



Diversity and Inclusion

*A Lever for Solving Talent Pool Dilemmas
in India and China*

SCHNEIDER~ROSS



Report for Participating Companies

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1.0 INTRODUCTION

This report outlines the findings of the research conducted by Schneider~Ross and research partners Community Business (Hong Kong) during March – May 2007. The report is confidential and is for the participating companies only. A summary report has been written for the public domain; and this report was launched on 26th June in Hong Kong.

1.1 Context for the Research

India and China are amongst the fastest growing markets in the world and present a number of lucrative business opportunities. Multinational companies operating in both these countries have repeatedly cited that the ‘war for talent’ is acute and leading companies are now asking ‘how can diversity be used as a lever to recruit and retain the best talent’? Among the many reasons underpinning this question, the main ones include:

- Securing a competitive, sustainable workforce for future growth and building preferred employer status for the long-term.
- Ensuring operations in India and China¹ are managed in an effective and culturally sensitive manner.
- Optimising connections between their organisations, host governments and potential joint venture partners.
- Reducing long-term costs by reducing the number of expatriates in their Indian and Chinese organisations.
- Providing the opportunity to leverage world-class expertise from Asia-Pacific across their global operations.
- Ensuring their global cadre of senior leaders has excellent understanding of the Asia-Pacific Region.

¹ For the purposes of this report, ‘China’ refers to ‘mainland China’.

1.2 Participating Companies

In July 2006 the Asia Pacific chapter of the Global Diversity Network agreed to a research project that would consider improving outcomes in the attraction, retention and development of local national talent in China and India. The network agreed that it would be equally important to engage other companies in the research that were expanding at a pace and were doing pioneering work in the region. The selection criteria included:

- Companies who have been expanding in the region for the last three years
- Companies that could illustrate commitment to developing local talent in India and China
- Companies who had demonstrated a credible record on implementing their Global Diversity Strategies
- Companies who had worked with Schneider~Ross and Community Business in Hong Kong.

Below is a full list of participating companies

Aviva
Bank of America
Barclays Capital
BP
Cadbury Schweppes
Dow Chemicals
J P Morgan
Merrill Lynch
Nokia
Rexam
Standard Chartered Bank
Shell
Tyco
Unilever

1.3 Research Objectives

The research objectives were as follows:-

- To explore the primary recruitment and retention challenges in India and China; and how Diversity and Inclusion has helped with these challenges.
- To understand the extent to which work on Diversity and Inclusion has helped with these challenges.
- To establish how companies are developing local talent for local and global leadership roles.
- To identify examples of best practice around diversity in recruiting, retaining and developing talent.

2.0 METHODOLOGY

The methodology included in depth one to one interviews and focus group meetings in India and China. Prior to these meetings, the researchers worked with participating companies to identify mutual areas of interest and the dilemmas these companies shared.

2.1 Common Dilemmas

Participating companies shared some mutual dilemmas and these included:

- Defining the value proposition being sought by new and experienced employees. It may be that policies and practices imported from mature, culturally distinct geographies do not work effectively in these talent markets. *How do multinational companies make themselves attractive so as to retain local national talent?*
- Relatively few citizens of China and India are in leadership positions – locally or globally. A similarly small proportion of feeder positions are held by this population. *Why is this and how can the situation be changed?*
- Attrition rates in China and India are relatively high and may create challenges in terms of sustained business performance.
- Which local legal and social drivers must participating companies particularly respond to in selecting effective diversity practices?

The above were taken into consideration by the researchers when they developed the questions for the one to one interviews and the focus groups.

2.2 One to One Interviews

Twenty five interviews were conducted in total. The discussions were held with country heads, directors of human resources, senior line leaders and professionals working in organisation and leadership development. The questions explored during the 60–90 minute conversations included:

- Why is your business addressing Diversity in India and China?
- What are the diversity issues in attracting and retaining staff in China/India and what is the impact on business?
- For what kind of roles do you face the greatest challenge in terms of recruiting and retention?
- What are you currently doing in terms of strategies and programmes to address these challenges?
- How are these strategies developed and by whom? Locally, regionally, or globally – HR or line of business?
- Do you have examples of best practice to address these issues?

- What does the 'complexion' of the leadership look like in China and India?
- What more can be done in China/India to assist companies on their diversity journey?

2.3 Focus Groups

Two focus group meetings were held. The first was in India and the second in China. The focus groups were attended by senior HR professionals who had operational responsibilities and who also worked on diversity related matters. Issues explored in the focus group meeting included:

- Top Issues in attracting staff
- Top Issues in retaining staff
- For what kind of roles did the companies have greatest challenges?
- What are the strategies or programmes which companies are adopting to address these challenges of attracting?
- What are the strategies or programmes which companies are adopting to address these challenges of retaining?
- What more could be done to help companies on their diversity journey

2.4 Data Analysis

The research is qualitative by nature and the data is presented as narratives. Some quantitative figures are mentioned throughout the report; though this is not a robust analysis. The figures are based on the number of times the issues came up and data that companies have provided themselves.

3.0 KEY FINDINGS IN INDIA

All the participating companies have substantial growth plans for India. Some companies already established are projecting their workforce to increase by 30% by end of 2007; and other companies that have recently entered the Indian market are anticipating headcount to increase anywhere between 50–250% by end of 2007. This does pose a significant challenge in terms of recruiting and retaining high performing talent. In addition several companies cited that whilst MNCs are regarded as good employers – they are no longer the employers of choice. Local companies that are expanding/acquiring businesses in Europe and North America are offering competitive packages and opportunities for career progression.

3.1 Top Issues in Recruiting Talent

i) Access to a Diverse Talent Pool

- The norm has been to target the top universities and business schools. These overall are not representative of the diversity of the country (for instance they do not reflect the Muslim minority or the male/female ratio). Given the ‘war for talent’ and the demands for expansion, at least 9 of the participating companies said that they are approaching campuses that are outside of the magic ‘top ten’. One HR Director of a financial services company commented:

“High flyers tend to leave. The perceived modest achiever does perform better over a period of time and will stick around for 2-3 years. For this modest achiever the brand is more valuable than the pay packet – whilst the high achiever focuses more on the value of the package. Longevity and continuity are important as recruitment is an investment.”

- For experienced people, companies are also considering repatriation of Indian nationals from overseas. In particular, people who migrated to the Middle East. This is becoming extremely favourable, as many want to come back to be nearer family and to have a better quality of life. Current salary levels in India also make this possible.

ii) Aspirations for Overseas Exposure

Young People have very high aspirations and expectations from their employers. 8 out of the 14 companies have found that candidates often apply to MNCs primarily because they want an overseas assignment or would like exposure pretty quickly. This does mean that at times companies lose out on talent, as there are more roles required locally.

iii) Gender Diversity including the stereotyping of women

- There are enduring stereotypes that mean that women are not always given equal opportunities in the workplace. There is a general perception for instance, that once a woman is married she will be less committed to her work and this is further

endorsed once she has children. Managers often make the assumption that a working mother is less able to travel and work late for example and this is therefore likely to limit career opportunities.

- There are a lot of women who want part-time options but this option may not be available in all the job functions. This can be limiting for women wanting to apply for internal promotion.
- Companies have found that female recruits are more focussed on the benefits that are offered in relation to transportation, mobility, maternity benefits and the overall culture of the organisation.

CASE STUDY

Company B found that women returning from maternity leave are an untapped resource. To help set up their operations to support expansion in retail banking, they are offering project roles to women returners who have experience in banking. The roles will be for a fixed period of time and the returners will be able to work flexibly around family and childcare commitments.

iv) Dual Career Couples

Where relocation is required, there is a scenario that, “if you hire me, you need to hire my spouse too.”

CASE STUDY

Company D addressed this by setting up operations where they could in locations where they were aware that there was high quality talent for engineering positions. Engineering is popular in Southern India amongst men and women. Company D found this option was most effective in terms of recruiting high performers and to meet the requirements of employees.

v) Understanding And Accommodating The Demands Of Young People (Millenials)

Graduates fresh out of college, or those with a maximum of 1–2 years experience, are placing high demands on prospective employers. Employers talked about the ‘unreasonable expectations’ of the younger generation as exemplified by their demands for excessive compensation packages, inflated job titles and immediate opportunities for overseas assignments and training and development opportunities.

“It is not uncommon for a fresh graduate to come into an interview and say ‘don’t waste your time interviewing me. I already have four job offers on the table – tell me how you can better them’”

vi) *Compromising On Diversity to Meet Timeline Pressures*

Given the enormous and fast pace of business growth in India, human resources functions are often required to fill positions at a rapid rate. In the struggle to keep up with the demands of the business, actions which would deliver a diverse workforce are often compromised. Hiring managers often feel pressurised and do not perceive they have the luxury of time to explore a diverse talent pool. Instead they are more likely to act on referrals from existing employees, which often means hiring people from similar backgrounds.

3.2 Top Issues in Retaining Talent

i) *Experienced Hires*

- Retaining experienced people is becoming a challenge for certain roles. In particular in sales, marketing and finance. This is a major concern for most of the participating companies, as talent is poached; and very often people leave to join local companies that are offering better opportunities all round.
- Equally, participating companies that are growing at a pace also want to recruit experienced people; as result, they have to offer higher salaries.

ii) *Opportunities for Career Progression*

- All fourteen companies cited that lack of opportunities to progress within their organisations was one of the main reasons for attrition. This is more so when people have ambitions for international postings.

“We cannot keep creating new opportunities so often we lose bright talent. People have career planning and are aware that they are being groomed for the next role, but if the role doesn’t seem to be materialising as fast as the employee would like, they move on.”

- Individuals want to compare themselves with the same business school batch.

“They want glamorous job titles to compete with their peers, for example ‘I am batch xx, I am a classmate of yy, but he is a VP and I am a Senior Manager!’ Not really any difference, but they want the glamorous name. A very Indian phenomenon.”

- Women are less likely to be promoted than men. A glass ceiling operates.

CASE STUDY

Company N found that they are successful in hiring women. At entry level, there is fairly good representation: 35–40% women. But, as they grow along with the organisation, they do not see as many women rising to leadership positions as they would like. They would like to have more representation at senior and top management levels. If they move up to the top level, there are less than 4–5% women at the top of rank.

This is the case with many companies; working mothers want a better work–life balance. In India it is very often the case that women do not return after maternity leave.

Participating companies also found that women tend to apply more for operational and HR roles; and in some companies opportunities are limited for promotion in these roles. Several companies are beginning to take more proactive approaches towards succession planning and are supporting women through development programmes.

CASE STUDY

Company A ensures that at least 24% of the places on their High Potential Leadership Development Programme are allocated to female employees. The Company clearly sees this as a business benefit as women are less likely to leave their job, in comparison to men who have been through the same development process.

iii) Indian Culture and Concept of Parity

It was highlighted that it is a cultural issue in India that employers feel more comfortable adopting a uniform way of managing. In general, companies shy away from extending unique treatment for fear of others demanding the same and therefore seek to maintain parity among employees. This is particularly true with regard to compensation where it is common practice in India for people not only to openly talk about their salaries but to switch jobs if they know that friends from their business school batch are receiving a marginally higher salary. This approach does not always appropriately reward good performance. Companies are also conscious of giving in to the expectations of younger staff who demand very high salaries because this then creates inequity internally with existing employees earning less.

iv) Poor Management Skills and Lack of Leadership on Diversity and Inclusion

During the focus group conversations, ‘toxic management skills’ were cited as a reason for people leaving. Currently, managers are often insensitive to issues or demonstrate a lack of inclusive behaviour. Lack of clarity on what is expected from managers and no clearly defined competencies around creating an inclusive culture were a concern. With the focus on rapid

business growth, typically little time or effort has been allocated to training managers around diversity and creating an inclusive environment. During a time of 'job boom' employees are less tolerant of exclusion or inequity and leave.

v) *Challenges of Work-Life Balance*

The demands of rapid business growth mean that many employees in India work long hours. In many cases changes to internal systems and processes have not kept up with the rate of change in the business. Employees can be frustrated by manual processes and unnecessary workloads. In addition there are expectations from international colleagues operating in different time zones that Indian staff will be available at irregular hours. Extended hours in the workplace can be lengthened further where people are spending hours commuting.

“Because there are more opportunities, not having stability on your CV, or 1 year here, 1 year there, switching companies is not seen as a taboo. Even HR professionals do not see it as a bad thing. Companies themselves are perpetuating this problem by accepting candidates and promoting the idea that variety of exposure is a good thing. 20 years ago in India, this certainly was not the case.”

3.3 Developing Local Talent for Leadership Roles

As companies expand in the region, they have to ensure that their talent pool strategies are balanced. The expatriation route is expensive, and where possible the emphasis is to work with local talent as much as possible; and expatriation is used for specialist functions or skills transfer.

CASE STUDY

Company M has been working with some key challenges. *“In India a first small manufacturing plant is being built with an Indian joint-venture partner. While the joint-venture partner provides some of the people, we have provided an expatriate plant manager. There is considerable concern about the future in terms of finding Indian people to do this kind of job. The industrial suburbs of Mumbai are not particularly attractive to people. As we continue to expand, where will we get the people from? Setting up plants in rural areas is a possible solution.”*

CASE STUDY

Company F have a campaign that as it grows, it wants to ensure that as many leadership roles as possible go to local people. They have adopted a strategy of hiring people of Indian origin from North America and Europe. These are Indian nationals who were born in the country but moved overseas. It is viewed that they have the ideal skill set of understanding the local culture; as well as an understanding of corporate goals and values.

The table below outlines some of the talent development strategies adopted by participating companies.

Development Activity	Number of Companies Making Places Available For Local Indian Talent
In house global leadership development programmes	All companies
Leadership programmes for high potential employees in India	7 Companies have partnered with Business Schools in India
Buddy systems	4 companies have buddy systems, where senior leaders or expats buddy new recruits
Development programmes for women	1 company has developed specific programme for women in Asia 2 Companies ensure that a proportion of places are allocated to women Other companies offer opportunities to women
Participation in International executive programmes or MBAs	This is perceived to be an expensive route – selection is tough
Learning on the job	10 Companies cited that expats from USA and Europe are called upon to skill local talent, particularly on technical skills
Coaching and mentoring	This is a preferred option by most companies.

There are tensions on how much time can be allocated to development versus getting the job done. Companies are recognising that orientation has to be thorough and aspects of this must include understanding the values of the company and expected behaviours.

3.4 Good Practice Strategies and Programmes

Several companies are adopting strategies and programmes to tackle the issues of glass ceiling and to encourage women to return to work. These include:

- Clearly defined maternity benefit policies, this includes support upon return to work.
- Where possible, looking at remote working – this is based on merit and case by case basis.

- Ensuring that the selection panel is representative, and must include women.
- Training and education for managers on D&I.
- Establishing systems for collecting and monitoring information.
- Understanding and adapting global D&I goals locally – for example *“diverse candidate slate is a global goal; we have to ask, what does the slate look like locally”*.

In relation to meeting the demands of young people, companies are beginning to get smarter and are:

- Ensuring that reward and recognition programmes are geared for young people by providing recreational facilities;
- Compensations are structured and presented differently, so that people understand the ‘holistic’ value of the package;
- Understanding why people are leaving the organisation; and
- Companies see development as an important element to retain people.

To promote better work–life balance, companies are beginning to:

- Encourage network meetings for women to share experiences and leverage this learning to support other employees;
- “Saturday Off “ programme, people only work one Saturday per month;
- Premiums for shift pay;
- Family Days and Children’s days to promote and extend “satisfaction of work beyond just the employee.”

3.5 Best Practice Examples From Other Organisations

During the focus group discussions in Mumbai, participants cited several Best Practice examples adopted by other organisations to retain and promote talent. These include:

- **ICICI Bank** has a good people building pipeline for the future. In order to expand the talent pool, they go to small and rural towns, more remote places where people do not necessarily have the same level of education and they provide more extensive training programmes. They are prepared to hire inexperienced people and skill them up.
- **Infosys** and **Tata**, originally only went to IT schools, but now they are hiring graduates from other disciplines and providing them with 14 week training programmes to give them the skill set to be able to cut code.
- **Infosys** has Right Start Programme for new recruits, before fully committing they understand the organisation and what it is trying to achieve.
- Some companies have on site crèche facilities and **ICICI** has promotion policies that take into account female representation. There are three women on the Board. ICICI has sound policies on part–time and flexitime working.

4.0 KEY FINDINGS CHINA

All companies have a presence in China. Some have had manufacturing operations for a number of years. Two of the 14 companies have just started expanding in China more strategically in the last 12 months; therefore it was early days for them to comment. The average growth plan cited by companies ranged from 30–80% for 2007.

4.1 Top Issues in Recruiting Talent

i) Competition In The Global Market Place

There is immense competition for talent in China and all the top firms, including local and international, are competing for the same talent pool – whether it is experienced hires or fresh graduates. Opportunities outside of China are very attractive for English speaking, young, single people who are looking for greater exposure.

ii) Experience and Skills

Given China's recent economic development, certain industries and job functions have a relatively short history in China. This means finding people with the right skills or experience is often difficult and sometimes impossible to find. Employers therefore have to compete with others for a very small talent pool, provide extensive training in the specialist field or recruit expatriate staff who can ensure the necessary knowledge transfer.

CASE STUDY

“Expats are not the answer to tackle the skills shortage. We need people who understand the local market and people who speak the language” said HR Director of **Company A**. *“We are exploring options for bringing talent of Chinese origin from outside of China. We have engaged search companies to find talent from Canada. We have to be innovative and flexible about how we bring in talent”*.

Organisations also have high and unrealistic demands and this can lead to having unrealistic expectations.

“Difficulty in finding someone with talent plus local knowledge plus some international exposure plus communication skills in China. English language is a particularly important issue because of the matrix reporting structures that often exist within multinational companies and the need to communicate upwards in English.”

CASE STUDY

Company H found many Chinese nationals have limited English and they will stay local and grow the local market. They feel comfortable so long as their portfolio is limited to dealing with local people. More people will need to become proficient in English if they want take a regional role.

iii) Location

In focus group discussions participants mentioned that it is difficult to attract top talent from tier 1 cities (e.g. Beijing and Shanghai) to tier 2 cities (e.g. Chongqing, Chengdu) where manufacturing plants or operation might be. People are not always willing to relocate.

“People’s perception of work location is an important consideration. They worry how they are going to get to and from work each day when they are working long hours.”

iv) Managing Expectations

- In most of the one to one conversations with senior leaders working in China, they stated that managing expectations is a two way process. The organisation has expectations and so do the potential candidates; and many times *“these present a dilemma for both parties and these are hard to reconcile”*.
- It was found that the local joint venture partner work environment may not be attractive for local Chinese staff.

CASE STUDY

Company E has grown through ventures with local companies. This type of organisation is not very attractive to the local Chinese staff who are looking specifically to work in a multinational western company.

- Candidates are aware that they will require training in order to perform.

“If someone does not have experience in the field, but has the potential, the person will expect there will be intensive training to be able to help them pick up quickly. If there is no certainty about the training the organisation is going to provide, it is difficult to attract”

v) *Alignment with Company Values*

CASE STUDY

Company K found that a different mindset and the values of multinational companies can be potential barriers for attraction. *“We have a reputation of having high expectations of compliance. Someone who has been with a local bank for a while, may find this difficult as there are many practices that are common in a local bank that we as an international bank would not find acceptable. It is known that multinational companies may sack people for compliance issues and report people. Perhaps it is too strict in China. We feel that we should have core values, minimum standards of compliance and discipline. Good people may not join because they are concerned about this”*

vi) *Recognition*

Individuals are looking for recognition for their experience and qualifications. This is frequently in the form of pay and salary packages but also changes in job title, training and development opportunities and overseas assignments.

4.2 Top Issues In Retaining Talent

Some of the Companies found that retaining talent is no real issue. Turnover rate in China is low. It ranged from 3% –20% amongst the participating companies.

i) *Extreme Competition*

Given the skills shortage in certain areas, individuals are often tempted away from existing employers by higher salaries from other firms. These salaries are often unreasonably high and not commensurate with qualifications or experience of the individuals.

CASE STUDY

Company H are finding retention is a big issue for them, because of competition as markets are booming. Average attrition for this company is about 15–20%. Sales roles and engineers have higher than average attrition.

ii) *Career Advancement*

People are looking for career opportunities which companies may not be able to offer.

“They are maybe looking for a bigger or different role that we cannot provide. Or they want more exposure and experience. A better title or more money can sometimes be a

reason. The issue is companies simply do not have opportunities so cannot offer position”

iii) *Young Generation In China*

“They are impatient. They want a grand title and a senior position very fast. They have limited loyalty and want to get rich fast. You might train from scratch and then 2 years later they leave. It is no good for the organisation, or the industry.”

iv) *Leadership Styles*

- During the focus groups it was cited that 80% of employees leave because of their ‘boss’.
- Companies are challenged on how they provide good leadership. The blend of the western and Chinese ways of working is a major dilemma.

CASE STUDY

A senior leader from **Company G** in China commented *“that the British culture and Chinese cultures differ in terms of what is considered good leadership. The Brits thrive on debate and discussion with common ownership of outcomes. Our global culture debates a lot. In China for 1000’s of years people did not debate, people were told what to do. In many successful Chinese companies 1 or 2 people drive the organization. Some people who conform to the British model of leadership will not be successful”*

4.3 Developing Local Talent for Leadership Roles

All companies found that developing local talent in China requires careful thought and innovation. There is a tendency to recruit from the top Business Schools as graduates from these schools are English speaking. However this is a limited pool and so companies have to ensure that language skills are part of their talent pool development strategies.

CASE STUDY

Company D offers an effective mentoring and secondment programme for high potential employees. Employees are given the opportunity to work at the corporate headquarters in the USA. The programme is tailored to each individual and they are encouraged to build on their strengths and where possible to develop skills for regional and global roles.

4.4 Good Practice Strategies and Programmes

i) Strategic Resourcing Model

CASE STUDY

Company E built an external talent pool in advance for some critical positions. They normally use a head hunter to look for critical/difficult positions (e.g. Financial Controller). *“We take candidates through the interview process even though we may not have a position currently. We let the people know that once we have position we will contact them”*

ii) Trainee Programmes For Fresh Graduates And Junior Resources

CASE STUDY

Company K sends students to overseas offices for overseas training opportunities. Expectation is that they will be sent back to China after 2 years for important local roles.

iii) International Graduate Programme

CASE STUDY

Company M recruits Chinese students who have completed education overseas and provide them with intensive training programmes in leadership and management. The programmes are for three years and are aligned with sites across China.

iv) Gender Diversity

All companies cited that their practices are open and fair and females do make it to the shortlist phase.

CASE STUDY

Company N found that telling people about equal opportunities and sharing success of women does encourage women to apply, and also makes them feel that they have an equal chance. It is important to highlight the potential for career advancement and that the company is expanding.

v) Rewards and Recognition

Attractive salaries and incentive plans are essential for retaining high calibre people.

CASE STUDY

Company N has developed a creative and tiered bonus system for sales and marketing experience. There are quarterly awards and bonuses and also best sales person plaques. Communication of this is motivator to other staff as well.

CASE STUDY

Company E as part of its Strategic Attraction Programme can go beyond the normal package if a candidate is recognized as being very good. There are different criteria. The decision is up to the hiring manager and they make extraordinary offers. A similar policy applies if someone wants to retain a good employee who wants to leave.

4.5 Best Practice from Other Companies

Focus Group participants felt that the following companies were potential benchmarks in relation to compensation and benefits.

- **Exxon Mobil** has a company saving fund and also a private monetary fund. If someone leaves within a certain time, they can only withdraw 50% of the amount.
- **GE** have policies that respect the family culture of China. For example they have medical care for employee's parents and also send cards to recognise contributions.
- **Citibank** pay for school fees and this enables parents to send their children to International Schools instead of local schools and the parents like this.
- **Procter and Gamble** give a housing loan and employees can pay this back without interest.

5.0 OVERALL OBSERVATIONS

5.1 The Importance Of Diversity In India And China In Recruitment And Retention

Participants from both countries were asked specifically about the top diversity issues around attracting and retaining talent. In India diversity issues were raised (gender, generational, cultural) but in China diversity issues were not noted as top challenges. It may be that in fact diversity is not an issue in attracting and retaining talent in China or it may be that there is simply not sufficient understanding of diversity.

5.2 Generational Issues

In India generational issues are seen as a major barrier for companies looking to recruit the talent. In China it was raised as an issue around retention although it was not raised as one of the top three issues. In both India and China, the young generation are not only seen as impatient and in need of grand job titles and bigger salary packages, but also fickle and lacking in loyalty to their employees.

5.3 Resolving Work/Life Challenges

In India poor work–life balance was raised as one of the top challenges for companies looking to retain talent. In China, participants also raised this issue although it did not make the list for the top three issues. In China participants noted that if employees feel the pressures of excess workload for an extended period of time, they are much more likely to leave their jobs. This is particularly the case with the younger generation who are more at ease with taking time off in pursuit of their hobbies.

5.4 The Challenge For Western Multinationals

- *Aligning Global Approaches With Local Culture And Norms*
Some multinationals are struggling to make global talent management practices work effectively in cultures and economies very different from other geographies where they operate. Greater local flexibility is needed to develop employment packages that respond to market conditions. At the same time, core processes such as performance management are being tested for cultural biases that unfairly hold back the progression of local talent.
- *Working With A Western Multinational Is Not Always The Preferred Option*
In China there is a belief amongst some that Western multinational companies have more compliance procedures and are therefore more bureaucratic. Increasingly potential recruits are opting not to work for such companies. In India, some Western multinationals traditionally seen as the most attractive employers no longer enjoy that status. Local companies, growing globally, are perceived by some to provide equivalent development

opportunities and greater opportunity for visibility. Keeping talent will require more sophisticated approaches than in the past.

5.5 Parents

Parents are crucial stakeholders for employers operating in India and China – particularly parents of Millennials. In India, where long hours of work often mean that the employee is working on site or staying on site, employers need to convince parents that their children are being properly fed and are in safe hands. In China, where most families have only one child, the parents play an important role in guiding the career of their child, encouraging their child to either stay loyal to their company or move on.

5.6 Women And The ‘Glass Ceiling’

In both countries the lack of women in leadership was cited. Cultural barriers are much more apparent in India where a woman’s primary role is deemed to be that of mother and wife. In the one interviews it was cited that the glass is there and there is a higher percentage of women lower down the hierarchy in comparison to women in senior positions. Participating companies in the research acknowledged that addressing some of the Glass Ceiling issues will help to reduce attrition rates.

5.7 Caste

In India, focus group participants were asked specifically of the importance of caste in recruitment and retention of staff. For those participants caste was not seen as an issue of concern with employees being recruited based on merit. However, some one on one interviews suggest that in certain environments, such as manufacturing, caste-related issues still play out in the workforce. Organisations will need to assess their own situation in determining whether caste impacts their people and operations.

6.0 CONCLUSIONS

Participating Companies are facing immense challenges in India and China. The research shows that integrating Diversity and Inclusion thinking into people management strategies can improve outcomes in the recruitment, retention and development of local, diverse talent pools. Applying D&I principles can help MNC's operate more effectively and respectfully from start-up. Inclusive organisational cultures, aware and responsive to differences, will also help MNCs to sustain high level performance over a period. This can only be achieved through committed leadership, a good understanding of the impact of diversity and willingness to operate talent management processes with a degree of flexibility.

In the paragraphs below we have outlined both conclusions that are applicable to China and India – and those that apply to one country but not the other.

6.1 Working In Different Geographies

- Participating Companies in this research have confirmed that setting up operations In India and China does require working practices aligned with local culture economic pace and the legislation of the Country. This can be a major challenge for organisations operating largely in mature, slow growth economies. Some practices imported from those “traditional” situations are simply not appropriate in India or China.
- Flexibility, agility and understanding are considered to be the important features in recruiting, retaining and developing high potential local talent.
- MNCs are now competing with local companies to retain high calibre experienced employees; as the latter are now offering competitive compensation and benefits but also radical opportunities for career advancement. This is particularly true for sales and marketing roles.

6.2 Managing Expectations

The research has highlighted that young people from both China and India have aspirations for fast tracking and international exposure. This is more prevalent from high achievers from top business schools. As a result companies are having to look widely for talent – beyond the ‘top ten’ business schools. This is posing a great challenge for MNCs to be more responsive and review their local implementation of global strategies for resourcing.

6.3 Gender Diversity

- The prevailing attitudes toward women in the workplace are different in India and China. It might be expected that more women would participate in business in China.

- In both countries it was cited that a “glass ceiling” is present, with a higher percentage of women lower down the hierarchy than in senior management positions. MNC’s participating in the research acknowledged that addressing some of the glass ceiling issues will help to reduce attrition rates; as an example, these organisations need strategies responding to situations where some women are less mobile than their male counterparts.
- In China more can be done to advance women up the career ladder. In India encouraging women to return after maternity leave will help reduce attrition levels.
- Companies are increasingly required to consider dual career policies as very often candidates are requesting jobs for their partners, particularly if there is a change in geographical location.
- Some companies have recognised the sensitivities involved in recruiting female talent and are for example providing transportation between home and work location.

6.4 Retaining Talent

In both countries attrition of talent from participating companies is high and our research found different reasons in India and China. For India the top three reasons for attrition were:

- Lack of parity (equity) in the organisational culture, where internal candidates do not feel fairly considered for promotion.
- Dominance of leadership and management styles which differ radically from cultural norms and are perceived to limit the potential for growth.
- Long working hours; work life balance is an important consideration for many new recruits.

For China the top three issues were:

- Inability to compete on salaries and benefits.
- Lack of perceived career development programmes and opportunities for advancement.
- Poor leadership skills of individual managers.

All companies cited that managing expectations for fast career advancement and desire for glamour and influence is a tough challenge for retention. What have helped are development strategies which:

- Clearly define what is required to be recognised as a high level performer;
- Encourage team based rewards versus individual bonuses;
- Assess future potential as well as current performance;
- Build in opportunities for overseas assignments;
- Use the experience of senior expatriates to coach and mentor ambitious employees for local and global leadership roles.

6.5 How Diversity and Inclusion Impacts Performance and Success

- Where multinational companies have acquired local businesses, it is seen as important not to be dismissive of the working practices and culture of the original company. This lays a good foundation to build an inclusive culture and helps to retain key staff from the acquired company.
- Sustainable, lower cost operations demand new approaches to sourcing and retaining talent. Tapping more diverse sources of good talent, locating operations more widely and flexibility in employment practice is helping deliver staff with solid skills and higher probabilities of retention.
- Leadership by local nationals is the preferred outcome for most of the participating companies. This will not only reduce costs but is also expected to bring deep understanding of markets and strong connections with host communities. Willingness among expatriate staff to embrace and develop local talent is essential to achieve this outcome. The research highlighted that this is not always the case today. A premium should be placed on selecting expatriates who have the skills to do this work in a dynamic environment.
- Perceived fairness in how systems, processes and policies are developed and implemented locally is thought to be crucial in retaining staff. This is particularly true with regard to career development and performance management. Cultural biases, for example in competency models, have been found by some participants to create perceived inequity. Inevitably this leads to increased attrition but also a failure to identify good local talent for regional and global roles. One expat country head commented *"losing face is not acceptable; therefore, people do not own up to mistakes, this can be difficult when we are introducing new methods of working."*
- Education programmes on the benefits of diversity and inclusive practices will help to create working environments that optimise the impact of differences. They can also show how to work with differences to achieve better business outcomes. For some experienced recruits coming from more isolated local company environments this may be particularly important if they are to compete effectively in a more diverse environment.
- The pace of work in these markets can make it hard to integrate diversity thinking into talent management processes. Compromising on diversity to meet timeline pressures was often mentioned by focus group participants. *"In face of business pressures, diversity may be compromised. Always time pressure to fill position; do not always have the luxury of time to identify person with diverse background. In addition, some times this may lead to bad diversity practice i.e. turning down a candidate because they are female or too different.....there may be someone with a diverse background out there, but do not have time to locate that person."* Diversity practitioners will need to focus on effective integration of diversity and inclusion into talent management processes so that there are no/fewer extra steps involved in delivering a diverse rather than a homogeneous workforce.

About Schneider~Ross

Schneider~Ross has established an enviable reputation as a leading consultancy in the field of Equality, Diversity & Inclusion (with over 18 years experience). We work globally and have experience in Europe, the Americas, Africa and Asia Pac providing support both to multinationals and major public organisations. Our mission is to provide expert guidance which enables our clients to accelerate the integration of diversity and inclusion into their organisations. We provide consultancy and training expertise – helping organisations understand their current strengths and weaknesses, set business-driven goals for improvement and develop the skills they need to deliver on their aspirations. In this way, we aim to contribute to the development of higher performing organisations, and fairer societies, which are at ease with difference. For more information, visit www.schneider-ross.com.

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About Community Business

Community Business is a unique membership based non profit organisation whose mission is to lead, inspire and support businesses in Hong Kong to continually improve their positive impact on people and communities. Community Business provides training, facilitation and advice to some of the world's leading companies in Corporate Social Responsibility (CSR) and its major areas of focus include diversity in the workplace, corporate community investment and CSR strategy and policy. Founded in 2003, Community Business currently works with a number of organisations, small, medium and large, committed to CSR. For more information, visit www.communitybusiness.org.hk

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