



Survey Report

The impact of the Covid-19 pandemic on the organization and HR of foreign companies in China.
Survey results from French companies and companies from French-speaking countries operating in China

With the support of the following organisations:



And in association with:





Editorial

Since the end of 2019, the Covid-19 epidemic, later reclassified as a pandemic, has spread over most of the planet. Hubei Province (~60 million people), with the city of Wuhan as its capital (~11 million people) has been defined as the main epicenter of this infectious disease.

As an entrepreneur living in China for over 25 years and having travelled regularly to Wuhan since 1995, I experienced SARS in 2003 and the concerns of quarantine both in China and in France. As a result of my experiences, I wanted to initiate this survey to pool the experiences of companies of various sizes (from less than 10 to nearly 20,000 employees in mainland China), representing the French and French-speaking ecosystem (entrepreneurs, SMEs, mid-caps and large groups, including 25% of the companies members of the CAC40 index) in the People's Republic of China.

Beyond a purely local vision of sharing the experience of each actor, this topic has global repercussions. As such, it seemed like a good idea to make French-speaking companies benefit from their experience in China - hence the methodological choice to carry out this survey in French.

We were both surprised and delighted by the participation rate in this research: more than a hundred business leaders, most of them French, others from French-speaking countries (Belgium, Switzerland, Tunisia) or even European companies whose Chinese subsidiary are managed by French people (Germany, Netherlands), answered in 3 weeks. Some agreed to appear on the list of participating companies; others preferred to remain anonymous. We would like sincerely thank them all for their support in this project.

Our goal is to analyze – four months after the first warning messages – the impact of Covid-19 on their local organization, primarily through the lens of the management of their intercultural human resources.

To achieve this , **Dragonfly Group HR Consulting** has teamed up with **daxue consulting**, allowing participating companies and readers of this report to benefit from our joint expertise in the Chinese world, treated both in terms of human resources consulting and marketing studies.

I wish you a pleasant reading,

Eric Tarchoune
Founder and CEO
Dragonfly Group HR Consulting Ltd.



Editorial

We are still far from having drawn all the conclusions from the health crisis since the world has switched to an economic one. The study that you have in your hands – initiated by **Dragonfly Group** in partnership with **daxue consulting** – provides a solid outline to understand the operational and organizational transformation in which the international companies have engaged in China.

Daxue participated by contributing to the purchase of masks for the hospitals of Lyon, the delivery of masks to the families of its teams residing in different countries (China, France, United States, Morocco, Germany, Russia, Korea) and by informing the general public about the economic impacts of the current crisis. By using the means of media, the podcast China Paradigms and daxue Talks, and its reports on Slideshare, daxue wanted to highlight the ongoing changes regularly.

From this study, we can conclude the necessary push towards technological and organizational transformations that have made it possible to monitor and manage this epidemic like never before. These transformations enabled developments in working remotely, tracking population movements, establishing QR tracking codes, and much more.

To paraphrase Peter Drucker, for whom the present profit is the "cost to stay alive in the future", technology is undoubtedly the cost to face the next shocks that our societies will go against. Therefore, supporting these transformations is daxue's mission.

I wish you take the best care of yourself, your loved ones, your teams, and the communities to which you belong.

Best regards,

Matthieu David-Experton
President
daxue consulting

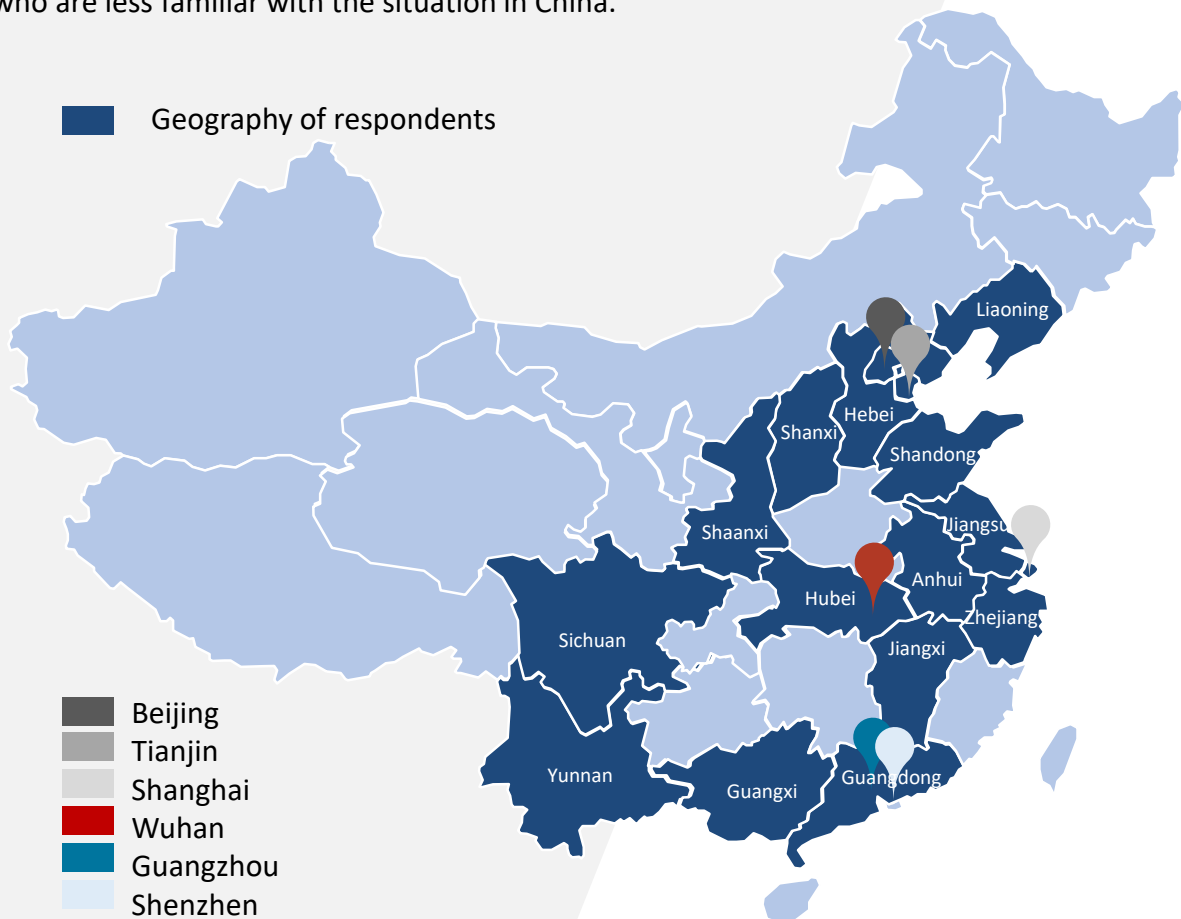
Methodology

The results of this survey come from data collected in April 2020 from top level executives and some HR directors of French-speaking companies established in China from on a questionnaire provided online or over the phone.

The quantitative data presented in this document is based on, unless specified, the questionnaire answers from 118 participating companies (out of the 200 requested). This sample of data was collected by companies with less than 10 to nearly 20,000 employees in mainland China.

It is representative of the French and French-speaking ecosystem (entrepreneurs, SMEs, mid-caps, and large groups, including 25% of CAC40 companies).

The qualitative analysis is sometimes complemented with contextual elements for readers who are less familiar with the situation in China.



We selected some comments that we think represent the situation. There may be some deviations from the individual situations experienced by certain companies when the questionnaire was dispersed.

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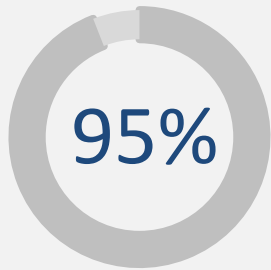
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01

Measures taken since the beginning of the Covid-19 outbreak



Remote work



of the surveyed companies set up remote work to ensure the continuity of their operations as soon as the **Chinese New Year holidays ended, in early February 2020**

Challenges



Inability to work from home for employees of factories, workshops and construction sites.



Support functions working remotely need the necessary IT tools.

Solutions

- ✓ Sending tools and components to assemble at home
- ✓ Providing VPN access
- ✓ Sending new computers through the IT team
- ✓ Adoption of software to facilitate remote work



The most used collaborative tools to facilitate remote work

#1  企业微信

Wechat 微信, Tencent's messaging app, was used extensively during the epidemic. The French-speaking leaders interviewed were unanimous on the role of the app in their crisis management in China. Some companies used Wechat Work 企业微信, which provides a well suited platform for managing relationships with suppliers, partners and customers.

#2  DingTalk

DingTalk 钉钉 is the communication platform of Alibaba 阿里巴巴集团. Although highly criticized by Chinese students during the epidemic (forcing them to work remotely), DingTalk has proven to be an excellent internal communication tool during the crisis.

#3  zoom

The American **Zoom**, which was not available in China until the beginning of 2020, became one of the most used internal tools during the epidemic, thanks to the simplicity of its meeting organization interface.

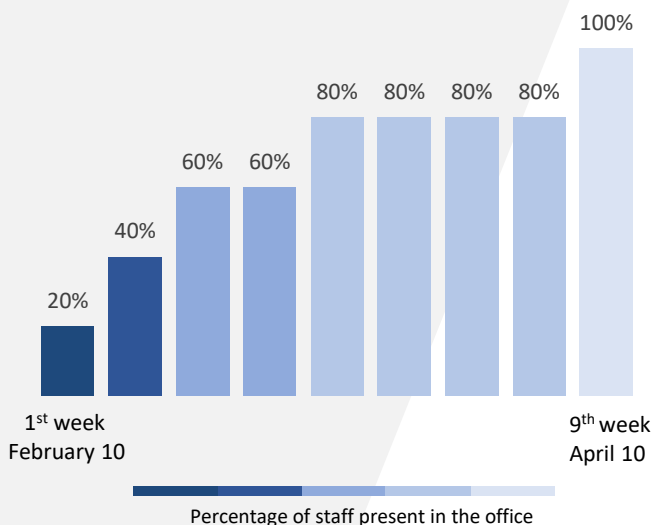
Flexible work

49% of the companies surveyed decided to implement a staff turnover policy to reduce the risk of contamination at work. For these companies, staff turnover takes effect at the end of the remote work period, allowing a smoother and safer return to work.

Hence, it generally starts from the end of February until the end of March. Most choose a system of two teams (A and B), which share a week each.

The use of flexible work appears more often in medium-sized enterprises and large enterprises, whose payroll increases the risks significantly.

An example of a flexible work plan following the end of isolation



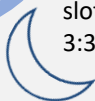
More flexible hours



Arrival time slot:
7:30am –
10:30am



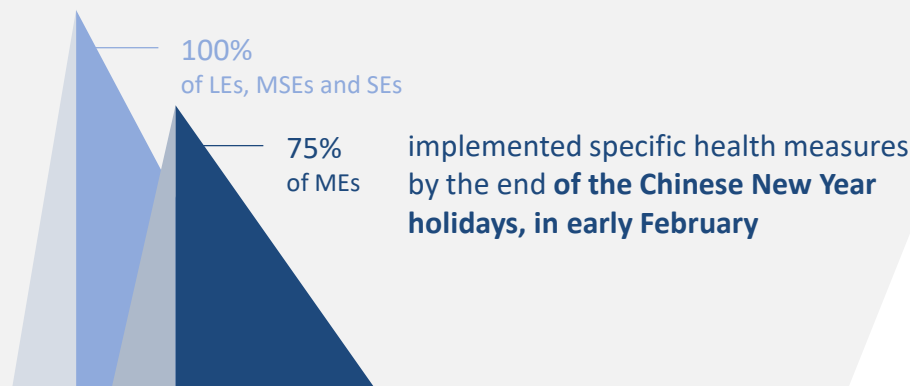
Departure time slot:
3:30pm – 6:30pm



In order to avoid peak hours in public transit, companies are reorganizing working hours. On the left, an example is provided with departure and arrival time slots, based on employee's preferences in a 3-hours slot.

Furthermore, 5 companies mentioned the provision of rental cars and Didi 滴滴 for employees who had to use public transit.

Avoiding the risk of contamination at work



In factories, the sanitary measures became more strict: reorganization of the changing rooms, footbath at the entrance, more masks supplied per day, and a quicker pace of staff turnover.



In order to avoid physical contact as much as possible, canteens and meeting rooms were prohibited or fitted to respect the principle of social distancing.



Specific measures at the office entry

The digital health passport scan (in the form of a QR code)

The digital health passport (suishenma 随申码) has been deployed on the Alipay 支付宝 mobile payment app across China since late January. It tracks the movement history of individuals, coupled with the geographic data of the pandemic. Sequentially, it delivers its conclusions in three colors as illustrated on the right.



Green code

Free to move around in public



Yellow code

Isolated for 7 days; if cleared, will turn to green in 7 days



Red code

Isolated for 14 days; if cleared, will turn to green in 14 days

Systematic temperature check

Temperature is checked by digital infrared thermometer at the entrance of the buildings. Some companies checked the temperature of their employees 3 times a day through to the end of February.

Social distancing

In factory access lines and inside office buildings, employees were required to maintain a physical distance of at least 1 meter. As shown on the right at the end of April in Beijing 北京.



Entrance cards

Nominative cards (see on the right) at the entrances were distributed to employees to keep an accurate register of employees present in the buildings and to limit guests visits.



Specific measures at work



Distribution of masks and hydroalcoholic gel, 2 masks per day per employee in offices, 3 masks per day per employee in factories.

Disinfection protocol every 2 hours, particularly controlled by the authorities in workshops and factories.

Heating and ventilation systems shut down to prevent the circulation of the virus.



Operations resumption



The companies surveyed had largely resumed their operations by February 10th. Authorizations to restart the activity are issued for 88% of small and micro enterprises, compared to 75% of large and medium-sized enterprises. This difference is explained by the various distribution sites of large groups in China, therefore subject to different local regulations.

According to the company's activity sector, the full recovery is very contrasted, mainly assessed on a case-by-case basis by local authorities. Thus, companies whose areas are considered strategic, such as health or chemicals, have not encountered any difficulty. On the contrary, business sectors based on physical stores suffered a slower recovery, especially those in physical retail.

Finally, if several comments praised the responsiveness of local Chinese authorities, some regret the amount of documents needed to provide, as well as the surprise inspections with different levels of requirements.



We set up a delivery service to ensure the operational continuity of our restaurants



Overall, the Chinese administration has been exemplary



Several inspections of our premises by different departments with different requirements



Timeline of measures taken by French companies in China since the beginning of the outbreak

Start of lockdown in Wuhan, concerns arise for the hundreds of French-speaking subsidiaries present. PSA repatriates its expatriates.

23 Jan

25 Jan

Different provinces implement strict entry and exit policies. Some employees are unable to reach their workplace.

French-speaking companies start setting up remote work plans to resume their operations.

10 Feb

24 Feb

Flexible work and staff turnover begins as isolation ends and remote work starts

End of remote and flexible work. Specific health measures are still applied.

27 Mar

26 Apr

End of total constraints in Shanghai.

Beijing is lifted from quarantine measures for outside visitors. Authorization to enter and leave the city is still needed.

30 Apr

Main HR challenges



Employee motivation and involvement

80%

of surveyed companies considered their employees **motivated** during the crisis

In their words,
Employees demonstrated:

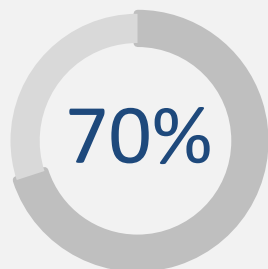
Professionalism
combative
motivation
 solidarity difficulties **courage** productivity
 exemplarity **fears** strong support
 team spirit **desire** commitment
 self-motivation

In early February, the motivation of employees was divided between the desire to resume normal work and the risk posed by contamination in the office. At the end of February, employees' motivation was affected by the remote work, emphasizing the importance of "social work ties" over time. However, the comments of the respondents remained appreciative towards the state of mind of their employees during the crisis.

Assuming that most of the respondents believed that their employees were motivated, the comments showed that it is more the respondent's state of mind that prevailed in answering this question. Thus, a respondent who is somewhat optimistic about the evolution of the situation will tend to say that his employees were motivated.

To successfully identify the feelings of employees during the crisis and determine their needs, several companies conducted internal surveys at different times during the crisis.

Employee's feelings



of companies surveyed find their employees concerned, especially during the month of February

Fears are fueled by several causes

- Staff are worried about potential issues around salaries and job security.
- Fear of contamination during transportation to work and at work.
- Concerns about the return of other employees from high-risk areas.
- Fears on current activities and projects.

Employees related questions

- ✓ What's the financial impact for the company?
- ✓ What are the legal and economic repercussions on employment?
- ✓ How will the recovery be organized?



Note: Short- and medium-term business fears are not necessarily correlated with the size of the business nor on its pre-crisis financial health. Subsidiaries of large groups and midcaps in China are not spared from these concerns.

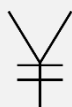
Crisis communication and leadership

While facing these different challenges, leaders and managers insist on their role in the communication process to answer the questions concerning the business's economic future, job security, and organizational changes. Regular crisis communication brings visibility and transparency to employees. These methods were necessary to reassure and reduce feelings of anxiety among the employees.

Some comments highlight the importance of leadership in helping employees get through the crisis. Companies cited decision-making and responsibility as essential leverage for organizing remote work and resuming activities.



We set up regular communication on the health of the company in terms of cash flow



A psychological health unit has been set up and reached out more than 70 times



Internal communications have been multiplied to explain and reassure employees

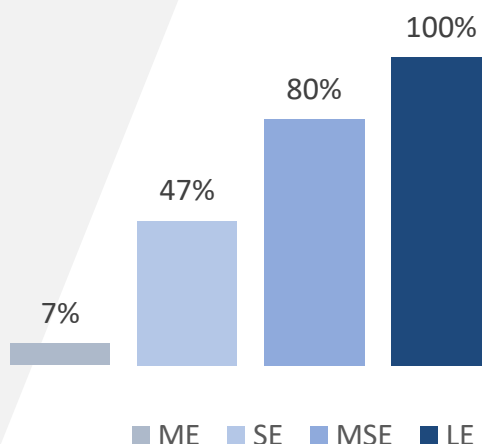


Employees stranded in high-risk areas

As the graph on the right illustrates, the number of employees stranded in high-risk areas (the epidemic epicenter of Hubei and its capital Wuhan) is directly correlated to the company's size. The bottlenecks are long-term since companies say they had employees who were unable to reach their workplace from January to April. Some workers were denied entry to their dorms, or were no longer travelling between provinces, according to local regulations.

To overcome these issues, remote work remained the leading solution. For employees unable to stay in residences near factories and workshops, 3 companies say they paid hotel accommodation.

Percentage of companies with at least one employee trapped in high-risk areas during the crisis



With the global expansion of the pandemic in March that forced the Chinese authorities to close their borders, some expatriates are still stranded outside of China. French-speaking companies expect difficulties, particularly for visa renewals and expatriate family life.

Work-life balance



Isolation impacts the work-life balance, which is becoming increasingly difficult to balance, causing more fatigue and burn-out among employees. Concentration difficulties are sometimes linked to the lack of peace at home, the presence of young children, or the absence of a more formal working environment. For some employees, the home work environment resulted in a lower level of productivity.

45%

of companies surveyed believe that **children's education from home** has had an impact on the availability of employees

An advantageous cultural practice

As part of Chinese cultural habit, raising children is crucial for Chinese families. Parents are used to being deeply involved in the success and future of their children. According to a national study in 2019, 78% of Chinese parents would sacrifice their personal lives for their children's education.

Besides parents, grandparents also play an essential role in the education of children, especially for parents who are very busy with their work.

Some French-speaking subsidiaries and companies in China emphasize this cultural peculiarity as an advantage for reducing the impact of distance education on the productivity of their Chinese collaborators.



We set up training to support families with children



We compensated by being more flexible on schedules and days off for the parents



50% of the working time of employees with children was organized remotely



HR policies



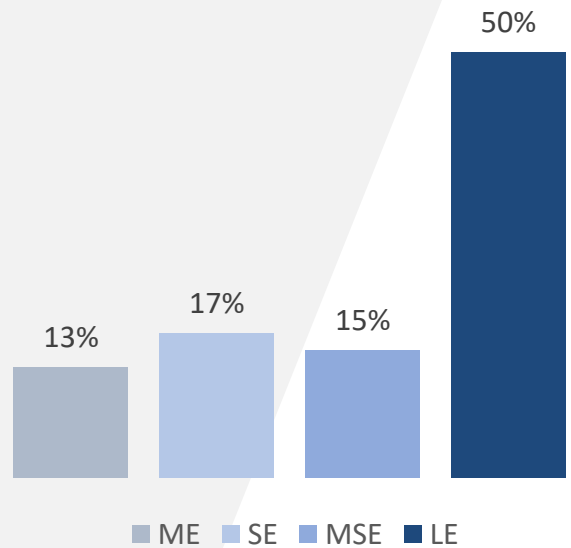
Salaries

Overall, there have been few cases of wage cuts or deferrals during the crisis.

However, we observe a clear gap between companies of more than 5,000 employees in China and the rest of the landscape of French-speaking companies interviewed. 50% of LEs decide to act immediately on employee salaries, compared to 17% of SEs.

Generally, the wage cuts targeted the executives and the companies' highest wages. Otherwise, they are linked to a significant impact of Covid19 on the company's activity area.

Percentage of companies that postponed or reduced part of their employees' wages during the crisis



Note: the sample of LEs interviewed doesn't allow representative conclusions to be drawn.



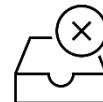
Wage reduction was only discussed for the highest earners, as part of a symbolic aspect

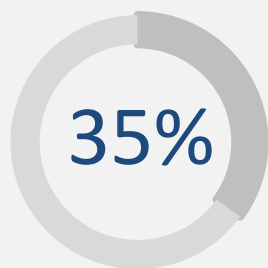


We decided to fully maintain salaries for employees stranded in risk areas



We are considering a 30% drop in salary payments for those who have not returned to the office yet.



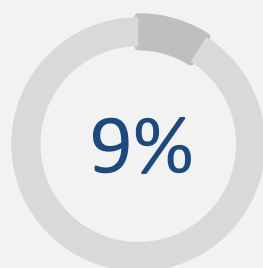


35%

of the companies surveyed are likely to **freeze** or **cut** wages in the short term, no matter the size of their workforce.

Comments show that future freezes or reductions are subject to many uncertainties, and linked to the difficulty of anticipating a return to normal activity. Again, some comments indicate that these freezes or cuts will generally affect the highest salaries.

Layoffs and recruitments



9%

of the companies surveyed carried out at least one layoff during the crisis. In the sample surveyed, these layoffs only affected **small enterprises**.

With less financing than subsidiaries of medium-sized companies and large groups in China, small enterprises were hit hardest by the crisis, and were sometimes forced to layoff employees.

It is unclear whether the 9% of layoffs are all directly related to the crisis or not. Several comments referred to restructuring plans implemented before the crisis to justify the layoffs.

Recruitment freezing

Overall, there were fewer recruitments during the crisis, except for strategic positions. Store sales, support or customer service positions, directly affected by the crisis, were impacted by the freeze.

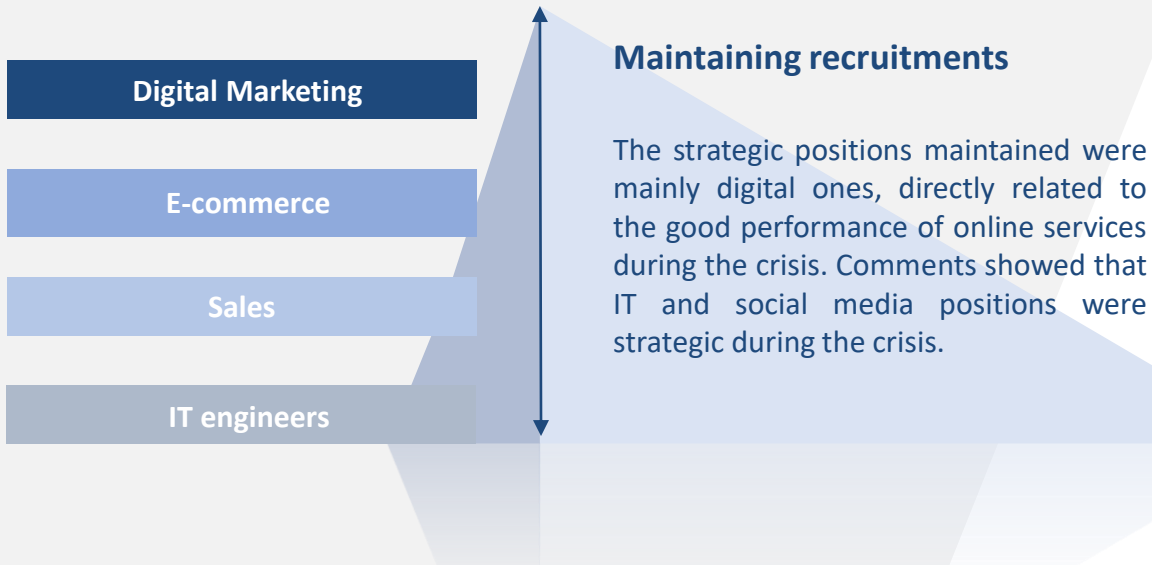


Marketing

Store sales

Management

Communication



New recruitment methods?

Several French-speaking companies added that they encountered difficulties in the process of recruiting new candidates during the epidemic in China. These challenges stemmed from the inability of recruiters to meet candidates in person. As a result, interviews by videoconference were mentioned to facilitate the process, as well as the use of psychometric tests as additional decision support.

Also, companies wonder about a potential change in the professional aspirations of candidates: "Will the epidemic push some candidates to look for work closer to their houses?" And thus never leave their province of origin...

Organizational adjustments: for example, the "zero-based budgeting" method

Finally, a few companies reported using the "zero-based budgeting" method to adapt their HR policies during the crisis.

The zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. Budgets are then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous one.

Zero-based budgeting	Incremental budgeting
Every expense must be re-evaluated and justified from scratch	Apply additions or deductions to the last period's actuals
Focus on cost containment	Ensure funding stability
Complex and time- and labor-intensive	Simple to implement
Decision-driven	Accounting-based

Future prospects

Forecasting the recovery

Most of the French-speaking companies in China do not forecast a full recovery until Q4 2020 or Q1 2021. Indeed, the epidemic still impacting Europe and the United States will affect the visibility of the companies whose operations are globalized. According to them, three indicators need to be closely monitored: order book, cash, and the working capital requirement (WCR).

Conversely, French-speaking companies whose operations are based exclusively on the Chinese domestic market have seen their activities restart at a quick, sometimes surprising pace.



We feel the effects of the health crisis, mixed with the effects of the drop in oil stocks.



Some suppliers and R&D services in Europe hamper development projects



We have been surprised by a quick resumption, beyond our expectations



An example of a respondent's thinking on his operations' recovery

April - May

In the short term, slight impact of Q1 very easily absorbable on Q2.

June - December

In the medium term, a possible violent reversal.

The causes: dependence on our customers whose distribution networks are closed; imports to Europe, South East Asia, the Middle East, and the USA blocked; reduction in freight capacity and rotations from and to China by shipping companies.

A sharp drop in activity expected (possibly 50 to 70%).

January 2021

In the long term, operation recovery will depend on the possible relocations of our customers, the US election results, and the international situation as a whole (political, economic, and financial).

Some strategic changes

To cope with the impact of the health crisis, some companies are taking advantage of the momentum of online services to develop their digital activities. Others have made complete strategic changes to survive the crisis.



The company will change its strategy by linking offline to online



We are probing the markets to redeploy our strategy in Chinese state-subsidized markets: 5G, infrastructure, electric vehicles



We decided to develop our online business with a new online e-commerce services



Transfer of experience from the Chinese subsidiary

The French-speaking subsidiaries in China, whose headquarters are located abroad, transferred the experience in China. The questions are mainly related to the necessary protective measures to be taken for the work resumption and the end of isolation.

- ✓ The Chinese team in support of the group's crisis unit
- ✓ Implementation of China's best practices for the French headquarters
- ✓ Toolbox for the crisis management experience sent to headquarters and global teams
- ✓ Online webinar with the subsidiary: The impact of Coronavirus on the Chinese markets and its innovations

Note: several respondents complained about the lack of interest and support from headquarters at the start of the health crisis in China until the first cases appeared in Europe.

We are grateful to the following companies which agreed to appear in the list of participants:

Abacare – Acome – Accuracy – Adeo – Advention Business Partners – AEC – Air Liquide – Albea – Algeco Chengdong – Altavia – Altran – Anning Deco – Archetype – Arkema – Artefact – Beaumanoir – Buffet Crampon – Cartolux Top Clean Packaging – CCIFC – CCIP – Cimpress – CI Process – Colisée – Comptoirs de France – Coster Associates – Creative Union – Danone – Delect – Eritel – Elkem Silicones – Eutelsat – Fabernovel – Faurecia – Fengdie (Packaging of the Phoenix) – Fillon Technologies – France Excellence (Académie culinaire française) – General Transmissions – GSE – Holophane – Hugo Boss – Idemia – John Cockerill Industry – Keolis – In2Log – Lactalis – Legend Sourcing – Legrand – Leroy Merlin – Lesaffre – Lyseo – Maf Roda – Mane – Marabu – Marquardt – Mazarine – Mazars – MND – Nexans – Novacel (Chargeurs group) – Orano – Orcom C&A – Pernod Ricard – PVCP Brokerage (Pierre & Vacances) – Radiall – Rochefort & Associés – Timab Beijing – Saint Gobain – Sauermann – Scout Real Estate – SES-imagotag – Siveco – SJ Grand – Société Générale – Somfy Lianda – Sopexa – Souriau Sunbank – Splio – Storever – Suez – System in Motion – Thuasne – Valeo – Vallourec – Vandergeeten – VVR International

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A project initiated by Dragonfly Group, carried out in partnership with daxue consulting:

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