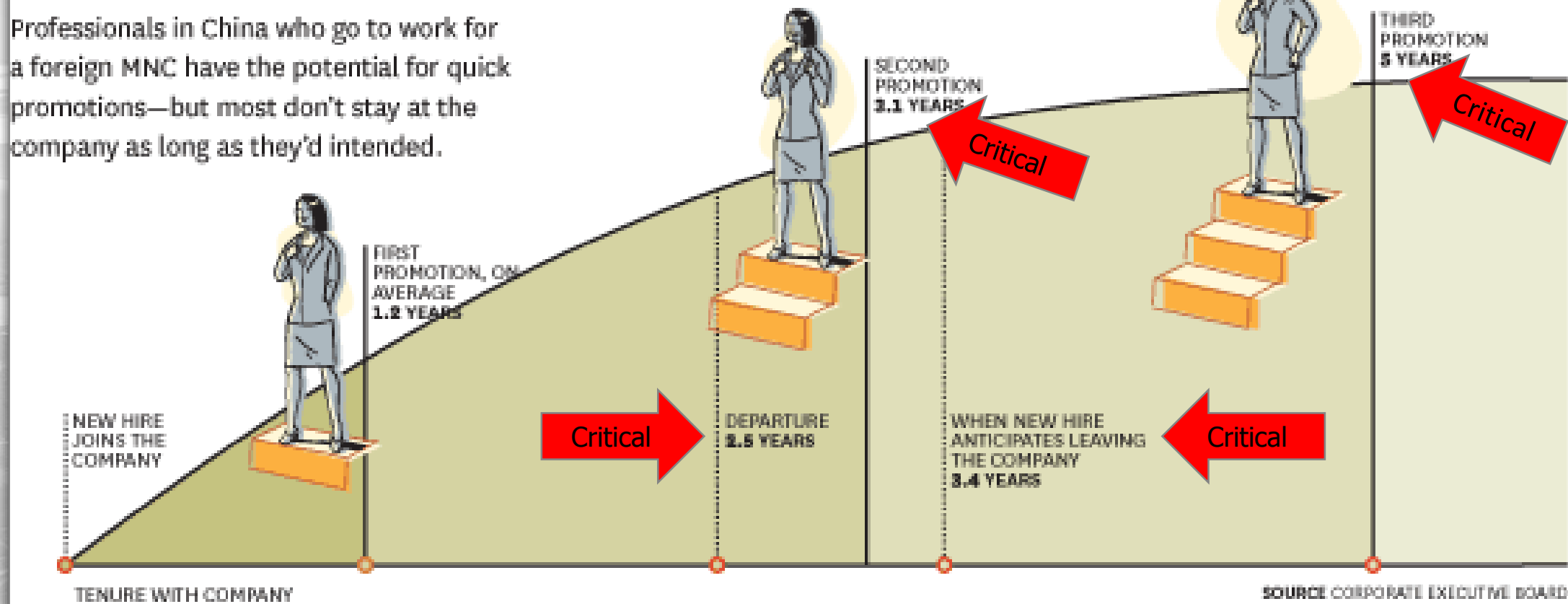
- The Challenges of Hiring & Retaining the Best Talent in China
- Changing the Status Quo Through Employee Lifecycle Management
- 2 Working Example Case Studies



The Challenges of Hiring & Retaining the Best Talent in China

The Revolving Door of Employees At Multinational Corporations in China

Professionals in China who go to work for a foreign MNC have the potential for quick promotions—but most don't stay at the company as long as they'd intended.



Stronger Competition from Chinese Companies

Perception of faster growth opportunities

Perception of being more “patriotic”

Perception of glass ceiling for Chinese nationals

Changing Culture with Millennium Mindset

92% see Money as a key employment priority

87% see Security as a key employment priority

86% see Time off as a key employment priority

63% intend to stay with their current employer for the next few years or longer

93% see ongoing skills development as an important part of their future careers

Increased Regulations and Compliance

New individual income tax (IIT) regulation (2018)

New visa regulation (2017)

Increase in Chinese Labor Bureau cases and activism

High Compensation Expectations

Beijing, Shanghai, Guangzhou are tier-one cities where many talents and larger labor needs converge

Recruiting in less prominent areas can be problematic, but still may come with high salary expectations

Salary increases exceed GDP growth

Annual salary increase 4%-8%, however, 20%-50% increase expectation when changing jobs

Western employment is not as highly valued by Chinese employees as it was in the recent past

Quotes – Chinese Exit Interviews

- “No career prospects”
- “Too slow advancement”
- “Treat locals (at all levels) badly”
- “Westerners don’t listen to them (locals)”
- “Head in the sand approach to compensation”
- “Patronizing approach to the market and workforce”
- “Lack of understanding / empathy of the local market”
- “Lack of clearly defined responsibilities/authority”

Source: MRI Worldwide Survey, 2018



Changing the Status Quo Through Employee Lifecycle Management

The EWA Employee Lifecycle Management approach consists of four phases:



Prior to recruiting and hiring, a Company should critically reflect on the real requirements, internal interfaces and employee relations implications

**Organizational
Assessment**

- Many factors play a huge role in new hire success
 - Roles and responsibilities
 - Organization readiness for the new hire
 - Potential acceptance
 - Soft skills needed
 - The short and long-term risks associated with a “bad” hire



Organizational Assessment

EWA Organizational Assessment

- Techniques used in the determination of opportunities to discover and improve human and structural functional performance issues in an organization
- Outcomes
 - Development of leadership criteria to guide recruitment, reduce chances of a “bad” hire and drive success
 - Development of strategies to create alignment, improve individual and group performance and increase employee engagement and common focus across the organization
 - Implementation and facilitation of the solutions



Recruiting & Hiring

Current China business environment presents unprecedented challenges to company success – competition, labor cost, retrenching scenarios, regulations, employee activism and more

- Selection of senior employees has to take these factors into account along with the traditional competencies of leadership

EWA Executive Search Services support both long-term and interim senior management needs, performed by senior advisors who have served in these roles in China, adding value through:

- Helping clarify the position responsibilities, competencies required and accountabilities
- Helping clarify the employment value proposition
- Compensation advice
- Managing the entire recruitment cycle

EWA Background Due Diligence Services dive deep into the candidate's background to confirm factual issues and to determine if there are any "Red Flags" that might present problems after employment

Outcomes - Increased chances of effectiveness and retention



Operational Integration

Some say that the first week of employment is the best week of an employee's career – true in China as well, where cultural factors deeply affect the workplace and the top management must bridge both cultures

- Retention odds can be increased with a thoughtful onboarding process that accelerates the new employee integration in the firm and serves to help cement relationships and clarify mutual roles, responsibilities and accountabilities
- Efforts should also be made to reinforce the company culture and to reinforce ethical standards for all parties
- Additionally, known issues in structure, interpersonal or interdepartmental relations or other performance issues should be addressed early on
- Dialogue and feedback to the new employee should be frequent and candid to chart the career course



Operational Integration

Integrity Awareness Training

- Customized, bi-lingual, down to earth and factual ethics and Code of Conduct training
- Help prevent unethical behavior, encourage employees to report violations and manage risks related to HR and legal disputes

Organization Design

- Initiated as corrective actions for issues identified in an organizational assessment or sometimes by the skill set of a new GM or market changes
- Involves eliminating unneeded functions, non value adding activities or people, adding missing functions (ex. HR or Quality), correcting misalignment of the structure to the value premise (sales and service organization, manufacturing versus outsourcing), or overly flat or deep organizations.

Organization Development

- Organizational development is a longer-term process of working with individuals and groups to facilitate their development and adoption of corrective actions, often changed behaviors) to improve identified organizational performance issues



Circling back to the question of retention and loyalty:

- High turnover of employees is often interpreted by westerners as “lack of loyalty
- Retention itself is not entirely sufficient to define loyalty, especially if high performers leave and poor performers stay
- Like “motivation”, loyalty is identified through employee behaviors and may be culturally defined
 - A “loyal” employee in a US managed operation is identified through his or her performance, participation, engagement, leadership and contribution
- **The Company has to create the climate for loyalty to develop, retention will follow**
- **A big part of that climate is career development which also speaks to the needs of millennials (and most others)**



Career Development

Consistent organizational culture

- Reward and promote according to your values as well as performance
- Set a good example – local management upholds the corporate creed

Develop and implement a career development program, early for senior hires and high-potentials

- Assign a mentor and coach immediately
- Develop targets for the career steps
- On-the-job development (rotation, classes, travel, engagement and development) and career paths
- Employee's ambitions differ – take into account in development planning

Performance Management

- Clarify standards and expectations and review performance regularly
- Don't be afraid to deal with poor performance, employees always are aware of it

Compensation planning

- Align pay and pay fairly and compensate for results, but it is not all about pay



- **Executive Coaching**
 - Targets specific behavior changes that are necessary to overcome issues identified through 360-degree surveys, experience gaps and other techniques
 - Successful coaching results in a better performing executive and generally better organizational performance due to the improvements achieved
- **Succession Planning**
 - Custom program that compares future needs with the current talent pool, identifies gaps and addresses corrective and developmental steps to fill them
- **Employee Assessment for Potential**
 - EWA can help to identify the competencies required for positions on an individual's desired career path and then assess candidates' capabilities and development needs
- **Salary Surveys**
 - Custom surveys to determine external equity of employee compensation and any corrective actions in structure of policy
- **Engagement Surveys** (as part of Employee Relations Assessment)

An aerial, grayscale photograph of the Shanghai skyline, featuring prominent skyscrapers like the Oriental Pearl Tower and the Shanghai Tower. The image is semi-transparent, allowing the text to be clearly visible in the center.

EWA Case Study
Organizational Improvement Initiative

- Client, a US privately-owned company, was concerned about the performance of their small WFOE near Shanghai. The WFOE produces and sells semi-custom industrial material handling accessories.
- The WFOE had been operating for over 10 years but had never made a profit. EWA was engaged to conduct a broad organizational assessment and to define, present and implement solutions to resolve interpersonal, interdepartmental and communications issues.
- The EWA approach follows a 3 step process:
 - Organization Assessment
 - Organizational Development
 - Organizational Design

- EWA performed an in-depth assessment of the overall company
 - Determine the nature and magnitude of the issues experienced by the employees
 - Define how they impacted performance
- Multiple techniques were employed to gain a deeper understanding of the issues and to identify corrective measures & possible solutions
 - Diagnostic structured individual and team interviews
 - Observations of group interactions
- The findings centered around the following core issues
 - Lack of trust
 - Hoarding information
 - Lack of shared goals
 - Individual & group meeting behavior
 - Conflicting perceptions of individual roles

Group Behavior Improvement

- Individual and group feedback conversations with the management
- Development of a new set of mutually agreed communication and interaction standards
- Extensive group workshops to create more interaction & trust and to develop more self-awareness of individuals' impact on others.
- Group behaviors continued to be monitored to provide real-time feedback to breaches of the group's agreed rules of engagement

Individual Behavior Improvement

- Personal goals with timelines were developed
- Unit managers were tasked with continuous monitoring, regular feedback meetings & plotting overall performance improvement

Interdependence

- Cross functional teams were created to monitor critical processes
- Team training was conducted
- Team members shared goals were integrated in the evaluation of the group results within the rewards system
- Supervisory stakeholder's viewpoints and inputs were shared with the teams on a monthly basis

- Using interviews, a Voice of Customer exercise and historical records, EWA identified inefficiencies in sales and marketing that were attributable to company structural issues and some voids in management
- EWA designed a revised organization structure and arrived at a consensus model through an interactive discussion process with local management and then with the company top management
- A communications plan was then drawn up and the changes were announced, individually and then to the company at large

- An EWA follow-up survey (individuals & group) reported significant improvement:
 - Cooperation
 - Information sharing
 - General trust
- Dramatic improvement of key performance indicators (6 months later):
 - Time to market rate improved by 50%
 - Unwanted staff turnover was decreased by 15%
 - SG&A costs were reduced by 21% on an annualized basis
 - 18% reduction of inventory costs
 - Sales costs were reduced 14% due to improved expense controls

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EWA Case Study
Interim General Manager & Executive Search

A US-owned specialized metal fabrication WOFE located in Changzhou was faced with deteriorating results attributed to an ineffective General Manager:

- Staff morale was low
- Plant productivity was significantly below company goals
- Customer satisfaction was in decline

EWA was engaged to help improve leadership to solve these problems through:

- Providing and overseeing an Interim General Manager
- Recruiting, identifying and qualifying a "permanent" General Manager

Preparation and Alignment for Recruiting

- EWA met with the client to get a preliminary idea of the scope of both positions: required and desirable background, skill set, industry experience and objectives to be fulfilled during the assignment.
- Culture impacts were taken into consideration along with the client's change agenda

Interim General Manager

• Expectations

- The EWA IGM was expected to stabilize and support the current business, to assess and address operational, commercial and risk management issues and to implement solutions to strategic and tactical problems as they arise.
- The overarching goal was to establish a stronger platform for the successor permanent GM to inherit.

• IGM Selection

- EWA developed a short list of qualified candidates from its resource pool to present for selection by the client.
- The Client interviewed and selected a finalist from the short list and then the final candidate was secured for the position.

• On-boarding and engagement management

- EWA and the client worked together to get the interim candidate into place, clarify responsibilities and authority internally and to identify and manage attainment of key objectives
- Regular communication was maintained and progress monitored by EWA through the process (6 months)

Preparation and Alignment

- Building on the previous alignment step, built an enhanced set of person requirements
- Determined and aligned the position's hard and soft specifications including cultural requirements and derailment factors with the client
- Developed a person specification, compensation range, recruitment timetable and plan

Candidate Development

- Sourced potential candidates using EWA network of employees, former hires, other relationships and social media
- Followed screening steps to arrive at a manageable possible candidates list
- Face to face factual and behavioral interviewing to narrow down the list
- Identified 3 "best" candidates, wrote reports and presented recommendations to the client

Selection

- Client engaged their internal selection processes to arrive at desired candidate from those referred
- Successful results of background check
- EWA and Client developed and presented offer
- Candidate accepted offer and became an employee
- IGM transitioned out and GM was onboarded

An in-depth background check was an important step in recruitment of the GM, since the industry niche is regulated, financial and IP risks were acute and predecessors were alleged to have left a legacy of ethical breaches

Process

I. Alignment of Scope and Depth, Key Inquiries and Timeframe

- Scope and depth of inquiries,
- Key questions to be answered,
- How data was to be gathered and the timeframe

II. Determine the Facts (Desk-Top Audit & Field Research)

- ✦ General background verification
- ✦ Lifestyle and fit to his position and salary
- ✦ Potential Conflicts of Interest
- ✦ Legal Issues
- ✦ Business environment issues

III. Compare the Results and Deliver the Report

- Factual findings relevant to the Scope of Tasks, implications and recommendations to help guide the employment decision
 - Summary results of the background and history
 - Highlights or potential problem areas, discrepancies or “Red Flags”
- Presentation to the client
 - Present written report to client
 - In person and in-depth review with the client management and discuss implications
 - Client makes final decision

In this case, the preferred candidate came out with good marks and was hired!

Interim General Manager

- EWA was able to identify and place a qualified and effective Interim GM within 3 weeks of the inquiry
- Working with the client and EWA, the IGM:
 - Stabilized the workforce and customer and supplier bases that had become unsure of the future
 - Performed organization assessment, identified certain problem areas that were compromising performance
 - Implemented some short term fixes to improve operational performance and strengthen balance sheet
 - Improve employee performance focus via shared objectives and open and honest communication
 - Developed a long-term improvement plan for his successor to utilize

General Manager

- 4-month search resulted in:
 - 3 highly qualified referrals
 - 1 individual who was hired
- EWA identified a General Manager fitting a specific set of client requirements including:
 - Integrity
 - Employee relations
 - Financial savvy
 - Operational skills
 - Commercial skills
- Three months after the new GM reported to work:
 - Plant productivity increased to over 85% and rising from less than 55%
 - Staff productivity increased 15% in the same time frame
 - Customer complaints reduced to less than 1 per month (vs. 7+ over the previous 12 months)

Contact Information

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