

*Center for Advanced Human Resource Studies
(CAHRS)*

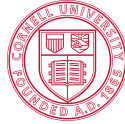
CAHRS ResearchLink

Cornell University ILR School

Year 2010

A China-based High-Performance HR
System: A Model for Success

Center for Advanced Human Resource Studies



R ResearchLink

No. 10, August 2010

A China-based High-Performance HR System: A model for success

THE TOPIC: ONE SIZE DOESN'T FIT ALL FOR HR SYSTEMS

There's general agreement that high-performance HR systems can lead to better organizational performance, but nearly all research on high-performance HR has been based on a Western model. While some studies show that American-style HR can be beneficial to Chinese firms, it's reasonable to question whether this is the most effective system, considering the significant differences between doing business in the United States and China. In this study, researchers developed and tested a scale of high-performance human resource practices that are specific to Chinese firms in order to find out whether a different, but valid, HR-performance model applies to firms in China.

THE STUDY QUESTIONS

Researchers asked the following questions:

- ◇ Do Chinese managers/companies share the Western view of high-performance HR practices, or do they think different practices constitute a high-performance HR system?
- ◇ What other types of HR practices are considered best practice inside Chinese firms?
- ◇ Does this Chinese-based system of high-performance HR practices relate to firm performance within Chinese companies?
- ◇ Does a Chinese-based system contribute more or less to firms' performance than a Western high-performance system?

KEY FINDINGS

- ◇ An HR system that emphasizes basic *control* practices and also includes *commitment* practices yields better business results for Chinese firms than a Western-style high-performance system.
- ◇ Control HR can be thought of as traditional HR practices, such as getting employees to perform their duties and paying wages that are not closely tied to performance. Commitment HR—also known as “high involvement” or “high-performance” HR—has the goal of improving a firm's competitiveness by developing employees' potential and maximizing their buy-in to the company's mission. Commitment HR practices include promotions from within, regular performance reviews, opportunities for employee input, training, and formal grievance procedures.
- ◇ In order to be most effective, HR systems need to be understood in the context of a country's business, political, social and cultural realities.

THE RESULTS

A China-based HR system is more widely used in Chinese firms compared to Western high-commitment and high-involvement work practices.

Chinese HR managers and general managers reported better business results using an HR system that reflects Chinese values, versus American-style, high-performance HR practices.

Defining a China-based HR system

China, unlike Western countries, originally had a planned economy and guaranteed employment (the “iron rice bowl”). As it transitions to a market economy, China lags behind the West in labor policies, regulations, and professionalism of the workforce. There are also cultural obstacles to China’s adopting a fully Westernized approach to HR. For example, it’s rare for Chinese employees to give critical feedback or suggest improvements, so employee participation—a trait of high-performance HR—isn’t widespread in the workplace. Finally, China’s firms are young; most are about 20 years old. Therefore, they still need to master basic HR functions

before they can incorporate more sophisticated commitment practices into their management approach.

A China-based high-performance HR system, then, should be different from an American system. Since no study has explored the content and effectiveness of a China-based, high-performance HR system, the researchers built one and tested it within Chinese firms.

High-performance HR practices in China: a hybrid model

The authors interviewed HR managers at a number of Chinese firms, asking them to identify the HR practices they used the most and that they considered most effective. Based on their responses, the researchers created a scale for a high-performance HR system based on six categories of practices that reflect the HR priorities of most Chinese firms today. Each of the six categories was measured by a scale consisting of three specific practices (see chart below).

Two of these practices—employee selection and formal training—are widely considered to be high-performance or commitment practices. Another two—competitive mobility and promotion, and employee discipline management—are control practices. Experts debate which camp the remaining two, results-oriented performance appraisals and performance-based compensation, should fall into.

This combination of commitment and control HR practices reflects the unique context and trajectories of Chinese business today. As China’s economy matures, it’s likely that high-commitment practices will become more common.

<p>Results-oriented performance appraisals, measured by:</p> <ul style="list-style-type: none">• Regular performance appraisals• Results-based rewards and punishment• Performance measurement based on objective, quantifiable results	<p>Employee selection, measured by:</p> <ul style="list-style-type: none">• Hiring people with general competency rather than particular skills• Selecting from a large pool of candidates• Administering a strict selection process (written test, interview, etc.)	<p>Competitive mobility and promotion, measured by:</p> <ul style="list-style-type: none">• Dismissal or transfer by force• Open competition for a limited number of positions• Demotion of managers according to performance
<p>Performance-based compensation, measured by:</p> <ul style="list-style-type: none">• Short-term incentives• Linking pay to individual performance• Linking pay to department performance	<p>Formal training, measured by:</p> <ul style="list-style-type: none">• Amount of money spent on training• Availability of different kinds of training• Systematically structured training process	<p>Employee discipline management, measured by:</p> <ul style="list-style-type: none">• Punishment for violations of rules• Stricter discipline compared with competitors• Special emphasis on rules and procedures

THE TAKEAWAY

How can this study's examination of a China-based high-performance HR system help HR professionals in global firms?

- ◊ **HR systems need to be understood in the context of a country's business, political, social and cultural realities.**
- ◊ **Chinese HR systems are different. Whereas the Western view focuses more on empowerment, the Chinese see control as a significant component of what constitutes a high-performance HR system.**
- ◊ **This view is borne out in the results, as the Chinese high-performance HR system created by the researchers was a significant predictor of firm performance for Chinese firms.**
- ◊ **This suggests for managers that when managing Chinese employees in China, the staffing, training, and reward systems can be similar to those used in the West, but to get higher performance they also need to include control practices as well.**
- ◊ **With globalization and the increasing maturity of Chinese firms and employees, high-commitment HR systems will eventually play a greater role in Chinese companies.**

THE DATA SOURCE

Questionnaires were completed by 197 firms, 96 from Beijing and 101 from Shanghai. The size, age, ownership type, and industry of the firms break down as follows:

Number of Employees	Count
Less than 50	32
50 - 100	37
101 - 500	58
501 - 1,000	17
More than 1,000	53
Age (in years)	
Less than 5	50
6 - 10	60
11 - 15	29
16 - 20	9
More than 20	49
Ownership Type	
State-owned	86
Publicly listed	36
Domestic/private	75
Industry	
Manufacturing	45
Service	90
High-tech	62

THE RESEARCHERS

This study was conducted by:

- Zhongxing Su, Renmin University of China, Beijing, PR China Strategic
- Patrick M. Wright, William J. Conaty GE Professor of Strategic HR, ILR School, Cornell University

For an in-depth discussion of this topic, see:

Su, Zhongxing and Wright, Patrick M. High Performance Human Resource Management System in Transitional China: A Hybrid of Commitment and Control Practices.

Questions about this research should be directed to Patrick Wright at patrick.wright@cornell.edu