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**TALENT MANAGEMENT IN THE DEVELOPMENT  
OF CHINESE COMPANIES' COMPETITIVENESS**

**ZARZĄDZANIE TALENTAMI W ROZWOJU  
KONKURENCYJNOŚCI CHIŃSKICH PRZEDSIĘBIORSTW**

**Abstract:** Talent management has recently become a significant issue in many countries and also in China, where human capital development is strictly related with further growth of Chinese economy innovativeness. Currently, in the People's Republic of China, detailed programmes and incentive systems stimulating talent development in certain companies are being elaborated. Appropriate systems of talents development and talent management in these companies will serve to achieve competitive advantage in the market.

**Keywords:** management, human resources, talent management, Chinese economy, innovations

**Streszczenie:** Zarządzanie talentami staje się istotnym zagadnieniem w wielu krajach. Ma to miejsce także w Chinach, gdzie odpowiednie zarządzanie kapitałem ludzkim jest ściśle związane z dalszym rozwojem innowacyjności chińskiej gospodarki. Aktualnie w określonych chińskich przedsiębiorstwach wdrażane są szczegółowe programy i rozwiązania, mające na celu stymulację rozwoju rodzimych talentów. Zgodnie z planami odpowiednie systemy rozwoju talentów posłużą osiągnięciu przewagi konkurencyjnej chińskich przedsiębiorstw.

**Słowa kluczowe:** zarządzanie, zasoby ludzkie, zarządzanie talentami, chińska gospodarka, innowacje

## Introduction

Chinese economy is currently one of the fastest-growing economies at a global level. For the last decade, GDP growth has been fluctuating around 10%. One of the elements allowing to maintain the existing dynamics of economic development will be the growth of its innovativeness. By 2020 China, accordingly to the plans, will have gained the status of an innovative nation, while by 2050 the status of a global scientific superstate<sup>1</sup>. The growth will be achieved in the next years mostly by the Chinese companies' competitiveness, innovativeness and its internationalisation. One of the key aspects of the growth will be the growth of human capital effectiveness. Bearing in mind this objective, special human capital development support systems including national talents development, as well as incentive programmes for talented foreigners to settle in the People's Republic of China are currently being elaborated there.

Dynamically developing Chinese metropolises, e.g. Shanghai, Beijing or Guangzhou are inhabited by about 20% of the country's population. Over 80% of the whole country talents work and live there. According to the studies, three quarters of the Chinese with higher education want to work in these metropolises. This trend is becoming more intensive in terms of people with PhD degree<sup>2</sup>. Due to these trends, development and talent management concepts appear more frequently in long-term plans of the authorities of the biggest Chinese cities.

Currently, the talent management concept arouses a lot of interest on the part of scientists, entrepreneurs and administrative bodies of countries and regions globally. Due

<sup>1</sup> M. Springut, S. Schlaikjer, D. Chen, *China's Program for Science and Technology Modernization*, Centre Technology. Inc. 2011, p. 14.

<sup>2</sup> P. Illes, Xin Chuai, D. Preece, *Talent Management and HRM in Multinational companies in Beijing: Definitions, differences and drivers*, "Journal of World Business", Vol. 45, Issue 2, April 2010, p. 184.

to the fact that the idea of talent management is relatively new, it is necessary to conduct further empirical research to compare this concept with the existing human resource theories<sup>3</sup>. Some authors consider attempts to redefine human resource development as a “temporary fashion”, providing the justification that the described realm is always the same, meanwhile there is a lack of sufficient distinction which could outdate the existing theories of human resource development<sup>4</sup>. Other authors claim that new concepts, in particular their correct implementation in organizations, will allow overcoming the appearing barriers of development and to gain competitive advantage by companies<sup>5</sup>.

The present article is an attempt to answer the following question: what is talent management and how does it differ from previous human resource development concepts and what will be its role in the aspect of development of the Chinese economy?

## **1. The role of talents in development of Chinese companies**

The word “talent” derives from a Greek word “talenton”, meaning a weight which may be carried by a human being. In business context, one who has a talent is a person with unique qualifications for a given company, with high level of abilities allowing for skills development<sup>6</sup>. Definitions of talent are considered some kind of a continuum, where on one hand there are individuals with rare and outstanding abilities, while on the other hand there are all people, each one of them having the potential of abilities, although mostly not discovered, therefore wasted<sup>7</sup>. Accordingly to this definition, the group of potential recipients of talents development programmes is bigger, because it also takes into consideration those, whose talent for many reasons has not been disclosed yet. Thus, the key issue is to discover the area in which the employee is talented, and then to work on their development. As P. Drucker notes, human development should particularly occur in the disciplines, in which they are already talented. Also the biblical parable of talents indicates that it is particularly valuable and significant to utilise talents which we possess. Talent development occurs while working on it and along with further life experience. This is also expressed in Polish proverbs of undoubted praxeological values, such as “practice makes perfect” or “no pain, no gain”.

Recently, in line with the ongoing globalisation process and a high extent of impossibility to predict reality, new opportunities for talent development emerge in business enterprises. Apart from trainings offered by specialized counselling companies, postgraduate studies for employees and internships abroad, to mention only some examples, it is also possible to take advantage of coaching, mentoring or business angels assistance programmes,

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<sup>3</sup> Z. Pawlak, *Rough sets and fuzzy sets*, “Fuzzy Sets and Systems” 1985, Vol. 17, No. 1, p. 99-102; A. Likierman, *How to measure the success of talent management*, “People Management” 22<sup>nd</sup> February 2007.

<sup>4</sup> A.A. Huczynski, *Management gurus*, Routledge, London 1993.

<sup>5</sup> J. Pfeffer, *Competitive advantage through people*, “California Management Review”, 1994, Vol. 36, p. 9-28.

<sup>6</sup> H. Bieniok, *Zarządzanie talentami jako źródło innowacji i rozwoju przedsiębiorstwa*, [In:] *Ku nowym paradygmatom nauk o zarządzaniu*, GWSH 2008.

<sup>7</sup> S. Borkowska, *Zarządzanie talentami*, IPSS, Warszawa 2005.

as it happens in highly developed countries<sup>8</sup>. A talented employee may have a significant impact on the competitive advantage of a company. An employee considered as a “talent” influences the company’s value growth exceptionally and creatively. They are characterised by extraordinary development potential, thus they are suitable to work also in a research and development or design teams as well as to hold managerial positions in companies.

The recent years have seen changes in the structure of Chinese innovation system. Companies have played an increasing role in this process and consequently the key role is played by personnel employed in these companies. Table 1 presents the share of expenditures on research and development made by particular stakeholders of the innovation system, i.e. research institutes, companies and universities.

**Table 1.** Importance of particular stakeholders functioning as part of the Chinese Innovation System, according to expenditures made on research and development (in %)

**Tabela 1.** Znaczenie poszczególnych interesariuszy funkcjonujących w ramach Chińskiego Systemu Innowacji według nakładów poniesionych na badania i rozwój (w %)

Innovation system stakeholder	1995	2000	2005	2007
Research institutes	11	30	22	19
Higher education facilities	42	10	10	9
Companies	57	60	68	72

**Source:** China Statistical Yearbook on Science and Technology.

Table 1 presents a gradual growth in the importance of companies as the key stakeholders functioning as part of the Chinese national innovation system. Chinese private sector is becoming increasingly important. Nevertheless, state companies still have a dominant influence on the Chinese economy development. In the recent years, their amount has decreased by privatization and restructuring. However, state companies’ resources have grown significantly. In 2006, resources of Chinese state companies amounted to 10,5 trillion RMB, while in 2010 they were estimated at the level of 24 trillion RMB. This accounts for an annual growth rate of 18.2%<sup>9</sup>. Presently, state companies produce 65% GDP of the People’s Republic of China. In strategic sectors of Chinese economy, e.g. in telecommunication, military or energetic sectors they represent 90% of the invested capital<sup>10</sup>. One of the ways to utilize the significant potential of Chinese state companies, and also a possibility to improve their innovativeness and effectiveness of human capital is the internationalization of these entities. Internationalization of Chinese economy by Chinese companies’ foreign investments has been included in the twelfth 5-year plan for the years 2011-2015. Chinese business enti-

<sup>8</sup> Z. Dacko-Pikiewicz, *Kształcenie ustawiczne w Polsce a doświadczenia europejskie* [In:] *Edukacja. Tradycja, rzeczywistość, przyszłość*, red. C. Plewka, Centrum Doradztwa i Doskonalenia Nauczycieli w Szczecinie, Szczecin 2005.

<sup>9</sup> Lan Xinzhen, *Creating worldclass companies*, „Beijing Review” 10 March 2011

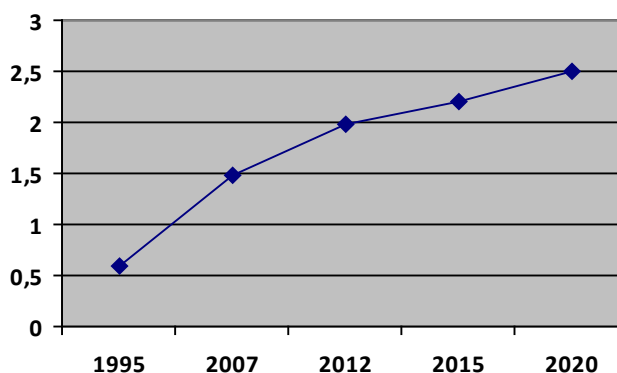
<sup>10</sup> A. Kratz, *Reforming China State Owned Enterprises*, “China Perspectives” 2013, No. 1, p. 94.

ties invest in ASEAN countries, India, Africa, Latin America, the United States of America, and recently in Europe. In highly developed countries, the strategy of high-tech company takeovers is applied. As an example, Geely Automobile Holdings Limited, a Chinese company, has bought the Swedish Volvo. The same situation may be observed in India, where Shanghai Urban Construction Group company has been involved in the construction of underground in New Delhi. What is more, Chinese state companies take part in infrastructure building process in East-Central Europe. After failed attempts of Covec, another Chinese company, Sinhydro, is trying to succeed in constructing motorways. The process of Chinese companies' internationalization favours their human capital development and development of talents working there. Frequently, people managing departments of Chinese companies abroad get promoted in the company after returning home or they hold high positions of state administration in China.

Talented people very often work in research and development sector. Since 1990 China has significantly increased investments in this sector. Figure 1 presents China's expenditures on research in development in the specific years.

**Figure 1.** Expenditures on research and development in China as GDP percentage, from 1995 to 2012 and expenditure forecast for 2015 and 2020

**Rysunek 1.** Nakłady na badania i rozwój w Chinach (procent PKB) poniesione w latach 1995-2012 oraz prognoza na lata 2015-2020



**Source:** Author's own study.

As Figure 1 shows, in 1995 expenditures on research and development in China amounted to 0.6% GDP, while in 2007 this was 1.49 GDP<sup>11</sup>. In 2012 expenditures on research and development reached 1.97 GDP<sup>12</sup>. The current, twelfth 5-year plan determines that by 2015, expenditures on research and development in the People's Republic of China are to grow to the level of 2.2% GDP. In turn, National Guidelines for Medium and Long-

<sup>11</sup> Yifei Sun, Debin Du, *Determinants of industrial innovation in China: Evidence from its recent economic census*, *Technovation* 30, 2010, p. 541.

<sup>12</sup> Chinese 2012 R&D spending reached one trillion yuan, 25.02.2013 [In:] *Asianscientist.com*

term Plans for Science and Technology Development for 2006-2020 indicate that by 2020, Chinese expenditures on research and development are to amount to 2.5% GDP. Thus, China will join the group of economies which invest the most in this area.

**Table 2.** Chinese provinces with the highest number of reported inventions

**Tabela 2.** Chińskie prowincje wg najwyższej liczby zgłaszanych wynalazków

Province	Number of reported inventions in 2012	Growth in % in relations to the previous year
Jiangsu	110,091	30%
Guangzhou	60,448	n.d.
Beijing	52,720	n.d.
Shandong	40,381	57.6%
Shanghai	37,139	n.d.
Zhejiang	33,265	n.d.
Liaoning	19,740	n.d.
Anhui	19,391	76.6%
Shanxi	17,043	n.d.
Sichuan	16,368	n.d.

**Source:** Author's own study on the basis of [www.english.sipo.gov.cn](http://www.english.sipo.gov.cn)

**Table 3.** 10 Chinese companies which reported the highest number of inventions in 2012

**Tabela 3.** 10 chińskich przedsiębiorstw o największej liczbie zgłoszonych innowacji w 2012 r.

Position	Company name	Number of reported inventions in 2012
1.	Huawei Technologies Co., Ltd.	4,231
2.	ZTE Corporation	3,446
3.	China Petroleum & Chemical Corporation	3,334
4.	Hongfujin Precision Industry (Shenzhen) Co., Ltd.	2,314
5.	Tencent Technology (Shenzhen) Co., Ltd.	1,934
6.	Tencent Technology (Shenzhen) Co., Ltd.	1,768
7.	Ocean's King Lighting Science & Technology Co., Ltd.	1,458
8.	BOE Technology Group Co., Ltd.	1,047
9.	BOE Technology Group Co., Ltd.	1,025
10.	Gree Electric Appliances, Inc. of Zhuhai	974

**Source:** Author's own study on the basis of [www.english.sipo.gov.cn](http://www.english.sipo.gov.cn)

In the opinion of many researchers, a significant potential of cheap workforce was one of the most important sources of dynamic economy growth of the People's Republic of China in the last decade. However, the situation has changed. Chinese personnel is increasingly competent, and the minimum salary in China has been growing recently. The minimum remuneration in China has recently ranged from 1,000 RMB to 1,620 RMB. Due to this fact, among others, the growth in innovativeness of economy, creative utilisation and talent development are described by many scientists as some of the directions of future development of China.

## 2. Talent management versus human resource management in China

Some authors point out to multi-layered interpretation of the notion of talent management. Among the existing meanings, it is possible to distinguish two main ways of perceiving the idea. The first of them is to understand talent management as human resource management along with its traditional areas in which it functions, but oriented towards particularly talented people, who have many achievements. The second understanding of the notion depicts talent management as a separate system, whose objective is the growth in competence oriented towards development of a given company. The objective of managing the talents of an individual is self-defining, incitement, development and utilisation of creative abilities, regarding culture, science, technology and economy enrichment for the interest of the society and assuring personal satisfaction. A more general objective of talent management in an organization is, according to H. Bieniok, to identify and stimulate creative abilities of possibly all employees, directed at enhancing competitive advantage and organization development. The correct way to achieve this objective is to stimulate employees' innovativeness ability in all activity areas, i.e. in the areas of creating new and improving existing products and technologies as well as processes and methods of management. Talent management stimulating innovative creativity is one of the key processes forming the sense of existence and development of an organization. Thus, the objective of talent management is to build up the ability of continuous creation of innovations in an organization<sup>13</sup>. Talent recruitment and appropriate management is a condition precedent, determining creation of innovations, as one of the key elements in the organization development.

In China, the issue of talent management is currently becoming of a particular significance. On the basis of studies conducted in international companies in Beijing, similarities and differences between talent management and human resource management have been distinguished. Table 4 presents differences between talent management and human resource management elaborated on the basis of research done in Beijing international companies.

**Table 4.** Results of the research on differences between talent management and human resources management done in Beijing international companies

**Tabela 4.** Wyniki badań na temat różnic między zarządzaniem talentami i zarządzaniem zasobami ludzkimi przeprowadzonych w międzynarodowych firmach w Pekinie

Defining talent management	Differences between talent management and human resource management (HRM)
Development of company-oriented competences	Talent management (TM) shifts the point of interest of development of all employees situated in HRM in elite promoting
Improvement of organizational competences	Talent management as part of HRM focuses more on organizational competence issues
Traditional model of human resource development	Talent management focuses on diversified management, TM < HRM

<sup>13</sup> H. Bieniok, *Zarządzanie talentami...*

Access to appropriate people for key positions	TM is a HRM constituent. TM is more direct and more specific
Functional model of access to talents	TM focuses more on talent recruitment than HRM
Talent life cycle	TM focuses on employees' talent development and on development of key personnel more than HRM
Competence development of the entire organization	TM is perceived from the organization development perspective.

**Source:** Author's own study on the basis of Economic Reform and Talent Management In China: A study of multinational companies In Beijing, p. 5.

On the basis of the research done among companies in Beijing, the following similarities between talent management and human resource management may be indicated:

1) The goal of both TM and HRM is to assign appropriate people to appropriate roles<sup>14</sup>

2) Both TM and HRM occupy the most important human management areas<sup>15</sup>

3) On the basis of the aforesaid research, it should be noted that talent management differs from human resource management in terms of the following features:

- for most of interviewed managers, TM is part of HRM,
- TM requires more engagement of the managers in human management processes, not only the engagement of respective human resource departments,
- TM to a higher extent promotes segmentation, meanwhile HRM – egalitarianism,
- TM focuses in particular on a group of talented people.

Particular importance recently attached in China to the issue of talent management is observed also with reference to declarations made during municipal and regional conferences held annually. For instance, recently in Shanghai it is possible to observe the process of transforming the city into the international finance centre. Many recruitment incentives for so-called talents in finance and other sectors are elaborated, as well as talent management concepts. Innovative economic development of the metropolis is indicated as the main priority, underlining the essence of economy development through innovativeness, which may occur only on the basis of highly qualified personnel. What is more, incubating innovative companies is also emphasised, as well as the necessity of a higher number of business entities to act at a global scale (the so-called "Go Global Strategy"). Further dynamic development of industrial parks and zones in Shanghai is defined as a priority, being the place of modern companies development and incubators for talents. Furthermore, development of new technology branches, and in particular: biopharmacy,

<sup>14</sup> R. Duttagupta, *Identifying and managing your assets: Talent management*, Pricewaterhouse Coopers, London 2005.

<sup>15</sup> D. Creelman, *Return on investment in Talent Management: Measures you can put to work right now*, "Human Capital Institute Position Paper" 2004.



renewable energies, IT and shipbuilding is preferred. In Shanghai, it is possible to see the existence and development of a lot of modern technology clusters. In addition, co-operation and company alliances are still to be considered as a priority. To achieve the aforementioned objectives, it is necessary to possess human resources with appropriate high qualifications. One of the priorities is simplifying the procedures and improving the qualifications of employees, including administration personnel. Efforts are made to create simplified administrative procedures, e.g. 'one stop approval' and attention is paid to the necessity of training clerks. In general, big Chinese cities pay a lot of attention to the issue of human resource development. Investments in development of services and outsourcing are emphasised. Authorities of Chinese metropolises develop attractive offers for talented specialists, e.g. providing subsidized apartments, tax reliefs and free specialist trainings. Talent development support programmes and improvement of office services are also indicated.

## **Conclusion**

By 2020, China is planning to increase research and development expenditures to 2.5%, placing the People's Republic of China economy amongst technologically most advanced economies in the world. In the People's Republic of China, a record-breaking number of patents are registered. Their quality is gradually improving. Increasing number of inventions are being registered. The Chinese government is introducing incentive systems to settle foreign talents in the People's Republic of China. New support programmes for national talents are being created. Efforts to restructure state companies, for example by their internationalization, are being made, thus providing the opportunity for organizations to learn, achieve practical skills in other cultures and to acquire new competence and skills. The reform of state companies, which constitute 65% of Chinese GDP, will be crucial for further development of its economy. The key role will be the growth of China's innovativeness introduced by highly qualified personnel. Research institutes and universities are and will still be restructured. Chinese scientists publish more scientific papers than it was the case so far. They are also encouraged to commercialise scientific research and to take part in international scientific projects. China is inferior to the United States of America only in terms of functioning of business incubators. Chinese technological and industrial park chain, characterized by a significant speciality, is also well developed in China. Under these parks, branch clusters are being created.

According to the plan, by 2050 China, will have become a scientific superstate. Bearing in mind the fulfilment of this objective, utilising the potential of talented people is currently more important than ever.

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