

# A Human Resource Management Model Designed for Chinese Business Processes.

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**Abstract :** This paper provides an understanding of human resource management (HRM) practices in Chinese business processes. The study explores the development of HRM in the Chinese context and provides some disciplines for business that wish to develop an in-depth knowledge of Chinese business management practice. With the rapid rise of China as a political and economic power, understanding cross-cultural differences between Western and Chinese business environments could contribute to and progress towards greater organizational effectiveness. The study develops the understanding, knowledge and skills necessary to build HRM model, which is particularly appropriate for western companies in China. Understanding the suitable HRM model is the first lesson for someone who likes to do business in China.

**Keywords:** *Human resource management: Chinese Business: Model Designed*

## 1. Introduction

The success of economic reform in China has generated sustained rapid economic growth in the Chinese economy. The average GDP growth rate in the last 10 years reached more than 10 percent per annum, and it made China the fastest-growing economy in the world. Now day, China is becoming the biggest market in the world. According to some international investors, 21st Century is the century for the China.

As more and more American companies do business in China, it is essential to understand how the cultural differences shape the attitudes and behavior of Chinese people. Those cross-cultural differences between China and other countries have acquired a special significance. China's economy doubles every 10 years and 1.3 billions people are attracted and tackle the tempting markets of the West. Business had better do enough homework to save their cost and guarantee their high successful rate. At first, one needs to have a general picture about business in China to avoid a strategic mistake.

### 1.1. Statement of the problem

The purpose of this study is to determine the variables that explain the difference between Chinese people and western people and those

variables that differ significantly between the different countries. This study also develops the understanding, knowledge and skills necessary to build HRM model, which is particularly appropriate for western companies in China. After all, understanding the suitable HRM model is the first lesson for someone who likes to do business in China.

### 1.2. Significance of the study

There are already hundreds of books about China business in print. But does everybody really understand further insights on China? The answer maybe is NO. There are plenty of new opportunities in China to play the new game; China still offers one of the most important contexts for business and management in the world today. But conducting business in China and understanding China management practices presents a daunting practical and intellectual challenge. The paper will conclude with a short description of the value of the HRM experience of China.

## 2. Review of selected literature

The whole world is currently casting its eyes on China, for their commercial and political significance in the 21st century. Taiwan and

Hong Kong having are the window of and the gateway to China in the last decades. A lot of research provides some important data for understanding of the Chinese market and investment environment, and of the Chinese people and societies, especially the Chinese way of doing business and dealing with people. Most research area is still being concentrated on cross-cultural comparison of values, management styles, and business practices between Western and Chinese societies. Those researches are described as following:

### 2.1. Content of culture

Most researchers have seen the need for an alternative methodology to gain more complete and coherent knowledge about the Chinese people. The way to understand business and managerial behavior in a particular culture is to examine the meanings attached to some key words such as *guanxi* (relationship), *renqing* (favor), *mianzi* (face), *fu* (compliance), *zhong* (loyalty), *xin* (trust) and *cheng* (sincerity), by local people in the business environment. Those considerations are important elements for designing human resource model. But what functions these words serve? How they are used? And how adaptations of meaning reflect the experiences of people trying to make a better living in the ever-changing world? Those questions are the key for cross culture manager to success. The need for more cultural-specific knowledge about Chinese human resource has been emerging in recent years. The aim of the call for indigenous studies is to develop human resource models and instruments that reflect the reality of the Chinese work environment, and the real psychologies and concerns of Chinese managers, employees and consumers. The inability to conceptualize and operationally many human resource variables properly in the past has cautioned researchers not to regard Western theories and instruments as applicable cross-culturally when in fact many of them are culture-specific. The first step toward developing indigenous human resource theories and models is to have a thorough understanding of the Chinese culture in general, its value systems, institutional structures, and its ecological systems. Theories and models deep-rooted in these psycho cultural foundations are already being worked out and evidence of their usefulness is being accumulated.

This specialization entails the study of basic Chinese values and meaning systems,

management philosophies and practices, and the application of the results to organization design and human resource management in Chinese works environments. Dr. Chung-fang Yang's recent work on the Chinese self, the relationships amongst face, *guanxi*, *renqing*, and interpersonal trust in Chinese social interaction is useful in managing interpersonal relationships in Chinese organizations. In China, rule of *guanxi*, and how in choosing managers in the West we have to bear in mind cultural antecedents and psychometric profiles. Personal relationships and the human side of management is still much more important than in the West. Dr. Simon Lam's recent research interests have been concentrated on how the rapid changes in the political, social and economic systems of the People's Republic of China influence the HRM system and how the system can be restructured to best meet the changes in the larger environment during the modernization process. He posits that it is often difficult to adopt Western HRM theories and models in China, and to understand and to predict the possible changes in the Chinese system, because those theories and models were developed based on a set of completely different social-political-historical systems. The indigenous approach he takes on entails searching for first-hand information about the existing Chinese HRM system rooted in its own cultural beliefs and practices and exploring the effect of its unique patterns of political, social and economic changes on this system.

### 2.2. Chinese philosophy

From those different kinds of philosophies in China, Confucianism and Taoism are two main important souls in China. The main Chinese philosophy characteristic can be seen in both Confucianism and in the Taoist School. Huang (2000) point out that 「Jen」 is the central concept of Confucianism. The meaning of Jen is the action of self-reflection and communication with others. Taoism provides different worldviews for suppressed people. Taoism teaches the suppressed class “ a sense of worth by directly associating them with nature.

Confucianism, the dominant system in Chinese history and thought, emphasizes social order and an active life. In Huang (2000) studied, he pointed out that the importance of Confucianism on Chinese culture can be discussed from the following three aspects. First, Confucianism has prevailed as the basic social

and political value system for over 1,000 years. Second, Confucianism has long been regarded as a secular religion, a teaching, or a doctrine of human wisdom that is closest related to the topic of this article, Confucianism is regarded as a philosophy of human nature that considers proper human relationships as the basic of society.

There are four traits consistent with Confucian ideology that have remained constant and that have significant impact on present day organizations in overseas Chinese. There are (1) Socialization with the family unit in such a way as to promote sobriety, education, the acquisition of skill, and seriousness about task, job, family, and obligations. (2) A tendency to help the group (3) A sense of hierarchy and its naturalness and rightness, (4) A sense of complementarity in relationship which, combined with the sense of hierarchy, enhances perceptions of fairness and equity in institutions (Huang, 2000). A contemporary of Confucius, Lao Tzu was the founder of Taoism, one of the most influential philosophies of Chinese civilization. Taoism, on the other hand, concentrates on individual life and tranquility, thus suggesting that Taoism plays a secondary role to Confucianism in Chinese society.

Most of Asia studies found that Confucianism is a necessary and sufficient condition to economic development and Taoism provide peaceful solution for human relation. In short, both emphasize the goodness of human nature and the potential for everyone to become a sage. (Low, 2000; Fu, 2000). But in Confucianism, to ensure an orderly society, individual rights, needs and freedom of some particular positions or classes were often ignored. Anyway, Confucianism and Taoism are become an ideology of life, a way of living or a mode of human behavior which have profoundly influenced people's thoughts and attitudes towards decision-making.

Studies found that the ability of East Asian entrepreneurs to take full advantage of human capital, be it family loyalty, a disciplined work force, or supportive staff is not an accident. They are beneficiaries of the Confucian and Taoism way of life (Tu, 1989). Some business has found that Chinese philosophy always provides solution to the most urgent questions. Thus one may well decide, after seeking what Chinese philosophy is. In short, Chinese philosophy comprehensive plentiful wisdom to all human

being. Especially it is first step homework to access the Chinese market. Western management principles will be handicapped in terms of their lack of relevance when they are placed in an oriental or Eastern perspective.

### 3. Reality

Hofstede (1993) pointed out four dimensions of cultural difference between countries. Those are: (1) power distance, (2) collectivism versus individualism, (3) femininity versus masculinity, (4) uncertainty avoidance, (long-term orientation). From those dimensions, the Chinese countries tend to group-based economies and have a clearer hierarchical structure in their decision process. And because of Wu-Lu, large power distance is clear and obvious in China. A better system then can be designed to meet the needs derived from modernization. The management culture thus created relies on benevolent styles of dealing with subordinates, resulting in a relationship-based system akin to the Confucian ethos (Yang, 1991). Thus, most stakeholders in managed firms are bound by a resolute commitment to collective values, and accept an unequal distribution of organizational power (Westwood and Chan, 1992). In China, accepts that governments play a proactive part in the industrialization process. The long-term orientation of the Asian management and policy processes do still have their merits. One result of this orientation is that managers are inclined toward authoritarian leadership styles, tending to reject employee participation in day-to-day operations. Indeed, it has long been known that managers are likely to prefer strong, family-style or family-based company cultures comprised of rigid hierarchies, with the resultant centralized decision making (Redding, 1992). It may, or may not be significant, that this preference runs counter to current Western theories of management and employee effectiveness (Straub, 1999; Wright and Geroy, 2000). It is concluded that traditional, authoritarian, relationship-based management concepts are not likely to fare well in fast-changing global arenas. Nevertheless, a model for expanding into international markets is presented, with the realization that most managed firms would be advised to adopt regional rather than global strategies. Cultural differences were manifest in several areas. The Chinese were, according to the managers, unwilling to express their ideas directly, avoid face-to-face conflict, and are uncomfortable with "straight talk." On the other hand, the western

employees are more direct in their speech, more emotional in their outlook, more social and more accepting of direct conflict.

#### 4. Summary

From those points of view above, Chinese managers emphasize interpersonal relationships more than American managers, and these relationships provide an important basis for influence. Chinese are more willing to follow roles in personal relationships but not in impersonal relationships.

In China, the importance of long-term relationships may make managers more ambivalent about the effectiveness of using exchange as a proactive influence tactic. It is more complicated in China to determine the appropriate form of exchange. When the target person is a friend, offering an impersonal exchange or the wrong incentive may cause one or both parties to lose face. When the target person is not a friend, but future interaction is expected unconditional gifts and personal favors may be more effective than impersonal exchanges for building a cooperative relationship. (Fu, 2000)

Low and Christopher (2000) found that some of Chinese characteristics are very clear and obvious. Those are highlighted below (summary from Low, 200):

Trust and mutual respect are important values in the Chinese community. Family businesses are still very dominant in China. Bureaucracy and bribery are still prevalent in China. There are also constraints in the use of international standard forms of contract in the Chinese construction industry. The Chinese also tend to concentrate more on the profit element and other related financial matters such as credit terms and cash flow arrangements. From those points of view above, Chinese managers emphasize interpersonal relationships more than American managers, and these relationships provide an important basis for influence.

Personal relationships play a very important role in Asian culture. Before doing business, Asians have a tendency to first develop personal relationships with their business partners. There is also a tendency to keep relations harmonious by not talking directly about problems. Confrontations are avoided and human relationships are highly valued in Asian

societies. In contrast, personal relationships to the Americans are less important when doing business. Americans like to get to the point more quickly and directly even though such an approach may embarrass someone personally and publicly (Huang 2000; Low & Christopher 2000).

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1. Trust and mutual respect are important values in the Chinese community.
2. Family businesses are still very dominant in China.
3. Bureaucracy and bribery are still prevalent in China.

#### 5. Conclusions

To sum up, organization, human resource, economy and culture change in China are all undergoing significant changes, much of it due to the economic growth and political reforms in last decade. The better human resource management model should be more flexible and non-adversarial according to reality situation.

Culture is one of the most challenging elements while deciding human resource management model. This paper described many culture differences above. This behavior pattern characteristic of the members of a given society is constantly shaped by a set of dynamic variables: language, religion, values and attitudes, manners and customs. To copy this pattern, an international manager needs both factual and interpretive knowledge of culture in order to design a better HRM model.

Chinese culture has a very stronger relationship oriented, what is the *Quan-Xi* and how strong is our *Quan-Xi* are the most important questions that Chinese people will ask themselves when doing business, especially in human resource management. Under *Quan-Xi*, when a man gets to the top, all his friends and relations get there with him. Find your *Quan-Xi* with Chinese business will get things done more quickly. In China, it is very hard to find out human potential because Chinese don't often show much emotion when they do business or in organization.

Chinese also don't often speak directly most of time. The Chinese people may look foolish, but still waters run deep. It is hard and takes time to figure out what Chinese are thinking. Look before you leap is best way to design human resource management while negotiated with Chinese people. Chinese also care about lose of face, tough messages are best conveyed through a third party. Chinese doesn't fight against impossible odds. Chinese always save the situation by some concessions (Chien, 2002).

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