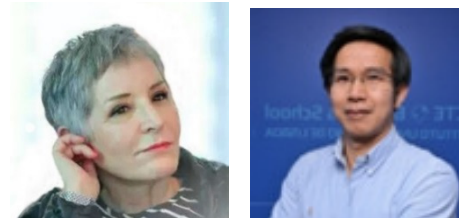


Societal Impact Highlights



Researchers: Virginia Trigo and Shaozhuang Ma
Research Group: Organizational Behavior & Human Resources Group and Management Strategy Group

Case study: **Managing Talent Turnover in China**

Summary

For the past six years ISCTE-IUL is partnering with two leading universities in China – UESTC in Chengdu and Southern Medical University in Guangzhou – for the delivery of two high profile doctoral programs. Research undertaken by candidates is problem-driven rather than theory-driven although theory plays an important part in helping to understand and eventually solve the problem. By far the problem most frequently being brought by students is the high turnover rate that plagues the attempts to retain talented workers in the vast and varied China's corporate landscape. As Chinese enterprises mature and go beyond their "pure" entrepreneurship stage, sustainability, which cannot be achieved without a stable workforce and talent retention, becomes a major concern. Research by Virginia Trigo and Shaozhuang Ma from BRU-IUL addressing this specific problem in the Chinese context and involving Chinese participants is having and will continue to have a high impact among managers and policy makers.

Underpinning research

Attracted by the paradox of China's heralding the largest work force in the world and yet its employers suffering from constant brain drain, Virginia Trigo and Shaozhuang Ma had been interested in the problem of turnover, especially among educated workforce, well before the joint doctoral programs started in China. For a three-year period (2004-2007) Ma and Trigo conducted a research with middle-level managers holding an MBA degree and working for

multinational corporations operating in China with the intent to understand the main determinants of their turnover intentions. Results showed that intrinsic factors played an important role as extrinsic factors, if not more. Based on the focus group study of Chinese managers and professionals that assisted and complemented this research Ma and Trigo (2008) (1) developed a turnover intention model featuring the following key determinants: career development, rewards, intrinsic satisfaction, work relationships, corporate culture, work environment, management system and corporate prospects.

In their decisions to job-hop, “company’s prospects” emerged as a new and important variable in relation to which respondents showed discerning ideas to guide their career paths. A fresh graduate would first choose to work for a US owned company for its “halo” effect, training, prospects, autonomy and challenging environment. After marriage he or she (most likely she) would move to a European company for its slow pace and good welfare. Respondents also considered that European companies were not sufficiently aggressive in the China market thus fearing for their future and career. To the authors’ best knowledge, “corporate prospects” – the expectation or outlook towards a firm’s future, especially towards its successful future growth – has not been mentioned in the Western literature as an important determinant of turnover intention. This finding plus the realization that “corporate prospects” is perceived as an attribute of a company from a specific country of origin provide important information to firms operating in China especially to European companies that should pay more attention to how they project their image internally and externally.

These results prompted a follow-up research specifically addressing the “country-of-origin” effect on turnover intentions (Ma and Trigo, 2012) (2). Differences in the human resource management (HRM) approaches adopted by US, European, and Japanese MNCs operating in China were investigated as well as the relationships between employees’ perceptions toward these approaches and turnover intention. Significant differences in the HRM approaches and employees’ level of turnover intention were found, indicating that a ‘country-of-origin effect’ in HRM approaches does exist, which has an impact on the work environment and job characteristics, and, in turn, on employees’ attitudes.

More recently Ma, Silva, Callan and Trigo (2015) (3) investigated how employees’ perceptions of control and commitment HR practices influence turnover intentions in multinational and domestic firms in China. According to the results commitment HR practices predict turnover intentions in MNCs while in Chinese firms it is control HR practices that better predict employees’ desire to leave the company.

This sequence of studies provides guidance to international and Chinese firms on how to improve their HRM effectiveness and achieve a higher retention of their most talented professionals.

References to the research

1. Ma, S. and Trigo, V. (2008). Winning the War for Managerial Talent in China, *Chinese Economy*, 41(3): 34-57; DOI 10.2753/CES1097-1475410303
2. Ma, S. and Trigo, V. (2012). The 'Country-of-Origin' Effect in employee turnover intention - evidence from China, *International Journal of Human Resource Management*, 23(7): 1394-1413; DOI:10.1080/09585192.2011.579923;
3. Ma, S., Silva, M., Callan, V. and Trigo, V. (2015). Control and commitment HR practices, job satisfaction and turnover intentions: a comparison between local and multinational firms in China. *International Journal of Human Resource Management*. DOI: 10.1080/09585192.2015.1052535;

Details of the impact

The turnover model proposed by Ma and Trigo (2008) has been used as a tool in talent management and retention in China, particularly by consulting firms and HR practitioners in the following manner:

The research has challenged conventional wisdom and management practices in a number of ways. First of all, many managers tend to believe that their talented employees may run off to other organizations for a higher pay. However they realize that, on a company's perspective, just paying the employees more is not a sensible, long-term solution. Virginia Trigo and Shaozhuang Ma show that both career development and compensation are key determinants to employee job satisfaction and turnover intention, and in fact, in most cases, career development is more important than compensation. Career development refers to promotion and career growth opportunities, as well as to policies and company resources, such as internal labor market policies and training opportunities. Therefore managers should shift from solely focusing on compensation and pay attention to their employees' desire for personal growth.

Second, many managers in China are cautious about spending significant money on training and development activities to retain employees as they believe Chinese employees would still move to better-paying organizations, and they would then lose the investment made in costly development activities. Virginia Trigo and Shaozhuang Ma suggest that to train and to retain, organizations should provide the career paths to meet the needs for career growth and job challenges. Therefore, in addition to providing competitive rewards and training, organizations should provide their managerial talents with promising career ladders and a sense of self-actualization. The above research findings were shared with researchers, business executives and professional practitioners in conferences and workshops. In December 2007 Virginia Trigo and Shaozhuang Ma joined the 2007 AIB Southeast Asia Regional Conference held in Hangzhou, China, and presented their research findings to a community of academics and practitioners. On 28th April 2011, at the invitation of the local government, Shaozhuang Ma shared the research results with 50 business executives and entrepreneurs of Huanghuagang Scientific Park in Guangzhou, which promotes high-tech start-up firms, and recommended strategies for talent retention in Chinese private firms based on the research findings.

Third, the authors' research indicates that turnover intention does not necessarily transfer to actual turnover. For example, the turnover intentions of the US firms in their study are the lowest, but their actual turnover is the highest. Trigo and Ma argue that the reason may be due to more external opportunities offered to employees working for the US firms that empower and enhance the attractiveness of their professionals through their training, expertise and employer brand. In other words, the competent professionals in the US firms are more heavily poached and 'pulled' to leave in the labor market. On the contrary, employees of other types of firms might have higher turnover intention, but the actual turnover is lower because they are not as competitive in the labor market.

Fourth, employees in China have formed strong "country-of-origin" perceptions that affect how they view the performance of MNCs in China and influence their decisions to leave or stay in a given company. Although perceived as good training providers, European companies are thought to be slow in pace and not sufficiently aggressive in the market, which may hinder their future prospects. Training is therefore not enough to secure a talented employee; European companies should reconsider how they project their image inside and outside the company so as to pass on to their Chinese employees an assurance of their commitment to the market. In May 2005 Trigo and Ma initiated a seminar series and gave talks to Portuguese and other European audience on "What is Wrong with European Management: evidence from China" at ISCTE Business School, Lisbon, Portugal. Furthermore, they presented their research on the

country-of-origin perceptions by Chinese managers in US, European and Japanese multinationals in China at the International Association of Chinese Management Research Conference held in June 2008 in Guangzhou, China.

Fifth, commitment HR practices are not necessarily better than control HR practices or a replacement for them. Trigo and Ma's study suggests that commitment and control HR practices influence employees' work attitudes in different ways depending on the type of firm. In multinational firms, it is the commitment HR practices that predict intentions to leave while in Chinese firms it is the control HR practices that predict turnover intentions. The implication may be that commitment systems work hand-in-hand with control systems, which are prerequisites for commitment systems to work. For multinational firms that have well-developed control HR practices, commitment ones play an important role in influencing employees' turnover intentions. In the case of Chinese domestic firms where formal rules and procedures have not yet been sufficiently developed, managers should focus on improving control systems to reduce employees' turnover intentions.

In summary, both individual talents and organizations may benefit from the research findings in China's context. The findings of the articles have been communicated and disseminated among MBA students and business executives through teaching and training activities, consultancy and counseling sessions. For individuals, it is important to bear in mind that, in addition to financial rewards, there are many other factors influencing their intention to stay or leave an organization such as career development, intrinsic satisfaction, work relationship, corporate culture, work environment, corporate prospects and management systems. In Ma's Personal Development and Human Resource Management courses for MBA, as well as career counseling sessions with students and professionals, these findings have been widely disseminated. For organizations to retain their talents, it is important to have holistic strategies rather than focus on one factor only.

Sources to corroborate the impact

The following links provide information regarding the turnover issue in China and the impact these studies have in addressing the issue.

[http://www.iacmr.org/v2en/Conferences/Conf2008/Programs/2008IACMR%20Program\(20080610\).pdf](http://www.iacmr.org/v2en/Conferences/Conf2008/Programs/2008IACMR%20Program(20080610).pdf) (p.24)

Workshop at Huanghuagang Scientific Park, Guangzhou, China 2011:
<http://www.yxst.gov.cn/yxkxj/zwgk/review.jsp?catid=30946&id=381298>

In suit of this background research, several doctoral students supervised by Virginia Trigo and Shaozhuang Ma have done and are doing follow-up studies in particular sectors such as hospitals and generate specific proposals to address talent turnover issues. They are hospital presidents, policy makers and HR managers and their research has a direct impact not only on their own operations but also on those organizations to which they serve as benchmarks. For instance, Li Xiaoqiu, a doctorate graduated in November 2015 and a policy maker in the Healthcare Administration of Shenzhen, a developed city in South China, put forward new policies in 2016 based on the research of his thesis, to provide training and further education opportunities both in China and abroad for talented professional physicians working in Shenzhen's hospitals. The details about the policies are available at the following link:

<http://www.cn-healthcare.com/article/20160301/content-481672.html>

LI Xiaoqiu, (2015). Job Satisfaction, Organizational Commitment and Burnout: An Empirical Study on Chinese Public Hospitals. Doctoral Thesis of a partnership between ISCTE - Instituto Universitário de Lisboa and Southern Medical University, Guangzhou China (supervisors Trigo and Ma),

<https://catalogo.biblioteca.iscte-iul.pt/cgi-bin/koha/opac-detail.pl?biblionumber=94416>