Managing human resources across cultures: a comparative analysis of practices in industrial enterprises in China and The Netherlands

Robert M. Verburg, Pieter J.D. Drenth, Paul L. Koopman, Jaap J. van Muijen and Zhong-Ming Wang

Abstract Although researchers and practitioners have come up with many good ideas for improving the employment relationship, there is no evidence for universally applicable practices. Prior theoretical work and research in the area of (international) human resource management indicate that cultural and contextual constraints are responsible for the problematic nature of transference of practices. This study illustrates and explains the contextual as well as cultural boundaries through a direct comparison of practices as used in a matched sample of industrial companies in China (n = 97) and The Netherlands (n = 47). It is argued that differences in organizational structure, cultural values and labour regulations account for the variation between countries. The results show considerable differences between China and The Netherlands in the HRM practices of industrial enterprises. Also, the organizational culture of the companies studied varies between the two countries and the differences found are clearly in line with differences on the national cultural level.

Keywords Human resource management; organizational culture; national culture; PRC; The Netherlands.

Introduction

Human resource management (HRM) emerged more than two decades ago in the context of the American labour market and is regarded, by many, as an American management tool (see, for example, Beaumont, 1992; Guest, 1994; Poole, 1997). There are two basic assumptions underlying the concept of HRM. First, that human resources are valuable and second that human resources provide a source of competitive advantage. These basic assumptions can be translated into several human resource practices, policies and overarching philosophies (Jackson and Schuler, 1995) which are integrated with business policy, reinforce the desired organizational culture, promote commitment and encourage willingness in employees to act flexibly in the interests of the organization (Legge, 1995). Those practices and policies form the HR strategy of an
organization which acts as a precious source of competitive advantage for it creates a valuable asset which cannot be easily copied by its competitors (Barney, 1991).

HRM emphasizes the importance of integrating different personnel practices, such as training, selection and rewarding. Those practices are no longer seen as separate tasks of a personnel department, but are all part of one integrated personnel strategy, which is formally endorsed by executive management. Integration of employment practices is, therefore, a prerequisite for the development of a committed workforce and a strong corporate culture.

Over the last few years, many companies report being involved in launching new or increasing existing international activities. The continuing development of the international market has led to more competition than ever before, making distinctive personnel management more and more important. This trend has brought the value of HR strategies to the fore. Technology, as well as capital goods, seems relatively easy to duplicate on the international market. As a strong HR strategy and its resulting committed workforce are less easy to copy, HRM is increasingly seen in terms of creating competitive advantage world-wide (Sparrow et al., 1994).

For a long time, management tools such as HRM were regarded as universals which could be applied anywhere across the globe. The continuing development of the international market, however, has contributed to the belief that successful tools for managing personnel in country X do not necessarily have the same impact in country Y. It has now become clear that HRM is difficult to apply in non-US contexts. Boyacigiller and Adler stress that ‘Americans have developed theories without being sufficiently aware of non-US contexts, models, research and values’ (1991: 263). Models of human resource management have taken an individualistic approach by concentrating on job analysis, staffing, performance appraisal and compensation, thereby de-emphasizing activities at the group and societal level such as communication, team building and cultural values. Often the moderating effect of culture was not taken into account in these models of HRM (Cascio, 1995).

Erez (1994) shows the contextual boundaries for applying managerial tools by defining context in terms of task and cultural characteristics. HRM practices will lead to preferred behaviour by employees only when applied in the right context. When applied in a different context, HRM practices will have a different meaning and therefore not necessarily lead to the preferred behaviour. The design of the elements comprising high-commitment strategies is dependent on contextual knowledge such as insight into local organizational structures, cultural values and labour regulations. In order to provide insight into this process, the applicability of HRM across borders will be illustrated through a direct comparison of practices as used in a matched sample of industrial enterprises in China and The Netherlands.

Context: The People's Republic of China

Chinese personnel and employment practices used to be characterized by the 'iron rice-bowl' policy (see Warner, 1993, 1995). The 'iron rice-bowl' model was originally copied from Soviet practice in the early 1950s (Walder, 1986). This model implied that companies took full care of their employees by providing them not only with wages, but also with housing, social and medical insurance, and employment security through lifetime employment systems. The growing and opening economy of the mid-1980s forced the need to change personnel and employment practices in order to allow for further development of the economy as well as improvement in the living standards of the Chinese workforce. Goodall and Warner (1997: 574) state that, since that time, 'large
and medium-sized firms in the mainstream of Chinese industry have slowly departed from the "iron rice-bowl" model of jobs. So far, the most salient reforms in China are: the development of a contractual labour system including wage regulations replacing the lifetime employment policy; the introduction of a welfare system through introducing a social security fund, and the creation of a labour market in lieu of the earlier policy of assigning employees to companies by the state.

Structure

Organizations in China can be divided into five main categories: state-owned enterprises (SOEs), collective companies, joint ventures (JVs), wholly foreign-owned companies (WFOs) and privately owned companies. Traditionally, state-owned enterprises were the only kind of companies in China. They still employ the largest number of employees (over 100 million) and are also responsible for the largest part of the total gross value of industrial output.

Collective or so called ‘township companies’ are owned by the company workers and supervised by local government. Organizations in this category are active in the light industrial sector. Nowadays, the number of township companies is growing.

Privately owned enterprises are mainly found in the service sector, for instance, at present many hotels, karaoke bars and restaurants are private companies.

A large number of joint ventures and wholly foreign-owned ventures are now registered in China (see Wang, 1996) and most operate in so called ‘open areas’ such as special economic zones (SEZs) or technical development areas. These areas are especially designed to attract foreign capital and technical expertise for new and innovative industrial activities.

Chinese organizations are characterized by a dual power structure (Easterby-Smith et al., 1995). As well as the usual executive managers, representatives of the Communist Party of China (CPC) are partly responsible for managing the company. The influence of the CPC in organizations is reinforced by trade unions which are organized as separate divisions. Their main objective is to oversee the different state regulations concerning working hours, health and safety and the use of labour contracts as put forward in the labour law. The chairman of the trade union division is present at the meetings of the management team of the organization but is not allowed to vote.

Identifying Chinese values

The key for explaining cultural differences in the behavioural sciences is to focus on values (Bond, 1996). ‘A value is a conception, explicit or implicit, distinctive of an individual or a group, of the desirable which influences the selection from available modes, means and ends of action’ (Kluckhohn, 1951: 395).

Chinese society is often said to be characterized by Confucian values (Hofstede and Bond, 1988; Hofstede, 1991). Confucius (551-479 BC) is known for his moral teachings. Although not a religion, Confucianism sets out a pragmatic set of guiding principles for daily life, including that individuals should form a part of a system of interdependent relationships (hierarchy), that people should strive to become righteous (reciprocity) and that power should be exercised only by those people who have been thoroughly educated to do so (personal power).

Harmony seems central to Chinese values and is a significant aspect of ordinary life. As ‘family’ is the key unit in society, overcoming one’s individuality for the sake of the group is vital for maintaining harmony within that family. The critical role of harmony is explained by the well-known phenomenon of ‘face’. As a manager criticizes a
subordinate in public, both experience loss of face. Points of critique are therefore often delicately disguised as suggestions for improvement. A study by Redding and Ng (1982) among 102 Chinese managers in Hong Kong illustrates that all respondents saw the preservation of face as very important for their work as business managers.

Another salient aspect of Chinese society is the importance of connections (guanxi) for success in both ordinary and business life. Despite the many reforms in China the way things are organized still relies strongly on personal relations and connections (Yeung and Tung, 1996; Hui and Graen, 1997).

The Confucian principles (hierarchy, reciprocity and personal power) are partly represented in society in the ‘iron rice-bowl’ policy. The way things are organized in state-owned enterprises reflects a reciprocal process between employer and employees. The workers’ loyalty is rewarded by the company through the provision of housing, medical support, food and lifetime employment. When innovations or changes are at hand, the emphasis on harmony in Chinese working life often constitutes a source of inhibition. In order to maintain harmony in the company, Chinese workers are more likely to listen and to comply, rather than to initiate change (Zhao, 1994). Changes on the shopfloor are likely to be disruptive as stability is vital for maintaining harmony in unequal relationships (Hofstede, 1991).

Although Zhao’s analysis provides insight into some critical factors in Chinese society, it is not clear to which extent traditional Confucian values dominate values in Chinese society. Recent economic developments are sometimes described as going ‘beyond the iron rice-bowl’ to explain the development of a more flexible workforce through a new labour law (Warner, 1995). Socio-economic changes may influence the Confucian aspects of society. Explanations of Chinese (work) behaviour exclusively in terms of Confucian values will, therefore, not lead to a sufficient understanding of the way things are organized in China.

Currently, the results of several extensive value surveys seem to form a consistent pattern of key Chinese values. This increased insight into Chinese values will help to explain Chinese behaviour in organizations. Bond (1996) has reviewed and synthesized the results of Hofstede’s (1980) survey, the Chinese Culture Connection (1987) and the more recent value survey by Schwartz (1994) in order to draw a profile of Chinese values. Although there is much variation across various dimensions, Bond concludes that ‘at the cultural level, Chinese societies may be characterized as high in hierarchy and very high in discipline’ (1996: 225). Obviously, such a profile of values does not apply to all Chinese individuals, however, the dimensions ‘hierarchy’ and ‘discipline’ form clear and robust categories for explaining Chinese behaviour. It is particularly interesting to see that indications of collectivism have no part in Bond’s (1996) synthesis. In terms of Hofstede’s framework China is often characterized as a collectivist country, that is a society ‘in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty’ (Hofstede, 1991: 51). However, Schwartz (1994) has already observed that China is not a prototypical ‘collectivist’ society and Smith, Dugan and Trompenaars (1996) point out that individualism–collectivism has been attended by a growing diversity of definitions. In terms of strong cohesive in-groups collectivism does not seem such a clear and useful frame for explaining Chinese work behaviour.

The results of the Trompenaars’ (1993) survey in forty-six countries among 11,000 respondents are in line with Bond’s synthesis. This survey shows that mainland Chinese see themselves as expressing less overt affect (discipline) and perceive status to be more often ascribed than achieved (hierarchy). Chinese employees are also guided by loyalty
to their particular group and view relationships in a more global and diffuse manner than respondents from Hong Kong and Singapore, but there is no clear sign of collectivism in the sense of strong, cohesive in-groups (see Smith and Wang, 1996). Research into Chinese industry and organizations can benefit from recent developments in the study of Chinese values by designing and testing hypotheses on the basis of these findings.

Values in The Netherlands

Although The Netherlands is one of the smaller Western European countries, a number of the world’s leading companies originated there, including Shell, Philips and Unilever (Hollinshead and Leat, 1995). Labour relations in The Netherlands used to be practically synonymous with industrial democracy emphasizing participative management and various collaborative arrangements such as the mandatory involvement of works councils in companies with over thirty-five employees (IDE, 1981, 1993). Although employers are strong advocates of decentralization of collective bargaining, the majority of companies still bargain at national or industry level in The Netherlands (Brewster and Hegewisch, 1994). The Netherlands are now gradually moving to a more flexible system of labour relations based on the competencies of employees (Thierry et al., 1998).

In terms of Hofstede’s (1980, 1991) framework The Netherlands score high on individualism, medium on uncertainty avoidance and low on power distance and masculinity. Hofstede (1993) also shows the considerable need for consensus among all parties in organizations which is reflected in the tendency to an unconditional balancing of interests. This careful balancing of interests is also seen in The Netherlands’ government with its multi-party political system. Recent research in the area of cultural values in I/O psychology across sixty countries, the so-called GLOBE project, indicates that The Netherlands score well above the mean on culture constructs such as future orientation and well below the mean on power distance and collectivism (see Den Hartog et al., 1997). Table 1 presents the mean scores of The Netherlands in relation to the general mean on the seven dimensions measuring dominant cultural values in the GLOBE project.

The aforementioned dominant values of the Chinese culture, hierarchy and discipline, seem less dominant in the Dutch culture where equity seems more important. Trompenaars (1993) concludes that Dutch managers are often seen as overly democratic and as people who very readily distrust authority.

Table 1 The culture scores of The Netherlands in comparison to the scores of sixty other countries in the GLOBE project

<table>
<thead>
<tr>
<th></th>
<th>The Netherlands</th>
<th>Mean (N = 60 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Achievement orientation</td>
<td>4.3</td>
<td>4.0</td>
</tr>
<tr>
<td>2 Future orientation</td>
<td>4.6</td>
<td>3.8</td>
</tr>
<tr>
<td>3 Gender differentiation</td>
<td>3.7</td>
<td>3.6</td>
</tr>
<tr>
<td>4 Humane</td>
<td>3.9</td>
<td>4.0</td>
</tr>
<tr>
<td>5 Power distance</td>
<td>4.1</td>
<td>5.2</td>
</tr>
<tr>
<td>6 Collectivism</td>
<td>3.7</td>
<td>5.1</td>
</tr>
<tr>
<td>7 Uncertainty avoidance</td>
<td>4.7</td>
<td>4.1</td>
</tr>
</tbody>
</table>


Note

Underlined figures indicate a significant difference between the two groups.
Human resource management practices: expectations

In his review on cross-cultural industrial and organizational psychology, Triandis shows that ‘the general pattern will be that culture enters those situations where interpersonal relationships are not constrained by technology or other contingent factors’ (1994: 113). Practices associated with (technical) product operation, such as recruitment, selection and training, are expected to be less influenced by social-cultural diversity than practices such as career development, performance appraisal and rewards, because the latter have more to do with interpersonal relationships (Evans and Lorange, 1990). We therefore expect to find the strongest differences between state-owned-enterprises and joint ventures within China in career development, performance appraisal and rewards.

For the comparison between China and The Netherlands we expect to find differences on all practices. Both technological and cultural constraints are expected to influence the HRM practices between both countries.

A growing body of literature in the realm of strategic HRM reveals that human resource policies are complex configurations rather than simple collections of practices. Research should preferably be done accordingly (e.g. Begin, 1992; Arthur, 1994; Huselid, 1995; Delery and Doty, 1996; Verburg et al., 1997). However, Lu and Bjorkman (1997) suggest that HRM practices in China be studied separately because of variation in the levels of standardization versus localization of practices in the case of multinational companies. Some practices will be more influenced by the social, economical and cultural context than others.

For the comparison of HRM practices between China and The Netherlands we shall, therefore, focus on explaining differences in selection, training, performance appraisal, promotion and rewards separately. Furthermore, the focus will be on the HRM policy directed at production employees of manufacturing companies because the industrial sector dominates Chinese society, which makes it easier to find comparable companies in terms of size and activity in other countries.

Personnel selection and placement

Although selection is one of the HRM practices which is constrained by technology and therefore less influenced by social-cultural diversity, we do not expect many similarities between companies in China and The Netherlands. Not that long ago Chinese employees were simply assigned to companies by the state after they had completed their relevant education. Selection policies and procedures are therefore relatively new areas of personnel management in the context of the recent developed labour market in China. Another important difference with The Netherlands is that, up till now, psychological tests and personality assessment questionnaires were hardly developed in China due to the relative late and slow progress of the field of psychology. Wang (1993) explains that the study of psychology started at the turn of this century but suffered greatly during the Cultural Revolution (1966–76). ‘Psychology was then attacked as a so called bourgeois pseudoscience’ (Wang, 1993: 90). The open-door policy initiated in 1978, with its many social and economical reforms, has put psychology back on the map but its development has clearly been delayed substantially. In The Netherlands, however, psychological and personality tests as well as assessment centres are common in the selection of employees.

On basis of the importance of hierarchy and discipline in Chinese culture, we expect that Chinese procedures for selection and placement of personnel will be formal rather than informal. Procedures for selection and placement of companies in The Netherlands
are also expected to be formal rather than informal, but on a different ground. The emphasis on democracy and equity in The Netherlands will call for formal rather than informal procedures.

**Pay and rewards**

In the past, factory workers in China were rewarded according to a wage grade system which was adapted from the Soviet model (see Takahara, 1992). This egalitarian wage system is part of the aforementioned 'iron rice-bowl' policy (Warner, 1995). Several reforms since the late 1970s, however, have gradually brought an end to egalitarian policies. Individual income in joint ventures currently depends on growth and profits of the company and there are several group and individual bonuses above one's basic salary (Verburg, 1996). The critical role of hierarchy and discipline will influence the way in which rewards are handled in Chinese enterprises, in the sense that position may be more important than performance in rewarding employees. Industrial relations in The Netherlands have, on the other hand, also resulted in a strongly regulated national wage policy which diminishes the opportunities for performance-related pay. A minimum wage applies to employees who work more than one-third of normal working hours and the government may interfere in collective wage agreements on economic grounds if necessary (Holménhead and Leat, 1995). More and more companies are now introducing different kinds of flexible compensation systems (Langedijk, 1998). These innovations, however, have started in the service sector and are as yet less characteristic of the reward policies of industrial enterprises in The Netherlands. Pay and rewards are, therefore, expected to be related to position in companies in both The Netherlands and China.

**Performance appraisal**

Job evaluation is a common and widespread practice across all levels in companies in The Netherlands. Hollinshead and Leat (1994) mention that this plays a role for 70 per cent of all jobs. In China, performance appraisal was traditionally directed at managers only and done by representatives of the CPC or trade union, requiring managers to write a personal account of their conduct which mainly dealt with issues of party loyalty (Easterby-Smith et al., 1995). China has a far weaker tradition of evaluation and appraisal than The Netherlands. We, therefore expect that practices of performance appraisal are more developed in industrial enterprises in The Netherlands than in China.

**Personnel training**

Like selection, training is one of the practices which is least affected by cultural constraints, or as Lu and Bjorkman put it, 'a production manager is required to possess a certain kind of skills, education background and experiences, no matter in which country he/she performs' (1997: 616). The level of technical knowledge of Chinese employees is very much up to the required standards (Zhao, 1994; Borgonjon and Vanhonacker, 1994). However, it seems far more difficult to attract people with skills in the area of personnel management, finance and marketing (Verburg, 1996). The scarcity of well-educated employees in these areas will eventually come to an end as universities are now also reforming and offer more business-oriented courses instead of merely emphasizing the development of technical skills. In comparing the two countries we expect no substantial differences in training policy at the level of production workers.
Career development and promotion

Warner (1995) shows that, before the reforms, promotion in China was by seniority and political fidelity rather than acquired expertise and motivation. Regular promotion opportunities for managers and staff members were common in the large hierarchical organizations. Although the reforms initiated a move to more objective criteria, promotion possibilities in China are expected to be greater than those in The Netherlands because of the strong sense of hierarchy among Chinese people. Like many Western European countries nowadays, The Netherlands are moving to a more flexible system of labour relations based on competencies of employees in delayered organizations. Employees in Chinese organizations are expected to have more opportunities for promotion than employees in companies in The Netherlands.

Organizational culture: expectations

Human resource management practices are inextricably bound to organizational culture (Jackson and Schuler, 1995). Guest states, for instance that 'HRM can help to inculcate culture through selection, socialization, training, and various forms of employee involvement to win hearts and minds and ensure shared values and beliefs' (1994: 254). Empirical studies, however, hardly ever include direct measures of both organizational culture and HRM but usually focus primarily on HR strategies in relation to psychological and economical outcomes (e.g. Storey, 1995; Huselid, 1995). Possible reasons for this lack of attention to organizational culture in HRM research may be the difficulty of measuring culture and the low availability of suitable instruments.

Recently, the Focus research group developed a useful framework for measuring the core behaviours, procedures and processes in business organizations (see Van Muijen, 1994; Van Muijen and Koopman, 1994; Van Muijen, 1998). Focus stands for ‘First Organization Climate/Culture United Survey’. The questionnaire was developed by an international research group established in 1989 (Van Muijen et al., 1991). The Focus group defines organizational culture in terms of ‘a set of core values, behavioral norms, artifacts and behavioral patterns which govern the way people in an organization interact with each other and invest energy in their jobs and the organizational at large’ (Van Muijen et al., 1991: 250). The Focus questionnaire consists of a descriptive part measuring the behavioural component of organizational culture and an evaluative part which measures the more underlying norms and values which govern behaviour. The descriptive part is often referred to as organizational climate. The difference between organizational climate and culture in the Focus instrument lies primarily in the level of abstraction of the items, descriptive versus evaluative. The instrument is based on the ‘competing values’ model by Quinn (1988) and consists of four orientations: the support, the innovative, the rules and the goal orientation (see Figure 1).

Den Hartog et al. (1996) describe concepts such as participation, co-operation, people-based, social, mutual trust, group cohesion and individual growth as being central to the support orientation. The innovative orientation is characterized by concepts such as searching for new information in the environment, creativity, openness to change, competition, anticipation and experimentation. The rules orientation emphasizes respect for authority, rationality of procedures and division of work. The goal orientation is characterized by concepts like rationality, ‘management by objectives’, selected information, product, functionality, efficiency and accomplishment.

As the comparison of China and The Netherlands focuses on differences between industrial (manufacturing) enterprises, we expect the orientations of the internal side of the model (rules and support) to be more important in both countries than innovation.
and goal which are situated on the external side, because we are studying companies within one sector.

We expect that the importance of hierarchy and discipline in Chinese culture will be reflected in a higher score on the rules orientation in industrial enterprises in China than in The Netherlands. We expect the support orientation to be higher in The Netherlands than in China because of the strong emphasis on consensus in Dutch culture. Concepts such as participation, co-operation and mutual trust clearly align with this need for consensus.

Sample and data collection

A comparative study of this kind presents a number of challenges regarding data collection. The sample in The Netherlands was drawn from the database of the Netherlands Association for Personnel Management (NVP) which contains the names and addresses of over 5000 members. Data were collected with two questionnaires mailed to over 600 senior personnel managers and general managers of different firms. Personnel managers received a series of questions regarding their HRM practices from the Human Resource Management Inventory (HRMI). The HRMI consists of sixty-five sources:

Quinn (1988); adapted from Van Muijen (1998).

Figure 1 The four cultural orientations of the Focus model based on the competing values model
General managers were asked to fill out the descriptive part of the Focus '95 questionnaire designed to measure (indications of) organizational culture. The questionnaire instructs respondents to describe twenty-five items on a six-point scale (from 'never' to 'always'). Sample items for the four climate orientations are given in Box 1.

In the main study in The Netherlands 175 usable sets of questionnaires were returned, yielding a 26 per cent response rate. This response rate is comparable to other large-scale surveys in the field of HRM, such as those reported by Huselid (1995) and Delery and Doty (1996) in the United States (28 per cent and 21 per cent respectively) and by Brewster and Hegewisch (1994) in Europe (22 per cent).

In China, data were gathered by means of a Chinese translation of the descriptive part of the Focus '95. In order to reduce complexity, a translation of a shorter version of the Human Resource Management Inventory was constructed. This questionnaire instructs respondents to describe items on personnel selection, staffing, training, performance appraisal, pay and rewards on a dichotomous scale (yes or no). Where necessary the items of the Dutch HRMI were recoded from a five-point scale to a dichotomous one.

The data were gathered through structured interviews with personnel managers and general managers in ninety-seven industrial enterprises in the Zhejiang province in the south-east of China using both the Focus and HRM questionnaires. The ninety-seven general managers approached were alumni of the management school of the Hangzhou University and they all answered the Focus questions, yielding a response rate of 100 per cent. For reasons of consistency, only personnel managers were allowed to answer the human resource management questions. The response rate for those questions was 43 per cent (n = 42). The sample contains both joint ventures and state-owned enterprises. Table 2 describes the nature of the Chinese sample.

In order to compare the data from China and The Netherlands, the samples were matched according to relative size and sector. All companies in the Chinese sample (n = 97) were medium-sized manufacturing companies and could be matched with forty-seven industrial enterprises from the original Dutch sample (n = 175). The other firms in the Dutch sample are from other sectors, e.g. government, health care, financial services, trade and higher education.

In a cross-cultural comparison of this kind, issues of equivalence become important (Drenth, 1996). In order to gain conceptual equivalence regarding the HRM issues and organizational culture, panel discussions with researchers in both countries were
Table 2 Chinese sample of joint ventures and state-owned enterprises

<table>
<thead>
<tr>
<th></th>
<th>N Culture</th>
<th>n HRM</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE-OWNED ENTERPRISES</td>
<td>40</td>
<td>11</td>
</tr>
<tr>
<td>JOINT VENTURES</td>
<td>57</td>
<td>31</td>
</tr>
<tr>
<td>foreign partner:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taiwan/Hong Kong*</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Japan</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>United States</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>Europe</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>unknown</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
<td>42</td>
</tr>
</tbody>
</table>

* Data were collected before June 1997

Results: human resource management practices

Table 3 presents results of Chinese SOEs and JVs on the items regarding performance appraisal, pay and rewards and career development. As the items are dichotomous, $\chi^2$ tests are performed to indicate whether differences are significant. As Table 3 shows, none of these differences are significant at the 5 per cent level. However, an interesting difference that approaches significance is that joint ventures (37.9 per cent) offer more regular promotion opportunities than state-owned enterprises (9.1 per cent). Interestingly, there are few differences in the use of performance appraisal or reward systems. The largest differences are in the use of standard forms for performance appraisal which is done more in state-owned-enterprises (63.6 per cent) than in joint ventures (44.8 per cent). Other differences are whether pay is related to performance, which is more often the case in joint ventures (86.2 per cent) than in state-owned enterprises (72.7 per cent). On the other hand, pay varies with position more often in state-owned enterprises (90.9 per cent) than in joint ventures (65.5 per cent).

Comparing China and The Netherlands

Table 4 presents Dutch and Chinese results regarding selection and placement of personnel as well as pay and rewards. As the items are dichotomous, $\chi^2$ tests are performed to indicate whether differences are significant. Regarding selection and placement, one item shows a significant difference. This item asks whether formal procedures are used in personnel selection. Significantly more Dutch respondents indicate that formal procedures are part of personnel selection. In both countries, the majority of personnel managers, 57.1 per cent in China and 95.7 per cent in The Netherlands state that formal procedures are used.

The differences on the other two items regarding selection and placement are not significant. Tests are used for the selection of production personnel in 26.2 per cent of
Table 3 Scores for joint ventures and state-owned enterprises in the Chinese sample

<table>
<thead>
<tr>
<th>Performance appraisal</th>
<th>SOE</th>
<th>JV</th>
<th>(\chi^2)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether regular performance evaluations are being conducted</td>
<td>No</td>
<td>Yes</td>
<td>58.6</td>
<td>.68</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>58.6</td>
<td>.68</td>
</tr>
<tr>
<td>Whether any standard forms are being used for PA</td>
<td>36.4</td>
<td>63.6</td>
<td>44.8</td>
<td>1.13</td>
</tr>
<tr>
<td>Whether any clear criteria are being used in PA</td>
<td>36.4</td>
<td>63.6</td>
<td>73.1</td>
<td>.01</td>
</tr>
<tr>
<td>Whether PA results are being used for setting out rewards/punishments</td>
<td>18.2</td>
<td>81.8</td>
<td>72.4</td>
<td>.38</td>
</tr>
</tbody>
</table>

Pay and rewards

| Whether pay is related to performance (PRP)                 | No   | Yes  | 86.2       | 1.00    |
|                                                             | Yes  | No   | 86.2       | 1.00    |
| Whether monthly rewards are fixed                          | 81.8 | 18.2 | 20.7       | .03     |
| Whether pay is closely related to the results of the company| 9.1  | 90.9 | 96.6       | .53     |
| Whether rewards vary with positions                        | 9.1  | 90.9 | 65.5       | 2.58    |

Career development/promotion

| Whether there are any regular promotion opportunities       | No   | Yes  | 37.9       | 3.16    |
|                                                             | Yes  | No   | 37.9       | 3.16    |
| Whether new opportunities are being created for staff members| 54.5 | 45.5 | 48.3       | .03     |

Notes
State-owned enterprises (SOE) n = 11; joint ventures (JV) n = 29

Table 4 Dutch and Chinese results on personnel selection and pay and rewards

<table>
<thead>
<tr>
<th>Personnel selection and pay and rewards</th>
<th>PRC</th>
<th>NL</th>
<th>(\chi^2)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether any formal procedures are being used</td>
<td>No</td>
<td>Yes</td>
<td>18.97</td>
<td>.00</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>18.97</td>
<td>.00</td>
</tr>
<tr>
<td>Whether any personnel tests are being used</td>
<td>95.7</td>
<td>4.3</td>
<td>1.62</td>
<td>.20</td>
</tr>
<tr>
<td>Whether there are any job/position criteria</td>
<td>78.6</td>
<td>21.4</td>
<td>8.3</td>
<td>.47</td>
</tr>
<tr>
<td>Whether pay is related to performance (PRP)</td>
<td>32.6</td>
<td>78.6</td>
<td>1.38</td>
<td>.24</td>
</tr>
<tr>
<td>Whether monthly rewards are fixed</td>
<td>93.6</td>
<td>8.3</td>
<td>4.79</td>
<td>.00</td>
</tr>
<tr>
<td>Whether pay is closely related to the results of the company</td>
<td>67.4</td>
<td>21.4</td>
<td>48.9</td>
<td>20.25</td>
</tr>
<tr>
<td>Whether rewards vary with positions</td>
<td>51.1</td>
<td>92.9</td>
<td>8.3</td>
<td>.47</td>
</tr>
</tbody>
</table>

Notes
The Netherlands (NL) n = 47; China (PRC) n = 42

the Chinese sample. Contrary to the expectation, this figure is even lower (15.2 per cent) in The Netherlands.

Unexpectedly, far more Chinese respondents (78.6 per cent) indicate that pay is related to performance and to the results of the company (92.9 per cent) than in The Netherlands (8.3 per cent and 48.9 per cent respectively). Of those two, the difference regarding pay for performance is especially striking. On the other hand, more Dutch (93.6 per cent) than Chinese respondents (21.4 per cent) state that monthly rewards are fixed, and that rewards vary with positions (95.7 versus 71.4 per cent respectively). Table 5 presents the results for performance appraisal, training, career development and
Table 5 Dutch and Chinese results on performance appraisal, training and career development and promotion

<table>
<thead>
<tr>
<th></th>
<th>PRC</th>
<th>NL</th>
<th>χ²</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether regular performance evaluations are being conducted</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>35.7</td>
<td>64.3</td>
<td>25.6</td>
<td>74.4</td>
</tr>
<tr>
<td>Whether any standard forms are being used for PA</td>
<td>52.4</td>
<td>47.6</td>
<td>38.3</td>
<td>61.7</td>
</tr>
<tr>
<td>Whether any clear criteria are being used in PA</td>
<td>35.7</td>
<td>64.3</td>
<td>4.4</td>
<td>95.6</td>
</tr>
<tr>
<td>Whether PA results are being used for setting out rewards/punishments</td>
<td>26.2</td>
<td>73.8</td>
<td>26.1</td>
<td>73.9</td>
</tr>
<tr>
<td>Whether there is any specific orientation training</td>
<td>21.4</td>
<td>78.6</td>
<td>21.3</td>
<td>78.7</td>
</tr>
<tr>
<td>Whether training needs analysis is being done</td>
<td>42.9</td>
<td>57.1</td>
<td>4.3</td>
<td>95.7</td>
</tr>
<tr>
<td>Whether there are any regular promotion opportunities</td>
<td>71.4</td>
<td>28.6</td>
<td>80.4</td>
<td>19.6</td>
</tr>
<tr>
<td>Whether new opportunities are being created for staff members</td>
<td>50.0</td>
<td>50.0</td>
<td>83.0</td>
<td>17.0</td>
</tr>
</tbody>
</table>

Notes
The Netherlands (NL) n = 47; China (PRC) n = 42

promotion. Both Chinese and Dutch respondents indicate that regular evaluations of performance are conducted. Significantly more Dutch respondents show that clear criteria for performance appraisal are used (95.6 versus 64.3 per cent). No significant differences were found on the items regarding the use of standard forms and the use of performance appraisal for reward and punishment.

Significantly more Dutch respondents indicate that training-needs analysis is a part of the training policy. No significant difference was found for the item regarding orientation training. Regarding career development and promotion, one item shows a significant difference. This item asks whether new opportunities for staff members are being created. Significantly more Chinese respondents indicate that this is the case. The difference on the other item, measuring promotion opportunities in general is not significant.

Results: organizational culture

Table 6 presents Dutch and Chinese means, standard deviations and Cronbach’s alpha’s for the descriptive Focus organizational culture scales. All but one of the alpha’s meet the often-used .70 criterion (Nunnally, 1967). Only the alpha for the rules orientation in the Chinese sample is slightly below this criterion (.67). The Dutch alpha’s are higher than the Chinese alpha’s. Table 6 also presents means on the descriptive culture scales, results of homogeneity of variance tests and T and p values indicating whether the differences in means are significant. As expected, the Chinese companies have a high score on the rules orientation. This score is also significantly higher than the Dutch score. The Dutch were expected and found to score higher on the support orientation. The difference on the goal orientation is less pronounced, although Chinese companies score somewhat higher. No significant difference was found for innovation.

Table 7 presents the intercorrelations between the descriptive organizational culture scales for the Dutch and Chinese samples. Some intercorrelations seem somewhat high;
### Differences between The Netherlands and China regarding means, standard deviations and Cronbach’s alpha’s for the descriptive Focus organizational culture scales

<table>
<thead>
<tr>
<th>Orientation</th>
<th>No. of items</th>
<th>NL sc. mean*</th>
<th>PRC sc. mean*</th>
<th>F-values variances**</th>
<th>p-value***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>NL α</td>
<td>PRC α</td>
<td>(sd)</td>
<td>(sd)</td>
</tr>
<tr>
<td>Innovation</td>
<td>6</td>
<td>.88</td>
<td>.81</td>
<td>3.95 (1.00)</td>
<td>4.06 (.89)</td>
</tr>
<tr>
<td>Rules</td>
<td>4</td>
<td>.76</td>
<td>.67</td>
<td>4.14 (.72)</td>
<td>4.42 (.82)</td>
</tr>
<tr>
<td>Goal</td>
<td>7</td>
<td>.87</td>
<td>.72</td>
<td>3.80 (.91)</td>
<td>4.06 (.78)</td>
</tr>
<tr>
<td>Support</td>
<td>8</td>
<td>.83</td>
<td>.82</td>
<td>4.18 (.61)</td>
<td>3.81 (.74)</td>
</tr>
</tbody>
</table>

**Notes**
- *Sc. mean stands for the Dutch (NL) and Chinese (PRC) scale means
- **F-values presents homogeneity of variances test, if F-value is significant (p < .01) the variances are considered heterogeneous and the formula used in the following T-test is adapted accordingly (s. = significant; n.s. = non-significant)
- ***Both 1-tailed and 2-tailed p-values are presented as the direction of some differences were predicted (implying a 1-tailed test), whereas for others the direction was not predicted (implying a 2-tailed test)

### Correlations between the descriptive cultures scales

<table>
<thead>
<tr>
<th></th>
<th>Innovation</th>
<th>Rules</th>
<th>Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>.47**</td>
<td>.46**</td>
<td>.60**</td>
</tr>
<tr>
<td>PRC</td>
<td>.64**</td>
<td>.64**</td>
<td>.72**</td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>.22*</td>
<td>.57**</td>
<td></td>
</tr>
<tr>
<td>PRC</td>
<td>.59**</td>
<td>.58**</td>
<td></td>
</tr>
<tr>
<td>Rules</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NL</td>
<td>.48**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PRC</td>
<td>.72**</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes**
- The Netherlands (NL) n = 46; China (PRC) n = 97
- * Signif. ≤ .05 (1-tailed)
- **Signif. ≤ .01 (1-tailed)

However, they do not exceed those found in other studies using these scales (e.g. Van Muijen, 1994; Den Hartog, 1997). The intercorrelations are somewhat higher for the Chinese than for the Dutch sample.

The univariate analyses of the four organizational culture scales presented in Table 6 show the expected differences between China and The Netherlands on the rules and support orientation. However, the four scales measuring organizational culture scales are part of a (circumplex) model (see Figure 1). Therefore, a multivariate analysis was also done. A MANOVA yielded the multivariate profile presented in Figure 2. Note that the sequence of the four scales is not arbitrary but follows from the quadrants of the Focus model (see Figure 1). However, the choice to start the profile with the support orientation follows from the results of the univariate analysis.

Figure 2 shows a slightly different multivariate profile for the culture scores of China and The Netherlands. Again, The Netherlands are higher on the support orientation and China on the rules orientation. In order to test whether the profiles differ significantly,
Figure 2 Multivariate profile analysis of the descriptive scales of the Focus model for The Netherlands (NL), n = 46, and China (PRC), n = 97

Table 8 Univariate F-tests of the difference between the four scales of the Focus model

<table>
<thead>
<tr>
<th></th>
<th>F(1;141)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support–Rules</td>
<td>27.89</td>
<td>.00</td>
</tr>
<tr>
<td>Rules–Goal</td>
<td>.00</td>
<td>.95</td>
</tr>
<tr>
<td>Goal–Innovation</td>
<td>1.13</td>
<td>.29</td>
</tr>
</tbody>
</table>

the Pillais trace was computed. The Pillais trace had a value of .233, with a corresponding F-value, F(3;139) = 14.05; p < .00. The profiles can therefore be considered heterogeneous. Table 8 shows the univariate analysis of the difference between the scales in Figure 2. It is clear that the difference between support and rules is responsible for the differences found in the profile.

Discussion

Prior theoretical work in the area of the human resource management and cross-cultural psychology indicates that there are contextual boundaries in terms of cultural characteristics which limit the applicability of some HRM in non-Western countries. This study provides evidence in support of this assertion. Although recent studies on HRM in China indicate a strong move from traditional ‘iron rice-bowl’ policies to more common (Western) HRM practices, we found considerable differences between China and The Netherlands. In the case of HRM, we expected that practices such as career development, performance appraisal and rewards would be more sensitive to cultural variation than other HRM practices because they deal with interpersonal relations rather than with technology. Differences between China and The Netherlands were indeed significant on these practices, however not always in the expected direction. We found that practices of performance appraisal are more developed in The Netherlands and that
Chinese industrial enterprises feature more promotion opportunities for staff members. Although we expected that rewards would be related to position rather than performance, we found that rewards are more related to performance of employees and the results of the company in China than in The Netherlands.

Practices such as training, selection and recruitment were expected to be less affected by cultural variation. In the case of training, we found an unexpected difference between the two countries in the sense that Dutch personnel managers more frequently report the use of training-needs analysis. Although we expected more use of psychological tests in The Netherlands, we found that in these are not commonly used for the selection of production employees in either Chinese or Dutch industrial enterprises. This seems due to the fact that tests are more often used for higher-ranking members of staff and management in Western countries.

Expected differences in organizational culture were also found. Concepts such as participation, co-operation, people-based, social, mutual trust, group cohesion and individual growth characterize the climate or culture in Dutch industrial enterprises. In China, we found that respect for authority, rationality of procedures and division of work are more dominant in the organizational culture of industrial Chinese companies. The importance of hierarchy and discipline in Chinese culture and the strong emphasis on consensus in Dutch culture are clearly reflected in the organizational culture of and Dutch industrial enterprises.

Despite theoretical arguments and prior research findings, we found no support for the notion that reward policies, performance appraisal and promotion procedures differ between joint ventures and state-owned enterprises in China. This may be due to the nature of the Chinese sample. As Table 1 indicates, the core of the HRM sample of forty-two joint ventures has an Asian partner (seven from Japan and seventeen from Hong Kong and Taiwan). It may well be the case that in those joint ventures the foreign partner only invested money in the former wholly Chinese enterprise instead of starting up an entirely new company with foreign management and production methods. Unfortunately, there are no data to corroborate this assertion, but joint ventures without foreign management are not uncommon in China (Goodall and Warner, 1997). However, on the basis of our data we cannot prove that joint ventures differ from state-owned enterprises.

It should be noted that a comparative study of this kind has its limitations. First of all, the samples from China and The Netherlands are hard to match. It is also difficult to follow comparable procedures of data collection in China and The Netherlands. Although the core of the data are descriptive in nature, the way the data are obtained differs between the countries. In The Netherlands we used a standard mail survey whereas in China, the data were obtained through structured interviews. The results from the comparison may be slightly affected by these different ways of measurement and data collection. Chinese respondents are much less familiar with questionnaires and rating scales (Shenkar and Von Glinow, 1994). Smith and Wang (1996) point out that respondents in China may choose central categories on rating scales in order to avoid having to take up extreme positions. Although our data do not seem to indicate a central tendency in the Chinese responses on the five-point scales, one should remain cautious regarding the validity of some of the comparisons involving mean scores in this study.

Second, research findings in China have often a limited generalizability in the sense that there are many differences, as well as intra-cultural variation (Au, 1997), between geographical regions and cities in such a large country. This means that the findings presented in this paper should be limited to the region of inquiry.
Conclusion

Dealing with a workforce having entirely different norms and values is a difficult aspect in the management of joint ventures. As this study indicates, the situation in China seems even more difficult than usual, as the well-documented system of traditional Chinese values no longer serves as a useful basis for explaining the current values of the Chinese workforce. Recent socio-economic changes ask for a more flexible workforce under the new labour law. However, the results of several extensive value surveys seem to form a consistent pattern of key Chinese values that helps explain Chinese behaviour in organizations.

Although we should be careful in interpreting the differences found, the current study shows considerable differences between China and The Netherlands in the use of rewards, performance appraisal and career development in industrial enterprises. Also, the organizational culture of the companies studied varies distinctively between both countries. These variations are in line with expected differences on the national cultural level. Hierarchy and discipline are clearly reflected in the way personnel is appraised, rewarded and further developed in Chinese industrial enterprises. Further research in China is needed to see whether those differences are stable over time. This study was done in the industry sector. Another interesting research question would be whether hierarchy and discipline also characterize human resource management in other business sectors such as professional services, financial institutions or advanced technology. In some such sectors the workforce has different characteristics (e.g. level of education, age) than in industry. Also, organizations in relatively new sectors will be influenced less by the considerable heritage of former personnel policies from state-owned-enterprises than large industrial corporations. Thus, it may well be the case that expected developments in Chinese human resource policies and practices are more salient in sectors other than industry. However, on basis of the current comparison the conclusion seems warranted that, in contrast to ‘Western’ trends, Chinese personnel policies will remain more rules and discipline oriented over the coming years.

Acknowledgements

The authors would like to thank Deanne Den Hartog and the anonymous reviewers for helpful comments and suggestions on an earlier version of this paper.

References


