UNIVERSITÄT LUZERN

TALENT MANAGEMENT FRAMEWORK

Evidence-based Guidelines for Swiss Companies Operating in China

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Editorial

Decision makers in multinational Swiss companies dealing with talent management are aware of the versatile cultural environment and its challenges. Starting from a Western talent management perspective, multinational Swiss companies often extend this perspective to a global talent management. However, in their locations around the globe, the subsidiary companies face a specific challenge by considering local situations. We did research in the Chinese subsidiary of Georg Fischer AG to disentangle global and local Chinese talent management issues and to derive concrete guidelines for Swiss companies operating in China.

This framework is the result of a close and mutually enriching research collaboration between the University of Lucerne and Georg Fischer AG, with the support of EY. With this collaboration and scientific methods we gained insight to answer practical questions such as "Why should organizations do talent management?", "What are the special local influencing factors in China?" or "What about the negative side-effects on employees who are not in the talent pool?". The academic team of the University of Lucerne conducted interviews in Switzerland and in China, and run data collections in China. Drawing on own research results and on results of the scientific community, we are able to introduce this talent management framework.

The innovative result introduced in this framework is a "Talent Management Map". The Talent Management Map provides an overview of the complex talent management situation, including different processes and phases, stakeholders and interests. From this dense network of interactions and dependencies, we choose three paths to explore the cultural influence of China on talent management and we derive concrete guidelines within these three paths for practitioners.

We hope that our research will help to reduce the complexity of global and local talent management and invites you to further explore the talent management map with the three paths exploring the cultural influence on talent management in China.

Prof. Dr. Bruno Staffelbach

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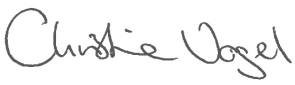

Christine Vogel

EY Partner
People Advisory Services

University of Lucerne, October 2018

Executive Summary

Purpose:

The aim of this framework is to challenge and inspire existing talent management in Swiss companies operating in China by:

- Giving an overview on the complexity of talent management;
- Exploring the cultural influence of China on talent management;
- Presenting guidelines on what to consider when doing talent management in China.

Method:

The content of this framework is based on interviews with 10 Swiss companies and an online survey with Georg Fischer AG, a Swiss company from the machine-, electrical- and metal industry (MEM) industry, which also has local production sites in China. Furthermore, relevant existing scientific literature completes the framework.

Findings:

- To specifically address Chinese aspects in talent management, a well-structured HR department allows a cultural interface. For example, a Chinese talent manager who is familiar with both the Western and Asian perspectives can help integrate them both.
- The conditions for talent management in China and in Switzerland differ. External factors, such as the labor market situation or political decisions, influence the talent management strategy and should be considered in the planning phase.
- Generically formulated identification criteria are interpreted differently in the Chinese culture. Therefore, a specific description rather than generic terms is pivotal.
- Global identification criteria, such as mobility, need to be specified for China.
- From a Western perspective, an objective evaluation of performance and potential are pivotal, whereas in China, the focus is on maintaining harmony and mutual benefits among the guanxi network. Consequently, the importance of personal relationships, networks, and mobility constraints must be considered when identifying talents.
- To evaluate an organization's talent management, key performance indicators (KPIs) that are specifically interesting for talent management in China must be developed and applied.
- Cultural specificities, such as mianzi, lead to sensitive situations when discussing employee performance, potential, and talent status, which is why careful communication in China is pivotal.
- Due to cultural concepts, removing talent nominations has significant impact in China and thus must be kept to a minimum.

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1 About the Framework

Many books, articles, and publications deal with the topic of talent management. Although talent management has been a relevant topic for organizations for years, there are still major gaps that have not been investigated yet. Especially, questions regarding cultural specificities and cultural adaptations of talent management have been excluded from talent management research, leading to a lack of knowledge about organizational practice. Therefore, this framework highlights cultural aspects in talent management. Specifically, the framework focuses on Chinese culture influencing talent management designed from a Western point of view.

We explored talent management in China and developed guidelines for decision makers in Swiss companies doing business in China. By presenting the findings and guidelines in this framework, we aim to challenge and inspire existing talent management in organizations.

In the following, we first introduce the Talent Management Map that summarizes the current state of research regarding talent management (Section 1.1), and then we explore three paths within this Talent Management Map from the Chinese perspective (Chapters 3-5).

1.1 Talent Management Map

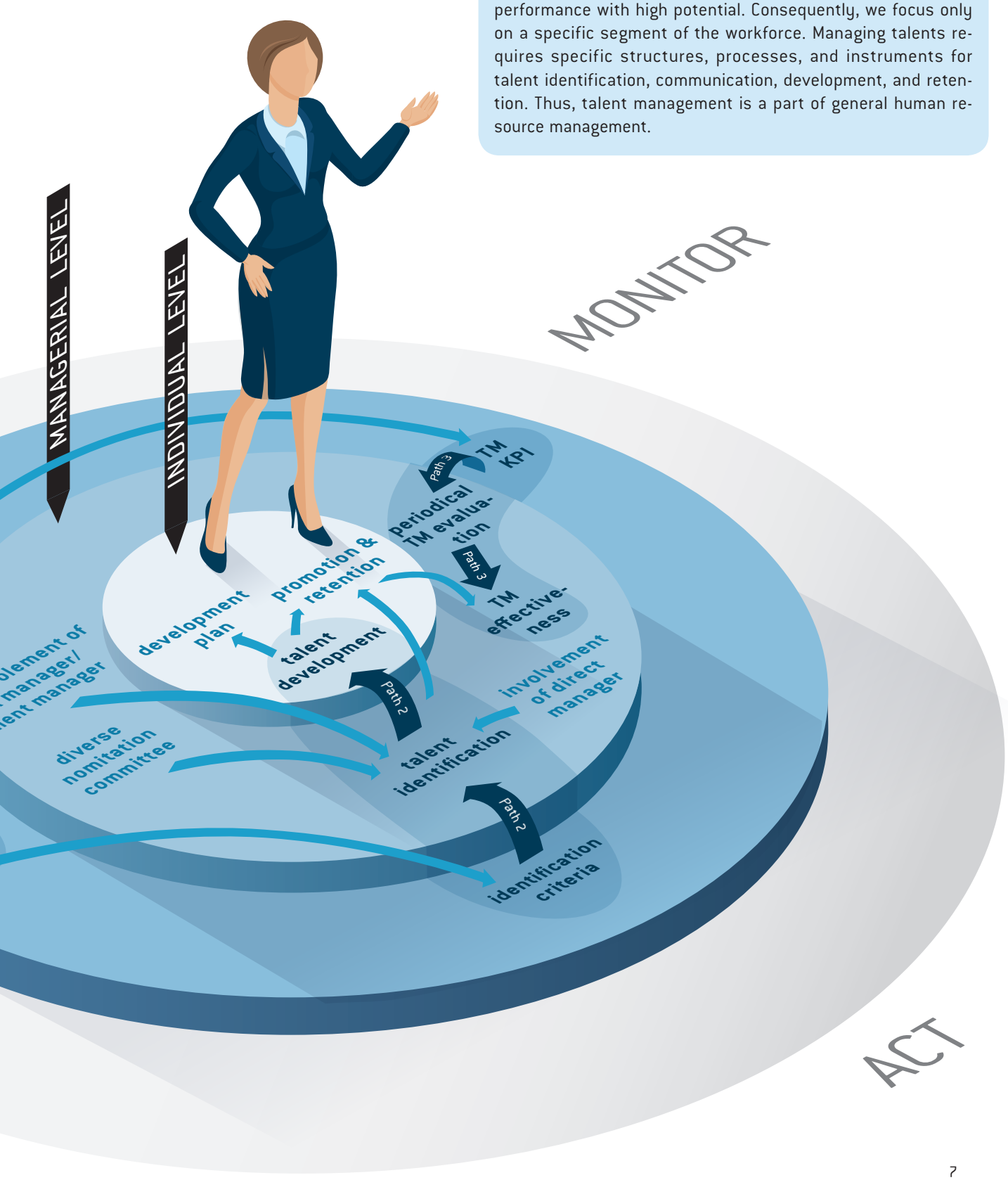
The Talent Management Map is a summary of the current state of talent management research and serves as framework for orientation in the labyrinth of talent management. The Talent Management Map (see Figure 1.1) structures talent management in three levels, which are corporate, managerial, and individual, along the sequence of plan, act, and monitor. Of course, every organization is embedded in a specific context. However, this level is not specifically represented on the map since the framework obviously focuses on the Chinese context. As a decision maker regarding talent management questions, the reader might explore the different elements of talent management, the interdependencies between elements, and other influencing factors.

This framework does not explore all elements and paths displayed in the map in detail. We choose three specific paths, which contain core elements of talent management, such as talent management objectives, identification criteria, and evaluation. However, the Talent Management Map provides an orientation and an idea of the dimensions of talent management beyond the three paths explored in this framework.

Figure 1.1: Talent Management Map

What do we mean by Talent Management?

When referring to talent management in this framework, we think of key employees (talents) who contribute to the organizational strategic objectives by demonstrating above-average performance with high potential. Consequently, we focus only on a specific segment of the workforce. Managing talents requires specific structures, processes, and instruments for talent identification, communication, development, and retention. Thus, talent management is a part of general human resource management.



1.2 Three Paths Explored in this Framework

Planning Phase (Chapter 3): The first path explores the steps that lead to defining talent. Ideally, talent management is embedded in and supports the organizational strategy. Depending on the strategy, the organization may define talent management based on the purpose for managing talent (e.g., enabling the development of human resources (HR) or succession planning). The purpose of talent management again influences the definition and the policies and practices of talent management.

Acting Phase (Chapter 4): The second path explores the steps included in talent identification within the organization. Building on the talent (management) definition, organizations start looking for employees who fit the talent definition. The identification of talents is based on pre-defined criteria followed by development measures to support talent employees in achieving the set objectives or the target position.

Monitoring Phase (Chapter 5): The third path explores methods for evaluating talent management and the influencing factors.

2 About the Study

The research findings in this framework are based on three sources: a qualitative study (interviews), quantitative study (survey), and relevant scientific literature.

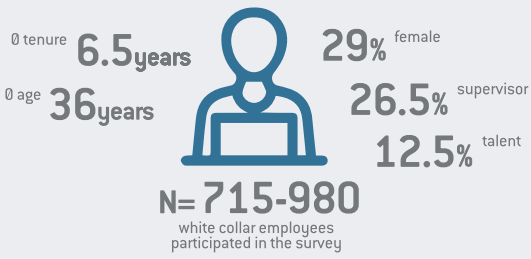
To conduct the quantitative study and part of the qualitative study, Georg Fischer AG (GF), a Swiss company from the MEM industry, which has local production sites in China, provided us access. GF is a multinational organization headquartered in Switzerland and employs over 16,000 people. It introduced and developed talent management in the Chinese production sites in the greater Shanghai area using a top-down approach. Talent management is currently rolled out on the four top employee levels (C-4).

Survey method

The questionnaire contained previously validated questions translated from English to Mandarin in a state-of-the-art back translation process. It was distributed via email provided by the Georg Fischer's HR Department. Unique identifiers allowed the research team to match data from questionnaires with objective data obtained directly from the HR Department (e.g., the talent status of each employee). All participants were assured strict confidentiality.

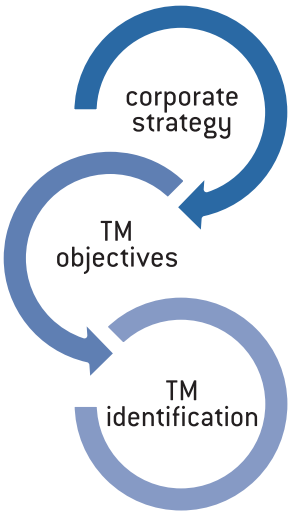
We conducted an online survey in GF at the end of 2016 and end of 2017. The response rate in 2016 was 60%, and the response rate in 2017 was 76%. The survey sample represented the underlying population of employees well.

We conducted interviews with HR managers and business managers in 10 companies, most of them from the MEM industry:



3 Path I: Planning Phase

3.1 Talent Management Strategy



Why should organizations do talent management?

Demographic change leads to a scarcity of the workforce in many Western countries. Therefore, having talents in the organization, retaining them, and recruiting new talents, becomes a critical success factor (Festing & Schäfer, 2014). For a meaningful talent management, the organizational environment needs to be considered. Thereby talent management should be defined and developed based on the corporate strategy and the related objectives for talent management.

From our interviews in China we learned that, in Western countries, it is a demographic change that leads to a shortage of qualified employees, whereas the manufacturing industry in China faces different labor market issues. First, competition increases from the fintech industry, which attracts a young and well-educated workforce by new organizations with interesting jobs and attractive labor conditions. Furthermore, the former attractiveness of foreign multinational organizations has decreased, while the attractiveness of private and state-owned Chinese organizations has increased. Second, dedicated industry zones where many organizations have their offices and production sites next to each other lead to low barriers for employees to change employers when offered a slightly better contract. Third, new governmental regulations have led to changes in the labor market. Due to an increase in the minimum salary in Shanghai, city politics (with a focus on the fintech industry with the intention to establish them in Shanghai while banning the manufacturing industry from the city area), and new business opportunities, the organizations from the machining and construction industry move away, and the workforce now migrates from East to West.

Organizations have diverse reasons to do talent management. In the following section, we introduce four strategic objectives for talent management (Bethke-Langenegger, Mahler, & Staffelbach, 2011).

Attraction and retention of talented employees: To attract talents from the internal or external labor market and retain them, it is important that organizations understand the needs of the employees and design and promote incentive systems accordingly. It is a global phenomenon that some years ago employers guaranteed high job security in return for high performance and engagement. However, today, job security is very scarce. Instead, employers offer development opportunities and employability in exchange for employee loyalty and engagement (Dries, 2013; Dries, Forrier, De Vos, & Pepermans, 2014).

Development of human capital: Developing talents in the process of talent management follows the objective of qualitatively improving an organizations' human capital. Development opportunities in an organization satisfy the needs of the talent for career opportunities and advancement.

Since the economic crises in China in 2016, employees have realized that they cannot rely on their employer at all costs (i.e., regarding job security). Together with the changing expectations of the younger workforce toward the employment situation, this leads to implicit agreements between employees and the organization. Talent management, employee development, and career opportunities are a currency that organizations offer to gain employee engagement and loyalty (Yi, Ribbens, & Morgan, 2010).

Succession planning: If an adequate talent pipeline is missing, it is difficult to fill strategic positions with suitable employees, and organizational growth is limited. Accordingly, an objective of talent management is to ensure adequate talent succession by having the right number of people with the right skills ready when they are needed.

Supporting the organizational strategy: Talent management supports organizations by implementing their strategy. If talent management is recognized as part of the overall strategy and if an organization-wide talent mindset is established, the employees feel valued and show higher motivation and higher organizational commitment (Gandossy & Kao, 2004).

3.2 Benefits of Linking Talent Management and Strategy

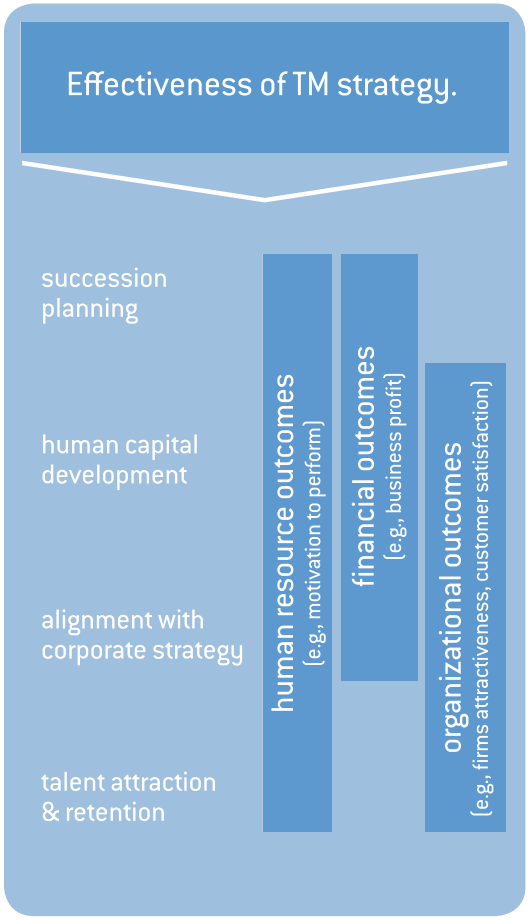


Figure 3.1: How talent management influences business outcomes (adapted from Bethke-Langenegger et al., 2011)

How can the organization benefit from talent management?

Talent management adds the most value to the organization if it is linked to the organizational strategy. In such situations, talent management influences different business factors (see Figure 3.1). For example, aligning talent management with the corporate strategy has a relevant effect on talents resulting in appreciation, higher motivation, and stronger commitment to the organization (human resource outcomes) (Gandossy & Kao, 2004). Furthermore, organizations report higher financial outcomes (Bethke-Langenegger, 2013), positive influence on organizational attractiveness, achievement of business objectives, and customer satisfaction (organizational outcomes) (Bethke-Langenegger et al., 2011). Therefore, independent of the organizational scope in the local or global markets, organizations need to have a consistent strategy that is translated into clear talent management.

3.3 Definition of Talent Management and Talent

Who is a talent?

Based on the corporate strategy, the organization defines talent management objectives, which affect the definition of talent management and the definition of talent. Six different dimensions need to be considered, when defining a talent (see Table 3.1). A dimension is conceptualized as a continuum with extreme opposites at both ends, leading to different implications for talent management policies and practices. While the first four dimensions focus on the individual level, the last two dimensions focus on the corporate level. Dimensions on the corporate level primarily address the question of how the organization can make use of employee's talents (Cappelli & Keller, 2014; Iles, Chuai, & Preece, 2010).

These definitions are not right or wrong. As there is no one-size-fits-all solution for talent management, every organization needs to develop its own perspective and agree on a talent definition during the planning phase, according to the corporate strategy and the objectives of talent management.

3.4 Research Example: From Corporate Strategy to Talent Management Definition

GF followed a strict strategy-driven approach to talent management. Talent management is strongly anchored in the board and was rolled-out from the top. This approach has the advantage that the managers became involved and connected with the idea from the beginning. GF communicated talent management very carefully and only limitedly.

One of the strategic decisions in planning talent management is the communication strategy. Studies show that only about one-third of the organizations discuss talent management (King, 2016). From the interviews we conducted in different organizations, we found that the extent and method of communication differs greatly among organizations.

About half of the interviewed organizations use the intranet to inform their employees about talent management activities. Communication involves the existence of a talent management program, the criteria for being a talent, information about the process, and the timeline. Furthermore, line managers are involved in talent management so they know the talent status of the employees and the individual development plans and performance ratings of the employees. Sometimes, employees themselves are involved in creating development plans.

> *"I personally believe that talent management has to be centralized and closely linked with the corporate strategy. To acknowledge the cultural difference between regions, the HR structure needs an intelligent setting. For example, we have someone in the position 'Regional HR Asia' who knows the Asian as well as the European culture. This is important to lead the talent management process in Asia and at the same time to integrate requirements from the Asian culture with the European organizational criteria."*
>
> Global head of HR in a global Swiss company in the MEM industry

Table 3.1: Overview of talent (management) definition (adapted from Dries, 2013; Iles et al., 2010)

	Dimension	Description of the dimension	TM focus
Talent: Individual Level	**Objective – subjective**	***Objective*** A persons' competences lead to talent. Identification and development of specific competencies.	TM includes competence management and knowledge management.
		Subjective The individual is the talent. Identification and development of talented people are crucial.	TM includes succession- and career management.
	Innate – acquired	***Innate*** Talent is given; it is not possible to learn it.	TM focuses on selection, assessment, and identification of talent.
		Acquired Talent can be acquired.	TM focuses on education, training, experience, and learning.
	Input – output	***Input*** Motivation and engagement characterize a talent.	TM focuses on motivation, ambition, and career orientation.
		Output Success characterizes a talent.	TM focuses on ability, performance, success, and results.
	Transferable – context dependent	***Transferable*** Individual shows talent independent of (work) context.	TM is transferable across situations.
		Context dependent Talent is visible only under specific conditions (situations, team constellations).	TM is context dependent.
Talent: Corporate Level	**Inclusive – exclusive**	***Inclusive*** All employees considered as talents. The organization would not hire someone who does not add value.	Same TM for all employees; difficult to differentiate from general good HR management.
		Exclusive Specific workforce segment is labeled as «talents» and receives respective development measures.	TM for exclusive pool of employees only.
	Position – people	***Position*** Talent to be set on key position (i.e., strategically relevant functions).	TM is a form of human capital with focus on key positions.
		People Talents are key people; only most promising talents have access to talent pool.	TM focuses on key people, on giving growth opportunities, which enable employees to perform high and to develop further.

The objective of GF was to use talent management for succession planning. Based on the organizational strategy and the talent management objectives of succession planning, talent management was defined. Over time, the wording for the talent definition was adapted and refined, leading to the following talent management definition:

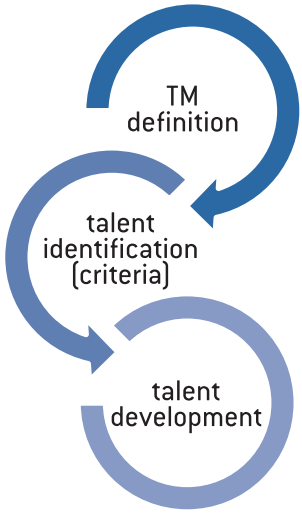
> *"A talent has the potential to move to a position of higher complexity/responsibility within 0-3 years."*
>
> Georg Fischer AG presentation, 2016

3.5 Guidelines Planning Phase

- The conditions for talent management in China and Switzerland are not the same. External factors, such as the labor market situation or political decisions, influence the talent management strategy and should be considered in the planning phase.
- Linking the overall strategy with talent management is pivotal to ensure the involvement of stakeholders across regions.
- The definitions of talent and talent management are specific to the organization. Therefore, there is no one-size-fits-all solution, and every organization needs to create its own definition based on the talent management strategy and objectives.

4 Path II: Acting Phase

4.1 Talent Identification



What is the best way to identify a talent?

Closely linked to the definition of talent management and talent is talent identification within the company. The ability to identify talents is a core issue in talent management and therefore is also considered the "holy grail" of talent management (Church, 2015). This is probably why identifying talents has emerged as one of the hottest areas of applied HR research and practice (Church & Rotolo, 2013; Silzer & Church, 2009, 2010).

Talent identification is mostly done by the direct manager (79%, according to a Canadian study; Slan-Jerusalim & Hausdorf, 2007), using the elements "personal experience with the person" (100%), "performance appraisal" (97%), and "past performance and results" (79%; Slan-Jerusalim & Hausdorf, 2007). Furthermore, many of our interview partners mentioned using a nine-box grid often called a "talent matrix" to identify talent (Figure 4.1). The grid structures the workforce along two dimensions: performance and potential. This leads to different groups, including talents. However, whereas performance is a sufficiently clear criterion, the potential remains fuzzy. In the following section, we show a selection of talent criteria, among them performance and potential, and the Chinese cultural aspects.

Performance	Potential: low	Potential: medium	Potential: high
high	Ranking is unlikely	High performer	Talents
medium	Change jobs	Performers	Potential Stars
low	Question marks	Improve performance	Ranking is unlikely

Figure 4.1: Talent matrix

4.2 Opportunities and Challenges of Selected Talent Criteria

What are the special local influencing factors in China?

Talent identification criteria are derived from the corporate strategy and thus are unique for each company. However, certain criteria have generic relevance, for example performance and potential, whereas others are heavily influenced by culture, for example networking and relationships. In the following section, the opportunities and challenges of five selected criteria are discussed from a cultural perspective.

Performance: Hempel (2001) showed that performance appraisal criteria differ across cultures. Chinese managers appear more likely than Western managers to base performance reviews upon personal characteristics, such as loyalty and obedience, than upon reference to outcomes. This difference is essential since, from a Western perspective, ratings based on personal attributions are one primary source of error in performance rating (Hempel, 2001).

An example of how to ensure objective talent identification:

"In our organization, we discuss the performance appraisal in a meeting together with the other divisions' group leaders. HR business partners moderate the meetings and all leaders put their proposed employees on the table. The goal is to be as objective as possible, so that not only one leader decides for his or her own team. This platform enables us to exchange and share feedback to and experience with specific persons."

HR business partner of a multinational MEM industry company

Potential: Potential is a higher-order construct and is difficult to measure. Silzer and Church (2009) proposed that potential is a construct made up of different types of components, such as:

- Fundamental components are stable and not changeable over a lifetime (e.g., personality and cognition).
- Latent components need the right context and support to express themselves (e.g., motivation).
- Intervening components influence the degree an individual can grow and develop in different areas (e.g., openness to feedback).
- Evolving components are acquired by an individual through career experience (e.g., technical knowledge).

Each organization defines its own potential criteria. Clearly defined and practically described criteria help managers evaluate employee potential. For example, asking for leadership competencies is less valuable than asking the manager if the employee would be able to lead a team with seven employees and coach them in difficult situations, to develop KPIs for his or her team, or to make a budget. Clear criteria help improve intercultural understanding. For example, "mobility" does not mean the same in China as in Switzerland simply because geographical distances are different and do not have the same meaning.

Therefore, organizations might decide to have a few global criteria and to add specific local criteria (e.g., in China, it might be a criterion that managers have a proficient level of English-language skills, whereas in the United States, this is redundant).

Aspiration and commitment: Although indispensable for successful talent management, the willingness to move into a key position and commitment to the organization are factors often ignored in the catalog of talent identification criteria and therefore need explicit clarification.

Mobility: Chinese HR managers mention hukou, a Chinese social concept discriminating against rural workers, as a barrier for talent management. It decreases employees' willingness to move into a different region within China (e.g., from Shanghai to Beijing) because their family and children would be penalized (for further information on the topic, we recommend Zhang, Zhu, Dowling, & Fan, 2017). However, mobility is important in talent management in terms of acquiring knowledge and filling in expert positions. There is no single best solution regarding how organizations should deal with this situation. One option to deal with hukou is to ensure talent mobility in the early career stages before the employee has familial constraints. Another option is to ensure local managerial education or relocation abroad.

Network and relationships: Personal relationships are an important, although implicit, talent identification criteria across the globe (Slan-Jerusalim & Hausdorf, 2007). In China, it has a special meaning, as guanxi is a culturally specific, important concept of social connections (dyadic relationships) in the business context and in private life. As talent management is also influenced by different social relationships (e.g., the relationship between the employee and the leader), this culturally specific concept is likely to be of relevance for talent management. From the organizational perspective, guanxi is a kind of network, describing social capital developed prior to engaging in transactions (rather than being an outcome of it) (Gibb & Zhang, 2017). Employees may have guanxi networks with external stakeholders, which make them important persons within the organization. It is therefore important to recognize central business networks and relationships and to know which employees are connected with these guanxi networks. These employees should be retained, and development is one important retention factor in China (Zhang et al., 2015). Thus, guanxi needs to be considered a talent identification criterion during the identification process.

In addition to guanxi, another relationship concept is important in China: mianzi (face; Hempel, 2001), which is defined as "recognition by others, the employer in this case, of an individual's wisdom or social standing" (Wang & Seifert, 2017, p. 515). Through mianzi, the referring person is viewed as a capable and respectable person. As response to guanxi (the social network), employees who are referred to a position by a manager will show commitment and be a good employee over a long time, so that the manager receives mianzi because his or her decision to refer the employee was a good and wise decision. As this increases the referrers' mianzi, he or she might also press the referred employee to show high performance. Research shows that employees recruited with guanxi stay up to twice as long in the organization and showed a lower risk of resignation over time. Finding harmony within the group may replace formal contracts and regulations of employee work behavior (Wang & Seifert, 2017).

4.3 Research Example: Talent Identification Criteria and Chinese Talent Characteristics

What skills, competences, and characteristics does a talent need to have?

GF uses the same talent definition criteria globally: high performance and high potential, with potential indicators, such as the capability to cope with change, flexibility, and agility, to have a positive attitude, and to be a convincing and ambitious person.

Additionally, each region and business unit adds specific requirements. An additional identification criterion to move into upper management positions for the China region is that a potential talent speaks English. This is to ensure communication across different regions. Furthermore, an employee's willingness to be mobile is an important criterion. As there are limited promotion opportunities at each location, an employee might be required to move to a different location within China or abroad to acquire the necessary knowledge or to fill in a higher-level position.

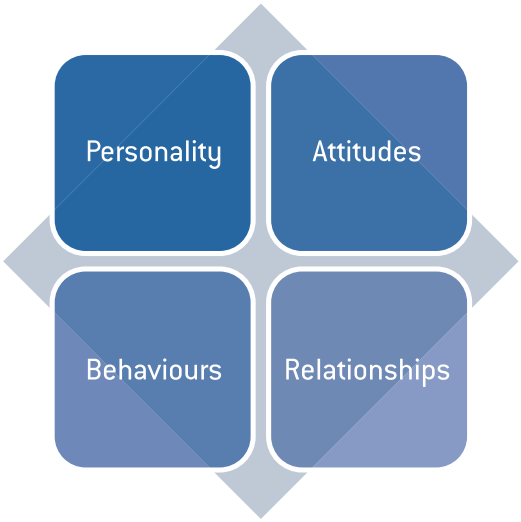


Figure 4.2: 4-factor model

Based on the survey we conducted in China, we derived a model (see Figure 4.2) with four factors that characterize talents in GF in China. Personality, relationships, attitudes, and behaviors are important to be a talent. Specifically, talents are more often positive, emotionally balanced, and show more trust in their capacity to solve problems than other employees (personality). Additionally, talents are more similar to their direct managers in the way they solve problems, and they have closer relationships with their managers than other employees (relationship). Talents also have slightly higher job embeddedness and organizational commitment than other employees (attitude). Furthermore, talents stay longer with their employer and show better performance than other employees.

In addition, we found a higher promotion rate among talents (17% vs. 3% for other employees) as well as a lower voluntary turnover rate (6% vs. 9% for other employees) (behavior). These findings support the talent management objective (succession planning) of GF.

4.4 Guidelines Acting Phase

- To specifically address Chinese aspects in talent management, a well-structured HR Department allows a cultural interface (e.g., a Chinese talent manager who is familiar with both the Western and Asian perspectives is better able to integrate them).
- Generically formulated identification criteria might be interpreted differently in the Chinese culture. Therefore, a specific description of talent is used rather than generic terms. For example:
  - Generic term: Good communication skills
  - Specific description: The talent is fluent in oral and written English or in German. Furthermore, the talent is able to express his or her ideas, critiques, and concerns with a positive attitude. Additionally, the talent is able to give constructive feedback to followers, peers, and managers.

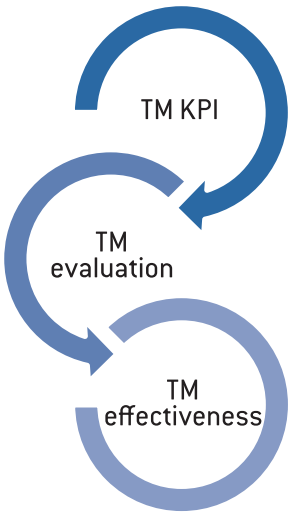
- Global identification criteria, such as mobility, need to be specified for China. For example:
  - Global description: If an employment opportunity arises abroad, the talent is willing to take the chance and move abroad within 6 months.
  - Specific description for China: If an employment opportunity arises in China or abroad, the talent is willing to take the chance to move from the home location in China to any other place within China (e.g., from Suzhou to Kunshan or Beijing) or abroad within 6 months.
- From the Western perspective, objective evaluation of performance and potential are pivotal, whereas in China, the focus is on maintaining harmony and mutual benefits among the guanxi network. The importance of personal relationships, networks, and mobility constraints (guanxi, mianzi, and hukou) should be considered when identifying talents to determine how to deal with this.

5 Path III: Monitoring Phase

5.1 Talent Management Effectiveness

How can organizations evaluate their talent management?

Regularly analyzing the talent management shows whether it supports the organizational strategy and whether the organization identified the right employees as talents. Therefore, organizations need key performance indicators (KPI) to evaluate talent management effectiveness. Table 5.1 lists a selection of possible KPIs for monitoring talent management. To define KPIs, clear talent management objectives are crucial. The objectives of talent management again depend on the organizational talent management strategy.



5.2 Research Example: KPIs

GF had the strategic intention and talent management objective of having a sustainable succession planning. The relevant KPI to evaluate the talent management is the internal development rate (objective: 70% internal development rate). Reviewing the data of GF, we saw that the internal development rate improved in all divisions since introducing talent management. Two of the three divisions achieved the set target of the 70% internal development rate. Furthermore, we also examined the retention and promotion rate to evaluate talent management. The findings show that talents have a lower probability to leave the organization than other employees and a higher probability of being promoted.

Table 5.1: Selection of KPIs to measure talent management effectiveness

Internal development rate: Rate of positions filled with internal candidates instead of external hirings.

$$Internal\ development\ rate = \frac{number\ of\ positions\ filled\ with\ internal\ candidates}{total\ number\ of\ filled\ positions}$$

Retention rate: Share of employees staying with the organization.

$$Retention\ rate = 1 - turnover\ rate$$

$$Turnover\ rate = \left(\frac{number\ of\ employees\ who\ left\ \ within\ one\ year}{number\ of\ all\ employees\ in\ the\ organization\ at\ end\ of\ the\ year} \right)$$

Comparison of retention rates of different groups. E.g., retention rate of talent groups should be higher than retention rate of other employees.

$$Retention\ rate\ (talents) = 1 - (turnover\ rate\ (talents))$$
$$>$$
$$Retention\ rate\ (other\ employees) = 1 - (turnover\ rate\ (other\ employees))$$

(Talent) Promotion rate: Rate of employees (talents) who are promoted.

$$Promotion\ rate = \frac{number\ of\ employees\ who\ were\ promoted\ within\ one\ year}{all\ employees\ at\ end\ of\ the\ year}$$

Comparison of promotion rates of different groups. E.g., promotion rate of talents should be higher than promotion rate of other employees.

$$Promotion\ rate\ (talents) > Promotion\ rate\ (other\ employees)$$

«False nominations»: Employees who were not confirmed as talents in the next cycle (see also Figure 5.1).

$$False\ nomination = (Number\ of\ talents\ (t-1) - Number\ of\ talents\ (t) - Number\ of\ promoted\ talents\ (t) - Number\ of\ talent\ turnover\ (t))$$

Culture and Diversity: Share of specific employee groups among talents. E.g. Culture KPI: share of Chinese managers, level of English skills among Chinese talents, share of Chinese employees in global functions, number of Chinese managers with working experiences abroad. E.g. Diversity KPI: share of females among talents.

$$Share\ of\ specific\ talent\ group = \left(\frac{number\ of\ specific\ talent\ group}{all\ talents} \right)$$

Dividing the workforce into the sub-groups talents and other employees enables further analysis (see Figure 5.1 and Figure 5.2). The sub-group of talents whose talent status was not confirmed the following year are called "false nominations" and are of special interest because they reveale relevant information on the talent management process.

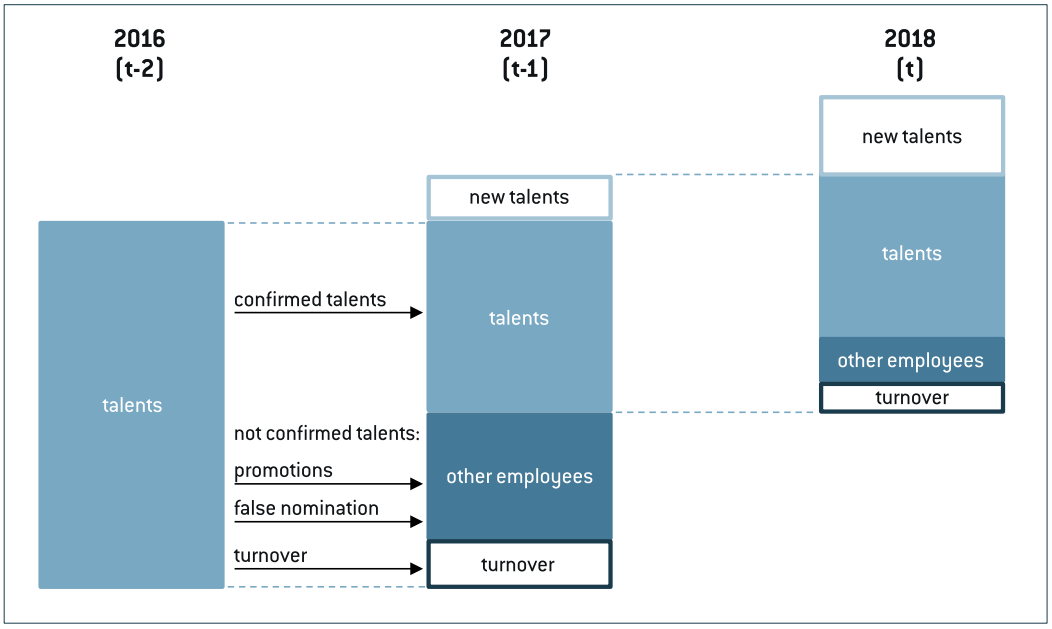


Figure 5.1: Development of talent pool over time

5.3 Employee Reaction to Talent Management

What about the negative side-effects on employees who are not in the talent pool?

Taking up the concern of raising expectations through talent management, we compared different groups of employees in China. The effectiveness of talent management is also dependent on its effect on employees with no talent status. Do the experiences of employees with talent status and those without talent status differ?

As shown in Figure 5.2, we distinguished the survey participants depending on their talent status along two axes: talent or other employees and the stability status over time. The interrelation of the segments in the matrix is interesting for monitoring talent management. For example, the share of new talent and of unconfirmed talents must be balanced for a sustainable talent pipeline. Furthermore, the unconfirmed talents segment should be rather small, as organizations should avoid "false nominations." While new talents and confirmed talents may have high motivation and confirmation of their good work, "false nominations" may be demotivated and frustrated, although they are important employees showing high performance (Swailes & Blackburn, 2016).

Based on the premises of guanxi and mianzi, we assume that false nominations have a critical effect not only on employees who were identified as talents and then last talent status but also on their leaders or referrers. Suggesting someone as a talent who turns out to be unsuitable may lead to a bad impression of the referrer who initially suggested the talent, leading to a losing face situation. Therefore, for the sake of harmony, false nomination needs to be addressed carefully and it is best to avoid this at all.

When comparing attitudes and behaviors of employees in GF who were talents ("talents" and "new talents") and those who were not talents ("other employees" and "not confirmed talents"), in our survey, we find only a few differences between the groups in China. Results show that the employability (i.e., the perceived ease of finding a new job on the external labor market) was lower for talents than for their colleagues without talent status. This result may be triggered by the economic downturn in China in 2016, which would be a barrier to seeking new employment opportunities on the market, especially for highly qualified people. Moreover, the results for job satisfaction, organizational commitment, and turnover intention do not show a statistically significant difference ($p > .05$) between talents and other employees.

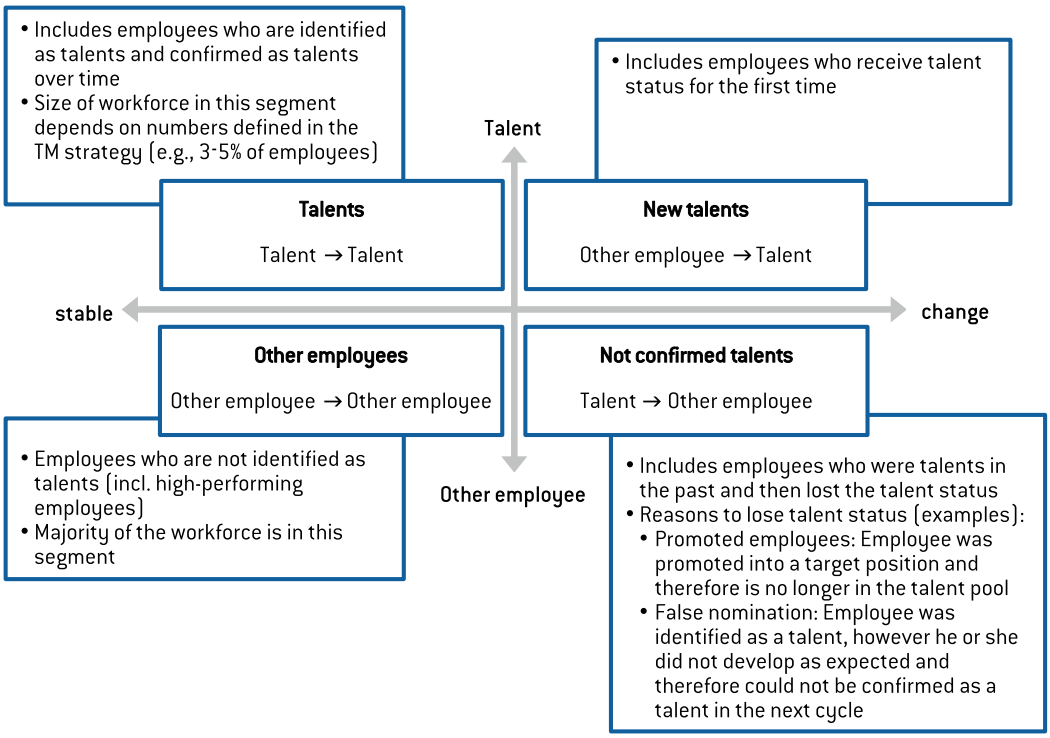


Figure 5.2: Segmentation of employees in different talent groups along two-axis talent status and status change.

5.4 Communication and Transparency for Talent Management in China

Why should organizations be transparent about talent management?

After selecting employees in a talent pool, the relationship between the employee and employer and the implicit expectations of the employees toward the employer and vice versa (i.e., psychological contract) must be re-balanced (King, 2016; Sonnenberg, van Zijderveld, & Brinks, 2014). For example, organizations expect that employees with talent status show higher job satisfaction, higher engagement, and lower turnover intention and achieve development and performance objectives (Bethke-Langenegger, 2013). However, research shows that, while organizations expect talents to increase their performance, the identified employees do not feel obliged to do so. This leads to an imbalanced psychological contract (Dries et al., 2014). To avoid false expectations, the benefits and costs of being a talent must be communicated and managed well.

In practice, organizations chose different strategies to communicate talent management to their employees (see Figure 5.3). For example, although GF decided to invest in talent management, it is an ongoing concern not to raise employee expectations too high. Therefore, GF hesitates to communicate about talent management broadly. The current communication is almost equivalent to no communication, although the employees identified as talents will notice a change (invitation to development assessment centers, etc.).

Interviews with different organizations reveal that transparent communication of talent management seems to be important for credibility. Many talent managers perceive it as important to consider talent management communication as culturally sensitive. As expectations (from employees as well as from managers) are involved in talent management, caution will be needed when delivering the message. Some think that directly discussing talent management will not work in China and that line managers need to let employees know in informal conversations. Communication should not involve any worries about disclosing confidential information, as HR managers have a professional discretion obligation about talent identification.

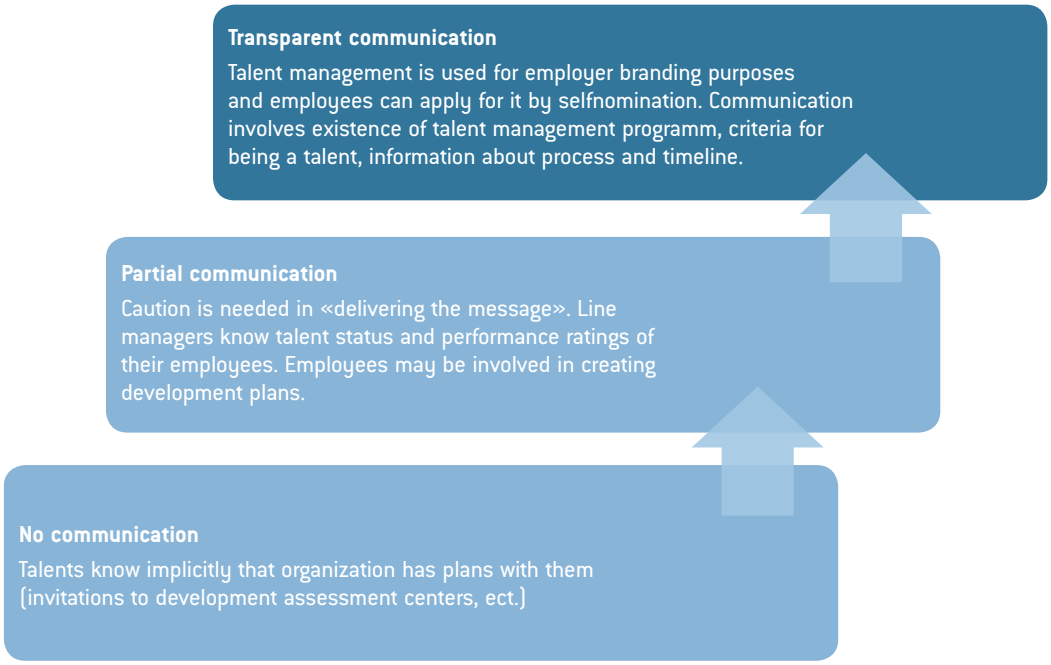


Figure 5.3: Communication steps

Interestingly, a study of Yi and colleagues (2015) showed that when comparing employees in China with those in the United States, employees in China demand and expect less of their managers than US employees. Chinese take more control when it comes to their career than most literature would predict. Men take more initiative to initiate career-related changes than women. Even when Chinese employees seem to complain less about their managers than US employees, it would be wrong to assume that they would less proactively manage their career. In the US, the younger employees seem to have different values compared to other age cohorts, while in China, these values are stable across generations. "Therefore, rather than looking for ways to motivate the younger generations of Chinese employees, MNC managers might want to pay more attention to the Chinese culture that has been powerfully and consistently influencing the work place attitudes and career perceptions of the Chinese employees across different generations" (Yi, Ribbens, Fu, & Cheng, 2015, p. 76).

An example of what can be communicated about talent management:

"Talent management is designed as a dynamic process in which many things can happen. In general, we exclude no one from the talent management process. However, over time, some employees do not meet the organizations requirements and others realize that they do not want to follow further career development because they are happy with their current position. Both is legitimate and an important insight for further planning in talent management."

Global head HR of a global Swiss company in the MEM industry

5.5 Research Example: Ensure Confidential Communication

GF, as mentioned, values limited communication to keep information about talent management and an employee's talent status as confidential as possible. Therefore, they developed communication cards with the most important information about the talent management process and definition on one side for managers and the guidelines for managers to communicate with their talented employees on the other side. Do's and don'ts were on the cards as well as general communication guidance, starting with advice to talk to talents and to clarify expectations and closing with advice regarding where to ask for support if needed.

5.6 Guidelines Monitoring Phase

- In addition to the obvious talent management KPIs, such as promotion rate, evaluation points are specifically interesting for talent management in China, for example, the share of Chinese managers at the top levels in China, share of Chinese employees in global functions, number of Chinese managers with working experience abroad, and level of English skills among Chinese employees and talents.
- Communicate carefully about talent management in China. Cultural specificities, such as mianzi, lead to sensitive situations when discussing employee performance and talent management and managing expectations well through transparent communication, considering employee aspirations.
- Keep false nominations to a minimum, as the consequences of removing the nomination are more significant in China due to cultural concepts, such as guanxi and mianzi.

6 Closing Remarks

The present framework presents an overview of the talent management topic and provides guidelines to approach three different phases of talent management in the cultural setting of China. We used a mixed-method approach, including scientific literature, expert interviews, and quantitative research to develop a Talent Management Map. So far, to our knowledge, this framework is the first attempt to depict a broader view on talent management which shows the interrelations between its different phases and stakeholders.

We hope that this talent management framework serves HR decision makers and practitioners as an orientation on the topic and supports the definition of a talent management process which includes global as well as culture-specific elements. Therefore, this framework's intention is to function as starting point for discussions.

During the course of the underlying research project, we discovered further areas of research that we intend to explore in the near future. If you would like to stay in contact and to receive information on our research projects, please have a look at the website of the Center for Human Resource Management (CEHRM) of the University of Lucerne www.unilu.ch/cehrm. We will keep exploring different aspects of talent management and talent identification.

Acknowledgements

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7 Appendix

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