

Traditional Chinese Thinking on HRM Practices

Heritage and Transformation in China

Li Yuan



Traditional Chinese Thinking on HRM Practices

This page intentionally left blank

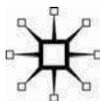
Traditional Chinese Thinking on HRM Practices

Heritage and Transformation in China

Li Yuan

Renmin University of China, China

palgrave
macmillan



© Li Yuan 2013

Softcover reprint of the hardcover 1st edition 2013 978-1-137-30411-7
All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The author has asserted her right to be identified as the author of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2013 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe and other countries

ISBN 978-1-349-45440-2 ISBN 978-1-137-30412-4 (eBook)
DOI 10.1057/9781137304124

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

Contents

<i>List of Tables</i>	viii
<i>List of Figures</i>	ix
<i>Preface</i>	x
<i>Acknowledgements</i>	xiii
1 Introduction	1
China's economic competitiveness	1
Particularity of Chinese HRM	2
Chinese traditional thinking and its derived core values	6
Structure of the book	10
2 Western HRM and HRM in China	13
Western HRM theories and practices	13
The rise of HRM	13
The definition of HRM	15
Dominant HRM models	17
HRM and personnel management	21
HRM practices	24
Critical perspective on HRM	35
HRM in China	37
Rise of HRM thinking in China	37
HRM research studies in China	40
Research on Chinese culture and its influence on HRM	43
Conclusion	45
3 Philosophical Underpinnings of HRM Theory	49
Introduction	49
Individualism	52
Individualism and its philosophical pedigree	52
Individualism–collectivism	54
Individualism and HRM	58
Meritocracy	60
Meritocracy and the American Dream	60
Meritocracy and its philosophical bases	63
Meritocracy and HRM	66

Reason and instrumental rationality	67
What is rationality?	67
Rationality and its epistemology traditions in Western philosophy	69
Rationality and HRM	72
Short-termism	75
Short-term orientation and Western philosophy	75
Representation of Western short-termism in art, medicine and business	77
Short-termism and HRM	81
Conclusion	84
4 Re-examining Traditional Chinese Thinking	85
Chinese history: outline and implications	85
Timeline of Chinese history	86
Summary of Chinese ancient history	92
Key features of Chinese traditional thinking	93
Holistic, naive thinking	93
Fuzzy, processual thinking	103
Indirect and long-term thinking	111
Conclusion	118
5 Chinese Traditional Values – Implication for HRM in China	119
Introduction	119
<i>He</i> (harmony 和) and collectivism	120
<i>He</i> (harmony 和)	120
<i>He</i> and Chinese organization	125
<i>Zhong Yong</i> (中庸)	126
<i>Zhongyong</i> , the Doctrine of Mean	126
<i>Zhongyong</i> and Chinese organization	129
Hierarchy, seniority and loyalty (<i>Zhong</i> 忠)	130
Hierarchy	131
Seniority	135
Loyalty (忠)	135
Hierarchy, seniority, loyalty and Chinese organization	136
<i>Renqing</i> and <i>Guanxi</i> (关系和人情)	139
<i>Renqing</i> (人情)	139
<i>Guanxi</i> (关系)	143
<i>Guanxi</i> , <i>Renqing</i> and Chinese organization	146
<i>Face</i> (<i>Mianzi</i> and <i>Lian</i> 面子和脸)	147
<i>Mianzi</i> and <i>Lian</i>	147
Three characteristics of <i>face</i>	151

<i>Face</i> and Chinese organizations	153
Conclusion	154
6 Research Findings and Analyses	155
The role of Chinese traditional thinking	157
<i>He</i> (harmony 和)	159
<i>Zhongyong</i> (the Doctrine of Mean 中庸)	164
Hierarchy, seniority and loyalty	171
<i>Guanxi/Renqing</i>	177
<i>Face (Mianzi and Lian)</i>	186
Discussion and managerial implications	192
7 Conclusion	205
East–West comparisons	207
Summary of the main findings of the research	208
Chinese HRM style and its importance	210
Limitations of the research and suggestions for future studies	212
<i>Appendices</i>	214
1 <i>Informant Pseudonyms and Background</i>	214
2 <i>Endnotes with Original Text and Quotations</i>	215
<i>Notes</i>	223
<i>References</i>	229
<i>Index</i>	259

List of Tables

2.1	Guest's stereotypes of personnel management and human resource management	23
3.1	Individualistic and collectivist societal norms (adapted from Hofstede, 2001a)	56
3.2	Key differences between collectivist and individualist societies: work situation (adapted from Hofstede, 2001a)	59
4.1	Simple ideograms	95
4.2	Compound ideograms	95
4.3	Phonograms	95
6.1	Findings and the managerial implications	204

List of Figures

1.1	Cultural determinants of individual Chinese values (adapted from Redding's model, 1990)	5
2.1	Michigan model of HRM	17
2.2	Harvard model of HRM	18
2.3	The Guest model of HRM	19
2.4	The Warwick model of HRM	20
2.5	Seven-point plan and five-fold grading system	25
4.1	Pictographs	94
4.2	<i>Yin-Yang</i> symbol	105
4.3	The <i>ba gua</i> (eight trigrams 八卦)	107

Preface

A BBC programme titled ‘The Chinese Are Coming’ (February 2011) presented the amazing economic growth in China and its major influence on the whole world. The programme showed that China’s rapid rise has changed the old structure of the world; the Chinese workforce is one of the most cost-effective in the world, and it is disciplined, thrifty, hard at work, and up-and-coming, which turns this country into a formidable competitor or a reliable commercial partner. So, more and more Western companies want to establish direct business relationships with Chinese partners, and more and more researchers are beginning to pay attention to Chinese business, in particular to Chinese management. It is therefore crucial to understand Chinese specificities in order to communicate properly and establish lasting business relationships, and to understand how Chinese firms manage their people to achieve performance outcomes.

Although Chinese HR practices have been gradually affected by Western influences, the HRM systems in China have some distinctive or even unique characteristics. Most research on Chinese management is about ‘what’ and ‘how’ issues – I mean, about the current situations of Chinese management – and it enumerates the differences between Chinese management and other countries’ management, but researchers seldom ask ‘why’: that is ‘why does Chinese management have its peculiarities? Why does it have superiority in today’s world?’ This ‘why’ question is what I have been interested in. It is important to study what has been taken for granted or overlooked in the Western literature. So my aim is to investigate Chinese HR practices from a cultural and philosophical perspective, and to answer this ‘why’ question through both inside-out and outside-in approaches. Given the continuing success of the Chinese economy in the past three decades, this book also aims to examine whether there are any lessons that Western firms can learn from the Chinese approach to people management, an approach which is deeply embedded in Chinese traditional thinking and its core values.

Basically, organization is a product of culture. Different beliefs, values, customs – different ways of thinking – influence how people design and manage their organizations. The underlying traditional thinking and values passed on through generations over two millennia of Chinese history are likely to have contributed to the development of a distinctive

way of managing people and personnel systems inside China (Zheng and Lamond, 2009), but because HR research in China has often been based on the Western HRM framework, knowledge of Chinese traditional thinking appears to be largely missing from contemporary studies of HRM in China (especially for researchers in the West). If researchers only put emphasis on the phenomenon of Chinese management, they cannot understand Chinese management in depth. To understand Chinese management, Chinese people, 'the Chinese way of doing things', and 'the way of managing people inside China', one must look deeply into the underlying Chinese traditional thinking, which is the core of Chinese culture. This book may help readers gain a better understanding of the Chinese style of management and may contribute to further developing management and organization theories in the Chinese context.

Chinese traditional thinking comprises unique features that might be described as *holistic* and *naïve*, *fuzzy* and *processual*, *indirect* and *long-term*, and as an approach that translates into an adherence to five core values: *He* (harmony 和), *Zhong Yong* (the Doctrine of Mean 中庸), Hierarchy, Superiority and Loyalty (等级, 资历和忠), *Guanxi* and *Renqing* (personal connections, relationship and human sympathy/favour 关系和人情) and *Face* (*Mianzi* and *Lian* 面子和脸), which have significantly affected contemporary Chinese HR practices.

Semi-structured personal interviews were conducted with 21 senior and middle/top-level male and female Chinese managers. The findings of the research are presented in narrative form through in-depth direct statements made by interviewees to provide authentic examples of how Chinese managers conceptualize and practise Chinese traditional thinking and core values in HR management. The research shows that the penchant for harmony is responsible for the steady and smooth development strategies of Chinese organizations; a relatively mild approach to personnel reforms; harmonious interpersonal relationships; nominal performance appraisal systems; and the importance of leaders as role models. The principle of *Zhong Yong* accounts for the preference for modest and reserved people in recruitment and selection; the harmonious and balanced relationships between superiors and subordinates; a relatively mild, lenient and gentle leadership style; and the soft, flexible and conflict-free style of communication and negotiation in Chinese HRM practices. Because of the norms of hierarchy, seniority and loyalty, in HR practices there are clear distinctions between superiors and subordinates. The leader of an organization tends to play a paternalistic role with paramount authority; promotion by seniority

and loyalty is still very common; senior employees who have shown loyalty to superiors are more likely to get the opportunities for training and development. The overlap between formal and informal relationships (*Guanxi*) is pervasive in Chinese organizations; the line between work and personal life is somewhat blurred; *Guanxi* and *Renqing* often intervene in recruitment and selection, promotion and reward systems, performance appraisal systems, and in training and development. The influence of *face* explains the widespread phenomenon of indirect communication, mild criticism and equivocal responses; good relationships between superiors and subordinates are maintained by properly giving and saving *face*; *face* work can be used in reward, dismissal and punishment.

Acknowledgements

I would particularly like to thank Professor Robert Chia for his inspiration, guidance and encouragement over the years. Grateful thanks also to Dr Jing Cai and Professor Robin Holt, who have been so generous in their advice, critical comments and ongoing support throughout my research.

I am deeply indebted to the many participants who allowed me to interview them for this research and gave their time generously. Their responses made this research possible and interesting. I thank them for their candour and trust in me. My thanks go to Professor Han Zhen at Beijing Normal University, who provided me with excellent advice for my research; to my friend Edwin Campbell, who gave his assistance during the writing of the book; and to many Chinese friends who helped me with the arrangement of interviews in Beijing, Shanghai and Xixiang. I would like to express my gratitude to all of them.

Finally, I thank my parents for their tremendous support and understanding. My deepest and most heartfelt thanks must go to my husband, Han Rui, without whose love and continual support this book would have been impossible. This book is dedicated to him, with love.

1

Introduction

China's economic competitiveness

With a population of over 1.3 billion inhabitants, the People's Republic of China (PRC) is the most populous country in the world. It was once insignificant in the global economic arena, despite its large population. The Third Plenary of the Eleventh Central Chinese Communist Party Congress (中国十一届三中全会), held in December 1978, is regarded as the turning point in the history of the People's Republic of China, as it witnessed the inauguration of China's economic reform. A series of economic reforms since then have led to a 'socialist market economy with Chinese characteristics' (有中国特色的社会主义市场经济).

Since then, China's economy has undergone unprecedented rapid growth, and the role of China in global, economic and political affairs has increasingly moved towards centre stage. The average gross domestic product (GDP) of China increased more than tenfold from the late 1970s (when China opened its doors) to 2006, making the Chinese economy the fourth largest in the world after the United States, Japan and Germany (*China Daily*, 2007). According to the list of countries ranked by GDP in 2009 – based on estimates from the World Bank, the International Monetary Fund and the *CIA World Factbook* – China became the third-largest economy in the world after the United States and Japan. Then, in mid-2010, China became the world's second-largest economy, surpassing Japan and second only to the United States (*China Daily*, 2010). In 2012, while the world economy was experiencing deep recession in this difficult year, China's economic growth reached 7.7 per cent, above the government's 7.5 per cent full-year target (*China Daily*, 2013). It is estimated that in 2013 China's economy will grow much more rapidly than other major economies because of its structural

strength and its superior mechanisms for dealing with economic downturn, which 2012 again demonstrated (*China.org.cn*, 2013). Among all developing countries, China has been the recipient of the largest foreign direct investment (FDI) because of its current and expected future strong economic growth, great potential business opportunities and cheap labour (*Xinhua News*, 2007); and its accession to the World Trade Organization (WTO) in late 2001 has further accelerated China's market-oriented economic reforms.

From the 'world factory' to 'world market', from 'made in China' to 'created in China', China has contributed, and will continue to contribute, to the world economy. There is no previous burst of economic activity that has been so dramatic anywhere in the world, recently or historically, as China has maintained annual growth at figures between 7 and 11 per cent for three decades. These significant economic developments have, in turn, resulted in major changes in the management of Chinese enterprises and 'hold considerable implication for human resource (HR) practices in the nation with the largest workforce in the world' (Zhu, 2005: xvi).

Particularity of Chinese HRM

The impressive economic growth and commercial importance as well as its intrinsic particularity (cultural, political and economic) make China's business and management a focus of interest for an increasing number of domestic and foreign researchers and managers who try to discover how Chinese organizations manage to generate such apparent efficiency and effectiveness. Zheng and Lamond (2009) state that if China's rapid rise is a miracle, it did not happen overnight, and the underlying traditional wisdom passed on through generations over the millennia of Chinese history may have contributed to developing distinctive ways of managing people inside China.

HRM is seen as an essentially American concept, finding its fullest exemplification in non-unionized multinational firms (Guest, 1992: 12), and overlapping with practices found elsewhere in enterprises in many capitalist economies. Most HRM theories derive from a non-universal tradition of scientific rationality, meritocracy, individualism and *short-termism* (see Chapter 4). For much of the literature on HRM, an 'ideal' HRM model appears to contain elements that are drawn from practices in a number of Western countries, especially the United States. These elements generally include: an integration of HRM with business strategy; the close involvement of line managers; high levels of mutual

commitment between employer and employee; performance-related payment systems; agreements on flexible working arrangements; and a diminishing significance of the role of trade unions (Storey, 1992; Guest, 1992). This 'ideal' model is often used with presupposed national and cultural characteristics (Easterby-Smith, 1995: 35), as Warner argues that theories and models of HRM may not be comprehensively applied, let alone fully understood, outside the cultural context in which they developed (that is, in the United States), and 'if [they] diffused outside this [context], [they] may not be analysed without conceding limited knowledge/managerial/software transfer' (Warner, 1993: 46). So, merely applying Western concepts to analyse what has been going on in Chinese HRM, ranging from management strategies and policies to work attitudes and behaviour patterns, presents a number of difficulties.

It is a controversial issue as to whether standardization of production technology is causing worldwide homogenizing of organizational processes, managerial practices and behaviour in organizations, and some researchers observe that the apparent global assimilation is superficial (Kerr, 1983; Redding, 1990). Beneath the homogenization,

the cross-national variety in the world of the mind remains as undisturbed as ever. Economic progress does not appear to radically alter the original values which shape the rules whereby a person cooperates with others. Organisations which may look the same are not the same when you get very close. (Redding, 1990: 239)

The HRM system in China has some distinctive or even unique characteristics. The process of its formation and transformation has been marked by some ingrained factors related to the deep-rooted traditional culture and value systems as well as historical evolution. Undoubtedly, with increasing global competition and the influence of multinational companies' management practices, the Chinese economy has been gradually affected by Western HRM dimensions – 'key aspects such as individual fixed-term contracts, individual performance evaluation, individual career development, downsizing and retrenchment, freedom to hire and fire, strategic role of HRM and so on' (Zhu et al., 2007: 763) have been increasingly adopted by Chinese people-management systems.

However, according to Warner (2008: 771), China's reformers did not uncritically adopt foreign models; 'they have implanted overseas economic management practices since the late 1970s [... but] they did so by incorporating them into the Chinese "way of doing things"'.

Redding (1990: 116) states that although for over a hundred years Chinese business has been influenced by Western technologies and theories and practised with a vast amount of international cooperation, its typical organizational system has retained its basic character. Therefore the growing role of China in the world economy arouses more and more researchers' interest to uncover what exactly is the 'Chinese way of doing things', especially as it is known to be very different from that of the West (Warner, 2008: 788). Nonetheless, most research on Chinese management tend to start from a Western perspective, directly addressing *what* and *how* issues, with less concern about *why* (Liu, 2009: xiv). There are some questions that need further thought: Why do the Chinese have a different way of doing things compared to the West? What is the fundamental explanation of this?

From its geographic size, its population and its long history, to its levels of social complexity and the emerging-market nature of its socialist economy, China is enormous on all counts, and all of these paint a confusing picture for foreigners (Wright et al., 2008: 800). Jacques (2009) states that the Western media has mistakenly paid too much attention to the Chinese communist government and China's alleged economic and military threat to the Western world, while in fact the real challenge is the rise of Chinese culture. Although often regarded as extremely difficult to comprehend, Chinese cultural characteristics appear as constants against this multifaceted setting. Even if the characteristics of political or economic systems provide plausible explanations for the cross-national differences in terms of management issues, Osigweh and Huo (1993: 106, 107) believe such an explanation seems 'anecdotal' and 'hard to generalize', because 'political or economic systems may change quickly and dramatically' while 'culture tends to change at a slower pace than political/economic structures'. Zhu et al. (2007: 764) also point out that the state policies on industrial relations and labour market regulations which are strongly associated with the people-management systems shift from time to time, but the cultural value of a state is relatively constant. To a large extent, individual experience is predicted by national origin and the common values of a given society; 'the self – what people think and feel, what holds their attention, how they know and understand, and what counts as knowledge – is culturally conditioned' (Bailey et al., 1997: 606). Thus, cultural characteristics can be seen as more stable, reliable and inclusive explanatory factors for the 'Chinese way of doing things' than political/economic structures. Redding (1990: 42) explains it more clearly: '[B]efore we understand, however, the nature of organizing in Chinese society, we must first understand the basic unit of

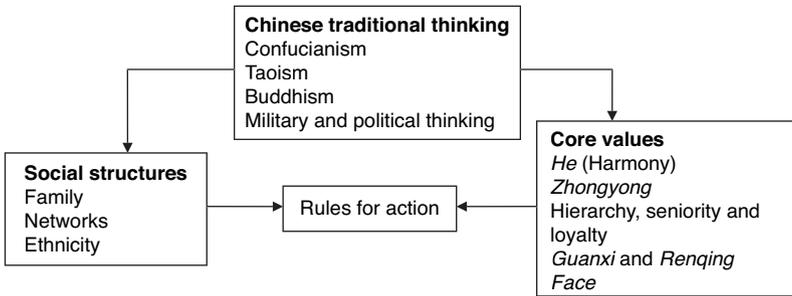


Figure 1.1 Cultural determinants of individual Chinese values (adapted from Redding's model, 1990)

organisation – the Chinese person. Such an understanding can only come from seeing the culture matrix in which he/she is embedded'.

The reason why the Chinese organizational system has retained its basic character for so long despite significant economic and political reforms in past decades, according to Redding (1990: 116–117), lies in three main forces, all of which derive from Chinese culture and history. These three forces are: the sense of insecurity, which derives from a historical combination of the insecurity of wealth in a society lacking a fully reliable system based on equal rights, and the exclusive trust based on in-group membership; hierarchy, which rests on a long Confucian tradition sponsoring familism and authoritarianism; and personalism, which denies the emergence of a rational, objective and neutral bureaucracy. It is undeniable that the forces of modernization have inevitably seeped into the old traditions, but 'modernization has not yet radically affected the most fundamental aspects of organizing' (Redding, 1990: 117). Redding's three original forces could find their origins in the Chinese traditional approach that is characterized by *holistic/naïve*, *fuzzy/processual* and *indirect/long-term* thinking. Beneath the sense of insecurity there are Chinese processual thinking and long-term orientation – everything is unfixed and in ceaseless change, and, therefore, any good fortune cannot be guaranteed to last. Acceptance of hierarchy derives from the Chinese holistic view, as it emphasizes the holistic harmony: the social hierarchy is an extension of the natural order, and the entire social harmony could be maintained by obeying the social hierarchy. Personalism originates from fuzzy thinking, which involves a multivalent, multi-valued and nonlinear worldview that is not so keen on something 'logically correct' but prefers something more in accord with human nature. In order to research Chinese organizations, we

must begin with Chinese traditional thinking, which underpins Chinese culture. Also, it is necessary to point out that undoubtedly the culture itself is not the sole contributor to the total explanation of management with Chinese characteristics, but it is a significant one.

Chinese traditional thinking and its derived core values

As one of the oldest civilizations, China has a recorded history spanning 4,000 years that has outlived the other great empires in Eurasia – including the Egyptian, Roman, Byzantine, Arabian, Ottoman and Tsarist–Soviet (Deng, 2000: 1). Joseph Needham (1956), a renowned sinologist, started his research and writing on the history of Chinese science and technology by explaining Chinese history, geography and culture in depth, as knowledge of these fields is considered to be the fundamental basis of science and technology. Without knowing Chinese history, traditional thinking and its derived core values, trying to understand Chinese HRM practices would be like studying the human body by merely examining the skin rather than the heart or brain (Liu, 2009: xiv).

It is an over-simplification to characterize Chinese traditional culture as being merely based on Confucianism, and it shows a lack of understanding of the Chinese cultural system, which is constituted by various philosophical and historical threads (Paton and Henry, 2009). ‘Chinese traditional thinking’ refers, in general, to the thinking that prevailed in China from the Pre-Qin period until the mid-nineteenth century Opium War, a way of thinking with Confucianism at its core, mixed first with Taoism and later with Buddhism, and also combined with ancient military and political strategic thinking (Zi, 1987: 443; Liu, 2009; Louie, 1986; Tang and Li, 2008), which had its roots in a social system that stemmed from primitive clan society and went right up through the slave and feudal societies in China. Any new interpretation of Chinese culture owes its inspiration to a return to this original pure well-spring (de Bary, 1959: 47). There are three features of ancient Chinese thinking: *holistic* and *naïve* thinking; *fuzzy* and *processual* thinking; and *indirect* and *long-term* thinking, which respectively correspond to the West’s *abstract* and *scientific* thinking; *binary* and *static* thinking; and *direct* and *short-term* thinking. Chinese traditional thinking continually provides a moral, intellectual and social nexus for the Chinese psyche, which even the ten-year-long Cultural Revolution was unable to exorcise (Cheng, 1986). In what follows, I will briefly describe each of these three attributes.