

Chinese Management in the 'Harmonious Society'

Managers, Markets and the
Globalized Economy

Edited by

Malcolm Warner and Chris Rowley



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Whither Chinese management? The Middle Kingdom has come a long way since the economic reforms were introduced after 1978. As ownership has opened up and has become more fragmented, the state-owned firms no longer dominate the scene, nor does their management model. Managing has also become more complex and diversified, as well as more professional. This book asks what the next steps are likely to be and will assess the current directions in which Chinese managers are developing, as its economy slows down in the face of global uncertainty. It aims to update previous works in the field covering business and management in these countries. It covers a wide range of topics, including banking, competition, employee satisfaction, expatriates, industrial relations, HRM, organization, SMEs, social responsibility, strategic sourcing, trust and so on. The book also asks in which future directions management may be moving in this important part of the international economy. The authors are all experts in their fields and are all based in universities and business schools in countries such as Australia and the UK, among others.

The work is aimed at undergraduate and postgraduate students in business administration especially those on MBA programmes, as well as those studying development economics, management studies and related courses, including lecturers in those subjects.

This book was previously published as a special issue of *Asia Pacific Business Review*.

Malcolm Warner is Professor and Fellow Emeritus, Wolfson College, Cambridge and Judge Business School, University of Cambridge. He was the Editor-in-Chief, of the *International Encyclopedia of Business and Management* [IEBM] latest edition, 8 vols, 2002. He is currently Co-Editor of the *Asia Pacific Business Review*.

Chris Rowley is a Professor and Director of the Centre for Research on Asian Management, City University, London, UK and Director of Research and Publications, HEAD Foundation, Singapore. His most recent book (as editor) is *The Changing Face of Chinese Management* (with Fang Lee Cooke) (Routledge, 2010). He is currently co-editor of *Asia Pacific Business Review*.

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Notes on contributors

John Benson is a Professor and Head of the School of Management at the University of South Australia, Australia. He has published many books, book chapters and journal articles in the areas of management and HRM in Japan and China, trade unions, unemployment and labour markets in Asia.

Fang Lee Cooke is Professor of Human Resource Management and Chinese Studies at the School of Management, RMIT University, Australia. Her research interests are in the area of employment relations and management. She is the author of *HRM, Work and Employment in China* (2005) and *Competition, Strategy and Management in China* (2008).

Li Xue Cunningham is a RCUK Research Fellow, as well as Deputy Director, of Centre for Research in Asian Management, Cass Business School, City University. Before she embarked on her research career, she worked as a manager for several large Chinese corporations in international business. Dr. Cunningham's research interests include international and comparative human resource management, small and medium enterprise business and development, especially in China.

Angus Duff is a Professor of Accounting and Finance at the University of the West of Scotland and Research Advisor to the Institute of Chartered Accountants of Scotland. He has published extensively in academic and professional journals. His current interests lie in accounting education, the accounting profession, credit rating agencies and credit markets.

Xin Guo is a Lecturer in Accounting and Finance at the Business School of the University of the West of Scotland. His main research interests include banking relations, service quality measurement, accounting education, structural equation modelling, and accounting and finance in China.

Mario Hair is a Lecturer in Statistics at the University of West of Scotland and is also an active researcher and consultant within the Statistics Consultancy Unit based at the university. His research interests and publications are mainly in this field.

Qiaoling He graduated from Manchester Business School, University of Manchester, UK in 2008 with a Masters in Chinese Business and Management. She is currently working as a manager in a privately-owned commercial business in China.

Neng Jiang is a PhD candidate at the Judge Business School, University of Cambridge, UK. His thesis is on 'Profitability Dynamics in the Emerging Markets'. He earned

NOTES ON CONTRIBUTORS

two Masters' degrees in operational research and accounting and financial management respectively from Lancaster University Management School.

Paul A. Kattuman is Reader in Economics at Judge Business School, University of Cambridge, UK, and Fellow in Economics and Management Studies at Corpus Christi College, Cambridge. He has published extensively in the field of economics.

Byron Keating is Associate Professor of Service Management, Faculty of Business and Government, University of Canberra, Australia. He received his PhD in services management from the University of Newcastle, and carries out research in the impact of culture, technology and ethics on service firm strategy. His work has been published, or is forthcoming, in the *Journal of the Academy of Marketing Science*, *Supply Chain Management: An International Journal*, the *International Journal of Tourism Research*, and others.

Anton Kriz is a Senior Lecturer in the Newcastle Business School, Australia. His PhD investigated the nature of trust and business relationships in China. He is currently completing research as part of a Winston Churchill fellowship into the regional variations in China. His work has been published, or is forthcoming, in the *China Review International*, the *Journal of Hospitality and Tourism Management*, the *International Journal of Hospitality & Tourism Administration*, and others.

Jane Nolan is a Senior Research Fellow and Director of Studies at Magdalene College, University of Cambridge, UK. Her current research is focused on the role of Western banks in the reform of financial institutions in mainland China. Her research interests include economic sociology, comparative analysis, globalization and institutional change.

Chris Nyland is the Professor of International Business in the Faculty of Business and Economics, Monash University, Australia. His primary research interest is the association between globalization and human security and has published extensively in this field.

Chris Rowley is a Professor and Director of the Centre for Research on Asian Management, City University, London, UK and Director of Research and Publications, HEAD Foundation, Singapore. His most recent book (as editor) is *The Changing Face of Chinese Management* (with Fang Lee Cooke) (Routledge, 2010). He is currently co-editor of *Asia Pacific Business Review*.

Jie Shen is Associate Professor of International Human Resource Management, School of Management, University of South Australia, Australia. His main research interests are international human resource management, human resource management and industrial relations. His most recent book on China was *Labour Disputes and Their Management in China* (Chandos Publishing, 2007).

Malcolm Warner is Professor and Fellow Emeritus, Wolfson College, Cambridge and Judge Business School, University of Cambridge, UK. He has published extensively on Asian management. His most recent book (as editor) is 'Making Sense' of HRM in China (Routledge, 2010). He is currently co-editor of *Asia Pacific Business Review*.

NOTES ON CONTRIBUTORS

Michael Webber is a Professorial Fellow in the Department of Resource Management and Geography, the University of Melbourne, Australia. He has a large number of publications covering issues such as economic geography, Asian development, environmental protection and rural migrant workers in China.

Mingqiong Zhang obtained his PhD in Sociology and now is pursuing his second PhD in Management at the Department of Management, Monash University, Australia. His research interests include institutionalism, social security, multinational corporations, HRM and Chinese studies.

Cherrie Jiuhua Zhu (PhD) is an Associate Professor of Human Resource Management (HRM) and Chinese studies in the Department of Management, Monash University, Australia. Her research areas cover cross-culture management, especially HRM; the impact of international business/globalization on social protection systems; and HRM policies and practices in emerging economies such as China. Her book entitled *HRM in China: Past, Current and Future HR Practices in the Industrial Sector* was published by Routledge in 2005.

Ying Zhu is an Associate Professor and Director of Master of HRM in the Department of Management and Marketing, the University of Melbourne, Australia. He has published books, book chapters and journal articles in the areas of international HRM, employment relations and labour regulations in Asia.

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Chinese management at the crossroads: setting the scene

Malcolm Warner^a and Chris Rowley^b

^aJudge Business School, University of Cambridge, UK; ^bCentre for Research on Asian Management, City University, London, UK; Head Foundation, Singapore

The ‘Middle Kingdom’ has come a long way in the last few decades, its economy has burgeoned and its prosperity has flourished. Chinese management has evolved greatly too but is now at the ‘crossroads’, as the People’s Republic of China celebrates the 60th anniversary of the ‘Liberation’ led by Mao Zedong and the 30th anniversary of the economic reforms launched by his successor, Deng Xiaoping. In this symposium, we review its past legacy, its evolution to date, as well as its options, covering a wide range of management topics. As ownership of its enterprises has opened-up and has become more fragmented, state-owned firms arguably no longer dominate the scene, nor does their management model. Being a manager has also become more complex and diversified, as well as more professional. The Party has proclaimed the ‘Harmonious Society’ as the route to reconciling economic performance with social justice. This edited collection asks what are the next steps and will assess the current directions in which Chinese managers are developing, as its economy now has to cope with a slowdown in the face of global uncertainty.

Introduction

Whither Chinese management, we may well ask? The ‘Middle Kingdom’ has come a long way since market-driven economic reforms were introduced in 1978 and after (Child 1994, Rowley and Wei 2009c, Warner 2009). Has the modernization of its management gone far enough? Are its managers professional enough? Where does it go from here? Chinese management is now indeed at the ‘crossroads’, as the People’s Republic of China (PRC) celebrates the 60th anniversary of the ‘Liberation’ of 1949 led by Mao Zedong and the 30th anniversary of Deng Xiaoping, his successor’s, reforms, the latter described as based on socialism ‘with Chinese characteristics’ and in this way seeking to reflect the national culture (Child and Warner 2003). More recently, the new leader Hu Jintao has proclaimed the ‘Harmonious Society’ as the route to reconciling economic performance with social justice (Warner 2009).

Background

Today, the PRC is increasingly seen as an ‘economic superpower’ (World Bank 2009). China’s Gross Domestic Product (GDP) in 2008 was said to be over US\$4.4 trillion, somewhat smaller than Japan’s but predicted to overtake it in 2010, if as yet only a third of

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that of the US. The outward investment of China was around US\$56 million in 2008. Some see the PRC as umbilically linked to the US in a relationship called '*Chi-merica*' (Ferguson 2009), constituting what has been dubbed the 'G2'; it has now become the biggest lender to the US and the RMB (*yuan*), if possibly overvalued, is predicted to become a 'reserve currency' at a future date (The Economist 2009a, pp. 1–2). Its massive financial stimulus policy of US\$586 billion to counteract the current economic crisis has been praised by the International Monetary Fund (IMF 2009) to better compensate for the fall in exports and the rise in unemployment at the end of 2008 (China Economic Review 2009). Even so, it has indeed become the new Asian 'giant' economy (Bergsten *et al.* 2008, World Bank 2009), and we can here clearly see China's achievement, in a comparative context, for example its high rate of economic growth, *vis-à-vis* its neighbours, one 'socialist' (Vietnam) and the other two 'capitalist' (Japan and South Korea), in Table 1.

Table 1. Comparative contextual factors – China *vis-à-vis* its neighbours, one 'socialist' and the other two 'capitalist' (2009, est.).

	China	Vietnam	Japan	South Korea
Geography				
Size (sq km)	9,596,961	331,210	377,915	99,720
People				
Population (million)	1338.61	86.96	127.08	48.51
Age structure (%) 0–14 yrs	19.8	24.9	13.5	16.5
15–64	72.1	69.4	64.3	72.3
65+	8.1	5.7	22.2	10.8
Median age (years)	34.1	27.0	44.2	37.3
Growth rate (%)	0.655	0.977	– 0.191	0.266
Birth rate (per 1000 pop.)	14.00	16.41	7.64	8.93
TFR* (children per woman)	1.79	1.83	1.21	1.21
Urban population (%)	43	28	66	81
Education expenditure (% GDP)	1.9 (2006)	1.8 (1991)	3.5 (2005)	4.6 (2004)
Economy				
GDP ppp** (US\$ 2008)	7973 trillion	241.7 billion	4329 trillion	1335 trillion
Real growth rate (% 2008)	9.0	6.2	– 0.7	2.2
Per capita ppp (US\$ 2008)	6000	2800	34,000	27,600
By sector (% 2008)				
Agriculture	11.3	22	1.5	3.0
Industry	48.6	39.9	26.3	39.5
Services	40.1	38.1	72.3	57.6
Inflation (CPI % 2008)	5.9	24.4	1.4	4.7
Labour market				
Labour force (million 2008)	807.3	47.41	66.5	24.35
By occupation (%)				
Agriculture	43.0	55.6	4.4	7.2
Industry	25.8	18.9	27.9	25.1
Services	32.0	25.5	66.4	67.1
	(2006)	(2005)	(2005)	(2007)
Unemployment official figures (% 2008)	4.0	4.7	4.0	3.2

Notes: * total fertility rate; ** purchasing power parity.

Source: adapted from CIA (2009) and miscellaneous statistical reports.

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This table is also of interest as it shows some interesting contrasts, such as in terms of size (geographical, population and labour force) and relative importance (employment and contribution) of sectors. For instance, in terms of (1) population structure, 8.1% of the population is over the age of 65 in China, in Japan, 22.2%; (2) birth rate, 14.0 in China, 7.6 in Japan; (3) urban, 43% in China, 66% in Japan. Similarly, in terms of percentages of the labour force in different sectors, in China 43% are in agriculture, 26% in industry and 32% in services, while in Japan the figures are 4.4%, 27.9% and 66.4% respectively. Even more telling is the percentage of GDP each provides; for example, in China 11.3% comes from agriculture, 49% from industry and 40% from service, while in Japan the figures are 1.5%, 26.3% and 72.3% respectively.

In this symposium, we review the evolution of management in the PRC over recent years, which we see as having been modernized *pari passu* with the transformation of its economy. As ownership has now opened-up and has become more fragmented, the state-owned enterprises (SOEs) that once dominated its industrial landscape are no longer as prominent as they were (Garnaut *et al.* 2005, Zeng 2005, Warner 2009, 2010a, 2010b). Markets now drive the economy and management has also become more complex and diversified, as well as more professional and less ideological (Chen 2008). Even so, the state still plays a key role in orchestrating the score (Huang 2008, The Economist 2009b, Scissors 2009). Right now, the Party is said to be attempting to blend Marxist-Leninism with traditional notions of Confucianism (Bell 2008) as it seeks to cope with the growing contradictions in Chinese society, such as relate to inequalities of wealth and income, and more fairly deal with its labour–management relations by promoting the ‘Harmonious Society’. This edited collection asks what are the next steps to take and will assess the current directions in which Chinese managers are developing as the economy slows down in the face of global uncertainty (see the variety of areas of management in Rowley and Cooke [2010]). We can see the range of the contributions in the symposium in the overview of contents in Table 2 below. This is in terms of main themes, organizations and sectors and locations covered.

Contributions to this symposium

We now present a summary of each of the contributions to this symposium, in the following section. First up is a study by Warner and Zhu, which looks at the relations in the workplace between labour and management. It examines the challenges now facing China’s increasingly complex ways of managing people in the new economic, political and social environments of the twenty-first century and how managers are adapting to the new concept of a ‘harmonious society’ to which the new Chinese leadership currently aspires. The authors hypothesize that this search for harmony, built on Chinese cultural values, represents what amounts to what can be conceptualized as a ‘coping mechanism’ to deal with the existing and potential conflicts now facing Chinese society. Labour–management relations in the workplace are accordingly now changing fast. The older ways of people management are being replaced with newer ones. Notions of human capital and human resources (HR) are now increasingly *de rigueur*. The more ‘human resources management’ (HRM) replaces ‘personnel management’ in China, the more of the old people management ethos of the planned economy goes out of the window. HRM is now more typical of the non-state sector.

However, it might be argued that this new way of managing may be more often found in most of what have been called ‘learning organizations’, such as those more ‘open’ Sino–foreign joint venture (JV) enterprises or multinational companies (MNCs)

Table 2. Overview of content: themes, sector/organization and locations.

Authors	Themes	Organizations/Sectors	Locations
Warner and Zhu	Labour–management relations; Harmonious Society	SOE, JV, SME, POE, FEI, MNC	PRC
Kriz and Keating	Interpersonal trust: <i>xinren</i>	SOE, JV, SME, POE, FEI, MNC	Beijing, Shanghai, Xiamen, Taipei, Hong Kong
Cunningham and Rowley Shen	HRM Employee satisfaction; HRM	Trading, insurance, R&D, PR, information, education, petrol SME POE, SOE, TVE Manufacturing: luggage production, electrical wires and cables, liquor, cereal and feed machinery Textiles and apparel POE, SOE, JV, WFOE	PRC Jiangsu province
Cooke and He Zhang <i>et al.</i>	HRM; CSR Socially embedded HRM; <i>hukou</i> system	Auto spares, electric motors, real estate, house decorations, photo-electric displays, yarn, electronic devices, aluminium pigments, cocoa products, house appliance fittings Banking	Guangdong province Jiangsu province Shanghai
Guo <i>et al.</i>	Exchange relationships; corporate relations; commitment		Beijing
Nolan	Corporate governance; institutional theory	Banking	Beijing Hong Kong Shanghai
Zhu <i>et al.</i>	Intangible management; Employee satisfaction; organizational performance	SOE, DPE, FIE, COE, SME, LF Textiles, clothing and footwear; electronics	Beijing and Hangzhou Harbin and Kunming Lanzhou and Wuhan
Jiang and Kattuman	Market competition; firm profitability	Chinese listed companies	PRC

operating in China. In such firms, we are likely to find new management practices that have been initially transplanted when the JV was initially founded, for example, by the overseas partner from its home base to, say, Beijing or Shanghai.

This contribution concludes that the changes in the relations between labour and management reflect the impact of globalization on economic restructuring and enterprise diversity, as well as the changing role of trade unions and their efforts to protect workers' rights and interests in the light of these developments. Yet, the authors believe that there will indeed have to be another 'Long March' for the Party/state and unions, as well as other civil groups in China, before the partners can reach a new social equilibrium.

In the next contribution included in this collection, Kriz and Keating examine interpersonal trust which they argue may be identified as a critical issue for Western firms attempting to do business in China. To go 'within' Chinese culture and what some refer to as 'inside-out' or 'bottom-up', their study adopts a grounded interpretive approach, employing mainly qualitative techniques. These include using 'rich' and 'thick' descriptions and 'in-depth' semi-structured interviews.

Initially pilot interviews were conducted with Chinese individuals resident in Australia and this was later followed up with 'face-to-face' interviews in Beijing, Shanghai and Xiamen, as well as the non-Mainland Chinese markets of Taipei and Hong Kong. A key goal of this research was to offer a more indigenous or native Chinese definition for trust. After coding, processing and analysing the data, it became evident that Chinese defined trust (*xinren*) as the 'heart-and-mind' confidence and belief that the other person will perform, in a positive manner, what is expected of him or her, irrespective of whether that expectation is stated or implied.

Another important strand of the study was to pin-point potential antecedents of trust, as well as a conceptual framework. The study identified that what the Chinese refer to as trust or *xinren* is reserved for a minority of people and is erected on several important elements, like honesty, sincerity, help, reciprocity and performance over time. The relationship between *xinren* and its associated construct in Chinese business is called *guanxi*. The tag *xinren* is really reserved for a few select relationships, whereas *guanxi* is built around more extended connections and a larger network. The study suggests that lower forms of trust can of course be built from initial connections and *guanxi*, but 'deep trust' or *xinren* does not occur until a threshold is achieved. At this level, the bonds become very strong.

This finding is, the contributors believe, an important addition to the literature on the subject, as those business people operating in China and relying on *guanxi* may be over-estimating the depth of their potential connection's commitment. Crucially, deeper levels of trust, they argue, are built on both *cognitive* and *affective* aspects and are not simply instrumental or emotional as reported in recent literature. They believe that what they calls an *emic* approach to understanding *xinren* is a timely contribution to the growing importance of doing business in Chinese markets and has important implications for both theory and practice.

After this, Cunningham and Rowley, in their study of small and medium-sized enterprises (SMEs) in China, discuss the importance of HRM. As the importance of SMEs there has increased, they see it as critical to review research on HRM in such firms, in order to identify the 'gaps' or areas that may exist in current coverage. Therefore, the aim of the current study is to provide an *overall* examination of the research on HRM in SMEs in China. The authors begin with a discussion of the literature addressing HRM in this category of firms by looking at the nature of HRM in SMEs and the importance of *contextual* factors on its 'take-up' in enterprises. Then, research methods and data

collection processes are presented; after this, the findings of the research are set out. Finally, the study draws together some conclusions and outlines possible future directions.

While the results of this review suggest that *informality* is the key feature of HRM in SMEs in China, the findings of the current study illustrate that *two* key factors contribute to the informality of the HRM approach in such firms in China. One relates to the specific characteristics of SMEs (that is, external uncertainty and the 'dictatorship' of the owner-manager), and the other is the market environment. In other words, this review confirms that HRM practices in SMEs in China are rather more informal than those formalized and systematic procedures prescribed in the concepts of Western HRM 'best practices'. The findings of this review also demonstrate that traditional Chinese culture limits the applicability of HRM in non-Western settings, while institutional factors create barriers to effective management practices.

Although China provides a *dynamic* environment for SMEs to grow and the evidence suggests a linkage between HRM and organizational performance, the current study implies that it is clear that contextual influences restrain the pace and depth of HRM changes in SMEs. Even though the progress of SME-related HRM studies is promising, this review suggests that the research on this in China is sparse and limited, as well as geographically biased and concentrated.

Next, Shen's contribution investigates levels of employees' satisfaction with HRM practices in Chinese privately owned enterprises (POEs) in manufacturing and differences in satisfaction between different employee groups. In China, he argues, HR is managed 'differently' according to the type of pragmatic and market-oriented firms, resulting in a significant growth in labour disputes. However, little is known about how employees in this sector perceive HRM policies and practices.

This study posits that the levels of employees of POEs satisfied with HRM ranged from low to high. Employees were relatively more satisfied with performance appraisal, particularly appraisal criteria and appraisal execution, than other HRM policies and practices. Employees were moderately satisfied with contract-based employment relations, the two-way selection process and performance-based rewards and compensation (see also Rowley and Wei [2009a, 2009b]), except for signing labour contracts and welfare and benefits. Employees were very dissatisfied with training provision and management development opportunities, and with the poor level of organizational support being offered for personal and management development.

This author concludes that during the past three decades the economic reforms have eroded Chinese employees' sense of having a truly 'socialist-egalitarian' ideology. Employees' satisfaction with the HRM reform varied significantly according to their own personal characteristics and experiences. The study points out that the 'inequality' in HRM practices is the key reason for variations in levels of satisfaction with HRM.

After this, in the next contribution, Cooke and He examine issues related to corporate social responsibility (CSR) which has been the subject of growing debate across an increasingly wide range of disciplines in social sciences and business and management studies. China's manufacturing-based economy, producing a large share of world trade, they note, has been facing mounting pressure to take CSR issues seriously, with particular reference to environmental protection and labour standards. However, issues related to CSR and HRM remain under-explored, and existing studies on the topic focus primarily on labour standards in value chains. While research interest on CSR has grown significantly in China in recent years, few empirical studies have been undertaken to identify how companies, particularly those in the private sector, perceive CSR issues, what actions they are taking, if any, and what implications these may have for institutional bodies that seek

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to promote CSR in the country. This study addresses this research gap by investigating the current situation of CSR, of which HRM is an integral part, in China. The study specifically focuses on the textile and apparel industry, which is highly export-oriented and cost-sensitive and where labour standards are often reported to be low.

Based on evidence from interviews with senior Chinese managers in a wide range of firms, the authors found that the Chinese are beginning to realize the importance of adopting CSR. This apparent *démarche* exists in spite of the fact that many of the enterprises do not have a written CSR policy and that the majority of enterprises have *not* obtained CSR standards. The main reasons for firms to implement CSR practices are to enhance their reputation, improve customer satisfaction and reduce operating costs. In other words, a business 'case study' approach is adopted. In addition, companies believe that *legal* and *economic* responsibilities are more important than ethical and voluntary responsibilities. This fact implies that legal compliance remains the main source of pressure for adopting CSR activities and that a firm's public statement of their commitment to CSR may be little more than lip-service. Firms are also more likely to respond to pressures from the government.

The findings of this study suggest that external bodies and value chains are not the main drivers for firms' CSR activities in China. The majority of companies have not yet developed a working relationship with other companies to share experience and information related to CSR. They have not received sufficient pressure in the value chain to engage in CSR activities. Nor have they become a source of pressure for other firms in the value chain to do the same.

Whilst many of Cooke and He's findings reflect those found in other studies outside China, suggesting some universal patterns in the adoption of CSR activities, their findings also reveal a number of unique characteristics and institutional weaknesses specific to the Chinese context. These include, for example, the role of the government and the types of incentives that may prove effective to motivate firms and their employees to engage in CSR activities. The limited power of non-government-led pressure groups is evident and a voluntary approach to CSR is unlikely to have much effect in the current business environment.

Further, Zhang, Nyland and Zhu, in the study that follows, note that HRM research has been dominated by a 'managerialist-determined HRM' perspective; this assumes that the pattern of HRM in a firm is determined by managers based on their chosen business strategies. However, a 'managerialist-determined HRM without institutional context' they find problematic – because empirical findings have demonstrated that HRM policy and practice are primarily based on local labour regulations. Advocates of a 'socially embedded HRM', by contrast, believe that HRM policy and practice are reflections of or responses to organizations' larger institutional environments and can be understood only in relation to the institutional contexts in which they are embedded. Drawing on a 'socially embedded HRM' perspective, the study hypothesizes that HRM in China would probably be *hukou*-based, dependent on residence registration, given the long-lasting rural–urban separation this may involve.

Based on a number of case studies, this research documents how the system examined here in contemporary China informs six major HRM functions. It shows how the system has generated a division between urbanites as core employees and rural migrants as peripheral workers. Rural workers tend to suffer from job and wage discrimination and have less access to training, welfare benefits, social insurance and promotion than urban-*hukou* holders. The hierarchical nature of this division reflects the fact that HRM policy

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and practice in China is a product of the larger institutional environment and lends support to the theoretical notion of 'socially embedded HRM'.

This study claims to be among the first to examine the influence of the *hukou* system on HRM in China. The research provides rich first-hand evidence, which facilitates a better understanding of HRM and management in the context. The findings here have important implications. First, the findings indicate a close linkage between HRM and the institutional context, and lend support both to the argument that the *hukou* system is still a powerful institution controlling Chinese society and to the 'socially embedded HRM' perspective. The study is designed to evoke discussion and to stimulate further HRM studies that embrace the perspective of 'socially embedded HRM'. The research suggests that Chinese HRM studies should pay more attention to the institutional environment. Second, the work has implications for workforce diversity management. It shows that managing rural migrants has become a challenging issue in contemporary China as rural workers become the main body of the Chinese workforce. Third, the research also has implications for the ongoing debate regarding the dual pressures of localization and standardization faced by subsidiaries of MNCs. The findings show that the forces of local isomorphism tend to be more powerful than the forces of standardization, and consequently MNC subsidiaries tend to share similar behavioural characteristics with local firms in response to institutional environments.

Next, Guo, Duff and Hair in their contribution investigate markets for corporate banking in China. Such services are now facing intensified competition in a new deregulated environment. A review of the extant literature identified that empirical studies in financial services marketing generally focus on the conceptualization of relationship banking and its associated costs and benefits; however, little is known of what motivates corporate customers to continue their relationships with their banking service providers. Particularly, few researchers offer empirical data in the Chinese banking sector. The dearth of research is unexpected here, given the rapid economic development of China. More importantly, the opening of the Chinese banking market in accordance with the WTO requirements provides both Chinese domestic and foreign banks with huge challenges and opportunities. Therefore, investigating bank–corporate relations in the Chinese banking sector is significant to practitioner audiences, allowing both Chinese domestic and foreign banks to incorporate relationship banking issues into their strategic planning.

This study attempts to draw on the exchange relationships literature to create a model of what motivates corporate customers to continue their relationships with their primary banking services providers. By reference to the exchange relationships literature in the West, the research proposes a conceptual model by hypothesizing positive or negative relationships between the constructs relating to commitment. The model was tested using a research instrument specifically designed for the purpose, and data collected from a wide sample of financial managers in China.

The results show that sufficient evidence exists to support the hypothesized positive relationships between the antecedents of commitment and the two types of commitment (that is, affective commitment and calculative commitment). Notably, service quality is found to be a significant antecedent of affective commitment, which in turn leads to cooperation and continuance intentions. The final model is found to be more parsimonious than the hypothesized conceptual model.

A number of policy implications are made for bank management and treasury practitioners. For example, the creation of trust in the relationship should be a focus for both bankers and financial managers. Banks' managements should carefully target the

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market and gain access to those customers who genuinely wish to engage in relationships with their bankers. Banks will benefit economically from focusing their efforts on improving service quality, for example, regularly visiting corporate customers, providing adequate training for bank staff, and recruiting staff with social skills that assist the development of long-standing customer relationships. Banks' managements should also try to avoid those relationships where corporate customers only demonstrate calculative commitment, as the results identify calculative commitment is positively associated with opportunistic behaviour and negatively associated with cooperation, reducing expectations of relationship continuation. Without a genuine attempt to develop affective commitment, banks' efforts to develop their relationships with corporate customers will be ineffective.

After this, Nolan looks at the influence of Western banks on corporate governance in China. In 2006, the Chinese financial sector was opened to Western banks. As well as meeting certain WTO obligations, the move was partly based on a belief by the Chinese authorities that Western banks could enhance the corporate governance of local institutions, both directly (through JVs and acquiring shareholdings in Chinese banks) and indirectly (through creating competitive pressures by setting up their own branch networks). However, the distinctive institutional and organizational environments of Western and Chinese banks means that cooperation and technical assistance in this area is likely to be formed by *path-dependent* processes. The aim of this study is to investigate the institutional forces which affect the adoption of Western corporate governance mechanisms in Chinese banks.

The theoretical framework draws on 'institutional theory' which categorizes institutions according to their regulatory, normative and cognitive characteristics. The regulatory level is the most formal and includes legal rules and other forms of codified sanctions. Normative institutions are somewhat less formal and can be identified as the authority systems or principles that guide behavioural goals and legitimate ways to achieve them. Cultural-cognitive institutions are the most informal and represent taken-for-granted assumptions about reality and the way in which it is perceived.

The data are drawn from in-depth qualitative interviews with senior managers across China, who were either employed in Western banks with stockholdings in Chinese institutions, held non-executive directorships of Chinese banks, or had participated in other financial advisory roles. The data are analysed using a 'grounded theory' approach where the emphasis is placed on concept and thematic development and an examination of the conditions and consequences which influence perceptions.

The results show that while there has been relatively rapid change in the formal legislative environment in which banks operated, the informal normative and cultural-cognitive realms are changing at a much slower pace. Components of Western models of corporate governance such as the board of directors, diversified ownership structures, and technical assistance in areas such as credit rating and risk management have been widely adopted. However, the over-riding perception was that the motivation for these changes was legitimacy-seeking by Chinese banks in the global financial environment. Enduring cognitive and normative institutions including a 'who you know' credit culture and the importance of informal institutions, such as *guanxi*, mean that the influence of foreign banks on corporate governance reforms in China is perceived by informants as usually ineffective. Given the serious failures of Western credit-rating systems in the sub-prime crisis, it is likely that this perception will increase in the future.

Further, Zhu, Webber and Benson's study focuses on three questions about the role of management within a transitional economy like the PRC. First, does the degree of

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intangible aspects of management, such as organizational culture, management structures and management systems, affect enterprise output and productivity? Second, do the various elements making up intangible management directly affect enterprise success, or do they work indirectly through other critical factors such as employee satisfaction? Third, what is the relative role of intangible management and other contextual conditions (such as market competition, ownership form, age of the enterprise and location) in determining the success of enterprises? The central theme is to examine the inter-relationships between these three important factors that may determine enterprise success: management actions; employees' responses; and contextual conditions.

The study is organized as follows. First, it reviews the theoretical underpinnings of the Western management literature on the role of intangible elements and related empirical research on the adoption of 'modern management systems' in China. The research framework and hypotheses are defined in this section. The next section identifies the research methods, sample selection and analytical procedures. This is followed by a results section that links intangible management practices, various dimensions of employee satisfaction and a range of structural contextual variables with enterprise performance. Based on the results of the data analysis, the penultimate section interprets the findings in terms of the central hypotheses of this research. The theoretical and practical implications of the results are considered in the conclusion.

To sum up, the research leads to the following findings. The forms of management in China have changed substantially since the beginning of the economic restructuring period and most of the innovative management practices, the forms of organizational culture, management structures and systems that are common in advanced economies are now present, at least to a fair degree, in Chinese enterprises. The research also confirms that the success of Chinese enterprises owes much to similar kinds of intangible management variables, employee satisfaction and contextual variables that appear to drive the success of Western enterprises. In fact, the impact of changing intangible management elements on employees' satisfaction is significant. In addition, the effect of the internal-oriented clan culture is more profound than that of the external-oriented market culture. Furthermore, employees' satisfaction is more associated with autonomy and individual rights than benefits, though both components are important. The effects of changing managerial intangible elements and employee satisfaction on overall organizational survival/performance were also significant. Managerial intangible elements including certain aspects of management culture, such as references to cooperation and unity, and open and decentralized management structures, were found to have a significant effect on sales. In addition, employees' satisfaction as measured by their level of responsibility was found to have a positive effect on sales in enterprises.

Thus, the study has significant practical and theoretical implications. In practice, the results provide an improved understanding about which intangible elements have significant impact on employee satisfaction and how both intangible management and employee satisfaction work together to influence the success of organizations. These findings, the authors believe, also contribute significantly to the literature. The major contribution of this study, they feel, is to offer an evaluation of the role of *intangible* elements in enterprise performance in the context of the emerging economy of China.

Next, Jiang and Kattuman look at market competition in the PRC, which they argue tends to equalize returns across economic activities. Abnormally high rates of return, they say, are competed away by entry and the threat of entry. Firms making lower than normal profits are subject to the disciplining force of the market, which catalyzes restructuring (if

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not exit). Firms, they argue, are driven to various measures, such as reducing slack and costs and re-organizing more efficiently.

Although there is a large literature covering both developed and developing countries on profitability dynamics, there has been, notably, no empirical study of the intensity of competition in China, despite its significance as an important, large, emerging market with a limited market history. This investigation seeks to redress this gap, exploring China's competitive process with a research question focused on the degree of mean reversion in profitability among Chinese listed companies. They see it as useful to understand the extent to which competition is a force in this important 'socialist-market' economy.

Developing and applying the 'Fama–MacBeth' approach, the study uses a simple partial adjustment model to examine the extent to which deviations from their expected values of profitability (individual conditional profitability) tend to be corrected among listed companies in China. China's entry into the WTO in 2001, the study concludes, opened out the Chinese market in a gradual way to global competition. That has not, the authors conclude, had a significant impact in terms of further intensifying competition faced by Chinese listed companies. In addition, they confirm that profitability mean reversion is pivotal to the predictability in earnings, notably reversion from negative deviations in profitability.

Last, an Epilogue by the editors concludes this collection of studies and comments on the contributions which have been presented by the authors involved in this symposium.

Concluding remarks

To sum up, the research studies summarized above, we believe, cover an illustrative range of topics *vis-à-vis* the 'new' Chinese management that is now emerging in the 'Harmonious Society'. The contributions presented, in turn, deal with banking, competition, corporate governance, employee satisfaction, financial expatriates, industrial and labour relations, HRM, organizational structure, SMEs, social responsibility, trust-relations, and so on. They ask in their respective ways in which future directions management may be evolving in this important linchpin of the international economy, given the *future* path of globalization in the long-run as well as the *current* instability of the financial system in the short-run (World Bank 2009). We believe, however, that whatever the challenges, a revitalized managerial synthesis will emerge in the next decade!

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Labour and management in the People's Republic of China: seeking the 'harmonious society'

Malcolm Warner^a and Ying Zhu^b

^aWolfson College, Judge Business School, University of Cambridge, UK; ^bDepartment of Management and Marketing, University of Melbourne, Australia

This study examines the challenges facing China's increasingly complex labour-management relations system vis-a-vis the new economic, political and social environment it faces and how it is adapting to the new concept of the 'harmonious society' – to which the new Chinese leadership now aspires. The contribution concludes that the changes in the labour-management relations system reflect the impact of globalization on enterprise diversity as well as the increasing important position of trade unions to coordinate labour relations and protect worker's rights and interests. There will be another 'Long-March' needed for both party/state and other civil groups in China to reach a new social equilibrium.

Introduction

In this study, we undertake an in-depth qualitative overview of the changing labour-management relations system in the People's Republic of China (PRC) vis-a-vis the new economic, political and social environment it faces and how it is adapting to the new concept of the 'Harmonious Society' – to which the new Chinese leadership aspires.

Economic reform has been an important factor in shaping the labour-management relations system. The Chinese economy has now been transformed dramatically since 1978. The State now runs much less of economic life than it did in the past. The share of state-owned enterprises (SOEs) in productive output has fallen from around 80% in 1978 to around 30% now, a veritable 'sea-change'. The so-called 'dinosaur' SOEs no longer dominate the economy, either by share of output or employment (see Nolan 1998, 2003, ADB 2006, World Bank 2008).

Given the impact of globalization and the membership of China in the World Trade Organisation (WTO) signed and sealed in late 2001 (see Wang 2006), it is not surprising that there appears to be a tension between the market forces now endemic and the institution that seeks to protect Chinese workers against these forces (WTO 2008, p. 1).

By taking on these commitments, the government, enterprises, management and trade unions now have to face a wide range of challenges from further opening up the economy with increasing pressures such as external competition and internal instability of a growing *imbalance of income-distribution* and conflict of different interests in Chinese society. The Gini coefficient which measures how unequal a nation is, has veered in the direction of greater inequality, up to around 0.47 from 0.25 in Mao's day (Shue and Wong 2007);