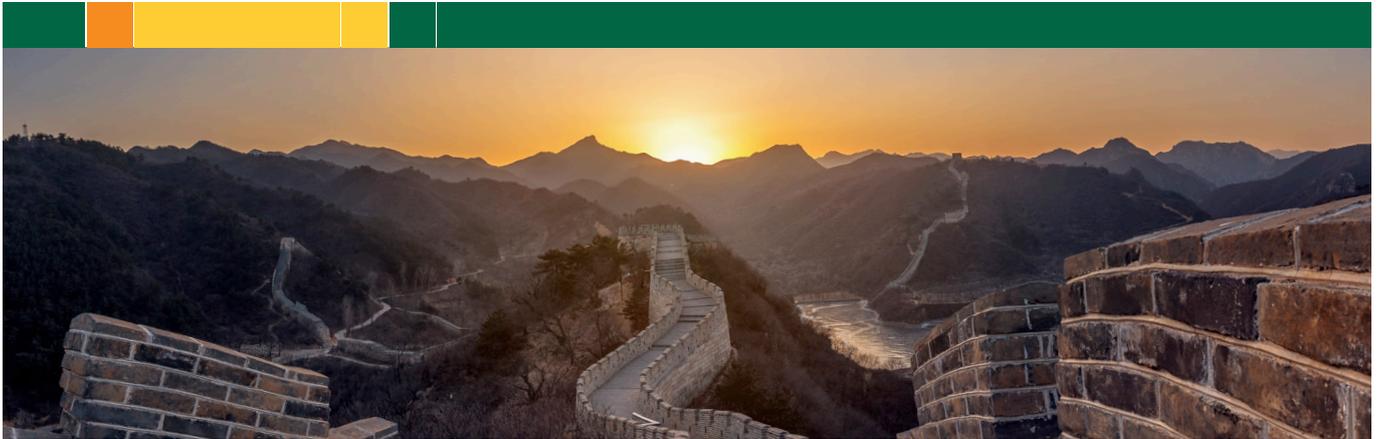


T.A. COOK IN THE PRESS



Oilfield Technology | January 2015

Talent in China: the road to modern management

Home to more than 24 billion barrels of proven oil reserves, China's oil and gas industry has demonstrated remarkable growth over the past twenty years. Its total oil and liquids production has risen about 54% in that time according to the Energy Information Administration (EIA) and is forecast to increase to approximately 4.6 million bbl/day by the end of 2014. But as the world's largest consumer of energy, domestic production has not kept up with burgeoning demand, which is driven mainly by power generation, economic and trade growth and refining.

It may seem strange then that a country home to such natural abundance is suffering from a workforce skills shortage. After all, it is also home to the highest population in the world, so the availability of talent should not be something operators or manufacturers have to worry about. However, as many operators are painfully aware, there is a gaping hole between what companies want and the market can provide, particularly when it comes to middle management.

A graying workforce

The causes of the current staffing problems for companies operating in China can be broadly divided into the following categories: demography, social policy and culture. While neither of these alone is responsible for the problem, together they are likely form the basis of productivity losses and slower or delayed growth.

If we consider demographic issues first, many of the issues affecting China also affect economies in the rest of the world. The United States in particular is also struggling with an aging population who are starting to enter retirement and take their skills with them. The U.S. Bureau of Labor Statistics points out in its Employment

Outlook that by 2020, the baby boomers who in 2000 were the major contributors to the workforce will all be over 55 years of age.

Similarly, in China it is estimated that the actual number of people over the age of 60 will have grown from 175 million in 2010 to 250 million by 2020. This is due in part to the one-child policy which was applied in 1979 and also to campaigns which encouraged women to have children later and with longer intervals between births. Fertility rates have dropped dramatically over the past thirty years, meaning that the percentage of the Chinese population of working age would inevitably be affected. Additionally, the manufacturing boom had previously been supported by a huge influx of workers from the countryside into the major cities. Factory conditions were often bad and the pay meagre, but still represented an opportunity for advancement that field workers had restricted access to. The problem is that the vast majority of people who made that move were not highly educated and very few companies made the effort of training their staff so that they would be able to take on more taxing positions in the future. If we add to that the slowing rate of immigration into the cities, a large number of factories, processing plants and upstream operations have been left without enough workers.

The factory taboo

As economic growth has increased and many more young people attend university, the attitude of Chinese graduates towards working in factories or processing plants has also changed. As more students study courses involving business or economics, many consider themselves above working in factories. Some attribute this to an age-old Confucian tradition where educated people



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do not undertake manual labor and some to a simple desire to earn more and move up the ladder faster. Regardless of the motive, even when employers improve working conditions and pay sometimes double what an office job would, many graduates will simply not consider it.

This has revealed a huge mismatch between the jobs that are available and the skills that graduates have. A company needing skilled machine operators or steelworkers will be left either paying through the nose or searching for months on end.

When companies do find someone with the right qualifications, they often lament that the right skills are still not there; indeed that the quality of education has actually fallen. Communication and social skills feature often in these complaints, as does English proficiency, which is of increasing importance to oil, gas and processing companies who trade regularly with America and other parts of Asia.

Nepotism and management

Another aspect to the lack of appropriately skilled workers has to do with attitudes towards management and politics. The pervading culture of nepotism, which places a large number of often unqualified people in top jobs due to their connections, means that large managerial problems have begun to surface. Such managers tend to have a team of deputies to do their jobs for them, but the managers themselves will never be fired: at worst, they will be moved to another department or company.

Younger, able workers also tend to suffer from the lasting culture of top-down management, where juniors will simply do what their boss says without questioning it even when the basis or logic of decisions are doubtful or abusive. These practices can tend towards a culture of amateurish management which is often unproductive but cannot easily be changed.

Changing tides

With the increase in foreign trade and economic development however, some companies are starting to realize that training both managers and the team working directly for them is of vital importance. Teaching managers essentially how to manage is no easy feat, especially when culture plays a part, but there are some steps that can be taken to make the transition easier.

First, managers need to assess exactly which skills they have and which skills they need. This requires a detailed examination and understanding of the requirements for each particular process. If an experienced manager is retiring, his exact abilities and the tasks he completed need to be established and understood in order to recruit the most accurate fit. It could be that a junior

member of staff who has worked with him is capable of taking over many of his tasks, but needs a bit more time and support to grow into the role. If that is the case, it may be that timelines need to be temporarily altered to allow for the learning phase. Whether the role is filled internally or externally, the focus must be on building the behaviors that are fundamental to making a process work.

Then, installing performance management systems which are aligned with behaviors will provide clarity to workers and managers alike. Agreeing on Key Performance Indicators (KPIs) with individuals and how they will be measured – for example against industry standards – will help workers to understand what is expected of them and provide managers with detailed information as to the reasons for delays or failures.

Long-term commitment

In order to support development and build long-term loyalty, employees must be supported from an early stage. This means ensuring that the requisite training programs are not only paid for but have the necessary time allotted to them. Once training has been completed, employees should be able to demonstrate and apply the skills they have learned, and it is up to the managers to test and support this process.

Some corporations – such as Shell and Exxon Mobil – have taken the step of setting up their own, specialized training centers. BP has established an Operations Academy (OA) in conjunction with the Massachusetts Institute of Technology (MIT) with the explicit aim of building a culture of continuous improvement. In China, Volkswagen Group has even teamed up with the Beijing Vocational College of Transportation to provide dual vocational training and education for over 1,500 apprentices, part of the company's aim of maintaining quality standards to support growth.

Managers must also be part of the training process, and programs which allow mentoring and rotation to other locations will help to build a more rounded, pragmatic approach to management. By committing to the long-term training needs of their employees, companies can build up specialized vocational and management skills which outside institutions are currently failing to provide. The process will also contribute to employee loyalty and a culture of improvement, both of which are worth the investment.

Appropriate rewards

Finally, ensuring that workers who have progressed are appropriately rewarded is particularly important in an increasingly global market. Some major corporations in China have noticed a decrease in the number of college

graduates attending recruitment fairs, mainly because some local workers feel that foreign companies prefer ex-pat management and will not reward them for their achievements. While more and more Chinese workers are making it to management level, this perceived glass ceiling needs to be openly addressed and managers must make it explicitly clear that achievements will be rewarded, both with tangible and material benefits.

If companies are prepared to make long-term, strategic plans for the recruitment, training and retention of both managerial and vocational staff in China, significant operational benefits are there for the taking. There are some large cultural and educational obstacles that need to be overcome, but with the right approach, there is no reason that China's vast workforce cannot be optimized to fit more closely to the demands of the market. Change will not happen overnight, but having already shown a breathtaking capacity for transformation, China's millions are not to be underestimated.