

Finders and Keepers

-A study of how to attract, lead, retain and develop employees in Shanghai



The PAUSE Scholarship Foundation
Report by Eva-Karin Anderman

2007

Preface

Spending half a year in Shanghai writing this paper has truly been one of the best experiences in my life. Combined with writing this paper I also studied Chinese, a beautiful but difficult language, at Fudan University in Shanghai. The opportunity to do so was given to me by the PAUSE Foundation – Personnel Management Abroad by University Studies and Experience.

This six months has given me the chance to improve, not only the Chinese skills I brought with me to China, but also, it has provided new insights about my subject as well as a chance to make friends all over the world. I would like to thank the PAUSE Foundation, especially Jörgen Hansson for his help both before and during my stay. A special thanks is also sent to Magnus Johansson, previous PAUSE scholarship holder, for sharing his thoughts and experiences in an inspirational way.

I also want to thank the people I interviewed at the companies. All the meetings gave me many new insights and interesting discussions about being a knowledge company and finding the best way to function in Shanghai and sometimes also in China. All the interviews filled me with energy and inspiration to return to Sweden and continue my work with research and development tasks at Almega. This report will give one perspective about the challenges for knowledge companies in Shanghai, but even more importantly is also to have learned what knowledge we still miss or need to know more about in Sweden.

Also, I would like to thank my employer, Almega, especially Ulf Lindberg and Jonas Milton for supporting me in taking this half year leave.

Last but not least I would like to thank Miriam Gross, for helping me with English corrections, Kristina and Gunnel for valuable input. And Johan for being at the other end of Skype whenever I needed.

*Stockholm
September 1, 2007*

Eva-Karin Anderman

Summary.....	2
Background.....	4
Purpose of the study.....	5
Method.....	5
Theory.....	7
Increasing knowledge content.....	7
Attracting.....	9
Leading and retaining.....	10
Developing and knowledge transfer.....	12
Empirical knowledge and analysis.....	13
Increasing knowledge content.....	13
Attracting.....	15
Leading and retaining.....	23
Developing and knowledge transfer.....	31
Conclusions.....	37
Implications for Human Resource work.....	39
Thoughts about business politics.....	40
References.....	43

Summary

The purpose of this study is to find out how Swedish knowledge companies, operating in Shanghai, attract, lead, keep and develop employees, specifically employees with advanced education.

The report is based on interviews at four multinational companies and two smaller knowledge companies. Among the large companies, two of them are manufacturing companies with increasing knowledge content in their affairs. Four of the companies, would in Sweden, be regarded as service companies.

The theory, empirical data and analysis is presented according to four main topics; the **increasing knowledge content, attracting, leading and retaining** and the last section; **developing and knowledge transfer**.

The interviews make the ongoing change to increasing **knowledge content** in business evident. The companies I met all master the change management necessary to take advantage of this change. When knowledge and solutions create business, the employees need to understand the customers' needs. The employees also need to be accessory in developing new concepts according to these needs. It also stresses the need for structures for transferring and developing knowledge. The capacity to create a solid business culture and core values is crucial. For this to be able to happen, time is a crucial factor. Time, as in the sense of retaining the people you attract.

Attracting competent personal in Shanghai requires grounding and attitudes play a key role. Employer brand is increasingly important. Finding the competent employees sometimes puts companies in the position where they have to lower their aim in finding the right competence, and thus, also requires having an organization being able to form the competence they need.

Leading and retaining high skilled employees requires promoting the possibility of advancing and developing within the firm. It is also important to identify people possessing key competence. Internal culture bearers can play an important role promoting the possibility of advancing within the company.

In **developing and knowledge transfer** it is crucial to have regular assessments, both at the company level and individual level. Companies also need to be able to offer an environment where development and advancement are possible for the employee. The importance of developing methods which combine knowledge about the market with human resource knowledge is crucial and an important part of knowledge transfer. Having time for consolidation is also important.

Modern business politics needs to create policies where knowledge and solution-selling companies are in focus. A modern business politic needs Human resource champions. Internationalisation of knowledge and services creates value, not only in terms of business abroad. It also enhances useful knowledge and experience for an organization as a whole and Sweden as an economy - and this input will increase in the future.

Background

Working with business politics at Almega I get the opportunity to meet knowledge companies and service companies operating in an increasingly international environment. This has led to many questions about what challenges knowledge driven companies needs to take on and how they need to change their work for keeping up with the competition. Selling solutions and services involve direct contact with customers, thus human resources are the key for performance¹. To learn more about the work that is done by Swedish knowledge companies selling their ideas or solutions in China, I applied for the PAUSE scholarship - and happily received it.

China is, among many other things, known as the workshop of the world where production and labour costs are cheap. The competition from China will increase not only with cheap labour costs, but also with an increasing knowledge content and innovation.^{2 3} That China produces a lot of university graduates is a fact. According to Mc Kinsey Global institute, only in 2005, 3.1 million students graduated. But McKinsey Global Institute's research also suggests that less than 10 percent of the Chinese graduates would be suitable for working in a foreign company.⁴ Further, at the 10th National Peoples Congress in March 2006, the importance of innovation was pointed out in the 11th five-year plan. The Premier Wen Jiaobao said "We need more quickly turn China into an innovation-oriented country by comprehensively enhancing our capability to make original innovations, integrate

¹ OECD, Growth in services (2005)

² Att göra affärer med Kina, SNS förlag (2005)

³ Dragon News, no 2 (2007)

⁴ McKinsey global institute, Addressing China's looming talent shortage (2005).

innovations and assimilate advanced foreign technologies and further refine them”⁵.

Purpose of the study

The purpose of this study is to find out how Swedish knowledge companies, operating in Shanghai, attract, lead, keep and develop employees, specifically employees with advanced education.

Method

This paper is trying to explore how the internationalization of services and knowledge leads to different ways of working with Human Resources and leadership. This essay is based both on interviews in service companies, and on interviews with manufacturing companies. There are two reasons for this. First, manufacturing companies, to a greater degree than before, compete with service packages in their offer to customers. Words as knowledge, network and quality give an important added value to their core-products. Second, I want to learn whether service companies and manufacturing companies meet the same challenges in finding, retaining, and developing employees.

This paper is based on interviews with Swedish companies operating in Shanghai. The interviews were carried out from April until August 2007. Before starting the interviews in China I also carried out interviews with CEOs and HR managers for four Swedish service businesses. Those companies are all operating in Sweden but have branches in China or plan to establish business in China. The aim of this study was to find out these companies’

⁵ Dragon News, No. 2 (2007)

thinking on the subject of internationalization of services in general and the challenges this put on the HR departments in particular. The initial survey was carried out in February 2007.

The results from the Shanghai interviews will not be presented one by one, I also choose to omit the names of the companies. The reasons for this are; that this study's main purpose is to find out general patterns, or best practise, among the companies. In addition, assuring confidentiality allowed respondents to be more upfront in their answers.

I met respondents at four multinational companies and two smaller companies. Among the large companies, two of them are manufacturing companies with increasing knowledge content in their affairs. Four of the companies, would in Sweden, be regarded as service companies. These results hold only for those companies I met and cannot be assumed valid for other companies operating in Shanghai or China. The results in this paper are based on interviews and meetings and represent the respondents own thoughts regarding this topic. The analysis is my own and to a high degree based on my experience from working with business politics and internationalization of services at Almega, an employer organisation, organizing 8500 Swedish companies in 60 different service industries.

The coming sections introduce a theoretical body followed by empirical data and my analysis. The theory, empirical data and analysis will be presented according to four main topics; the **increasing knowledge content, attracting, leading and retaining** and the last section; **developing and knowledge transfer**. The

theory, empirical data and the analyze section is followed by conclusions and implications for Human resource work. The last section includes thoughts about business politics in a society where knowledge and solution selling business pay an increasingly important role in the economy.

Theory

Increasing knowledge content

ITPS, (2007) concludes in the report, "Svenskt näringsliv I en globaliserad värld", that the Swedish economy, like the rest of the world economy, has successively become more international from increasing international trade flows and international ownership. This is a result of the liberalisation of trade policies that has been ongoing for the last 50 years. The internationalization leads to specialization in the economy and can bring potential gains for economies like Sweden's. But, for this to happen, it demands that labour-force and companies have the capacity to reconvert. This transformation including creating and developing new knowledge and taking charge of commercial opportunities in growing markets.⁶

Today there is hardly any company that could say that they sell only a product. Services account for a large share of economic activity in most countries and the service content of manufacturing is rising steadily⁷. Products are now sold as solutions or combined with knowledge in to packages customized for every customer. Although this is more a fact today than earlier we still to a high degree regard and measure companies due to

⁶ ITPS, Svenskt näringsliv i en globaliserad värld (2007)

⁷United Nations, World investment report (2004)

their hard assets. In their book “The Experience Economy” Pine & Gilmore try to explore increasing competition and internationalization, realities that will continue making manufacturing companies wrap knowledge and services around their core goods in the future. This to provide fuller and more complete economic offers and solutions according to the customers’ desires. Eventually, many manufacturers will shift away from a goods mentality to become predominantly service providers.⁸

When the knowledge content in companies’ products and services increases, the company needs to work even harder to increase the employees’ engagement and develop methods for capacitating. Thus, methods that create learning and knowledge become critical for the possibility of creating advantage in businesses. Competitors can copy parts of the business product but it is crucial how the company constitutes its complete business.⁹

According to Jörgen Hansson, the author of the book, “Kompetens som konkurrensfördel”, a successful company does more than the competitors in analyzing the need for knowledge, implementation of the competence strategy and conducting a follow-up. And according to Hansson there is a strong link between the business strategy and the competence strategy. There also has to be a balance between the HR strategy and the business strategy if the company is to reach its goals.¹⁰ The link is developed through the business “personnel idea” in which the

⁸ Pine II & Gilmore, The experience economy (1999)

⁹ Hansson, Kompetens som konkurrensfördel (2005)

¹⁰ Hansson, Skapande personalarbete (2001)

company expresses what type of personnel and knowledge they would like to attract. The idea of personnel also describes how knowledge is spread in the organisation.¹¹ Businesses with competence strategies try to create customer value through creating and retaining a competence advantage. The most important instrument, according to Hansson, is not education and training, rather, it is development of work models and the forms for knowledge transfer inside the business.¹²

Attracting

Dave Ulrich, the author of the book “Human Resource Champions”, explains that when knowledge creates competition advantages and solutions rather than products alone, the skill of finding and keeping talent gives businesses a competitive advantage. Organizations and business needs to compete aggressively for the best talent. Successful firms will be those most adept at attracting, developing, and retaining individuals with the skills, perspective and experience sufficient to drive a global business.¹³

To attract employees the business needs to find ways to become a preferred employer. Hansson writes that increasing competition and diversity on the employment market leads to enhanced importance of the business brand as an employer. The employer brand is a part of the company’s overall brand name and an important part of attracting the right employees.¹⁴

¹¹ Hansson, Kompetens som konkurrensfördel (2005)

¹² Hansson, Kompetens som konkurrensfördel (2005)

¹³ Ulrich, Human Resource champions (1997)

¹⁴ Hansson, Kompetens som konkurrensfördel (2005)

To implement the business strategy the company needs to create architectures of the business that focus on building the organization to accomplish the strategy. The strategic intent, according to Ulrich, must include knowledge on what competencies are required to accomplish the strategy, and knowledge about the business capacity for change.¹⁵ Creating this architecture is not only a question for management; it also requires human resource departments that put it in to action.

Leading and retaining

According to Ulrich, the way of building competitiveness where globalization, growth, technology change, intellectual capital and transformation are words of everyday use give rise to another fact. Creating value is no longer exclusively a question of economic issues or equations that lead to a financial outcome. Ulrich means that the softer side of management and organization now is the harder and more demanding part of most executives' jobs. Creating systems that transfer knowledge throughout an organization by creating a mindset among all employees that values new ideas and innovation is crucial for the firms with increasing knowledge sold together with their basic products.¹⁶ The competence strategy can not solely define the knowledge of the own company's employees, it also needs to define knowledge in the surrounding network¹⁷. For solution selling companies this surrounding network is not only subcontractors and/or partners; it also includes the customer.

¹⁵ Ulrich, Human Resource champions (1997)

¹⁶ Ulrich, Human resource champions (1997)

¹⁷ Hansson, Inte bjuden på personalfesten (2006)

Ulrich continues to discuss leadership. He suggests that leadership, in knowledge driven businesses, needs to be team-focused and shared, rather than driven by a single person. Thus, creating organizations in which intellectual capital is constantly updated becomes a significant aspect of HR work.¹⁸ To build organisations that change, learn, move and act faster than their competitors executives need to see their human resource practises as sources of competitive advantage. To create value and deliver results leaders must become human resource champions.¹⁹ Another important aspect of this is for leadership to create the means for employees to voice opinions and feel ownership in the business. This helps maintain a psychological contract between the employee and the firm.²⁰

Following this theme leads to the conclusion made in the book "The Experience Economy". The organisation must be able to develop employees that understand the customer and an organisation that is doing only and exactly what each customer wants, when he wants it. Companies should also charge for the value they add and not the costs they incur²¹ Based on this, customers also become co-producers of the service or solution they purchase.²²

¹⁸ Ulrich, Human Resource champions (1997)

¹⁹ Ulrich, Human Resource champions (1997)

²⁰ Ulrich, Human Resource champions (1997)

²¹ Pine II & Gilmore, The experience economy (1999)

²² Hansson, Inte bjuden på personalfesten (2006)

Developing and knowledge transfer

When intellectual capital becomes the critical source of the firm's value Human Resource professionals, according to Ulrich, should be active and aggressive in developing this capital. The main activities for management of employee' contribution are listening, responding, and finding ways to provide employees with resources that meet their changing demands. Human Resources must become a strategic partner that turns strategy into action through a set of organizational actions and becomes an integral part of the business planning process. Integration of business strategy and HR is crucial in service companies and knowledge companies.²³ According to Hansson, leading, attracting, creating, retaining and identifying the knowledge need are the core features in capacitating.²⁴

Ulrich explains further that in a competitive horizon, mainly dominated by globalization businesses need to combine their global mindset with acting locally. The challenge is to create capability to compete successfully at the global level. Managers and HR professionals who can create organizations that respond faster than their competitors to both predictable and unpredictable changes will be more likely to succeed.²⁵

Important is also the knowledge which is based on experience and transferred among employees and the network surrounding the business. This type of knowledge can not solely be developed by information transferring or education. It also requires a common culture for learning and development of the employees'

²³ Ulrich, Human Resource champions (1997)

²⁴ Hansson, Kompetens som konkurrensfördel (2005)

²⁵ Ulrich, Human Resource champions (1997)

ability to work together and creating trust. This tactical knowledge gives the employees a deeper understanding on how things are run at the specific company or organisation.²⁶

Empirical knowledge and analysis

Increasing knowledge content

As the theory shows it also became evident during my interviews that there is an ongoing transformation, where companies need to find structures and processes that allow the spreading and developing of knowledge. The change from selling products into selling solutions, demands an organisation where this change can happen.

I met two small knowledge based service companies and two big service companies. Both of the big service companies are expanding extremely fast in China, they sell solutions and act globally. The two industries I met have had parts of their production in China since the early nineties but they both have a longer tradition of being in China selling their products. These industries gradually changed from being production companies to become solution-oriented knowledge companies. The majority of the companies have their base in Sweden where concept development and product development occurs. One of the bigger service companies used to have their service development based in the United States but today it is situated in Shanghai. Another of the small knowledge firms is conducting R&D for a Swedish IT company.

²⁶ Hansson, Inte bjuden på personalfesten (2006)

At one of the manufacturing companies, services are considered 40 percent, and the product 60 percent of their concept. Three years ago, the product was considered 100 percent of the concept. Today this company works with concept sales together with the client's customer since their customers often are sub-contractors to other industries. At the other manufacturing company the concept of selling solutions has evolved successively during the last 15 years. In this process the company is starting to charge for the knowledge they sell, before this knowledge was not outspoken and charged to the customer. The most important thing according to this CEO is that the employees understand the customers' need and that they can contribute to developing and selling solutions for them. At one of the big service companies the respondent stressed the fact that no one can copy their knowledge and the concept and their way of creating structures and processes for the solutions they sell.

As the service and knowledge portion of business is increasing, and companies not only create value through products, they also create everyday value and business with their knowledge and their way of organizing this knowledge in sellable concepts and solutions. Those companies also create new ways of spreading their knowledge through involving the customer, or the customer's customer, in creating the concept.

According to ITPS, companies need to possess the capacity to reconvert by creating and developing new knowledge in order to grasp opportunities in emerging markets. The companies I met are all taking advantage of the emerging markets in China and their organisation evidently allows change to happen in an

ongoing process. In service companies, where there is no “product” as a base for the business, the business culture and knowledge base is more evident as the glue holding together the business in the extremely fast expansion and keen competition. Thus, the capacity to create a solid business culture and a core is crucial, and this creation not only requires an organisation for this – this also takes time.

Summary

There is an ongoing change with increasing knowledge content in business and the companies I met all master the change management necessary to take advantage of this change. When knowledge and solutions create business, the employees need to understand the customers’ needs. The employees also need to be accessory in developing new concepts according to these needs. It also stresses the need for structures for transferring and developing knowledge. The capacity to create a solid business culture and core values is crucial. For this to be able to happen, time is also a crucial factor. Time, as in the sense of retaining the people you attract.

Operating in this context puts the forms for attracting the right people in centre. The section below introduces empirical data and analysis about attracting the right knowledge.

Attracting

In attracting competent personal in Shanghai the key points or challenges are that it requires grounding and that attitudes play a key role. Employer brand is increasingly important. Finding the competent employees sometimes puts companies in the position where they have to

lower their aim in finding the right competence, and thus, also requires having an organization that can form the competence they need.

Attracting highly educated employees in Shanghai demands preparation and a clear view of which people the company needs and wants to recruit. The personnel idea of what kind of personnel you want to recruit needs to be clearly laid out, or at least well known by the people responsible for hiring. The personal idea not only contains the level of education but also what kind of attitudes and other experiences are important for the employees to possess.

Smaller companies interviewed in Shanghai, use recommendations from existing employees to find new people. Larger companies, particularly the service companies that grow fast, work close together with universities to find the people they need.

At a service company, with 25 employees, the employees are highly educated with masters' degrees in science or business. The company is small and not well known which complicates recruitment since many with higher education want to work for well-known international businesses. However, they point out that being able to offer working experience from a western company gives them an advantage in the recruitment process. They don't use HR- consultants for recruitments and recommendations from existing employees are important. At another service company with 35 employees in Shanghai they witnessed both, a strong competition for candidates, and a lack of competent candidates in Shanghai. The line of business, in which

they operate, has grown over 50 % in Shanghai the last year. Until recently there has been no formal university education for their need of competence. The employees at this company all have university degrees, but in different fields than the specific competence needed. As a result, a recruitment of a junior employee is regarded as a 2-3 year investment since they all lack formal education. This company prefers not to hire fresh graduates since they lack working experience and are more likely to want to try other work and leave within a shorter time. Senior employees are considered more stable. Both these small service companies mentioned pay increases of 20-30 percent every year.

The third service company will recruit over 1000 people through next year and open 50 new branches during this time. The recruitment for new branches is made with local partners and regional managers are head hunted. The company has close cooperation with well known universities in China and they recruit many new graduates. The company participates in job fairs at well known universities all over the world. They have found themselves having to pay an extra premium when they recruit since their brand and company is not as well known as the international managing firms they compete with.

The fourth company is a big service company. Currently they have 4 branches in China, and the growth is fast. In one year they will recruit 1000 individuals. They work with a program for young professionals including a new campaign at the big universities. In the last round for young professionals they received 10.000 applications and the screening process in this case was of course hard. In this interview the respondent stressed the

importance of finding people with good grades but also with other interest, for example membership in organisations and hobbies. Sometimes, the respondent continued, it also becomes evident that the education a person went through was not chosen by him or herself, which can decrease their interest in the work they find after their studies. "To recruit persons for creative jobs we try to find people with a creative background in different ways". The respondent brings up the fact that finding such people can be hard since the Chinese educational system emphasizes academically skills rather than practical skills.

At one of the manufacturing companies there are 10 engineers and they are planning to hire 5 more before the end of this year. Recommendations are important for finding people. Employees that work at the company today recommend people they know or studied with. Through their employees they have direct contact with universities. "Many engineers want to work for a foreign company" the CEO said. A reason for this, he continued, could be because foreign companies follow their international guidelines and therefore are understood to be more secure employers.

The sixth company is a manufacturing company and the respondent mentioned it being hard to find personnel with the right competence level - but not impossible. "We do not find everyone we need and we need to lower our aim to find the ones we need. In this case we lower the aim concerning experience, not education". "The possibility to form employees is not as big here as it is at home, the tradition here is not the same and the development is not as fast as it is at home." This respondent also said; "The most important thing when we recruit is attitude. It is

not so hard to see what people think and it's easier to change knowledge than attitudes. Therefore this needs to be right from the beginning. Attitude works as an indicator of the person we are looking for". At this company they started a new program for finding the right knowledge. Since this company is multinational they go to Europe to find Chinese people with Chinese master degrees that have been working in Europe for some years. "Those candidates were brought up in China, they know the language but they have been working in an international atmosphere for some years, thus they know the western culture and can bring another perspective" the respondent said. The candidates they find start working in branches in Europe and work there for 2 years but they have a close contact with the Chinese units during this time. The respondent talked about the importance of being aware of how hard it is to retain people, and that awareness about this is crucial to find ways of instill the candidates with loyalty to the firm. "We want to find people that join us for having a long career within the company" the respondent continued.

Finding the knowledge you need is hard, but not impossible and knowing what knowledge you need is crucial. But, finding the people you need, also means being able to lower your aim to find people with the right skills. Lowering your aim brings up the challenge of having an organisation capable of forming the knowledge you need. Therefore, understanding of the architecture, knowledge, and creating training programs are needed to develop the competence needed in an environment like Shanghai.

In all interviews the respondents mentioned the importance of forming knowledge and some of them, not everyone, mentioned this being harder or taking longer time than at home. It is also a fact that the biggest problem is not finding skilled personnel, but retaining it - especially those with key competence. Thus, attracting employees sometimes forces you to settle for personnel with less experience. Retention is crucial, to allowing employees to evolve tactical knowledge. This can not only be done by systems, education, manuals, and processes - this also takes time.

Employees with experience from working at a Western company are very attractive in the labour market, thus retaining them is a crucial part of the personnel strategy. The companies I met do not only compete with other western companies for competent employees; they also compete with Chinese, Japanese and Asian companies. They all talked about the importance of competing with other things than salary and economic incentives. Some companies provide loans for buying furniture or apartments. At one company where they provide this, employees do not have to pay back the initial loan if they stay for three years. Other companies talk about providing health insurances or other benefits to their employees. However, it is also a fact for some of the companies, being a less well known employer in a keenly competitive environment forces them to initially compete with salary, titles, or bonuses to attract people in the first place. It is also likely that the smaller knowledge based companies will find themselves in situations with high salary increases since their size makes it more difficult to have a well known employer brand, or the same career opportunities as the multinational companies. Both of the small, knowledge companies mentioned yearly pay

increases around 20-30 percent. This indicating, that labour-power still is cheap in Shanghai but knowledge is not necessarily cheap. Therefore it is important to know the aim of being in Shanghai. The fact of opening branches in China could of course not solely be about lowering costs. It also includes taking opportunity of the market and learning from the experience being done by working in different international surroundings, and also, make use of the knowledge that can be found here to develop your company.

Though the companies I met all have the advantage of being a Western company the importance of employer brand will surely increase, since Shanghai is developing so fast.²⁷ Being a Western employer, or even a Swedish employer, gives an advantage today, but will this last? Employer brand is crucial when attracting people in an environment like Shanghai, with rapidly expanding and harsh competitive environment. This also raises the link between Human Resource and marketing knowledge. The Human resource work needs to be combined with marketing knowledge, not just for marketing the employer brand. Marketing knowledge also needs to be combined and integrated with Human Resources to create knowledge about the customer. This will form an organisation that more directly can meet the customer's demands. I will return to this issue in the Developing and Knowledge transfer section.

Creating an organisation that can develop knowledge when it is found, lowering aims regarding experience, and being clear about

²⁷ The Swedish Trade Council estimates that the average rate of Swedish companies, solely, that comes to China, to be about five a week. Many of them establishes in the area around Shanghai. (SVD Näringsliv, 5 november 2006)

the attitude of the people you would like to attract is crucial in Shanghai – as it is everywhere. But because Shanghai or China, is developing extremely rapidly, companies must be more clear and aware of what knowledge they want and find this knowledge in a rougher competitive environment than in the Swedish labour market. Being able to grow but retaining quality, needs structure, whether it is overt or not. The companies I met are all mastering this change management, some with explicit structures, some relying on a strong business culture.

Summary

Attracting the right people in Shanghai people demands preparation and a clear view of which people you would like to attract. This preparation also includes articulation of what kind of attitudes you want the employees to have. Recommendations are important for smaller companies in attracting knowledge. For the bigger companies, employer brand is more important when attracting people. The employer brand seems to increase in importance in an environment like Shanghai. Having a poor employer brand can also put you in a situation where you have to pay more for the knowledge you need. This means that companies acting in this environment need to put effort in to creating and promoting their employer brand. Sometimes lowering the aim is necessary to find the skilled personnel needed. Lowering the aim brings up the challenge and awareness of having the organization that can create the knowledge they need. Creating this requires not only an organization for this - this also requires time.

Attracting the right people is followed by an even greater challenge, retaining the knowledge you attracted. The following section introduces the empirical data and analysis for leading and retaining employees in Shanghai.

Leading and retaining

Key points in this section are promoting the possibility of advancing and developing within the firm and the importance of identifying people possessing key competence. Internal culture bearers can promote the possibility of advancing within the company. Competition is strong, and can also be strong among the employees inside the company; this competition needs to be managed. Creating understandings for the company's idea, building trust and competing by becoming a preferred employer is also crucial.

The interviewees emphasized that the softer part of management is crucial in knowledge companies operating in Shanghai. It is important to create incentives for innovation and to promote the potentialities at the company and trying to create an international sphere and a good climate at the workplace. This is done both by having economic incentives for extraordinary work or innovations and by trying to create an atmosphere where the will to express one's thoughts and the capacity to say no is created. Creating such an environment is a constant challenge for the companies I met, and is probably easier said than done

The small R&D business stressed communication, defined processes, structures, and dialogue as important. They also raised the fact of the multicultural environment as a constant challenge and stressed the importance of creating a business culture where

employees have the courage to say no and speak up if something is wrong. The salary spread is wide among employees and this company tries to be open with information regarding all wages in the company. They also try to develop a wage stair to give everyone in the business the possibility to see different career opportunities the company can offer.

The other smaller service company raised the fact of personnel with key knowledge being expensive to keep and to lose. The respondent stressed the importance to give potentialities to increase loyalty to the business for the people with key-competence. This includes paying a lot of attention to key personnel including education but also creating personal relations, for example through inviting them home for dinner etc. This company also mentioned a high turnover rate in the business, expressing this by saying “nobody is afraid of losing their job in our industry”.

At the bigger service companies they stressed the business culture. One of the respondents described their business culture as entrepreneurial. Opportunities for highly competent employees combine the possibility of trying their ideas in the business backed up by close control and review against selling targets. At this company, employees as internal culture bearers are important to demonstrate the possibility of advancing within the company. The work environment and the atmosphere are important. “The people create the situation” as the CEO put it.

It was also mentioned by one of the interviewees that Swedish companies traditionally pay a lot of attention to the employees

and therefore they are regarded as good employers. At the second of the big service companies the respondent said that tasks for highly educated people combines liabilities with free planning of the work, "Working here is free but with a lot of liabilities" according to the respondent. Employees from Learning and Development are represented on the board. Internal culture bearers, who worked their way up, provide important examples of career possibilities in the company. It is crucial to show the employees the possibilities for development and also have locals at management and middle management positions.

Talking about retaining people one respondent brought up that they in two years have dismissed two persons and lost two. The dismissed persons were selling the business products by themselves on the side to the same customers as their employer. "Everyone is their own entrepreneur here", he said. This issue was raised also in some of the other interviews, pointing out that there are a lot of systems and consultants selling knowledge concerning how to protect the business. While it is important to be aware of this, it is also necessary to create trust, and understanding for the company and the business when managing in this context.

Starting January 1, 2008 there is a new labour law in China. The purpose of this law is to improve employee protection and enhance the use off employment contracts.²⁸ Rules or guidelines in the companies need to be approved by the union or worker representatives at the workplace before they are valid. The new law also includes rules regarding probationary employment and

²⁸ Kinaaffärer, October 2006

short time contracts. The new law will influence Human Resource work at all those companies I met. One company uses one-year labour contracts. One month before the contract ends they need to announce whether it will be renewed. This type of contract will probably need to be revised after the implementation of the new labour law.

Many companies stressed that wage is not their most important competitive weapon. "Everyone likes to be seen, we work a lot with that to make the managers understand that", said one of the CEOs. "It can be hard since the culture and the inheritance is completely different." The respondent mentioned working in an environment with a different perspective where centralisation is tradition. He explains that it can be hard to create a feeling of openness at the office since there always is a worry about who will come after the existing manager. If employees are open and say what they think, it can discredit them if a new boss has another way of looking at things like openness. This can, according to the respondent, create a distant atmosphere at the office and it can be hard to get people to say what they think. "The young people might be different; if you do not fit at one company you probably fit at another and can/will change" he concluded.

"Few people leave if they feel they have something to lose" said one interviewee on the subject of the turnover rate being 7-8 %. He points out that the problem is not the general turnover rate; rather it is when persons with key competence leave. At this company there are 130 personnel defined as individuals with key competence. They work in areas such as finance or quality and

are extremely expensive to lose. To keep those persons it is important to create an understanding of the company and to become a preferred employer. This is much more than salary. "We work a lot to create opportunities for personal development, to have the possibility of influence and letting everyone know their development plan" said the CEO. This business also conducts a yearly climate analysis to learn about the employee's perceptions of their working environment. This is also being done by some of the other companies I interviewed.

Another respondent talked about their talent management as crucial; "we can not have positions where we lack potential candidates, but of course we do in some areas" she said. At this company they work with professional communities in different areas and those communities is divided in to different sections such as finance, production, HR and engineering. The community leader needs to address the fact of how people and knowledge are developed, this is being done by mapping the existing knowledge and future knowledge needs.

The employer brand is becoming more important. "Many of our employees are attractive to other employers and we need to compete with other things than the salary" said a respondent at one of the big service companies. Another respondent also stressed letting the employees be aware of their 3-4 years development plans. He mentioned the freshmen employees coming straight from the university to the company becoming important culture bearers demonstrating the possibilities to advance, and thus, decreases job hopping.

Leadership needs to be team based. Trying to create a group feeling and the feeling of belonging is a challenge for the companies I met. But the interviews also demonstrated that companies need to have strong leadership that is able to make decisions outside this group context. "The difference compared to in Sweden is execution. At home it is self-evident that the boss finds out if something is wrong", said one of the respondents "Either someone tells you upfront or you will find out in another way. Here it is not like that, you need to be braver as a boss and you need to have the guts to take decisions on your own. It is important but difficult to make people become leaders." For this to occur, longterm structures and a strong business culture is important. It is also more likely that the young people will leave if they do not fit in one company. Therefore, trying to find people with the right attitudes is crucial for evolving and enhancing the business culture.

Leadership and management in companies acting in Shanghai also need to accept that competition is strong, even inside the company and among employees. There is a culture in Shanghai where people compare themselves with people in their own environment. "The pressure is big here, the market economy handles it" says one of the respondents talking on the subject of social pressure towards advancement. The same respondent also said "There is a big competition here, and it is important for a manager to learn how to manage competition within the company, not hide it." Being a leader in this context brings up the challenges of managing this competition and showing the employees the possibilities to develop and encourage this development.

Another issue that was raised at some of the interviews and that employer has to address in the future is the one child policy. A lot of children, especially boys, have been the only child. The result is that many of those boys could be considered spoiled and are not as driven as the girls. Leading a company and employees successfully requires awareness of this.

The common feeling I received from all the interviews was the feeling of the “people creates the situation” in the ways of describing the knowledge, employees and their business. For service and knowledge companies people are crucial. Saying this can seem self evident but sometimes, when we talk about companies in Sweden, we look at employers from a totally different point of view.

Understanding about the future need of knowledge and creating a system for developing this is critical for Human resource work in knowledge companies. In terms of personnel retention it is not the general turnover rate that is important, but rather turnover rate among people with key competence. Therefore, companies need to be clear which people possess key competence and work extra hard to instill these people with loyalty to the firm.

Many of the respondents highlighted the necessity to have defined structures and processes for the work being done and the importance of promoting development possibilities within the company. One company had an approach where employees could try their ideas in the business, combined with results being closely monitored according to respective employees' goals. One

company mentioned that they are trying to create a type of development stair to show the possibilities for advancement. Other companies' work with manuals and internal educations used in all countries they operate to create this structure. At bigger companies this was also done by enhancing the international climate and pushing for people to get education abroad and attending international conferences or meetings. Some of the respondents also mentioned the importance of having locals at middle management or management level. The importance of internal culture bearers was stressed as very important at a majority of the multinational companies. The internal culture bearer, who worked their way up in the firm, had an important role in inspiring others by showing the possibilities for development.

Summary

To retain the competent personnel you attract it is crucial to promote the possibilities of advancement within the firm. It also seems necessarily to have structures and outspoken ideas regarding advancing. Since the movement in the labour market is much more evident and rapid in Shanghai, than in Sweden, companies need to identify people possessing key competence and work extra hard retaining them. Since the will to advance, and develop is large in the work force, topical for this paper, internal culture bearers can play an important role in promoting the possibility of advancing. It is also important, to have local managers and middle management. Competition is strong, also within the company and this competition needs to be managed. Knowledge about the firms own competence, the future needs for competence and having systems to develop this is crucial.

Retaining competent employees in Shanghai, as everywhere, mean creating an understanding of the company's goals, building trust, and competing by becoming a preferred employer.

In retaining the knowledge and create the knowledge the company needs the structures for developing the employees and systems for knowledge transfer. In the following section you find the empirical data and analysis regarding this topic.

Developing and knowledge transfer

In this section the key points include it being crucial to have regular assessments, both at the company level and individual level. Companies also need to be able to offer an environment where development and advancement are possible for the employee. The importance of, developing methods which combine knowledge about the market with human resource knowledge is crucial and an important part of knowledge transfer. Having time for consolidation is also important.

To create and develop knowledge it is critical to have regular assessments, both at individual level and at company level and to commit to development plans for employees. Knowledge regarding how employees perceive their working environment and development provides guidance in this process. The companies that recognize the importance of culture and attitudes in the organisation are the ones that are likely to be sustainable. Having structures to accomplish this, implemented through manuals, processes, or a strong entrepreneurial business culture with close follow up, are crucial for knowledge companies. It is also important as a signal for employees that the company combines internal knowledge transfer, internal education and on

site training with external development efforts, such as education, courses etc.

The majority of the respondent's emphasized employees were eager to develop their skills and their careers. Employees demand education but were also willing to give their own time and money for education. "The will to develop is extraordinary" as one of the respondents put it. However, this can also lead to employees being impatient. The will to advance quickly is also enhanced by seeing people around them being rapidly promoted. "Sometimes we promote people that are not ready for a new task, they have the technical knowledge and experience but they lack experience in management and leadership." said one of the respondents talking on this issue.

At one of the small firms they stressed communication as the keyword for transferring knowledge. They work with all the employees in quality programs but quality control is done from Stockholm and sometimes views about quality are different and thus become a big challenge. The CEO also mentioned that the mentality at the Shanghai office is that nothing is impossible and there is a big interest in learning. For example, one time when the Swedish technicians said a problem was unsolvable the Chinese technicians came back with a solution. Another service company just moved their service and concept development department to Shanghai. This points out that China is a country where innovation takes place, and will continue to take place. The will to develop and learn was raised by the majority of respondents. This fact puts pressure on organisations operating in Shanghai to offer

environment where it is possible to attract and retain competent personnel.

At the other small company, operating in a new line of industry where no educational programs existed until recently, everyone attends a three month training program introducing the core of the company. This company stressed the importance of showing that the company supplies education for its employees. "It must be a combination of internal effort and external education". It is also important to use partner transfer to Swedish branches and education abroad.

At one of the bigger service companies newly hired employees attend education on the business culture and marketing strategies. HR-people have international networks and the HR people always attend international management meetings. The other company that is hiring 1000 people this year points out that due to fast expansion, knowledge transfer is crucially important,. They conduct one day courses in "understanding the company's idea" for everyone entering the company. They also conduct international courses that cover everything from organisation of the business to what the company should be known for. This company is multinational and they conduct internal international courses for spreading the specific knowledge used in their concept, in some specific areas 20-30 courses are available. They use manuals and have the same concept in all countries in which they operate. They have a specific branch responsible for creating the international systems used in all countries. At this company the respondent emphasized tactical knowledge "It happens that I take certain knowledge for granted" he said further on, pointing

out that tactical knowledge takes time to develop. The majorities of the companies are expanding extremely rapid and I can not help to wonder how the companies manage to retain their core in this rapid expansion. Two of the companies are hiring 1000 individuals within a year, one has grown from 8 to 35 employees in the last three years and one of the firms have 5 engineers working for them and before the end of this year they will be 10. Having time for consolidation and enhancing the business culture and core values must of course be crucial in this situation.

“Adaptation to local demands and needs is crucial” said one of the respondents at a manufacturing company. “Therefore we have regular exchange and internal courses divided in to two parts, components and consumables”, he continued. This respondent described knowledge transfer in two parts. Where part one; at the marketing end includes a regular exchange with Sweden through the company’s own academy alternating among the countries they operate. The second knowledge transfer point is a two week exchange, where the employees can go to the Swedish branch and do the same work as in China. This company only hires new graduates since they regard them as formable. Often their development is extraordinary, according to the respondent.

“It is important to stress the opportunities for development, educational activities, and international projects to inspire and stimulate the employees” said the respondent for the other manufacturing company.

This respondent also stressed the importance of finding and developing people that understands the customer's needs and are able to find solutions for those needs. Knowledge, customer education and service after purchase become important parts of the concept. Other respondents explained how marketing and communication is increasingly consumer related in China. Therefore, one of the respondents stressed, that it is crucial to keep track of what is said in blogs and chat rooms in order to have knowledge about your customer and the customer's awareness and knowledge concerning your brand name. The Chinese market is big, and differentiated; thus, solution-selling companies need knowledge on their specific customers and co-producers.

Another respondent talked about the subject of knowledge transfer between branches and that it includes both sending people to Europe, and also getting Europeans to come to China and provide education. It is also important with on site education since the system is so different. "We need to get the processes working also in this environment" the interviewee continued. This person also explained that "It can be hard for the employees to change from one function to another since they don't want to lose face. Sometimes they would rather change employer than change functions." This fact needs to be managed and integrated in to the work when creating the competence strategy. One interviewee pointed out the importance of sharing knowledge created in China back to Europe through manager training and international projects.

Creating tactical knowledge takes time and is important in selling solutions and that is why it is important not only finding the personnel with the right skill set – but also retaining them. As one of the respondent said, “To keep a person in China for 3-4 years can be considered really good”. Having an environment supporting knowledge transfer and time for consolidation is critical for companies where the business culture, knowledge, and network are the basis of the business rather than a product alone.

One of the industrial companies arranges education and schools for customers and it has become an extremely important component of the business. Earlier the company only worked with their customers and they found them self stuck in a situation where the lowest prices won the contracts. “There is always someone that can be cheaper” said one of the CEOs. In the global knowledge economy, where the customer is the co-producer, Human Resource works not only needs to create structures for finding, retaining and developing the company’s knowledge all together. Human resource work also needs to combine this or add knowledge about the customer and the market. Combining Human resource work with marketing knowledge creating insight and understanding regarding the market need is crucial to enable a sustainable and growing business.

Summary

It is crucial to have regular assessments, both at the company level and individual level. The will to advance is strong and sometimes this can be perceived as impatience. This puts pressure on companies to offer an environment where development and advancement is possible. Combination of internal and external

efforts is important for developing knowledge, where external effort also functions as a signal that the company wants the employees to learn and develop. Developing structures that creates an understanding of the business' goals and culture is important. The Chinese market is big and differentiated, thus developing methods for combining market- and human resource knowledge is crucial. Analyzing the knowledge network surrounding the company also includes understanding about the market and the customers' knowledge. Having an environment and time for consolidation is critical for companies where the business culture, knowledge, and network are the basis for business.

Conclusions

Meeting companies selling solutions and knowledge in Shanghai raises a lot of the same important issues it would at home, but the importance of each key component is more evident in an environment like Shanghai, where expansion and competition is exceptionally rapid. Creating knowledge and selling solutions challenges management to become human resource champions. It also mandates integrating Human Resources in to the overall business strategy.

There are many candidates in numbers, but finding the right knowledge and skills and attracting the right people in Shanghai requires a clear view of whom you would like to attract, not only regarding educational level but also in terms of attitudes. Attracting competent personnel sometimes forces the companies to lowering the aim concerning experience. This in turn, demands

having an organisation that is able to evolve the sorts of skills sets needed. This can be done in different ways. Some companies have structures and manuals for this work and others rely on a strong business culture and close control based on individual goals.

Identifying personnel with key competence, developing it and retaining it bring another challenge to management in companies operating in Shanghai where personnel retention remains the largest challenge.

The time factor is crucial. If you lower your goals when attracting people, it takes time to evolve the knowledge you need. It also takes time to evolve tactical knowledge. This knowledge can not be spread by manuals, education or processes. This knowledge needs time to evolve. Time is also important for consolidation and evolving the company's core when expanding as fast as some of those companies do. The time factor is also important to be able to keep pace with the fast moving market in Shanghai or China, you have to be prepared for finding the knowledge you need.

Employer brand is important and will probably play an increasingly important role later on. Companies need to communicate not only their business brand, but also the employer brand. Thus marketing knowledge and Human Resources need to be connected and integrated. First; to communicate the employer brand and fill it with content of what you are actually offering as an employer. Second, integrating Human Resources and marketing knowledge for analyzing and creating knowledge about customer needs and integrating this in to the company's knowledge network. Since the customer to a high degree is the co-

producer of the solution, knowledge of customer need is important for Human Resources when trying to create structures for attracting, retaining and developing the right people.

Leadership and management need to be able to manage competition not only outside the company but also within the company. Promoting the possibilities for advancement helps retaining key personnel especially within Shanghai, where the culture of comparing oneself to others and the will to develop is strong among employees. In promoting these possibilities internal culture bearers play an important role.

Implications for Human Resource work

- Employer brand is central and its importance will grow in Shanghai and China for attracting people with the right attitudes and knowledge.
- Human Resources need to be turned outwards; this including communicating the employer brand to the labour market, but also learning about the customers needs and demands. Therefore combining HR and the soft side of management with marketing knowledge could lead to success.
- Promoting development possibilities for employees is essential and internal cultural bearers are some of the best representatives demonstrating possibilities for growth and development. The strong will to advance, sometimes shown through impatience, brings up the challenge of providing an environment that not only attracts the right people - but also retains them.

Thoughts about business politics

In my work with business politics at Almega, which organizes the service companies in Sweden, I felt a lack of knowledge among policymakers, organisations, and myself regarding what challenges increasing services and knowledge put on new aspects of business politics. The reality of companies already changing to become solution providers sometimes encounters business policies formed for an industrial environment. Also, working with business politics for the service sector, I often end up in discussions where people suggest that talking about the importance of services implies the decrease of the importance of other industries. Other discussions suggest that internationalization of services does not create value or new jobs in Sweden. Meeting with the companies in Shanghai makes it evident that business politics is not about making policies for industry or services. Modern business politics needs to create policies where knowledge and solution-selling companies are in focus. A modern business politic needs Human resource champions.



Driving through Sweden you often pass this traffic sign with a symbol of a factory. This has up till now been a common picture that explains where work is done and where business creates value and goods ready to ship out to the customers. This paper

has not explored traffic signs, or the production of goods or merchandise. This paper has explored how Swedish companies with business in Shanghai create knowledge and solutions, ready to ship out to their customers.

In Sweden we have had a discussion regarding the gains from the internationalization of services. Sometimes this discussion left me feeling that Sweden has lost the capacity to create new business and companies, and thus, new job opportunities. Instead the discussion stressed the need to hold on to what we have created so far. The majority of the companies I met has their base in Sweden and has expanded into other countries. They create value for Sweden, not only through job creation, since their base is in Sweden, but also and maybe even more importantly, through creating knowledge that is being spread and transferred to and from Sweden. These companies create value every day through their knowledge, selling solutions. These companies' capacities to change and possibilities to grow provide an important value for Swedish industrial life in the future.

Ask a Swede to tell you the names of some international Swedish companies. I guess many of us think of Volvo or SonyEricsson, and in recent years maybe even IKEA can qualify as part of this list. Those companies not only sell cars, cell phones or furniture. They sell them in a special way - they sell solutions and knowledge. Though, it is still easier to picture goods being shipped abroad than the solutions and knowledge they sell. Meeting six companies, with business in Shanghai, make it evident that the list of Swedish international knowledge companies is long; I just met a few of them in Shanghai. Those

companies create value everyday, they create business and they gain knowledge - knowledge that is spread within the company from Sweden - but also the other way around. Those companies create value for Sweden through their internationalisation.

Internationalisation of knowledge and services creates value, not only in terms of business abroad; it also enhances useful knowledge and experience for an organization as a whole and Sweden as an economy - and this input will increase in the future.

To enhance this input, business politics needs to create presumptions and capacity for the working force in Sweden to meet changes and internationalisation. It also brings up the challenge for modern business politics to create structures where more knowledge about the experience of companies, like the ones I met, can be gained. The most evident would be enhancing the forms for research in this area.

References

B Joseph Pine II, J. H Gilmore, (1999) The experience economy;
Boston Massachusetts, Harvard Business School

D. Ulrich, (1997) Human resource champions, Boston Massachusetts,
Harvard Business School

Dragon News, (2007) Svenska Handelskammarens tidning I Kina, nr 2

IIPS, (2007) Svenskt Näringsliv i en globaliserad värld; effekter av
internationaliseringen på produktivitet och sysselsättning

J. Hansson, (2001) Skapande personalarbete, Stockholm, Bokförlaget
Prisma

J. Hansson, (2005) Kompetens som konkurrensfördel, Stockholm,
Nordstedts akademiska förlag

J. Hansson, (2006) Inte bjuden på personalfesten, HR-avdelningens
arbetsfält utvidgas, Sveriges HR-förening

McKinsey global institute, (October 2005) Addressing China's looming
talent shortage

OECD, (2005) Growth in services - Fostering Employment, Productivity
and Innovation

Svenska Dagbladet, (2006) Näringsliv, 5 november

World Investment Report. (2004) The Shift Towards Services, united
Nations New York and Geneva.

Interviews

2007-04-17 small service company

2007-06-03 small service company

2007-06-07 multinational service company

2007-06-09 multinational service company

2007-06-29 multinational industry

2007-07-12, 2007-08-16 multinational industry

The pre study

2007-02-08 interview with CEO for Swedish architectural company

2007-02-09 interview with HR manager for Swedish IT company

2007-02-16 interview with HR manager for Swedish consulting
company in the fields of engineering, environmental and technology

2007-02-07 interview with CEO for Swedish educational company.