Aalto University
School of Business

Managing Employee Turnover in China

International Business

Master's thesis

Tuua Rinne

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School of Business

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi

Abstract of master's thesis

Author Tuua Rinne	
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Abstract

OBJECTIVES OF THE STUDY Many international companies are facing challenges in retaining their top talent in the Chinese talent war. This single case study provides a description on how voluntary employee turnover is managed in a Chinese subsidiary of a Finnish multinational enterprise. First objective of this study aims at explaining why Chinese employees stay in or leave the company. The second goal is to analyze how multicultural context affect the adoption of different retention practices and how they are received by Chinese employees.

THEORY AND METHOD Employee turnover has been researched in Western context quite extensively, however, currently Asia offers unique and interesting field for study due to the high volatility of workforce. The theoretical framework of this study suggests that employee's job embeddedness (fit, links, and sacrifice) interacts with organizational commitment, job satisfaction and retention practices and higher job embeddedness results in stronger will to stay in the company. The employee can, however, make a decision to quit based on plan, comparison or after violation of aspects of job embeddedness. Therefore, employer can influence only partly the turnover behavior of its employees. This study uses a single case study method to map out retention practices implemented in the Case Company and their effects on different employee groups. Interviews were conducted with both Finnish and Chinese HR and business managers. Also, data from exit interviews and employee engagement surveys were used to reason why employees leave or stay in the company.

FINDINGS AND CONCLUSIONS Turnover behaviour of Chinese employees is affected especially by closest supervisor, available career development opportunities, employee's fit with the community and organizational culture, and fair rewarding and compensation. Finno-Chinese context creates unique mix of Finnish and Chinese culture where the nature of retention practices are strongly affected by Finnish relational commitment building HR. However, the implementation is in the hands of local HR and management. Managing employee turnover is a process consisting of employee selection and integration, skill development, training and coaching, and continuous measuring and monitoring of the results of the process.

Keywords Voluntary employee turnover, employee retention, international human resource management, China

Aalto-yliopisto
Kauppakorkeakoulu

Aalto-yliopisto, PL 11000, 00076 AALTO
www.aalto.fi

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Tiivistelmä

TUTKIMUKSEN TAVOITTEET Kiihtynyt taistelu lahjakkaista työntekijöistä asettaa haasteita monille kansainvälisille yrityksille Kiinassa. Tämä tapaustutkimus kuvailee miten vapaaehtoista työntekijöiden vaihtuvuutta hallitaan Suomalaisen monikansallisen yrityksen kiinalaisessa tytäryhtiössä. Tutkimuksen ensimmäinen tavoite on pyrkiä selittämään miksi kiinalaiset työntekijät jäävät tai lähtevät yrityksestä. Toinen tavoite on analysoida miten monikulttuurinen tausta vaikuttaa erilaisten sitouttamiskäytänteiden käyttöönottoon ja miten kiinalaiset työntekijät kokevat ne.

TEORIA JA METODIT Työntekijöiden vaihtuvuutta on tutkittu melko laajasti länsimaissa, mutta Aasia tarjoaa ainutlaatuisen ja kiinnostavan tutkimuskohteen johtuen työntekijöiden huomattavan korkeasta liikkuvuudesta. Tutkimuksen teoreettinen viitekehys ehdottaa, että työntekijän uppoutuneisuus työhön (job embeddedness; linkit, sopivuus ja uhraukset) on vuorovaikutuksessa organisaatioon sitoutumisen, työtyytyväisyyden ja sitouttamiskäytänteiden kanssa ja vahva uppoutuneisuus työhön edistää työntekijän halua pysyä yrityksen palveluksessa. Työntekijä voi kuitenkin tehdä päätöksen suunnitelman perusteella, vertailun tuloksena tai jos uppoutuneisuus työhön muuttuu huonompaan. Tämän seurauksena työnantaja voi vaikuttaa vain osittain työntekijöiden vaihtuvuuteen. Tutkimus on yksittäinen tapaustutkimus, jolla pyritään kartoittamaan erilaisia sitouttamiskäytänteitä kohdeyrityksessä ja niiden vaikutusta erilaisissa työntekijäryhmissä. Sekä suomalaisia että kiinalaisia HR- ja liiketoimintajohtajia haastateltiin tutkimusta varten. Lisäksi, lähtöhaastatteluiden sekä henkilöstökyselyn tulosten perusteella pääteltiin syitä, miksi työntekijät lähtivät tai jäivät yritykseen.

TULOKSET JA PÄÄTELMÄT Erityisesti lähin esimies, urakehitysmahdollisuudet, työntekijän sopivuus yhteen yhteisön ja organisaatiokulttuurin kanssa sekä oikeudenmukainen palkitseminen vaikuttavat kiinalaisten työntekijöiden vaihtuvuuskäyttäytymiseen. Kohdeyrityksen organisaatiokulttuuri on ainutlaatuinen sekoitus suomalaista ja kiinalaista kulttuuria, ja sitouttamiskäytännöt heijastavat suomalaiselle yritykselle tyypillisiä piirteitä. Kuitenkin, toteuttaminen on paikallisen HR:n ja johdon käsissä. Vaihtuvuuden hallinta on prosessi, johon kuuluu työntekijöiden valinta ja integraatio, taitojen kehittäminen, koulutus ja valmennus sekä jatkuva prosessin tulosten mittaaminen ja valvominen.

Avainsanat vapaaehtoinen vaihtuvuus, sitouttaminen, kansainvälinen henkilöstöjohtaminen, Kiina

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1 Introduction

1.1 Background

"From a managerial perspective, the attraction and retention of high-quality employees is more important today than ever before" (Holtom et al., 2008, 232).

Global staffing issues have grown more and more important in ensuring the success of global enterprises due to new companies stepping in to the global stage and the continued growth of emerging markets such as China and India (Collings & Scullion, 2009). Recruitment and retention of talented employees are increasingly important issues globally as organizational excellence and high performing work-force have become weapons for survival in the fierce global competition.

This Master's thesis study is a case study on voluntary turnover in a Chinese subsidiary of a multinational company. Studying employee turnover is important for both researchers and managers for various reasons. Firstly, turnover, be it voluntary or involuntary, can be costly and disruptive to organizations. Cost of voluntary turnover is not easily measured but they are reflected in recruitment, selection, temporary staffing and training of new employees (Holtom et al., 2008). In a difficult labor market situation, such as in China, these costs can be extremely high.

Secondly, although macro-economic studies have shown that unemployment rates correlate with turnover rates, there studies have shown great differences in turnover rates and behavior between individuals, industries and the companies within the same industry (Holtom et al., 2008). These kinds of differences recall for research about the individual decision making regarding leaving and staying within a firm. Finally, managing talent has become the basis for developing competitive advantage in most industries and countries. Retaining selected people is important part of talent management and understanding individual and organizational determinants of voluntary turnover is the key to improving retention practices within the company.

During the past decade recruitment and retention have become particularly current issues in China. The tremendous growth of Chinese economy has increased the number of companies, foreign and local, operating in China. Finding talented employees to keep up with that growth is extremely challenging and raises the importance of retention of key people. Therefore, many companies list HR and especially recruiting and retaining world-class talent one of the main operating issues and keys to their future success (Leininger, 2007; Raynaud and Watkins, 2011).

The Chinese labor market is paradoxical. Despite the huge labor pool, the talent market is not looking as bright as one might expect at the moment. China has a huge surplus of workforce on the entry level, but there is a clear deficit of employees with the right skills and qualities to work in expert roles, middle management level, and let alone as country or regional leaders (Ready et al. 2008). In fact, when surveyed 40% of the companies in China say they have trouble filling jobs (Schmidt, 2011). On the other hand, salaries in China have been continuously on rise which, together with low inflation, has caused the highest wage inflation in the Asia-Pacific region (Leininger, 2007). Therefore, it is easily concluded that the talent war is won by the company that can effectively develop and retain its best people.

Because of the talent deficit, multinational companies are fighting for the best talent among themselves and increasingly with the local Chinese companies. In addition to foreign companies, first-tier Chinese companies are shaping their business to compete on a global scale and they have increasing expectations for talent beginning to match those of foreign companies (Leininger, 2007) and their compensation packages sometimes exceed those of their foreign competitors (Schmidt, 2011). Due to the labor shortage, companies raiding talent from each other, and rising salaries, voluntary turnover is a challenge for companies in many Asian countries (Khatri et al., 2001). Unfortunately, the employees who are more intelligent and perform better in their jobs tend to have better external employment opportunities and are, therefore, more likely to leave (Trevor, 2001).

In the Chinese talent war, loss of even a few key employees can be serious setback to a firm in financial terms and strategically (Lee & Maurer, 2001). This poses lot of pressure on retention practices and managing turnover. This master's thesis study will focus on the issue of voluntary employee turnover in Chinese subsidiary through case of a Finnish multinational company. I believe closer examination of company's actions can bring insights to the existing body of turnover literature and valuable information for the company on why and how people leave, and how turnover can be managed.

1.2 Research gap, problem and research questions

Many researchers have taken interest in the area of turnover and theoretical and empirical evidence has been collected and studied for over 50 years. However, most of previous research on voluntary turnover has been conducted in Western societies (Holtom et al., 2008). It is clear that the business environment and working culture in fast growing countries in Asia are very different than in the Triad countries (US, Japan, EU) recovering from the late recession. In the face of the talent shortage and increased turnover rates in companies located in China, the number of research in the Chinese context has grown but some models and theories tested in the West still remain untested in East according to the current body of literature.

Reasonably large amount of research has focused on the individual variables of job satisfaction, commitment, and turnover intention of Chinese employees. For example, Ma & Trigo (2008) studied the link between HRM practices, individual's job satisfaction and turnover intent, and the performance of the firm in Chinese context. More research in this area has been done by Chinese scholars in Chinese (Ma & Trigo, 2008), the reason why it is not easily accessible to international audiences. Some studies have also addressed the organizational level variables of turnover. Zheng and Lamond (2009) observed the organizational determinants of turnover for companies in Asia and whether and how companies can reduce turnover. Reiche (2008) addressed the relationship between headquarters and subsidiary in selecting and managing different retention practices. Models that combine the aforementioned organizational and individual variables (Peterson, 2004) and models integrating process and content of turnover (Lee & Mitchell, 1994; Lee et al., 1999; Maertz & Campion, 2004) have been tested and supported in Western societies and mostly in English speaking countries. Tests regarding the applicability of these comprehensive models in non-Western samples are rare and much needed (Holtom et al., 2005).

Another important research consideration is the international context in which large multinational companies operate. According to Scullion et al. (2007, 311) "*IHRM literature would benefit from research focusing on what extent can subsidiaries in emerging countries accommodate the Western HR practices and how effective they will be"*. There is also evidence that culture moderates the relationships frequently found in Western context, for example the relationship between job satisfaction and turnover behavior (Holtom et al., 2008).

In the light of the above-mentioned gap in research this master's thesis study calls on the following research problem: **How is employee turnover managed in a Chinese subsidiary?**

The following sub-questions are separated to address the main problem in more detail:

1) Why Chinese employees stay or leave?
2) How multicultural environment affects the adoption of retention practices?

The *first* sub-question examines the cultural and institutional background of organizational commitment, job embeddedness and job satisfaction in China to understand what makes the Chinese employees want to stay or leave their job. The goal is also to understand the motives and processes behind employees who leave and find how turnover behavior can be better managed in different cases. Understanding how people decide to quit is, in many cases, the key to understanding how to prevent them from making such a decision in the first place. The third chapter on turnover will take closer look at different models presented to explain such behaviors with a specific focus on the mainland Chinese employees. The *second* sub-questions addresses the organizational context in which turnover takes place. The aim is to evaluate if parent country retention practices are adopted as such and are they suitable in the context of the subsidiary. The second chapter of this study will address relationship of home and host country HR and adoption of different retention practices in general. The HR organization and retention practices in the Case Company are described in detail in the empirical chapter of the study.

Objectives of this study, therefore, are to:

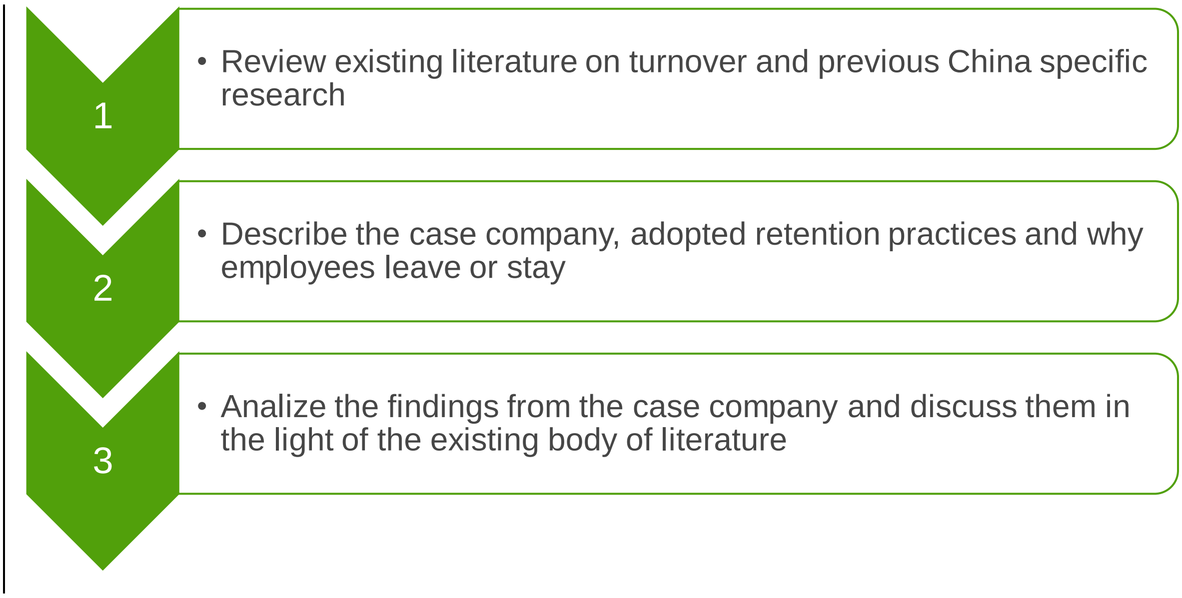

Figure 1: *Objectives of the research*

1.3 Definitions

In this section brief definitions of the key terms used in this study are provided. Further discussion of the terms and issues related to them can be found in the following chapters on literature.

1.3.1 IHRM

International human resource management (IHRM) represents an important dimension of international management. It is a branch of management studies that investigates the design and effects of organizational human resource practices in cross-cultural contexts (Peltonen, 2005, 523). IHRM, therefore, seeks to understand the unique organizational context derived from the combination of different national contexts and the diversity of the personnel's cultural backgrounds.

1.3.2 Turnover and turnover intent

There are different types of turnover. Involuntary turnover, for example firing or lay-offs, is very much in the control of the management. Voluntary turnover incidents, on the other hand, are those "wherein management agrees that the employee had the physical opportunity to continue employment with the company at the time of termination" (Maertz & Campion, 1998, p.50).

Not all turnover is equal, and although sometimes turnover can be harmful for the organizations, not all turnover is necessarily bad (Holtom et al., 2008). Some employees are more valuable than others, or managers might want to encourage some turnover cases. Also, it is important to distinguish between avoidable and unavoidable turnover in order to aim retention efforts to the right cases (Barrick & Zimmerman, 2005)
Turnover rate is the number of employees who have left the company within a period of time. The US department of Labor recommends using the following formula when calculating turnover rates (Snell & Bohlander, 2007):

$$\frac{Number\ of\ separations\ during\ the\ month}{Total\ number\ of\ employees\ at\ midmonth}\ x\ 100$$

Intention to quit is claimed to be the strongest predictor of turnover and studying turnover intention can have interesting results, as it is something the company can still impact. Turnover intent can be defined as a conscious and deliberate willingness to leave the organization. (Ma & Trigo, 2008)

1.3.3 Job embeddedness, organizational commitment and job satisfaction

Job embeddedness (JE) and organizational commitment (OC) are very similar constructs related to the employees' attachment to their organization and the cost of leaving it. OC is concerned mostly with organizational issues, whereas, job embeddedness, introduced by Mitchell et al. (2001), concerns wider range of issues such as links with external constituents. Many researchers of voluntary turnover evaluate the OC, because low OC can be an indicator of intention to quit (Ma & Trigo, 2008; Zhen & Francesco, 2000). Research indicates that organizational commitment is highly correlated with turnover intentions (Zhen & Francesco, 2000). However, one must remember that these variables are not surrogates for leaving, therefore, do not equal to the actual turnover decision (Peterson, 2004) and there is still possibility for the managers to act to retain the employee with responsive retention practices if they wish so. *Job satisfaction* is yet similar construct to organizational commitment, however, it is more concerned with the specific job or task at hand and is more likely to change with changing job descriptions (Mowday et al., 1979).

1.4 Structure of the study

In the following chapter relevant literature considering IHRM and employee retention will be introduced in more detail. The third chapter has a focus on voluntary employee turnover and a theories presented will be summarized in a theoretical framework presented at the end of the chapter. It is followed by a chapter introducing the methodology of this study in detail. Fifth chapter will introduce the case company and HR organization. Sixth chapter presents the various reasons for employee turnover at the case company as well as retention practices implemented in the case company. At the end of the study, a summary of the main contributions and managerial recommendations will be given.

2 IHRM and employee retention

2.1 International human resource management

Human resource management entails activities taken to utilize the human resource of the organization as effectively as possible. Human resource planning, staffing, performance management, training and development, compensation and benefits, and industrial relations are activities at the heart of HRM (Dowling et al., 2008). As part of international management, international human resource management research examines human resource practices and design in cross-cultural environments.

International HRM operates across multiple countries and employs different national categories of workers. It includes more complex set of activities and environments than domestic HRM. According to Dowling et al. (2008) the practical work of IHRM professionals includes more HR activities, broader perspective, closer involvement in employees' personal lives, varying workforce mix, higher risk exposure, and broader external influences, than in the traditional domestic field of HRM. Operating in international context generates HR activities that would not exist when operations are limited within one country. Most notably the fact that staff is moved across countries into various roles creates new tasks related to, for example, relocation and orientation, administrative services and translation services. In international context, HR managers need to have broader view of issues to face the challenge of managing employees from different national groups and under varying HR regulations.

Multinational enterprises (MNEs) can have different IHRM approaches. The four generic, widely recognized IHRM orientations of MNEs are ethnocentric, polycentric, geocentric and regiocentric approaches (Perlmutter, 1969). Each of these approaches have advantages and disadvantages and are suitable for different types of organizations depending on the home country factors, host-country factors and firm characteristics (Shen, 2005). When MNE exports its HRM system abroad and subsidiaries are mostly controlled by decisions from headquarters and managed by expatriates, the MNE has adopted ethnocentric approach. In a polycentric approach the MNE adapts to the local HRM system and the subsidiary is managed mostly by host-country nationals (HCNs).

An MNE with geocentric approach the MNE takes a global position and employees can be promoted to headquarters and subsidiaries according to their abilities regardless of their nationality and location. In practice, however, it is difficult and costly to transfer employees across countries. In regiocentric approach to global staffing management has regional autonomy rather than global and employees are promoted to roles within that region.

2.1.1 HQ-Subsidiary relationship and subsidiary HRM

Institutional theory suggests that organizations are under pressure to adapt practices, such as HRM, to their current institutional environments (DiMaggio & Powell, 1983). This means that the companies need to balance between adopting practices in response to the local environment and the use of standardized "best practices" in all locations. The HRM practices in a foreign-owned subsidiary are influenced both by institutional factors of the host country and by international isomorphic processes (Björkman et al., 2008). *Isomorphic processes* force one unit in a population to resemble other units that face the same set of environmental conditions (DiMaggio & Powell, 1983) and eventually all units start to more or less resemble each other. These processes can be *regulatory*, when for example governments set certain patterns and constraints on the organization; *cognitive*, when organizations copy patterns that are viewed successful from other organizations; and *normative*, where professional organizations determine the appropriate organizational patterns for other organizations under their influence (Björkman et al., 2008).

According to DiMaggio & Powell (1983) a foreign-owned subsidiary is influenced both by potentially contradictory pulls from institutional factors in the local environment and by international isomorphic processes (see figure 2). Subsidiary HRM is also influenced by the characteristics of the firm and the home country of the MNC. Even the most global companies remain rooted in the national business systems of their country of origin. Many MNEs have HRM policies that derive from the parent HRM practices. But because companies are not free from external and internal influences, some areas of human resources are adapted to fit the host-country regulations or practices (Shen, 2005).

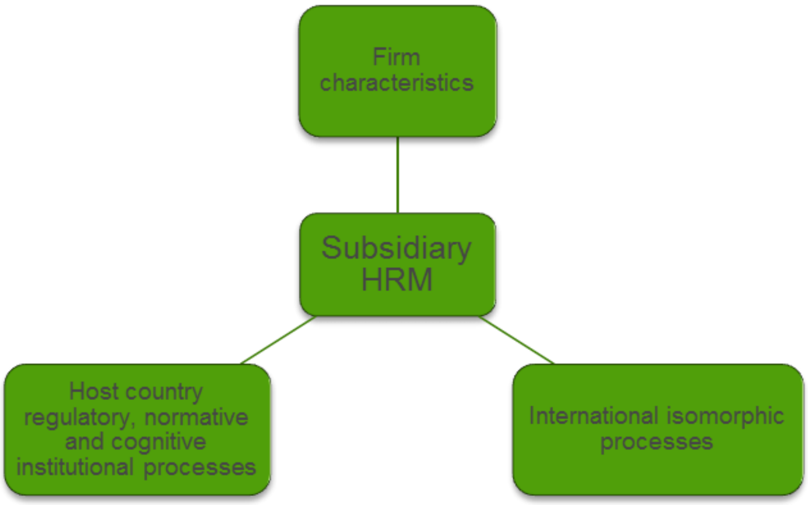

Figure 2: *The factors affecting HRM practices of a foreign-owned subsidiary (adapted from DiMaggio & Powell, 1983; Shen 2005, Björkman et al., 2008)*

Björkman et al. (2008) studied the construct of HQ-subsidiary relationship in Chinese and Indian subsidiaries. They studied the effect of establishment mode (greenfield, joint venture), background of the HR manager, MNC country HR manager, number of expatriates, and the host country characteristics, on the level of standardization in the MNC organization. The number of expatriates was found to be strongest predictor of MNC standardization, and the nationality of HR manager was also found to affect the level of standardization of HR practices in the host country. Nationality of HR manager and number of expatriates are, therefore, important determinants of subsidiary HRM. Establishment mode and other factors tested were found to have less impact, although larger subsidiaries tended to have lower level of MNC standardization.

Because the HRM system is a combination of host and home country environments, the following chapters will describe human resource management in the case host and home countries, China and Finland.

2.1.2 Human resource management in China

Employee management in China is traditionally seen as an administrative task directed by the communist government (Warner, 2004). The old way of managing people has changed, however, along the economic reformation as the government allows companies to make their own HRM decisions. Economic reformation and entering multinational companies has resulted into fast adopting of Strategic Human Resource Management (SHRM) in Chinese companies, but especially state-owned companies still follow the old ways resulting in big variance in HRM practices and policies between Chinese companies (Kim et al. 2010).

Chinese context: China experienced fast "modernization" at the end of nineteenth century when it opened to the world after several hundred years of isolation. After the Civil War and Japanese Occupation, the new communist government took control and formed the People's Republic of China (PRC) in 1949. Following the Soviet model, economic and industrial institutions were copied, but with adaptations to the Chinese values. With Mao Zedong's Great Leap Forward and Cultural Revolution, "Five year plans", collectivized agriculture, and other socialist ideals were enforced with the high cost in human suffering. (Rowley et al., 2004)

In 1978, two years after the death of Chairman Mao, new leader Deng Xiaoping launched the Four Modernizations and china opened its doors to international trade (Rowley et al., 2004). Enterprises and management were decentralized in order to implement the modernizations, and gradually, the economy shifted from central planning to an economy based on market socialism (Warner, 2004). This was followed by growth of over two decades during which China has become one of the world's economic superpowers.

Because of its cultural and historical background China is an interesting HRM research environment. The relationship between an organization and its environment is different from that of liberal market economies, because the boundary between corporations and governments is less defined. Local and central governments still have some level of control over many organizational aspects, for example, HR policies. (Kim et al., 2010)

When applying Western-based models to China, one must realize that Chinese people do have unique cultural values and way of perceiving organizations and work, which may affect the validity of these practices and models. Stereotypically, for example, Chinese employees may be more comfortable with hierarchical environment, and more accustomed to work under competent leaders than in self-managed teams (Kirkman & Shapiro, 2001). In practice, employees might resist some management practices that clash with their cultural values.

Tested contextual variables that affect the HRM policies and practices in some way are the ownership type, managerial autonomy and environmental dynamism (Lee et al., 2007). The type of the ownership can influence the practices adopted as well as the employees selected to the firm. Especially whether the company is state-owned or private has an impact on HR management and for example how strongly the HRM system is linked to the corporate strategy. Managerial autonomy in a transitional economy, in not self-evident fact as institutional constraints can limit the decision-making on HRM. This is the case especially with the state-owned companies. The environmental dynamism, and the speed and scope of change in the market, has also contextual implications on firm strategy and HRM.

Chinese HRM system: Recruiting in China, has traditionally sought employees for life-time employment in state-owned enterprises, a system called the iron rice bowl (Warner, 2004). Today, however, employee selection is much more market-based although personal connections (guanxi) still play some limited role (Rowley et al., 2004). Rewarding has become increasingly performance-based since the times of iron rice bowl system. Training and development varies between enterprises. In larger state owned and foreign invested firms, training is clearly more common than smaller companies. Generally, managers are encouraged to follow self-learning programmes. (Rowley et al., 2004)

When comparing HR management practices in Japan, Taiwan and China, Rowley et al. (2004) concluded that Chinese practitioners had adopted the Western fast-paced career movement and performance-based compensation, whereas Taiwan and especially Japan still often engaged in seniority-based compensation and lifelong employment contracts. China has made the most rapid move towards Western forms of HRM, at least at the level of large state and foreign owned enterprises.

2.1.3 Human resource management in Finland

During the early years of independence, human resource management in Finland was very paternalistic, taking care of the health and welfare of employees as well as the education of employees’ children (Vanhala et al., 2006). Since the 1980s personnel management got more dynamic nature, and after the collapse of Soviet Union in the beginning of 1990s, Finnish companies faced by the challenge of the economic situation took more strategic stance in HRM and devolution and decentralization of HRM increased in many Finnish companies (Vanhala et al., 2006).

The change of the millennium brought increasing attention to the accountability of the HR function (Vanhala et al., 2006) and HRM has become one of the strategic success factors of companies instead of mere personnel administration. In addition, due to ageing population and emerging shortage of labour, HRM professionals have adopted practices aiming at improving the well-being of employees and the productivity of work (Schmidt & Vanhala, 2010).

Finnish context: Finland, as a sovereign country, has a history of political and economic development of nearly 90 years. It has been part of Sweden and Russia before gaining independence in 1917. Finland has become a typical Nordic welfare state and one of the top performing countries in the world in terms of economic and human development (Vanhala et al., 2006).

The collapse of Soviet Union and the deep recession followed by it left its marks to the Finnish economy and the nature of work in Finland. Many companies reduced the workforce and employees exhausted themselves under the workload. After recession exports took off again, the production grew with rate faster than in most industrial countries, and many new jobs were created. In 1995, Finland joined European Union (EU) and European Monetary Union (EMU) adopting the Euro currency among the first

EU countries. Until 2007, Finland faced steady economic growth, excluding a mild slump in 2001 due to the burst of the IT bubble. This time investments, exports as well as consumption grew fast, and the employment rate increased. (Schmidt & Vanhala, 2010)

The growth was interrupted in fall 2008 when the financial crisis hit United States soon to be followed by economic downturn in Finland as well. Slowdown of exports and orders were reflected in decreasing production and employment rates (Schmidt & Vanhala, 2010). In the post-recessionary period, Finland must face the challenges of rising unemployment (Datamonitor, 2011), inequality of income levels, and increasing amount of non-typical employment contracts which have raised discussion on the equal treatment of workforce (Schmidt & Vanhala, 2010)

Finnish HRM system: Recruitment in Finland is characterized by difficulty to find competent employees, especially specialist and professionals, and to fill the less wanted jobs such as positions of cleaners or practical nurses (Schmidt & Vanhala, 2010). Despite the labour shortage, recruitment from abroad is relatively rare in Finland falling behind the other European countries (Vanhala et al., 2006), but latest statistic show that increasing number of Finnish companies are looking to recruit labor from other countries, particularly Central and Eastern European nations (Datamonitor, 2011). More and more employees are rented or hired as temporary, part-time workers or with other non-typical employment contracts (Schmidt & Vanhala, 2010). In rewarding, the use of individual and group bonuses has increased. Performance based rewarding and profit sharing is common among management and top management, and more than half of the companies include also the lower management and employees in profit sharing programs. (Schmidt & Vanhala, 2010) The shortage of skilled labor makes it increasingly important for the companies and government to further educate and train individuals (Datamonitor, 2011). Training and retraining of workforce is the most common method in recruitment and retaining employees (Vanhala et al., 2006). Both private and public firms have increased their spending on training since 1990s, and the top management receives most training.

2.2 Retention practices

Retaining talented employees is one of the key strategic issues for HR-professionals, and different retention practices have been identified and tested within different organizational settings. The theoretical discussion has separated "best fit" and "best practice" approaches on retaining employees (Paauwe & Boselie, 2005). Best practices are universalistic whereas best fit approach states that the effect of different HR practices depends on the specific context they are used. While best fit practices seem more sensible, the empirical research still supports the somewhat simplistic best practice approach. However, in practice these approaches are not mutually exclusive; there are in fact some basic principles despite the context, but the final composition of HR depends to a degree on the organization at hand. (Paauwe & Boselie, 2005)

Reiche (2008) introduced a typology of HR practices with retention capacity where he distinguished between responsive and preventive practices and between relational and transactional employment contracts, see table 1 for the typology of different practices. Responsive practices tend to control turnover in short-term, for example, when an employee intends to leave the company for competitor the company can immediately offer a pay rise to encourage the employee to stay. On the other end, preventive practices are developed on a long-term basis by building attractive working conditions and preventing negative attitudes towards the job and the employer. The nature of the contract can be transactional with emphasis on specific, mainly monetary incentives; or it can be relational employment contract typically involving broad and open-ended obligations.

Table 1: *Typology of retention practices (Reiche, 2008)*

Relational employment contract	**Responsive relational practices** (for example, job enrichment, employee empowerment, joint performance evaluations)	**Preventive relational practice** (for example, mentoring programs, corporate culture, career planning)
Transactional employment contract	**Responsive transactional practices** (for example, pay/benefits contingent on task and contextual performance and allocation of office space)	**Preventive transactional practices** (for example, realistic job previews, performance feedback, Tailoring of jobs to employee skills)
	Responsive	Preventive

Several empirical studies have indicated that financial incentives are important factor in employee recruitment and retention. In Reiche's (2008) typology, pay and benefits fall under the practices that can be deployed in a short notice to employees in transactional relationships. In a study of 830 participants in UK companies, the major motivators for employees to stay within their current company were researched (Holbeche, 1999). The results showed that 84 percent put financial rewards as the number one motivator and 78 percent interesting work. Surveys made in Chinese companies reflect similar but varying results showing financial compensation as one of the top used retention practices (e.g. Leininger, 2007; Raynaud & Watkins, 2011). However, employers should be careful when evaluating the motivational power of money and compensation in the increasingly heating salary wars in China. Schmidt (2011) advices employers from multinational companies to be smart about the pay: their Chinese competitors might offer huge salary rises to raid employees from Western companies, but retaining them might not require a rise of the same size. Raynaud & Watkins (2011) remind MNE managers of the same issue and to be prepared for doing damage control if salary bands are stretched.

There is also evidence that different types of employees are not motivated and retained with similar practices. In the study on UK companies, to the group of top performers financial rewards were a drastically lower motivational factor than within the sample of average respondents (only 4% compared to 84%) (Holbeche, 1999). Also Maertz and Campion (2004) and Maertz & Griffeth (2004) researched the differences in individuals' behavior and found out different groups of quitters (for example impulsive or comparative quitters) are motivated by different forces (for example affective or normative forces).

From an institutionalist perspective (DiMaggio & Powell, 1991), alternative institutional arrangements lead to different ways to organize activities. The retention practices in MNEs are, therefore, influenced by the interplay of business systems, labor market institutions, and other institutionalized mechanisms of the MNE's home-country. For example, Reiche (2008) proposes that continental European and Japanese firms are more inclined towards retention practices that build long-term commitment among their employees by using preventive practices in relative and transactional retention needs, and will transfer those practices to their subsidiaries when they are generalizable within the host-country context. Furthermore, home-country effects on retention are reinforced by hiring home-country nationals. In order to create more culturally aware attitudes towards turnover as well as culturally contingent retention practices, MNCs should diversify their workforce both in subsidiaries and headquarters (Reiche, 2007).

Host-country factors may affect the transferability and applicability of retention practices in a particular subsidiary. Firms have to adapt to varying regulative and political conditions, and are therefore, likely to implement varying organizational practices and forms (Gooderham et al., 1999). Some practices, such as working hours and wages, might me tightly controlled by the local officials, whereas, practices such as communication or employee development, can be planned more freely by the MNE (Reiche, 2008). In addition to regulatory differences, cultural differences can limit the MNE's ability to transfer certain practices and limit their retention power. Culturally sensitive practices include performance-based rewards, performance appraisal and employee participation (Gooderham et al., 1999).

3 Voluntary employee turnover

There is a vibrant field or research on turnover that still continues to produce numerous publications on the subject due to the new managerial approaches to retention, changes in labor markets, and new developments in research methodology and technology (Holtom et al., 2008). Since 1950s, numerous theories and models explaining voluntary employee turnover has been introduced (Peterson, 2004). The earlier studies on turnover introduced the ideas about perceived desirability and ease of moving.

Perceived ease of movement is typically identified with perceived number and type of job alternatives, and perceived desirability is measured as the level of job satisfaction. Job satisfaction and alternatives still act as a foundation for most of the current theories (Holtom et al., 2008). The empirical evidence shows inconsistent relationship between job alternatives and turnover but supports a moderate relationship between turnover and job dissatisfaction; however, vast amount of the variance in turnover is still unexplained and looking beyond job dissatisfaction is needed to better understand the turnover process (Holtom et al., 2005).

Due to the vast amount of research conducted in the topic of employee turnover, various theoretical models have appeared to explain different aspects of the phenomenon. Some of the most relevant employee turnover models are described in this chapter, *and after that a theoretical framework for this study is introduced.*

3.1 Process and content models

3.1.1 Process models

A large group of turnover studies have a strong focus on the process of turnover, in other words, identifying the steps employees go through before leaving (e.g. Mobley, 1977). Peterson (2004) grouped these turnover models as *process* models that aim to shed light on the question how employees leave. These models tend to emphasize the individual variables such as job satisfaction or commitment which then will lead to turnover intention of the employee. The classic model of turnover by Mobley (1977) is a typical example of process model. The steps identified are start from evaluation of the current job and if job dissatisfaction is experienced this might searching and evaluation alternative job opportunities. Eventually if better alternatives are found the employee might have intention to quit the company. Traditional theories explain quitting as a process induced by job dissatisfaction. However, these theories come short in capturing the surroundings and context in which employees quit and, therefore, may not provide implications on how employees can be retained (Lee & Maurer, 2001). This is especially relevant in cross-cultural research environments.

3.1.2 Content models

Whereas process models try to explain how employees end up quitting, content models answer the question why employees leave. Maertz & Griffeth (2004) expanded theoretically the three antecedents of job embeddedness theory and identified eight motivational forces to explain the motivation behind why employees leave or stay. They are called affective, calculative, contractual, alternative, behavioral, normative, moral, and constituent forces. Table 2 presents these eight categories as well as previously introduced themes that are related to some of the motivational force types.

A**ffective forces** indicate the affective response to the current organization, similarly to the job embeddedness model. If the affective forces are low, in other words the employee does not have positive feeling towards the organization and the work in it, he or she is more likely to leave. Affective forces are closely related to affective commitment (Meyer & Allen, 1991). Affective forces stem more from the current feelings towards the organization, but **calculative forces**, on the other hand, are based on rational and cognitive evaluation of future prospects in the organization (Maerz & Griffeth, 2004). Even if employee currently feels positive about the organization (affective attachment), he or she may leave if there is reason to be worried about the future in the company. Future oriented calculation may explain why seemingly satisfied employees leave (Mobley, 1979).

Contractual forces are psychological obligations that the employee perceives to owe to the employing company and the felt obligation increases attachment (Maertz &

Campion, 2004). Perceived obligation to stay is also labeled normative commitment (Meyer & Allen, 1991), but in case the contact is breached and the organization has failed its obligations to the employee, this normative commitment may be lost and turnover occurs. On the other hand, when good alternative opportunities are present they can pull employees away from their current organization. These **alternative forces** relate to employee's evaluation of their ability to find and obtain a valuable alternative for their current job (Maertz & Griffeth, 2004).

Behavioral forces involve commitment to the organization and a desire to avoid the costs of leaving the organization. Similarly to Meyer & Allen's (1991) continuance commitment, employees are likely to consider the past behaviors which include investing in company-specific training time or in nonvested pension benefits. In case, there is no cost in leaving the company employee has a freedom from organizational ties and, thus, quitting is more likely to occur. **Constituent forces** work in similar way as the links in the job embeddedness model (Mitchell et al., 2001) and involve the attachment to the people, groups and community. On the other hand these same constituents may be the reason behind the desire to quit the company. In turnover theory these forces go beyond the organizational-level forces (Maertz & Griffeth, 2004).

Normative forces involve pressures to stay or leave an organization based on the expectations of family members or friends outside the organization. Employee might be thinking "what the others expect me to do". Different normative forces may even conflict when different expectations meet. **Moral forces**, on the other hand, involve employee's internalized values about quitting in general. An employee may have the value that staying loyal to the employing organization is good or right, but on the other extreme, he or she may think that changing job is a virtue. (Maertz & Griffeth, 2004) For example, in some Asian job markets, "job hopping" seems to have become a trend, thus voluntary turnover is probably perceived more acceptable.

Table 2: *Motivational forces for staying or leaving the organization (Maertz & Griffeth, 2004)*

Type of force	Motive for staying or leaving	Related themes
affective	•The affective response to the current organization; •Psychological comfort or discomfort towards the organization	•Affective commitment (Meyer & Allen, 1991)
contractual	•Psychological obligations to fulfill the contract; •Obligation towards the organization and	•Normative commitment (Meyer & Allen, 1991)
constituent	•the commitment to people or groups in an organization; •if the constituent shows signs of leaving attachment to the organization may be lost	•Links (Mitchell et al., 2001)
alternative	•perceived alternatives to the current job	
calculative	•anticipated future satisfaction of staying within the company	
normative	•pressures to stay or leave derived from the expectations of others	
behavioral	•behavioral commitment to an organization	•Continuance commitment (Meyer & Allen, 1991) •Sacrifice (Mitchell et al., 2001)
moral	•moral or ethical values about quitting	

3.2 Socialization models: Organizational commitment and job embeddedness

Another grouping of models comprises the socialization models (Zheng & Lamond, 2009) or attitude models (Mitchell et al. 2001) which have more consideration for the contextual variables such as the work environment than the process models (Holtom et al., 2008). Socialization models tend to associate the individual characteristics with the organizational process of socialization (Peterson, 2004, 214). These models emphasize the person-organization fit stating that if the employees fit in with the organizational culture and function in a satisfactory manner, they tend to stay in the organization and, vice versa, people only loosely connected to the organization tend to leave more easily (Ibid.). Two important concepts for this study are introduced here: organizational commitment and job embeddedness.

Organizational commitment and job satisfaction

Organizational commitment (OC) is one of the most used variables in the study of organizational behavior and especially in the study of employee turnover because it is highly correlated with turnover intentions. Turnover intentions, on the other hand, may affect the decision to look actively for other alternatives or quit a job. The concept of *job satisfaction* differs from commitment to the organization, although they are closely interlinked. Commitment to organization has been found to relate positively to employee job satisfaction (Chen et al., 2002). As an attitude, however, commitment emphasizes attachment to the employing organization and its values and goals, whereas satisfaction is considered less stable over time and emphasizes the specific tasks the employee is engaged in (Mowday et al., 1979). Common dimensions to measure job satisfaction are supervision, work environment, co-workers and pay (Griffeth et al., 2000). The relationship between job satisfaction and turnover has been researched heavily and a moderate relationship has been found between job satisfaction and turnover or turnover intent (Ma & Trigo 2008). The causal relationships between organizational commitment, job satisfaction and turnover are presented in the figure below.

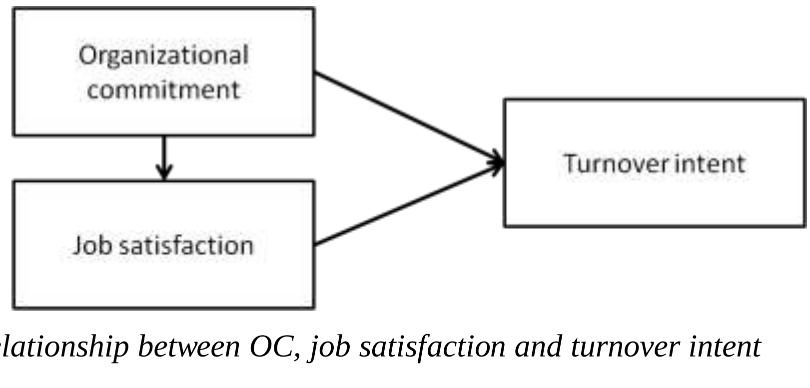

Figure 3: *Relationship between OC, job satisfaction and turnover intent*

Most common model used to describe OC is the three dimensional model of Meyer & Allen (1991) consisting of three general themes of organizational commitment: 1) affective attachment to the organization (affective commitment), 2) perceived cost associated with leaving the organization, and (continuance commitment) 3) obligation to remain with the organization (normative commitment) (Meyer & Allen, 1991, p.63-64). The affective commitment reflects employee's desire to maintain membership in the organization and its goals. The second theme in organizational commitment, labeled by the authors as continuance commitment, reflects the work- and nonwork-related costs of leaving organization such as being unable to use non-transferable skills in a new job, or giving up benefits or personal relationships in the old job (Meyer & Allen, 1991). The third theme, normative commitment to organizations, is the employee's wish to stay based on sense of duty, loyalty or obligation towards the organization (Clugston et al., 2000). Normative commitment has two sides one reflecting a sense of moral duty, and the other a sense of indebted obligation (Meyer & Parfyonova, 2010).

Job embeddedness

Mitchell et al. (2001) introduced a model that describes the reasons why employees stay within an organization called *the job embeddedness model* which is a similar construct to organizational commitment. The concept of job embeddedness (JE) widens the socialization models beyond just the relationship between person and the organization. The core idea is that a person can become highly embedded within the organization in variety of ways. The critical aspects of job embeddedness model are, in addition to the fit that the person feels with the organization, the links that the employee has with the people or activities in the organization, and the ease with which these links can be broken, in other words, the sacrifice the employee would have to make if he or she would leave the job. These aspects are called *fit, links and sacrifice* (see figure 4 below).

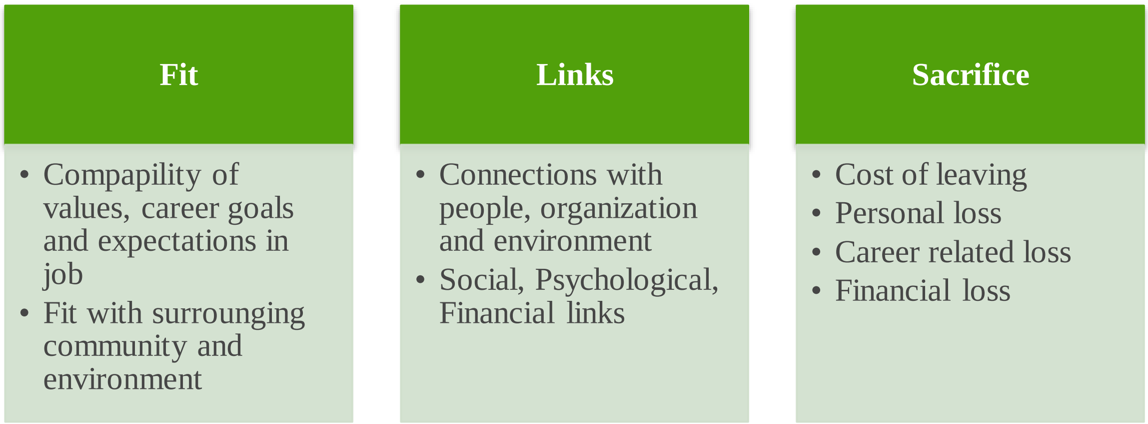

Figure 4: *Fit, links and sacrifice (Mitchell et al., 2001)*

Employees are more likely to stay with a company that encourages their personal values, career goals and expectations for the immediate job, but also the surrounding community and environment affect employees' decisions (Holtom & Inderrieden, 2006). In addition, Employees and their families are linked to a web of social, psychological and financial connections with friends, the community, groups, and the environment. The stronger these links are the more likely employees will stay at a job (Mitchell et al., 2001). Finally, the concept of sacrifice reflects the cost of leaving. For example, quitting may induce personal losses such as losing contact with friends or interesting projects; loss of financial incentives such as non-portable perks like stock options; or career related costs such as opportunities for advancement or job stability (Holtom & Inderrieden, 2006).

Meyer & Allen's (1991) organizational commitment (OC) is quite similar construct to JE, however some differences do exist. To begin with, OC is involved with organizational issues whereas JE is concerned with organization and the surrounding community (Mitchell et al., 2001). Affective commitment can be loosely linked with JE's fit, because just like affective commitment good fit with the organization may induce positive reactions towards the job, but on the other hand, fit can also reflect a non-emotional judgment towards the job. Similarly, the second factor of OC, normative commitment does not quite match the JE factor links, although, links may increase the sense of obligation to stay. On the other hand, continuance commitment and sacrifice have some very similar aspects concerning the sacrifice an individual would have to make if he or she would change jobs. Figure 5 shows the interlinked concepts of organizational commitment and job embeddedness. In addition, job satisfaction is also interlinked concept as well as affecting factor to organizational commitment (especially affective commitment) and job embeddedness (especially organizational fit).

Figure 5: *Organizational commitment, job embeddedness and job satisfaction.*

3.3 Types of leavers

Lee & Mitchell's (1994) unfolding model presents an alternative theory on "why and "how" people leave organizations. In addition to the commonly used indicator of job satisfaction, the model introduces "shocks" as triggers of a process leading to quitting. Shocks are unexpected, jarring events like alternative job offers, job transfers, acquisition/merger, of a company, and changes in marital status or spouse's work (Zheng & Lamond, 2009) that initiate the psychological consideration of leaving a job. A shock can be positive, neutral, or negative; expected or unexpected; and internal or external to the person. In fact, the shocks are found to be more often the immediate cause of turnover than job dissatisfaction (Holtom et al., 2005).

The original unfolding model of voluntary turnover (Lee & Mitchell, 1994) mainly consists of shocks, scripts, image violations, job satisfaction, and job search. The model involves decision paths which vary from quick, impulsive judgment, to a rational, comparative decision involving many alternatives.

In the first path a shock evokes a memory of a similar shock and situation followed by similar response than earlier. The path 1, therefore, involves a script, i.e. a pre-existing action plan that can be recollected, matched with the current situation and carried out according to the pre-planned script. *The second path* also involves a shock, but no previous memories or scripts can be found. The decision path 2 involves an image violation, a shock that contradicts with employee's basic values, goals or the plan the employee applies to reach the goals. When a shock is experienced as incompatible with these three images, the employee quits without comparing between alternative jobs. *In the third decision path* a shock prompts image incompatibility which, in turn, leads to some level of dissatisfaction, and then, in turn, into comparison between the current job and other alternatives. Finally, unlike the previous paths, *decision path 4* does not involve a shock, and, therefore, the path to quitting unfolds slowly compared to previous paths. Over time, some employees start to feel they no longer fit with their jobs, because of changes in their personal or organization's goals and values. In path 4a, employees experience so much job dissatisfaction, they simply quit. Others might, after gradually accumulating dissatisfaction towards the job, engage in job search and evaluation of alternatives – a path very much like presented in classic turnover model of Mobley (1977). These people follow path 4b. The five different paths and their phases are summarized in the table 3.

Table 3: *The four original paths of the Unfolding model (Holtom & Inderrieden. 2006, p. 437)*

Attribute	**Path 1** Following a plan	**Path 2** Leaving without a plan	**Path 3** Leaving for something better	**Path 4a** Leaving without a plan	**Path 4b** Leaving for something better
Initiating event	Shock	Shock	Shock	Job dissatisfaction	Job dissatisfaction
Script / plan	Yes	No	No	No	No
Job dissatisfaction	No	Yes	Yes	Yes	Yes
Active job search	No	No	Yes	No	Yes

Lee et al. (1999) updated the original model by specifying 1) that scripts can be part of more than the first path only, but they are only followed in the case of the first path; 2) that comparing job alternatives may involve concrete job offers or believe of existing alternatives; 3) that unsolicited job offers can be part of more paths than just path 3, and 4) that job search and evaluation are theoretically decoupled.

Maertz & Campion (2004) suggest few moderations to the unfolding model. F*irst*, the path 1 should be divided into two distinctive processes: quitting planned in advance for a definite event in the future, and quitting planned conditionally for an uncertain event in the future. *Second*, negative or positive affect towards organization can play part in any decision process but it may be more or less important to certain paths. *Third,* Lee & Mithcell's (1994) model does not distinguish a distinct category of impulsive quitting, therefore, not allowing cases of "no planning". *Finally*, Maertz & Campion (2004) suggest that paths 4a and 2 are essentially similar, because even if a shock occurs it still can lead to gradual withdrawal as in the case of no shock. Therefore, whether there is or is not shock does not really matter (Maertz & Campion, 2004). Similarly, paths 4b and 3 can be combined into one process group.

Instead of using decision paths in classifying quitters, Maertz & Campion, (2004) present four clearly distinctive turnover decision types: 1) Comparative quitting happens when employees have alternative job offers in hand at the time of final decision to quit; 2) preplanned quitting takes place when employees make definite decisions or plans to leave well in advance; 3) conditional quitting occurs if employee's plans to quit depend on an uncertain future events, and 4) impulsive quitting which is characterized by absence of an alternative job offer at the time of the final decision to quit. The four generic turnover decision types are summarized in table 4.

Table 4: *The four generic turnover decision types (Maertz & Campion (2004, p. 569)*

Decision type	**Job offer**	**Script / plan**	**Description**
Impulsive quitting	No	None	Quitting because of low attachment. Low job embeddedness.
Comparison quitting	Yes	None	Quitting for better alternative job.
Preplanned quitting	No/Yes	Definite plan to quit when certain event happens or time arrives	Quitting with definite plan despite having alternative job or not
Conditional quitting	No/Yes	Conditional plan to quit if uncertain event happens in the future	If something happens employee evaluates the conditions before making the decision to quit

Integrating the unfolding model (Lee & Mitchell, 1994) with the ideas of the job embeddedness model (Mitchell et al., 2001) brings another good point of view to the logic behind why some employees leave when others stay (Holtom & Inderrieden, 2006). The interpretation of a shock depends on the surroundings of the shock experience (Lee & Mitchell, 1994), therefore, the level of job embeddedness plays important role in how employees perceive shocks (Mitchell et al., 2001). Low level of job embeddedness can make employees more vulnerable towards shocks. If employee experiences little or no fit with the organization he or she is more likely to put more emphasis on shocks such as unsolicited job offers. Also, a person with only few links within the organization or surrounding community is more easily left alone to handle shocking events and, therefore, the events might carry more meaning and possibly be more shocking. On the other hand, a person with lot of strong links in the community can probably see the event in bigger context thus putting less emphasis on the shock. (Holtom & Inderrieden, 2006)

While Lee & Mitchell (1994) and Maertz & Campion (2004) make great contribution in integrating process and content models their models pay little attention to the organizational attributes and the role that the employer plays in the equation. In addition, the models have been tested solely in Western societies (e.g. Niederman et al., 2007; Holtom et al., 2005; Lee et al., 1999; Lee et al., 1996). Chinese business environment has unique characteristics and, therefore, turnover literature with Chinese perspectives is reviewed in the next part of this chapter.

3.4 Organizational commitment and turnover in China

Organizational commitment

Clugston et al. (2000) tested the three dimensions of organizational commitment (Meyer &Allen, 1991) across cultural dimensions and added supervisor and workgroup to the model. They noted that employees in collectivistic cultures tend to be more committed to their workgroup rather than other organizational elements. China, therefore, as a highly collectivist culture would be showing affective, continuance and normative commitment to the workgroup.

Traditionally in China, loyalty to person is more important than loyalty to institutions (Chen et al., 2002). Chinese organizations are typically dominated by the top bosses and they are treated as the symbol of their organization. Therefore loyalty to the organization in Chinese context is associated with loyalty to the leader (Chen & Francesco, 2000). According to Chen et al. (2002) the supervisor is especially important for Chinese employees as he or she often interacts with employees every day, acting as the agent for formal and informal procedures of the organization and, most importantly, taking care of rewarding employees.

Another related and typically Chinese aspect of organizational behavior is G*uanxi* or personal network connections. *Guanxi* involves long-term personal relationships with some aspects of interpersonal commitment and affect, but most fundamentally obligation towards another person (Provis, 2008). In a study on the relationship between demographic variables and organizational commitment in Chinese organizations, Chen & Francesco (2000) concluded that Chinese employees behave differently from their western counterparts due to the influence of traditional Chinese culture. They argued that those employees who have good *guanxi* with the boss are more easily promoted to the top positions. An employee with higher position, therefore, should be more loyal to the boss or more committed to the organization (Chen & Francesco, 2000).

Turnover

Traditionally Chinese culture is characterized by harmony and loyalty reflected in values such as collectivism, social duty and respect for authority (Ma & Trigo, 2008). Therefore, from the cultural background perspective stabile long-term employment relationship should be highly appreciated among Chinese employees, yet in the recent years, companies are facing high rates of turnover. The reasons for the situation might be found from the changed labor market situation and low unemployment. As Ma & Trigo (2008, 41) put it: *"Current difficulties being experienced by companies in retaining qualified employees are explained by the dynamism of the labor market and the extraordinary opportunities that workers, especially at the managerial level, can find in China which offset cultural idiosyncrasies."* However, they also describe the new generation of Chinese managers as more individualistic, more independent and more likely to take risks to gain profit than the managers from the older generations. The traditional working culture might no longer be applicable to employees of modern day China and the reasons behind employee mobility might be other than just economical.

There is only handful of literature on turnover in Chinese context in English. Many of the studies consider the pay the most important contributor to job satisfaction and arguably to turnover intent. For example, Chiu & Francesco (2003, p. 294) argued that *money and pay have a more important role in Chinese culture than in other cultures* and pay has satisfaction is one of the main contributors to job satisfaction. Chinese employees rank cash-related items as the most preferred forms of compensation differing from the studies made in Western world (Chiu & Francesco, 2003).

Supporting this notion, Leininger (2007) presented a study made in 2006-2007 on the main reasons for leaving a job. Chinese employees left because of 1) better compensation package; 2) better career opportunities; 3) better benefits; 4) better training and personal development opportunities; and 5) opportunities to utilize skills offered in another firm. According to traditional Chinese thinking people are considered to be successful in life when they can become financially self-sufficient and self-reliant (Chiu & Francesco, 2003), thus partly enlightening the importance of compensation and career progression to many Chinese employees. In a Chinese study, Ling et al., (2005, cit. Ma & Trigo, 2008) found that the turnover intentions are influenced by motivation and sense of achievement; corporate culture; compensation and benefits; promotion and training; corporate profitability and prospects; relationships; and working environment.

It is important to note that these studies focus strongly on job satisfaction and do not connect it with the decision to quit. As pointed out in previous chapter, accumulated job dissatisfaction is not always the immediate cause of voluntary turnover, and, therefore, focusing solely on job satisfaction cannot explain all turnover cases.

3.5 Theoretical framework

The theoretical framework for this study combines retention practices (HR management), organizational commitment (OC) and job embeddedness (JE) with generic turnover types (see figure 6). The aim is to include organizational and HR perspectives into otherwise individual decision-process oriented turnover models to better understand the multicultural context in which the Case Company operates.

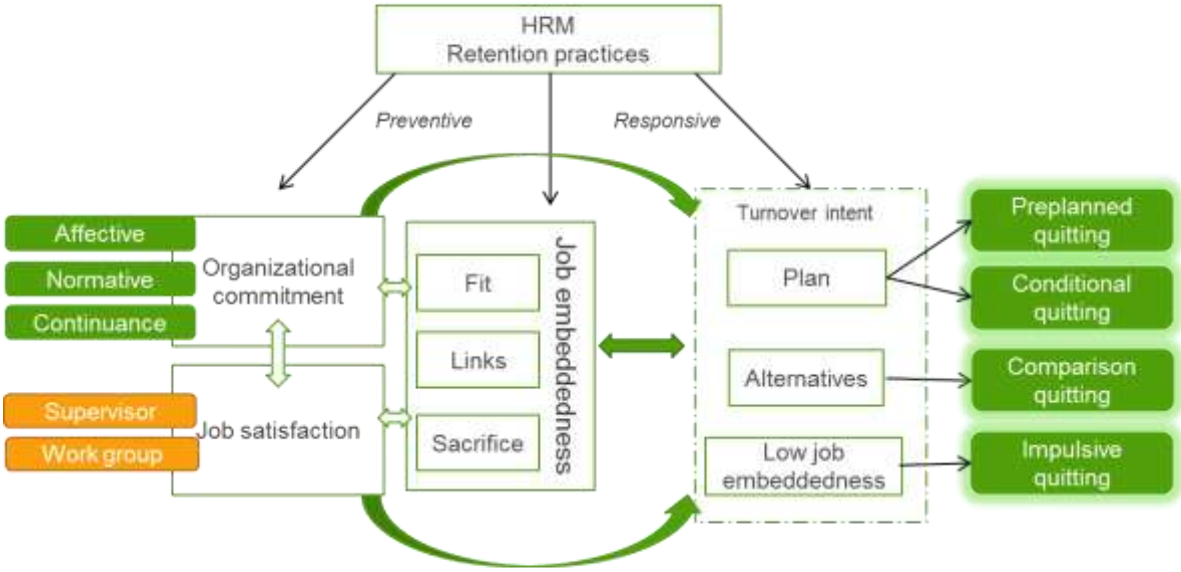

Figure 6: *Theoretical framework for employee turnover*

To begin with, constructs of organizational commitment, job embeddedness as well as job satisfaction are interlinked and they may or may not awake turnover intent or similar reaction in employees. Turnover intent is described in the framework as possible or definite plans for quitting resulting in conditional or preplanned quitting respectively. Or, it can manifest it-self in the form of job alternatives resulting in comparison between jobs and possibly the employee leaving for the better job. And finally, low level of job embeddedness may result in impulsive quitting without plan or alternatives. Turnover intent can be induced by a shock or disrupting event, for example unwanted change in job content may lower job embeddedness and result in impulsive quitting. However, just as well shock can be absent or so slow it cannot be described as a shock, therefore, shocks are not included in the framework as such but they can be the reason behind changes in any of the parts of the framework.

Because important aspect of this study is the organization and construction of international HR practices in a Chinese subsidiary, HRM construct is included in the framework in the form of retention practices the aim of which is to decrease turnover intent and increase organizational commitment and job embeddedness. The aforementioned practices are mostly responsive in nature as the employee has already expressed intention to leave, and the latter are preventive retention practices aimed to build commitment and tackle problems before they even rise.

4 Research design and methods

In this chapter the research approach is presented and the selection of empirical research methods clarified. First a short overview of the research area and problem is given followed by description of the research methods, approach and design. The second part discusses the different data collection methods and in the third part description of the data analysis will be given. Finally, validity and reliability as well as limitations of the study are presented.

4.1 Research approach and design

The objective of this thesis study is to acquire insights on retention and voluntary turnover and to describe how voluntary employee turnover is managed in a case company which is a Chinese subsidiary of a Finnish MNC. The literature on voluntary turnover implicates that although the issue has been given attention, the previous research mainly concentrates on Western organizations and studies conducted in Asian context often focus on the individual and lack organizational perspective. China is extremely fast developing, diverse and relatively unstable market and the assumption is that the peculiar features of both Chinese business environment and the organization culture from the Finnish parent company affect the ways in which HRM system is constructed.

4.1.1 Research method

Research methods can be regarded as different tools or ways to solve research questions, and choosing the right method requires deep understanding about the research problem at hand (Ghauri & Gronhaug, 2002). A general classification of research methods divides them into two broad groups: qualitative and quantitative methods (Saunders, et al., 2007). In quantitative research, data is quantifiable and different statistical methods can be used in the data analysis. The results gained from the analysis are representative of the whole population if done correctly. Qualitative research, on the other hand, focuses on verbal or visual data that is non-quantifiable and the data analysis aims at providing insight and understanding to a certain phenomenon. (Malhotra & Birks, 2000)

There is a tradition of combining this two methods in the literature on social science research. Saunders, et al. (2007) mention two main advantages for mixed method approach. First, different methods can be used for different purposes, and secondly, mixing methods offers the possibility to understand and correctly interpret the data because the different methods should reach supporting findings. This form of research is often also called methodological triangulation (Jick, 1979). Therefore, the methodology used in this study combines both qualitative and quantitative aspects of research. Qualitative surveys are used to measure attitudes and behavior of employees, whereas, qualitative interviews are conducted to reach deeper understanding behind this behavior as well as the actions taken by HR and management.

This study also adopts a single case design which offers a holistic view of the research under investigation (Yin, 2003). According to Eisenhardt (1989) case study methodology is the most appropriate method when only little previous research exists or new insights are sought to an already studied topic. Case studies are also particularly useful if rich understanding of the phenomenon within real-life context is to be gained (Yin, 2003).

Yin (2003) distinguishes between four different types of case studies based on two dimensions: single - multiple, and holistic - embedded. In this study a single case is chosen due to its availability for observation and the fact that it is representing a typical management situation in a special multi-cultural context. Finding more similar cases might have been possible but due to the special nature of the case a single case can also provide in-depth understanding on the issues related to the research problem. Single case design still requires careful investigation in order to avoid possible misrepresentations.

4.1.2 Research approach

Two broad ways of reasoning can be distinguished in academic research and they are called deductive and inductive approaches. In short, deduction aims at testing existing theory- Researchers using this approach construct hypotheses or testable propositions from the existing literature which is then subjected to careful examination and will either be accepted or rejected by the empirical evidence. Inductive approach, on the other hand, is concerned with building theory from the data. In this approach theory follows data and it is used to understand, for example, the meanings people attach to events. (Saunders, et al., 2007)

Saunders, et al. (2007) state that the two approaches are not totally exclusive and utilizing both approaches can be advantageous. Inductive approach can include deductive elements and vice versa (Ghauri & Gronhaug, 2002). The previous literature on voluntary turnover provides a large selection of generic theories from various perspectives. This study uses a theoretical framework based on related previous studies to understand the phenomena in a specific Chinese context. In this light, this thesis study tries to test the existing theory from a new point-of-view and see whether it is applicable in the chosen case company; therefore this is a deductive study. After the empirical analysis the existing theories can then be reviewed and revised. Therefore, this thesis study is a deductive study with some inductive elements.

4.1.3 Research design

The research design is a general plan about how the research project will go on about answering the posed research questions (Saunders, et al., 2007). Yin (2003) states that the research design is the process connecting empirical findings to the initial research question and, finally to the conclusions. Figure 1 depicts the protocol followed in this thesis study.

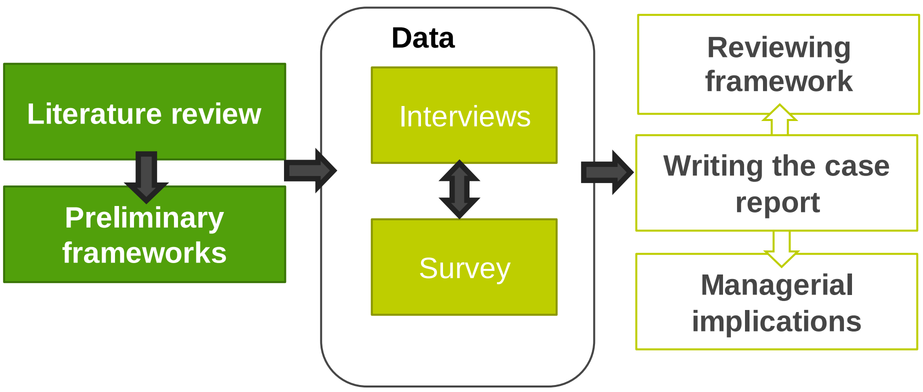

Figure 7: *Research design*

As mentioned before previous literature will be used as a basis for preliminary conceptual framework. Then data will be collected using both qualitative interviews and quantitative exit interview results and employee engagement surveys. The data collection methods will be described in more detail in the next section. When the data is collected careful analysis on the findings will be conducted and the case report will be used to draw managerial implications as well as testing the preliminary theoretical framework.

4.2 Data collection

In this section data collection methods will be described in more detail; beginning with an overview on interviews and then continuing to the quantitative data collection methods.

4.2.1 Qualitative interviews

Interviews are typical sources for information in case study research and especially semi-structured interviews are well suited for qualitative case study (Saunders, et al., 2007). Semi-structured interviews are interviewing strategies that fall somewhere between structured interviews with predetermined questions, and unstructured interviews where open-ended questions are asked. In semi-structured interviews the researcher will have a list of themes and questions to be covered, although the focus of the interview may vary depending on the context of the interview and also the order of questions may also be varied depending on the flow of the conversation (Saunders, et al., 2007).

For this study four non-standardized, semi-structured and in-depth interviews were conducted. The topics were predetermined from the relevant theory but certain openness allowed the interviews to take up emerging themes that haven't been considered beforehand. The main topics in the interviews were: 1) background of the interviewee, 2) the role of the Chinese subsidiary relative to the Mother company, 3) voluntary employee turnover, 4) retention practices and 5) additional information (see more detailed description of each topic and sub questions in attachments). Because the interviewees represented two different professional groups - HR and business management – the weight given on each topic in the interviews varied between the groups. In the interview outline for HR professionals, retention practices and organization of HRM were emphasized, whereas, the interview with business managers focused more on employee turnover and organizational commitment of their subordinates. For the interview with Chinese business manager one additional topic was added: perspective of long term employee in the case company.

The interviewees were Finnish business manager located in China, Finnish HR manager located in Finland, Chinese business manager located in China and Chinese HR manager also located in China. The interviews were conducted in Finnish with the Finnish interviewees and in English with Chinese interviewees. Each interview took 40 minutes to 1hour and each interview was recorded with the permission of the interviewee and transcribed word-to-word for further analysis.

4.2.2 Exit interviews

Two sets of secondary qualitative data were also collected: the exit interviews and employee engagement surveys. The exit interviews are conducted by manager or HR manager with every employee resigning from the company. The questions in the exit interview form are mostly quantitative but few open questions are also included. The data used in this study was only quantitative, due to language issues. The data points were collected from the hand-filled interview forms in a excel spreadsheet for further analysis. The most important data received from these form were the reason for leaving as well as the tenure of the leavers. Also additional data was received regarding the leavers' satisfaction with case company as an employer. In total 91exit interviews were collected for this study from years 2010 and 2011.

4.2.3 Employee engagement survey

The second set of secondary empirical data is the employee engagement surveys conducted during 2011-2012. Employee Engagement Survey or EES is conducted yearly to collect data on employees' attitudes and feelings towards the case company as an employer. Employee engagement is defined as combination of perceptions including items such as satisfaction, commitment, pride, loyalty, a strong sense of personal responsibility, and a willingness to be an advocate for the organization. The survey consists of 58 questions that aim to map out the employees' point-of-view on employee engagement, managerial effectiveness and occupational health and safety. The employees respond to each question using a range from 1 (the lowest score) to 5 (the highest/best score). The items in the engagement index are:

1) Overall, I am extremely satisfied with Case Company as a place to work.
2) I would gladly refer a good friend or family member to Case Company for employment.
3) I rarely think about looking for a new job outside Case Company.
4) I am proud to say I work for Case Company.

The survey also measures managerial effectiveness, which is important factor in overall functionality of the organization as well as contributor to organizational commitment of the subordinates. The items in the managerial effectiveness index are:

5) My manager is an effective leader.
6) I trust my manager.
7) My manager really cares about my well-being.
8) My manager keeps his/her commitments.

The results of the surveys for abovementioned items are summarized in table 5 with comparison to the results from the whole Global Company in 2012. Percentage favourable towards an item includes person who chose one of the top two favourable options - either strongly agree or agree. In total, 211 surveys were conducted in 2012 and 192 surveys in 2011 with the response rates of 99% and 97% respectively. In global scale the survey had over16 000 respondents and the response rate was 78%.

Table 5: *Emplogyee engagement survey results 2011-2012*

	Percent Favourable		Global company
	2011	2012	2012
Employee engagement	**62%**	**66%**	**63%**
Overall, I am extremely satisfied with Case Company as a place to work.	*73%*	*78%*	*74%*
I would gladly refer a good friend or family member to Case Company for employment.	*61%*	*64%*	*60%*
I rarely think about looking for a new job outside Case Company.	*55%*	*60%*	*57%*
I am proud to say I work for Case Company	*61%*	*63%*	*62%*
Managerial effectiveness	**67%**	**72%**	**73%**
My manager is an effective leader.	*69%*	*75%*	*70%*
I trust my manager.	*72%*	*73%*	*76%*
My manager really cares about my well-being.	*63%*	*70%*	*76%*
My manager keeps his/her commitments.	*64%*	*71%*	*70%*

4.2.4 Other secondary data

Secondary data was also used to better understand the empirical data and confirm the findings. Using primary data alone is rarely substantial enough to fill the requirements of a research project and secondary data is needed to support the findings from primary data (Saunders, et al., 2007). The secondary sources used in this study are different internal communication media (e.g. internal presentation materials) and information from internet and intranet pages.

4.3 Data analysis

The data analysis is based on the framework drawn from the existing literature on employee turnover and retention practices. In addition, the research question serves as a guide throughout the analysis process. The semi-structured interviews were audio-recorder and subsequently transcribed. This was followed by careful examination of emergent themes such as the role of supervisor, length of tenure and HR networking.

The different views presented were then categorized according to the themes and based on what aspects of the research question they answered to.

Data collection, data analysis and the development and verification of relationships and conclusions are interrelated and interactive set of processes (Saunders, et al., 2007). This kind of systematic combining (Dubois and Gadde, 2002) where theoretical framework, empirical fieldwork and case analysis evolve simultaneously was used in this case study. The systematic combining process allows the researcher to move between different types of research activities and between empirical findings and theory.

4.4 Validity and reliability

Reliability and validity are crucial in order to produce descriptions of the social world that contribute to the knowledge of certain social phenomena (Saunders, et al., 2007). This study follows Yin's (2003) four commonly used tests to establish the quality of empirical research. First, the test for construct validity is about establishing correct operational measures for the concepts being studied. Second test is internal validity which consists of causal relationship, where certain conditions are shown to lead to other conditions, as distinguished from spurious relationships. Third, the test for external validity is about establishing the domain to which a study's findings can be generalized. And finally, reliability means that the different operations of the study can be repeated and the biases and errors are minimized.

4.4.1 Validity

Close care is taken to ensure the validity of the research. Jick (1979) argues that triangulation, which refers to using multiple research methods for finding answers to same research dimension, is an excellent tool for ensuring the validity of the findings. To improve the construct validity multiple relevant sources of data should be used, a chain of evidence established while collecting data and also to let the key informants review the case study report (Yin, 2003). In this study the above mentioned measures are taken to improve the construct validity of the research: multiple sources of evidence are used from interviews to survey. All the key interviewees were also asked to review the case study report. Single case studies are said to offer weak basis for generalization. Case studies, however, aim at analytical generalization where the researcher tries to generalize ser of results into a broader theory (Yin, 2003). External validity can be enhanced by using already generalized theories in a single case study (Ibid.) as is done in this research. The framework used for this study is formulated from generalized theories with well-established external validity as well.

4.4.2 Reliability

The goal of reliability is that if another researcher would follow the same procedures with the same case study he or she would have the same results and conclusions as the first researcher (Yin, 2003). In case study it is often challenging to reach absolute reliability because the actors often change. Yin (2003) suggest that to reach as high reliability as possible it is recommended to use well planned and documented case study protocol and to establish a case study database. The goal is to minimize the errors and biases. In this study, case protocol is followed and case study database created. In addition, the online survey helps to exclude possible interviewer bias in the face-to-face interviews.

4.4.3 Limitations

One limitation for this study is the narrow focus on just a Finno-Chinese organization. The reason behind choosing a very distinctive culture and location specific setting is to tell more detailed and in-depth story of employee turnover management in certain type of context.

As mentioned earlier most common criticism towards single case study is the limited opportunities to generalize the results. The resources and time constraints limit the amount of cases into just one but as argued earlier, the need for more cases in this research is not necessarily justified. The goal of this study is not to gain statistically generalizable results, but instead to investigate whether the generic theories are supported in a real-life context, i.e. the case firm and what kind of practical recommendations can be drawn from the similarities and differences between the theory and practice. Also, with qualitative interviews, there is always risk for interviewer-bias where the views and prejudices of interviewer can affect the flow of the interview as well as the analysis of the results.

5 Introducing the case

In this chapter, the case company will be introduced. The name “Case Company” is used for the Chinese subsidiary of the Mother Company which, in turn, is headquartered in Helsinki, Finland. Global Company stands for the global entity with Mother Company and its subsidiaries including the Case Company.

5.1 The global HR organization

HR organization in Global Company has three main groups. They are Business HR, Group HR and HR Services, and each of them has a unique role in the whole HR system. The figure 8 describes the relationship between these groups as well as their primary contact groups.

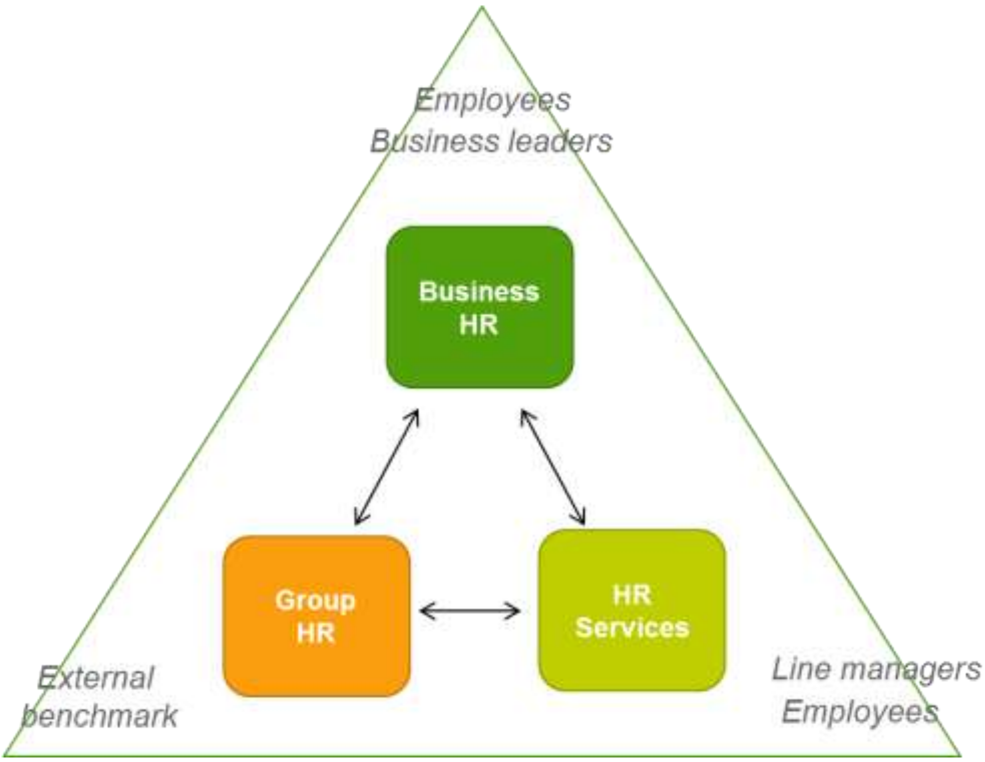

Figure 8: Global HR organization (Case Company HR presentation material, 2013)

Business HR (BHR) has the responsibility over all HR activities in the business group. Business HR is represented in management teams, and partner to supervisors and employees. It is the responsibility of the BHR to ensure organizational development according to the plan and implementing people processes such as talent reviews, salary increases and personal performance reviews. **HR Services** is responsible for producing services and maintaining and developing the tools and databases. Along the HRenews program more and more European and American HR services have been centralized in the Global Service Centre in Krakow, Poland. Country services are being transferred to this centre but HR services for Asia Pacific are still located in Shanghai, China. **Group HR** is responsible for the Global Company's worldwide concepts and their development according to company's strategy. Group HR is in charge of compensation and benefits such as long term incentive plans, and supports business in planning, creating and implementing people development. The concepts and programs created in the Group level are communicated to the Businesses, where with the support of Business HR they are implemented and local requirements are taken into consideration.

5.1.1 HR management in Case Company

Human resources in the Case Company are locally in the hands of the local Business HR manager and supported by local HR specialist. Business HR in the Case Company's business unit has the responsibility over manufacturing and sales network in mainland China, Hong Kong, as well as Korea and Japan. Within these units there are in total around 300 people.

In addition to being the partner for local business, the Business HR manager is part of different HR networks. Firstly, he is part of the China network which includes the HR services located in Shanghai as well as the Business HR colleagues from other business units. Then there is wider regional network which covers the HR in Asia Pacific region, in China, Australia and Malaysia. In addition business HR manager interacts with BHRs in Europe in the same business group and finally with the Group HR in even wider corporate level HR issues.

Generally in the Global Company, the BHR is always local and so is the case with the Case Company in China. The reason behind this is that the job requires deep understanding of local rules and regulations, language, cultural nuances and many other aspects of local work environment that home country and third country expatriates cannot know. In this light, one can say the Global Company's approach to IHRM is rather polycentric.

5.1.2 Organizational Challenges in HR network

Frequent and effortless communication between different HR groups is considered very important but interaction does not come without challenges. Communication networks and systems enable HR group members to share experiences and best practices from different countries and give each other support in challenging situations. The Asia Pacific HR network has teleconferences once in a month and meets face to face 1-3 times a year in different locations around Asia. In addition, other virtual less formal communication systems are available for everyday communication such as email, instant messaging and VOIP (voice over IP) calls.

For a team working in different locations, the physical distance and differences in the cultural backgrounds creates challenges for the members of the HR network. Also, due to the time difference common working hours are limited. The cooperation has been quite successful and trouble free, but peoples' backgrounds should always be taken into account and it requires more effort from all team members. Virtual communication channels and different backgrounds and language skills of team members increase the communicational challenges. Therefore, special attention needs to be paid that messages are conveyed to the recipient as was intended. This is not always an easy task.

> *…it has required lot of work, to understand those local conditions. Still one does not understand, and of course one cannot be the expert in those local legislation issues, so one really must completely trust the local people.*

> *I need to always take into account, that if I say something like this, it is not necessarily like that in the mind of the listener. Communication must be quite clear, the level of conversation like I would have with Europeans does not work in Asia.*

Finnish HR manager, translated from Finnish

Cultural differences in daily work also come up in the way different people see the hierarchy and power relations in the organization. Finnish managers would like to be challenged by their subordinates if they see something is wrong or conflicting. Chinese employees, on the other hand, have stronger sense of hierarchy and do not dare to challenge the boss as easily. This might lead to a false belief by Finnish manager that everything is in order.

> *In China, it is especially challenging that they are quite hierarchical. Because we work in a matrix organization there might be conflicting instructions from two bosses. In Europe, people would ask "what to do now?" and bring out the conflict. But in China it's clearly so that they follow the instruction of the boss who is closest or strongest, instead of bringing that conflict into attention.*
>
> *Finnish HR manager, translated from Finnish*

6 Managing employee turnover

This chapter will present and discuss the various findings from the empirical interviews and surveys conducted in the Case Company. First, retention practices and their results on organizational commitment of the employees in the case company are discussed. In the second part of this chapter, employee turnover is analyzed. In the summary of findings at the end of this chapter, the results of the analysis are compared with corresponding initial theories presented in the theoretical part of this study.

6.1 Retention practices in the case company

In the case company time and effort has been put into retaining the key employees in global and local levels. Especially in China, where the organization is relatively young, stable organization is the goal so that subsidiary can operate and meet the high expectations set for Chinese market. Many of the retention practices are global best practices but, of course, certain practices and their importance depend on the local organization just as described by Paauwe & Boselie (2005). On the other hand, employees have individual motivations for their jobs which call for individual retention plans. Also, there are differences between employee groups. Therefore, slightly different retention practices are aimed for blue and white collar workers. On the operator and shop floor level, for example, salary and other benefits, working environment, safety, health care as well as other basic benefits are separating companies from each other as employer.

> *For the past few years we have tried to see that the compensation is fair, so that the key persons can get fair and competitive salary. The other aspect is that Western company brings certain positive things. And our factory is clean, the working environment is clean, all facilities are clean. There is air-conditioning in most places. Then we have shuttle bus that brings here and takes out. We offer lunch. Yes we have certain things that you cannot find in those local and smaller companies*
>
> Finnish manager (author's translation)

Financial incentives are important factor in employee recruitment and retention. Salaries in China are rising extremely fast, despite the current economic slowdown on average 8% per year, and at the current rate China's manufacturing industry wages in 2015 will be doubled compared to the 2011 level (Orlik, 2012). The pressure on raising the salaries of highly skilled workers is high for employers who want to retain and recruit the best people. However, according to Finnish manager of the case company the industrial area where the company subsidiary is located has been more moderate in salary growth compared to some other areas in China. The case company makes regularly salary surveys in the area in order to keep the salary competitive.

> *Two three year ago beginning salary was about 1000RMB, now we are starting to be at around two thousand in order to get employees in production, good ones. You have to be alert all the time.*
>
> Finnish Manager (author's transalation)

> *We follow the competitive situation. Are there new jobs in the area? And we make actions accordingly. Continuously we are checking if our compensation is up to date, if our salary levels are up to date, and that our rewarding packages as such are competitive at the market. These kinds of things have to be done all the time.*
>
> Finnish HR manager (author's translation)

There is also monetary incentive for high level professional (white collar) staff called global long term incentive program where selected employees can receive financial bonus in the form of stocks or shares.

> *In the high level we have the so called, global long term incentive scheme for those identified high potentials…very a limited amount of people will be engaged into this program. Yeah it will be selected locally by… management and gets approval on the global level.*
>
> Chinese HR manager

Although competitive compensation and salary is important in retaining employees, competing against other employers just with salary increases is neither feasible nor profitable. In addition to financial retention practices there are different kinds of programs engaging employees to their work and increasing their skills. The programs are aimed for different levels of employees and employee groups. It is the task for HR together with managers to recognize the key potential people and create a package, individual development plan that will appeal to them. Because each employee is individual these retention programs for key talents are often customized for the individual in question.

> *We have talent review process where we identify our key potentials and we also identify our key positions. And sort of through that process the management team discusses these things and the situation. We identify for example those positions, those key persons where specific retention plan is needed. And then*

we create individual plan for everyone. Because every individual has little bit different things that motivate them in work and engage them to work, and it depends a lot also on the life situation. So we need to think the best practice for each moment. Most important is that managers with the support of HR make this IDP as we call them – individual development plans.

Finnish HR manager (author's translation)

The case company uses skill development programs that allow employees to gain more skills and thus be entitled for skill allowance for their improved effectiveness and professionalism. This is quite motivational for the Chinese employees as they have a way to improve their skills as well as increase their salary.

…we also create the internal job opportunities for the people to lessen to see their career future within the company, even if they are on the operator level. So most recently we developed the program in China we call the multi-skill operator. So for the operators, they can acquire their professional skills. On top of their current skills on their position, with this added skills they can also earn the extra money as a skill allowance.

Chinese HR manager

We created a new system now during the last year. So that people have clear path to see that when they learn new jobs with different machines or otherwise expand their knowhow, so then that they easily see that the can get to the next level and the next level after that. There is at least three levels of work for operator, and when they learn more and take more responsibility they can straightaway get further in production.
… They become this kind of multi-skill operators. We then pay them more salary and it is possible to use these employees in different places when needed.

Finnish manager (authors translation)

These programs are generally well received according to managers. Chinese employees are motivated to learn and by learning new things they improve their chances of securing a role in a higher position. With these kinds of prospects in their view it is not as appealing to look for career development opportunities outside of the company.

> *Firstly, I would say people will get very excited with the… to acquire the new skills, because this is also something the operators they are always looking for. And secondly, with this program we are showing clear career movement opportunities for the operator level. Because for the operators not we cannot say- not every operator can be the future line leader or the production supervisor. So they still need to see what kind of way they can improve- get better opportunities to increase the salary.*
>
> Chinese HR manager

Because Chinese employees value a dynamic career which allows them to experience multiple and varying roles career development opportunities within the company need to be communicated with care. Career development within the company can be either vertical or horizontal. It is not always possible or feasible to move employees to a higher position but it can be enough to rotate jobs and get new challenges this way. As a long term employee of the case company puts it:

> *Our organisation and also my boss give me chance to do something new. And not everybody can do this job, the recognition that maybe I have this kind of potential skills. And also think this is the company thinking I have value for that. So if I can do more for the company in this kind of a changing, it's good I think. This is also let people learning the how to say, different position, [company] gives you the opportunity to work.*
>
> Chinese manager

Supervisor is the link between management and shop floor workers. This is why they are important interpreters of messages from the blue collar workers. Because the supervisor plays a key role in organizational commitment and work results the case company invests in developing programs targeted for supervisors. The goal of these programs is to prepare the supervisors to listen to and support their subordinates in their work, how to give them feedback and how to communicate even difficult issues with subordinates.

> *we also realized that the front line managers, they are really important for us to keep the blue collar worker staff stable. So we put more effort in the development program for those front line managers.*
> *So firstly we will have role of supervisor, training to the front line managers to let them know clearly what is their role in the organization and what is the importance level for them to facing the blue collar staff.*
>
> Chinese HR manager

In addition to the front line manager program the supervisors are included in coaching and mentoring programs where they can get support from experienced colleagues or the HR in daily managerial work. The program is fairly new and it is global in nature. In China it has been received quite well and the first reactions from the supervisors has been positive as they have gained managerial skills and ways to perform their daily tasks effectively.

In Reiche's (2008) typology of retention practices, the practices used at the case company are mostly relational and preventive as can be seen from the table 7. The results from the interviews with the managers of the Case Company support Reiche's (2008) proposition that continental European and Japanese firms are more inclined towards retention practices that build long-term commitment among their employees. Responsive ways like increasing salary are of course in use, but in the Chinese salary war salaries are already increasing fast, so competing with salary would not be smart. In a young, growing organization like the case organization it is important to build the engagement of the people in a way that helps the whole organization develop.

Table 6: *Retention practices in Case Company*

	Responsive	Preventive
Relational employment contract	• Skill increasing programs • Employee empowerment • Job autonomy and enrichment	• Nurturing of company culture • Working environment • Coaching and mentoring • Individual development plan • Supervisor programs • Skill increasing programs • Safety and healthcare • Incentive program for top potentials • Communication of career paths
Transactional employment contract	• Competitive salary based on skills • Other benefits	• Job rotation

The retention practices adopted are both local and global in nature. Global programs, such as the mentoring program, are implemented in all locations with rather similar concept. Local programs are implemented on a local level with higher level of adaptation. Most of the concepts introduced in this chapter are either based on global concepts or derive from the global values and targets of the company. However, due to the importance of the Chinese market, attention is paid that the need of Chinese organization is met and adaptation can be made if needed.

6.2 Employee turnover

Employees in China seem to make the decision to quit and change jobs more often than their European colleagues. This kind of job hopping is enabled partly by the relatively good job market situation for talented employees. There are lots of jobs available for skilled workers especially who have working experience in foreign owned company.

Job availability enables people to move around more freely and lowers the barrier of leaving. Lately foreign owned companies have been challenged by Chinese companies fighting over the same employees and capturing talent from foreign companies with increasing success. The reason behind this might be in the modernization and success of Chinese companies as well as the slowed down market situation in West and home countries of the foreign companies. This phenomenon has also been noted in the Case Company.

> *In the past people always moved to the foreign invested company, but nowadays find the people leaving the foreign invested companies to the local or state owned company*.
>
> Chinese HR manager

6.2.1 Employee turnover in case company

In the case company turnover is essentially a Chinese problem. In European subsidiaries and Mother Company employee turnover can be even too low and people are laid off. In China on the other hand, volatility and lower engagement to employer are recognized by the employer and are taken into account to some extent when planning work. Especially in some functional positions turnover is very high. Professionals in areas like finance and accounting can move their expertise to other companies quite easily, and often the case is that young employees learn the basic tasks and get the needed experience and move on to another company with the gained knowledge.

Compared to other companies in China and in the industry, the turnover rate in the case company is low. In average, employee turnover in China is 25-35%, and even higher in some companies. But turnover rate in case company in 2012 has been clearly lower than the average around 10%. This was not always the case. In 2011 the company suffered the loss of many key employees in key positions ant the company struggled in filling those empty positions with qualified employees. The reasons behind the situation were many but especially one manager in very central position failed to win the trust of his organization resulting in turnover peak. This story will be further described later in the study when discussing the importance of supervisor. As a result, since then management has been paying close attention to signs of distrusts or discontent and made efforts to identify and keep their most talented employees.

Not all turnover cases are equal and not all cases require as much attention as others. The managers with the support of HR manager identify which employees are key persons in the development of the organization. If managers or supervisors notice a person showing signs of leaving, they must first recognize if this person can be persuaded to stay and if it is worth the effort. Some level of turnover is a positive thing for the organization and not every employee is right for the job.

> *The first reaction from us is we check if this kind of people is really the people the company wanted to keep. We will have the discussion … with the people to see what's the reason, or what's wrong with the company, or with the people. And how we can do things better to let the people still have the energy to stay in the company.*
>
> *Chinese HR Manager*

6.2.2 Reasons for leaving

The reasons for leaving are individual and vary case by case. Reasons for quitting are asked in exit interviews that are conducted by HR or the manager with every employee who decides to leave the company. In addition to the reason for leaving they are asked how happy they are in different aspects of the Case Company as employer, their supervisor and co-workers, career opportunities and communication within the Case Company. It is the last chance to get feedback from the people and to improve employer image in future.

> *We will keep the record of people leaving, and secondly we will conduct…the exit interview with the people to have the reason analysis and also sometimes it's a good opportunity for us to get the real feedback from the people if the people have already decided to leave the company…*
> *We cannot say they will always say the real reason. But sometimes people can let us know something that is the reality, from the behind they are leaving.*

Chinese HR Manager

Reasons for leaving given in exit interview vary and most common reasons were family/personal, career development and salary/benefit reasons. Leaving reasons are listed by frequency in the figure 8. Many employees inform they leave for personal or family related reasons. They might go to a family owned business or move out of town to take care of their ageing parents. On the other hand, this reason is sometimes given when the leaver does not want to reveal negative or difficult reasons behind his or her leaving. The interviewing manager might have an intuition of the real reason but it will not be said explicitly and personal reason is given as an answer instead.

> *If you try to clarify the reason they left the company they won't tell it. They just say, it often happens, they just say to their own business or they have little this and that. But they don't go on complaining or anything. They just protest by leaving the firm*

Finnish Manager (author's transalation)

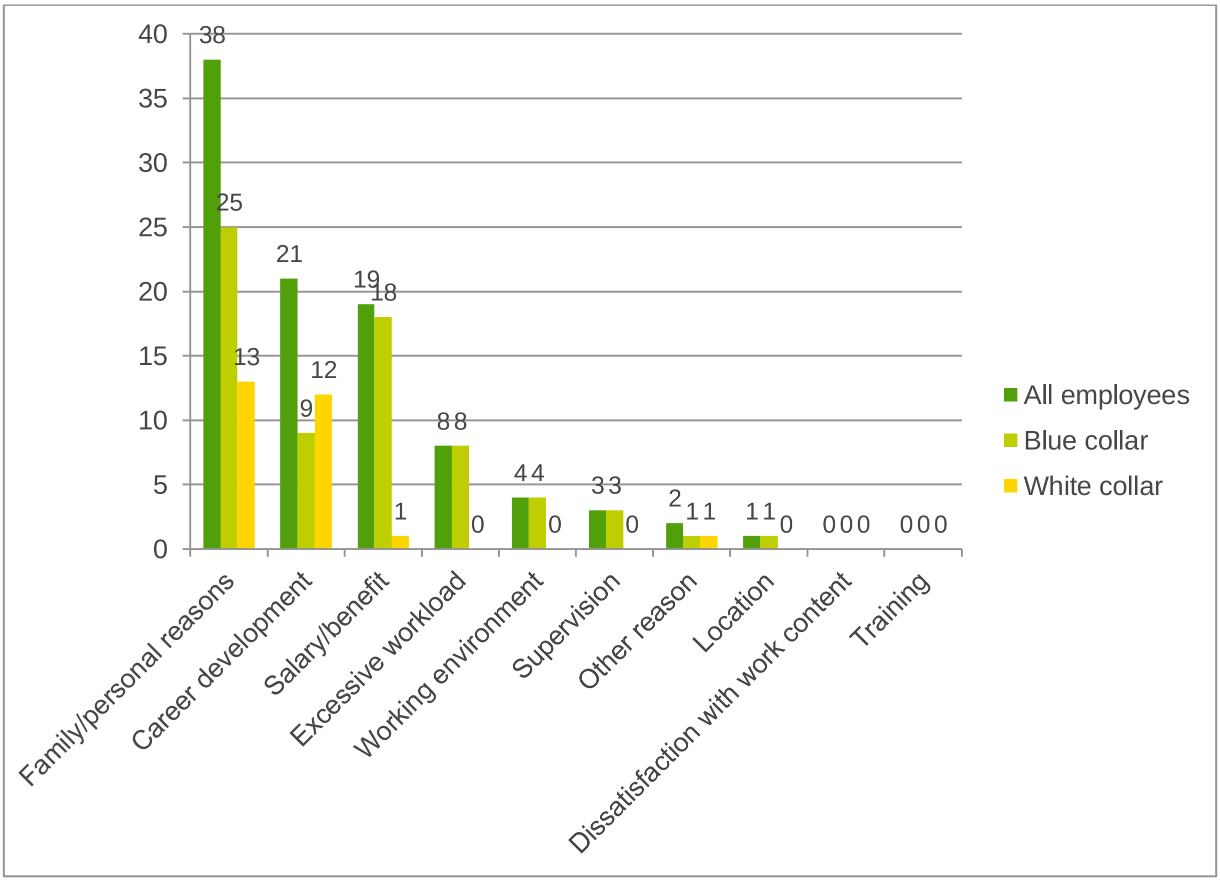

Figure 9: *Leaving reasons given in exit interviews 2010-2011*

Different employee groups have different reasons for quitting. White collar and blue collar workers weigh different kinds of aspects of their work and career and they make the leaving decision based on these evaluations. Blue collar workers working in the shop floor put more value on salary and compensation. These employees can leave because they are offered better salary in another company and the leaving decision can then be a quick one. White collar employees, on the other hand tend to leave for career development reasons.

> *Blue collar staff that left the company, mostly the reason is compensation and benefits reason. They will leave the company just for the better salary. Even if it is very small amount of increase.*

> *…for the white collar staff, majority, we are talking about the professional staff, they leave from the company not only for the compensation and benefits reasons.*

They more look at the career opportunity or the career development for themselves.

Chinese HR manager

Compared to Finnish employees Chinese want to know how and when they can be promoted and what kind of new skills they can learn. If the current company cannot offer higher position or other development opportunities and if the employee does not see clear career path within the company they go seeking for it in another company. In order to retain ambitious employees it is important to communicate of the possibilities and build paths and development plans within the company.

Here you need to tell and know [the career path] and you need to act accordingly or otherwise [the employees] don't believe it.

Finnish Manager (author's translation)

The company acknowledges a risk with training and developing employees in volatile employee situation. There is a risk that as employee gains more knowledge their resume starts to look better which gives them even more opportunities in the job market. Taking information to a competing company is not out of question either. Nevertheless, developing more skilled employees is very important for the company's plans to become more important in the Asian market. Also training and developing new skills are effective forces in retaining employees. The challenge is to find a balance between the risk and the gain.

Here might be persons who can be collecting certain materials and it is for them like this kind of CV when they are applying for another position. ... [Our partner company] has had couple answers from these kinds of people who have been in competing enterprises. They have straight brought information to the table.

Finnish Manager (author's transalation)

6.2.3 Tenure and turnover

In average, the tenure of current employees is short compared to for example European employees of the Global Company. Employees with shorter tenure have not integrated with the company culture and if the average tenure of the employees will grow it can possibly reflect in the employee engagement figures as well. People with longer tenure are generally more engaged and appreciative of the corporate culture. Although employees often talk about compensation and benefits, Case Company employees with longer tenure tend to look beyond salary and compensation. In contrast, in the beginning of their employment employees tend to put more weight on salary and other compensation. In general, the risk of leaving for newer employees is higher than for those who have already served for couple of years. Therefore, the employees who have started recently present big portion of the overall turnover rate in the case company.

> *For the white collar we also have the data showing that if the people stay in the company for quite long time then the turnover rate will be little bit lower than if the people is only quite few years in the company. Then it will be easy, it's more easy for them to look for the other opportunities*
>
> *Chinese HR Manager*

> *Most [of the turnover cases] happen when we get new employees and they stay with us only for a moment, few weeks or few months and then they leave. Because they have never been employed in manufacturing industry they don't quite understand what the requirements are and that is why they leave.*
>
> Finnish Manager (author's transalation)

Among employees with more than 2-3 year experience in the company, turnover rates are clearly lower than among shorter term employees. The length of the tenure of leavers in 2010-2011 is illustrated in the figure 9 and as can be seen most leavers have stayed in the company for one year or less. In fact, most of the leavers had been in the company for less than 6 months when they quit. After some years in the company employees start to look at their reasons for staying from different angles. They are more embedded to the organization and will evaluate their values and reasons for staying in the company more carefully than in the beginning of their career.

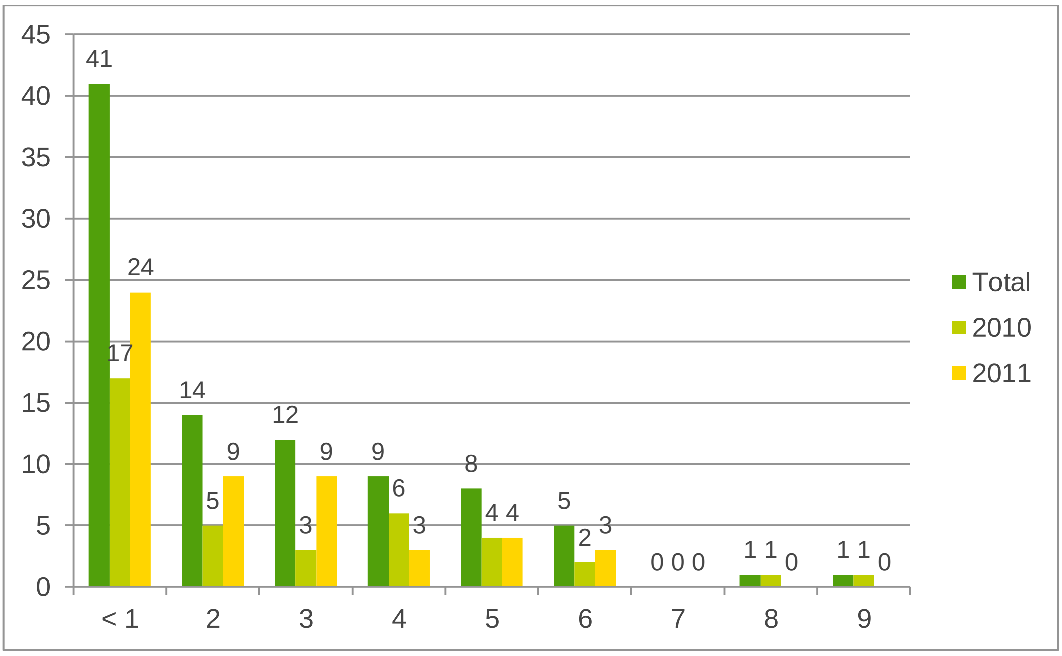

Figure 10: *Lenght of tenure of leavers (years)*

From another point of view, being employed by many different companies is seen by some Chinese as a virtue and some sort of an indicator of a good career. There is a mentality that having a long list of employers in the resume will make them more successful as well as a better candidates for a job.

> *It is like this in China, they all have this two, three years and then they already want to change jobs. And if they don't, some even have sad that they all like bad people because they have not left. Some think it this way.*
>
> *Person applying for a job [who has been] working two years, when I ask the reason [for applying] someone has even said directly that they want their CV to look better. It is new for me – in my personal opinion, this kind of person does not get very high points from me. But they think the opposite, they think that it is somehow important.*

Finnish Manager (author's transalation)

6.2.4 Supervisor and community

Although supervision was given as the reason for leaving only in 6 turnover cases in the Case Company during 2010-2011, the importance of supervisor and working community in job embeddedness came up in all of the interviews. In the terms of Maertz & Griffeth's (2004) eight motives for staying or leaving the constituent forces in the case company are strong. The first and most important constituent is often the supervisor and, consequently, often the reason for satisfaction or discontent at work place. Some Chinese employees can even say they work more for their supervisor than they work for the company. They are loyal first to their supervisor and second to the company. As a consequence when a well-liked supervisor leaves it can be followed by the resignation of some of the subordinates. On the other hand, if the supervisor is incompetent, unfair or cannot get along with the subordinates it can cause a lot of harm in the community and some employees react by leaving. For example, Chinese supervisors have often their own inside groups and sometimes someone can be left outside of it. These are the first signs the management needs to keep eye on and react to as soon as possible in order to avoid any further damage in the working community.

> *The team leaders can act, or they often act in a way that they have their own gang. They might start to avoid someone or behave somehow unjust. Then these Chinese react really fast by leaving.*
>
> Finnish Manager (author's transalation)

If an employee in a Chinese working community has problems with fitting in the rest of the community, he or she is more likely to leave than to bring the issue up and try to fix things. This is a different way of acting compared to European colleagues who find it less problematic to raise disagreement or other issues up. Especially in a case the reason for discontent is the supervisor, it is difficult for Chinese employees to come forward with the problem. Challenging the supervisor is just not something Chinese employees would do. They would rather decide to leave instead of challenging the situation or trying to argue. Interestingly, even after leaving the company the real reason for leaving cannot be said explicitly. However, some of these employees who left the Case

Company because of their supervisor have expressed interest in coming back after the supervisor or manager had been changed.

A typical example of the importance of the supervisor is a case of one top management member in case company who for some reason could not win the trust of the organization. After a while the management team started to receive anonymous emails complaining about this manager but nothing could be found wrong in the situation. Eventually some employees in key roles announced their resignation. This woke the management team up and they decided to make organizational changes so that the distrusted manager was not in the lead of that organization anymore.

> *We had this manager who was leading China organization. Two years ago we started receiving anonymous letters; emails were sent from outsider addresses. And it went to the management of the firm. The management was criticized and it was claimed that there were certain things done wrong, but no evidence was found. Then good persons started to leave because they couldn't get along with this manager. But after we made the organizational changes the situation has been quite stable again. We have not lost employees anymore.*
>
> Finnish Manager (author's transalation)

This situation shows how difficult it is for Chinese employees to come forward with troublesome situations. In case company the situation was not noticed until competent people left and now replacing their positions is a challenge.

> *We need to find the reason behind these kinds of situations. Of course if it is a key person in our organization for which people start leaving for, yes, it is a very difficult situation.*
>
> Finnish Manager (author's transalation)

Another group of important constituents are the colleagues. Problems can also occur if the employee has trouble getting along with his or her coworkers or does not fit in with the community or culture. This kind of low level of job embeddedness can make employees more vulnerable towards shocks (Mitchell et al. (2001). Low job embeddedness is sometimes observed by managers in the Case Company and the disruptive events at the work place include for example:

- employee does not fit in with the rest of the working community
- employee has disputes with supervisor,
- there are lot of complaints about supervisor
- employee has emotional outrages at work, losing patience
- employee is not coping with workload

> *If someone does not fit with the other lot, you notice that he/she starts to be little bit aside. These are the kind of signs and after a while this kind of person leaves.*
>
> Finnish Manager (author's transalation)

Because China is very collectivist culture being part of group and job embeddedness is important. In the case company employees often stay to chat and play around with their coworkers. This kind of informal interaction is important and playing and laughing is part of the spirit of the community. If someone is clearly being left out or staying purposely out of the group, it can be a sign that the person might not stay for very long. When links with the organization are broken it is not easy to gain the commitment of the Chinese employee back:

> *In Finland and in Western countries in general, if there are problems in the working community [the employees] can go and talk about, like in a pub or anywhere and they might become best of friends again and everything has been cleared. But here not necessarily. If they get their thoughts crossed even one time, I think they have a lot harder to get it back*
>
> Finnish Manager (author's transalation)

Again, instead of bringing this kind of trouble up, employees feel it is better to leave the situation. It is possible that bringing up negative or personal issues is avoided in fear of losing face on either side. Preserving the harmony is important even if it is just on the surface and raising difficult issues will break that harmony. In addition, China has a very masculine culture and challenging the supervisor or manager is not generally approved. Similarly, it is not easily accepted that a manager could be wrong and, therefore, the fault must be in the employee. As a consequence, the responsibility falls to the HR and management to notice these kinds of situations and act according to it. This responsibility is even more important in China than in many other countries because in the end the only sign of supervisor or community problems might be that the employee leaves. HR management has important role in recognizing problem situations and supporting managers and supervisors. Therefore, in the Case Company HR and business managers have worked together to establish ways of improving supervisor work and recognizing and keeping most talented employees.

6.2.5 Organizational commitment

Organizational commitment and job satisfaction are closely monitored by HR professionals and management in the case company. Commitment is more stable attachment to the organization than job satisfaction. OC is attachment to the values and goals of the organization whereas job satisfaction is considered less stable over time and emphasizes the specific tasks the employee is engaged in (Mowday et al., 1979). Corporate culture and the values are nurtured in the case company. A Chinese HR manager in the company regards the local organizational culture as a mix of Finnish and local working culture with emphasis on values such as trust, safety and achievement together. According to him the culture is clearly different compared to for example American companies in China he used to work for. The positive effect of strong company culture is visible especially in the attitudes of the longer term employees:

> *I think the reason is regarding the company culture…I also have this kind of discussion with the people to see why they stay in the company for the longer period. They will say this is because of the company culture and also for the leadership style from the supervisors.*
>
> Chinese HR manager

Employees in collectivistic cultures like China tend to be more committed to their workgroup rather than other organizational elements (Clugston et al.,2000) and loyalty to person is more important than loyalty to institutions (Chen et al., 2002). Therefore, the role of supervisor has high important in commitment of the employees and training supervisors is the goal and the challenge at the case company. Giving the supervisors the right tools and skills to lead people is ensuring that the link between employee and management is working. The various efforts to improve those supervisor tools and skills are described in previous chapter.

> *The way to engage people still begins from the supervisor. Although we speak about matrixes and such organizations it is very often the person the employees report to, and some even tell me this directly, they work for their own supervisor. So everything stems from the link between employee and supervisor. If we get that to work, like managers effectiveness and equal treatment of subordinates, well then it will really engage these people.*
>
> Finnish manager (authors translation)

Employee engagement survey

Every year, the case company surveys employee engagement globally to monitor changes and fields for improvement in organizational commitment. Employee engagement is defined in the Case Company as combination of perceptions including items such as satisfaction, commitment, pride, loyalty, a strong sense of personal responsibility, and a willingness to be an advocate for the organization. The secondary goal of the survey is to measure overall manager effectiveness. This is well justified because managers' work and attitudes influence the working environment and contributes greatly to the engagement of his or her subordinates. The survey is conducted in all locations and employee groups of the Global Company.

Compared to survey conducted previous year, the managerial effectiveness results improved remarkably in 2012 which indicates that the organization is working well. However, employee engagement results were only average, although slight improvements have occurred from previous year. 2011 result was that 62% of responses were committed or very committed to the organization and 2012 the result was 66%. These results are quite average falling clearly behind the most engaged teams in the Case Company. Manager in the Case Company believes the lack of strong commitment towards employing organization is a way of thinking specific to China. It is not traditionally common in China to be committed to a company.

> *Maybe it is a common thing here in China. They think this issue differently, commitment to a company, they are not the same way [as in other countries]. And they all have only few working years behind.*
>
> Finnish Manager (author's translation)

In China and North Asia employees were most critical with the career development opportunities and rewarding. In 2012, only 58% of the respondents chose the top two positive options regarding question about rewarding and only 9% chose the most positive option. However, this item was also one of the most improved in the survey which indicates that compensation and rewarding are developing to the right direction. Another improved item was the perceived opportunities for learning and development which indicates that the skill improving programs and career path plans have had effect.

6.3 Summary of findings

In the sixth chapter retention practices and the organizational commitment in the Case Company were described and discussed. This study examines turnover mostly from the management and HR point of view. Therefore, the main findings are mostly from the areas of creation of organizational commitment and how retention practices are adopted. The retention practices adopted in the case company were both global and localized and they concentrate especially on building commitment in long-term with preventive and relational practices. According to previous studies, relational and preventive practices are more common in European companies. The retention practices used in the Case Company, therefore, reflect the background of the Mother Company. Most practices, especially career and skill development and salary related opportunities and programs are well received by Chinese employees. However, actively communicating of these possibilities to key talents and keeping the promise should be emphasized in Chinese context even more than in European locations. Also clear differences were seen between the retention practices aimed at blue and white collar workers. Previous China specific literature does not really mention the difference and the focus of these studies is often on high level and high talent employees. However, generally research on retention has identified that different employee groups such as high performers are motivated by different things.

The findings support the notions from previous research that in China supervisor plays important role in retention and employee engagement. Organizational commitment as measured in the yearly employee engagement survey is relatively low and Chinese employees are more committed to person they report to than the organization. Therefore, if the link between supervisor and employee is working the employee will most likely be more satisfied with their job and will be more committed to stay with the organization. In addition, the supervisor is in important position between the employee and top management and thus he or she can act as a communicator for wishes and demands from employee as well as the management which can the reflect on different aspects of organizational commitment. Therefore, job embeddedness is found useful concept to describe organizational behaviour of Chinese employees because it contains wider range of variables than the concept of organizational commitment. Important variable in the Chinese context is for example links with colleagues, supervisors and people in the industry. Similar term used to describe these links in Chinese context is *Guanxi* and it is often considered important factor in employees' behaviour and organizational life in China.

The findings related to different leaving reasons reflect other Chinese studies in China, and mostly people leave for salary and career development reasons. The Case Company aims to ensure that the rewarding is competitive and fair and does not cause discontent. In a situation like the Chinese salary war, however, salary raises are expected but giving them recklessly can be both dangerous and unsustainable. Other frequently given reason was personal or family reason. In some cases this answer was given because the leaver didn't want to specify the reason and wanted to keep it personal. Often in Chinese organizations, employees do not want to come forward with their direct opinion, especially if there is a risk of losing face. Based on this study it is difficult to conclude how the leavers quit, for example if they left after comparison or if they simply left because some condition was met. Short tenures of the leavers may, however, suggest that the leaving decision was rather impulsive after only few months of employment in the company.

HR has important role in supporting supervisors and management to make the links and communication work. The HR professionals need to recognize and react when problem situations occur for example unequal treatment of some employees or dissatisfaction to some aspects of work that could be improved.

7 Conclusions

This final chapter combines discussion and analysis with concluding remarks. The aim of this chapter is to summarize the main findings from the case study and give comparison of these findings with the initial theories. Furthermore, the goal is to give practical implications for management and HR professionals based on the best practices in the Case Company.

The objective of this study was to describe how employee turnover is managed in a Chinese subsidiary. As a Chinese subsidiary of a Finnish Multinational Enterprise, the Case Company faces the challenges of retaining employees like most foreign owned companies in China. By taking into consideration the organizational context this study has been able to capture the unique Finno-Chinese environment.

7.1 Main findings

The main research question – "How employee turnover is managed in Chinese subsidiary?" – was divided into two sub questions covering the turnover behavior of employees as well as managing turnover from the multicultural perspective. The main findings for these sub questions are:

Why employees leave or stay?

Number of key points on the turnover behavior of Chinese employees was identified. The most important factors affecting employee's turnover decision are supervisor, career development opportunities, fit with the community and organizational culture, and fair rewarding and compensation. These findings are mostly in line with previous research. However, rewarding and compensation have been emphasized in previous research, whereas, the role of supervisor has not had as much attention as the results of this study would indicate. Research studying the reason why employees leave have had similar top results as the exit interviews in the Case Company: top reasons being career development and salary related. However, in the light of why employees stay skillful supervisor can make a huge difference in employee's job satisfaction. In addition, Chinese employees will not easily come forward and admit the manager would be at fault which explains why supervisor and management rarely is seen in top five lists of reasons to quit job. Finally, actively communicating career development opportunities and engaging employees in skill improving programs, increases employee engagement of Chinese employees.

Other important factors related to the turnover behavior of employees are also the tenure of employees and the employee group. Employees with short tenure are more likely to leave the company than employees with longer history in the company. It can be argued that the reason behind this is the low job embeddedness of a new comer and lack of experience from the industry. Longer term employees, on the other hand, are more immersed with the company culture and appreciate it. Also employee group was found to affect the turnover behavior of employees, main diversion being blue and white collar workers. While blue collar workers put more emphasis on compensation, white collar employees are more often concerned with advancement in their careers and interesting work content. These findings call for fat and effective integration of new employees as well as tailored approach to different employee groups.

How multicultural environment affects the adoption of retention practices?

Although Chinese HR management comes from a very different background, it has recently come closer to Western practices such as fast-paced career movement and performance-based compensation. The biggest difference between Finnish HR and Chinese HR is the fast changing and developing environment in which HR in China operates. HR practices need to be implemented and required changes made with faster pace. Higher employee turnover and increasing salary levels require that more attention is paid to retention practices in China than in European subsidiaries.

The case company has long roots in the Finnish history which is why its values and management style reflect that history. For example, much attention is paid to the health and welfare of employees. The Finnish background is also visible in the weight given to different types of retention practices. Most chosen retention practices build long-term relational commitment and they are preventive rather than responsive in nature which is typical for Scandinavian companies. Many of these retention practices are globally designed and locally implemented. This means that concepts are given from the group level especially in case of top talent and higher level professional employees.

How employee turnover is managed in Chinese subsidiary?

The main research question of this thesis study aims to examine how employee turnover is managed in Chinese context. The evidence from the case study suggests that employee retention and employees' organizational commitment are result of process that includes employee selection, integration, skill development, training and coaching, and finally measuring and monitoring the results of the process. These steps discussed in this chapter are summarized in the following figure.

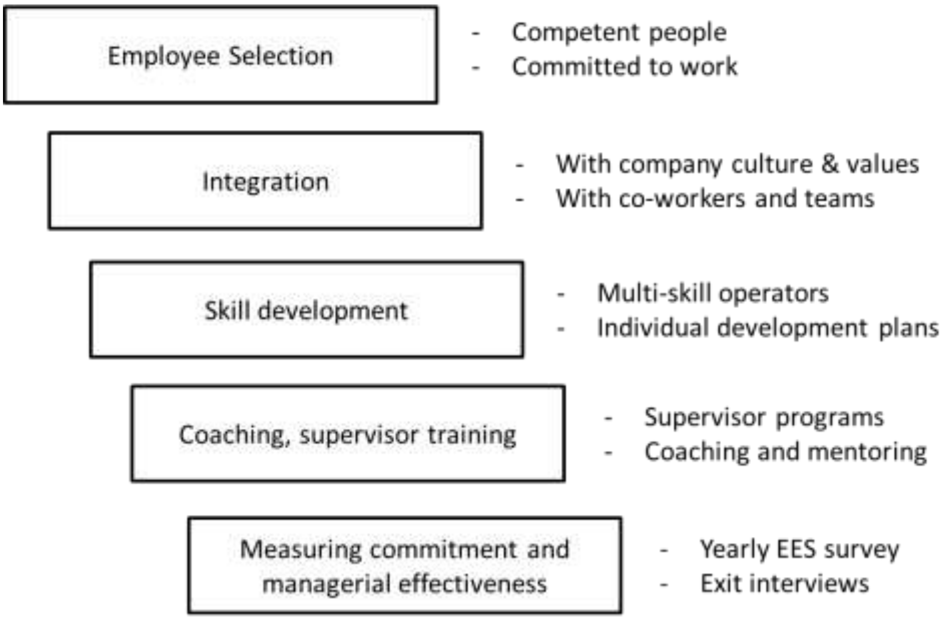

Figure 11: *Steps in managing employee turnover*

Managing employee turnover starts from the selection of right employees. As the length of tenure of the leavers indicates, most employees leave after only short period and the common reason behind is the fact that the employee was not fit to the job or was not aware of the nature of the job. Of course, as available and talented employees can be few and far between the task is not always simple. For this reason, recruitment times for some positions can be very long. Once a new employee has been hired, integration to the company is the next important step. Here the fit with company's values and goals as well as the links with co-workers and supervisor are formed. Stronger links and fit with the organization results to higher job embeddedness and the employees are then less vulnerable towards shocking events or gradual changes. However, in case of Chinese employees these links as well as fit seem to be more easily severed than in Europe and gaining them back is difficult to impossible.

Supervisors are important support to employee's integration to the company. Because the supervisor plays important role in managing employee turnover, the Case Company has adopted coaching and supervisor training programs to make sure the employee-supervisor link is strong and working. In similar tone, employees are engaged in different career and skill development programs which enable them to see their future possibilities in the company. Finally important step in managing turnover is the continuous monitoring of employees' commitment both in organizational (EES-surveys) as well as personal level (for example, personal performance reviews). Once employee has decided to leave it is too late to act, however, exit interview can give important information on what kind of reasons drove the person to leave and if the company can do anything to improve in the future on that matter.

7.2 Practical implications

From managerial and HR perspective, this study offers practical implications on how to manage employee turnover. These are mainly:

1) *Be smart about the salary*. Although rewarding is often complained about by employees it is not as often the reason to quit. Ensuring fair compensation but competing over employees simply with salary is not feasible after a while. Salaries are rising every year and it is important to keep up with the competitors but commitment should be based on other factors as well to create truly competitive position as an employer.

2) *Ensure training and support for supervisors*. Supervisors are an important surface between employee and management. As the closest constituent for the employee, the supervisor is the person to whom a Chinese employee is most often committed to. If the supervisors are given the right tools, skills and support they are more confident to deal with difficult issues. Taking more responsibility and gaining more skills should be rewarded fairly, otherwise the company risks losing those skills to a competitor.

3) *Create and communicate career opportunities*. Especially white collar staff and skilled employees are increasingly concerned with their career. Chinese employees want to know and see that their career is going somewhere and have high expectations for progressing in their career. Therefore, when someone is identified as top talent management should make sure he or she is given individual plan for development together with the employee.

4) *React and adapt when needed*. Organization is not an unchanging environment. Sometimes despite the preventive efforts, things can go wrong like selecting a manager that fails to win the trust of the organization or employee that cannot meet the requirements of his or her job. It is a tough situation for management, but in China leaving a situation like this unattended can have serious costs when talented employees start leaving. On the other hand, not all turnover is equal. In some cases it is best for the employee to leave both for the organization and the employee.

5) *Be careful with employee selection*. It goes without saying, but selecting employees suitable to the needed task is the key in building engaged working community. As the findings show most turnover cases were employees with less than a year in the company sometimes because the newly hired employee was not familiar with the requirements of the job or the industry.

7.3 Suggestions for future research

This study has introduced findings on employee turnover that have not been extensively studied in the Asian context. Employee retention and turnover are hot topics for all HR professionals in China and this study has given a small glimpse in it. This calls for further research to benefit both practitioners and academics.

The study has two main limitations. First the voice of the people who have already left the company is missing or is reflected only in the exit interviews. After the exit interviews further questions could not be asked from them. Future research could benefit on more research with focus on the people who have left to understand *how* they came to the conclusion to leave. Although the focus of this study is on organizational aspects and managing turnover, research on the individual decision process will help define the role of HR and the employing organization in it. Second, the research consisted of one company from one country in one industry. Studying multiple companies from different backgrounds can bring new perspectives on employee turnover especially from the organizational point of view. For example, US based companies have different approach to HR and management than European companies and studying the difference in retention practices adopted and their effectiveness in China would be beneficial. Also, comparison between Chinese and foreign based companies could bring interesting insights to the field of employee retention and turnover.

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Appendices

1: Interview outline, Finnish HR manager

Haastateltavan rooli ja tausta

- Rooli ja vastuualue organisaatiossa
- Kauan olet ollut organisaatiossa, entä kyseisessä roolissa?

Aihe 1: Kohdeyrityksen HR organisaatio ja Kiina

- Millainen on kiinan HRn tehtävä ja vastuualue organisaatiossa?
- Minkälaiset asiat päätetään pääkonttorissa?
- Millainen on roolisi suhteessa Kiinan tiimiin? Kuinka usein keskustelette, entä tapaatte kasvokkain?
- Miten vuorovaikutus kiinan organisaation kanssa toimii? HRn kanssa? Mitä kehitettävää?
- Kiinassa on kiinalainen HR-johtaja, mikä merkitys on sillä että manageri on kiinalainen?
- Minkälaisia HR-haasteita Kiinan tiimillä on? Mitä kehitettävää?
- Näkyykö suomalaisuus organisaatiossa? Miten?

Aihe 2: Työntekijöiden vaihtuvuus

- Millaista työntekijöiden vaihtuvuus on organisaatiossa yleisesti?
- Miten työntekijöiden vaihtuminen vaikuttaa työhön ja tuloksiin?
- Vaihtuvuus työntekijäryhmittäin, onko eroja?
- Miten organisaatiossa seurataan vaihtuvuutta, reagoidaanko jos luvut kasvavat ja miten?

Vaihtuvuus kiinassa:

- Millaista on ollut vaihtuvuus Kiinassa?
- Miten sen vaikutus työhön näkyy käytännössä?
- Millaista kiinan vaihtuvuus on ollut suhteessa muihin yksiköihin?
- Suurimmat haasteet Kiinassa vaihtuvuuteen liittyen?
- Miten ei-toivotua vaihtuvuutta on pyritty vähentämään?
- Esimerkkejä aiheeseen liittyen

Aihe 3: Työntekijöiden sitouttaminen

- Minkälaisia sitouttamiskäytänteitä (retention practices) organisaatiolla on?
- Mitkä ovat osoittautuneet tehokkaimmaksi käytännöiksi?
- Mitkä ovat olleet erityisesti Kiinassa toimivia käytänteitä?
- Missä käytänteissä olisi parantamisen varaa? Erityisesti Kiinassa?
- Miten työntekijöiden sitouttamista seurataan? Miten muutoksiin reagoidaan?
- Esimerkkejä

Muita mahdollisia huomioita aiheisiin liittyen

2: Interview outline, Chinese HR manager

<u>Background and role</u>
Tell me about your role in Case Company
How long have you been in the company, and in your current role?

<u>Topic 1: HR organization in case company and China</u>

- How would you describe your interaction with the other HR
    - From other countries and from Mother Company?
    - How often do you have contact
- Where do you see room for improvement in this interaction within HR network?
- How would you describe HR practices in your organization?
- Where decisions regarding HR are made (locally or globally)?
- Does Finnish background of the company show in the organization in some way? Are Chinese features visible in the company?

<u>Topic 2: Employee turnover</u>
- How do you see voluntary employee turnover in general in China? And in the case company?
- How quitting one's job is seen in the Chinese culture? Have you seen any changes in opinion?
- What kind of challenges the company is facing regarding employee turnover?
- What kind of differences are there between employee groups regarding leaving behaviour?
- Have you noticed differences in skills and or experiences of leavers?
- In practice, how employee turnover has affected the company over the past years?
- When you think about the employees who have decided to leave the company…
    - Can you recognize any pattern for leaving?
    - Do you see some kind of signs?
    - How do you react?
- What kind of reasons people have for quitting their job? Do they tell you honestly?
- How do you monitor employee turnover? Do you react on the results?
- Could you give some examples of turnover cases over last year?

<u>Topic 4: Retention practices</u>
- What kind of retention practices are used in case company?
- What kind of tools have proved effective in retaining employees?
    - Have you observed difference what are effective retention practices in China compared to for example generally in the Group?
    - What methods appeal to Chinese employees in your opinion?
    - What methods do not?
    - Have you observed difference between employee groups in the effectiveness of different tools?
    - Does the local legislation somehow affect the methods that can be used (i.e. hours, wages)?
    -
- Would you consider methods used in case company more as preventive or responsive?
- Where do you see room for improvement in the retention practices in the China organization?

<u>Any additional observations related to the topic</u>

3: Interview outline, Finnish Operations manager

Haastateltavan rooli ja tausta

- Rooli ja vastuualue organisaatiossa
- Kerro taustastasi organisaatiossa. Milloin aloitit nykyisessä roolissa? Milloin tulit kiinaan?

Aihe 1: Kohdeyritys Kiinassa

- Minkälainen on Kiinan rooli kohdeyrityksen liiketoiminnalle?
- Miten organisaatiota, tiimejä ja yksilöitä pyritään kehittämään?
  - Minkälaisia tavoitteita henkilöstön kehittämisessä on?
  - Miten on edistytty? Mitä pitää kehittää?
- Miten kuvailisit yrityskulttuuria kiinan yksikössä?
- Mitkä ovat suurimpia haasteita kiinan yksikön tämän hetkisessä tilanteessa?

Aihe 2: Työntekijöiden vaihtuvuus

- Minkälaista on työntekijöiden vaihtuvuus kohdeyrityksessä? Suhteessa muihin yrityksiin? Entä suhteessa omaan ihannetasoon?
- Minkälaiset erot työntekijäryhmien kesken vaihtuvuudessa?
- Millä tavoin työntekijöiden vaihtuvuus on haitallista organisaatiolle
- Miten eroamiset vaikuttavat työhön ja tuloksiin? Onko vaikutuksia työyhteisöön, minkälaisia?
- Mistä syistä ihmiset irtisanoutuvat? Erottuuko jokin syy erityisesti?
- Onko työntekijäryhmien kesken eroja syissä lopettaa?
- Jos mietit työntekijöitä jotka ovat irtisanoutuneet
  - oletko havainnut jonkinlaista kaavaa tai polkua jota pitkin ihmiset päätyvät lähtemään?
  - minkälaisia merkkejä on pystytty havaitsemaan ennen kuin työntekijä ilmoittaa lähdöstään? Pystytäänkö halutessa niihin reagoimaan tällöin?
- Miten työstä eroamiseen suhtaudutaan kiinassa? Huomaatko eroa esimerkiksi suomalaiseen suhtautumiseen verrattuna?

Aihe 4: Työntekijöiden sitouttaminen

- Minkälaiset asiat sitouttavat työntekijöitä kohdeyrityksessä?
- Mitkä asiat motivoivat? Ovatko työntekijät motivoituneita?
- Millaisia eroja olet havainnut kiinalaisten ja suomalaisten välillä, siinä miten ja millaisista asioista ihmiset sitoutuvat?
- Miten sitouttamiskäytänteet ovat kehittyneet? Mitkä asiat on erityisesti huomioitu kiinassa?
- Miten käytänteitä voisi parantaa/kehittää jatkossa?
- Työntekijöiden sitoutumista seurataan kohdeyrityksessä: Minkälaisia tulokset ovat olleet Kiinassa? Miten tuloksiin reagoidaan?

Muita mahdollisia huomioita aiheisiin liittyen

4: Interview outline, Chinese sales manager / long term employee

<u>Background and role</u>

- Tell me about your role in case company
- How long have you been in case company? And in this role?

<u>Topic 1: Case company and sales personnel</u>

- How do you see the role of China in the company?
- What is the role of the sales in the organisation?
- What kind of strong and weak points your organization has?
- Where do you see development areas in your organization?

<u>Topic 2: Turnover in Sales</u>

- Compared to other companies in the industry how is the employee turnover in case company?
    - And compared to own ideal level, how is the turnover?
    - What is the reason for this in your opinion?
    - How is turnover in the sales department?
    - How do you see the role of organizational culture in turnover?
- For what kind of reasons employees have left the sales organisation?
    - Are the reasons different than in other departments?
    - How do you see these people have come to their decision? Impulsively or after long-term planning?
- When you think about your subordinates who have decided to leave the company…
    - Can you recognize any pattern for leaving?
    - Do you see some kind of signs?
    - How can you react if you see a pattern happening?
- Examples

<u>Topic 3: Retention</u>

- Do you think employees are committed to their organization?
- How do you motivate your employees?
- Employee engagement is surveyed in case company:
    - What do you think of the results?
    - Where do you see room for improvement?
- What do you think of the role of supervisor in motivating retention?
- What do you think of the role of community and co-workers?
- What kinds of retention practices are especially effective in China and why do you think it is so?

<u>Topic 4: Questions for long term employee</u>

You have been in the organisation for X years. As a long term employee, I have some questions from your personal point of view:

- For what reasons you have wanted to continue working in case company for these years?
- How is Case Company as employer? What do you think of :
    - Company's reputation and image?
    - Personal development opportunities
    - Career opportunities
    - Community
    - Work-life balance