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Asian Appreciation

More employers are going local when setting up reward and recognition programs in China.

By Carol Patton



Think global, act Chinese."

Derek Irvine, vice president of client strategy and consulting at Globoforce, a global recognition provider based in Dublin, Ireland, believes this is the key strategy for setting up successful reward and recognition programs in China.

Like employers elsewhere in the world, U.S.-based companies operating in China try to be globally competitive, earn high profits and minimize employee turnover. Given the low levels of employee engagement in China, there's much to be gained by implementing recognition and rewards programs. But the process demands local execution -- everything from local vendors and local coordinators to local insight.

Among HR's first challenge is helping Chinese executives understand the benefits of launching and maintaining incentive programs, says Irvine.

"There's definitely an initial education that needs to be done," Irvine says, adding that to solicit buy-in from corporate executives at one electronics manufacturer with more than 5,000 employees, his company recruited all local help -- vendors, consultants, coordinators and customer-service representatives -- instead of pushing made-for-the-USA programs.

"The programs felt like they had lots of local influence -- language, rewards and local program champions on the ground. Once [the executives] understood [it would be so locally infused], they jumped in"

More executives in China are now acknowledging such programs as sound business propositions, he says. Happy and engaged employees are simply more productive. The same manufacturer, he says, recently experienced a 25-percent boost in employee engagement within six months after a rewards and recognition program was implemented.

"There's low-hanging fruit out there to be had for companies operating in China by broadening the portfolio of HR tools that they deploy to ensure employee engagement," says Irvine. "We'll only use local Chinese services. Therefore, we don't make funny [cultural] mistakes."

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Despite political or cultural differences between the East and West, Chinese workers are more like Americans than not, experts say. They want fair compensation and benefits, a safe working environment and opportunities for advancement. However, there are still some noticeable differences that have captured the attention of U.S.-based companies.

While cash rewards always rule, Irvine says, many of his China-based client's employees now crave sweet rewards -- high-quality confections or baked goods from upscale bakeries in China. He says this reward is more likely to motivate nonskilled workers -- those who enjoy rewards they can share with family or friends -- than perhaps training and development.

Due to China's exploding middle class, other popular rewards include gift cards from local electronic or quality department stores. "The burgeoning middle class is very ready to show success," says Irvine. "[Designer] labels are very important in their display of success."

So are public forms of recognition for older workers, adds Alex Alaminos, chief operating officer at Madison Performance Group in New York, which specializes in global workforce recognition and incentive marketing. Since older workers in China respect those at the top, he says, company leaders need to attend recognition ceremonies, even present awards. But younger workers, who embrace technology more than older workers, receive the same level of satisfaction from an online program.

"In China, it's very imperative that the program takes into account how employees culturally like to be recognized," says Alaminos, adding that Madison's clients collectively employ 450,000 people in China. "HR [should be] involved in the process early on to make sure corporate is capturing everything."

Sometimes, local HR professionals must find ways to help consolidate the administration of such programs worldwide to improve cost efficiencies. The challenge with this approach, including in China, is convincing on-site business leaders that their program will still be authentic -- not a one-size-fits-all -- and will reflect the needs of local workers, adds Mike Ryan, senior vice president of marketing and strategy at Madison.

To do that, he says, HR needs to implement proper controls. For example, he recalls one technology company that was experiencing performance gaps -- which varied by region -- among its 30,000 workers.

The company matched its operational data -- customer survey data per region -- with employee expectations. Each office was better able to understand its shortfalls, improve operations unique to its location and reward local workers based on regional preferences.

Still, not everybody is gung-ho about rewarding staff, including in China. Consider middle managers who don't feel they have the authority to "waste" money on employee recognition.

"It directly conflicts with messages they get from the top -- manage dollars wisely or manage to a metric," says Ryan, explaining that, in many cases, those messages have impacted a manager's willingness to recognize employees.

"We work closely with clients in China to make sure their senior-level executives communicate to managers that recognition is an investment, not a spend, and is important for their business to continue to operate."

Wide-Angle Lens

Back in the United States, HR professionals often have a "portrait picture" rather than a "panoramic view" of competitive business or recruitment practices

in China, says James Berkeley, director at Berkeley Burke International, a London-based consulting firm that helps global companies use employee-reward programs to strengthen business performance and profits.

He believes their narrow understanding creates challenges, even uncertainties, about how to develop effective reward and recognition programs.

To add to the confusion, Berkeley says, Western-educated Chinese workers who occupy management positions typically job-hop across multiple industries, unlike American employees who tend to stick to one industry throughout their career.

Likewise, China's massive business growth has produced a shortage of highly skilled workers, prompting some employers to promote ill-equipped employees to management positions.

"There are a number of people who are probably in positions where their leadership skills have not developed as fast as the career progression they've made," says Berkeley, explaining that 25-year-olds in China climb into management positions twice as fast as their U.S. counterparts.

To make matters worse, "There's an expectation that the manager is going to be an avatar for the kind of behavior and attitudes the rank-and-file staff need to display," he adds.

That's another reason why line managers need to take ownership of reward and recognition programs. By getting buy-in from young line managers for such programs, they will understand what behaviors and attitudes are valued and rewarded by their company, and therefore, do a better job of exhibiting those traits.

Likewise, line managers also play an integral role in the performance appraisal and reward process at Henkel, which employs roughly 4,000 people in China. The global company, based in Dusseldorf, Germany, operates in three business sectors -- laundry and home care, cosmetics/toiletries and adhesive technologies.

Each year, line managers develop individual performance targets for each subordinate, says Grace Li, Henkel's Asia Pacific compensation manager. From January through March, they conduct performance reviews, offering feedback that also identifies areas needing improvement. After both sign off on the performance-appraisal form, HR steps in to calculate the financial reward if those goals are met. HR has developed a standard payout ratio table for each country.

"Designing and investing in a [rewards and recognition] program to attract and retain the right people to drive growth is quite important," says Li. "You should clearly know where your competitors are standing now, how the local talent market runs and how to optimize schemes to support your business strategy. You can never expect a one-fit-for-all [rewards] program worldwide."

Another nuance in China is that this lack of maturity and experience among young managers is contributing to high employee turnover. Berkeley points to recent survey results from Heidrick & Struggles, a Chicago-based global executive-recruiting firm, which found that 77 percent of senior executives at multinational companies have difficulty attracting managers in China while 91 percent regard employee turnover as their top talent challenge.

Considering that young managers are often the source of worker dissatisfaction, he says, one of the best rewards for nonskilled workers is to train young managers in a variety of areas, such as leadership, teamwork or conflict management.

However, he says, no amount of pay, benefits or creative reward programs can overcome Chinese beliefs about certain jobs or industries. He points to the president of a high-profile U.S. hotel-management company who stated that climbing the hospitality career ladder in China -- even to the position of general manager -- is not considered as worthy an achievement as being a partner in a law firm, an investment banker or a government official.

Historically, the hospitality industry has been viewed as a "career backwater," with employee-turnover rates reaching 40 percent. The "master and server" concept, says Berkeley, is out of sync with China's current cultural changes.

Due to the country's one-child policy, the hotel-management-company president contends Chinese parents encourage their children to seek more respectable jobs. So until perceptions change, Berkeley says, reward and recognition programs in this sector will likely bomb.

Meanwhile, setting up a rewards and recognition program in China, he adds, is really a leadership issue, not an HR issue.

"It requires [line] leaders to own the decision-making and [for] HR to perform the implementation of those decisions," Berkeley says, adding that local executives seated at the leadership table understand native attitudes, behaviors and beliefs at their deepest levels.

"Whether you're in Shanghai, Jakarta or Singapore, you've got to be impacting one, if not all, of those three things. If you're not, you're wasting money."

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