

# Talent Management Philosophies and Practices in the Chinese Multinational Corporations: An Empirical Study

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## Abstract

A legacy of a centrally planned economy with a strong traditional bound culture, coupled with the dynamism injected by the arrival of international multinational corporations (MNCs), and even the rise of Chinese MNCs has created strong demands for talent in all spheres of China's economic life. As Chinese companies extend their global reach, they increasingly face the complexities of personnel acquisition, including severe shortages of domestic managerial talent, international brain drain of educated Chinese youth, and migration of managers from domestic Chinese companies to global MNCs. Against this background, the present study explores ways in which Chinese MNCs strategically integrate resources at the international level to attain global business success. The study finding indicated there is a crossvergence of talent management practices in Chinese MNCs, and such finding has potential to contribute to understanding how to overcome the identified barriers to the internationalisation process, especially in locating managerial talents.

**Key words:** Talent Management, Chinese Multinationals, Internationalisation, Strategy

## Introduction

As China emerges as a significant economic force the shortage of well trained and experienced managers has become the key impediment in corporate success. An earlier prediction by McKinsey in 2005 documented that the international expansion of Chinese firms would need 75,000 senior managers with global competency in the next ten to fifteen years (Farrell & Grant, 2005), and this estimate appears to be very conservative in the emerging, growing economies. For instance, it has been predicted a number of emerging economies, such as Brazil, Russia, India, and China are likely to "... overtake the USA, Japan, Germany, France, the UK, Italy, and Canada by 2040." (Fan, 2008, p.354).The increasing strength of this phenomena is evidenced in the rise of a new group of MNCs in the Fortune Global 500, which has increased from 20 in 1995 to 70 in 2007 (Fan, 2008). Specifically, China had a total of 29 firms on the Fortune Global 500 in 2008 (Jonsson, 2008), and by April 2010 in the lists of the world's top 2000 companies, a total of 113 Chinese MNCs has been listed (DeCarlo, 2010).Notablearethe international expansion of Chinese MNCs, such as the efforts of Lenovo's acquisition of IBM PC in 2004, and the acquiring of France's Thomson Electronics. The spectacular economic reformation of the Chinese economy is compelling institutions in the MNCs to reassess their architectural identities in terms of managerial practices and the forging of linkages in cross cultural landscapes. Hence, a departure point for understanding talent management strategies and cultural priorities in MNCs is beginning to attract serious attention.

Recently, the phenomenon of MNCs overseas investment from China has gained significant momentum(Rajan, 2009). For instance, the number of Chinese manufacturers has expanded rapidly around the world to become increasingly important competitors in the global marketplace (Ge& Ding, 2008). Furthermore, Chinese MNCs have not only entered the global market as exporters, but also as foreign investors across an array of industries, including manufacturing, natural resources (i.e., gas, oil and minerals), trade and services, and Information Technology (IT) (Guillén&García-Canal, 2009). In particular, the manufacturing of electrical appliances and electronics by Chinese MNCs, such as Haier, Lenovo, TCL, Gree Electric Appliances,Galanz, as well as HuaweiTechnologies hasled to the successful developmentof their brands in the global marketplace. A specific example isthe overseas expansion of Huawei Technologies in electronics to be widely recognised as a successful Chinese IT enterprise on a global scale. Interestingly, these Chinese MNCs did not exist 20 years ago, but today they are challenging some of their competitors and have gained well known reputations in overseas markets. The substantial level of overseas investments and acquisitions being undertaken by Chinese firms at a

relatively robust pace is facilitated by institutional transformations requiring a diversity of managerial talents (Bhatnagar, 2007). Indeed, the diversification in assets in terms of managerial capacity, business acumen competencies, knowledge networks and financial resources obliges a different type of human resources to effectively leverage the transformation processes (Mellahi & Collings, 2010).

Despite the increasing engagement in the global arena, firms throughout the world are facing difficulties in locating and retaining suitable managerial talents to manage international operations (Gregersen, Morrison, & Black, 1998; Scullion, 1994; Scullion & Collings, 2006; Sloan, Hazucha, & Van Katwyk, 2003; Suutari, 2002). Among the reinvigorated reform initiatives the acquisition of talented personnel remains a high priority issue for many Chinese MNCs (Chuai, Preece, & Iles, 2008; Mäkelä, Björkman & Ehrnrooth, 2010). For example, Burke and Ng (2006), Cappelli (2008), Iles, Chuai and Preece (2010) as well as Ready and Conger (2007) indicate MNCs are facing the biggest human resource (HR) challenge in the shortage of talented employees. Subsequently, the primary objective of the present study is to examine how Chinese MNCs address their talent management concepts and practices. More specifically, do Chinese MNCs share some common features in the operational level of talent management related issues (e.g., selection)? The findings of this study are likely to add value to understanding the processes that have been undertaken by these MNCs in tackling issues that relate to talent management practices.

This paper is presented in seven parts. Following the Introduction (the first part) the second part of the study discusses the triggers of internationalisation of Chinese MNCs. The third part of the paper presents the concept of talent management, which incorporates the barriers and challenges that Chinese MNCs face in HR related issues such as selection. The fourth section describes the research method, which outlines the study site and subjects, the employed procedure, the measurement and the analysis. In the fifth part of the study the results of the assessments are documented. A discussion component is delineated in the sixth part of the paper, which highlights talent management philosophies and practices that were employed by the Chinese MNCs. The seventh part of the paper concludes with indications how the study findings contribute to the understanding of the talent management concept, and in particular implications for contemporary organisations in Asian contexts in general; and specifically, in the Chinese context.

## Triggers of Internationalisation

Legislative reforms and economic liberalisation have accelerated the internationalisation process of Chinese firms. Cheng and Ma (2008), Child and Rodrigues (2005) as well as Warner, Ng and Xu (2004) have suggested the internationalisation process of Chinese firms is largely affected by the Chinese government. Cheng and Ma (2008) stated that Chinese government promotes

*“ ... national firms during official visits by government officials and state leaders, to incorporating business negotiations into inter-governmental cooperation frameworks, to building databases on investment environment and opportunities in specific host countries, to providing consultancy services to Chinese firms that consider investing overseas.” (p.8).*

This notion is further supported by Ge and Ding (2008), who also indicated the Chinese government plays a key role in MNCs' involvement in business activities outside their home market. The initial policy, which was proposed in 2001 encouraged MNCs to 'go overseas'. Outward foreign direct investment (FDI) approval process was loosened by the Chinese government, and incentives such as financial support were given to MNCs in targeted industries and countries (Cheng & Ma, 2008). Overall, the Chinese government has created a supportive policy environment, which provides a platform for MNCs to 'go out' (Ge & Ding, 2008).

A number of other motives push the internationalisation process of the Chinese MNCs. The economic reform within China has attracted a large amount of FDI inflows (Li, 2005), and in turn intensified the domestic competition among firms (Goldstein, 2007). For example, Chinese firms that are involved in industries, like mobile phones, electronics and white goods have to face fierce domestic and international competition from their counterparts (Child & Rodrigues, 2005). Such competition and over capacity may result in a lower profit margin for some Chinese firms, and many of them had to seek opportunities overseas. Another potential motive is the level of government interference in China. Several researchers (Huang, 2003; Meyer & Lu, 2004; Nolan, 2001) have noted domestic mergers and acquisitions were tightly controlled by the central authorities, and these types of institutional restrictions may pose uncertainties and complexity of the legal system, that force Chinese

firms to invest overseas in order to escape institutional restrictions (Child & Rodrigues, 2005). Although these motives have contributed to the internationalisation of Chinese MNCs, the notion of the Chinese diaspora cannot be ignored.

The Chinese diaspora has been considered as an important factor in facilitating the integration of China into the world economy (Buckley, et al., 2007). Since 1979 the level of inwards FDI made by overseas Chinese from Singapore, Taiwan and Hong Kong has indicated a positive influence on outward FDI from China to the rest of the world (Henley, Kirkpatrick & Wilde, 1999; Ng & Tuan, 2002; Sikorski&Menkhoff, 2000; Yeung, 1999). Furthermore, Luo (1997), Standifird and Marshall (2000),and Tong (2003) suggest the well linked economic and financial connections among overseas Chinese and the importance of guanxi in Chinese business dealings may assist a number of MNCs to engage in the global arena.Indeed, Braeutigam (2003), Erdener and Shapiro (2005), and Sung (1996) pointed out the ethnic and family guanxi or networks created a firm specific advantage in the reduction of the level of risks, and transaction costs associated with identifying global business opportunities overseas. Consequently, such strong economic connections and networks gathered, from the overseas Chinese, have the potential to promote the internationalisation activities of the Chinese MNCs.

The internationalisation strategy taken by many Chinese MNCs could be summarised in three main levels (Child & Rodrigues, 2005). The first level, exporting has been considered as an important component of China's outward economic expansion, which is a strategy not necessarily involving any form of direct investment or active organisational presence overseas. For the second level, a number of Chinese MNCs have engaged in the international market through the route of original equipment manufacturer, and joint venture partnerships. Deng (2004) indicated the internationalisation of Chinese firms is largely driven by seeking natural resources, advanced technology, markets and strategic assets, which are unavailable in the domestic market. Due to the shortage in resources, Chinese MNCs prefer to build linkages through strategic alliances or forming joint venture with foreign companies to enter the international market. In addition, acquisition (e.g., Lenovo) is another internationalisation strategy that provides a fast expansion route for many Chinese MNCs. The physical and organisational expansion to an overseas market has formed the third level of internationalisation strategy for the Chinese MNCs. This route of internationalisation involves the Greenfield establishment of subsidiaries and facilities within targeted markets. Overall, the outstanding internationalisation strategies exercised by the Chinese MNCs have demonstrated the important role that they play in the global marketplace. Regardless of whether the Chinese MNCs is engaged in exporting, joint partnership or Greenfield establishments overseas quality managerial competencies are critical for the success of international organisation.

## **Talent Management**

Despite the dominant role that Chinese MNCs play in the world stage these organisations are facing challenges in the shortage of managerial talents. Stahl, et al. (2007) defined talent management (TM) as an emerging business strategy, that enables an organisation to identify, develop and redeploy key talented employees. Such a strategy may assist organisations to minimise the impacts of managerial shortages, and consequently, TM is significant to the success of an MNC's international operations. Collings and Mellahi (2009), Lewis and Hackman (2006) as well as Hartmann, Feisel and Schober (2010) indicated organisations throughout the world have realised one major source of competitive advantage is created through knowledge, skills and abilities of their talented employees. Often, internationally competent managers have been identified as a key component of an organisation's global business success (Becker, Fineman, & Freedman, 2004; Black & Gregersen, 1999; McDonnell, Lamare, Gunnigle & Lavelle, 2010; Scullion 1994, 2001; Shen & Darby 2006; Stroh & Caligiuri, 1998). Paradoxically, the concept of TM is not yet well understood, and while the importance of the phenomenon is recognised relatively few studies have been undertaken to systematically ascertain the effectiveness of implementation (Cappelli, 2008; Cohn, Khurana & Reeves, 2005; Mäkelä, et al., 2010; Scullion & Collings, 2006; Sparrow, Brewster & Harris, 2004). Therefore, a more strategic and broad based analysis of TM is required (McCauley & Wakefield, 2006).

Globalisation has increased the demand for skilled labour worldwide (Collings, Scullion, & Morley, 2007; Scullion, Collings, & Gunnigle, 2007). "The acceleration of China's integration towards the global economy ...." (Nie, 2008: p.131) has inevitably onset a search for TM. Hechet and Ruet (2009) indicated that "... Chinese groups suffer from a lack of internationally trained managers, limited knowledge of the European and American legal and administrative environments, and a lack of flexibility to compile complex financial

operations for mergers and acquisitions...” (p.195). Moreover, Lou and Tung (2007) point out that Chinese MNCs not only suffer from a lack of global experience, but also from a lack of managerial competence and professional expertises. Recently, the McKinsey survey (2008) of Chinese executives has further demonstrated Chinese companies are challenged by lack of managerial talents and insufficient understanding of the legal and reputational risks as well as lack of financial resources. As a result, talent shortage is predicted to be one of the greatest barriers to the current and future growth of an organisation (Ma &Trigo, 2008; Taylor, 2007).

A number of recent studies has highlighted the changing mindsets of Chinese managers brought about by the economic resurgence (Cooke, 2010, Nankervis &Chatterjee, 2011). These authors indicated a shift towards willingness to accept performance based pay, demographic value shift away from collectivism to risk taking, and a subjugation of traditional Confucian culture to material gain. Alleviation of talent shortage by poaching staff from other companies with alterative packages has been a widely used tactic employed by both Chinese owned as well as global MNCs (Cooke, 2008; Walsh& Zhu, 2007). The key theoretical argument being that the adoption of an uniform global (integrated) HRM strategy is not possible in China without accommodating local practices and policies. This crossverging mindset is generating an unique challenge for Chinese managers in understanding and negotiating not only managerial, organisational and institutional forces, but also the strong traditional culture underpinning their philosophies.

## **Research Method**

### **Site and Subjects**

The study sample was 30 executive managers of MNCs in Qing Dao city, of mainland China. A convenient sampling method was employed through personal relationships (guanxi) to obtain a unique sample of respondents, who were business owners or senior managers of 24 Chinese business organisations. Among the 30 respondents were six participants, who worked in the same organisation, which has more than 1,000 employees. Each of these six managers holds different executive positions. All of the 30 managers are engaged in strategic business decision making. An important feature of this group of people lies in the fact that they are involved in strategy formulation and implementation processes. In other words they are not only information rich individuals, but they are frequently engaged in decision making processes of internationalisation strategies as well as global investment directions.

### **Procedure**

A three stage process was used to evaluate the study constructs. First, the study questionnaire was generated by back translating (English to Mandarin to English) a set of Western instruments. This procedure involved three independent groups of bilingual assistants, who are professional translators employed in Qing Dao, China. Members of the first group translated the questionnaire items from English to Mandarin, the second group of assistants translated the questionnaire from Mandarin to English, and the third group played an important role in assessing the translated (English) items for correspondence with the initial English version of the questionnaire. Second, the distribution of the finalised questionnaire either in Mandarin or English, which was preferred by the participants, was undertaken through personal networks (guanxi). According to Chatterjee and Pearson (2002), and Ananthram (2008) data collections from Eastern business contexts would be greatly assisted when networks or guanxi (i.e., in the Chinese context) is involved. The questionnaires were delivered by either the first researcher or a third party to the agreed study companies in Qing Dao, China, along with a letter introducing the researcher, and explaining the purpose of the study. In addition, ethical consideration for conducting this research, including participation was voluntary, and respondent anonymity was preserved, two features that were carefully addressed in the letter to the managers. A total of 30 questionnaires were distributed, and collected from the study companies.

### **Measures**

The research instrument is designed to measure quantitative elements. Personal information, such as demographic dimensions was obtained in the first part of the survey. For example, managerial position, length of service in the company and industry, the level of formal education of the respondents as well as global market entry modes of the company were measured with nominal data. This information is presented in Table

1. Quantitative data were obtained with interval scales to assess aspects of TM acquisition as perceived by the managerial sample.

A total of five variables related to TM was identified. These constructs include 1) selection, 2) recruitment, 3) training and development, 4) promotion, and 5) reward. Six items, which were frequently mentioned (evaluated by percentage), were adapted from Hsu and Leat (2001), and El-Kot and Leat (2008) to measure *selection*. The variable of *recruitment* was assessed with nine items, that were adapted from Chang, Wilkinson and Mellahi (2007), and Lockyer and Scholarios (2007). The most frequently used techniques for recruitment were employed and recruitment can be done both internally and externally. *Training and development* was measured with eight items, and two items were reverse scored (Altarawneh, 2009; Fisher, Bibo, Youngsamart&Chomjunroone, 2001). *Promotion* was scored with seven items, which was an adaptation of scales from Fisher, et al. (2001), and Hsu and Leat (2001). *Reward* was assessed with five items (Entrekin& Pearson, 1997). These variables were assessed with data that were captured from the administration of seven point Likert scales, which have responses range from 1 = ‘Strongly disagree’ to 7 = ‘Strongly agree’. Arithmetic means were generated from the responses.

**Analysis**

The data captured with the questionnaire survey were examined with several statistical tests. Firstly, the responses generated through the questionnaire survey were examined for outliers. This process enables the researchers to ensure that no data entries exceed their interval range. Secondly, exploratory factor analysis employing the Varimax option was performed so that the interval validity could be evaluated. These statistical procedures were conducted with SPSS software (SPSS, 18).

**Results**

**Demographic of the Respondents**

Table 1 summarises the demographic characteristics of the respondents. It is shown in Table 1 the respondents have been engaging in their respective industries for more than 10 years, and indeed, over one third of them had been active for 15 years or more. In addition, most respondents have been working in their current position for more than five years to demonstrate respondents have extensive working experience. A second feature of the sample was that two third of the participants’ companies were involved in the manufacturing sector. This finding is aligned with the existing study findings that a large number of the Chinese MNCs are engaged in the global marketplace to take home cost advantage in manufacturing (Jonsson, 2008). A third feature of the sample was that more than 90 per cent of the respondents are younger than 45 years old, which indicates that seniority in leadership promotion has become less important, as these organisations have placed emphasis on a young well training and skilled workforce. Indeed, 66.7 per cent of the participants had Bachelor degrees, and 16.6 per cent of the respondents have been awarded Master degrees. A fourth feature of the sample was that a one third representation of female managers (33%), which may suggest that male dominant leadership is weakening in Chinese companies. These results are consistent with previous studies findings conducted by Ananthram and Pearson (2008), Ananthram, Pearson and Chatterjee (2010), Nie (2008) as well as Chatterjee and Pearson (2002; 2006). A fifth feature of the sample was that most of the study organisations have employed exporting, joint venture or strategic alliance as their investment type for entering foreign markets. However, there is a shift in employing more risk type of entry mode to engage in a foreign market, in fact 23.4 per cent of the study companies have expanded overseas through establishing foreign subsidiaries.

TABLE 1: DEMOGRAPHICS % (N = 30)

<b>Management position</b>		<b>Age (years)</b>	
Executive	6.7	25-35	23.3
Middle	86.7	36-45	73.3
Supervisory	6.6	More than 45	3.4
<b>Length in industry (years)</b>		<b>Gender</b>	

Less than 6	6.7	Male	66.7
6-10	23.3	Female	33.3
11-15	33.3		
More than 15	36.7	<b>Education</b>	
		College/technical	16.7
<b>Industry type</b>		Bachelors	66.7
Manufacturing	73.3	Masters	16.6
Services	26.7		
		<b>Entry</b>	
<b>Length in organisation (years)</b>		Export	30.0
Less than 6	3.4	Joint venture	33.3
6-10	33.3	Strategic alliance	13.3
11-15	33.3	Subsidiary	23.4
More than 15	30.1		

## Factor Components Assessments

Tables 2 to 6 present two types of results. Firstly, the factor scores, which show a distinct separation of the managerial responses for the employed TM processes of the Chinese MNCs, are presented. Secondly, in the asides are shown the average aggregated (i.e., mean) scores for each of the measured TM processes, which were determined with seven point Likert scales. These data (of Tables 2 to 6) show two important features. First, the data were relatively robust; and second, the perceived mechanisms adapted by the study organisations were generally Western oriented TM techniques with a Chinese flavour.

### Selection

Table 2 shows the most frequently used selection techniques. Conveniently, the employment processes of the Chinese MNCs study firms have been partitioned as formal and informal techniques. For instance, the selection procedures of interview panel, application form as well as medical examination are considered to be formal selection methods, while external reference, curriculum vita, and reference have been nominated as informal methods.

The factor correlations and the mean scores reflect the study organisations are moving away from a traditional system of patronage to the endorsement of contemporary standard selection processes, that have been designed to provide assessments of the applicant quality. This result is consistent with existing study findings that have been largely documented in the Western literature (Hsu &Leat, 2001; Kersley, et al., 2005). Thus, the results indicate that Chinese MNCs show a strong interest in formalising their selection processes by adapting Western techniques. This notion is particular evident as the informal selection methods, such as references, which are less frequently employed by these Chinese organisations. Arguably, the selection criteria are dominated by the notion of '*what you know*' rather than by the '*who you know*' phenomenon. This study finding is supported by Shen (2010), who suggested that Chinese enterprises, particularly privately owned firms, tended to pay attention to selection criteria of education, skills, experience as well as performance.

TABLE 2: SELECTION (N = 30)

	Factors	
	Formal	Informal
Interview panel	<b>.876 (6.48)</b>	.061
Application form	<b>.779 (6.31)</b>	.050
Medical examination	<b>.652 (6.03)</b>	.279

External reference	.139	<b>-.827(5.07)</b>
Curriculum vita	.233	<b>.654 (6.38)</b>
Reference	.273	<b>.652 (3.52)</b>

Notes. a. Values in the brackets are mean scores.  
b. The negative factor correlation value for external reference is a response to the reverse of the questionnaire item.

### Recruitment

Table 3 presents the outcomes of managerial recruitment sources, that were employed by Chinese MNCs, and two types of recruitment sources (i.e., external and internal) were identified. The first finding is partly in line with Zhu, Warner and Rowley (2007), whose study identified personal relationships as very important hiring practice, employed by firms from East Asia. Also, Han and Han (2009) found that network based recruiting practices were prevalent among Chinese firms, especially large companies and Indigenous state owned enterprises. In contrast, Zhu and Dowling (2002) demonstrated that external recruitment sources such as advertising have been largely used by Chinese firms, and this observation is also consistent with the findings shown in Table 3. A key feature of Table 3 is that Chinese MNCs seldom used network related recruitment source. In fact, the predominant recruitment channels are national press advertisement and recruitment agencies. Consequently, the study finding also illustrates that Chinese MNCs appear to be interested in adapting HR practices developed and used in advanced market economies. At the same time, however, unique Chinese HR features or characteristics are being maintained.

**TABLE 3: RECRUITMENT (N = 30)**

	Factors	
	External	Internal
Quanxi (connection)	<b>-.753 (3.00)</b>	.005
Connection is seldom done	<b>.734 (5.45)</b>	.211
National press advertisement	<b>.662 (3.76)</b>	.405
Job centre	<b>.609 (4.83)</b>	.086
Government agencies	<b>.587 (2.38)</b>	-.368
Internal referral is not common	.171	<b>.749(4.45)</b>
Internal appointment	.046	<b>-.659(5.00)</b>
Referral from existing manager	.019	<b>-.647(4.10)</b>
Recruitment agencies	.263	<b>.643(4.59)</b>

Notes. a. Values in the brackets are mean scores.  
b. The negative factor correlation value for external reference is a response to the reverse of the questionnaire item.

### Training and Development (T & D)

The findings in relation to training and development (T & D) practices that have been exercised in the Chinese MNCs are presented in Table 4. Table 4 demonstrates that the respondents believe a high level of T & D programme investment by their organisations. This finding is partially contradicting to the observations documented by Cooke (2005) and Zhu (2005), who argued an inadequate training was provided in Chinese enterprises during the economic transition period. More interesting is the finding reported by Shen (2010), who revealed that private owned Chinese enterprises show a lack of commitment to T & D. Nevertheless, the study finding indicated there is an equal opportunity between male and female managers when it comes to T & D participation in the study Chinese MNCs. Another predominant feature of Table 4 is that evaluation (e.g., feedback) for participation in T & D is compulsory, and often managers who hold a post-secondary qualification

are required for T & D. Accordingly, T & D opportunities were regarded as adequate in the Chinese MNCs, and such programmes provide for managerial personal development.

TABLE 4: TRAINING AND DEVELOPMENT (N = 30)

	Factors		
	Favourableness	Equity	Evaluation
Availability	<b>.909 (5.87)</b>	-.046	-.083
Evaluation	<b>.818 (5.03)</b>	-.081	.121
Managerial T & D is provided	<b>.769 (6.45)</b>	.042	.140
Regularly work relevant T & D	<b>.767 (6.07)</b>	-.153	.119
Less T & D opportunity for women	-.001	<b>.904 (2.41)</b>	.081
Not encouraged to improve T &D	-.154	<b>.845 (2.00)</b>	-.190
Lack of T & D evaluation	.045	.110	<b>-.790 (3.47)</b>
Post secondary qualification is required for T &D	.232	.031	<b>.711 (5.87)</b>

Notes. a. Values in the brackets are mean scores.

b. The negative factor correlation value for external reference is a response to the reverse of the questionnaire item.

### Promotion

The empirical results revealed that Chinese managers are promoted based on three factors including superiority, professionalism as well as competence, and this information is presented in Table 5. It is indicated in Table 5 that '*who you know rather than what you know*' is unlikely to be the underpinning in managerial promotion. Furthermore, female managers and male managers were given equal promotional opportunities. It is also shown in Table 5 that loyalty and managerial skills are important indicators of managerial promotion. In addition, Table 5 shows that past performance as a measure of competence is used as a managerial promotion criterion for the study Chinese MNCs. This observation is different from Shen's (2010) finding, who demonstrated that good performance did not significantly result in promotion in the Chinese privately owned enterprises of that study. Moreover, the present study indicated as a competence promotion guideline, length of service, that can be interpreted as show loyalty to the organisation was a relatively important indication in the Chinese MNCs. A strong influence of the content of Table 5 is the study managers perceived promotion in their organisations was substantially depended by professionalism (e.g., managerial skills and past performance).

TABLE 5: PROMOTION (N = 30)

	Factors		
	Superiority	Professionalism	Competence
Who you know rather than what you know	<b>.808 (2.20)</b>	-.082	.142
Male managers are promoted ahead of females	<b>.766 (3.20)</b>	.020	-.206
Female managers are more likely to be promoted	<b>.650 (3.30)</b>	.227	.028
Loyalty	.028	<b>.845 (5.60)</b>	-.096
Managerial skills	.068	<b>.843 (6.10)</b>	.122
Past performance	-.176	.142	<b>.857 (5.07)</b>
Length of service	.466	-.244	<b>.602 (3.30)</b>

Note. Values in the brackets are mean scores.



## Rewards

Table 6 presents the results on the reward criteria being employed by the study Chinese MNCs. It is presented in Table 6 two types of main reward exercises as attached and detached have been practiced by the participated Chinese organisations. ‘*Annual red package or red envelopes*’ and ‘*Seniority*’ that have been identified as two forms of traditional rewarding exercises have been utilised in the studied companies. This observation provides foundation for the claim that Asian organisations tend to use seniority as an important factor for reward (Chang, et al., 2007; Zhu, et al., 2007). In addition, one of the major findings of the quantitative results (Table 6) was the emphasis placed by the Chinese organisations on financial rewards based on annual performance. Another key feature in Table 6 is that Chinese organisations rely heavily on team and group related performance to reward their managers. Indeed, the mean score (e.g., 4.83) further indicated Chinese MNCs focus more on group performance as a rewarding criterion. Such a finding supported the viewpoints that there is a high level of collectivism in Chinese organisations. Furthermore, Table 6 shows that Chinese organisations tend to use ‘*A document and a fixed tangible item*’ to reward their managerial talents. Overall, it could be argued the reward criteria used by Chinese MNCs provide a platform for the claim there is a gradual transformation in their HR practices that is crossvergence HR, to form a hybridisation of management system.

TABLE 6: REWARDS (N = 30)

	Factors	
	Attached	Detached
Annual red package or red envelopes	<b>.787 (4.47)</b>	-.098
Seniority	<b>.672 (2.67)</b>	.454
Financial rewards based on annual performance	<b>.648(5.60)</b>	-.275
Group performance	-.045	<b>.828 (4.83)</b>
A document and a fixed tangible item	-.068	<b>.458 (4.13)</b>

Note. Values in the brackets are mean scores.

## Discussion

In spite the relatively small sample size the presented data are exceptionally rich. The quality of the data is underpinned by the responses of managers, who had considerable influence on the strategic decision making in their firms. These decision processes were pervasive in the selection of TM. Robustness of the data is also demonstrated by the factor scores shown in the Tables. Except for the item (*A document and a fixed tangible item*) in Table 6 all factors scores are greater than 0.5, which is considered to be an acceptable loading.

The study analysed the TM philosophies and strategies that are employed by the Chinese MNCs to locate managerial talents. The study results demonstrated that the TM practices of selection, recruitment, T & D, promotion as well as reward adapted by the Chinese MNCs are becoming crossvergent. The crossvergence approach was developed by Ralston, et al., (1993), who argued a hybridisation of management systems would occur when two cultures meet. Indeed, this hybrid condition would result “... when an individual incorporates both national culture and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology.” (Ralston, et al., 1997, p.183). Hence, the emerging trend toward crossvergence in the adaption of TM policies and practices in the Chinese MNCs was evident in a number of areas.

One of the evident areas is that managerial selection criteria have become more decentralised in the studied organisations, and the focus on candidates’ work experience is valued. Indeed, the use of *Curriculum Vita* had the mean score of 6.38, which indicated Chinese organisations put more emphasis on ability and education background when selecting managerial talents. Although the traditional HRM practices such as references are used as a screening tool, the job interview has been considered as a predominant selecting criterion when choosing potential managerial talents. Ultimately, it could be argued that while Chinese MNCs are increasingly engaging in the global marketplace the transformation towards crossvergent TM strategies are more likely to dominant the Chinese management systems.

The findings of the study with managers, who were considered to be exceptionally information rich individuals and involved in strategic decision making, revealed four salient features. First, a dominant feature that arises from the study finding is the managerial talents were mainly recruited through external sources such as job centres or national press advertisements. On the one hand, this observation is in line with the work conducted by Zhu and Dowling (2002); and on the other hand, this outcome is partially contradicted with several existing studies. These researchers (Chow 2004; Han & Han, 2009; Zhu, et al., 2007) found that referral (i.e., internal or external) or internal appointments are considered important recruiting methods used by Chinese firms. The second major feature is that T & D programmes are provided to both female and male managers. Arguably, given the experienced current shortage of managerial talents Chinese MNCs are making significant progress in developing HR through T & D. Indeed, Cooke (2008) has demonstrated "Raising the nation's education and skill level has been increasingly high on the Chinese government's agenda." (p.66). This agenda has been supported at micro level as companies across different industries to provide T & D programmes in order to acquire better quality managerial talents (Chow, 2004). A third feature of the study results is the notion that promotions were largely based on professionalism and competence of the managers. In other words, the traditional promotion criterion based on seniority rather than performance is fading as many Chinese MNCs have realised a sufficient promotion system is a key to the development, motivation as well as retention of skilled staff. Indeed, the relative importance of managerial skills in promoting managerial talents is underpinned by the high mean score (6.10). Clearly, managerial skills and performance became increasingly important determining factors for promoting managerial talents in the Chinese MNCs. The fourth attribute obtained from the study findings is while the traditional rewarding system places emphasis on seniority, performance related rewards are also used to a large extent in many Chinese MNCs. More specifically, a high tendency is revealed as the studied Chinese MNCs have endorsed the importance of a performance based rewarding systems (Chow, 2004; Zhu, et al., 2007).

The study findings may have boundary conditions in making generalisation. A particularly interesting extension of this study is to consider the effects of ownership on the TM practices in Chinese organisations. Although this study has offered insightful information for both researchers and Chinese business owners or managers to understand the notion of TM, the study sample is relatively limited as it did not incorporate the ownership dimension. In fact, Chow (2004) had reported that HRM practices are strongly affected by the forms of firm ownership. For example, Chow (2004) argued that traditional HRM practices such as staffing through one's connection are still employed by Chinese state owned enterprises. According to Chiu (2002), Shen (2010), Zheng, et al. (2006), and Zhu, et al. (2005), the privatisation in China also plays a significant role in employment relations. Due to workplace dynamics and business ownership structures a deeper understanding of the ownership dimension in relation to TM practices in the Chinese organisations has the potential to offer additional information to business managers or owner to advance their knowledge. Hence, the orientation towards a comprehensive examination by incorporating the notion of ownership may further enhance the understanding of how Chinese MNCs practice TM in their respective organisations. This approach may offer fruitful ground for further exploration.

A substantial revelation revolution of the evidence presented in this paper is the perplexity in perceived homogeneity of recruitment and associated HRM practices employed by Chinese firms. Prior to the economic reforms Chinese organisations practiced the dominant ideology of patrimonialism, which shaped managerial behaviour flavoured with familism, paternalism, mutual obligation and connections. Coupled with the planned economy people were organised in a form of personnel management in a framework termed the 'iron rice bowl' with centrally administered wages, stage controlled appointments and promotions as well as lifetime employment. Today an evolutionary process is entrained as China moves to become a powerful socialist market, which has onset significant shifts in institutional architectures. While there is a divergence from the earlier arrangements the newer management perspectives, which are inexorably linked to the international economy, will homogenise as a different set of social values and work ethic when HRM is integrated into the core business operations.

## **Conclusion**

This paper generated research evidence likely to assist scholars and practitioners during this complex period of economic and social transformation in China. The paper reveals a significant crossverging trend in HRM

practices adopted by MNCs rising from China. As the paper points out, China is perhaps one of the most culturally and institutionally distinct societies from the central focus of contemporary managerial precepts and practices. Therefore, local adoption still remains a high priority for all managerial philosophies in China. Interestingly, these crossverging ideas are now used as the basis of competitive advantage as Chinese MNCs spread their wings abroad. In order to sustain and improve their global ambitions, Chinese MNCs will need to actively promote a developmental oriented talent retention HRM strategy. The ad-hoc HRM philosophies prevalent in domestic Chinese firms, where decision making is concentrated at the top need to give way to global imperatives of differentiation. Additionally, the industry characteristics of these MNCs also play a significant role in shaping talent management philosophies. For example, Chinese MNCs in high tech sector have already demonstrated their proactive engagement in obtaining, retaining and developing talents around the world.

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**Note:** Contact author for complete list of references