Causes and countermeasures on the outflow of talent in enterprise management

Meng Zhai¹, Yong Qi²

¹School of Management Science and Engineering, Shandong Normal University, Ji'nan 250014, China
²School of Public Administration, Shandong Normal University, Ji'nan 250014, China
¹Taku751029@hotmail.com

Keywords: Outflow of talent, Countermeasure, Business management, Management model

Abstract. For the Chinese enterprise that hopes to grow fast and enter the competition in the market at home and abroad in the face of world economic integration, whether it can create and retain a high quality, high cohesion of the enterprise management team will be the key to survival and development and the core of modern enterprise management. This paper expounds the relevant theories of management, discusses the reasons of the loss of company management, and puts forward countermeasures and Suggestions on how to retain the management

Introduction

Management is at the heart of corporate governance structure. One of the two important researches that Gallup company, spending the past 25 years from the 70s to 90s is about the importance of management of the enterprise[1]. This study draws two important conclusions. One is that managers cannot be replaced by leaders and self management team, and another is that managers will not only affect the employees’ satisfaction and turnover, but also is the true practitioners of organizational culture, especially the humanistic management. Because of its special role, the loss that the outflow of talent in enterprise management level brings to the enterprise loss is far greater than that of the general staff, and is related to the survival of the enterprise directly. At the same time, management talent being in shortage in our country, there are only 3000-5000 eligible for the moment while there is a need about 75000 management managers that can work effectively in the international market in the next 10 to 15 years, a McKinsey's latest research report predicts. Therefore, the competition between enterprises about management talent will be very fierce in the future, and balance between supply and demand is difficult to be coordinated in a short period of time, which makes the research of the loss of the management of the enterprise more practical significance [2].

An Overview of the Management Layer

Since the first industrial revolution, especially in more than one hundred and sixty years after 1840, with science and technology changing, industrial revolution developing, and new technology and inventions widely applying in all aspects of social economy, modern companies, as economic somatic cells, obtained the swift and violent development, especially the joint-stock company. It has realized the large historic leap of the enterprise scale, and lead to the separation of ownership and management rights at the same time, due to the expansion of the scale and the accompanying technology and management of a complicated process. Based on the reality of "two rights separation", using the new classical methodology, many economists fixed the objective function and constraint conditions of the enterprise, and constructed several theoretical models of administrators, among which the most famous three are sales revenue maximization model by Baumol, maximum growth model by Morris, and the manager utility maximization model by Williamson[3].

Management is at the heart of corporate structure. In the Anglo-American corporate mode, management consists of the board of directors and managers, and there are independent directors in the board. In Japanese and German corporate mode, while there no independent director in the board. Management consists of the board of directors, the board of supervisors and managers in our country,
but there are independent directors of the board of directors, which is different from the two models
introduced above.

Comprehensive management structure, the focus of management research, refers to the internal
structure of the board of directors, and the contrastive relationship between the board of directors and
board of supervisors, or managers [4]. In the communal framework of principal-agent theory,
management is the collection of multistage principal-agent relationship. First of all, as the
shareholder's agent, the board of directors in management has the function of decision, selection and
supervision on managers. Meanwhile, as the agent of the board of directors, managers have the
function of management. Nevertheless, according to the hypothesis of economic man in new classical
economics, human is lazy by nature, is not willing to bear any responsibility, regards the personal
security as a top priority, and is only monetary incentives. Therefore, inevitably, there is a multiple
principal-agent conflict within the various interest groups in management.

Analysis of the Loss of Management

Black and Superficial State of Corporate Culture
The values of the enterprise are more profits and market oriented, so most of the business operators
focus on making money and gaining, do not attach great importance to even misunderstand corporate
culture, which makes enterprises lack the genuine sense of the corporate culture [5]. In our country,
many companies simply do not get a clear corporate culture, although some have one superficial
formality. The value pursuit business philosophy, and moral consciousness of many enterprises,
which are formed spontaneously and unconscious in the process of long-term operation, has a strong
empirical color, and is simple. Haven't been on the orbit of formal, these enterprises' cultural
construction don't play the important role it should have, especially to attract talent, retain talent,
realize the value of talent, let alone improve enterprise core competitiveness by building excellent
enterprise culture. In this case, corporate culture, being evaded, is actually the surface layer of
enterprise culture, which also can be described as the lack of culture.

Transparency of Information and the Stress of the Position Itself
With the development and maturity of the market economy, our country has entered a comprehensive
period of transformation from a traditional society to a modern society, one of whose social features
is that the redistribution of a large amount of social resources and the restructuring of social resource
allocation system[6]. In a market economy environment, the key rule is to treat market demand as an
effective means in the configuration of social resources. Because of more and more convenient
communication and information exchange, the information of the same or different positions in other
enterprises of the same industry or other industries, become handy through newspapers, radio, e-mail,
Internet, and all kinds of ads available. It is easy for managers to be aware of the income, working
conditions and career opportunities of a person in the same position. So, there is more comparison.
Comparison results discontent about reality and the consequences of discontent is liable to be away
from their enterprise, and the development of science and technology makes the flow of managers
become more frequent and convenient.

Misunderstanding of Compensation Management
Ignoring the spiritual incentive for workers, enterprises consider the material rewards and
punishments as the best choices in order to improve performance [7]. A kind of simple and flexible
way, presidents-averaged plus bonuses or presidents-averaged plus commission is widely used in the
enterprise employee compensation calculation. This kind of managerial method causes little obstacle
in the early part of the enterprise development. However, with the development of enterprise and
talent structure being complicated, wage is not only a method of make a living, but also a need of self
satisfaction and self-esteem, for the core employees, especially managers. According to Maslow's
hierarchy of needs, people have five needs: physiological needs, the needs for safety, social needs, the
needs of being respected and self-actualization needs. It is a high level of demand that the manager
pursuit, which is difficult to satisfy and meet only by the material.
Enterprises Lack Strategic Management on Managers
Normal operation of the enterprise depends on a perfect system; however, Chinese enterprises tend to be more dependent on the power of personality. That is to say, Development of the Chinese companies depends more on each person's motility. In other words, there is often no complete and systematic management system, no strategic design of management structure and not continuous and complete human resources management system.

Countermeasures to Reduce the Outflow Rate of Talent in Enterprise Management
To Strengthen the Construction of Corporate Culture and Enhance Cohesion
Enterprises starts from three aspects: the concept of layer, system layer, and the material layer, to strengthen the construction of enterprise culture, and human resource management department should fully take on the role as culture builders, defenders and counselors [8]. Organization optimization management of human resources directly results in the further development and the optimizing change of enterprise culture. The human resources department should be a great corporate culture builder. A lot of research and practice has proved that the key to enterprise culture construction is to make cultural experience procedures from idea to action, from abstract to concrete and from oral to written. To get employees' understand and agree, and then turn it into the staff's daily work, human resources should begin to work embracing the enterprise culture and the core values around, solicit opinions from employees, discuss the enterprise culture together, then, solicit opinions of the all levels, get cognitive knowledge about dregs and advantages of the original culture cognition, finally take suitable means to retain the essence of enterprise culture, propagate widely, let all employees know how is the company's corporate culture born, grasp the concept of enterprise value that has been formed, refine it into simple words and make a qualitative leap from implicit culture.

A Management Buyout
Management buyout, a kind of leveraged buy-outs, found and given standard definition by the British economist mike Wright in 1980, refers to the behavior that managers acquire the company by the finance collected by borrowing or equity transaction, namely the behavior that managers purchase the equity of the target company by the financing, change the company ownership structure, and actually control of companies [9]. After the management buyout activity, enterprise ownership and management rights in a company have combined, and, to some extent, it has realized the unification of ownership and managerial authority. Management buyout changes gradually from a purely financial instrument to an effective tool to alter the corporate governance structure and attract or retain talents. To possess the enterprise in the future, the management buys the right of control which can satisfy the management under the four sorts of special needs: First of all, to a certain extent, the control satisfies the management to display their talent and embody a kind of self-actualization of "entrepreneurial spirit". Secondly, control can satisfy the superiority in controlling others, or the need of power to feel in a responsible position. Thirdly, it gives the management the position privilege, "on-the-job consumption" and the material benefits except for formal incentives. Fourthly, it makes the management to get shared respect and the improvement of social level. Fifthly, it provides the management with a platform of accumulation of knowledge, training on skills and expanding horizons. It is the real benefits that increase managers’ loyalty to the company and reduce the separation rate.

Establishment of Comprehensive Compensation System
Enterprises should change the traditional welfare system in the past that stress particularly on the material salary and establish comprehensive compensation system. The so-called comprehensive compensation system refers to all tools possible that can be used by the enterprise to attract, motivate and retain employees, including everything valuable that workers think they can get from the employment relationship. It is a variety of monetary and non-monetary benefits that enterprises provide in exchange for time, talent, hard work and results from employees, and is the combination of five key elements that have the ability to attract, motivate and retain talents effectively, so as to achieve the ideal operation result.
Summary
Currently enterprises in our country have attached great importance to the management, intensified efforts on control for enterprise management, and made great breakthroughs on the theory and practice. However, clearly, we could see the problems existing in management control in our country, for example, enterprise management has not been promoted to the strategic level, and the study of the theory of the management cannot be combined with enterprises’ actual situation, and methods and means to attract and retain talents are simple, and problems such as backward enterprise culture construction are still prevalent in the enterprise. Based on the special role of management, enterprise should make full use tools such as enterprise culture, management buy-outs, comprehensive compensation system to attract and retain the talents, strengthen the loyalty of the management, and reduce the outflow rate of management, so as to provide sufficient human resources to guarantee themselves being bigger and stronger in a market economy.

Acknowledgements
This work was financially supported by the Natural Science Foundation of Shandong Province (ZR2012FM013).

References