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Yili Group Human Resource Management Evaluation

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Executive Summary

As the number one dairy company in China, Yili Group has its own unique organizational structure and human resource management system. This report discusses the characteristics of the Yili Group's human resource management from remuneration systems, performance management, Recruitment, selection, onboarding and employee benefits. Remuneration system and performance management are two interrelated concepts that are essential for the success of any organization. Recruitment, selection, and onboarding are critical processes in the human resource management cycle of any organization. These processes are aimed at identifying, attracting, selecting, and integrating new employees into an organization. Employee benefits are non-wage compensations provided by employers to employees in addition to their regular salary or wages. These benefits are intended to improve the overall quality of life of employees, enhance their work experience, and promote job satisfaction and loyalty.

By analyzing the human resource management system of Yili Group and comparing it with other companies, some possible problems in human resource management of Yili Group are summarised: Uncompetitive remuneration levels, Overly complex pay structures, Unfair performance appraisals, New and old staff salary inversion, Wide range of benefits but small volume are the main problems that currently exist in Yili Group's Human Resource Management. In response to the above problems, methods such as adjusting pay levels, simplifying the pay structure, fair performance appraisals, regularly reviewing the existing pay system to ensure it is in line with market conditions and adjusting the balance of benefits are proposed to address the above problems, thereby improving employee satisfaction and loyalty and preventing brain drain.

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Organization Overview

Yili Group, also known as Inner Mongolia Yili Industrial Group Co., Ltd., is a leading dairy company in China and one of the largest dairy companies in the world. It was founded in 1956 and is headquartered in Hohhot, Inner Mongolia, China. Yili mainly produces and sells various dairy products including milk, yogurt, dairy drinks, powdered milk, dairy-based pastries, and more. Yili Group has a trajectory throughout China and also has some employees in Thailand and New Zealand.

Yili Group is divided into the Group Headquarters, Liquid Milk Division, Yoghurt Division, Milk Powder Division, Cold Drinks (Ice cream) Division and Cheese Division. Each division operates independently, with its own culture, systems and management system, and their has a similar framework, divided into functional departments, production plants, sales regions and regional logistics. Each unit has its own HR department, while the functional HR department does more HR-related work on behalf of the whole division.

Yili's organizational structure is flexible and diverse to accommodate its evolving and expanding business needs and to ensure that the company is able to stay ahead of the competition in the marketplace.

Main discussion

Remuneration System and Performance management

A remuneration system is a set of policies and practices that an organization uses to determine employee compensation. It includes everything from salary and bonuses to benefits such as health insurance and retirement plans. The purpose of a remuneration system is to attract, retain, and motivate employees by rewarding them fairly for their skills, knowledge, and contributions to the organization. There are various types of remuneration systems, including:

- **Salary and wages:** This is the most common form of remuneration, where employees are paid a fixed amount of money for their work, either on a monthly or hourly basis.
- **Bonuses and incentives:** These are additional payments that are given to

employees as a reward for meeting or exceeding specific performance targets or achieving company goals.

- **Benefits and perks:** These include non-financial rewards such as health insurance, retirement plans, vacation time, flexible work arrangements, and other employee benefits.
- **Equity compensation:** This is a form of remuneration where employees are given shares of stock or stock options in the company as a part of their compensation package.

A well-designed remuneration system should be aligned with an organization's overall strategy and goals. It should also take into account factors such as the labor market, industry standards, and the organization's financial situation. A remuneration system is an important tool for attracting and retaining top talent in today's competitive job market. By providing fair and competitive compensation, organizations can create a motivated and engaged workforce that drives business success (The investopedia team, 2022).

Performance management is the process of assessing, managing, and improving the performance of employees in an organization. It is a continuous process that includes setting goals and expectations, providing feedback, and evaluating results.

The purpose of performance management is to ensure that employees are working towards achieving the company's goals and objectives, and that their performance is aligned with the organization's values and culture. The performance management process typically includes the following steps:

- **Goal setting:** This involves setting specific, measurable, achievable, relevant, and time-bound (SMART) goals for employees. These goals should be aligned with the company's overall objectives.
- **Performance monitoring:** This involves monitoring and tracking employee performance against the set goals. Regular check-ins, performance reviews, and feedback sessions can help in identifying any performance gaps or areas of improvement.
- **Feedback and coaching:** This involves providing regular feedback and coaching to

employees to help them improve their performance. This can be done through one-on-one meetings, performance reviews, or other communication channels.

- **Performance evaluation:** This involves evaluating employee performance against the set goals and providing an overall performance rating. This rating can be used for making decisions on promotions, pay raises, or other forms of recognition.
- **Performance improvement:** This involves developing and implementing a plan to improve employee performance in areas where improvement is needed. This can include training and development, coaching, mentoring, or other forms of support.

Effective performance management can help in identifying and addressing performance issues early on, improving employee engagement and motivation, and ultimately, driving business success. (Tardi, 2022).

Yili Group's remuneration system is performance-based, with a degree of flexibility and differentiation. The following are the key features of Yili's remuneration system:

- **Performance appraisal:** Yili links employees' pay to performance appraisal and determines their pay levels based on their performance and contribution.
- **Differentiation:** Yili's pay system is differentiated, with employees at different levels and with different performance receiving different pay packages.
- **Flexibility:** Yili's remuneration system is flexible and can be adjusted according to market conditions and business needs.
- **Benefits:** In addition to basic pay, Yili offers a range of benefits, including social insurance, medical insurance, year-end bonuses, stock options, employee training and development, etc.
- **Fairness and impartiality:** Yili's remuneration system focuses on fairness and impartiality, following market and legal principles to ensure that employees' remuneration packages are reasonable and transparent.

In short, Yili's remuneration system is designed to motivate employees' performance and contribution, and to promote the sustainable development of the company. But about the performance, For production plants and sales regions, there will be specific values to use as performance metrics, but for functional departments, it's hard to Evaluate the

performance of some positions fairly and completely, It all depends on the monthly report you write and the subjective evaluation of you by your direct supervisor.

The salary structure of Mengniu Dairy (another dairy company in the same city as Yili Group's largest competitor in China) is compared with that of Yili Group by way of a table.

Monthly Salary	Yili Group	Mengniu Dairy
4.5-6k	13.9%	23.7%
6-8k	24.3%	14.1%
8-10k	15.4%	5.2%
10-15k	8.6%	6.5%
15-20k	2%	9.3%
20-30k	14.3%	25.1%
30-50k	18.7%	12.4%

From the above data, it can be seen that the average monthly salary of the Yili Group is RMB 11,200, while the monthly salary of Mengniu Dairy is RMB 14,100 (Zhiyouji, 2023). This suggests that the Yili Group's salary levels are below the industry and regional averages, which makes them uncompetitive.

Recruitment, Selection and Onboarding

Recruitment and selection are two important processes in human resource management that are often used interchangeably. However, they are different concepts and involve different stages of the hiring process. Recruitment is the process of identifying and attracting potential candidates for a job vacancy. It involves creating job descriptions, advertising job openings, and sourcing candidates from various channels such as job boards, social media, and referrals. The goal of recruitment is to generate a pool of qualified candidates for the next stage of the process, which is selection. Selection, on the other hand, is the process of assessing and choosing the best candidate for a job vacancy from the pool of applicants generated during the recruitment process. It involves screening resumes, conducting interviews, administering tests and assessments, and performing reference checks. The goal of selection is to identify the most qualified candidate who

meets the requirements of the job and has the necessary skills, knowledge, and experience to succeed in the role. In summary, recruitment is the process of generating a pool of potential candidates for a job vacancy, while selection is the process of choosing the best candidate from the pool of applicants. Recruitment comes before selection, and both are crucial in ensuring that an organization hires the right people to meet its business needs (empxtrack, 2013).

Onboarding refers to the process of integrating new employees into an organization and providing them with the tools, information, and support necessary to become productive and engaged members of the team. The goal of onboarding is to help new employees feel welcomed, informed, and supported as they transition into their new role. The onboarding process typically begins before the new employee's first day and can last for several weeks or even months. It involves several key stages, including:

- **Pre-boarding:** This stage involves preparing for the new employee's arrival by communicating with them about the company's culture, policies, and expectations, and providing them with any necessary paperwork and materials.
- **Orientation:** This stage involves introducing the new employee to the organization and its culture, as well as providing them with an overview of their role and responsibilities.
- **Training:** This stage involves providing the new employee with the skills and knowledge necessary to perform their job effectively. This can include job-specific training, as well as training on company policies, procedures, and systems.
- **Integration:** This stage involves helping the new employee become a part of the team and introducing them to key stakeholders and colleagues.
- **Ongoing support:** This stage involves providing ongoing support and feedback to the new employee to help them succeed in their role and integrate into the company culture.

Effective onboarding can help improve employee retention, engagement, and performance, and ultimately contribute to the success of the organization (Kissflow, 2023).

Yili Group has two main types of recruitment, internal recruitment and external recruitment,

with internal recruitment taking precedence over external recruitment and internal recruitment being broken down into open and closed recruitment.

- **Open recruitment:** Posting job information with the company's intranet site allows employees who believe they have the qualifications to apply themselves.
- **Closed recruitment:** The recruitment recommended by supervisors can be requested by the Human Resources Department or recommended by the supervisors themselves, usually the information of the recommended position will not be made public on the company intranet until the candidate is identified (Baiduwenku, 2002).

Obviously, there is a greater unfairness in closed recruitment, even if you are good at your job, if you are not a good relationship worker, you will not be recommended by your supervisors.

The entry process at Yili Group is usually divided into three stages:

- **Preliminary selection:** Mainly includes induction materials research and background checks, the documents to be completed and submitted prior to joining include family information, educational background, work experience, etc. These will be requested to include specific contacts and contact details, and the Yili Group's Human Resources Department will call each candidate individually to confirm the authenticity of the information provided and what these people have to say about the candidate.
- **Written test:** The written test is a workplace personality test and a general knowledge test conducted by a third party, which will be eliminated for internal recruitment as appropriate.
- **Interview:** Interviews are usually divided into three rounds, the first round by the Human Resources Department recruitment specialist for simple communication, the actual distance will be considered online interview, the second round of interviews and the third round of interviews in addition to the recruitment specialist will also be the position of the department manager and director.
- **Onboarding:** Depending on the position, there are different ways of onboarding, but basically it is carried out in three ways: old staff leading new staff, regular online training for national staff and online self-learning platforms. Most of the material on

the online self-learning platform is produced by the internal staff and submitted to the group headquarters for review, and the approved material is not only uploaded to the system, but also receives additional rewards.

It is worth mentioning that Yili Group requires its employees to voluntarily fill in anti-fraud information and whether they have relatives, classmates, former colleagues, etc. within Yili Group and Yili-related parties of interest (suppliers or distributors, etc.), and will do so again after joining the company, depending on the requirements of their position, a great deal of favouritism can be avoided.

Employee Benefits

Employee benefits refer to non-wage compensation provided by an employer to employees in addition to their regular salaries or wages. These benefits may include a range of offerings such as health insurance, retirement plans, paid time off, tuition reimbursement, stock options, and more. The specific benefits provided can vary greatly depending on the employer, the industry, and the location. Employee benefits are often viewed as an important part of a company's overall compensation package, as they can help attract and retain talented employees, increase employee satisfaction and morale, and improve overall productivity. Many companies view employee benefits as a way to differentiate themselves from their competitors and create a more attractive workplace culture (CIPD, 2022) .

In Yili group it includes:

- **“5 insurance and 1 fund”**: Pension insurance, Medical insurance, Worker's compensation insurance, Unemployment insurance, Maternity insurance and Housing Provident Fund (Baidubaike, 2023). This is not technically an employee benefit, because the 5 insurance is Legal obligations. Some smaller private companies may not contribute to their employees' housing fund, so the inclusion of all of them in the job posting can be a point of attraction for talent (Pasona, 2022).
- **Gifts or monetary allowances**: Summer heat allowance, birthday gifts, March 8 gifts, June 1 gifts, Eligible employees will receive these benefits in the form of money on specific dates. Chinese New Year benefits and Mid-Autumn benefits Will be distributed

in kind. Wedding gift, health allowance for female employees, expatriate allowance, labour protection supplies, etc.

- **Feast of Breaking the Fast:** Yili as a halal food company, Islamic employees in each production plant receive a gift on the day of the holiday and, if it falls on a working day, a day of paid annual leave.
- **Leave of Absence:** In addition to marriage leave, maternity leave, paid nursing leave and paid annual leave, Yili group also provides family visit leave for employees whose parents or spouses are not in the same province, up to once a year for a maximum of 20 days each time.

Conclusions

Some of the issues that can be surmised from the above for the Yili Group are:

- **Uncompetitive remuneration levels:** If a company's remuneration levels are below industry and regional averages, this may lead to difficulties in recruiting and retaining talent. To remain competitive, companies should regularly assess and adjust their remuneration rates to attract and retain talented employees.
- **Overly complex pay structures:** Overly complex pay structures can make it difficult for employees to understand and calculate their own earnings. To increase employee satisfaction, companies should simplify their pay structures and provide employees with a clear method of calculating their earnings.
- **Unfair performance appraisals:** Pay promotions are often linked to an employee's performance. If the performance appraisal process is unfair or lacks transparency, it may lead to dissatisfaction with the pay system. Companies should ensure that the performance appraisal process is fair and transparent, and that employees' contributions and growth are fully considered.
- **New and old staff salary inversion:** the so-called salary "inversion" refers to such a phenomenon: there is a mismatch or even inversion of salary and seniority in the enterprise, mainly manifested in the short entry time and shallow seniority of the staff income is higher than the long entry time and deep seniority of the staff.

- **Wide range of benefits but small volume:** Due to the large size of the Yili Group and the extremely large number of employees, the amount of many benefits will be less compared to some other smaller companies.

Recommendation

- **Adjusting pay levels:** The company should regularly refer to industry and regional pay standards to adjust pay levels and ensure competitiveness. At the same time, consideration can be given to comparing salaries with market survey data to keep pay levels reasonable.
- **Simplify the pay structure:** Simplifying the pay structure into a form that is easy to understand and calculate can help to increase employee satisfaction. In addition, for special pay items (e.g. bonuses, commission, etc.), clear methods of calculation should be provided.
- **Impartial performance appraisal:** Ensure that the performance appraisal process is fair and objective to avoid employee dissatisfaction with the pay system. Diversified evaluation indicators, such as peer evaluation, supervisor evaluation and self-evaluation, can be introduced to comprehensively evaluate the performance of employees.
- **Regularly review existing remuneration systems to ensure they are in line with market conditions:** Make regular salary adjustments for older employees based on market conditions, company performance and individual employee performance. Ensure that the salary of new employees on joining the company does not exceed that of older employees of the same rank. Establish a clear promotion mechanism to provide career development opportunities for veteran employees. Adjust salary levels accordingly when moving up the ranks to mitigate salary inversions. Reward veteran employees for their loyalty and contribution. Provide training and development opportunities to help veteran employees improve their skills and overall quality.
- **Benefit balance:** Reduce benefits with low employee satisfaction and stack them on top of other benefits with high employee satisfaction. Sometimes the lesser benefits

do not increase employee satisfaction, but rather make employees feel that the company is being too stingy, and shifting the money invested in such benefits to other benefits with higher employee satisfaction can improve this problem.

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