

ZTE's View on HR Management

— A summary of the Interview with Hou Weigui, CEO of ZTE, by Business Celebrities, CCTV

Zhong Xing

(ZTE Corporation, Shenzhen 518057, China)

Anchorman:

Today, being people-oriented has become a common concern in many business organizations. What does "being people-oriented" mean? For a product, it means bringing maximum satisfaction to the customer. For an enterprise, it means every employee gets a desirable payment, a successful career, and total job satisfaction. This requires the next-generation manager not only to hand out a pay check but also show his concern and respect for his employees. Therefore, demands for a good salary and career satisfaction are two major parts of an employee's fulfillment, especially in high-tech companies. These also reflect the idea of being people oriented.

Commentary:

First-class R&D of techniques and products need high-quality talent. Therefore, to attract, raise and pool top talent is crucial to the success of a company.

Mr. Hou:

The entry of foreign companies has caused greater pressure for domestic manufacturers. They have set up R&D institutes in China, intensifying competition in products as well as in human resources. But we believe this pressure



is not bad. One coin has two sides; without such pressure, there would be no challenges or bigger advancement for a company. By thoroughly understanding competitive situations and adjusting our business mindset, we can stay above the competition.

Commentary:

In order to get ahead of the fierce competition and attract top talent,

President Hou started with reforming the remuneration and incentive scheme.

Mr. Hou:

To retain top talent and keep the cutting edge in the growing competitive business world, you must look at what you offer to your employees. That is to say, the total remuneration you offer to your employees must be at a high level as compared with what your competitors could offer. Otherwise, people tend to leave easily. It's the market behavior. There is no other means that you can rely on to retain top talent.

Commentary:

ZTE has implemented a three-level remuneration and incentive scheme, i.e., offering incentives according to performance, incentives by offering stock shares and rewards with

policies beneficial to employees who are engaged in R&D or sales & marketing. This system ensures that all the employees are able to enjoy the profits according to their positions, capabilities, responsibilities, contributions and risk-sharing abilities.

Mr. Hou:

ZTE applies diversified policies of payment to different technical personnel. For all employees in our company, including the newly hired, we guarantee a basic wage. This is another strong point at ZTE. If the pay is too low at the beginning, some people may not want to choose ZTE. Again it's market behavior. After recruitment, we must pay more attention to our employees, offering promotions, individual advancement, and give them opportunities to show their strength and a chance to exploit their potential.

Commentary:

The reform of the remuneration and incentive scheme has activated a talent capital as well as other production factors, bringing continuous growth for the company.

Mr. Hou:

People hold different views on remuneration and incentive schemes. Some shareholders feel that the company invests too much in its employees, which reduces the dividends to shareholders. Our explanation is that if we keep thinking of paying less, the consequence will be that top talent will leave the company and we'll be left empty-handed. The same idea exists in the corporate financial management. One of our financial personnel once said if we reduced 200 million Yuan from our R&D budget, we could gain another 200 million in profit. I told him that was a static calculation. If we had done this, the profit might have decreased by 200 million. This is a dynamic calculation. Therefore, the principle of being people-oriented must be manifested in all our managerial areas.

Commentary:

Under such dynamic remuneration and incentive schemes, ZTE employees demonstrate a great deal of enthusiasm, show their capabil-

ities, and earn more money. This is because every employee in ZTE knows clearly who and what he is fighting for.

Mr. Hou:

Of course, another important factor is the growth of a company. If a company has no future, people will not show much interest in it. On the other hand, if the company keeps growing each year, and the employees can gain better income and more work experience, then it will be easier to keep most of the outstanding talent.

Commentary:

In ZTE, one important criterion for talent selection and promotion is based on educational background. However, ZTE also emphasizes practical working experience and capabilities in specialized fields.

Mr. Hou:

Some employees, though relatively new in ZTE, have accumulated experience and skills from other companies. It is not right to treat them as unskilled or inexperienced staff. For them, good opportunities and an appropriate salary are absolutely necessary. All employees should be granted equal opportunities for promotion based on their capability and professional dedication rather than how long they have worked in the company. This point is of the utmost importance to gather excellent talent and strive for a first-class company.

Commentary:

Today, ZTE has a total of 13 000 employees, of which 75% have B.S. degrees or above, more than 3 000 hold M. S. degrees, and over 200 hold doctorate or postdoctoral degrees. Not only does the HR management in ZTE bring top talent together, but it also makes them believe that they are an integral part of the company.

Andrew Carnegie once said that if his steel corporation were to burn down, he would still be the king of steel 20 years later as long as he kept his employees. As a president of a high-tech company, Mr. Hou also understands that the 13 000 employees are the most valuable resource of ZTE.