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Talent Shortage in the Process of Internationalization of China's Banking Industry: From the Perspective of Financial History

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Abstract: With the continuous enhancement of China's economic strength, the internationalization process of China's banking industry has been moving forward. Since the stock reform of major state-owned banks in 2006, the process entered a stage of rapid development. However, it is restricted to a large extent due to the shortage of qualified human resources, especially talented financial and banking professionals with international vision. The first part of this article will briefly introduce the history of overseas development of China's banking industry, this will include three periods: the period of Republic of China, the period from the founding of People's Republic of China to the implementation of reform and opening up, and period from reform and opening until now. The second part will examine the human resources problems facing China's banking industry's internationalization and the causes of such problem. In the next part, we will discuss what characteristics and the qualities the real talents should have. Finally, based on previous studies, the article will propose the way to cultivate large number of talents so as to ultimately push forward the internationalization of China's banking industry.

Keywords: Banking Industry of China; Internationalization; Talent

1. Talent Shortage Problems Facing China's Banking Industry in the Process of Internationalization

In the new era, the internationalization of banking industry entered into a stage of high speed and high-quality development. Undoubtedly, this will greatly benefit and push forward the development of banking industry as a whole. However, at its beginning stage, it posted severe challenges to commercial banks and their regulators in terms of overseas business regulation, information technology, shortage of talents, lack of infrastructure and etc. Among these challenges facing the banking industry, the talent shortage is the most critical issue since the talented human resource is core completeness and it eventually affects the undertaking of the internationalization process. At present time, the issue of talent shortage is manifested in the following aspects: limited number of talented professionals, serious brain drain problem, unbalanced distribution of talented professionals in different financial institutions.

After carefully studying the current situation of talent shortage in banking industry, we found out following major causes for the issue.

First, after entering into the new era, the internationalization of banking industry has been developing very rapidly and huge number of talented professionals are needed. However, it is time consuming to train and cultivate talents that can rapidly adapt to development process. Unfortunately, the training of talented personnel was not giving necessary importance and consideration in advance. The banks and financial institutions were not well prepared in terms of human resources needs before the fast development of banking internationalization was started. This is the fundamental cause for the talent shortage.

Second, one of the effective ways to cultivate talented professionals is to send banks' staff to foreign peer banks or universities for training, but this will result in relatively high cost. Some banks and financial institutions, especially small sized or newly established ones may not be willing to shoulder the costs. Some institutions may also encounter the difficulties of finding such channels for training their staff.

Third, the banking staff, who received education at home and without overseas working experience, usually have the disadvantage of poor cross-cultural communication abilities. When working abroad in atmosphere of diversified cultural background, they may encounter social and communicational conflict with peer banks, co-workers, and even local regulators. It is also time consuming to equip the staff with such cross-cultural communicational skill. To address this problem, the bank may consider to employ returned university graduates from the target market or other sorts of talents familiar with the market.

Forth, at present, the countries along the Belt and Road Initiative are key markets Chinese banks are planning to enter. The business practice, banking regulation, languages and local customs are unfamiliar to us. Personnel knowledgeable in these aspects are extremely scarce.

Fifth, since the implementation of opening- up policy, especially after joining the WTO, a large number of foreign banks have set up branches or subsidiary banks in China. Nowadays foreign banks' business operation in China has reached very large scale. Generally foreign banks offer relatively higher salary and generous welfare benefits compared to Chinese banks. Besides, most foreign banks from developed countries have long set up a series of effective remuneration and incentive mechanism. Thus, these banks have attracted a large number of outstanding banking professionals, resulting in serious brain strain issue to Chinese banks.

2. Capabilities and Strengths of the Talents Needed in the Banking Internationalization

The international talents, needed by Chinese banks to push forward their internationalization process, must have strong skills and capabilities in both strategic and operation dimension. Meanwhile, these talented professionals should possess certain characteristics.

1) Strategic dimension:

First, they should be capable to work out merger and acquisition strategy and detailed work plan and be able to implement it;

Second, they should be capable to carry out the establishment of new overseas presences, and ability in making direct investment in foreign financial institution for the acquisition purpose,

Third, they should be capable to perform the rights and obligation as the stockholder of the institution the bank has acquired, and manage the acquired institution on behalf of the head office or group.

2) Operational dimension:

First, the international talents must have strong marketing skills in the international market. Such skills are extremely important when a bank wishes to enter a new market. Meanwhile it is also import for a Chinese bank to market itself to both local and foreign peer banks. Strong marketing ability helps a bank to set up its global business network efficiently.

Second, the talents must have the ability of cultivating and managing international human resources. As core competitiveness, human resources directly determines if a banks globalization shall be successful or not. The talented professional should be able to find and cultivate human resource with international potentials.

Third, they must have research and development ability in international market. Such ability is vitally important for a commercial bank to explore global market. Commercial banks should give full play to their research and development capabilities and constantly launch financial products suitable for the international market, so as to occupy the international market and achieve the goal of internationalization.

Besides, talents of banks' internationalization should also possess following skills and strengths.

Broad international vision and strong sense of innovation;

Be familiar with international laws and practices relating to banking business;

Strong cross- culture communication skills and international social skills:

Strong ability to process data and information; and

Healthy psychological quality, being able to work under pressure and withstand the impact of multiculturalism.

3. Proposed Ways to Cultivate High-quality Talents Needed in China's Banking Internationalization

As discussed earlier, outstanding international talents are core competitiveness in the internationalization of commercial banking industry. To cultivate excellent banking talents, the individual banks' efforts are far from being sufficient. It is highly imperative that, with the support of favorable policies of the government, all components of the industry including regulatory bodies, industry associations and individual banks should coordinate with each other and make joint efforts. Therefore, the joint efforts from following three levels, namely government level, industry level, and

institution level are indispensable. The talent shortage problem can only be addressed when efforts from these three levels are functioning in synergy.

3.1 Government Level

First, in compliance with the government's strategy of improving national strength by human resource, the central government should formulate a series of preferential policies in support to cultivate talents at home and attracting outstanding international talents from abroad. For example, the government shall facilitate international talents in arranging work-permit, tax relief, immigration, housing, children's education, and etc.

Second, the government may establish a national talents pool for various industries with help of the big data technology. Using the talents pool system, government departments and regulatory bodies of each industry can easily obtain all the information they need relevant to human resource conditions. The talent pool provides information to government departments for their decision making. Such talent pool will certainly include human resource information of banking industry.

Third, to train and cultivate high quality human resource to meet the need of banking industry's internationalization, educational system should be adjusted and improved. Government's education department should encourage colleges and universities to establish departments or majors that are specialized in training talented personnel for internationalization of banking industry. A good example is the establishment of School of International Economics in the CFAU. The graduates are trained to be compound talents who are knowledgeable in both foreign affairs and economics and have strong language skills.

Forth, the government may make greater efforts to explore diversified channels to introduce and attract high quality international talents.

Fifth, government may provide more financial supports to Chinese students to study abroad. Meanwhile, more efforts should be made to encourage graduates from foreign universities to return to China to serve the country's development. Compared with some other countries, the ratio of returned students is relatively low at present.

3.2 Industry Level

First, headed by regulatory body and banking associations, commercial banks and financial institutions should work together to define the sorts of needed talents, set up uniformed standards of talents, such as the education background, training and work experience, specific capabilities, and personal strength the talent should possess. Once such criterion and standard are formulated, it will guide banks to cultivate and find the real talented personnel they need.

Second, based on the above criterion and standard, a talents pool for the banking industry should be established. The talents pool system should be able to provide information such as a certain person's work experience, skills, special strength, achievement, language ability and other characteristics. With help of these information, banks and financial institutions can easily trace talented person they need.

Third, under the guidance of regulatory body and industry associations, a specialized organization should be set up to coordinate the transfer and flow of talented personnel among the commercial banks and financial institutions. The basic role of such organization is to achieve a balanced distribution of talents within the industry. Banks can find the talents they urgently need through such organization. The talents can be recommended to the position in which their strength and capability make contribution to the largest extent. To some extent, the function of such organization is like head-hunting, but it works under the supervision and coordination of regulatory bodies and functions under the principle of each banks' willingness.

Forth, with their reputation and influence, regulatory body and different industry associations can invite internationally renowned bankers and scholars to make training program in various forms for the banking staff to broaden their visual field and improve their working skills and abilities. Through such arrangement, banks are provided with efficient training opportunities at relatively lower cost.

Fifth, the regulatory body and industry associations have the responsibility to supervise banks' hiring behavior and urge banks to improve their remuneration system and incentive mechanism. Such efforts are made to avoid disorder in talent competition and to achieve a rational and balanced talents distribution amount institutions within the industry.

3.3 Institution Level

First, before recruiting new staff, the hiring bank should make careful research and be aware of what kind of talent they need, what kind of education background, skills and strength the candidate should have to ensure the staff they hired are needed to internationalize its business operation.

Second, banks should set up diversified recruiting platform to attract outstanding talents and continuously explore new channels for this purpose.

Third, the banks' human resource department should continuously improve their management abilities and establish an efficient platform for finding, cultivating, attracting, motivating and making best use of the talented personnel. The human resource department should arrange the talents to work in the position in which they can make full play of their skills and capability. Within an institution, the human resource should be given the power and authority to recommend outstanding talents to other department heads or even directly to top management.

Forth, an effective remuneration system and incentive mechanism should be established in banks to attract and retain the talented staff.

Fifth, for the international talents hired from abroad, banks should formulate special management policy and incentive system. Banks should provide necessary facilities to the international talents like housing arrangement and so on, so that they can work whole heartedly.

Sixth, to the staff seconded to work in overseas branches, banks should take specific measures to help them make family life arrangement so that they can work in overseas market without worries. More importantly, banks must formulate policies regarding career development of expatriates and ensure their

career growth, promotion and development in the bank shall not be negatively affected due to the overseas experience. Otherwise, banks shall encounter difficulties to second talented personnel to work for its overseas offices.

Seventh, the staff with long time overseas working experience generally have the advantages of possessing international vision, knowledge of overseas markets practice and products, foreign language skill and other strength. These staff on secondment in overseas branches can be regarded as training resources for the staff at home office. Banks can regularly invite them to conduct training program for staffs in domestic offices.

Eighth, banks can take their overseas branches in core markets as training center for their domestic staff and regularly send staff to the overseas branches for training. This is one of the ways to improve staff's international operation ability, knowledge of overseas markets, and language skill. In the process of such on-field training, banks can find and cultivate potential talents for its business internationalization.

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The author confirms sole responsibility for the following: study conception and design, data collection, analysis and interpretation of results, and manuscript preparation.

Availability of Data and Materials

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Conflicts of Interest

The authors declare that they have no conflicts of interest to report regarding the present study.

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