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for the right candidate

Article

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Properly paid?
A comparison can help



True Faces

Dear readers,

2010 – Companies in transformation

Experience teaches us that good weather follows bad. The “El Nino” storm comes with a certain regularity. In the economy we have a much harder time dealing with times of crisis following major upturns, which seem to occur with some preference at the turns of the decade.

The question of how the company ship is to be steered through such a storm scenario invariably raises the question of a capable captain and competent officers. What qualifications must an economic captain bring to the job?

Chances within the company

First of all, management reserves should be activated within the company. And yet almost no one aside from the current management ever thinks of the resources that sit on the supervisory and advisory boards.

A McKinsey study clearly demonstrates that supervisory boards usually possess all the relevant financial information and would gladly collaborate actively on forming company strategy if the management would only let it do so. But instead, in most cases they are relegated to simply reviewing plans submitted to them by the operative management.

This reminds me of a real-life case in which a prolonged dispute developed between the operative management and supervisory board concerning who was to be responsible for strategy. The result was that the strategy itself suffered from neglect and the company quickly fell into serious difficulties.

Important cooperation between supervisory board and management

The basic principle of increasing corporate value should apply, and there should be a clear agenda for working through essential points of the business plan. Future developments must be estimated as best as possible; the prevailing strategy has to be examined not only in its detail, but rather should be openly attacked and seriously questioned in order to come to better results.

It is a similar situation with an advisory board which works in place of or in addition to a supervisory board (if the company is not obligated to have a supervisory board). Such a solution draws know-how into the company which is actually invaluable but nonetheless can be had for a relatively modest price.

Plan for the long term

The profile of current management positions has decisively changed compared to the boom years. It used to be a priority to keep the proven potential of managing personnel, who fought fiercely to raise profits every year. As America has all too clearly shown us, this is no longer the case.

Even if it is hard to do, one now has to ask about a longer-term strategy. The proverbial saying is that in the long term we are all dead. Nevertheless one has to plan, and that means now or never. We enjoyed some good years, but now things have changed. No question about it, the profile has to change, and either the persons in charge have the potential to do so, or these persons have to be replaced.

Here the number one rule is to make the company utterly unique in the market. Even better would be to become a giant who isn't afraid of competition and who can call a third of its few hundred billion in sales revenues its gross profit. But this only applies to a very few companies. The others will have to adjust to an extremely flexible management which keeps the newly arising competition in the East firmly in view or, even better, is right there in the East early on with its own company. One has to discover and serve special niches which used to be ignored when times were better. And one may not ignore the quickly growing disparities in key currencies and rapidly rising transport costs.

Promote junior staff

Unrecognised potential often slumbers among one's own junior staff, employees who could develop into effective managers. The Neumann Management Colloquium provides an instrument for discovering hitherto unknown potential of this sort, in-house people who are especially fit to help in the expected difficult times to come. And these times are coming, if not here already.



Dr. Helmut Neumann
Chairman/Founder

Dr. Hans Jorda
CEO

NEUMANN LEADERSHIP
GROUP

*A successful team:
Dr. Helmut Neumann (left) and Dr. Hans Jorda*

Pearls for China

The right network for the right candidate



Hong Kong: Business and trade metropolis with a population of more than seven million

The China boom has not let up, and many Western companies are continuing to seek their fortune in the Middle Kingdom. Reinhard Kolvenbach, Managing Partner at the HR consultancy NeumannPartners, supports the firm in finding suitable employees for its Chinese subsidiary. In March 2007 NeumannPartners inaugurated a subsidiary in Hong Kong in order to be able to support clients on-site (True Faces reported on this).



Reinhard Kolvenbach,
Managing Partner at
NeumannPartners

Reinhard Kolvenbach has almost 30 years of experience as HR consultant, for over 20 years in the Asia-Pacific region. Already two decades ago he worked as headhunter in countries such as Japan, Taiwan and Korea. Japanese companies wanted to "conquer" the West with their products. At the time, only a very few companies dared to take the step towards Asia from Germany. "The mentality and way of doing business was different there," Kolvenbach explains. Only when China began to open up to the West at the end of the 1970s, medium-sized industry in Germany also turned its attention eastwards.

The China boom was initiated with companies from Europe and America: "All of a sudden everybody went to China, just like the gold diggers in the American West: someone cried out that he'd found gold, and everyone else ran there too," says Reinhard Kolvenbach.

Avoid China hysteria

"In some part, the China euphoria is transforming into China hysteria," says the HR expert. After some time involved in working in China,

western companies have been noticing that their Chinese workforce undergoes great fluctuations. Highly qualified employees from Hong Kong are being attracted back from mainland China to the economic magnet of their home city, resulting in a great loss in know-how. Since the demand is very strong, western-trained employees are frequently enticed away with higher salary offers. The consequence is an increasingly rapid spin on the salary spiral. There are companies which have built up successful subsidiaries with Chinese management that are now suddenly finding out that individual and independent decisions are being made: relatives of managers are being hired, or suppliers switched for apparently no reason. One is beginning to lose control of subsidiaries in the Far East.

NeumannPartners News



New contact person for Turkey

Internationalisation of NeumannPartners continues to advance: Mr Mehmet-Bahadir Battal of the Hamburg office is your contact person for Turkey.



No. 1 in China

NeumannPartners is the largest HR consultancy in China: After establishing its successful branch office in Hong Kong, the consultation service provider is now also represented in mainland China by a cooperation with the Chinese company Seeker.

“Expatriate” versus “Local”

To get around these problems, Kolvenbach recommends companies he helps to support in building up subsidiaries and establishing joint ventures to maintain important departments such as Finance Management and Controlling in Hong Kong. He advises that management positions should be more often filled with so-called “expatriates”. The German or European training of such applicants makes it possible to better estimate their qualifications. “For many medium-sized companies, the ‘expatriate’ is a good solution despite the overall higher cost. A ‘westerner’ is not necessarily always the better applicant, but the cultural attachment of German employees is very important for a company. We Germans think and act differently, and we are simply fussier. We mean ‘yes, immediately’ when only saying ‘yes’.”

Which doesn’t mean that well-educated and trained Chinese people would not be suitable for the job, especially since their desired salary is usually considerably less than that of their Western colleagues. In addition, the so-called “locals” have a clear home advantage with regard to language and mentality. In order to efficiently effect recruitments in and for China, an on-site HR consultancy is now a must: Hélène Krieff, likewise Managing Partner at NeumannPartners, has built up the office in Hong Kong and is already working there with a staff of five. The subsidiary is located in Duddel Street on Hong Kong Island, a small side street off Queen’s Road. In the meantime many company regional headquarters have located in Hong Kong and are looking for employees there. Hélène Krieff can arrange for short-term appointments with customers and offer relevant advice.

World-wide search for suitable candidates

Suitable applicants can only be found with the help of a good network. For over 15 years, Reinhard Kolvenbach has been a member of the German Chamber of Industry and Commerce Hong Kong and makes use of the so-called “old boys network”. Here is where managers of international firms share their experiences of doing business in China. This is where the headhunter learns about potential candidates, and where he also regularly is addressed by direct applications. Online ads are also used. “We look for potential candidates on a global basis,” he emphasises, since someone who has several years of experience in Asia can also work in India, other Asian countries, Europe, or Eastern Europe markets.

Hong Kong versus Shanghai

Why now an office in Hong Kong and not in Shanghai, the capital city of the China boom? “We considered this,” says Kolvenbach, “but then we made a conscious decision for Hong Kong. When the Asian expert of a German company is asked where he should establish a subsidiary, he often advises a location in the special administration region. The metropolis is still the business ‘hub’ for Asia and a traffic thoroughfare node. In Hong Kong companies have the advantage of an excellent infrastructure. They can comfortably get everywhere with the Star ferry and MTR, and can keep many more appointments in the same time than in Shanghai.”

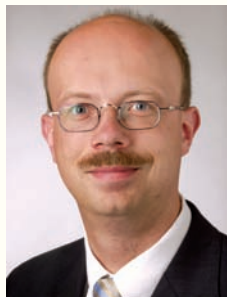
Legal protection and measures combating corruption are likewise an advantage, as is the availability of qualified local specialists and managers. Also the better quality of life plays a role: less air pollution, the green hills of the peninsula and a rich cultural life make Hong Kong an attractive place to live, where qualified specialists (and their families) from the West can feel at ease.

Photo: Fotolia.de



Shanghai: Economic and high-tech quarter of Pudong

International recruitment



Thomas Wilde,
Partner/Director, Compe-
tency Centre Times at
NeumannPartners

The first glance at the Google search results list is quite sobering. Almost all articles listed under the key word 'international recruitment' either cover how to recruit employees from foreign countries or send employees abroad. This

article is mainly based on personal experience of international search projects in recent years and is intended to cover another aspect: the literally global search and selection of employees.

Preliminary considerations

"There is only a limited number of management talent capable of acting internationally. ...there is a shortage of experienced cosmopolitan managers; that's why they are expensive merchandise. International HR managers are well advised to exchange general hiring practices for customised ones."¹⁾

The international employment market has long been an offer-driven market, even through all the economic crises of recent years. That is to say: there have been more open positions than suitable applicants. Thus, the focus for recruitment is on how to win a suitable candidate.

The more detailed the preliminary considerations, the greater the chance of having the right strategy at the time of the search. This includes working out globally applicable qualification profiles (more on this in the next True Faces), cooperation with specialised HR consultancies for special positions, acceptable search methods (is a direct approach an appropriate method, for example, and if so, are there companies that should not be addressed due to 'no-touch agreements')

and, above all, structuring the internal processes and bringing in all persons in time who are to participate in the talks during the process.

Preparation

International recruitment projects are very complex and often underestimated with regard to planning and the demands on people involved. It is often beneficial if the controlling functions are performed by as few internal employees of the company as possible, and only one external Human Resources

'recruitment project group' mentioned above (if this has not already been done while preparing the qualification profile) and to establish the required structures for a rapid and transparent procedure. This particularly concerns communication structures, determining the individual participants for every round of interviews along with the contents to be discussed. It should also be clear from the beginning who the so-called process owner is, the person ultimately responsible for the successful process. Experience has shown that this usually can only be the future



The global search for suitable employees requires good preparation and a common project language

Key Account of the HR consultancy. The first preparatory step should be to determine in which country (or countries, if it is a super-regional function) the open position should be located. This will suggest the candidate's cultural and linguistic profile and the selection of target countries where the search is to be conducted. In addition, a clear analysis of the recruitment market is necessary. Once all questions regarding 'who', the double 'where' and the given 'critical mass' are clear, then it is time to select the members of the

superior. As a rule, HR can only be active in a supportive function.

Realisation

First and foremost for carrying out recruitment projects is determining a common project language (it will be English, as a rule) that is binding for all participants, including the candidates. Translations are time-consuming and can lead to misunderstandings. By the time Human Resources presents the candidates it should be clear what steps are

to be taken with the suitable candidates at what time. They should be informed of this at the end of the interview so that there is transparency for them as well. The planned process of orientation is also of great importance for the potential future employee, especially for an international position, and as such always a topic at interviews. After all, it may imply a longer separation from the candidate's family or the necessity of learning a new language. For their emotional impact, particular attention should be paid to these aspects. Another item is the salary range for the position. Of course, there are different payment structures within a company for one and the same task assignment in different countries. Therefore, it has to be made clear what salary plus additional benefits the company is willing to pay. Finally, the cultural differences have to be considered. Some issues are frowned upon in certain countries, or they are only raised at a certain point during the interview. There are several guidebooks available on the subject; often, it is enough to openly mention the given lack of knowledge to the members of the project team and ask them for help or an explanation.

1) Tony Edwards & Chris Rees: International Human Resource Management Globalization, National Systems and Multi-national Companies. Pitman Publishing 2006, p. 195



Specially customised hiring practices can help to find the most suitable employee



The right pay?

Suitable parameters are often lacking in determining salary – a comparison of pay scales can help

Quite often, responsible HR staff are surprised when candidates state their salary expectations at interviews and/or reveal their current pay. After such a candidate interview, some typical questions are raised: Is it really possible that Mr. X is so well paid? Or, that company Y actually pays so much less than one's own company? Could we be totally off with our payment levels and payment policy? Maybe this is the reason for our problems in finding and retaining the right people?

It continues to be true: remuneration is an essential element both for winning over employees and retaining them. Even if many other factors like job assignment, area of responsibility, social climate, work-life balance etc. influence employee satisfaction and the desirability as employer, the monetary aspect is a motivation argument that should not be underestimated. This principle, by the way, applies to all business sectors and for all employees: from wage workers to department assistants, from department heads all the way up to executive board members and the supervisory board.

In addition to reflecting the performance elements and acceptance by co-workers, market and industry conformity play a central role for setting remuneration. Companies who fail to monitor this conformity in the market and industry at regular intervals run the danger of falling behind in the "war for talent" and possibly losing employees.



*Alexander Vaupel,
Consultant Neumann-Partners*

Alexander Vaupel is a lawyer who supports the Frankfurt team of Neumann Legal in the direct search for legal specialists. He is furthermore responsible for remuneration consultancy in the legal function sector.

Since companies do not only contend with their direct (market) competitors for customers but also for employees, it is advisable to keep a direct eye on the immediate competitors for determining adequate remuneration levels. As a rule of thumb, an economically successful employer should pay his employees in the range between the median and the upper quarter of the market in order to offer attractive remuneration. This means that the remuneration should fall within the third quarter of the comparison group, so that at least 50% of the other companies will pay less. In rare cases, the top quarter may also be adequate (e.g. for key persons or top performers) but as a rule should be considered excessive. A certain transparency in terms of remuneration in some industry sectors does not replace a systematic market assessment in most cases. Information on remuneration published in trade journals or

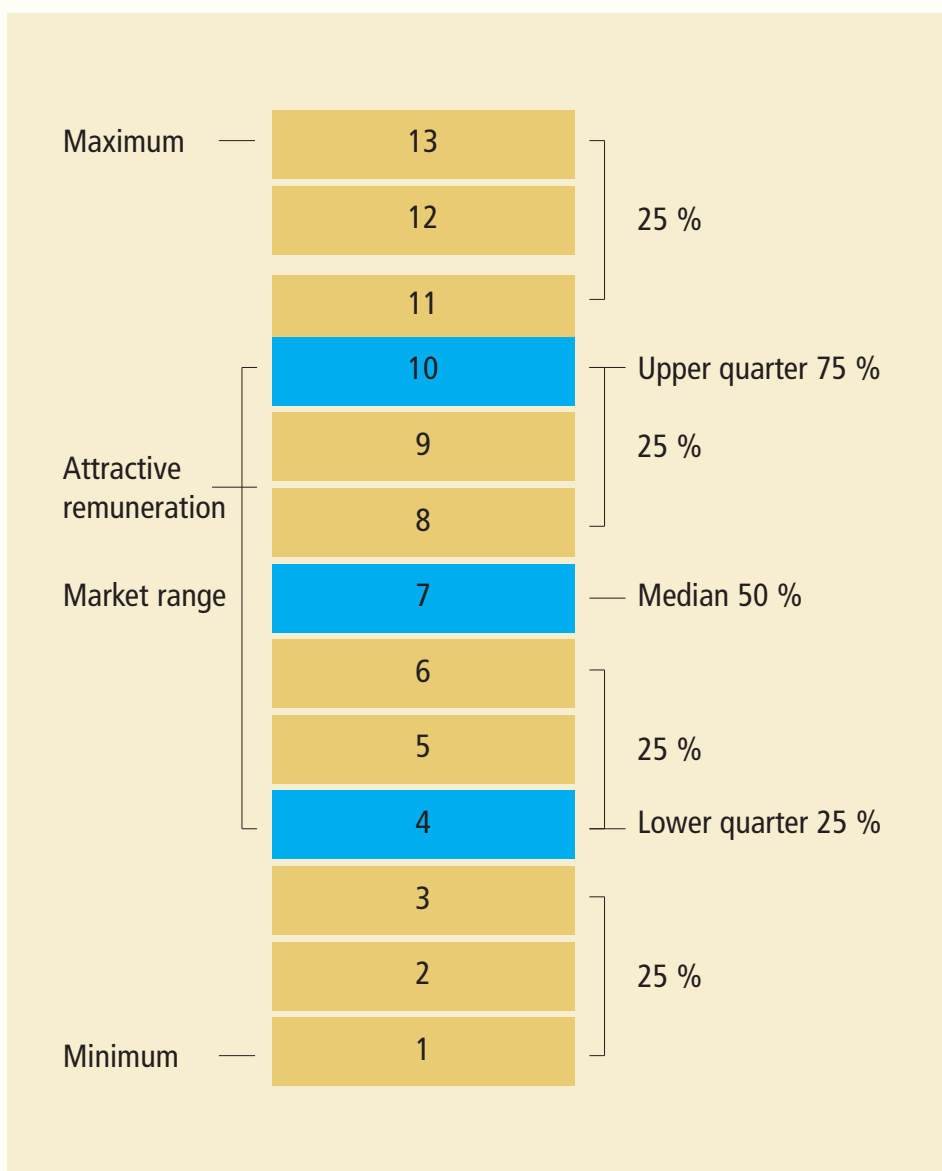


by industry analysts, for example, is often too general and usually will provide only vague clues for salary determination and assessment. Salary comparison still is the best way to find out if the remuneration structure is market-oriented.

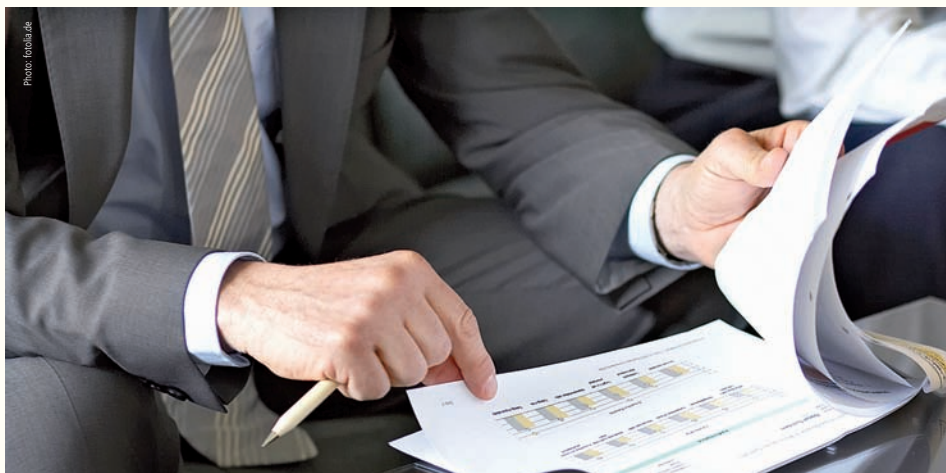
On behalf of the customer company, a precisely defined peer group will be approached and asked to provide their remuneration data with regard to the investigated positions. As an incentive for participation, those companies will be offered a pared-down version of the benchmark results free of charge. The participation rate is often quite low for various reasons (usually around 10-15%). Since a certain database is required for receiving meaningful information, the group of companies to be approached should not be less than a minimum number.

The parameters to be included in selecting the peer group to ensure a level of comparability are industry sector, focus of activity (sales and/or production), number of employees, sales volume and profitability as well as the region where the company has its headquarters. Regarding the position, the required qualifications and the scope of duties must be taken into account, and also if there is personnel responsibility and which position is higher or lower ranking.

Also important to analyse is not only the amount but also the structure of the remuneration and possibly extended benefits in



An attractive employee remuneration lies within the market range between the median and the upper quarter. Pay scales above this amount can generally only be argued for key positions



Information from trade journals only provides initial clues about determining salary levels

order to get a comprehensive overview of the market remuneration policy. An example is an internationally active German business consultancy that successfully counteracted

migration tendencies in their mid-level management, i.e. their senior consultants, by means of minor salary raises and modernising their system of variable payments. The remuneration comparison had shown that competitor companies were offering more attractive packages. Based on a benchmark, a medium-sized mechanical engineering company in Southwest Germany, on the other hand, was able to freeze their comparatively high pay on the department head level for the years to come in order not to continue overtaking the market pay scale. They decided to grant salary raises in performance-related remuneration benefits.

In any case, the remuneration consultant's fee is money well invested. Based on a targeted specialist report from a neutral source, the given company (thus the management and HP) not only gets assistance in determining salary levels and making salary adjustments, but also receives first-class arguments for salary negotiations.

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