

Winning the Talent War in China

According to our recent China McLagan Talent Pulse Study, talent management tops the agenda for an overwhelming majority of the 58 participating firms, ahead of growth, innovation, and customer service. We've outlined some of the innovative strategies that firms can adopt to stay ahead and win the best talent in China.

Prioritize Around Retention

Human Capital Management is a main priority for financial services firms in China as they realize the important role people play in driving growth. Instead of trying to fix HR programs all at once, firms are dropping the laundry list and prioritizing. Below are the key areas Chinese firms are focused on to retain existing top talent, especially high potential employees.



What are your organization's current top **business priorities**, in order of importance?

1	Human Capital / Talent Management
2	Revenue Growth
3	Innovation
4	Profitable Growth
5	Customer or Client Service/Relationship



What is most critical or top of mind when you think of your **human capital**?

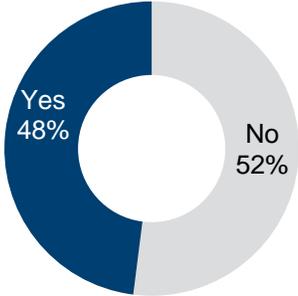
1	Improving Employee Performance and Productivity
2	Retaining Key Talent
3	Building a Strong Leadership Pipeline
4	Attracting Talent
5	Developing New Employee Skills and Capabilities

To fully benefit from the talent pools that are already in place, firms are also looking to enhance their performance management, workforce planning, and learning and development to foster a workplace that is appealing and aligned for future career success.

Replace the Gut Feel in Hiring with Science

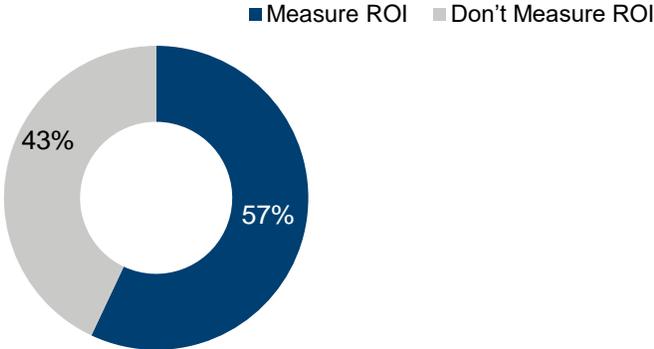
Without a structured assessment process, hiring managers tend to rely on their gut and make biased decisions based on erroneous associations held in their subconscious.

Percentage of firms that currently utilize talent assessments for hiring



According to our findings, more than 69% of firms that plan to focus on talent sourcing and selection for the next 2-3 years don't currently utilize talent assessment, such as personality or cognitive ability tests, for hiring. As shown below, of those in China that *do* use formal assessment tools, 43% don't measure ROI, which is a higher percentage than global and APAC firms.

Percentage of firms that measures ROI



Yet, the ROI of using assessments to screen and hire more suitable employees can be tracked through financial and non-financial metrics both at individual and team levels. For example:

Types of Performance Metrics	Financial	Non-Financial Quantitative	Qualitative
Individual	<ul style="list-style-type: none"> Sales per hour Sales of high-margin products 	<ul style="list-style-type: none"> Customer service Error rates Client retention 	<ul style="list-style-type: none"> Training performance Promotion potential
Team	<ul style="list-style-type: none"> Team sales Year-over-year branch sales 	<ul style="list-style-type: none"> Engagement scores of direct reports Unit/team turnover 	<ul style="list-style-type: none"> Team awards or rankings Team bench strength

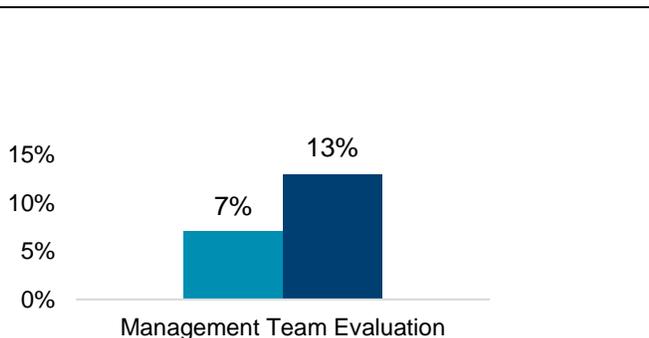
The case study below shows the tangible impact of assessments on business results.

Case Study: Hiring Highly Rated Manager Applications Equate to 50% Higher Sales, Lower Labor Costs

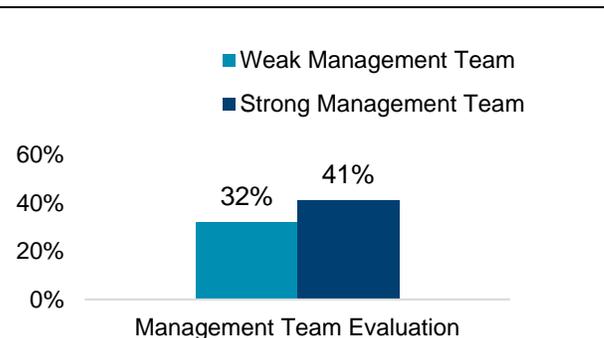
An organization wanted to evaluate the effectiveness of its employee selection system for manager and team member hiring. They tracked revenue and expense metrics only at the store level. We were able to evaluate the effectiveness of hiring strong management teams, i.e., assistant and general managers, by evaluating assessment scores for the entire management team. Based on this categorization, the organization was able to show that, compared to marginally strong management teams, units with strong management teams:

- Had 50% higher sales
- Were much more likely to beat their controllable profit plans by a greater margin
- Had a cost of labor that was over \$5,000 less per year

Increase in Sales Year After Year



Restaurants Beat Controllable Profit by 25%



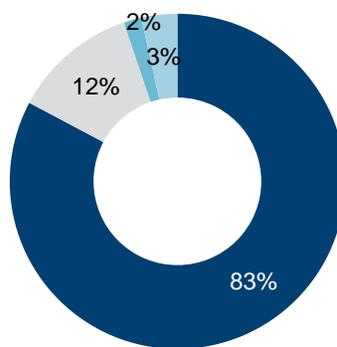
However, it's interesting to note that Chinese firms are more in tune with mobile enabled assessment processes compared to other regions, and leverage this to their advantage.

Integrate Employee Performance and Reward

Ratings continue to be a prevalent focus for 95% of Chinese firms. In fact, only 5% of firms either plan to eliminate their ratings or have no formal system in place. In the figure below, we highlight the main approaches firms are taking for their performance management program.

Types of performance management

- We assign employees a performance rating/label
- We assign ratings/labels, but do not communicate them to employees
- We assign employees a performance rating/label, but may eliminate this practice
- We do not have a formal performance management program



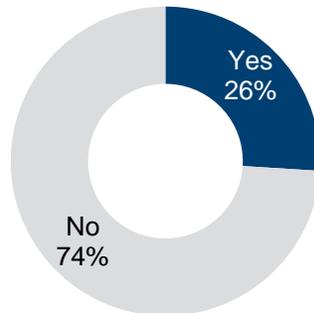
Chinese firms grapple with goal setting and linking performance to reward. An often mentioned challenge is how to effectively cascade goals to individual levels especially those related to non-financial metrics as well as qualitative metrics. By equipping managers with the skills and resources to do this, companies will be able to create a stronger linkage between pay and performance.

74% of firms surveyed highlighted that manager feedback and coaching is one of their top three challenges. It is perhaps not surprising because many managers in the industry, just like their counterparts in other industries, only give feedback and coaching to their team once or twice a year. One factor may be the lack of training and resources for managers which are also cited by the aforementioned 74% of respondents. To fix this, firms should define a clear and compelling performance management strategy using a simple process that meets your firm's specific talent objectives, provide easy-to-use tools and coaching, and hold managers accountable.

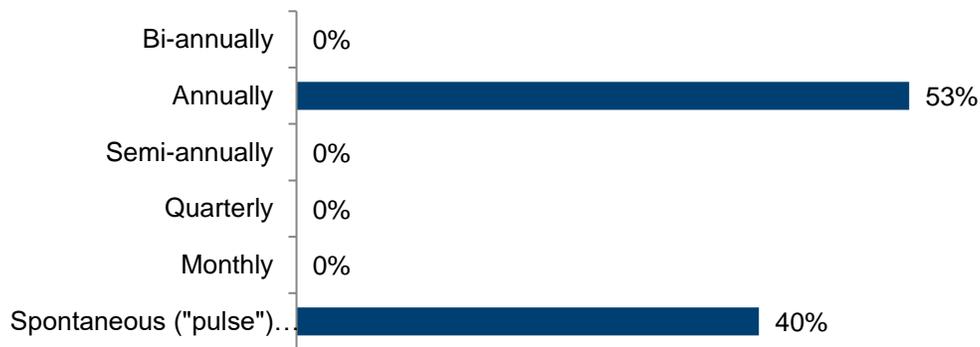
Leverage Engagement Data for Business Strategy

As pictured below, only a small percentage of firms measure employee engagement through surveys, and most (53%) do so annually.

Percentage of employees that measure engagement through surveys



Frequency of measuring employee engagement



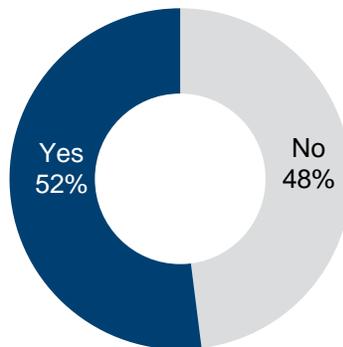
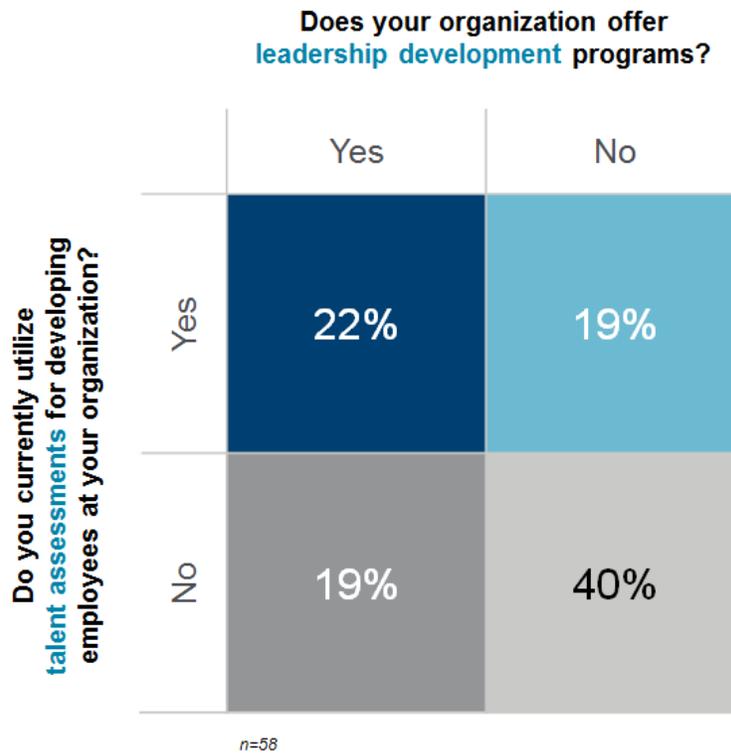
However, over a third of the firms that measure employee engagement don't have access to advanced analysis and more than 70% don't have access to relevant benchmarks. The firms that *do* are able to integrate engagement data with critical business outcomes, prioritize goals, and take actions based on results. Firms that are struggling to measure engagement should move to the “say,” “stay,” and “strive” method, which includes developing a listening strategy for your employees.

If you are not measuring engagement, start. If you are, don't just measure—take action. Let your employees know how their engagement translates to business results and clearly articulate your course of action with the outcomes.

Develop Leadership Pipelines for Firm Growth

Creating a strong and inclusive leadership pipeline requires firms to objectively identify and develop key leadership and high potential talent. Surprisingly, a large number of firms fail to designate existing employees as high potential.

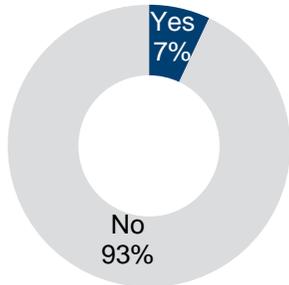
Firms that formally designate a percentage of employees as high potential



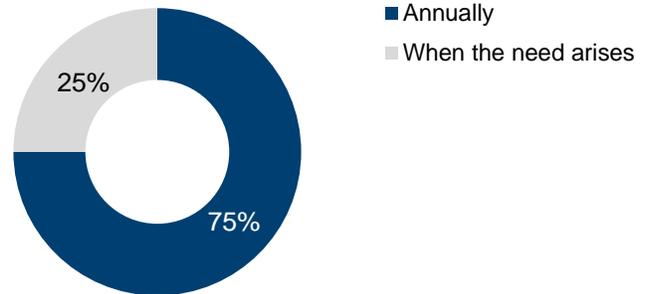
In addition to identifying the best talent, offering leadership development and utilizing talent assessments for development is also crucial for firm growth. Firms that don't have a leadership competency model tend to lose focus on developing team skills, such as building and sustaining relationships, displaying cultural sensitivity, and influencing others.

In today's evolving workplace, skilled professionals are readily searching for opportunities to advance their careers and provide meaningful contribution to the firm. It is therefore important to look ahead and plan career paths for the future, keeping succession planning front and center.

Percentage of firms that conduct formal succession planning



Frequency of succession planning

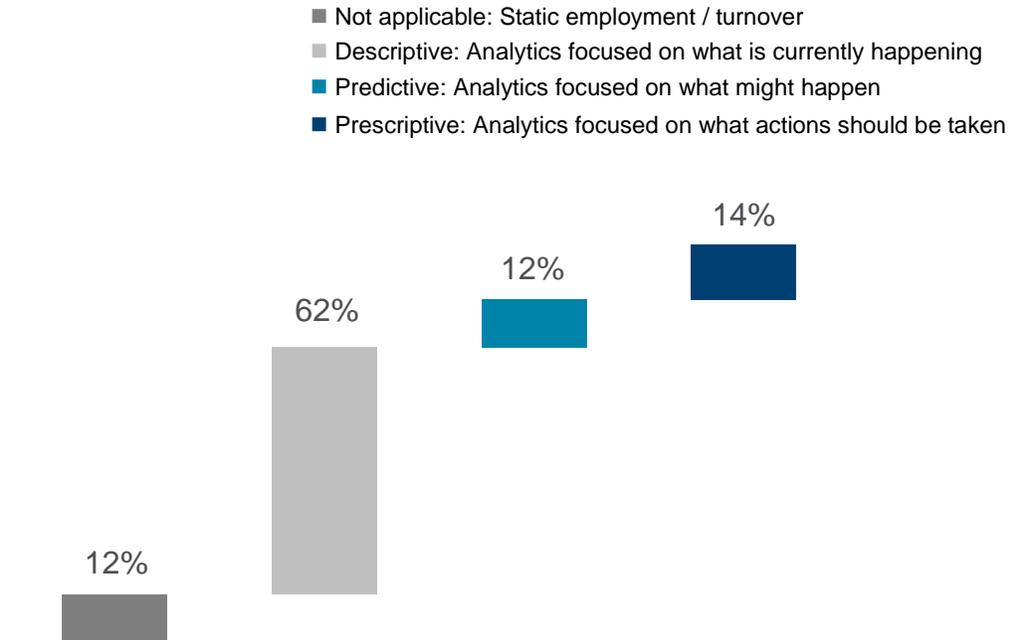


Financial services firms in China are lacking in their use and frequency of formal succession planning, which should be thoughtful and managed on an ongoing basis. It is especially critical in China where demand for leadership talent outstrips supply – this shortage is likely to persist in the foreseeable future as the growth prospects remain bright and firms continue to look for high-caliber leadership talent who can lead effectively in VUCA environment. Start uncovering your future leaders today for improved business outcomes by identifying and developing your high potential talent.

Make Human Capital Decisions Based on Data

In the current age of digitization and technology, there is more data than ever before. According to our study, 26% of firms are now leveraging advanced analytics for human capital management, and the numbers are expected to rise. Taking advantage of available human capital analytics allows firms to track the effectiveness of their current HR initiatives and programs, and in some cases, predict future outcomes and actions.

Human capital analytics maturity levels



HR has transformed into a true business partner rather than an administrative function. Integrating processes and upskilling HR competencies are a top functional objective for firms, followed by building analytics capabilities. HR talent that intimately understands advanced people analytics will deliver results that go beyond static reporting, providing a basis for prioritizing action and making future HR decisions.

Above all else, in order to win the talent war, Chinese firms must not be afraid to take risks and adapt longstanding practices. Fortunately, according to the Chinese horoscope, 2018 is the Year of the Earth Dog—a year associated with action, initiation, and regeneration—the perfect time for lifestyle changes and the start of new business ventures.

For more information on talent trends in China, please [contact our team](#).

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McLagan provides tailored talent, rewards, and performance expertise to financial services firms across the globe. Since 1966, we have partnered with the largest and smallest financial services firms to help them make data-driven decisions to hire, retain, and engage the top talent for keeping the global economy running. Our compensation surveys are the most comprehensive, in-depth source of rewards data covering over 150 countries from more than 2,500 clients. Our consultants work with hundreds of firms annually to design total rewards programs and benchmark financial performance for boards of directors, executives, employees, and sales professionals. McLagan is a part of Aon plc (NYSE: AON). For more information, please visit mclagan.aon.com.

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