

## **EMPLOYABILITY, SKILLS AND TALENT MANAGEMENT IN ZHEJIANG PROVINCE**

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### **Abstract**

This paper reports on a three-year PMI2 project conducted by Leeds Metropolitan University and Zhejiang University of Technology for the British Council in 2008, one of seven to develop and strengthen partnerships with Chinese institutions in employability and entrepreneurship. The aim has been to analyse the Hangzhou and Zhejiang economies and examine current Chinese company requirements for skills and talent and the implications for teaching and learning and graduate supply. The paper reports on eight company case studies exploring talent/skills needs and a survey of 21 ZJUT-Leeds Metropolitan University alumni on their assessment of the Masters in International Trade and Finance (MAITF) programme in enhancing their employability. The paper argues that there is a need for China to respond to a new stage of globalisation- the recession, fiscal stimulus and internal growth adding to the search for Chinese globalisation. To be successful, Chinese companies need to have strong understanding of markets and cultures and business skills and methods, and the paper makes some recommendations for policy and research in this area.

### **Introduction**

China is seeking to change its industrial structure by importing more advanced technologies and improving the skills of its work force, developing a greater focus on value-added export strategies and moving away from a low cost economy. There are however worries that the shortage of managerial talent could hold back China's economic growth. China is using the current international financial crisis as an opportunity not only to respond to the crisis, but also to accelerate the rebalancing and restructuring of its economy. This rebalancing requires reducing export dependence, slimming current account surplus and relying more on domestic consumption. China gradually has to compete more and more in areas where the stress is on higher value-added products, state-of-the-art facilities and highly skilled labour. (Shutt & Cheng 2009). There is a need for China to respond to a new stage of globalisation- the recession, fiscal stimulus and internal growth adding to the search for Chinese globalisation. To be successful, Chinese companies need to have strong understanding of markets and cultures and business skills and methods (Crossick & Reuter 2007).

The study draws from a wider study of entrepreneurship and employability carried out as part of the Prime Ministers Initiative 2 by Leeds Metropolitan University and Zhejiang University of Technology (PMI2 nd, PMI2 2008). After

discussing the issue of talent management (TM) in China and the shortages of talent in China, it explores issues of graduate supply and employability before analysing the skill needs of the Zhejiang/Hangzhou economy. It then discusses the findings from eight case studies of Chinese company skill/talent needs in Hangzhou and results from a survey into enhanced employability of alumni from the Masters in International Trade and Finance (MAITF) programme between Leeds Metropolitan University and Zhejiang University of Technology (ZJUT) Hangzhou. Implications for research and policy are then discussed.

## **Talent Management as an emerging issue in China**

Exacerbating shortages of managerial talent and aggravating pressure of fierce competition has helped fuel an interest in human capital theory in the context of the development of the knowledge economy in China, but research on human capital theory and practice has only recently begun as China places more importance on ICT, education, science and technology and a service-based economy (Wei 2008, Zhao 2008). Large regional differences, imbalanced economic development, a lower quality of current human capital, an incomplete market system, an under-developed managerial labour market and lack of innovation in HRM are barriers, though research on talent management (TM) has recently begun (eg Iles et al 2010, Hartmann et al 2010).

A recent McKinsey study found global corporations struggling to manage talent, with barriers emerging over how to achieve cultural diversity, how to establish globally-consistent HR practices, especially talent-evaluation processes, and how to promote inter-country mobility (Guthridge and Komm 2008, Wilson 2008) Companies scoring most highly on a survey of global TM practices were also most likely to report strong financial performance in terms of profit per employee. Clearly there are problems in interpreting the data (lack of longitudinal perspective, evidence of causality) but they suggest both the importance of TM to MNCs and problems in implementing it.

Attracting talent to places like Shenzhen has been a key to China's development, yet China lacks managerial and professional/technical talent in particular. The talent shortage in China is widely predicted to be one of the greatest challenges faced by organizations (Taylor 2007; Ma & Trigo 2008; Iles et al 2010; Hartmann et al 2010). Another recent McKinsey study (Farrell & Grant 2005) claims that Chinese companies need 75,000 globally-effective leaders to realise their global ambitions, but only possess c. 5,000 at present. Many current leaders, brought up in the Cultural Revolution, may lack critical knowledge, skills and experience in strategy, innovation, enterprise and empowerment. Younger leaders may lack people skills, but despite high education levels may have received little management training. Turnover in this group is often high (25% per annum), as Zheng et al (2008) found. Expatriates continue to fill many capability gaps, with increasing use of managers from the Asia-Pacific region and foreign-born Chinese. This short-term solution however creates longer term problems, such as high expense,

the need for localisation, and the grooming of local staff, against a common perception of emerging 'glass ceilings' by local Chinese staff.

Other McKinsey research (Lane and Pollner 2008) has specifically addressed the issue of growing talent shortages in China and the imbalance between business opportunities and the supply of qualified managers and executives. This growing need for talented managers is a major challenge to both multinationals and local businesses, with recruitment a major challenge. Insufficient talent was a major barrier to expansion for many companies, as continued growth increases demands for talent at a time when multinationals are increasingly competing with local firms for scarce talent in the same talent pool

Chinese companies were worried about managerial capabilities, increasingly looking abroad to recruit talent, expecting the proportion of foreign managers at all levels to increase over the next three years. Many talented Chinese live and work abroad, especially after graduation in foreign countries, contributing to a 'brain drain' or 'knowledge diaspora' (Tung 2008). In a recent Mercer study (Wilson 2008) 72% of respondents in China claimed that their main challenge in staff recruitment was a lack of qualified candidates in the labour market. A key issue is how to develop and retain staff, making management and leadership development of local staff in particular a priority (Qiao J and Xuejun 2008). However, many companies lack commitment to develop a comprehensive leadership development strategy, or expertise to implement one: talent development cannot keep pace with business development in China. Succession planning is not often working well, due to a shortage of talent ready to fill leadership positions, fast-changing and volatile markets, and the over-high expectations of those identified as 'talented'. Short-term business goals may conflict with long-term talent development objectives; 'talent readiness' may be seen as a key issue by CEOs, line managers and high-potentials themselves, but not necessarily by HR staff.

TM in China in general is an under-researched area, though a National Talent Working Meeting in Beijing in 2003 was organized by the central government of China to discuss nearly talent-related policies, symbolizing that TM has begun to be widely discussed and practised in China. Recent research (Iles et al 2010, Preece et al 2010) shows it has become a key issue for MNCs in Beijing. Though definitions of TM differed-some focused on a smooth continuity of talent flows in the company, others on enhancing organizational competence and capability, yet others on winning the 'war for talent' by ensuring they recruited, selected and retained talented employees-they all saw it as a key role for HRM in China. For some, TM was a part of HRM, but for others it represented a radical departure, breaking with the 'egalitarianism' of HRM by segmenting the workforce and treating those in the 'talent pool' in a more targeted way in terms of training, reward and retention efforts. Most denied that TM was just a fashion, or that they were simply imitating other companies; though some acknowledged some external pressures (eg from central government or overseas head offices) they claimed that they had introduced TM programmes primarily in response to 'real' business

challenges, in particular their pressing needs to recruit, retain and develop a talented workforce.

Hartmann et al (2010) confirm that one of the greatest challenges facing western MNCs in China was finding talented people to run their businesses. Using qualitative data from seven case studies (in Shanghai rather than Beijing) they found that Western MNCs had transferred their practices aimed at identifying, developing and retaining talented employees without much change (a similar finding to Gamble 2006 in a UK retail company in Shanghai). The main focus was on developing talented employees and creating a talent-focussed organizational culture. However integrated and strategic TM strategies had not yet been fully implemented; the companies had not fully internalised their talent identification, development, succession, mentoring, visibility and leadership development /culture programmes. To build loyalty and commitment, sports and social events were used in culture-building programmes aimed at enhancing commitment and engagement, reflecting the importance of more collectivist Confucian values in China (Yolles & Iles 2006). Development in larger companies was largely through internal training academies aimed at building internal talent pools in the long-term, sometimes associated with overseas assignments to build commitment and transfer knowledge. Such activities had been implemented over the last decade, indicating the flexibility MNCs now had when operating in China. However, little effort was made to identify talent and enhance its visibility in the organization, and surprisingly little account was taken over the difficulties companies might encounter in replacing certain employees amid a dynamic labour market. Only three companies identified pivotal talent pools and codified internal talent; surprising when Chinese employees tend to leave if they do not see development opportunities (Tung 2008).

In addition such limited studies of TM in China have focused on Western MNCs in Beijing or Shanghai; we have little information on how local private companies practise TM, especially in other areas of the country such as Zhejiang or Hangzhou.

### **Talent and Skills in Hangzhou**

Hangzhou is the capital of one of the most developed Provinces, Zhejiang in China, with a population of 3.2 million. The city is one of the most economically developed cities in Yangtze River Delta, and the home of the private economy in China with its beautiful scenery. It was awarded the top ranking of 'the best commercial city in mainland China' for five consecutive years by the US magazine 'Forbes'. According to a report of the Hangzhou Qianjiang Economy Development Zone in 2008, Hangzhou was awarded the honour "Chinese Most Energetic City for the Civil Economy". In the same year, the China Institute of City Competitiveness released "2008 Ranking Charts for Classification Advantages of Chinese Cities". Hangzhou was not only listed in all the seven classifications charts, but also topped the list of "Top Ten Fittest Chinese Cities" and "Top Ten Most Harmonious Developed Cities in China". (Hangzhou Economic and Technological Development area, HEDA, nd, Hangzhou Municipal Government nd).

Hangzhou itself has not been an industrial city and did not occupy a prime position for attracting foreign investment, which is mainly in the industrial sector. The key to Hangzhou's strategic plan is to avoid direct competition from nearby cities, such as Shanghai, Suzhou and Ningbo. Since the rise of Shanghai as a newly globalizing city in the Yangtze River Delta, other cities in Zhejiang Province have strengthened their economic connection with Shanghai. The change in the transport network, together with the rise of Shanghai, has strengthened Hangzhou's historical position as the hub of the transport network in the south Yangtze River Delta. Due to its historical position in the transport networks in the Yangtze River Delta, Hangzhou wants to be the Logistics Centre in the region. The city is using its comparative advantages, in human and physical capital, environment and geographic position, to capitalise on the transition of the national economy from a knowledge-application-based economy to an innovation-driven knowledge economy.

Hangzhou is aiming to be the "Paradise Silicon Valley" in China, and much importance has been attached to the development of high and new technology in information communication technology, pharmaceuticals, environmental protection and new materials. The city is striving to strengthen fiscal integration of its policy resources to support the development of technological innovation ability of enterprises and research institutions and broaden the financing channels for enterprises. A High-technology Industrial Development Fund has been set up to support projects and enterprises in research and development, promote joint production and research, and establish technology business incubators. Since the establishment of the

Hangzhou Economic and Technological Development Zone in 1993, Xiasha, the new town has developed from a very small town with only 20 thousand population to a new business and living centre with a population of 300 thousand. The HETZ has become a prime target for investment, gathering more than 700 industrial enterprises, including Panasonic, Toshiba, Siemens, Coca-Cola. 24 global Fortune 500 enterprises have invested in this zone for 53 projects, with an industrial sales output valued more than 100 billion *yuan*. Xiasha HETZ has been awarded 'best investment environment' in 75 Urban Development Zones in China by the Japanese Trade Development Council, and the 'best development zone for multinational enterprises investment' by the United Nations Environment Programme. In the Integrated Assessment of Investment Environment by the Ministry of Commerce, Hangzhou HETZ ranked in the top ten. Following economic globalization and new economy era, Hangzhou HETZ aims to build its international advanced manufacturing base, new century science and technology universities city, and garden-style ecological sub-city to lead the scientific and fast development with its three strategies: international city, high-end industrial environment and high-quality environment.

The development zone has the largest higher education zone in Zhejiang province, with 14 universities, nearly 20 million teachers and students, 187 master/ doctoral programmes, 54 provincial key disciplines and more than 20 provincial and ministerial key laboratories and research bases. The development zone uses these resources advantages to promote the co-

operation between industrial park and the higher education area. The Hangzhou Singapore Science & Technology Park, the High-Tech Incubator, training centres, cooperative centres in production and research provides a strong backup to industrial transformation and upgrading in the development zone. By the end of 2009, there were more than 200 city-level high-tech enterprises in the development zone, and 57 state-level key high-tech enterprises are supported nationally. The development zone won the “China Model Cooperative Innovation Base award (Hangzhou Hi-tech Industry Development Zone, nd)

Leeds city and Hangzhou city established links in 1988, accelerated by the establishment of ChinaVentures in 2000 as a Leeds Metropolitan University ERDF project to take business visits to China from Yorkshire, as well as providing research, communication, project management and other business services (Yorkshire Forward nd, Leeds-Hangzhou Partnership nd).

Leeds Business School won a three-year PMI2 strategic alliance and partnership project for the British Council in 2008, taking the LBS/Zhejiang University of Technology partnership (a successful Masters in International Trade and Finance degree) to a new level in the 2008-2011 period, strengthening teaching, research and consultancy on the Chinese and European economies and preparing for the acceleration of international trade which will return with a global upturn as the Chinese century begins to take shape.

During the first two years 2008-2010 the aim has been to analyse the Hangzhou and Zhejiang economies and examine current Chinese company requirements and the implications for teaching in trade, investment and business studies. One of the key initial tasks was to examine the post-graduate final destinations employment data for the existing MAITF students and explore how to build stronger ties between Zhejiang and Yorkshire companies.

### **The supply of graduate talent in China**

A rapid increase in the number of Chinese university places in recent years has been accompanied by declining numbers of college leavers who regard themselves as suitably employed. In 2008 there was a record 5.6m graduates, nearly 650,000 more than the year before. Another 6.1m will graduate in 2009. Around 1.7m were however unable to find work. This high rate of graduate unemployment is mainly due to rapid structural changes in the economy, which the education system cannot keep up with. As the economy fast changes to adapt to the international economic climate, the labour market skills demand changes and the graduates find themselves unable to match the employers' skills demands.

There is often a mismatch between the graduates supplied by Chinese Universities and the skills and attributes required by employers. Those recruited often have high expectations, which if not met may lead to high

turnover. China has tried to develop a national HRD policy, using a top-down, government-interventionist approach to move closer to developed nations between 2011 and 2020 and surpass them after 2050 (in terms of years of education and higher education attendance rate), but this has been supply, rather than demand, led (Yang et al 2004)

Velde (2009) explored the alignment of graduate outcomes with employer demand in a study of a vocational college in central Shanghai, identifying future trends by focusing on student, graduate, and employer and academic perspectives. Employers perceived positive attitudes and behaviours (cooperating, resolving conflicts, adaptability, responsibility, effective communication in English, and commitment to continuous learning) as extremely important characteristics in graduates, perhaps showing influences from both command and market systems. Employers had generally low expectations of the types of skills graduates would possess. The overall conclusion was that there was a widening gap between how MNCs and state/private Chinese enterprises used the education system.

Employability is a critical requirement both for organisations, including Chinese companies, competing in a changing global environment, and for individuals, such as graduates, seeking to make successful careers and to continuously acquire or create, in an entrepreneurial way, fulfilling work through the optimal use of their skills and competencies (Nauta et al 2009). Highly employable individuals can enable organisations to meet fluctuating global demands for goods and services by adopting new roles and acquiring new skills. Graduates and employees therefore need to develop an 'employability orientation' so that they are more open to self-development and adaptable to new work requirements to seek more 'boundaryless' careers that cross organisational, functional and national boundaries.

Organisations, including universities, also need to stimulate employability by creating an 'employability culture' that supports graduates and employees in life-long learning and continuous professional development and encourages adaptability, flexibility, change and the search for new career and entrepreneurial opportunities. Enhancing employability includes developing employee self-efficacy (confidence in performing tasks), especially 'role breadth self-efficacy' and a high employability orientation to encourage individuals to be more open to learning and innovation and change, and engage in more development activities. In addition, employability is boosted by encouraging graduates and employees to reflect on their learning about career development strategies, their work and life experience, their degree subject content knowledge, understanding and skills (employability assets), their generic/ transferable skills (eg creativity, interpersonal, communication, and teamwork skills) and their emotional intelligence (Poole and Sewell 2007).

In addition, entrepreneurship has also been given emphasis in recent years, especially after China's accession to the WTO (Iles & Yolles 2006,) Strategic entrepreneurship, such as resourceful innovation, proactive change and adaptive capability, has been shown to positively affect firm performance, as

well as performance management. However, this varied across regions, suggesting the value of adopting a regional approach; the relationship was stronger for firms located in the eastern region, such as in Zhejiang province (Wang and Wang 2008).

### **Talent Demand and TM in Hangzhou: Company case studies**

In order to assess the skill/talent needs of private companies in Hangzhou, we carried out interviews in eight companies in different sectors (shown in Table 1). We have been selecting case studies of companies who already interact with ZJUT College of Business. In each case, an interview was held with a senior manager by a researcher from Leeds Metropolitan University, accompanied by a translator from ZJUT (a PhD student or staff member). The topics covered were graduate recruitment and training, training and retention issues, talent management, skill needs, and the extent to which these were met by local university provision. Interviewees were also asked about any partnerships with ZJUT and any recommendations they might have for improving university-employer links.

**Table 1: Company case studies**

<b>Company/ Sector</b>	<b>Name</b>	<b>Main Business</b>	<b>Interviews</b>
A <b>Advanced Manufacturing Sector</b>	<i>Supcon Group Co. Ltd</i>	Specialises in process automation, public works and equipment automation.	1 interview
B <b>Advanced Manufacturing Sector</b>	<i>Zhejiang Hongyi Group Co. Ltd, Xiaoshan Hangzhou</i>	Main products of the company: basic fabric materials; customers are exporting factories.	1 interview
C <b>Financial Sector</b>	<i>CITIC Bank</i>	State-owned Bank, HQ Beijing	1 interview
D <b>Environmental Industries</b>	<i>Xizi Group, Xizi United Holding Corporation</i>	Established 1997: elevator company Otis Ju. 2002 it acquired Hangzhou Boiler Group 2006 property development Hangzhou shopping mall.	1 interview
E <b>Service Sector</b>	<i>Zhejiang Textiles Import and Export Group Co Ltd, Zhejiang Yuyang International Trading Co Ltd, Hangzhou</i>	Branch of Zhejiang Textiles I/E Group Corp. Zhejiang. Located in Hangzhou, it specializes in functional fabrics.	1 interview
F <b>Service Sector</b>	<i>Shinyway Overseas Studies: Kaplan Shinyway Pathway College Zhejiang</i>	Largest educational agency with the longest history in China. It takes “provide a good school” and “whole-course service” as its criteria, and has helped more than 15000 students to study abroad during the past 11 years.	1 interview
G <b>Service Sector</b>	<i>Yuyang Intellectual Property Agency Co. Ltd</i>	Specializing in being a professional agency engaged in all aspects of legal affairs relating to intellectual property.	1 interview
H <b>Service Sector</b>	<i>Zhejiang Asuka Home Textiles Co. Ltd</i>	Established in 1997 in Hangzhou specialising in the manufacturing, selling and trading of home textiles and down products.	1 interview

For most companies, graduates were an important source of knowledge and talent. For example, company **C** recruited at the primary level mainly undergraduates in Finance related subjects, with training in house. With over 20 banks now in the country, new skills can also be obtained from recruitment from other competitors. Management staff may be recruited from other banks, but it also recruits Masters students, including ZJUT MAITF students, recruited mainly through Beijing. These could have certification in a variety of subjects, and then receive bank -based training. Chinese banks are still very oriented around savings and borrowings, and risk averse, so training, other than to 'do the job', is not that much of a priority. It identified its training requirements at three different levels: Primary (tellers), Management and High level (directors). All types of training, including Continuous Professional Development or CPD, e.g. risk management, are provided by Headquarters in Beijing. The bank is currently evaluating what and how much training is needed for its future requirements. Currently much of the training is conducted in house because of a lack of evaluation systems of future skills needs, making training ad hoc, only brought in when performance needs to be improved. C felt that local Universities provided the basic undergraduate skills and knowledge they required, but that this did not meet all their needs as training in specific skills e.g. primary level telling skills, are not addressed. They would prefer to turn to Universities to meet their needs at the primary level, but they feel that these skills are better obtained at present by the Internet or by reading books. C does not sponsor students at UG and PG level, but it does sponsor primary and secondary schools, in line with Provincial Government policy, because it emphasises educational basics. TM is not really addressed, at management level, managers are merely moved around to get different types of experience.

Looking forward, the banking sector is still not completely deregulated and foreign bank completion is relatively small; this almost encourages a reactive approach to training and a tendency to accept the status quo. But deregulation may come, and there has been a rapid increase in the number of banks over the last 10 years. This makes C feel that it will require new skills, especially Marketing, Advertising, Product Development and Promotion. If it has a training problem or need, it currently turns to HQ, not the University; University 'consultants' are seen as providing more 'theoretical' than 'practical' Marketing skills, making the bank look outside the local and country university system overseas for expertise (such as inviting authors of recognised Marketing texts). C would be interested in working with the local, national and maybe other universities outside, to provide certification and CPD to meet its current and future training needs.

In general, company surveys revealed a strong need for people who can operate in the complex international economy, requiring high levels of abstraction, cultural and business culture awareness, and communication skills. The lack of talented managers in China is a major operational problem for foreign companies operating in China, whilst for Chinese companies it is a barrier to their global expansion. For example, **Company A**, founded in 1993 as an outgrowth of research at ZJUT undertakes management training with

Zhejiang Business School and University. It sees its major tasks as being developing its marketing and brand, developing into a global company and developing its mission and business strategy so that it can compete with ABB and SEIMENS for example on the global stage.

Similar internationalisation challenges apply to **Company H**. Its brand name Asuka is one of the leading home textiles companies of China, and it has 200 in-store shops all over China. Its major exports markets are Japan and Russia, though up to 70% of sales are domestic. H is focussing on developing its marketing and sales channels and its Brand; its main issues are developing design capability and TM. It has developed links with the Shanghai Textile University and has joint ventures with Zhejiang University Art College but its links with Universities are not strong. The company has a strong interest in developing a capability to enter European markets, in particular UK, Germany and France, but is still at the exploration stage in terms of information gathering.

Similar issues confront **Company D**. However, this company has taken more proactive steps in TM.. It employs 7000 people in Zhejiang Province; it is a fast growing large enterprise and is in the top 50 most competitive Chinese private enterprises. The company has both a Research Institute- Xizi research institute- involved in aerospace, solar and wind technologies as well as the core technologies of boilers and elevators, and the Xizi United University which is the centre of its skills and TM strategy, promoting “open study, open communication”. It uses Xizi University for front line management and apprenticeship training and middle management training. Its own skill needs are language skills, analysis and decision making skills and the ability to cope with growth. Senior management are encouraged to do training, but this is not consistent.

The company is expanding in Southeast Asia-Vietnam, India, Thailand and Indonesia and therefore needs to be able to tap into a talent pool responsive to the legal and cultural issues; it sells its products in the US, Japan, Thailand, India and Brazil.

In general, survey companies perceived an imbalance between the supply and demand of skills and talent in the Hangzhou economy, with an ongoing mismatch between the supply of graduates in the labour market and the type of candidate who would interest local, regional and, especially, multinational companies. For example, Xizi did not see Hangzhou Universities as being well equipped to deal with industry needs, and nor did **Company E**. How to find real talent in graduates, and how to persuade them to stay, is a real challenge for H; the current downturn has significantly affected employment prospects and training budgets. Employees need an understanding of international trade theories and how to find emerging clients and markets, as well as new customers, commodity markets and service supply. Communicating with clients is also important, whilst understanding foreign languages, the fabric/ textile industry, the production process and foreign exchange are all necessary.

Several years ago H recruited graduates from across China, but now it mainly recruits local graduates from local universities, including MA ITF. 90% of recruits are graduates, but turnover is high; 30% leave after one year, either for reasons of promotion or because they do not suit the work. They have employed foreign-educated graduates, but see no obvious difference in their work; both types of graduates need more practical work experience and training. Graduates need language and communication skills, especially English, and familiarity with textiles and skills in relating to customers; legal and financial skills are also necessary.

The group arranges a training plan for new recruits; for the first week, training is focussed on company policies, commodities, and trade practices. As well as class lessons, trainees do some practical work in other factories. The company encourages people to take courses, such as MBAs. If the company arranges the course, it will pay, but not if the individual arranges it, though it will part-fund if the student gains honours.

Over 10 years ago, the company began to attract people from other industries, including professors, but supply was greater than demand. Excellent, talented employees are encouraged to stay, and receive performance-related pay as well as their salary. The company tries to make new recruits feel that they are part of the team.

Most employees come from ZJUT, but there is no established formal relationship; however, the company wishes to develop its relationships with ZJUT and other universities. When students graduate, it seeks opportunities to give information to them on the company, and introduce them to classmates. There is a need to effectively bridge the company/university gap, perhaps through greater use of work experience, part-time jobs, and better communication with the enterprises.

**Company F** also faces skills challenges as it continues to grow globally; it was one of the first overseas studies agencies accredited by the Ministry of Education of China, has helped more than 15000 students realize their dreams to study abroad during the past 11 years. Their country choices are USA, UK and Australia, and other countries: Netherlands and Ireland in Europe, and Japan and Singapore in Asia. The aim of the company is “care about every step of students’ growth”.

The company has more than 200 employees in Zhejiang and 456 in China. It needs employees with very good English, excellent communication skills, and positive attitudes to work and challenge; different skills were needed for different jobs and levels, especially professional skills. The company has faced major economic challenges as it was fast-developing. Employees needed to know how markets worked and how to design and organise; international experience was an advantage. Its skill needs are not satisfied by the city’s education provision. Most employees were educated overseas, returning to China, and they had several advantages: a relevant educational background, and a more active, confident, courageous, and ingenious

character than local graduates. They entered at a low level, but might go into higher levels if they had previous work experience.

Each department reported to the HR department their skill needs and the kinds of people needed. They used in-house recruitment, the internet, and broadcasting media; at managerial levels they used search consultancies. They may recruit 10-20 graduates in Zhejiang ; this year they recruited 50 in China. Training was in skills, company culture, career planning and creating a professional development plan. Leaders trained employees in company culture, whilst experts trained people in professional skills. These were designed in-house by the HR department. They funded higher degrees, and encouraged employees to take higher qualifications with financial assistance.

Performance was reviewed in terms of salary and bonus, depending on many factors related to work effectiveness and social contribution, and was assessed by client satisfaction. Normal turnover was 5%; at management levels there were talent shortages as managers needed to know about both education and management, and this balance was difficult to find. Recommendations from existing employees were the usual recruitment channels used. They wanted students with broader international insight and a positive attitude, sales and marketing skills, and English. Graduates were however often too demanding.

In a similar services sector, and with similar skills/talent challenges, **Company G** has developed rapidly, and now provides a comprehensive IP service. It has 60 employees, and some have moved to new offices; it had recruited 10 in the last 2 months. The major challenges faced by the company were recruiting international human resources; it dealt with international IP and was a global business, working in the EU, USA, E. Asia. Its main business partners are from the UK, (it has a local partner in Leeds), USA, Japan, Korea, Germany, France, Hong Kong, Taiwan, and Macao.

Locally-educated recruits were not seen as useful, as employees needed language skills (not just English but also French & German) as well as legal skills, especially in international law and trademarks. Most graduates came in at a low level, requiring training. It was hard to find experienced IP attorneys, and they usually recruited new graduates, from many different universities, but not usually from Hangzhou as these were often very demanding in terms of salaries, and their skills and professional knowledge were lacking. They used employer recommendations and HR consultancies. There was less need for finance or marketing skills for legal staff, but there was for business staff. There was a need for people/ communication skills. The company did not have an HR department at present, but proposed to set up one up in the coming year. It sees a need for CPD provision and training relating to every aspect of work, especially about IP. Its personal development department of volunteers organizes many activities (how to dress, how to communicate, how to make presentations) as this was lacking in Chinese education. The company often invites some experts to give management training for department heads, and managers or leaders can also take part in courses in

Hangzhou, such as MBA modules in conjunction with Zhejiang University (whose teachers are sometimes invited in).

Staff development was mainly through job rotation and coaching; conferences were used but not training courses. G had links to the international dept at ZJUT, with the intention of offering internships, but ZJUT had not responded positively. There was a Hangzhou overseas returnees club. In the future the company would need more western educated employees as it grew and increased its market share. CPD was needed, especially in the areas of professional skills; international business partners came to teach one day courses, but not often.

It mainly recruited graduates, not usually local, from different colleges and universities in Hangzhou, sometimes from job fairs or through recommendations by employees' friends, and trained them in-house, as they often did not have professional work experience. The training often takes two weeks to one month. Most employees have bachelors' degrees; a few have Masters' degrees.

With growing internationalization, it will employ some western- educated graduates, however, they may ask for more money. When employees achieve their department objectives, they receive a salary. If they have shown excellent performance, they can also receive a bonus. If they are loyal to the company and have worked for five years in it, they may get extra rewards called housing funds.

Similar issues arise with **Company B**, established in 1994 but now among the top 500 companies in China. 4700 workers are employed at the headquarters in Xiao Shan; along with the company in Shanghai and the factory in Ningbo, 5700 workers are employed in the whole group. Because the main products are basic fabric materials, its customers are exporting factories. With the international economic crisis, exports have decreased, reducing group sales. The group's fabric material price fluctuates, as its basic material comes from oil, and the oil price varies at different times. The group must therefore solve problems of stock and storage; if material is kept too long, it loses money.

Recruitment is carried out using many methods; going into schools, using the internet, and newspaper advertisements. For high-level workers, it uses internet search, as well as poaching from competitors. B has specific problems in recruiting technicians, as skills shortages exist in some professional specialisms. These employees are usually recruited from competitors. B tended to retain talented workers through high salaries, and encourage younger workers to buy homes with low-interest loans, as it is hard to buy a home. They try to provide career development and professional development opportunities, and train talented people for future opportunities. Before 2003, most senior management came from within the company, using internal labour markets; after 2003, except for the Chairman and General Manager, most were recruited from the external labour market. Of middle managers, 40% have been recruited from outside the company. Before 2003, quality was lower, and the factory was labour-intensive; now, especially in the

Ningbo factory, the supply of existing workers is insufficient to meet demand for talent.

The skill needs of B are related to its overall business strategy; it wants to develop as a technology and capital-intensive company, away from being a low-skilled, labour-intensive one. It now employs fewer workers; its Ningbo factory employs higher-skilled labour. It is paying more attention to higher-level skills; it needs chemical engineering and mechanical engineering talents, as well as finance and investment skills.

The company is not satisfied with educational provision as many students straight from university are not suited to the working environment. Workers in labour-intensive departments are trained over several months; after training they can operate the machinery and equipment. For graduates, education at university only helps them to acquire knowledge, not the ability to work. This is acquired through the work position; for high-level positions, employees need to be trained for up to one year. The Ningbo factory in particular requires high-level talents, often recruited from the wider petrochemical industry. The Group is now in a position to train people itself.

Most workers are from high school; in Ningbo, administrators are graduates, and some workers in the research department need to be post-graduates. Western educated graduates have no obvious advantages except in terms of communication with foreigners. They do not specifically hire them, though they did recently hire a Hong Kong graduate who had worked for BP. Two employees in the trade department had recently returned from the UK

B thinks graduates need instruction to become fully-fledged workers, as in university they do not learn how to do things, the meaning of work, and work goals. CPD provision is necessary to enhance work effectiveness and quality. New workers have a pre-work briefing to change their status from student to worker; work leaders are responsible for helping workers find answers to problems, enhance quality and help promote the ability of workers and the right attitudes. For the excellent 20%, B will offer opportunities to develop skills for future higher-level positions through a training plan. Training is carried out externally and internally; Japanese technicians have been used to introduce the latest techniques and trends to technicians. The group will also invite professors from Peking, Tsinghua and Zhejiang universities to help spread new management principles, and will invite experts in technology to teach the latest technology.

## **Summary**

The basic messages from the interviews are that local Universities provide good UG 'feedstock' at the Primary level, but that companies have to provide the practical training required to do the job. At Management and Higher levels, any Masters degree may suffice (mainly business or related subjects) and training is provided in house or by 'on the job' training. At Management and Higher levels, recruiting from competitors seems a good way of providing for

skills shortages. Talent shortage is an issue; for many companies, graduates lack the skills need for international expansion (language and communication skills, teamwork, interpersonal and presentation skills, a positive attitude, knowledge of global business trends and markets). Turnover was also quite high, given the dynamic and buoyant local labour market. Current training provision is currently rather ad hoc; for many current and certainly for future skills needs, local providers are inadequate to meet company needs. A partnership approach between institutions of higher learning and the economy is needed, whereby companies build relationships with universities to improve the teaching and curricula by adapting the latter to the needs and direction of the business environment.

### **Survey of Talent Supply: assessments of enhanced employability by MA ITF alumni.**

In February 2009 Leeds Business School conducted surveys of the jointly delivered MAITF graduate destinations and the skill needs of Hangzhou companies. Figure 1 lists of the respondents and which companies they were working in at the time of the survey

### **Figure 1: LEEDS BUSINESS SCHOOL ALUMNI SURVEY, Hangzhou FEBRUARY 2009**

#### **Where are they employed? ZJUT Graduates from Leeds Met 2004-2008**

- A. Ali Baba (2);
- B. ZJUT
- C. RMTTC
- D. Huaxin P&T Consulting and Designing Institute Co. Ltd
- E. Hangzhou Moto/Eastcom
- F. Evergrowing Bank
- G. Zhejiang University of Science and Technology
- H. Zhejiang Retrix Co. Ltd
- I. Shuren University Zhejiang
- J. Construction company (unnamed)
- K. INHD Automotive Spare Parts Co. Ltd
- L. Insurance evaluation company
- M. Consulting company (unnamed)
- N Wen Zhou Jun Feng Yu 118 Hospital (state hospital)
- O. Bank of China
- P. Hangzhou Commercial and Industrial Bureau
- Q. Highway Department Bureau
- R. Zhejiang Textiles Import Group Co. Ltd
- S. Government Investment Attraction body
- T. Strategic Systems Solutions
- U. Zhejiang Technology Institute of Economics

Most respondents were satisfied that the skills they acquired during the course (especially communication skills, stronger negotiation ability, a global overview and deeper understanding of international business) helped them enter the job market. The graduates were confident about their future career prospects, as the course had helped make their career objectives clearer and familiarised them with a career in international trade through the cross-cultural learning and experience. For some, the benefit was primarily in it being a Masters' degree; for others, it had improved their English; for others, it was the subject matter in trade, finance, and economics; for others, it was an enhanced international perspective. Respondents were also positive about the role of the MAITF in helping enhance their future career development and employability.

For example, an Asian Channel sales manager (**A**) claimed that the course was *'Really helpful. I have so much to say. Thank-you for the joint course between Leeds Met and ZJUT... I was interviewed by our VP. He was very interested in my stay in Leeds Met; I think that's why he chose me from these candidates. Thank you'*. This point was echoed by a Buyer with **E** who said: *'It opened a new door for my career- I got my present job with the MA degree...The MA program gave us a global vision'*. An HR manager/consultant (**J**) was equally positive: *'The course helped me a lot, particularly in job skills and global vision... I think accounting is useful in my job. I will consider capital control and effective spending'*, whilst a Bank clerk with **F** claimed *'It has helped me. My job is in the area of economics so the knowledge given by my MAITF course has given me a lot of help...however, for career development: 'It is just a little help'*. A Teacher in **G** claimed: *'It has been a help for me. Just like when I wanted to get a job in HSBC, they thought I had enough language ability'*, though for career development, again *'It is just a little'*. A Senior Merchandiser, **H** was more positive: *'The courses helped me to understand the meaning of international trade and how to communicate with overseas clients...Very useful. Firstly, it made our career objectives more clear; secondly, stronger negotiation ability than other partners; finally, easier familiarity with a career in international trade'*, and a Teacher at **I** claimed *'The Masters' degree helped me to get my job in the university....It is useful because I'm now teaching Business English and International Trade courses'*

An employee (**J**) also claimed: *'It helped me very much, because my job needs an understanding of marketing, which was a subject we learned on the MA ITF'*, though for career development, again *'Just so- so '*. A Sales/trade employee (**K**) confirmed: *'It improved my English...very much'*, a point echoed by a respondent (no company given) *who said 'Yes, it improves my English'*.

An Insurance evaluation employee (**L**) pointed out: *'My job needs an analysis of the current economic situation; the international economics course helped me.....I think it is very useful'*, whilst a Consultant in a consulting company said: *'Of course, I always talk with managers who have Master's degrees, so this MAITF course is very useful'*.

A medical assistant in **N** also argued: *'Yes of course, it is helping me to develop my career, its very special for my future career...It's easy to do my job, to be a professional white-collar employee'*. For **O**, *'it is very important for me in finding a job'*, whilst a Sales Manager in **R** confirmed: *'Yes because the course is based on international trade, it helps me in my job. A Manager in **S** also claimed: 'Yes of course. It is very helpful in my employment, it improves my career...My job involves always speaking English. It is very useful to do my job'. A Lecturer in **U** confirmed: *'Yes, this course helped me to get the lecturer title directly in Zhejiang Technology Institute of Economics'* However, *'The MA ITF is still not enough; a PhD will be much more useful and I hope to get into a similar program'**

## **Conclusions and implications for policy and research**

Most companies in our survey complained that graduates needed more training, as at university they do not develop the skills needed in the work place, appreciate the meaning of work, or develop work ethics. The lack of functional skills in graduates is a general problem, as talent needs might be different. Managers in China need to know how to simplify or tailor production, find low-capital solutions, manage alliances and government relationships and display cultural openness to become more global players. As the system is increasingly deregulated and companies strive to internationalise, new skills, especially in marketing, advertising, product development and promotion are needed. However, universities at present are seen as less equipped to meet future marketing skills needs and to some extent, their present practical skills needs, being too theoretically oriented.

Hangzhou and China at large, present the dual challenge of aggressive business-building goals and an insufficient pool of talent to achieve them. Most companies use major initiatives as a chance to develop new leaders from within and to bring experienced leaders recruited from the outside up to

speed more systematically.

The impression given by the case studies is that there is insufficient two way engagement and analysis about the needs of "local and regional" companies. An over-emphasis on theory and technical education needs to be counterbalanced with more practical programmes which bring companies and business schools together to look at their needs. Our experience is also that there is little in the way of systematic forums through which labour market needs and skills considerations and the implications of globalisation can be considered. The surveys have revealed a need for closer collaboration between universities and business to ensure a good fit between teaching, the peculiarities of the changing local talent market, and the rapid pace of change.

The Chinese government encourages collaboration between universities and businesses, by making for example co-operation between a University and a business the prerequisite for funding high value and innovative projects. However, collaboration with ZJUT in the non-scientific and technical fields of management and leadership is limited. Where it exists, the relationship is based on Alumni of the University.

Much needs to be done for the 2011-2015 period to develop collaboration and development on key issues e.g. more Chinese British graduate company exchanges, better understanding of TM strategies in key companies, greater attention to company needs via annual dialogues with business schools and better consideration of different categories of companies e.g. state owned v SMEs. With international expansion, assessing Chinese multinational and foreign multinational needs is a priority, and there is a need for more understanding of family companies (e.g. Neo Glory in the cosmetic jewellery business with strong connections to UK)

There is also a need to consider how to develop this work in the current environment, where emerging markets and China in particular are becoming more important for business. There is a need for more consistent student survey and feedback for international students leaving the UK to go back home to enable courses to be monitored, evaluated and improved.

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