

## Motivating Employees in China: Theories and Applications

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**Abstract.** Based on the western classic views and models concerning with motivation, this paper focuses on the goal-directed drive within an employee in multinational corporations (MNCs) with the background of the Chinese cultural traditions and era characteristics. Four suggestions on how to motivate Chinese employees in MNCs are made in details, which include properly taking into consideration both competency and loyalty in assessment and promotion, balancing the interests and costs of the employer with the expectations of employees, emphasizing both efficiency and equity of compensation, giving necessary supervision while showing respect to the employees. Implications for motivating the employees during the period of transition in China are also discussed.

### Introduction

With the development of economic globalization and its' policy of opening to the world, China has gained the title of "world factory" for the last twenty years. Because of its' low-cost labor force in China and the expansive national market, more and more capital from all over world has flowed to China, which is being a more competitive and profitable region for overseas investors. Even though the world economy confronted with a big blow since financial crisis exploded in USA at the end of 2007, China is still the hub of world investment since China recently has unveiled a four trillion RMB(\$586 billion) stimulus package in its biggest move to fight against the global financial crisis. Furthermore, the 2008-year-plan to invest newly 100 billions in infrastructure and social welfare is also approved. Without any doubt, the China's economy stimulus package (active fiscal policies) would provide more opportunities for its companies, not only national ones but also multinational ones.

During the process of running the business in China, the performance of individual employees is a major determinant of organization success. In order to achieve their goals, the managers have always tried to motivate the Chinese employees to work effectively and efficiently. Many western classic theories used by the CEO or General managers are applied to Chinese managerial practice directly. However, managers always encounter some difficulties in terms of human resource management (HRM) and it seems that theories from abroad do not work and are even useless to HRM in China.

According to the survey and analysis, we have found that many details concerning the Chinese cultural tradition and Chinese history are ignored. In this paper, I would like to make four suggestions in terms of motivation, elaborating them from the perspective of theory and practice in hope of assisting managers home and abroad to make appropriate and practical policies of HRM in China.

### The estimation of competence and loyalty

In order to achieve the predicted objectives, it is crucial for managers to fill job vacancies with candidates who are competent for the positions. Which is more important: competence or loyalty, is still a problem. In the process of recruiting and selection, some managers are more concerned about

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the skills and experience of the candidates, without taking their loyalty and virtue into enough consideration.

A competitive electrical company located in Foshan City of Guangdong Province is case in point.<sup>1</sup> One genius young worker named Lu Rong was recruited by this company in 2006 and was placed in the position participating in researching and developing the key product of the company. Although the security contract had been signed, Mr. Lu found a job with higher pay in another company in no more than a year and meanwhile he filched the latest data of his previous corporation. The unethical behavior of this fellow got the corporation into hot water. With the fierce competition among companies, employees' competency is emphasized too much since it becomes more valuable to the employer. But the other side of human talent----loyalty is likely to be ignored.

As the Chinese proverb goes, "Ren Ren Wei Xian", which means to appoint people on their merits. Here 'Xian' is rendered as not only being 'able', 'wise' and 'intelligent', but also 'virtuous', 'honest' and 'righteous'. Loyalty is in this context seen as the foundation of all things in selecting qualified individuals in the Chinese management culture. Confucius once said: "Among other qualities, first learn "decency/gravity", "earnestness/righteous" and "compassion/benevolence" and then "wisdom and to be quick and able in apprehension". Confucian ideology has been firmly rooted in the Chinese people's minds as an undeniable system governing various aspects of people's life in China, whose ideas have made great contributions to the shaping of the Chinese management culture. "Gentlemen die for those who appreciate them", as another Chinese proverb says. If Chinese subordinates get the real appreciation from their managers, they will go through fire and water, and devote their all owns, even their lives to the company. It is like a psychological contract in the western theory, but the hair-like difference lies on that Chinese culture pays more attention on the factor of emotions and feeling. So Chinese civilization insists on the importance of loyalty and we have the tradition of loyalty.

The following reasons might be explained to the low loyalty in China: Firstly, people's traditional minds have changed greatly during the transition of economics; Secondly, the system of national social security has not established yet, nor does the comprehensive security of companies; Last but not least, employees have many expectations from the company that they serve. They want security and stability, interesting work, competitive pay and benefits and also a supervisor they respect. If these conditions are not met, they see fewer reasons to give their loyalty to their employer. Moreover, if the labor market is also tight, turnover of key persons occurs more frequently.

Therefore, on the one hand, in the selection of employees, the manager must take loyalty and competence of his would-be employees into consideration. It is especially vital for the employees to develop the criteria of distinguishing what is morally right. The higher one's moral standard is, the more he or she will be oriented to behave ethically. On the other hand, in order to minimize the unethical behaviors that are not beneficial to an organization, an enterprise must establish the right mechanisms to make ethical decisions. Ethical behaviors should be appreciated, encouraged and supported while unethical behaviors should be discouraged, criticized and punished.

### **Balancing the interests and costs of the employer with the expectations of employees**

According to need theory, individuals have different kinds of needs, e.g. the basic needs of the human beings, which can be satisfied directly by money. Based on the assumption that individuals are motivated to meet a number of needs, money (in the form of good pay or high salary), therefore, can stimulate employees to better their performance in the company. So many managers especially those of MNCs believe that money can serve as the top motivator for their Chinese employees and even take it for granted that it is everything in terms of motivation, since China, the same as the Mexico, is a lower-wage country in the world.

In China, pay (money) was not considered as an effective motivator to Chinese employees until the economic reforms initiated in 1978. Before the practice of the open-door policy, China, as the second-largest socialist country in the world, adopted the entire state full-employment strategy so as to avatar socialist superiority. Due to this "iron rice bowl" system (a life-time employment) and an egalitarian wage policy, it led to one-high, three-lows: high employment, but low wage, low

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<sup>1</sup> ZHujiao daily 1997,7.26, p3.

efficiency and low productivity. Although it had boasted a very high employment rate, employees could not be motivated yet.

In order to increase production efficiency, the word “unemployment (shi ye)” rather than “waiting for a job (dai ye)” was officially adopted in government documents in the CCP's 14th Congress held in 1992. As a result, about 6000 state-owned enterprises had to reconstruct or went bankruptcy, about 14 millions surplus employees were retrenched by the end of 2002. Industrial enterprises have not so much obligations as before to shoulder the heavy economic burdens that included providing employees with cheap housing, free medical treatment, low-cost childcare and full pay after retirement. As a comprehensive social security system has not established yet, money played a more and more important role, and good wage was a major factor for Chinese employees in job choosing and hard work during the period of transition in China.

In fact, money as a core incentive also has its own weak points. Firstly, the power of money is limited and short-lived. Employees can be stimulated by way of giving good pay, but they will soon adapt to it and the effect sinks rapidly, since employees' desire for money is limitless and the new motivation will need money again and even more than ever before. Secondly, taking money as a core motivator is not beneficial for those companies that look for alternatives of cutting down production cost. Thirdly, money is considered as very important in recruiting and maintaining employees, but it can only serve as a hygiene factor rather than a motivator in that it can only keep staff in the company and how to develop their initiatives remains an issue to be dealt with.

In order to attract, retain and stimulate employees, employers provide various types of compensation. From the perspective of the Chinese culture and history, spiritual happiness and satisfaction play a very important role in their lives. Job security offsets the lack of social security, pleasant working environments creates internal good surrounding and makes employees feel comfortable, and full appreciation for work done and self-actualization are all motivators, which meet the Chinese employees' needs. In addition, material stimuli may consist of base pay, an annual bonus, stock options and other benefits such as medical insurance and retirement pensions as well. Though a class hierarchy does not exist in the Chinese modern society any more in theory, people still admire and aspire to leadership. So the following opportunities are considered to have positive effects on the promotion of Chinese employees in terms of motivation. First, providing with opportunities for training in famous overseas multinational companies or continuing education in foreign universities or training centers nowadays is regarded as a very important means of stimulation in China. Second, to be promoted will have a lasting effect on those Chinese employees who have a strong desire for achievements and self-actualization.

### **More emphasis on equality**

A company obtains more market quota through higher efficiency and stronger competitiveness than any others do. Therefore, efficiency is vital to the growth of a company. Nevertheless, for the employees in the company, it is quite another story. Equity theory (J. Stacey Adams) proposes that people are motivated to look at social equity in the rewards they expect for their performance. Obviously, when employees perceive that their compensation is equal to what others receive for similar contributions, they believe that they are treated in a fair and equitable way. Tying rewards to performance should enhance instrumentality perceptions and the employees will be increasingly motivated to perform well. In order to achieve effective management, it is necessary to create the circumstances of equality that is extremely important in China.

Since ancient times, China has been a large agricultural country and Chinese people with peasantry consciousness believe in egalitarianism strongly—“Bu huang gua er huang bu jun”, which can be rendered as “not to worry about dearth, but to the inequality”. In the planned economic system, the idea of egalitarianism evolved to “Da Guo Fan” (eating from the same big pot). In the state-owned enterprises, it was very difficult to bring their initiatives into full play because there was no distinction in pay no matter whether or not workers did efficiently and effectively. Even though the iron bowl (entire life employment) had been broken after 1978, the remnant of egalitarianism remains. Once they feel that they are treated unequally, fierce conflicts and even clashes come up. For example,

in one of the largest high-tech foreign companies in Guangzhou City, the general manager offered his employees big bonuses in order to motivate them on a continuous basis. The bonus differentials among the division managers, technique employees and assembly line workers were so great that it caused much dysfunction. As a result, it led to the decrease of productivity efficiency and the atmosphere of teamwork was severely damaged.

Whether employees perceive compensation to be fair often has great influence on their performance. In order to motivate the Chinese employees to achieve higher performance efficiency, the managers should be sensitive to the issue of equity in the compensation system of the company and keep the harmonious atmosphere. Figure 1 indicates the individual, organization, and external dimensions of equity. Individuals' point to the fairness is quite different from person to person, so it is very vital to set up the compensation policies compliance with the strategy of the company. Organization justice includes distributive, procedural and interactive justice which relate to the policies of compensation, pay for performance, attitude of managers and so on. Compensation appeals rule has been established in many companies. Typically, Chinese employees are encouraged to discuss their concerns with their leaders.

### The scope of supervision and the importance of respect

Frederick. W. Taylor said: "The initiative of the workman—that is, their hard work, their goodwill, their ingenuity—is obtained practically with absolute regularity". Although this managerial method and practice is out-of-date and "society man" has replaced the concept of "economic man", many managers still prefer punishment, close supervision, because they think close supervision will bring high productivity.

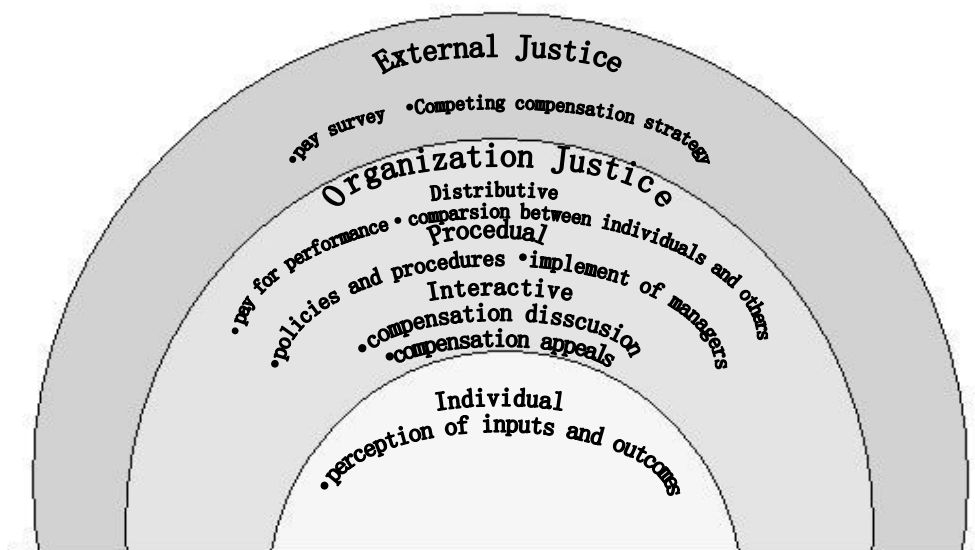


Figure 1. Equity considerations in Compensation

Research indicates that the closer the supervision, the lower the productivity, hence, the closer and severer the supervision. And what's more, one gets the impression that persons using close supervision are more likely to specify the activities of employees in great detail. (Kooze, 1964) It was reported that in one of the joint-venture companies in Shenzhen, Guangdong Province, that Chinese employees were not allowed to say one word when they were on duty and even the time for toilet was limited. In one of the companies owned by a person from Taiwan in the same area, employees were searched when they were off duty in order to prevent theft. The un-respectful and inhumane treatment underlies a great range of intensive conflicting acts and undermines the relationship between employer and employees. The way of supervision can result in a vicious or beneficent cycle in the relationship between employers and employees. On the whole, the Chinese employees are less

satisfied with the way they are treated in their work, resulting in lower productivity efficiency in a production-centered supervision than in an employee-centered supervision.

As a complete moral system, Confucianism stresses that people are the most important element in the society and centers on people, which is put forward more than 2,000 years earlier than human relations movement as the marking of Hawthorne Experiments in Western management history. In addition, Confucianism argues that the individual does not exist independently but in a constant transaction of interdependent relationships in the society. Another important Confucian methodology is the Doctrine of the Mean, which means an ideal state of control to a suitable degree where harmony instead of extremes is realized and sustained.

Hence, to motivate the Chinese employees to a great extent, it is wise for managers not to confine their actions, imagination or creation. In pursuing the general goals, the employees should be allowed to have a larger space (various rights and responsibilities) to accomplish their tasks and get feedback from the managers on a timely basis. In addition, a harmonious and friendly relationship between the management and labor should be set up to bring their initiatives into a full play based on the general rules and regulations of the company.

## **Conclusion**

In offering the four suggestions on how to motivate employees in China, I firmly believe that it is also equally important for the managers to get acquainted with Chinese culture and customs so as to invent motivational techniques to their own needs. During the period of transition in China, Chinese culture, tradition and customs will have great effect on their way of thinking and behaviors for a long time although economic structures and systems have undergone tremendous changes. If foreign managers intend to maximize their efficiency in motivating employees in China, it is highly advisable that they combine their management with the relevant needs, disposition and inclinations of the employees.

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