EMPLOYEE MOTIVATION IN SMEs

- XXX Culture Group as a case company

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ABSTRACT

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Motivating employees has been many researcher and entrepreneurs' concern for decades. It's essential in order to achieve the company strategic goals. Especially for small and medium sized companies, motivated employees can make company significantly difference. Therefore, motivating and retaining talents are important topics which are cores for business excellence. This Bachelor thesis is a study into the talent management and motivation theories based on the SMEs human resource situation in China.

The aim and purpose of this study were to find out whether employees of the case company are motivated or not, to determine the factors that motivate them at work and investigating on how to develop their potentialities. As case company is a small private culture and media company, currently economy changes very fast, the organizational changes might influence the case company employees' motivation, and that is why I would like to investigate this important topic.

The thesis used both qualitative and quantitative research methods. I used the data collected from the previous questionnaires in my thesis and used the information collected from the telephone interviews to exam the talent management and motivation related study.

The general analysis on current SMEs in China helped leading to the case company HR situation study. It's covered by chapter 4 and 5. To solve the issues existing in the case company, there are four talent management strategies to apply - attracting talents, selecting talents, developing talents and retaining talents. Although all of them are very important in the successful talent management, here I would strongly suggest that case company emphasize more the talent retention in building up effective talent management strategies. In part 6, summary on research findings, the thesis examined part of the previous general questionnaire result which is related to training and developing, and rewards. Based on the research result, I developed a new questionnaire emphasizing in the factors which affect the most employees' motivation for case company, likely to be used at the end of 2014.

This thesis suggested the case company could do more improvement on employee recognition, creating a cordial environment at the workplace, hiring the right person, doing regular performance review and performance appraisals to keep employees stick to the company. Use transparent salary policy to avoid confusions later on. Besides, the company's rules and regulations should be made to benefit the employees not only restricting them.

Key words: SME, Talent Management, Motivation, Develop Potential

CONTENTS

1 Introduction

Background for thesis was three months international work placement in the case company. My role was assistant to the project manager, organizing and planning for the event, supported the project manager in the daily administration works. As a fact, turnover rate is relatively high mainly because high staff mobility. One of the HR pain point issues is how to retain the talents working for them longer at that time, as well as now. As case company is a small private culture and media company, currently economy changes very fast, several years gone already since my work placement, more human resource issues raised up in the case company. According to the telephone interview I had with the project manage from case company, the main HR issues from her point of view were how to identify talents and develop top performers potential and keep them stick to the company. Based on pre-work analysis and the previous employee satisfaction questionnaire, thesis title was decided: What makes employees motivated in SMEs. The process of this thesis writing was a learning process for myself, analysing the current SMEs' human resource situation, finding out the case company related issues, do the theory studies on Talent Management and Motivation Theory, combining the realistic problems, giving out the suggestive opinions to the case company. Target for my study and conclusions should have an effect for the case company, helping them to save more talents and develop better employees' potential.

2 The Operation Basis of the Study

2.1. Background and purpose of the research

This thesis is based on the HRM problems which the SME faces in China nowadays, in consequence raise up the questions - how to keep the employees motivated and retain the talent for those SMEs[1] in China.

This part is confidential.

All the HRM related issues go to either their general manager or each department manager. As a fact, the employees come and go, staff mobility is comparatively high. One of the troublesome HR issues for them is how to retain the talents working for them longer, also work harder. Another issue is that how better do could do to develop employees' potentiality.

To conclude, the final purpose of this report is to investigate the current company human resource related situation in light of talent management and motivation theories. Thus the purpose of the research is to:

    i.   Find out the problems and give suggestive solutions on how to keep employees motivated and retain talents in a SME in China, so that the talents are willing to stay and working for them longer.

    ii.   How to use motivation as a tool to develop talents' potentiality.

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[1] SMEs: Small and medium enterprises (SMEs) or small and medium-sized businesses (SMBs) are companies whose personnel numbers fall below certain limits. The abbreviation "SME" is used in the European Union and by international organizations such as the World Bank, the United Nations and the World Trade Organization (WTO). Small enterprises outnumber large companies by a wide margin and also employ many more people. SMEs are also said to be responsible for driving innovation and competition in many economic sectors.

In July 2011, the European Commission said it would open a consultation on the definition of SMEs in 2012. In Europe, there are three broad parameters which define SMEs: micro-entities are companies with up to 10 employees, Small companies employ up to 50 workers, Medium-sized enterprises have up to 250 employees.

Available at: European Commission (2003-05-06). "Recommendation 2003/361/EC: SME Definition". (Retrieved 28.9.2012)

iii. Base on the analysis, find out a suggestive solution for XXX Culture Group, and wish this research would benefit for the future human resource department as well.

2.2. Research questions

The research question of this thesis is related to talent management and motivation theory. The main research question of this study is:

How to retain the talents for their company and use motivation as a tool to develop talents' potentiality?

2.3. Research methods

The study of this thesis can be considered as both primary and secondary. In the study, there are illustrations about the existing human resource related theories and the analysis based on the questionnaire and telephone interview. The theoretical knowledge presented in the study is based on books and other literature. Also online sources are used. The analysis based on the questionnaire give the evidence to support the research findings. The research's own experiences and observations are also used to back up the knowledge gained from the whole study.

R. Murray Thomas has mentioned in his book "*Qualitative research uses numbers and statistical methods. Quantitative research seeks explanations and predictions that will generalize to other persons and places.*"[2] Because the questionnaire and interview were used for conducting the study of this thesis, so we can say that both quantitative and qualitative research methods were used in the thesis.

2.4. Structure and limitations to the study

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[2] R. Murray Thomas, "*Blending Qualitative and Quantitative Research Methods in Theses and Desertations*" (2003 by Corwin Press, Inc.)

The study of this thesis was conducted by analyzing the general SMEs' HRM related issues, combining with the case company situation, using conducted survey and interviews, then evaluating and proposing the suggestive conclusions.

The theory part is in Chapter 3. Followed that is Chapter 4, the meaning of HRM for Chinese SMEs and the current HRM situation in SMEs China. Introduction of SMEs in China is needed because of different company nature compared to western international companies. The general analysis on current SMEs in China helped leading to the case company HR situation study, which is discussed in Chapter 5. By investigating and illustrating through the talent management investigating and illustrating to advance my understanding on motivation theory. By interview and survey collecting information needed to find out the facts and issues and to improve their workers' motivations and empower them. How to motive employee part can be found from this part too. It is very important for the small companies who want to grow, because finding the right motivation factors for the employees is like finding energy for action. That is what I am doing now, studying the right connection and trigger that flow of energy. And the answer to the main research question can be found in this Chapter as well. In Chapter 6, summary on research findings, the thesis examined motivation theory from the previous questionnaire result which is related to training and developing, and rewards. Finally, based on the research result, I developed a new questionnaire emphasizing in the factors which affect the most employees' motivation for case company, perhaps to be used at the end of 2014. This is located in the Appendix 3.

As the targeted topics are from very wide topics of Human Resource Management, this study was narrowed down to only motivation and talent management. Another limitation is that interview was done by telephone interview due to the geographic reason and the samples are from small group. So some personal opinions might affect the direct result. So the analysis based on that might not be very representative, therefore might affect the conclusion and suggestions. Furthermore, the situation I understood from student point of view may limit the depth of the thesis.

2.5. Reliability and validity of the study

First of all, all the sources I used in the thesis writing are extracted or retrieved from different trustable academy report or articles, university websites and published HRM books. The study on motivation theory of human resource management will exam the case company's current HR situation, combining with the survey result and interviews, the study then therefore, may be considered as reliable. The theories discussed in this thesis like Talent Management process and motivation theories are all very popular theories which are very often used to make people work harder and longer, and to exam employees' motivation and satisfaction. In addition to these, as a Chinese, I may understand deeper about the case company HR situation, this can be an add for the reliability of this thesis.

3   Theories

3.1. Talent management

What is Talent Management?

Talent management is an organization's commitment to recruit, retain, and develop the most talented and superior employees available in the job market.[3]

Talent management is the science of using strategic human resource planning to improve business value and to make it possible for companies and organizations to reach their goals. It is a set of integrated organizational HR processes designed to attract, develop, motivate, and retain productive, engaged employees. Everything done to recruit, retain, develop, reward and make people perform forms a part of talent management as well as strategic workforce planning. A talent-management strategy needs to link to business strategy to make sense. The goal of talent management is to create a high-performance, sustainable organization that meets its strategic and operational goals and objectives.

Figure 1 Talent management[4]

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[3] Available at http://humanresources.about.com/od/successionplanning/g/talent-management.htm
retrieved at 24.04.2004
[4] Available at http://www.sergaygroup.com/Smart-Talk/Talent-Management.html retrieved at 08.05.2014

Entry

What talent you should be sourcing, to ensure a future for the organization. The company's strategic plan should give an indication of the key skills requirement. In general, it includes recruiting, job descriptions, interviewing, new comer orientation, transition.

Retention

Retaining talent is not only depends on what you pay them, but also most of the cases depend on other their needs, this is what an organization should really think about. Company culture, congruity in values between the company and employee, relationships between managers and individuals, all of these play important roles in retaining talent. Besides how a new employees fit the company culture and the actual work matters too.

Development

Development is about growing people to meet their own and the organization's needs. Development plays a large part in talent management. No organization can afford to promise a person a particular job through development. At best, you can offer the promise of making a person more eligible to be part of a pool of talent who would be looked at when positions open up, and then only if the existing skills match the position requirements.

Competencies include knowledge, skills, behavior and attitude. Competency assess would help to know the gaps between the actual and the desired current performance, as well as gaps between current competencies and possible future performance needs. Focus on keeping strengths at the cutting edge. Create opportunities for development through different methods; such as, training, job shadowing, job rotation, involvement in projects, cross-functional exposure, and teamwork. Mentoring can play an important role in developing others, as well as strengthening relationships. This goes a long way to influencing feelings of belonging to an organization. Build in stretch deliverables for high potential individuals to produce, as being challenged by what they do often meets individual's personal needs. Link talent development into

the performance management system.

Performance

Identifying potential is one component of talent management, but actual performance reflects on usable talent. This includes clarifying roles, then the individual performance agreement, feedback, positive reinforcement to make people feel recognized, find out the motivational reward methods.

Pass-on

Identify high performance individuals and use this pool of talent to help transition new employees into the organization. It has also been found that the better the first experiences of a new employee, the more likely the individual is to be retained by the organization and the quicker performance results can be achieved.

Talented individuals can also serve as mentor. It can be seen as recognition or as a reward to do so. Innovations by talented individuals can be introduced into systems, processes, and approaches in the organization in the pursuit of continuous improvement. They should also be recognized for this.

Ultimately, talent management that is based on respect and transparency will go a long way to ensure that you access, select, empower, and retain top talent for your organization.[5]

3.2. Theory of Motivation

Motivation is the reason for the action; that which gives purpose and direction to behavior. Motivation is the driving force that causes the flux from desire to will in life. "*Broadly defined, motivation is the set of forces that cause people to behave in certain*

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[5] Available at:
http://en.wikipedia.org/wiki/Talent_management retrieved at 11.05.2014
http://www.sergaygroup.com/Smart-Talk/Talent-Management.html retrieved at 10.05.2014

ways." [6] In HRM the term refers to person's desire to do the best possible job or exert the maximum effort to perform assigned tasks. One important features of motivation is that it is behavior directed towards goal.[7]

Motivation is important in getting and retaining people. Motivation tools act as the glue that links individuals to organizational goals. In addition, make individuals go beyond the job and be creative. So, it is important to know why some people are motivated to work hard and some are not.

3.2.1 Early Theory of Motivation

Maslow's need-hierarchy theory

Maslow's need-hierarchy theory is the well-known motivation theory. He stated that within every human being exists a hierarchy of five types of needs. Maslow's theory suggests that the most basic level of needs must be met before the individual will strongly desire (or focus motivation upon) the secondary or higher level needs.

Figure 2   Maslow's Need-Hierarchy Theory[8]

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[6] Ebert & Griffin (2007, 245)

[7] Available at :
http://www.zeepedia.com/read.php?motivation_the_motivation_process_motivational_theories_challenges_of_motivating_employees_human_resource_management&b=33&c=31 retrieved at 23.05.2014
[8] Available at: http://communicationtheory.org/maslow%E2%80%99s-hierarchy-of-needs/ retrieved at 15.05.2014

The levels are presented in the form of a triangle or a pyramid with the largest and most fundamental levels of needs at the bottom tier, and the need for self-actualization at the top. According to Maslow physiological, security, social, and esteem needs are deficiency needs or D-needs that arise because of deprivation. The highest-level of the pyramid is called the growth needs or B-needs.

Maslow's Hierarchy of Needs theory can be summarized as follows:

- Human beings have wants and desires which influence their behavior. Only unsatisfied needs influence behavior, satisfied needs do not.
- Needs are arranged in order of importance to human life, from the basic to the complex.
- The person advances to the next level of needs only after the lower level need is at least minimally satisfied.
- The further the progress up the hierarchy, the more individuality, humanness and psychological health a person will show.[9]

The limitations with this theory lie in the fact that different cultures and background and different situation may cause people to have different hierarchies of needs. People may not satisfy one by one through these levels, and may have other needs not mentioned in the list and may be ready to sacrifice some needs. Other researchers claim that other needs are also or even more significant. (See McClelland's theory)

Theory X and Theory Y

Theory X and Theory Y are theories of human motivation created and developed by Douglas McGregor at the MIT Sloan School of Management in the 1960s that have been used in human resource management, organizational behavior, organizational communication and organizational development. They describe two contrasting models of workforce motivation. [10]

Theory X and Theory Y have to do with the perceptions managers hold on their employees, not the way they generally behave. It is attitude not attributes.

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[9] Available at: http://en.wikipedia.org/wiki/Motivation retrieved at 23.05.2014
[10] Douglas McGregor in his book "The Human Side of Enterprise" published in 1960 has examined theories on behavior of individuals at work, and he has formulated two models which he calls Theory X and Theory Y.

Management Style and Effect

Theory X	Theory Y
1. People hate work 2. People have to be forced to work 3. People prefer to be told what to do 4. People are selfish and have no interest in organization	1. People like work 2. People drive themselves and work effectively 3. People will take the initiative given opportunity 4. People will commit themselves to objectives if it is beneficial to them

Macgregor conclude that employee behavior was the result of the style of management

Theory X

Theory X Assumptions[11]

The average human being has in inherent dislike of work and will avoid it if he can.

- Because of their dislike for work, most people must be controlled and threatened before they will work hard enough.
- The average human prefers to be directed, dislike responsibility, in unambiguous, and desires security above everything.
- These assumptions lie behind most organizational principles today, and give rise both to "tough" management with punishments and tight controls, and "soft" management which aims at harmony at work.
- Both these are "wrong" because man needs more than financial rewards at work, he also needs some deeper higher order motivation – the opportunity to fulfill himself.

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[11] Both Theory X and Theory Y assumption are available at:
http://www.accel-team.com/human_relations/hrels_03_mcgregor.html retrieved at 30.05.2014

- Theory X managers do not give their staff this opportunity so that the employees behave in the expected fashion.

In this theory, management assumes employees are inherently lazy and will avoid work if they can and that they inherently dislike work. As a result of this, management believes that workers need to be closely supervised and comprehensive systems of controls developed. A hierarchical structure is needed with narrow span of control at each and every level. According to this theory, employees will show little ambition without an enticing incentive program and will avoid responsibility whenever they can. Usually these managers feel the sole purpose of the employee's interest in the job is money. They will blame the person first in most situations, without questioning whether it may be the system, policy, or lack of training that deserves the blame. A Theory X manager believes that his or her employees do not really want to work, that they would rather avoid responsibility and that it is the manager's job to structure the work and energize the employee.

Theory Y

Theory Y Assumptions[12]

- The expenditure of physical and mental effort in work is as natural as play or rest.
- Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organization.
- If a job is satisfying, then the result will commitment to the organization.
- The average man learns, under proper conditions, not only to accept but to seek responsibility.
- Imagination, creativity, and ingenuity can be used to solve work problems by a large number of employees.
- Under the conditions of modern industrial life, the intellectual potentialities of the average man are only partially utilized.

These assumptions are based on social science research which has been carried out, and demonstrate the potential which is present in man and which organizations should recognize in order to become more effective.

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[12] Same as footnote 11.

McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice in the shop floor in large mass production operations, but it can be used initially in managing of managers and professionals.

In "The Human Side of Enterprise" McGregor shows how Theory Y affects the management of promotions and salaries and the development of effective managers. McGregor also sees Theory Y as conducive to participative problem solving.[13]

In this theory, management assumes employees may be ambitious and *self-motivated* and exercise *self-control*. It is believed that employees enjoy their mental and physical work duties. According to them work is as natural as play. They possess the ability for creative problem solving, but their talents are underused in most organizations. Given the proper conditions, Theory Y managers believe that employees will learn to seek out and accept responsibility and to exercise self-control and self-direction in accomplishing objectives to which they are committed. A Theory Y manager believes that, given the right conditions, most people will want to do well at work. They believe that the satisfaction of doing a good job is a strong motivation. Many people interpret Theory Y as a positive set of beliefs about workers. A close reading of The Human Side of Enterprise reveals that McGregor simply argues for managers to be opened to a more positive view of workers and the possibilities that this creates. He thinks that Theory Y managers are more likely than Theory X managers to develop the climate of trust with employees that is required for employee development. It's employee development that is a crucial aspect of any organization. This would include managers communicating openly with subordinates, minimizing the difference between superior-subordinate relationships, creating a comfortable environment in which subordinates can develop and use their abilities. This environment would include sharing of decision making so that subordinates have a say in decisions that influence them.

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[13] Douglas McGregor is one of the most influential management thinkers of all time. His Theory Y approach is at the core of virtually all of today's leading management and workplace models. He was a founding faculty member of MIT's Sloan School of Management and served as president of Antioch College.

Herzberg's two- factor theory

Herzberg's Motivation-Hygiene theory also called the two-factor theory and dual-factor theory. It states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause dissatisfaction. It was developed by psychologist Frederick Herzberg, who theorized that job satisfaction and job dissatisfaction act independently of each other. Herzberg studied his theory by asking employees what they want from their job. He asked employees to explain in detail moments at work when they felt good or bad. Herzberg made a list of those moment and the factors behind them.[14]

Factors affecting job attitudes:

Leading to dissatisfaction:	Leading to Satisfaction:
• Company policy • Supervision • Relationship with boss • Work conditions • Salary • Relationship with peers	• Achievement • Recognition • Work itself • Responsibility • Advancement • Growth

Two-factor theory fundamentals: Attitudes and their connection with industrial mental health are related to Abraham Maslow's theory of motivation. His findings have had a considerable theoretical, as well as a practical, influence on attitudes toward administration. According to Herzberg, individuals are not content with the satisfaction of lower-order needs at work; for example, those needs associated with minimum salary levels or safe and pleasant working conditions. Rather, individuals look for the gratification of higher-level psychological needs having to do with achievement, recognition, responsibility, advancement, and the nature of the work itself. This appears to parallel Maslow's theory of a need hierarchy. However, Herzberg added a new dimension to this theory by proposing a two-factor model of motivation, based on the notion that the presence of one set of job characteristics or incentives leads to worker *satisfaction* at work, while

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[14] Robbins, Stephen P., DeCenzo, David A., Moon, Henry. 2008. *Fundamentals of management: essential concepts and applications.* 6th edition. New Jersey: Pearson Prentice Hall, P269

another and separate set of job characteristics leads to *dissatisfaction* at work. Thus, satisfaction and dissatisfaction are not on a continuum with one increasing as the other diminishes, but are independent phenomena. This theory suggests that to improve job attitudes and productivity, administrators must recognize and attend to both sets of characteristics and not assume that an increase in satisfaction leads to decrease in unpleasable dissatisfaction.[15]

McClelland's Theory of Needs

Need theory, created by psychologist David McClelland, is a motivational model that attempts to explain how the needs for achievement, power, and affiliation affect the actions of people from a managerial context. This model was developed in the 1960s soon after Maslow's hierarchy of needs in the 1940s. McClelland stated that we all have these three types of motivation regardless of age, sex, race, or culture. The type of motivation that each individual is driven by is changed by life experiences and the opinions of their culture. This need theory is often taught in classes concerning management or organizational behavior.

- *"Need for achievement* - The drive to excel, to achieve in relation to a set of standards, and to strive to succeed. Want responsibility, feedback and some degree of risk
- *Need for power* - The need to make others behave in a way they would not have behaved otherwise
- *Need for affiliation* - The desire for friendly and close interpersonal relationships"[16]

McGregor and Maslow's hierarchy

Theory X and Theory Y relate to Maslow's hierarchy of needs in how human behavior and motivation are main priorities in the workplace in order to maximize output. In rela-

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[15] Available at: http://en.wikipedia.org/wiki/Two-factor_theory, retrieved at 30.05.2014
[16] Available at: http://people.dsv.su.se/~hk/z/raja/8competitiveMotivation/motivation.htm retrieved at 01.06.2014

tion to Theory Y, the organization is trying to create the most symbiotic relationship between the managers and workers, which relates to Maslow's needs for self-actualization and Esteem. For self-actualization, the manager promotes the optimum workplace through morality, creativity, spontaneity, problem solving, lack (or minimization) of the effects of prejudice, and acceptance of facts. We must accept that prejudice exists in others, even as we try to minimize it in ourselves. These issues relate to esteem when the manager is trying to promote each team member's self-esteem, confidence, achievement, happiness, respect of others, and respect by others.

3.2.2 Contemporary Theory of Motivation

Vroom's expectancy theory

Vroom's theory is based on the belief that employee effort will lead to performance and performance will lead to rewards (Vroom, 1964). Rewards may be either positive or negative. The more positive the reward the more likely the employee will be highly motivated. Conversely, the more negative the reward the less likely the employee will be motivated. [17]

This theory emphasizes the needs for organizations to relate rewards directly to performance and to ensure that the rewards provided are those rewards deserved and wanted by the recipients.

Victor H. Vroom (1964) defines motivation as a process governing choices among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results. Motivation is a product of the individual's expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result, and the desirability of this result for the individual, known as *valence.* Valence: the value an individual places on the rewards of an outcome, which is based on their needs, goals,

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[17] June 1998 // Volume 36 // Number 3 // Research in Brief // 3RIB3, available at: http://www.joe.org/joe/1998june/rb3.php, retrieved at 13.05.2014

values and Sources of Motivation. Influential factors include one's values, needs, goals, preferences and sources that strengthen their motivation for a particular outcome[18].

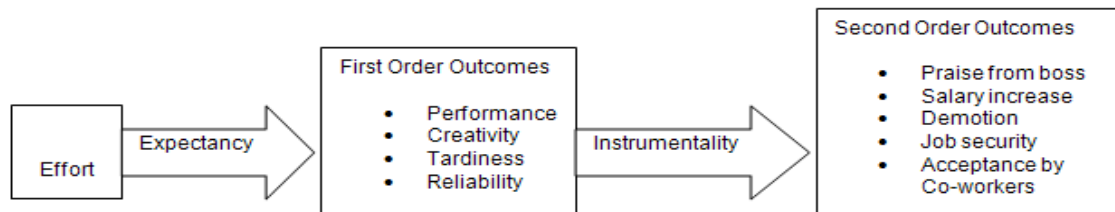In the workplace, one could view the order like the following:

Figure 3   Expectancy Theory at Workplace[19]

According to Vroom's theory when designating duties or setting goals for employees' manager has to know each of the employees' skills. If an employee is assigned to a job he has no skills to complete, manager is setting that employee up for a failure. [20]

Lindner's Theory of Motivation

"James Lindner[21] conducted a research in 1998 at Piketon Research and Extension Centre and Enterprise Centre at the Ohio State University and came up a wider clarification of the motivational factors theories. According to Lindner (1998), employee motivation is driven by interesting work rather than the financial compensation. For instance when employees' income increases, money becomes less of a motivator for them and they start looking for something else. Lindner ranks the factors of motivation (from most motivating to least motivating) as followings:

- o   interesting work
- o   good wages,
- o   full appreciation of work done
- o   job security
- o   good working conditions

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[18]   Available at: Maslow—Move Aside! A Heuristical Motivation Model for Leaders in Career and Technical Education Pg. 10 – 11 http://scholar.lib.vt.edu/ejournals/JITE/v44n2/pdf/kroth.pdf

[19]   Available   at: https://wikispaces.psu.edu/display/PSYCH484/4.+Expectancy+Theory   retrieved   at 30.05.2014

[20] Retrieved from *MTD Training 2010*, P13-15 at 30.05.2014

[21] Available at: http://www.joe.org/joe/1998june/rb3.php retrieved at 13.05.2014

- o promotion and growth in the organization
- o feeling of being on things
- o personal loyalty to employees
- o tactful discipline
- o sympathetic help with personal problems "[22]

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[22] Available at http://www.bpir.com/employee-motivation/menu-id-71/research-data.html retrieved at 13,05,2014

4 General HR issues in SME China

4.1. The meaning of HRM for Chinese SME

MEANING OF HUMAN RESOURCES MANAGEMENT

"Different terms are used to denote human resource management. They are: labour management, labour administration, labour-management relations, employee-employer relations, industrial relations, personnel administration, personnel management, human capital management, human asset management, human resources management and the like. Though these terms can be differentiated widely, the basic nature of distinction lies in the scope or coverage and evolutionary stage. In simple sense, human resources management means employing people, developing their resources, utilizing, maintaining and compensating their services in tune with the job and organizational requirements."[23]

Human resource management (HRM) can be defined as managing (planning, organizing, directing and controlling) the function of employing, developing of human relations with a view to contribute proportionately to the organizational, individual and social goals.

Business consultants note that modern human resource management is guided by several overriding principles. Perhaps the paramount principle is a simple recognition that human resources are the most important assets of an organization; a business cannot be successful without effectively managing this resource. Another important principle, articulated by *Michael Armstrong* in his book *A Handbook of Human Resource Management*, is that business success "is most likely to be achieved if the personnel policies and procedures of the enterprise are closely linked with, and make a major contribution to, the achievement of corporate objectives and strategic plans." [24] The third guiding principle, similar in scope, holds that it is HR's responsibility to find, secure, guide, and develop employees whose talents and desires are compatible with the operating needs and future goals of the company. Other HRM factors that shape corporate culture—

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[23] Available at http://www.citeman.com/69-meaning-of-human-resource-management.html (read at 08.07.2010, retrieved at 21.01.2014)

[24] Available at http://www.academia.edu/1418840/ARMSTRONGS_HANDBOOK_OF_HUMAN_RESOURCE_MANAGEMENT_PRACTICE (retrieved at 24.01.2014)

whether by encouraging integration and cooperation across the company, instituting quantitative performance measurements, or taking some other action - are also commonly cited as key components in business success. HRM, summarized Armstrong, "is a strategic approach to the acquisition, motivation, development and management of the organization's human resources. It is devoted to shaping an appropriate corporate culture, and introducing programs which reflect and support the core values of the enterprise and ensure its success."[25]

Thus human resource management has great significance for the rapidly developing Chinese SMEs too, many HRM issues become the obstacles to the further development. In fact, human factor is becoming the key factor to achieve the strategic business objectives, and human resource management is playing a core role in the enterprise management. Thus strengthening human resource management is a necessary step in long term development.

The importance on HRM for SMEs in China basically shows in the following three aspects:

- ***The key to surviving and developing for a company***

If a SME wants to achieve the targeted goal through the business activities, they must utilize various resources. These resources generally can be classified into five categories; they are people, property, goods, information and time. They are an indispensable source of social wealth, also a basis for the enterprise survival. But they have different roles and functions, the utilization of property, goods and information rely on the combination with human resource. In the era of modern economy, human resource has become a strongest support for an enterprise. It has special features which are not available in other resources. The utilization of combinations of other resources relies on promotion of human resources, so as the efficiency of work depend on the human resource relocations. So there is no talk about other resources in an enterprise without dynamic role of people. Enterprise as a key body of resource allocation, need to take a series of

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[25] Armstrong, Michael. *A Handbook of Human Resource Management Practice*. Kogan Page Limited, 1999. Available at : http://www.answers.com/topic/human-resource-management#ixzz2rLaVjml5 , retrieved at 24.02.2014

effective measures to integrate various resource, to achieve maximum efficiency, and to enable continues development. Among all of these, human resource is the most important.

- *Enable enterprises to obtain and maintain a competitive advantage*

Scientific and effective human resource management will enable China's small and medium enterprises obtain and maintain competitive advantage. Michael Porter[26] identified two basic types of competitive advantage: cost advantage, and differentiation advantage. Companies must obtain and maintain their competitive advantage. These two advantages are realized by human resources management.

First of all, human resources management is the controlling factor to obtain and maintain a cost advantage. A good human resource planning could control the quality and quantity human resource in a reasonable range, thus saving labour cost; a suitable targeted employing to make employee appropriate allocation. So that not only reduce the cost of human resources, but also reduce the cost of training expenditures. Then performance appraisal and reward system can stimulate the potential ability of workers, they will look for more effective working methods, more cost saving. Explicit future career planning and excellent company culture can make workers feel strong connections and sense of belongings. All of these together can lower down the management cost, then of course naturally these will lead the enterprise has the cost advantage in the competitive market.

Secondly, human resources management is a determining factor in obtaining and maintaining product differentiation advantages. It mainly shows better product quality and services than the competitors, and provides innovated products and service. Clearly, the effective human resources management can form a positive, united and cooperative team, with the innovation of high quality staff, can access and keep product differentiation advantages, thus lead in the business market.

- *Complete and strengthen the business management*

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[26] Available at http://www.quickmba.com/strategy/competitive-advantage/ retrieved at 24.01.2014

The most effective and direct way of enhancing the business competitiveness is to strengthen the business management. As social economy developing, business management is developing constantly as well. It went through several historical stages, we realized more and more clearly that personnel management is the core of the modern business management. Therefore, appropriate human resource management, including choosing people, utilizing resources, training, intensifying , organizing and cooperating and so on, forming a good operational structure, can complete and strengthen business management, thereby enhancing the business competitiveness.

4.2. The major HRM issues in Chinese SMEs [27]

In recent years, China's private economy has developed rapidly, number of private enterprises has been increasing and the scales have been expanding. The private economy in China's economy plays an important role. After the initial development period, private enterprises have begun to focus on the introducing a modern enterprise system, and began the "second venture"[28] Accordingly, the management issues of private enterprises are becoming the concern. At present, private enterprises are still in the development process, and there are many problems, especially there are some outstanding problems in human resource management models and approaches, caused by its specific development context and form of ownership. Many of the common problems have become obstacle limiting the private enterprises' further development. So a careful analysis of these issues, exploring an innovative and effective path for private enterprise human resources management, would directly influence and determine the SMEs' future.

In the market economy, although SMEs in China has a lots of advantages such as flexible financial management and market response, but also there are disadvantages in inefficient result and management delays, in particularly human resources management problem has been the bottleneck restricting the company's development and growth. The main problems which need to be solved are:

- Lack of overall human resources planning

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[27] This part of the content are extracted and summed up from the essays from writer Mr. Chen Dong, published at www.zclw.net 2009, available at: http://www.zclw.net/article/sort015/sort017/info-74843_2.html retrieved at 08.07.2010
[28] Available at http://baike.soso.com/v408390.htm retrieved at 15.02.2014

Many SMEs often pay more attention to short-term economic benefits and the neglect long-term development strategy for enterprise in this increasingly complex and rapidly changing economic situation. The direct impact to the companies is lack of overall human resources planning. The main reason cause this problem is:

①The managers of enterprises lack a comprehensive understanding of the overall plan. The overall human resources planning is the overall objectives and general policy of the development and utilization of human resources, the overall implementation steps and the total budget arrangements within the plan period. Enterprise managers often overlook the important human resource planning level, but will focus primarily on specific business plan, this way, the human resources planning and global nature of the pilot will not be realized.

②HRM lack a scientific and systematic technical means and excellent management personnel. This will not lead the SMEs to have the overall human resources planning. Therefore, our human resource management of SMEs usually only passively meet the HR needs from businesses, but not forecast practically in advance for the future human resources needs in a period time according to the overall development strategy and business. Thus it is difficult to provide timely efficient service for the development of enterprises. At the early stages of enterprise development or at the relatively stable development stage, the threaten from the missing of overall human resources planning is still in the latent state, once the enterprises enter the rapid developing stage or encounter some unexpected situation, the risk and harmfulness will show up. So enterprises can only make a simple deal in facing of the various human resources issues or problems arising from lack of HRM coordination, this is sometimes fatal to a SME.

- Training and development mistakes

The not so high overall quality of HRM is a common problem of SMEs in China. For instance education, 10.46% employees has college education in large enterprise while in the small business 2.96% only, so only 28% of the former. Although we should not judge only on this status, but at least this can be one reflection of current situation of human resources of SMEs in China. To pursue further development, SMEs have to improve the overall quality of human resources. But in current SME development situation, large-scale introduction of high-quality talent is not practical, the best way to re-

solve this contradiction is on existing staff training and development, improve the quality of personnel, to explore in-house talent.

Managers of SMEs still have misunderstanding in human resources training and developing, some of which are universal:

① Concept

The managers have not realized that how important role training and development are playing to improve company overall power and strengthen stable developing of the enterprises.

② Investment

Due to training and developing could not bring very significant economic benefits to the enterprise in a short period, many companies are reluctant to invest. In other countries, SMEs spending usually spend 7% of corporate profits in HR developing and training, well in China this number is less than 1%.

③ Communication

Mobilization not done well before the training, staff are not aware of the value and significance of personal development, they are not willing to involve in the training with enthusiasm.

④ Implementation

Neglect needs of training analysis and training planning, training and developing just to stay on the surface. Without a clear planning and purpose, training courses chosen from the wide range of training courses available on the market, will not bring employees and the company real help.

⑤ Management

Training system is imperfect. Training hardly could achieve the desired effect, because HRM did not take appropriate supervision, assessment and other practices in the process of staff training.

- Talents mobility is too fast.

Talents mobility is becoming a common social phenomenon in the current society.
In addition to the people's values changing, there is another objective reason, that is the contradictions in China's current manpower shortage and the huge talents needs in fast economic development, talent structure and economic developing need rational people's

allocation contradict each other. There is no doubt that this trend of people's mobility is conducive to social development. But the frequent talents mobility for specific organizations has brought more negative impacts:

① Not conducive to the enterprises stable development

Whether a company is able to develop stably, the key is whether that enterprise has long term and competitive core human resources. Yet the frequent changing of human resources could not ensure the improvement of the core groups' expansion and quality. It is clearly not conducive to their core human resources training and it would bring the hidden dangers to the business stability.

②Human resource deficit[29]

In China' SMEs, the persons who quit on his own will often are very experienced technical persons or managers, or at least very skilful and capable in their own jobs. The loss of these personnel makes the human capital lost in vain too. The business loss made by core personnel's loss is immeasurable. The new comers are usually inexperience, do not know so much about the enterprise yet, it take some time to become familiar, integrated. Enterprises invest money constantly in recruiting and training, resulting in continued loss of business costs.

③ Destruction of the enterprise team

Successful organizations could not be without a successful team building and team spirit, but the team can take a long time training gradually. A long collaboration between employees could form understanding and the unity for common objectives. All of these will be broken by the frequent personnel changing, and will lose the possibility of team building and team spirit.

4.2.1 Issues in recruiting

Incorrect view and attitude

Many business owners see the talent as a simple equivalent to the other tangible factors of production such as capital and land, they simplify the recruiting and hiring work. In

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[29] Definition of deficit: The amount by which expenses exceed income or costs outstrip revenues. Deficit essentially refers to the difference between cash inflows and outflows. It is generally prefixed by another term to refer to a specific situation - trade deficit or budget deficit, for example. Deficit is the opposite of "surplus" and is synonymous with shortfall or loss.
Available at: http://www.investopedia.com/terms/d/deficit.asp retrieved at 10.03.2014

their view, plenty of talent in the market, as long as they offer enough, they can find and get whatever people they want.

1. *The recruiting process not perfect.*

It shows "borrowlism"[30], means that there is no thorough planning before go to the recruiting market. Normally they just fill in the position what they temporarily need, hire them from the HR market hastily. The result is often they have to repeat same recruiting again and again, time consuming and no expected result. The recruiting process is not so standardized, very simple, mostly use traditional interview method, written tests and psychological tests and others methods are rarely used to examine a candidate's comprehensive all-round qualities and abilities.

2. *"High consumption" in recruiting*

Many enterprises pursue "only academic theory". Regardless the actual need, non-analytical work need, and not pay attention to the division responsibilities, not caring the hiring cost; only pursue the requirement of the highly educated and professional titles, ignore their real capabilities. Such high consumption and ahead consumption in using people will inevitably lead to the waste of human resource, and even human resource conflicts. The result is that the hired people do not play expected role in the company and what really needed people are still not selected.

4.2.2 Issues in utilizing human resource

The overall human resource management concept is very weak, and managers have one sided understanding on HR management. Many enterprise managers still consider the "human" as a "cost" rather than "capital" or "resources", using personnel as pure "commodity". They think that who, how and how many people they use and how to manage these people is their own business, because they own their enterprises. Also right person to stay, inappropriate ones maybe changed, lack of respect for talent. Some compa-

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[30] In Chinese we say "拿来主义-na lai zhu yi ", it is a kind of grabbism or copyism, it's an opinion regarding foreign culture in consist firstly, and then be used after analyzing. http://zh.wikipedia.org/zh/%E6%8B%BF%E6%9D%A5%E4%B8%BB%E4%B9%89 read at 30.03.2014

nies think that "everyone knows managing people, as long as pay more money"; they thought that Human Resource Management is nothing more than to set up a department, raised a few idlers, install set of software. It is always "spending money", could not create any visible benefit, so it does not matter to strengthen it or not, the HRM is not at the right position. Some enterprises simply do not have a human resources management department, also not equipped with human resources management personnel. Recruiting people, employment and other human resources management is the owner who has the final say. While some set up human resource management department, but still the functions of the HR department stay in the filling, staff deployment, wages, labour insurance, welfare and other routine administrative matters. They almost don not participate in any enterprise decision making, only do the passive and static management work as an executive's arm.

Secondly, the management of people still stuck in the traditional personnel management. Most of the private enterprise human resource management is basically still in the traditional personnel management stage, too much emphasis on developing the organization's management system and management processes, emphasizing on "controlling" and "obedience" to adapt to people and things; personnel management is a "portfolio" type of management, rather than a living resource to be developed and utilized; did not inspire the passion to enhance people's capabilities as an important objective of human resource development. Such a management model, although it may be to achieve "get the work done", but employees failed to maximize and release their potentials. Accordingly, in the conditions of "two-way choice" market economy, talent drain[31] has become a common problem to these enterprises.

Thirdly, performance appraisal and evaluation system is not perfect. Many private enterprises do not have standardized performance assessment and evaluation system, staff evaluation is entirely on the manager's subjective intent. Some have performance appraisal, but the evaluation results are always linked with wages, promotion, rewards and punishments. Often the boss hand on who will get salary rise and who will get promotion, this will demotivate employees.

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[31] Brain drain is the situation in which large numbers of educated and very skilled people leave their own country to live and work in another one where pay and conditions are better.
Available at http://dictionary.cambridge.org/dictionary/british/brain-drain, retrieved at 30.3.2014

Fourthly, the shadow or influence from family type management. Many enterprise managers are often wary of the introduction of talent. Because of this defensive thinking, the talent are not given the right status and respects, in particular, many high-tech personnel and management personnel in private enterprises do not get relevant power from their position. Some business operators are worried that profit will flow to outsider, so they rather choose relatives or friends than talent outsiders. Especially in core departments like finance and personnel, is full of their family staff. This kind of family members cooperation makes their behaviour and responsibility lack of rigid stipulation, difficult to ensure the quality of human resources, also result in the condition of great disorder of the management. Moreover, non-family member feel depressed in this kind of atmosphere, in particular, some excellent staff feel that there is no suitable space for their own development and lack a sense of belonging[32] at work.

4.2.3 Issues in retaining talents

In the modern market economy conditions, the relative stability of corporate personnel is necessary, otherwise is not conducive to continuation of the work and career development. At present, private enterprises become having more serious brain drain problem, fast staff turnover, personnel stability is difficult. A survey shows that the high-level management and scientific and technical personnel in private enterprises generally have a very short working period, with an average of only 2 ~ 3 years. In private enterprises, uncertainty or confusion in the internal management, difficulties to achieve employee career plan, work pressure, job insecurity, some of enterprises salary structure unreasonable, excessive work standards cause higher level employees quit. Some private entrepreneurs believe that the labour market door is open, so enterprises can hire at any time the needed employees. So they do not care about the high employees' wastage

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[32] Anne dranisaris, a PhD clinical psychologist, wrote in her article: "People need to feel a sense of belonging in order to find meaning in their work and to engage the power of their emotions. The more employees discover links between personal ideals, a meaningful organizational mission or intention, and larger social values, the greater their commitment to their goals. They need to be able to connect their own identify to the organizations intrinsic identity in order to feel a part of the collective. This provides them with a mechanism for the expression of caring about the organization they belong to. "

Available at :
http://www.theleadershiphub.com/blogs/importance-creating-sense-belonging-organizations
Retrieved at 30.3.2014

rate. The loss of these people, took away not only the business, technical secrets, but also take away the customer and other resources, which will lead enterprises suffer direct economic losses and increased replacement cost of the human resource, thus affect the continuity and quality of work, the job stability of employees and the entire atmosphere at work. If this is not controlled on time, it finally will affect the potential for sustainable development and competitiveness.

First, companies' incentive plan is not in place. Many private enterprises have recognized the importance of talent, they use higher wages or other material incentives to attract and retain qualified personnel, to develop a series of remuneration system. But because of lack of scientific and rational evaluation, assessment system and the related measures, these pay systems are often a mere formality, would not achieve proper expected stimulate effects. There are also a number of business owner a one-sided think "high wages will be able to attract and retain talent," only trusting their own experience rather than a scientific analysis to develop their pay system. Plus incentives are very simple, only by increasing employee's compensation to motivate enthusiasm. Not so much people-oriented and use scientific tools to analyse the real needs from the staff. Lack of different incentive plan for each employee, lack of employee recognition, promotion and other spiritually inspiration, so the stall could not be truly motivated. Many employees of private enterprises, except salaries, it is difficult to entitle even such as endowment insurance, medical insurance, unemployment insurance, housing subsidies and other benefits. All of these will accelerate the brain drain.

Secondly, neglect of staff training. Finding talent, the use of qualified personnel as well as the team stability could not do without systematic, long-term training. For companies want to be innovative and develop, need to give employees life-long training and education to ensure that the requisite constantly updated human resources business development skills. At present, a number of private enterprises show the phenomenon of "cannot afford" in the training of personnel. Concerning of training cost and doubts of employees' loyalty, they often only pay attention to the importing talent, not training of talents. Many companies failed to produce a practical and a long-term staff training programs, lost balance in human resource management. Many enterprises take human resources as a cost, since it is cost, it will be focused on how to save costs when managing it. Moreover, the high cost of personnel training, investment in people at greater risk, while the high-tech high-cost trained personnel are more likely drain away. So in practice, operators use people only, do not train people, there is no systematic and continu-

ous training system to match the enterprise development strategy, and even worried that his own money in personnel training will loss once "quit". So there are many short term behaviours in the issue of personnel training, hoping to spend the least money to make up things, reluctant to invest more in staff training.

5   HRM issues in the case company

5.1. Company introduction

This part is confidential

5.2. Main HR issues in case company

According to the *telephone interview*[33] I had with the project manage from case company, the main HR issues from her point of view are how to identify talents and developing employees' potentiality and keep them stick to the company.

So, how to determine that a person has potential? Most leaders' frequent responses on the questions are: track record, broad view of the organization, empathetic, ability to execute, active listener. To be a leader you will need to consider multiple dimensions to a problem, and based on those make a wise decision. It's also worth noting that empathy and active listening are keys to building the relationships that are a critical factor in being viewed as someone with high potential.

When consider about the potential talent, need to consider the following areas.

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[33] Interviews are a far more personal form of research than questionnaires. In the **personal interview**, the interviewer works directly with the respondent. Unlike with mail surveys, the interviewer has the opportunity to probe or ask follow-up questions. And, interviews are generally easier for the respondent, especially if what is sought is opinions or impressions. Interviews can be very time consuming and they are resource intensive. Telephone interviews enable a researcher to gather information rapidly. Most of the major public opinion polls that are reported were based on telephone interviews. Like personal interviews, they allow for some personal contact between the interviewer and the respondent. And, they allow the interviewer to ask follow-up questions. But they also have some major disadvantages. Many people don't have publicly-listed telephone numbers. Some don't have telephones. People often don't like the intrusion of a call to their homes. And, telephone interviews have to be relatively short or people will feel imposed upon. Available at : *http://www.public.asu.edu/~kroel/www500/Interview%20Fri.pdf retrieved at 30.05.2014*

"Ability to execute: what result has they achieved, was it on time, how was the quality. *Broad view of the organization and problems*: do they consider financial, technical, social, political in making decisions.

Relationship building skills: do they care people and be able to achieve result and relationships?

Changing management: how well are they when placed in a unfamiliar role and how do they manage the change.

It is important to let high potentials know their status in the company, so that the talents know that they have a future here." [34]

5.3. Case company talent management

Companies are facing fierce competitive challenges in the current economy environment, especially SMEs. A set of talent management strategies has become the essential way to gain the competitive advantage. "Talent management is an advantage for business to create a long-term competitiveness."[35]

Case company talent management has the typical nature like most of the SMEs in China. In Part 4.2 the illustrations can reveal most of the SME's talent management issues, which represent for the case company too. For example lack of overall HR planning, training and development are not considered very necessary, the employees themselves don't know the importance of training, the management have no clear view on each individual's need, as a result, they don't apply the proper intensive plan to stimulate and motive employees.

5.3.1 How to choose the talent

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[34] Available at: http://www.fastcompany.com/919214/identifying-and-developing-talent retrieved at 14.05.2014

[35] Heinen, J.S., & O'Neil, C. (2004). *Managing Talent to Maximize Performance. Employment Relations Today* at 54-82

Case company as a SME in China, they usually utilize internet, HR agencies, advertise in newspaper to recruit people[36]. Sometimes they find the right person introduced by the inner employees too, as this is how Chinese interpersonal works. But to "find and identify a real talent is not so easy". – said the project manager Wang. Some time they are not attracted by what you offered.

A company that wants to achieve something in the market tries to acquire talents by attracting them to their own organizations. So far discussed, it is clear that the talent is essential and is often regarded as a key strategy in maintaining a competitive advantage. Since talent management is needed for success, efficiency, and consistency; it however poses many challenges too:

1. Identify critical jobs, finds ways to ensure current and backup incumbents. It is worthy to remember that sometimes people who are in the critical jobs are not the best performers, and the best performers are not in the critical jobs.

2. There should be a clear process for identifying and developing high potentials. The process should be able to identify the top performers and ensure their development through which they get higher chances of better performances and retention within the organization.

3. The process should always consider plans for organizational transitions and movement of talent, so that if the organization can manage the holes created by the departing talents such that the organization does not get hit.

4. Building a talent pool.

5. The talent management system should be able to generate report of the outcomes.[37]

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[36] The most popular internet recruitment agencies are: Zhilian Zhaopin (http://www.zhaopin.com/), then the local Human Resource Market, Evening News Daily etcs.
[37] Available at: http://www.seap.usv.ro/annals/ojs/index.php/annals/article/viewFile/464/456 retrieved at 30.05.2014

5.3.2 How to keep employees motivated

Role of motivation in employee retention[38]

Employee retention involves various steps taken to retain an employee who wishes to move on. An employee must find his job challenging and as per his interest to excel at work and stay with the organization for a longer period of time. The management plays an important role in retaining the talented employees who are familiar with the working conditions of the organization and thus perform better than the employees who just come and go.

Motivation plays an important role in employee satisfaction and eventually employee retention.

Nothing works better than motivation. Motivation acts as a catalyst to an individual's success. The team leaders and the managers must constantly motivate the employees to extract the best out of them. If an employee has performed exceptionally well, do appreciate him. Simple words like "Well done", "Bravo", "Good", "Keep it up" actually go a long way in motivating the employees. The top performers must be in the limelight. The employees must feel indispensable for the organization. It is essential for the employees to be loyal towards their organization to deliver their level best.

Does anyone spoil his personal belongings? No. The reason being we are concerned about our own stuff. In the same way a sense of belonging at workplace is important for better output. Ownership of work only comes through motivation. Ask the team members to buck up so that they perform well every time and meet the expectations of the management.

The superiors should send motivational emails to their team once in a week. Display inspirational posters, photographs on the notice board for the employees to read and stay motivated. It is natural for an individual to feel low sometimes, but the superiors must ensure to boost their morale and bring them back on track. No individual should

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[38] Available at: http://managementstudyguide.com/motivation-for-employee-retention.htm retrieved at 14.05.2014

be neglected or criticized. This demotivates them. If they fail to perform once, motivate them and give them another opportunity.

Organize various activities and events at the workplace. Ask each one to take charge of something or the other. Engage the employees in productive tasks necessary for their overall development. The management must show its care and concern for all the staff members. The employees must feel secure at the workplace for them to stay motivated.

Whenever any company policy is to be formulated, the opinion of each and every employee should be taken into consideration.

Invite all of them on a common platform and ask for their suggestions as well. Freedom of expression is must. Every employee must have a say in the organization's guidelines as they are made only to benefit them.

Incentives, perks, cash prizes are a good way to motivate the employees. The employees who have performed well consistently should be felicitated in front of all the staff members as well as the management. Give them trophies or badges to flaunt. Ask the audience to give a loud applause to the employees who have performed well. This is a good way to motivate the employees for them to remain happy and work with dedication for a longer duration. Others who have not performed up to the mark also gear up for future. The names of the top performers must be put on the company's main notice board or bulletin board for everyone to see.

Appraisals are also an important way to motivate the employees. The salaries of the performers must be appraised at regular intervals- an effective way to retain the employees. Career growth is an important way to retain the talented employees. Give them power to take some decisions on their own but the management must have a close watch on them so that they do not misuse their power.

Without motivation, it is not fair to expect the best out of the employees. No individual likes to leave an organization where he is being treated well.

5.3.3 How to retain talent for case company

For an organization to do well and earn profits it is essential that the high potential employees stick to it for a longer duration and contribute effectively. The employees who spend a lot of time tend to be loyal and committed towards the management and always decided in favour of the company. Thus he gets emotionally bonded to it and strives hard for furthering the brand image of the company.

The company can't completely put a full stop to the process of employees quitting their jobs but can control it to a large extent. Here are some suggestions and some strategies to retain an individual for the case company.[39]

- An employee looks for a change when his job becomes monotonous and does not offer anything new. It is essential for everyone to enjoy whatever he does. The responsibilities must be delegated according to the individual's specialization and interests. It is the team leader's responsibility assigning challenging work to his team member, for them to enjoy work and do not treat it as a burden. Performance reviews are important to find out whether the employees are really happy with their work or not.

- Constant disputes among employees encourage them to go for a change. Conflicts must be avoided to maintain the decorum of the place and avoid spreading negativity around. Promote activities which bring the employees closer. Organize outdoor picnics, informal get together for the employees to know each other better and strengthen their bond. Let them make friends at the workplace whom they can really trust. Friendship among employees is one strong factor which helps to retain employees. Individuals who have reliable friends at the workplace are reluctant to move on for the sake of friendship. No one likes to leave an organization where he gets mental peace. It is essential to have a cordial environment at the workplace.

- The human resource department must ensure that it is hiring the right candidate. Frustration crops up whenever there is a mismatch. A finance professional if is hired for a marketing profile would definitely end up being frustrated and look for a change. The right candidate must be hired for the right profile. While recruiting a new candidate, one should also check his track record. An individual

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[39] This strategy part is extracted from http://www.managementstudyguide.com/employee-retention-strategies.htm , which I think it's very practical for the case company to learn and improve. At 03.06.2014

who has changed his previous jobs frequently would also not stick to the present one and thus should not be hired.

- Employee recognition is one of the most important factors which go a long way in retaining employees. Nothing works better than appreciating the employees. Their hard work must be acknowledged. Monetary benefits such as incentives, perks, cash prize also motivate the employees to a large extent and they prefer sticking to the organization. The performers must have an upper edge and should get a special treatment from the management.

- Performance appraisals are also important for an employee to stay motivated and avoid looking for a change. The salary hike should be directly proportional to the hard work put by the employees. Partiality must be avoided as it demotivates the talented ones and prompt them to look for a better opportunity.

- The salary of the employees must be discussed at the time of the interview. The components of the salary must be transparent and thoroughly discussed with the individuals at the time of joining to avoid confusions later. The individuals should be made to join only when the salary as well as other terms and conditions are acceptable to them.

- The company's rules and regulations should be made to benefit the employees. They should be employee friendly. Allow them to take a leave on their birthdays or come a little late once or twice in a month. It is important for the management to understand the employees to gain their trust and confidence. The consistent performers must also have a say in the company's decisions for them to feel important. (Actually the case company have a penalty policy instead of this humane rule.)

Another important thing I learned from the research is that select and train very well the senior level leaders will certainly help to retain talent for the SMEs. Recently one study on the senior level leader to develop their employees showed that as leaders move up the organization, their ability to develop others decreased - even though they readily recognize its necessity at every level. [40] The research sheds light on a glaring gap in what everyone agrees is one of the most important competencies of leaders: their ability to build talent. And this disconnect is caused by a set of interrelated issues. For example, time, focus on visible skills, lack of development culture.

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[40] Available at: http://www.pdinh.com/thought-leadership/research/growing-and-inspiring-talent-it%E2%80%99 s-tougher-top, retrieved at 14.05.2014

How do you determine that a person has potential?

Most leaders' frequent responses on the questions are: track record, broad view of the organization, empathetic, ability to execute, active listener. To be a leader you will need to consider multiple dimensions to a problem, and based on those make a wise decision. It's also worth noting that empathy and active listening are keys to building the relationships that are a critical factor in being viewed as someone with high potential.

When consider about the potential talent, need to consider the following areas.

Ability to execute: what result has they achieved, was it on time, how was the quality.

Broad view of the organization and problems: do they consider financial, technical, social and political in making decisions.

Relationship building skills: do they care people and be able to achieve result and relationships?

Changing management: how well are they when placed in a unfamiliar role and how do they manage the change.

It is important to let high potentials know their status in the company, so that the talents know that they have a future here. [41]

About **developing talent**, I read an article recently, the author Drew Hansen made a very good analysis on these, and here are the five keys for developing talent in the organization[42]

1. Act as a role model. Be transparent about your own need to learn and develop and share how you're able to do it. Embrace vulnerability: leaders are never more powerful than when they are shown to be learning.

2. Reinforce the value of learning. Go beyond the baseline conversation about goals. Ask about what they want to accomplish and what they feel their gaps are. When someone completes an assignment, celebrate both the outcome and

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[41] Available at: http://www.fastcompany.com/919214/identifying-and-developing-talent retrieved at 14.05.2014

[42] Available at: http://www.forbes.com/sites/drewhansen/2011/12/02/5-keys-developing-talent-in-your-organization/

the learning, especially if the assignment wasn't completed as smoothly as everyone would've liked.

3. Build sustainable processes to support development. Managers should be expected to coach and develop their people. At a minimum, everyone knows what areas they need to improve, and for those with particularly high potential, career tracks are developed that give them a sense of where they can go inside the organization.

4. Reinforce shared values. Employees should be able to link their everyday tasks and responsibilities to the values in the organization. People need to understand why what they do is important.

5. Leverage problems as opportunities for real world learning and development. What's an acceptable failure needs to be clarified and that way, by incorporating stretch assignments, employees can seek out challenges where they can develop without feeling like mistakes will set them back in their career or jeopardize their job. Learning organizations see problems as opportunities.[43]

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[43]   http://www.forbes.com/sites/drewhansen/2011/12/02/5-keys-developing-talent-in-your-organization/
retrieved at 14.05.2014

6   Summary on research findings

The case company conducted a satisfaction questionnaire at Dec. 2013. The questionnaire covered totally ten areas which including company culture, work load, quality management, policy, team work, training and development, salaries and benefits, security and logistics. The questionnaire will be attached at the end of the thesis. The result and analysis was poor, and they have noticed some problems need to be improved. As the main research area of this thesis is motivation related, I picked two relevant topics from the questionnaire and do a little bit more further analyse. In Chapter 6.1, there is data from the questionnaire 2010 too.

6.1. Training and development part

"*What needed is a deep-rooted conviction, among business unit heads and line leaders, that people really matter – that leaders must develop the capabilities of employees, nurture their careers, and manage the performance of individuals and team.*"- Mckinsey[44]

It's easy to say then do. In real life, many acknowledge its importance, few deliver the coaching and training at scale to develop their people. Even though they know leaders are responsible for developing the talent in their organizations.

According to the case company employees' Self Actualization Survey on 2010, the four areas are compared in the following chart. Most employees agree on the self-worth realization. About the self-performance recognition part, which need to take care of, because very high percent of the answers are not sure, it means that they are not sure if their performance got their managers' recognition. This should cause management attention that their communication between employees should be improved and also the award system is it mature or efficient. Many employees may value more about the recognition from higher level managers. This finding proved the Herzberg's two factors' theory. According to the Factors affecting job attitudes, recognition is one of the factors which will lead to satisfaction.

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[44] McKinsey' opinion, available at http://www.forbes.com/sites/drewhansen/2011/12/02/5-keys-developing-talent-in-your-organization/ retrieved at 28.05.2014
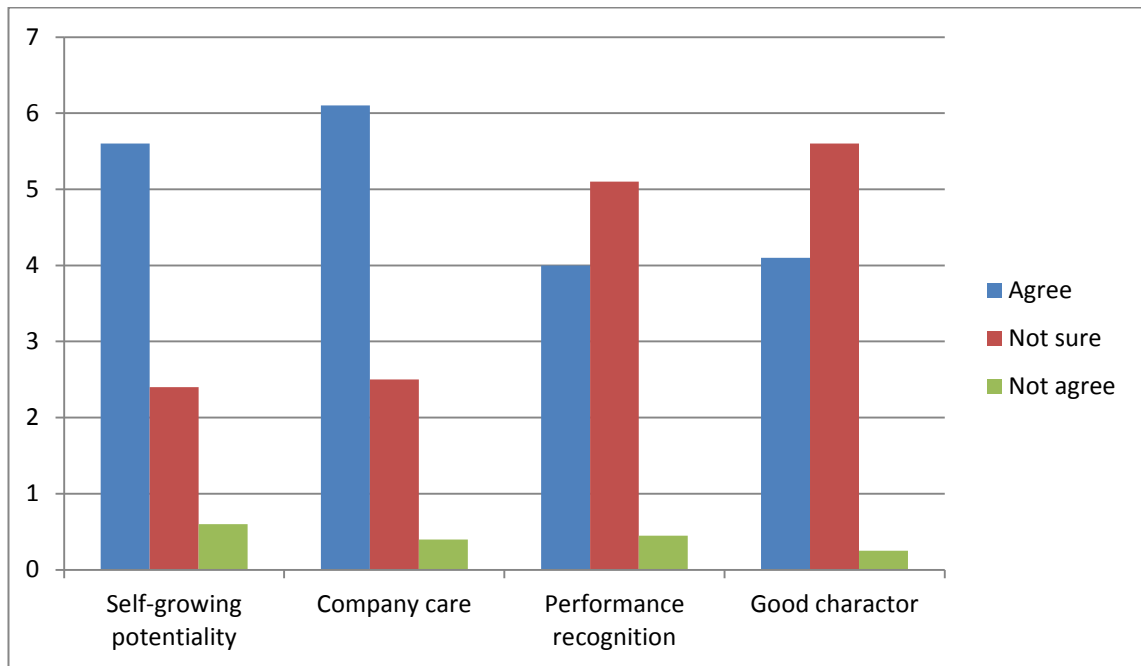
Figure 4   Survey result from 2010[45]

Thus the question generated from this result, if the employees are not satisfied or not sure about the performance recognition, what strategy should apply?

"Employee recognition is one of the most important factors which go a long way in retaining employees. Nothing works better than appreciating the employees. Their hard work must be acknowledged. Monetary benefits such as incentives, perks, cash prize also motivate the employees to a large extent and they prefer sticking to the organization. The performers must have an upper edge and should get a special treatment from the management."[46]

Thus Employee recognition programs are recommended.

- Using multiple sources to reward behavior and recognize publicly both individual and group accomplishment
- Rewarding behavior with recognition immediately leads to its repetition

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[45] This figure are edited according to the case company Self Actualization Survey result, see the appendix.
[46] Available at : http://managementstudyguide.com/employee-retention-strategies.htm
retrieved at 25.05.2014

- To maximize motivation potential, publicly communicate who and why is being recognized
- Recognizing employee's superior performance often costs little

Comparing with the survey done at 2013, the training and developing part had a big improvement. The questions from the questionnaire on this part are:

- o Are you satisfied with your work ability and your current position?
- o Are you satisfied with our company training?
- o Are you satisfied with your career plan done by your team leader?
- o Are you satisfied with your department or company's climate?
- o Are you satisfied with your job description and training content?

This part of the questionnaire is concerned four aspects: individual ability matching his job, training in general, training design/time/condition, and training effects. The result was quite good, had a lot of improvement. The points on these four areas were: 9.11, 8.75, 8.72, and 8.75. Most employees think their abilities match their job descriptions, the training work is useful and helping in their work. The training mostly benefited the employees themselves, and improved their professional knowledge and working capabilities. Normally after training they are thinking and working at a different level. About the course design, maybe there is space to improve, also the timing, because the project work requires the time flexibilities from employees.

6.2. Incentive plan and rewards part

The questions in this part of the questionnaire were:

- Are you satisfied with your current salary?
- Are you satisfied with the welfare policy?
- Are you satisfied with your promotion?
- Are you satisfied with the holiday policy?
- Are you satisfied with company rewarding process?
- Are you satisfied with penalty system?

The Satisfaction Survey 2013 on the remuneration part basically including four areas: satisfactory on salary, welfare, rewarding process, rewarding system.

According to the statistic on the remuneration showed in the Survey 2013, most people are satisfied about their remuneration. The satisfaction rate on salary was 8.5, the welfare was 8.81, and the rewarding process was 8.94, the reward system was 8.86. [47]

The *salary satisfactory* part points were the lowest comparing with others, so management may consider rise up the base salary lever, especially the normal employees. They are the front end employees, when there are important and urgent project on going, for example the Launching activities, they work day and night to ensure everything goes smoothly and successfully. And normally these launching activities are at other big cities like Beijing, Shanghai and Guangzhou, a lot of overtime work without any return, even though they might get performance salary in the year end. At least salary can satisfy part of the employees' expectation and can become one of the most basic and important motivator.

The *welfare part* point is comparatively low, the remedy method could be for example giving some gifts at the important traditional Chinese holidays. According to the telephone interview, parts of the welfare in the case company including also visiting the employees' family members when they are seriously sick, to let employees feel the caring from their organization. Actually they are doing quite well in this area already. Just the individual needs are not so easy to meet, the higher level managers really need to pay attention and analyse each individual separately, to meet the higher stand.

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[47] All the numbers are from the case company Satisfaction Survey 2013, the full points are 10, means very satisfied.

7   Conclusion

As above mentioned in the previous part of the thesis, to solve the issues existing in the case company, there are four talent management strategies to apply. Which are attracting talents, selecting talents, developing talents and retaining talents. Although all of them are very important in the successful talent management, here I would strongly suggest that case company emphasize more the talent retention in building up effective talent management strategies.

In short, the case company could do more work on employee recognition, create a cordial environment at the workplace, hire the right person, do regular performance review and performance appraisals to find whether the employees are really happy about their work or not. Use transparent salary policy to avoid confusions later on. Furthermore, the company's rules and regulations should be made to benefit the employees.

The new questionnaire I have prepared for the case company. It can be considered as a potential satisfaction survey on employees' motivation for the case company 2014. This is located in Appendix 3.

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Appendices

Appendix 1   Employee Satisfaction Survey

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Appendix 2   Employee Satisfaction Questionnaire 2013

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Appendix 3   Healthy and Realization of Self-worth Questionnaire 2010

Confidential