

Trip Report to ILO Beijing Office

Nov. 2008

Center for Sustainable Entrepreneurship



绿色商道中心
Center for
Sustainable
Entrepreneurship

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Executive Summary

As the result of the trip organized by ILO and Dalian Development Area, Center for Sustainable Entrepreneurship had its staff who visited Dalian prepared this report.

Key Findings

1. All interviewees and meeting participants were supportive to the project ILO plans to do.
2. The local government of the Area demonstrated strong interest and commitment to the project.
3. Current and perspectives of the businesses of the SMEs we interviewed in this Area are promising and optimistic.
4. Over 2/3 of the SMEs interviewed claim their business are technology driven. This percentage is quite different from domestic SMEs located zones in south China.
5. These companies face various challenges in their daily business, and their business priorities therefore can be quite different.
6. CSR is not perceived as a popular or familiar concept among the SMEs
7. These SMEs all think favorably to the training program, i.e. potential demand is high.
8. Demands for training subjects are diversified

Key Recommendations

1. This is the right place to have the ILO training project.
2. Motivations and desires demonstrated by the government and SMEs ask ILO to have thorough design for this project in order to meet their expectations.
3. Enlightenment and orientation training is recommended on CSR, labor relationship, or topics other than business management.
4. Selecting audiences who should share some key common features or concerns is suggested, i.e. targeting on one or two specific client groups.
5. Specifically, we'd like to recommend two industries to be targeting groups, 1)

machinery and electric manufacturing industry, and 2) electronic parts/instruments manufacturing industry.

6. Customized or tailored training courses will win the attraction from the audiences.

Project Description

Center for Sustainable Entrepreneurship (CSE) was requested by ILO Beijing office to conduct a site visit on Oct 15th and 16th. This site visit was aimed to learn from the interviewees of selected enterprises in Dalian Development Area (DDA):

1. Background and development information of the sectors
2. Current status on enterprise development and needs of improvement on management.
3. Needs for capacity building to improve enterprise performance
4. Approaches to conduct the activities to meet the needs

Accompanied by Dr. Bill Zhang of ILO, three of CSE members visited DDA. During the two days visit, the team activities including meetings, and site visits, were well arranged and received by DDA, the local host, i.e., Enterprises Confederation of DDA, and the enterprises.

A questionnaire was designed prior to the visit, and it aimed to systematically collect information in order to gain general understanding on the sectors of these potential clients, their profiles, and needs for training (please see Appendix).

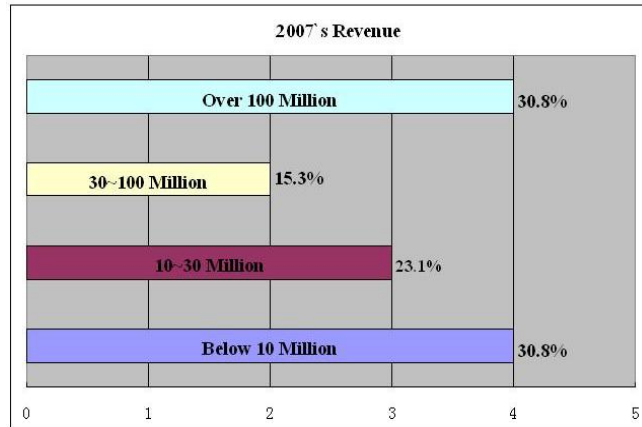
During the visit:

1. We interviewed 17 companies belonging to different industries (chemical and electronic industries was asked to be the sectors), our data analysis based on the questionnaire covers all the 17 companies; and 15 of all the 17 interviewees are HR officers, the other two are senior managers
2. We had two group meetings with the 17 companies, an open-ended queries was given to the companies' representatives. Through such face-to-face free style conversations, we collected their responses, replies, concerns, and suggestions;
3. We had three site visits to two chemical companies and one auto parts manufacturing company. We were received by their senior managers. All the three are sizable SME companies. During each site visit, we mainly listened to what their concerns are about on their business performance, labor relationship, environment and social issues, and activities on employee trainings; and
4. Local host, Enterprises Confederation of DDA, and local authority, Economic & Trade Bureau of DDA had two meetings with us, and even during the meals with us we mostly talked about business. Not only they demonstrated strong interest in participating this project, they also exchanged their points of views.

Our data collection for this report was mainly based on the activities as described. The trip findings and recommendations were established on the basis of our data analysis, observations, and meetings.

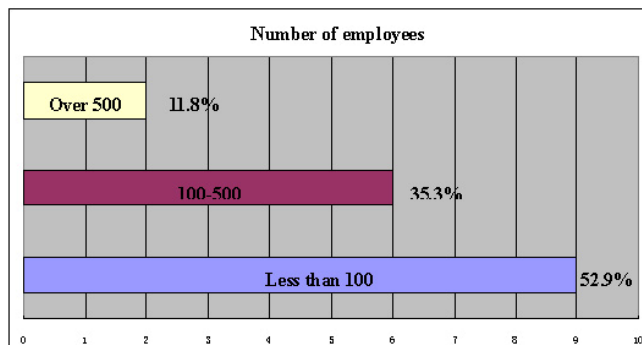
Data Analysis

1. Revenue



Should revenue be used as an indicator to demonstrate the size of a company, this figure shows that small size companies (less than 10 mm RMB) and large size companies (over 100 mm RMB) are the majority. Group wise, it is about half of the companies for which the revenue size are less than 30 mm RMB.

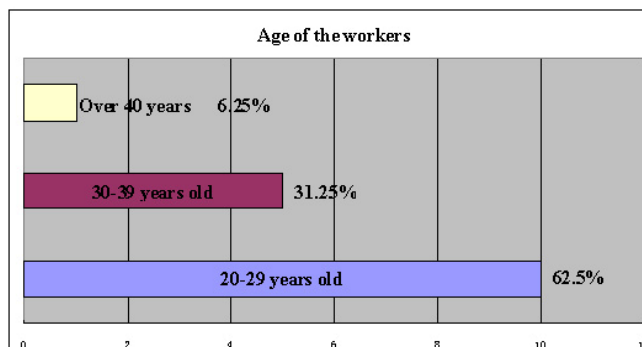
2. Number of employees



It is not so much surprising that over 50% of the companies contain less than 100 employees, because about 60% of the companies claim that they are technology intensive. By Chinese official gauge, all these companies are considered SMEs.

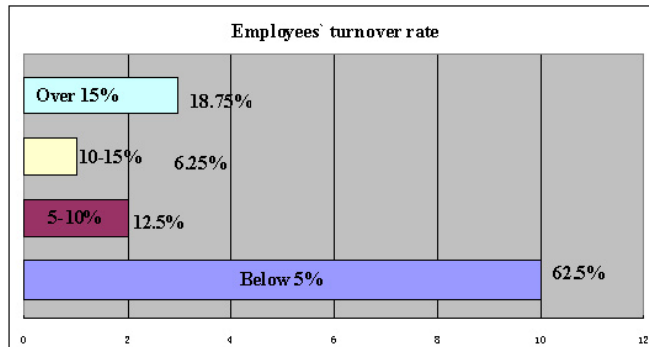
However, the organization dynamics and management resources can be quite different between a 500 employee SME and a 100 employee SME.

3. Workers' age



In here, it surveyed the age for floor level workers. Young people are the majority.

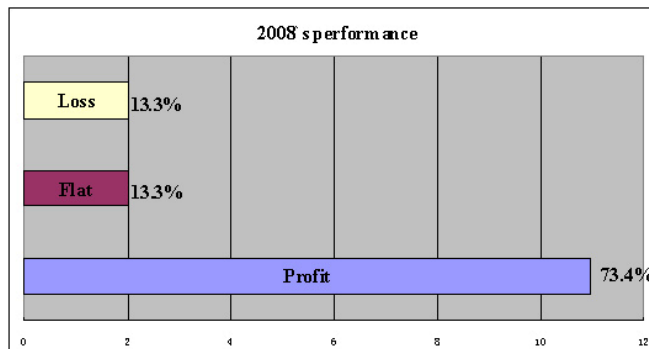
4. Turnover rate



About 25% companies are having pretty obvious high turnover problem at the floor level or workshop level. For companies involved in OEM business and labor intensive, it is not uncommon in China. However, considering over 60%

of the companies is technology driven, and 20 some percent are capital intensive, these turnover rate can hurt companies' business.

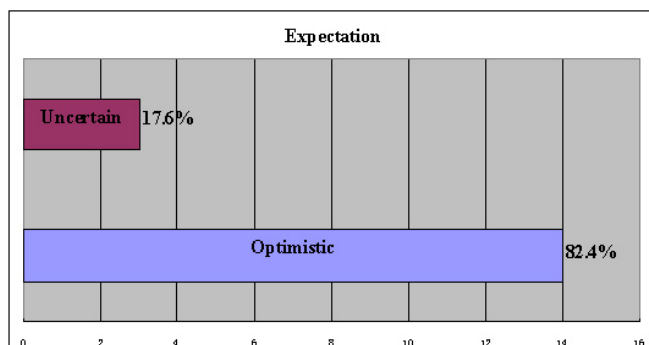
5. 2008 performance



The estimated business performances in 2008 are very optimistic among the surveyed companies, i.e., over 70% think their 2008 business will be doing well. Our experience tells us that training is most likely to be well received if the trainees'

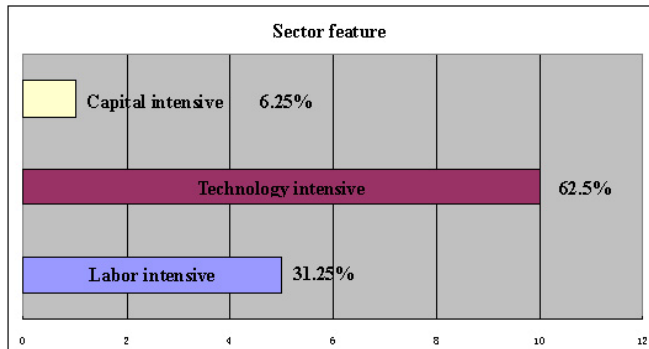
businesses support them.

6. Expectation on the industry in the coming 2 to 3 years



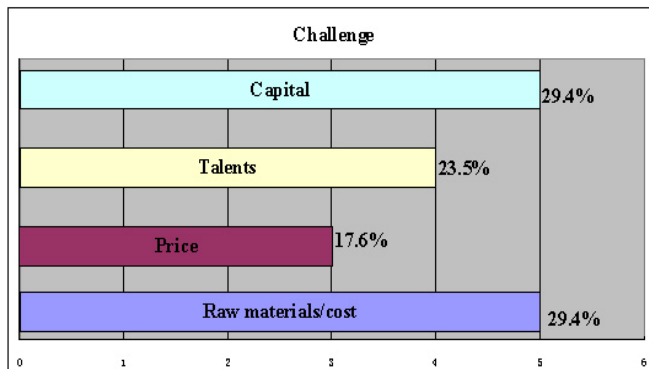
Again, companies are very optimistic about their business perspective, i.e. overwhelmingly the majority believe their companies' future is bright.

7. Business feature



Big portion of the companies claim their businesses are technology intensive (about 63%). The other type trailing the technology is labor intensive (31.3%). Possibly their requirements on training can be different.

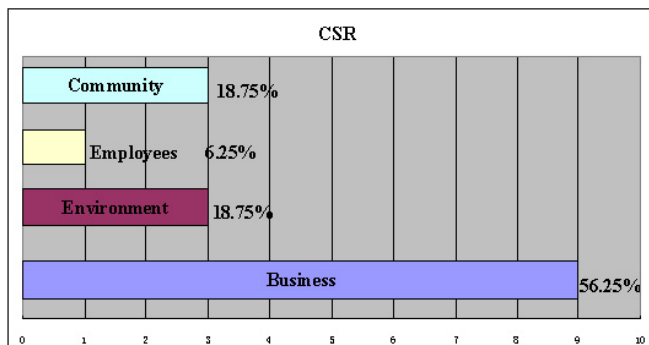
8. Challenge



Companies surveyed feel that their pressures and challenges (the most pressured challenge) come from various sources, i.e. there is no single source stands out. It may create some challenges to the design of the training course, i.e. how to address their needs. Noticed, in

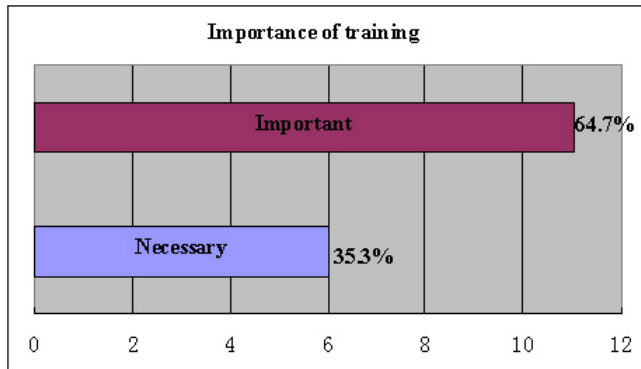
the course design there is no SME financing related topics.

9. CSR



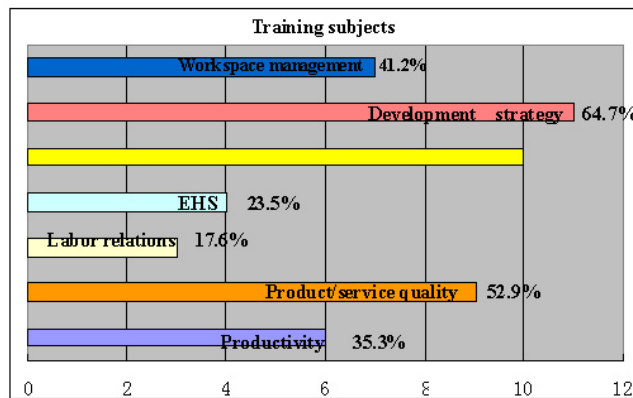
When the survey asks the companies about their top priority in CSR, over half think that taking care their own business is most important in fulfilling CSR.

10. Importance of training



There is no company who thinks training is not important; on the other hand, majority believes that training is important, where as over 35% strongly buying in the necessity of training to companies.

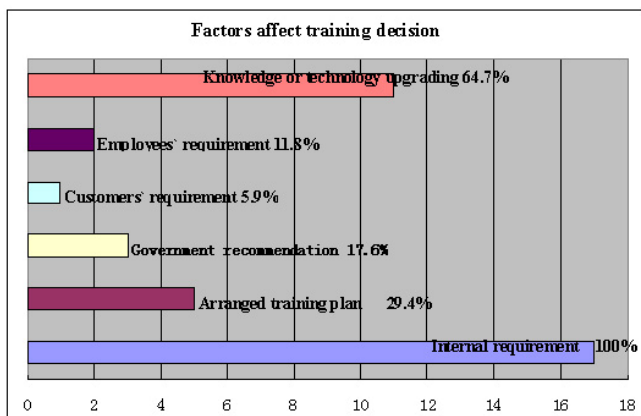
11. Training subjects



The top three most concerns on training subjects are 1) business strategy (22%), 2) improvement of employees’ skills and abilities; and 3) quality improvement on product and service offered by the companies. If there is no misunderstanding, surveyed companies think work place

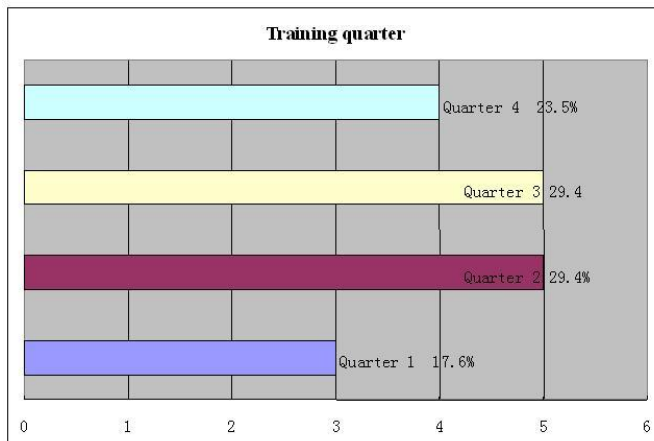
management is also an important training subject. Somehow, EHS and labor relationship were not widely picked up by the surveyed companies.

12. Factors affecting company’s decision on training



100% surveyed companies think that “Internal requirement” is the most important factor when company makes training decision. Also, majority of the companies think that knowledge and technology is the driving factor for their training decision.

13. Training time



It seems there is no obvious leading choice in terms of when training should be conducted. Quarter 2 or 3 seem to be more favorable than quarter 1 and 4.

14. Training length



Over 70% of the surveyed companies think that the length of training should be managed within 2 days.

Findings and Recommendations

Findings

1. All interviewees and meeting participants were supportive to the project ILO plans to do.
2. The local government of the Area demonstrated strong interest and commitment to the project.
3. Although there is no comparison between enterprises in the Area and outside the Area, the interviewed and site-visited enterprises left the visiting team impression that they are well institutionalized, i.e. could lead to the direction of well designed and/or somewhat advanced training courses.
4. Except maybe one or two are subsidiaries of large companies, dominate majorities are SMEs
5. Although they are all SMEs, there are some significant differences among the companies. Revenue size is the one. This survey shows that the revenues are quite polarized, large ones (over 100 mm RMB) and small ones (less than 10 mm RMB) are almost equal (30% each), indicating these enterprises are in different development stages.
6. Management teams or key employees are mostly in their 30s, but workers of these companies are young.
7. Different from development zones in south China, workers in Dalian Development Area are mostly from local. In other words, problems in those zones pertinent to village workers from poor provinces may not largely exist here.
8. High turnover rate (10% or higher) bothers some of the surveyed companies (25%), which was also clearly stated by meeting participants during our interviews.
9. It looks that these companies' business are pretty decent (2007 and 2008), and very optimistic to their future. This could be positive news for ILO to select this Area for the training project.
10. Very different from development zones in south China, over 60% of the SMEs claim their businesses are technology intensive.
11. Challenges to their business perceived by these SMEs are quite diversified; financing and cost control seems to be the major ones facing these companies.
12. When a question about CSR is asked, over half of the surveyed SMEs believe the most important thing in CSR for a company is to take care of their business. The answer seems awkward, but it didn't surprise us so much. Northeast China where Dalian is located is far from the more active economic regions, so that lag in information and trend in business conduct may be the explanations.
13. Potential demand on training is high. All surveyed companies show the interest. Over 1/3 believes training is necessary injunction with their business performance.
14. Business strategy and production quality improvement are considered the most needed training subjects. Workplace management, labor relationship and EHS are not

given high priority.

15. Regarding how a decision is made for the companies' training agenda, all believe it should come from internal demand. Desire to learn new knowledge is also considered as the driving force or motivation for a company's training.

Recommendations

1. The government officials of Dalian Development Area left all the visitors very positive impression on their attitude and desire to connect with international organization (ILO). We think this is a good government for ILO to place its training project in the Zone.

2. In comparison with Zones in south China, Dalian has not given attention by international organizations such as ILO. On the other hand, the openness, forward thinking, flexibility, and strong desire demonstrated by the government officials there show this place has great potential for ILO to work with. In a way, this is a land of virgin, so that a well designed project will harvest and create great impacts.

3. This development zone is quite different in many aspects from zones in south China. We don't recommend ILO to use the training materials which have been used in south China zones (if such materials are there). Customized training course design is necessary.

4. Demand-based training course should be the orientation to design the training. Although it may take more time to prepare training courses and materials, it is the key to secure the success of this project. Meeting client needs and understanding what these SMEs really want is essential for international organizations such as ILO to design and conduct this project.

5. Typical issues ILO often deal with, such as labor relationship, workplace management, and CSR, do exist in this zone. However, it is our suggestion that the training courses on these subjects should put more emphasis on What and Why instead of How. In other words, the SME audiences need enlightenment and orientation on these topics.

6. Topics related to CSR and labor relationship can be included in course design like SME governance.

7. We recommend to introducing good practices to improve management skills, and some rather systemic and methodology/skill training courses (and consultations) to help them gain knowledge on business strategy, company growth, financial management, and operational skills.

8. Quite a few large and multinational Japanese firms in the zone, and they are rich resources to help the training courses design as live case study and on-site training, such as 5S and workplace management.

9. Technology intensive SMEs have very different management issues from labor intensive SMEs. We don't recommend to have shared training project between the two groups.

10. Last but not the least we suggest ILO to design an evaluation mechanism to trace the effectiveness of this project.

11. We noticed from our last visit to Dalian that the interviewees came from quite many industries, and they may face different development problems and therefore demands for training as well. We'd suggest ILO to further narrow down the scope to one or two industries as the main targeting groups. In the Area, it is possible to identify reasonable number of companies in specific industry sector(s) because the Area has several dedicated industrial parks, and each facilitates an industrial cluster.

12. We suggest ILO to consider three tiers of potential clients:

Tier One: machinery & electrical manufacturers;

Tier Two: electronic parts/instruments manufacturers, and

Tier Three: companies at large (the ones who like to participate the training)

13. We'd also like to suggest the training courses may differentiate the needs of different types of industries or SMEs, particularly, labor intensive SMEs face and have different issues and problems and therefore requirements of training from technology intensive SMEs.

14. We'd also like to suggest the training courses may consider the differences of SMEs in North China vs. the South China. Good examples of such are 1) labor employees of companies in the Area are mostly from local whereas labor employees in south are all from other regions (poorer regions). Companies of north and south may face quite different management issues due to the differences of labor sources.

Appendix

a) Questionnaire

General information (base line information)

1 Name: _____

2 Ownership of the company:

A. State-owned B. private (single owner) C. joint stock D (company limited). Sino-foreign joint venture

3 Company initial registration date: _____

4 Number of employees: _____

5 Industry sector:

A. machinery B. energy C. Chemical D. Auto E. shipbuilding F. electronic/IT G. bioengineering/pharmaceutical H. agriculture I. Metallurgic J. Mining K. textile / clothing L.

others: _____

6 2007's Revenue: _____ (million)

7 Web site: _____

Human resources

1 basic information of the business owners or CEO:

name: _____ phone: _____

Age range:

A.20-29 B.30-39 C.40-49 D. over 50

Gender: _____

Education: _____

A. middle school B. high school C. junior college C. college or higher

Relationship to the ownership:

A. majority shareholder B. minority shareholders C. professional managers

2 basic information of the key employees:

Age range:

A. 20-29 B. 30-45 C. over 45

Years the key employees have served the enterprise:

A. less than 2 years B. 2-3 years C. 3-5 years D. 5 years or more

The education background of the key employee:

A. middle school B. high school C. junior college D. college or higher

3 basic information of the workers

They mainly comes from:

A. Local B. other regions

Average age range:

A. 20-29 B.30-39 C. over 40

Employees' turnover rate:

A. below 5% B. 5-10% C. 10-15% D. more than 15%

Basic business information

1. 50% or more of the customers are:

A. domestic B. joint-venture/foreign-owned

2. The main market which the enterprise serves:

A. Local B. National C. oversea

3. 2007's business performance: A. profit B. flat C. loss

2008's estimate: A. profit B. flat C. loss

4. Your expectation on the industry over the next two to three years, which your enterprise belongs to:

A. optimistic B. Pessimistic C. uncertain

5. Which of the following do you think your enterprise belongs to (single):

A. Technology intensive B. labor intensive C. capital intensive

6. The greatest challenge the enterprise faces is:

A. competition in quality B. competition in raw materials/cost
C. competition in price D. competition in talents E. competition in capital

7. Certificates the enterprise have gained:

A. ISO 9001 B. ISO 14001 C. clean production mechanism D. 5S E. others: _____

8. The most important concern for your enterprise to conduct corporate social responsibility is:

A. Business B. Environment C. interest of employees D. interest of the community

Training

1. In your opinion, employee training to the enterprise development is:

A. necessary B. important C. not important

2. Which of the following training subjects you think are the most valuable (choose three):

A. productivity B. product/service quality C. Labor Relations D. EHS E. employees F. development strategy G. workplace management

The main factors which drive the enterprises training are (selection of 3 or less):

A. internal demand B. arranged training plan C. government recommendation D. customers` requirements E. employees` requirements F. knowledge and/or technology upgrading

Which quarter do you think is the most appropriate for arranging training activities:

A. first quarter B. Second quarter C. third quarter D. fourth quarter

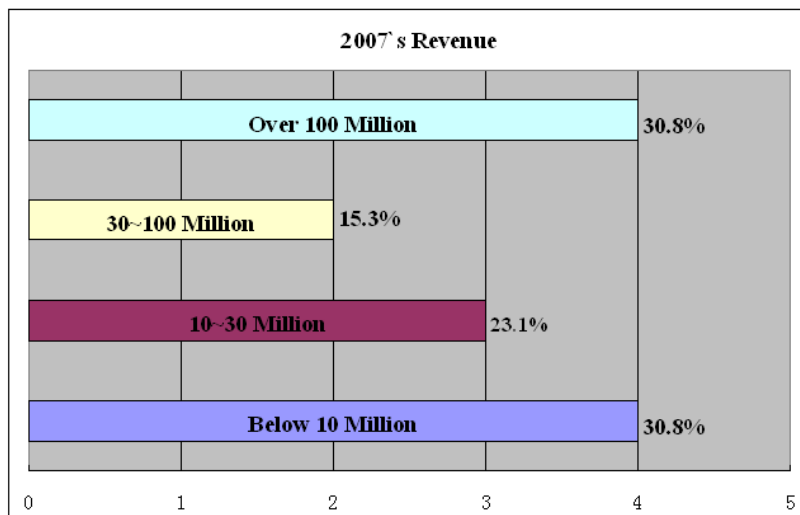
5. The most appropriate length of full-time training for high-level management is:

A. one day B. two days C. three days D. more than three days

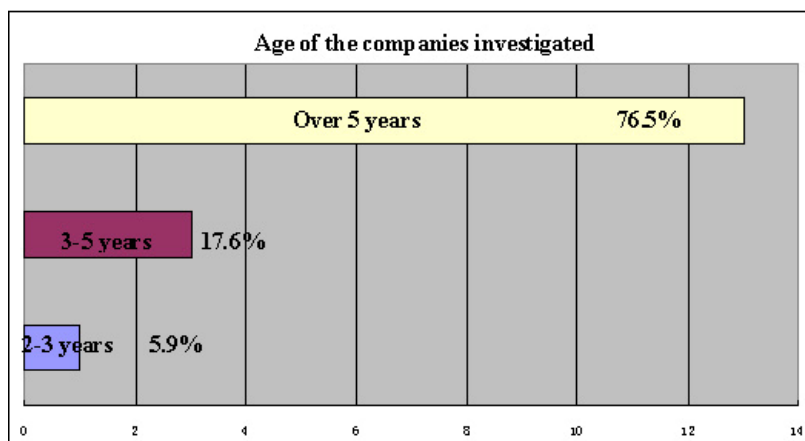
Thank you for your cooperation!

b) Data Descriptions

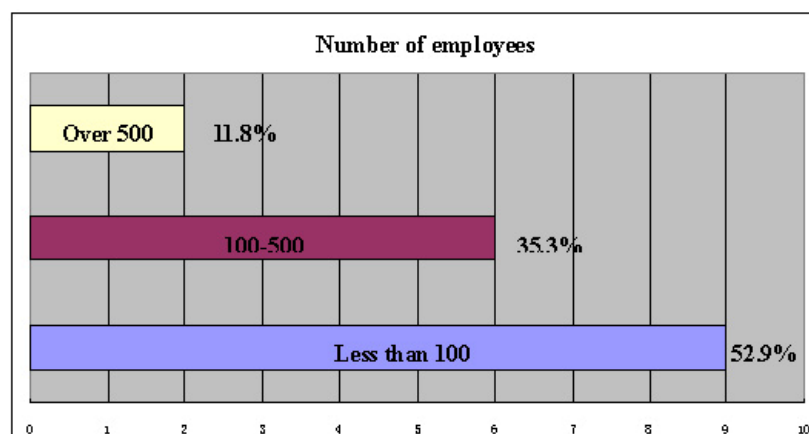
1. 2007's revenue



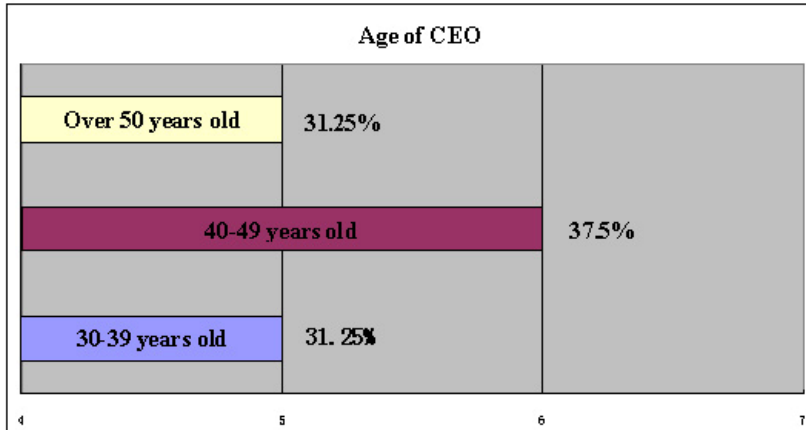
2. Age distribution



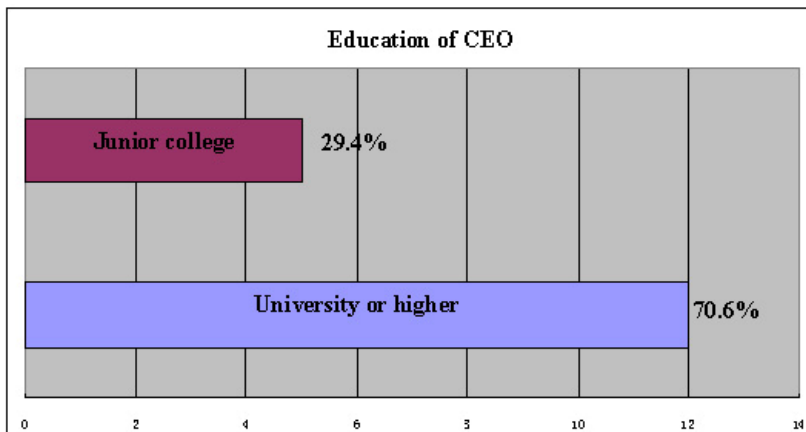
3. Number of employees



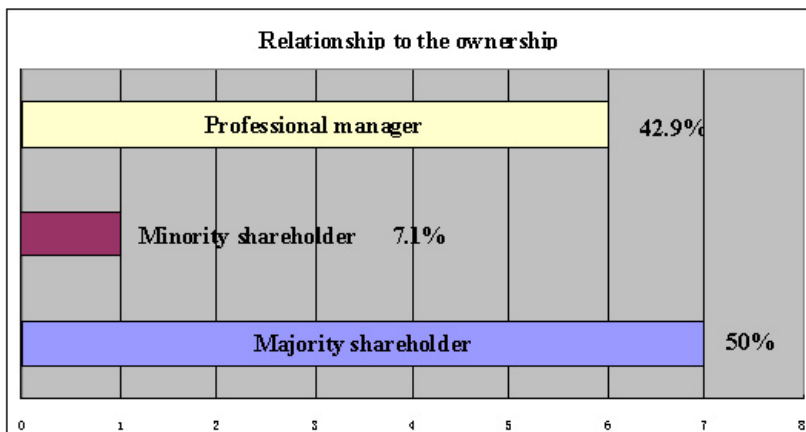
4. Age of CEO



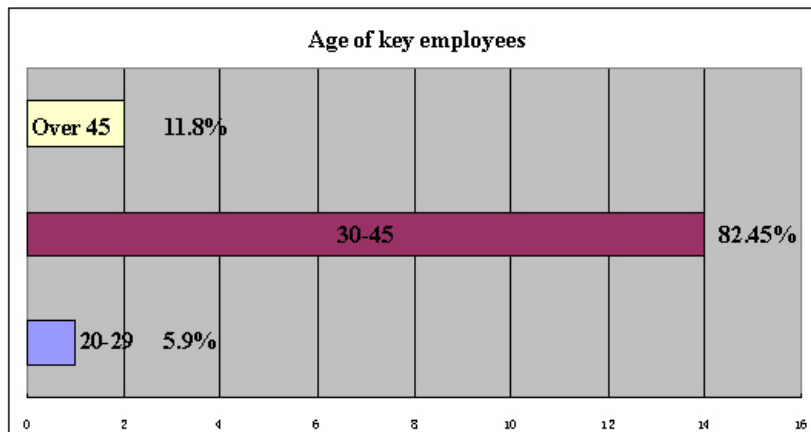
5. Education of CEO



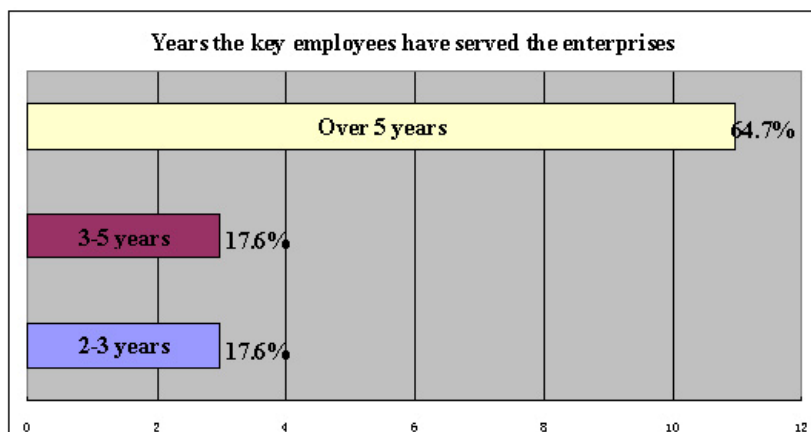
6. CEO's relationship with company



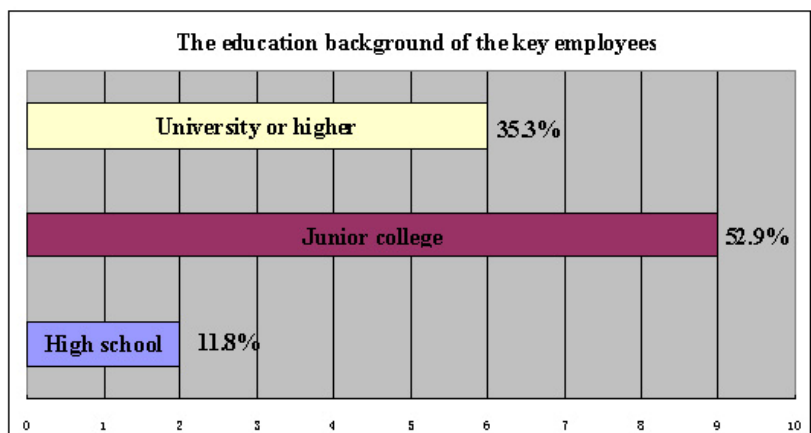
7. Ages of key employees



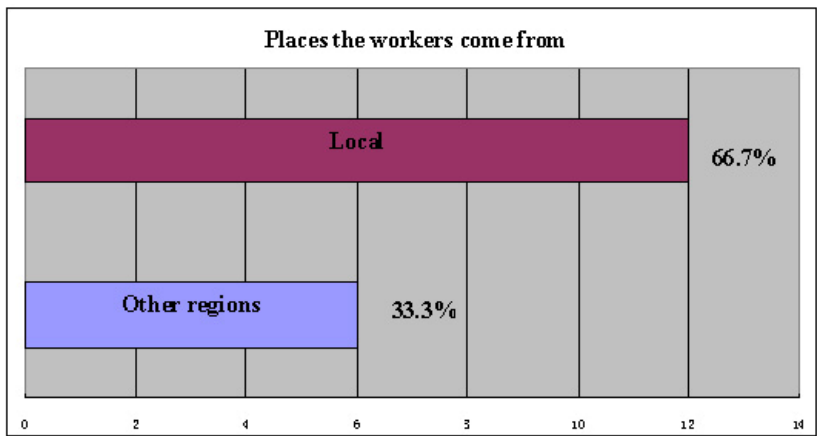
8. Time that key employees have served the companies



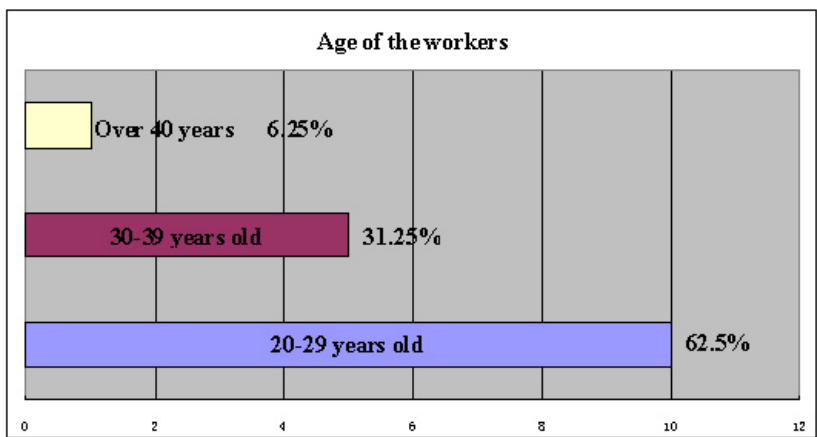
9. Education of key employees



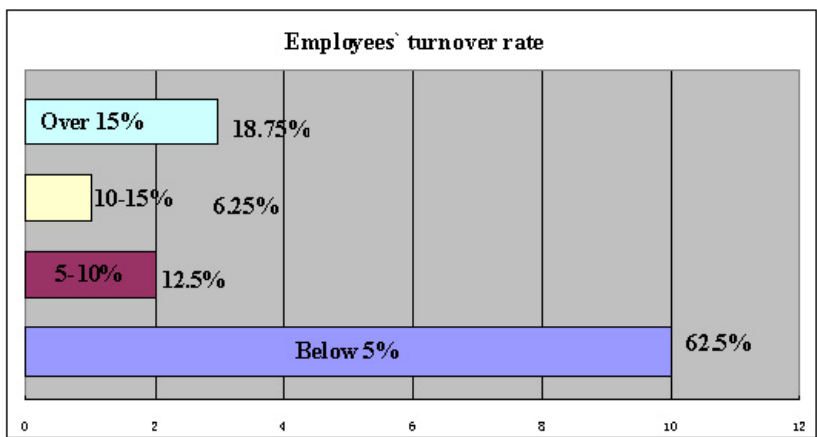
10. Places the workers come from



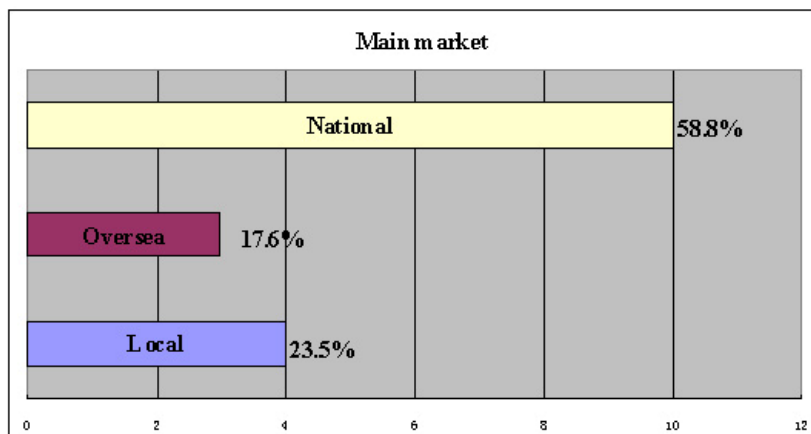
11. Age of workers



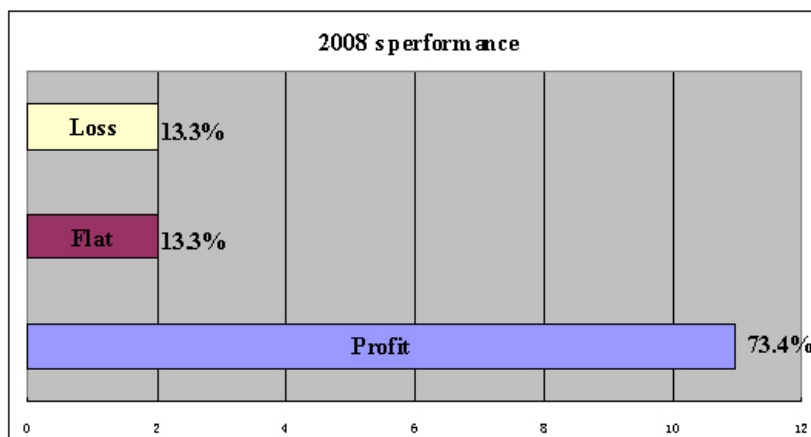
12. Turnover rate of workers



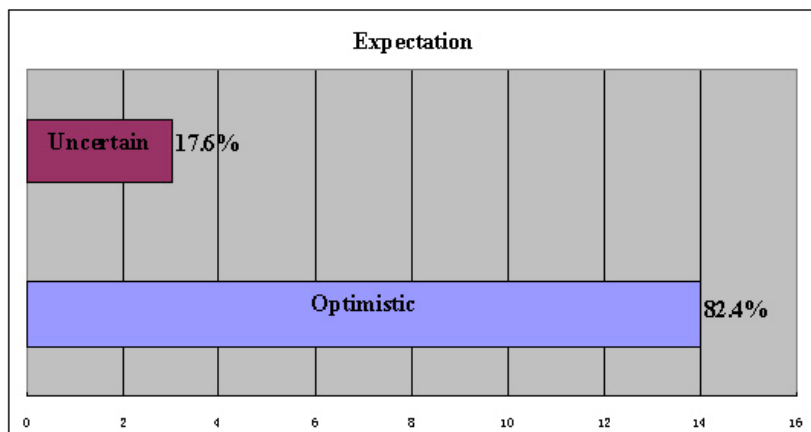
13. Main market



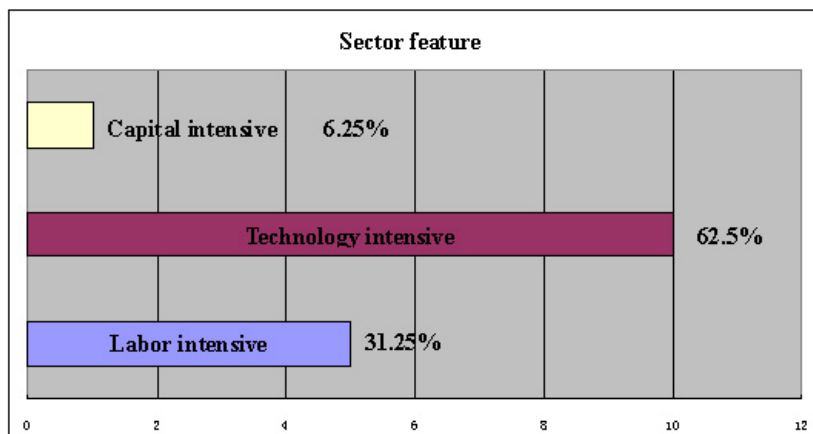
14. 2008's performance



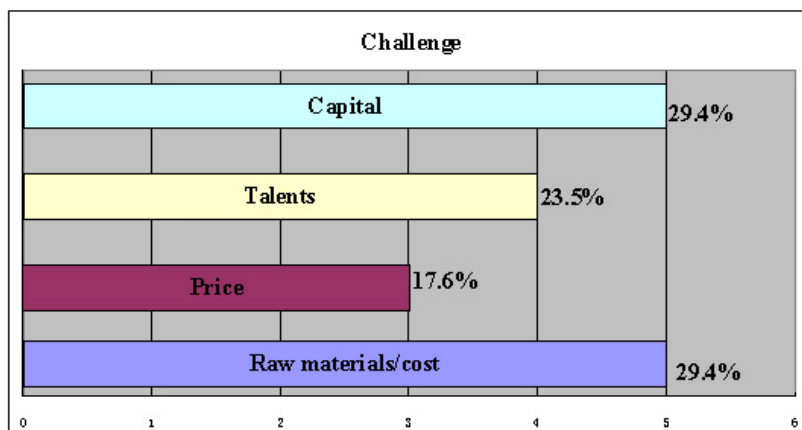
15. Expectation on the industry in the coming 2 to 3 years



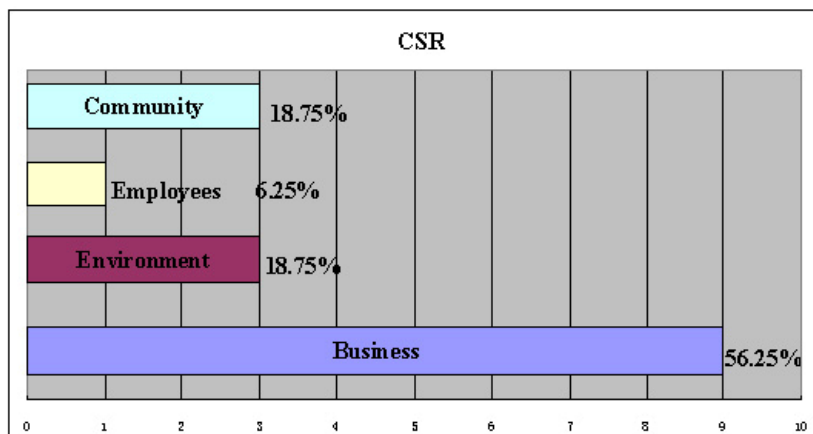
16. Business feature



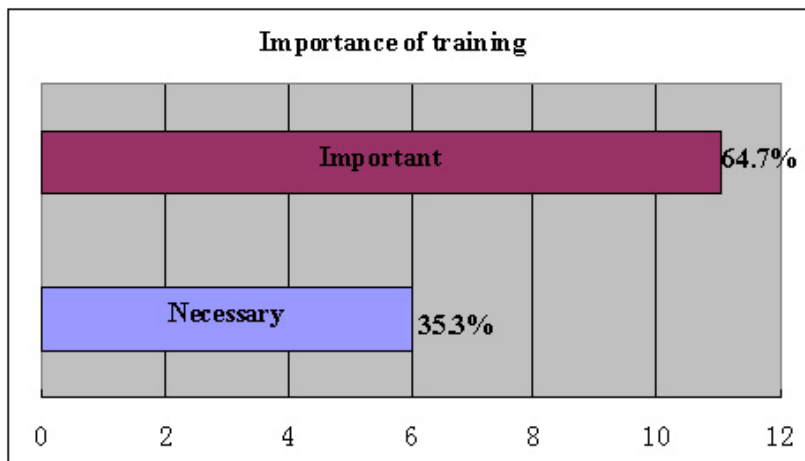
17. Challenges enterprises face



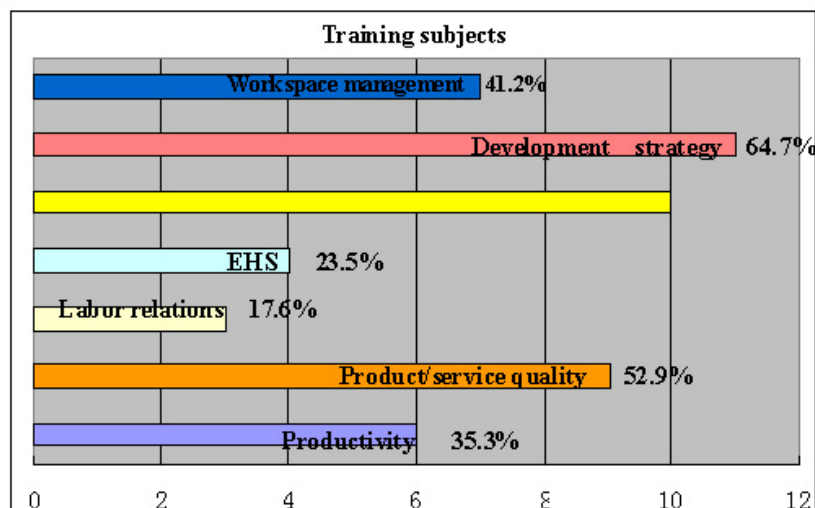
18. Corporate Social Responsibility (CSR)



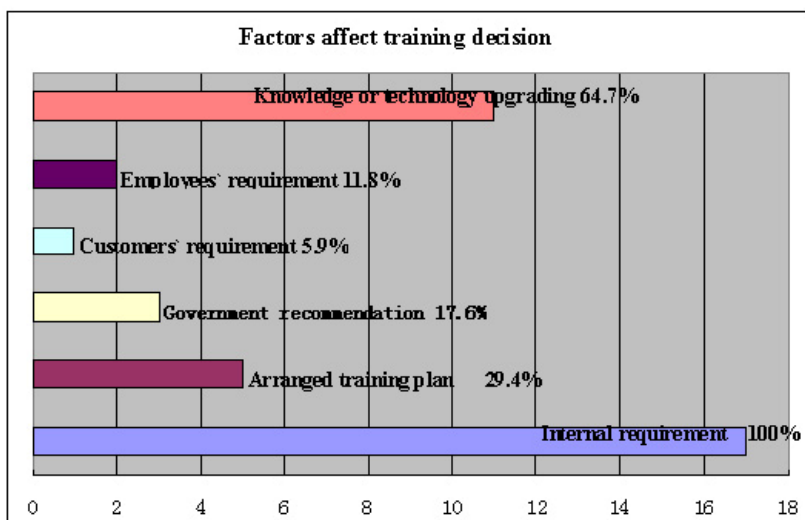
19. Importance of training



20. Training subjects



21. Factors affect training decision



22. Training time



23. Training length

