

RETROSPECTIVE AND PROSPECTIVE LOOK ON HRM RESEARCH IN CHINA: IMPLICATIONS FOR FUTURE STUDY

Cherrie Zhu, S. Bruce Thomson & Helen De Cieri

*Working Paper 7/07
March 2007*

**DEPARTMENT OF MANAGEMENT
WORKING PAPER SERIES
ISSN 1327-5216**



Abstract

Based on an extensive literature review of research conducted in the field of human resource management (HRM) in China since its economic reform, this paper highlights the background to the research; classifies the research papers in terms of their time frame, HRM functional focus, ownership types, and research methods; and examines issues and deficiencies in current research. The paper concludes with propositions and implications for future research on HRM in China.

This paper is a work in progress. Material in the paper cannot be used without permission of the author.

RETROSPECTIVE AND PROSPECTIVE LOOK ON HRM RESEARCH IN CHINA: IMPLICATIONS FOR FUTURE STUDY

INTRODUCTION

China's transition over the past two and a half decades and further integration into the world economy since its accession to the WTO in 2001 have resulted in significant changes in the context for management practices, and consequently has had considerable impact on the management of China's workforce. Given the size of its growing economy and its vast population, China has become increasingly significant in international business decisions and "has become a focus of interest for Western organisation and management researchers" (Shenkar & Von Glinow, 1994: 56). This is because the changes that have occurred in China hold profound consequences for different groups including managers, business people, management researchers and policy-makers at both macro and micro levels across the borders. The research into human resource management (HRM) in China was triggered by such changes and there has been growing literature investigating HRM and its practices in China since 1978.

This paper, based on an extensive literature review, aims to examine the research conducted in HRM in China over the last 25 years, analyze issues and deficiencies in this field and identify the direction for future research. The paper starts with the background to China-related HRM research, highlighting reasons behind the studies. Based on the classification of relevant research papers in terms of time published, HRM functional focus, ownership types, and research methods, the paper examines issues and deficiencies in the research in this field. It concludes with some propositions and implications for future study.

BACKGROUND TO CHINA-RELATED HRM RESEARCH

China has represented a most attractive site for research on management, especially in the area of comparative and international management, for various reasons. These reasons include China's gradual but continuous transition from a planned to a market economy, its sustained economic booming over a quarter of century, its status as one of the largest recipient of foreign direct investment (FDI) in the world and its geographical situation, among many other factors. Further, Shenkar and Von Glinow (1994) present three compelling reasons for growing China-related research. First, China has the largest workforce in the world, so that current management theories and methodologies cannot claim to be universal unless "they can explain the structure and processes of PRC enterprises, as well as the attitudes and behaviour of those who work in them". Second, China "potentially represents the most serious challenge to paradigms developed in the West" because of its numerous differences compared with Western countries. Finally, China's integration into the world, albeit slow, has made the relevance of Western models "a practical matter as much as a theoretical issue" (Shenkar & Von Glinow, 1994: 56-57). Though raised a decade ago, these reasons are still relevant today with China propelled to the centre of the world's economic stage by its dramatic economic growth and continual reform towards a more market-oriented economy. The establishment of the International Association for Chinese Management Research in 2004 offers further evidence to support the views of Shenkar and Von Glinow.

Additional reasons why China has become a hot topic for managerial researchers include its unique political and social environment, flourishing foreign direct investment (FDI) inward and outward, serial reforms launched by its government, and research interests in trying different approaches and methods such as exploitation or exploration approach noted by March (1991). Taking the political environment as an example, China retains its socialist one-party government system as well as its socialist ideology while moving from a highly centralised command economy to a more market-driven economy (e.g., Burns, 1999; Pye, 1999; Starr, 1997; Story, 2003). It can be used as a test case for socialist and post-socialist economic reform and its impact on HR practices, for instance, the political influence on staffing and performance management (e.g., Zhao

& Zhou, 2004; Zhu & Dowling, 2002), and socialist ideology on reward and compensation (Warner, 1995).

Furthermore, there has been an unprecedented enthusiasm for the establishment of foreign invested enterprises (FIEs) in China for more than two decades. Many foreign companies have expanded their operations into China, attracted mainly by the fast growth in its economy, the sheer size of its potential market and its abundant labour resources. FDI in China has grown from US\$4 billion in 1990 to US\$40 billion in 2000 and US\$70 billion in 2004 (www.china.org.cn). According to the official report (Dai, 2005), by the end of 2004, accumulative real use of FDI had reached over US\$600 billion, and 90 per cent of the 500 world top companies reported by Fortune had invested in China. The employment in FIEs had increased to over 23.5 million in mid 2004 (i.e., over 10 percent of the whole workforce in the urban area) from 550,000 employees in 1986 (China Statistical Yearbook, 2002; Fu, 2004). As the largest recipient of FDI among the developing countries and second only to the United States in the world (Panitchpakdi & Clifford, 2003:145), China has opened more sectors in its previously protected markets such as banking, finance and telecommunication. Meanwhile, China is ranked as one of the largest outward investors among developing economies, with a cumulative stock of outward FDI of over US\$44.9 billion by the end of 2004. In 2004 the annual outward investment reached US\$5.5 billion, which is a 93 per cent increase compared to the previous year (Dai, 2005). The fast growth of FDI inward and outward for China has thus triggered an interest in cross-cultural and cross-national management practices and subsequent research in related areas such as the gaining of competitive advantage, transferring HR practices across borders and keeping balance between global integration and local responsiveness.

Serial reforms launched by the central government have also called for research due to a lacuna in literature. A typical example is the social protection reform which commenced in the 1990s and has witnessed a shift from enterprise-supplied cradle-to-grave protection to individual-organization-state jointly established social security system. The research on this reform, especially its impact on management, is still in its infancy as demonstrated by the fact that the first-ever comprehensive book on pension and health reform in China was only published in 2000 (Yin, Lin & Gates 2000). The reason that the area is very much under-researched is because researchers who study social protection tend to be very selective in the attention they pay to the HR practices generated by social protection policies, while international HRM analysts seldom pay due attention to how social protection policies impact on HRM policies and activities (Chan & Qiu 1999; Croll 1999; Hussain 2000; Twohey 1999; Wang & Mobley 1999). A small number of researchers have recognized the close relationship between HRM and the reform of social protection (e.g., Warner 1995; 2005; Zhu & Dowling, 2002; Zhu & Nyland, 2004). Indeed, Warner's (2000) volume on China focused on what the weakening of the iron rice bowl implies both for workers and managers. However, very little research has been conducted on the way social protection policy is formulated and managed in order to reshape HR practices. Further, what little research has been undertaken has tended to focus on the decreased social security accorded to employees by the progressive abandonment of the iron rice bowl. Little attention has been paid to the fact that the establishment of a comprehensive national system of social protection is heightening the security of the great mass of urban and migrant workers employed outside the state owned sector who traditionally have not enjoyed any substantial protection from the vagaries of the market and who now constitute the majority of urban employees. The study in this area will extend understanding of how the reform of social protection is impacting on a number of key areas of HR practices that have thus far attracted inadequate attention but are likely to be critical to China's future competitive position in the global economy and its role as a leading host for foreign investment.

China is also fertile ground for experimentation with various research methods. Tsui and her colleagues have noted two major approaches to research in the Chinese context, i.e., exploitation and exploration (Tsui et al., 2004: 142). This means researchers either explore something new in a transitional economy with the intention to contribute to theories, or exploit Western developed models in a new context like China to assess the universality of the macro and micro theories of management and organisation that have been developed largely in the West. The adoption of

different approaches or the combination of these methods has facilitated China-related research and also witnessed the increasing number of collaborative research projects conducted by scholars inside and outside of China.

THE CLASSIFICATION OF CURRENT CHINA-RELATED HRM RESEARCH¹

As stated earlier the research into HRM in China was triggered by the economic reforms initiated by the Communist government in the late 1970s. The increasing participation in the world economy, FDI and the continuous process of transition has resulted in considerable changes in the management practices in China. These changes have consequently led to significant implications for the management of human resources. Although 'human resource management' has become common terminology in Chinese enterprises, "people mostly use HRM as a synonym for personnel management" (Warner, 1997: 38). Increasingly HRM has been used in a wider connotation than just the traditional notions of personnel and labour administration and has attracted more researchers to examine its development.

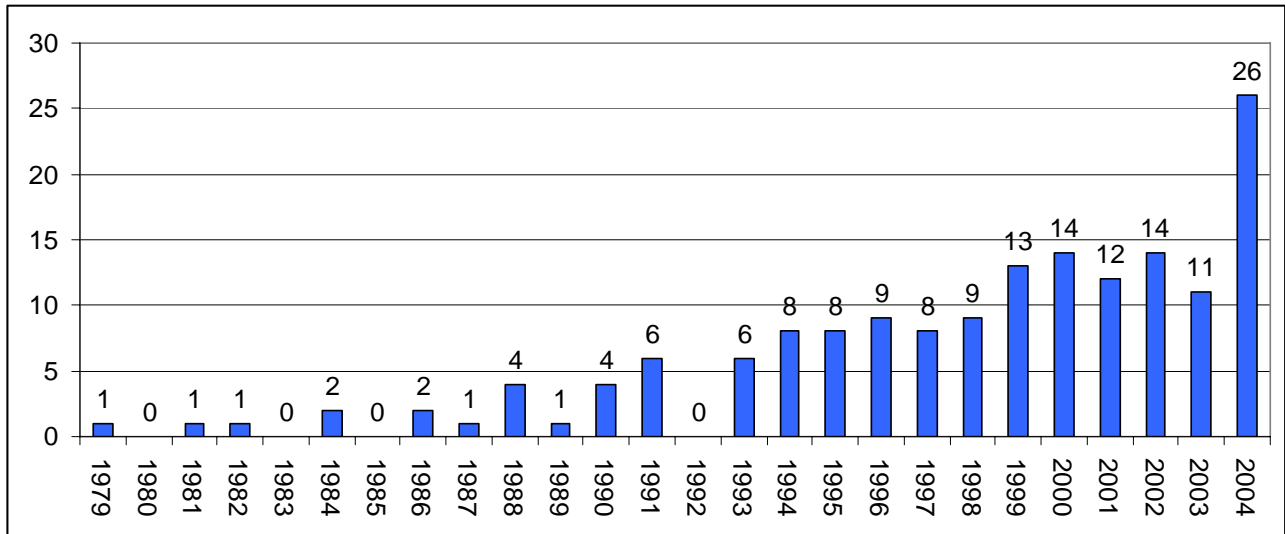
A search of two journal databases uncovered that in the period of 1979 to 2004 160 articles were published in regards to HRM in China (excluding Hong Kong and Taiwan) (Figure 1). Although this amount seems to be a reasonable number, it pales in comparison to the number of articles published in the same time span in the same databases about HRM in general - 15,630. Since it may be unfair to compare it to a major research stream, it can be compared with a research stream that started at approximately the same time. Strategic human resource management (SHRM) started at approximately the same time and during that time span on the same databases 2054 articles were published on SHRM. So once again it would appear that 160 articles is not a great amount.

The first article appeared in 1979. Yoshi Tsurumi's article *Two Models of Corporation and International Transfer of Technology* delved into not only the transfer of technology but also the transfer of knowledge and skills to upper and middle management in the subsidiaries of multinational corporations (MNCs) in China. This was the first of 13 articles between 1979 and 1989. The topics covered included knowledge transfer (Tsurumi, 1979; Von Glinow & Teagarden, 1988, Wang, 1986), motivation (Tung, 1988), industrial relations (Helburn & Shearer, 1984; Zarnet, 1986), project management (Graham & Minghe, 1988), women in management (Hildebrandt & Liu, 1988), compensation systems (Shenkar & Chow, 1989), joint venture reforms (Ouyang, 1988), and the status of human resource management (Chastain, 1982; Jones, 1984; Warner, 1986). The trickle of articles has increased to a steady stream and increased substantially in 2004. The range of topics has increased to include analysis of human resource management across different ownership types, locations and size.

The flow of the articles in relation to topic and time of release of the article (see Figure 1) reveals that the research initially focused on scattering of HR concepts. However it appears the main thrust of the articles was the introduction of new knowledge either in the form of technology or management systems. Tung's 1981 article on the motivation of Chinese workers has as an underlying driver the opening of the Chinese market to foreign investment via joint ventures. She extols the virtues of the Chinese workers and the need for foreign investors to understand the moral basis for Chinese motivation. Thus, her thrust is not the transfer of knowledge to China but to those doing business in China. Tsurumi, (1979), Von Glinow and Teagarden (1988), and Wang (1986) all focused on the transfer of either knowledge or technology.

¹ Due to the sheer volume (100+) of the references, the references for this section may be obtained from the authors.

Figure 1: Human Resource Management – China: Articles Published 1979-2004



Total number of articles published 1979-2004 = 160

Source: Business Source Premier and Proquest – search command: china and human resource management (September 21, 2005) - Hong Kong and Taiwan excluded.

Von Glinow and Teagarden (1988) in their article *The Transfer of Human Resource Management Technology in Sino-U.S. Cooperative Ventures: Problems and Solutions* differentiate between the industrial technology transfer (hard) and the transfer of management and marketing technologies (soft). They state due to the difficulty in the transfer of soft technology the cooperative ventures will “perform short of their potential efficiency and effectiveness” (1988, p.202). The article uses a comparative analysis between Chinese management systems and American management systems to highlight the differences. The categories used are: organizational assumptions, work environment, assumptions about people, assumptions about performance, perspectives on training and development, assumptions about rewards, and HR practitioner’s background. The analysis underlines the belief of the Chinese government that the modernization of Chinese management is indeed the ‘fifth modernization’ that must occur to reap the full benefits of the previous four modernizations that focused on industrialization. Von Glinow and Teagarden offer a normative framework for a modernization of Chinese management. The cornerstone of this framework is the integration of HRM from the beginning of the joint venture process through negotiation and education.

Chastain (1982), Helburn & Shearer (1984), Jones (1984), Wang (1986), and Warner (1986) all stress the importance to China’s development in learning from modern and management practices of the West and developing education systems that meet the needs of Chinese managers that must deal with a more westernized management system. In the area of project management Graham and Minghe (1988) concurred that more training and formal education was needed. Wang (1986) takes it a step further with a short analysis of American and Japanese management systems and concluded that Chinese managers have a desire for more American-oriented management styles.

The 1990s saw a continuation of the same underlying thrust of the transfer of knowledge but now its effects on Chinese management, and the work force was being discussed. Only four of the 71 articles specifically dealt with knowledge transfer: those by Farhang (1999); Tsang (1995, 1999); and Xiao (1996). However, in a further four articles, training was the predominant focus: namely, those by Borgonjon and Vanhonacker (1994); Branine (1996); Lasserre and Ching (1997); and Spector and Solomon (1990).

Farhang (1999) delved into what he called the ‘crucial role’ that human resources played in the international transfer of technology. From the analysis of data gathered from Swedish firms

operating in China he postulated that the majority of problems that occurred in training were due to the lack of the thorough analysis of the training needs and training environment (1999). Tsang (1995) discussed how HRM influences the implementation of technology transfer. The conclusion was that foreign investors without appropriate human resources and experience should look to other methods of transferring technology to China to avoid problems that may arise. The use of expatriate managers as agents of knowledge transfer was the subject matter for Tsang's 1999 article. Xiao (1996) focused at the studies efforts on the transfer of training competencies in the electronics industry in China. The author concludes that improved performance was a benefit of training, managerial follow-up was a key aspect of training, and that the Western management system of organizing the workplace was perceived as effective.

The four articles reiterate Farhang (1999) and Xiao's (1996) observation on the importance of training for not only management but for general knowledge transfer. Borgonjon and Vanhonacker (1994) and Branine (1996) both take note of the political and cultural differences that impede the success of training programs. Borgonjon and Vanhonacker point to the lack of formal management education. Branine concludes his observations by noting that the Chinese approach to training in management development centres on quantitative skills rather than qualitative. Thus he argues that, to overcome the social-cultural and political influences, one must understand how Chinese managers learn and what is relevant to Chinese managers. To augment that hypothesis, three separate articles on the role of expatriates in China expressed their concern over the need for socio-cultural training: namely, Bjorkman and Schaap (1994); Selmer (1998); and Sergeant and Frenkel (1998).

The majority of articles during this time frame deal with how HRM affects HR practices, HRM's effect on workers and HRM's overall the effectiveness in the Chinese context. Malcolm Warner's article *Human Resource Management 'with Chinese characteristics'* (1993), declares that it was premature to state that HRM had been accepted as common practice in China. He reiterated his earlier conceptualizations of HRM with Chinese characteristics but fell short of saying that there was any distinct path of convergence with Western HRM. The adaptation of Western HRM to the Chinese context was indeed a popular concept among the articles. Lu and Björkman's (1997) findings, based on a study of 65 China-Western joint ventures, not only validated Warner's concepts of Chinese HRM but took it a step further. They found that "various HRM practices have different responses to MNC standardization and localization" (1997, p.625) and the responses were influenced by geographical settings, industry, ownership structure and MNC home countries.

Industrial relations appeared as a strong theme of research during this time frame as researchers started to inquire about areas such as the role of trade unions (Warner, 1991, 1996a, 1996b, 1997), role of labour laws (Casati, 1991), comparative analysis with United States (Osigweh, Ho & Ho, 1993; Wilhelm & Xia, 1993), conflict resolution (Chew & Lim, 1995), and the effects of labour markets (Granick, 1991). The underlying theme of these articles was how the economic reforms initiated by the Chinese government and the influences of Western HRM techniques have affected industrial relations in China.

Another common thread to the articles is the view that the socio-cultural and political aspects of the Chinese environment lead to a hybrid or an industrial relations system with distinctly Chinese characteristics. An example of the Chinese characteristics is found in Chew and Lim's 1995 article *A Confucian perspective on conflict resolution*. The article explains how Chinese managers use their Confucius beliefs to achieve the core of the Confucian concept which is harmony or benevolence (*ren*). However, as Warner pointed out "management-labour relations in China are clearly in flux" (1997, p.41) and the results of the influence of reforms to labour laws and Western influences are still to be distilled.

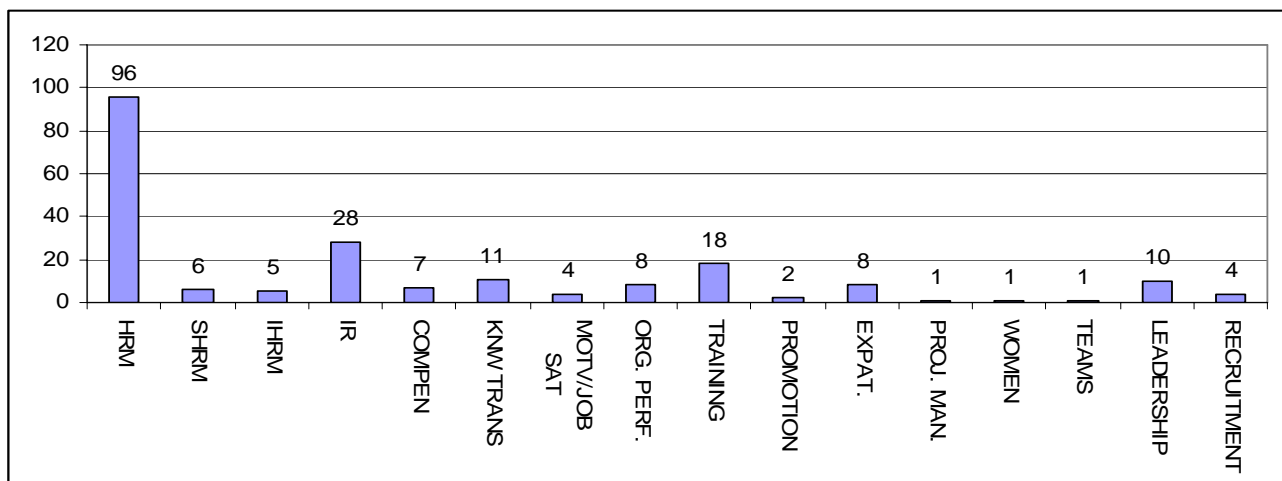
From 2000 to 2004, the transfer of knowledge and its effects on Chinese management and Chinese HR practices was still a research focus. Of the 76² articles published during this

² Note: in the five-year time span of 2000 to 2004, more articles were published than in the previous 10 years -1990-99.

timeframe six looked specifically at knowledge transfer (Chen & Wilson, 2003; Delios & Björkman, 2000; Gamble, 2003; Law, Wong & Wang, 2004; Selmer, 2004; Taylor, Chu & Hyun, 2001). The majority of these articles considered the issues of localizing management within Chinese enterprises. Jos Gamble points out that there has been the creation of a 'glass ceiling' effect that limits promotion opportunities for local managers in FIEs (2000). Once again, there was a common view that there was a need to adapt to culture and that forms of management hybrids was developing (Chen & Wilson, 2003, Taylor, Chu & Hyun, 2001). Law, Wong & Wang, (2004) stressed the need for both long-term and short-term planning and postulated this to be a key determinant of success. While Selmer (2004) put forth that globalization not localization of Chinese management should be the focus (Selmer, 2004).

The effect of HRM on firm performance appeared as a research topic and was highlighted by seven articles, by: Björkman and Xiucheng, 2002; Deng, Menguc and Benson, 2003; Law, Tse and Zhou, 2003; Li, 2000; Li, 2003; Ng and Siu, 2004; Takeuchi, Wakabyashi and Chen, 2003. Firm competitiveness and performance were analyzed by Li (2000) and Takeuchi, Wakabyashi and Chen (2003). The result demonstrated that human resource management was significantly correlated to performance. This concurred with Björkman and Xiucheng's (2002) reporting of a study into 62 manufacturing joint ventures and wholly owned subsidiaries and Deng, Menguc and Benson's (2003) survey of 96 state-owned enterprises (SOEs) in China and the effect of HRM systems on performance. Law, Tse and Zhou (2003) combined the followers' perception of the leader and the role of HRM in their survey of 180 firms and found that the effect on performance was stronger in FIEs than it was in SOEs. Ng and Siu (2004) used a single aspect of human resource management, training, to assess its impact on company performance. Although they found that training did have an impact on firm performance, they found a similar relationship on the effect on performance between training and firm performance in FIEs and SOEs as did Law, Tse and Zhou.

Figure 2: HRM in China – Specific Focus of Articles 1978-2004



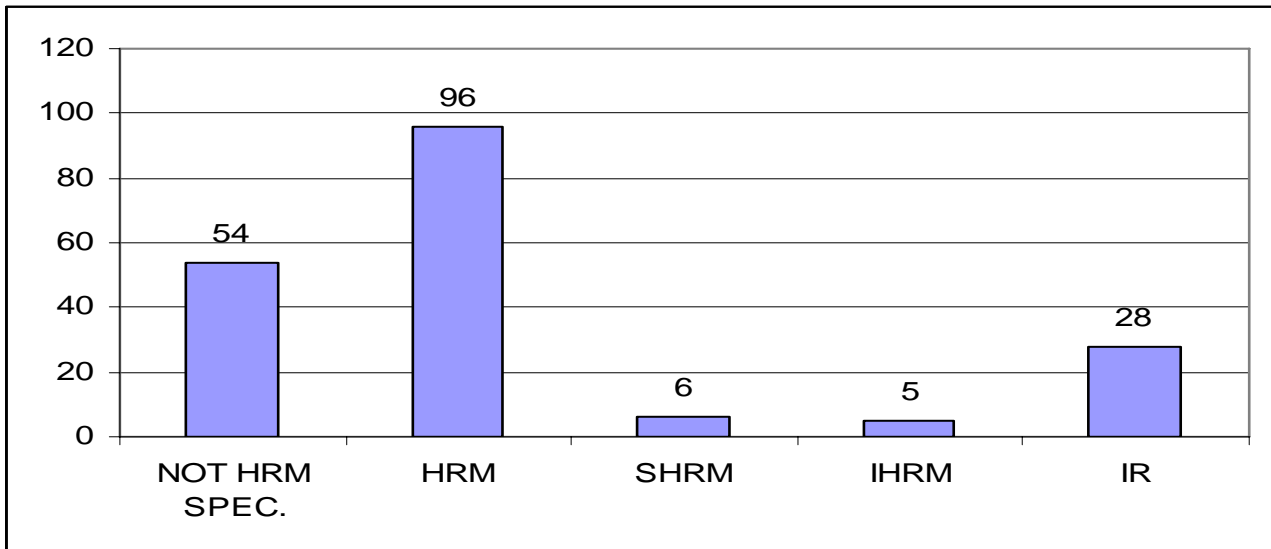
Source: Proquest & Business Source Premier databases – search parameters: human resource management & China; scholarly journals (22/09/05).

Note: Total exceeds total number of articles (160) due to coverage of multiple areas within articles.

The important trend to note in the articles of 2000 to 2004 was that although they were still a number of articles focusing on the overall affect of HRM, there was a more detailed analysis of individual HRM practices and of the consequences of those practices. For example, articles appeared on organizational commitment (Wang, 2004), the role of leadership (Law, Wong, Wang & Wang, 2000), recruitment (Huang Wu, Kuo, & Huang, 2001), organizational justice (Leung, Wang & Smith, 2001), bargaining power (Bjorkman & Lu, 2001), employee stock ownership (Chiu, 2003) and unemployment (Price & Fang, 2002). Figure 2 illustrates on a broader basis the wide variety of areas that were covered over the entire 26 years time span.

By an analysis of the function areas covered with in the articles (Figure 3) it is easy to see that HRM and general management with an HRM aspect (represented by not HRM specific) was not surprisingly the predominant focus of the articles. The area of industrial relations is gathering momentum as a research focus. One article was published in the seven year period from 1979 to 1989, a further fourteen articles were published between 1990 and 1999 and, finally, thirteen articles have been published since 2000.

Figure 3: HRM in China – Function Focus of Articles 1978-2004



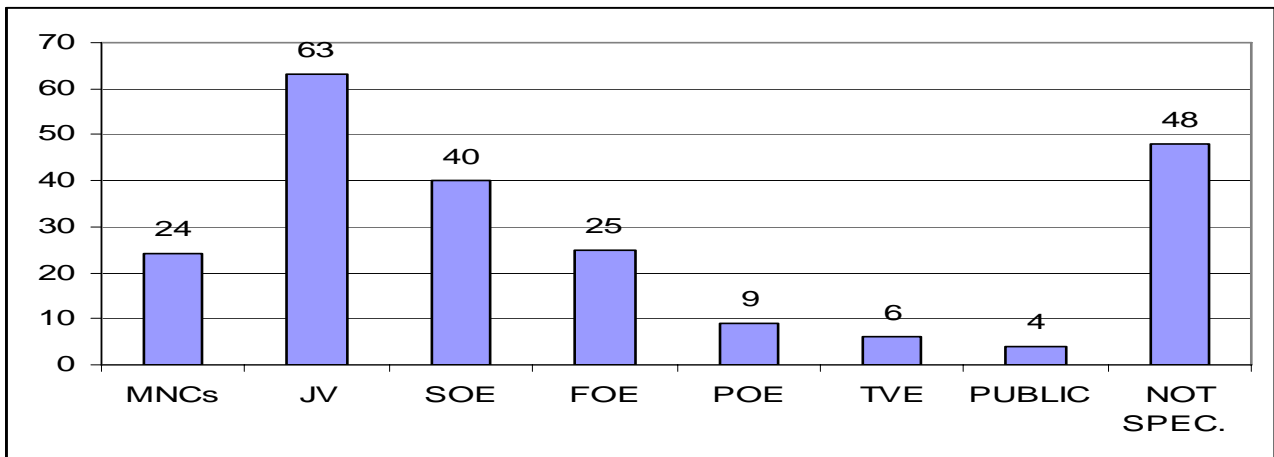
Source: Proquest & Business Source Premier databases – search parameters: human resource management & China; scholarly journals (22/09/05).

Note: Total exceeds total number of articles (160) due to coverage of multiple areas within articles.

With the increased interest in SHRM it is no surprise that it would be applied to the Chinese context. The search of the two databases yielded only six articles that had a focus or included SHRM and these articles were published after 1999: Cooke, 2000; Ding, Ge, and Warner, 2004; Ding, Goodall, and Warner, 2000; Li, 2003; Takeuchi, Wakabyashi and Chen, 2003; Yan and Warner, 2002. Only Takeuchi, Wakabyashi and Chen (2003), and Li (2003) used SHRM as a primary focus of their article and that as previously stated was tied to firm performance.

With the plethora of foreign nations investing in China often in the form of joint ventures and the concerns of the influences of the Chinese culture few researchers have taken advantage of the situation to investigate international human resource management (IHRM). The papers by Child (1991); Farhang (1999); Goodall and Warner, (1999); Tung and Worm (2001); and Chen and Wilson (2003) represent the five articles that touch upon IHRM. However, IHRM was not the sole focus on any of these articles. Although not included in our analysis because their research sites were located outside China, Zhang (2003) and Shen and Edwards (2004) both provide an excellent snapshot of IHRM in practice in Chinese multinational companies (MNCs) in Great Britain.

Figure 4: HRM in China – Ownership Type Focus of Articles 1978-2004



Source: Proquest & Business Source Premier databases – search parameters: human resource management & China; scholarly journals (22/09/05).

Note: Total exceeds total number of articles (160) due to coverage of multiple areas within articles.

Figure 4 illustrates the various ownership types that are identified in the research conducted in China. The research spotlight illuminates the overwhelming emphasis on FIEs as represented by the categories of MNCs, joint ventures (JVs) and foreign-owned enterprises (FOEs). The under-represented areas are privately owned enterprises (POE), township and village enterprises (TVE) and public government organizations, either federal or state. Articles that explore these three ownership types appear after 1999 with one lone exception of Li's 1990 article *Reform in the Chinese Public Personnel System*.

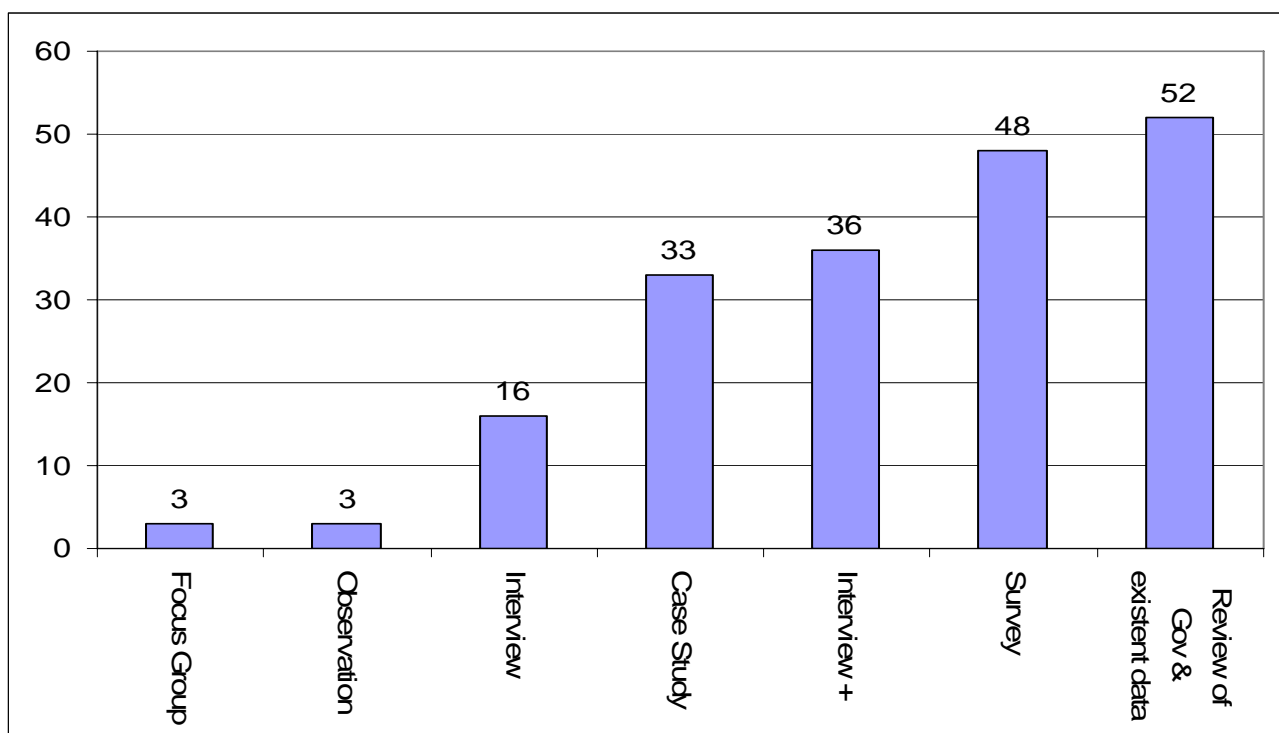
An analysis of the public sector reforms and a historical overview from 1949 is provided by both Li (1990) and Cooke (2003, 2004) in three of the four articles dealing with the public/government sector. Li concludes that the public sector needs to be separated from the Communist Party and that jurisdiction and needs to be delegated to provincial and local governments. Both of Cook's articles are written after labour reforms of the mid-1990s that did address some of Li's issues. While Cooke agrees with the hypothesis that the problems inherent in the public sector are politically generated; she suggests that they are common problems found in many other countries' public-sector (2004). Pei, Stanton and Legge (2004) focused specifically on the health care sector and found two major issues that were impediments to efficiency and productivity. The first was the wage policy and the lack of control that managers had over recruitment. All three articles concluded that reform in the public sector was necessary in China.

Chua, Young and Zou's (2004) article, *Computime Limited: China's Boom Times Cause Growing Pains*, was the only article of six that dealt solely with a privately owned enterprise in China. The article looks at how Chinese CEO overcomes the obstacles of organizational restructuring. The other five articles included POEs in comparative analysis with other ownership structures in China. The topics covered economic reforms and industrial relations (Warner, 1996c) staffing practices (Zhu & Dowling, 2002), executive development (Wong & Slater, 2002), training and firm performance (Ng & Siu, 2004), and changes in HRM in China (Hassard, Morris & Sheehan, 2004).

Chow and Fu (2000) delved into the HRM practices present in TVEs and Chow's later article (2004) provided an overview of the change and development of HRM practices. The findings concurred with Warner's earlier contention of the development of a distinctly Chinese HRM system. Labour relations were discussed by Ding, Ge and Warner in two articles (2001 and 2004a). The first article provided an overview of labour relations and the second article analysed the impact of the Asian economic crisis on TVEs. A third article by the same authors set forth an astute evaluation of the evolution of organizational governance and HRM in TVEs (Ding, Ge & Warner, 2004b).

Tung's 1981 article is an interesting starting point, given the strength that she placed on the indoctrination of the Communist ideals to uphold the sense of moral obligation that she felt was inherent in the Chinese worker. What she failed to take into account was the long term impact of the reforms. The reduction of government support for SOEs, the restructuring of the social welfare system, the increased availability of goods, the demand for foreign goods and the government support for a more open market were some of the consequences that the reforms brought about that others were able to forecast. Jones (1984), in contrast with Tung's work, took into account wage systems, impact on urban workers, socio-economic factors, adaptation to capitalism, and education and development. The author concluded that "Increased emphasis on education and training is the most direct road to improving management capability" (1984, p. 328). The reforms directed at, and the transformation of SOEs has been the focus of many articles over the 26 year period (e.g. Benson & Zhu, 1999; Björkman, 2002; Branine, 1997; Child, 1995; Cooke, 2000; Ding, Goodall & Warner, 2002; Goodall & Warner, 1996; Lewis, 2003; Ng & Siu, 2004; Warner, 1986, 1996a, 1996b).

Figure 5: HRM in China 1979-2004: Methodologies applied in studies



Source: Proquest & Business Source Premier databases – search parameters: human resource management & China; scholarly journals (22/09/05).

Note: Total exceeds total number of articles (160) due to use of multiple methodologies within studies.

To complete our review of articles, the final category looks at the methodologies applied by the various authors. As demonstrated in Figure 5, a wide variety of methods were applied. It is necessary to note that, although other authors have provided a literature review or used government or industry statistics, the category merely reflects that the use of existing data gathered from government, industry or academic sources was the predominant methodology of the article.

Since the use of observations as a methodology is often a common tool used in the case study method, the only underutilized research methodology was focus groups. In one study it was used as a tool to define *guanxi* and delineate the practices of *guanxi*. The authors then developed a questionnaire with the data gathered from the focus groups (Chen, Chen & Xin, 2004). Chow (2004b) used focus groups in conjunction with interviews as a source of data collection an article examining the impact of institutional context on HRM. Only one article used focus groups as the

sole source of primary data collection. Qiu and Lam (2004) used focus groups to interview owners, senior executives, and employees in the tourism industry to ascertain outstanding HRM issues.

THE ISSUES AND DEFICIENCIES IN THE CURRENT RESEARCH

Given the status of current research conducted in China-related HRM, two major issues and deficiencies are discussed in this section with an aim to draw implications for future study. The first issue is the link between HRM and SHRM and how SHRM is measured in the research. HRM is developed and widely practiced in market economies (e.g., Brewster & Hegewisch, 1994). However, critiques have been raised regarding its value creation, i.e., whether HRM can contribute directly to the implementation of the strategic objectives of firms (e.g., Hope-Hailey et al., 1997). As a consequence, *strategic HRM* (SHRM) emerged in the early 1990s with more emphasis on an integrative and value-driven approach to HRM, and supported by both theoretical work such as the resource-based view (e.g., Wright, Dunford & Snell, 2001) and empirical evidence (e.g., Becker & Gerhart, 1996; Wright, Gardner & Moynihan, 2003). While SHRM focuses on the fit between HRM practices and strategic goals, it also incorporates the alignment between HRM and organizational strategy, the involvement and membership of the HRM function in management teams, and the devolvement (or delegation) of HR practices to line managers (Bowen & Ostroff, 2004; Ulrich, 1998).

Researchers (e.g., Bowen, Galang & Pillai, 2002) point out that SHRM research has been mainly carried out in advanced market economies. They suggest further research is needed in transitional economies to explore whether HR practices translate into productivity improvements at firm level. Zhu and her colleagues (2005) suggest that there are emerging relationships between organizational strategy, HRM practices and organizational performance that are worthy of further investigation. The research on SHRM in the industrial enterprises in China will be of particular use for several reasons. These include China's unprecedented restructuring of ownership structure in its industrial sector; subsequent emergence of a flourishing non-state sector including foreign invested and local privately owned firms which greatly out-performed the state ones; reforms in corporate governance which offer firm management full authority to operate business in a more market-driven economy; a series of reforms launched by Chinese government to encourage further integration with the global economy. Furthermore, it is claimed that western HRM has been practised in China either with Chinese characteristics, hybridised features, or a possibly increasing degree of convergence, reflecting the influence of foreign multinational corporations that have invested in China (Björkman & Lu, 2001; Ding, Ge & Warner, 2004; Warner, 2004; Warner & Zhu, 2004; Zhu, 2005). Given these reasons, the significance of the research in SHRM in China is multiple as the project will provide empirical testing of the transfer of western concepts and practices to a transitional economy; the findings will enrich our knowledge about the changing HRM function and practices in China and contribute to theory-building.

Based on our review of the research in this area, we pose our first set of research questions for further investigation:

- To what extent are strategic integration and devolvement of HRM practiced by industrial firms in China with different characteristics (e.g., size, ownership structures, development history, the nature of industry and internationalization experience)?
- What is the relationship between the strategic integration and devolvement of HRM practices?
- What is the impact of the strategic integration and devolvement of HRM practices on firm's financial (e.g., return on investment, return on assets, profitability, sale revenue) and social performance (job satisfaction, turnover rate, absenteeism and social responsibility assumed by firm)?

- What implications can be drawn for HRM professionals and practitioners, especially those in the increasing number of foreign firms operating or planning to operate in China?

The second issue is the assumed causal relationship between HR practices and firm performance. Recently, scholars have shown that reliance on surveys is flawed, and the two major problems identified by Wright et al. (2005: 412-4) are evident in 'post-predictive' and 'retrospective' research designs. The former design may lead respondents to examine a firm's current HR practices but measure their past performance, while the latter could ask respondents to recall HR practices that existed prior to the performance period. The retrospective design would fail to measure such a relationship if informants cannot accurately recall sets of HR practices used in years past. In addition, researchers have noted that there appear to be gaps between what is planned, implemented and perceived with regard to HR practices. If so, then what is the impact of these gaps on the strategic integration and devolvement of HR practices and, in particular, on SHRM? Further research is needed to explore and address these issues and problems.

Hence, our second set of research questions is raised for future studies to test whether HR practices are 'leading indicators' of a firm's performance and to examine gaps between planned, implemented and perceived HR practices based on empirical evidence.

- What gaps exist between planned HR practices, implemented HR practices and the perception of HR practices in the firms in China?
- How do these gaps affect the relationship between strategic integration and devolvement of HR practices?
- What are the perceptions of senior executives, managers, line managers and employees of the impact of HR practices on firm performance?
- How do these perceptions affect the relationship between strategic integration and devolvement of HR practices?
- What is the HR-firm performance relationship if HR practices are examined at one point in time that is related to subsequent firm performance?

In regards to methodologies, as previously stated there is an underutilization of focus groups. As shown by the three studies that did use them, focus groups are an efficient method of collecting data and can be combined readily with other methods. We found no studies that have applied a grounded theory approach. Given the lack of theory in Chinese HRM management grounded theory could fill that gap as a tool to develop theory. Also, we found no study has applied either an ethnographic or phenomenological approach. The focus of an ethnographic study is to describe and interpret cultural behaviour through data gathered by either in-depth interviews or participant observation (Creswell, 1998, Schwandt, 2001). Given the cultural influences that have appeared as factors in the adaptation of HRM to China, there seems to be potential to apply an ethnographic approach.

If researchers wish to achieve insight into the effect of HRM on Chinese individuals, whether they be in management or employees, then a phenomenological approach might be apropos. A phenomenological approach gains understanding of a phenomenon through the lived experiences of individuals experiencing or who have experienced the phenomenon (Creswell, 1998). Regardless of the methodology, grounded theory, phenomenology, ethnography, case study or survey China offers an abundant population from which to choose the appropriate sample population for any research project.

CONCLUSION

One of the limitations of this project was the limitation of utilizing only two databases and the narrow search parameters of 'human resources management' and 'China'. This search may have failed to capture articles that may be particularly salient to HRM research in China. However the purpose of this article was to highlight the depth and breadth of research that has occurred and the areas where further research could be conducted. Through the analysis the article also highlights the research trends that wove their way through the 26 years. Future trends will depend upon the threads of research fabric that academics choose to follow.

China's foray into world economics has provided unique opportunities for research into various aspects of management research. The article touches upon but a few of these areas. The questions posed are but a few of the queries that remain to be answered. The implications of research on HRM in China spread past its borders. To gain a deeper understanding of HRM, IHRM or SHRM in a global context we need to appreciate the affects of culture. To extend our knowledge of the transition of HRM to IHRM we need to have a sufficient sample population. To understand the affect of SHRM on firm performance we need to follow the progression of HRM in multiple organizations and analyse the affect over time. China offers a research context that provides the environment to answers these scenarios, the questions we purpose and many more.

REFERENCES

- Becker, B. & Gerhart, B. 1996. The impact of human resource management on organizational performance: Progress and prospects'. *Academy of Management Journal*, 39: 779-801.
- Bjorkman, L. & Lu, Y. 2001. Institutionalization and bargaining power explanations of HRM practices in international joint ventures: The case of Chinese-Western joint ventures. *Organization Studies*, 22: 491-512.
- Bowen, D. E. & Ostroff, C. 2004. Understanding HRM-firm performance linkages: the role of the "strength" of the HRM system. *Academy of Management Review*, 29: 203-221.
- Bowen, D. E., Galang, C., & Pillai, R. 2002. The role of human resource management: An exploratory study of cross-country variance. *Human Resource Management*, 41: 103-122.
- Brewster, C. & Hegewisch, A. (Eds.). 1994. *Policy and practice in European human resource management*, London: Routledge.
- Burns, J. P. 1999. The People's Republic of China at 50: National political reform. *The China Quarterly*, 159: 580-594.
- Chan, K. M. & Qiu, H. X. 1999. When the lifeboat is overloaded: social support and state enterprise reform in China. *Communist and Post Communist Studies*, 32: 3.
- China Statistical Yearbook*, 2002. State Statistical Bureau, Beijing: China Statistical Publishing House.
- Creswell, J. W. 1998. *Qualitative inquiry and research design: choosing among five traditions*. Thousands Oaks CA.: Sage Publications.
- Croll, E. J. 1999. Social welfare reform: Trends and tensions. *The China Quarterly*, 159: 684-699.
- Dai, L. 2005. Foreign direct investment reaches over US\$60 billion. *People's Daily (renmin ribao)*, Overseas Edition, 29 September 2005:2.
- Ding, D. Z., Ge, L. & Warner, M. 2004. Evolution of organizational governance and human resource management in China's township and village enterprises. *International Journal of Human Resource Management*, 15: 836-52.
- Fu, Z. 2004. The current status and future development of foreign direct investment in China. Retrieved October 12th, 2005 from <www.fuziying.mof.com.gov.cn>.
- Goodall, K. & Warner, M. 1997. Human resources in Sino-foreign joint ventures: Selected case studies in Shanghai, compared with Beijing. *The International Journal of Human Resource Management*, 8: 569-594.
- Hope-Hailey, V., Gratton, L., McGovern, P., Stiles, P. & Truss, C. 1997. A chameleon function? HRM in the '90s. *Human Resource Management Journal*, 7: 5-18.
- Hussain, A. 2000. The social role of the Chinese state enterprise. In M. Warner (Ed.) *Changing Workplace Relations in the Chinese Economy*: 57-76. London: Macmillan Press.
- March, J. G. 1991. Exploitation and exploration in organizational learning'. *Organization Science*, 2: 71-87.
- Panitchpakdi, S. & Clifford, M. L. 2002. *China and the WTO: changing China, changing world trade*. Singapore: John Wiley & Sons (Asia) Pte Ltd.
- Pye, L. W. 1999. An overview of 50 years of the People's Republic of China: Some progress, but big problems remain. *The China Quarterly*, 159: 569-579.
- Schwandt, T. A. 2001. *Dictionary of qualitative inquiry*. 2nd edit. Thousands Oaks CA.: Sage Publications.
- Shenkar, O., & Von Glinow, M. A. 1994. Paradoxes of organizational theory and research: Using the case of China to illustrate national contingency. *Management Science*, 40: 56-71.

- Starr, J. 1997. ***Understanding China***. New York: Hill and Wang.
- Story, J. 2003. ***China: the race to market***. London: Pearson Education Ltd.
- Tsui, A. S.; Schoonhoven, C. B.; Meyer, M. W.; Lau, C. M. & Milkovich, G. T. 2004. Organization and management in the midst of societal transformation: The People's Republic of China. ***Organization Science***, 15: 133-144.
- Twohey, M. 1999. ***Authority and Welfare in China: Modern Debates in Historical Perspective***. New York: St. Martin's Press.
- Ulrich, D. 1998. ***Delivering Results: A New Mandate for Human Resource Professionals***. Boston, MA: Harvard Business Review.
- Von Glinow, M. A. & Teagarden, M. B. 1988. The transfer of human resource management technology in Sino-U.S. cooperative ventures: Problems and solutions. ***Human Resource Management***, 27: 1-29.
- Von Glinow, M. A. & Teagarden, M. B. 1990. Contextual determinants of human resource management effectiveness in international cooperative alliances: evidence from the People's Republic of China. In A. Nedd (ed.), ***International human resource management review***, 1: 75–94. Singapore: McGraw-Hill Book Co.
- Wang, Z. M. & Mobley, W. H. 1999. Strategic human resource management for twenty-first-century China. In G. R. Ferris (Ed.) ***Research in Personnel and Human Resources Management: Strategic Human Resource Management in the Twenty-First Century***. 353-366. London: JAI Press Inc.
- Warner, M. & Zhu, Y. 2004. Changing patterns of human resource management in contemporary China: WTO accession and enterprise responses. ***Industrial Relations Journal***, 35: 311-28.
- Warner, M. 1995. ***The Management of Human Resources in Chinese Industry***. New York: St. Martin's Press.
- Warner, M. 1997. Management-labour relations in the new Chinese economy. ***Human Resource Management Journal***, 7: 30-43.
- Warner, M. (Ed.). 2000. ***Changing Workplace Relations in the Chinese Economy***. London: Macmillan Press.
- Warner, M. 2004. Human resource management in China revisited: introduction. ***The International Journal of Human Resource Management***, 15: 617-34.
- Warner, M. 2005. (Ed.). ***Human Resource Management in China Revisited***. London and New York: Routledge.
- Wright, P.; Gardner, T.; Moynihan, L. & Allen, M. 2005. The relationship between HR practices and firm performance: examining causal order. ***Personnel Psychology***, 58: 409-446.
- Wright, P. M., Dunford, B. B., & Snell, S. A. 2001. Human resources and the resource based view of the firm. ***Journal of Management***, 27: 701-721.
- Wright, P. M., Gardner, T. M., & Moynihan, L. M. 2003. The impact of HR practices on the performance of business units. ***Human Resource Management Journal***, 13: 21-36.
- Yin, J. Z., Lin, S. L. & Gates, D. F. 2000. ***Social Security Reform: Options for China***. Singapore: World Scientific.
- Zhao, W. & Zhou, X. 2004. Chinese organizations in transition: Changing promotion patterns in the reform era. ***Organization Science***, 15: 186-199.
- Zhu, C. J. & Dowling, P. J. 2002. Staffing practices in transition: Some empirical evidence from China. ***International Journal of Human Resource Management***, 13: 569-587.

- Zhu, C. J. & Nyland, C. 2004. Globalization and social protection reform: Emerging HRM issues in China. *The International Journal of Human Resource Management*, 15: 853-877.
- Zhu, C. J. 2005. *Human Resource Management in China: Past, current and future HR practices in the industrial sector*. London and New York: Routledge.
- Zhu, C. J., Cooper, B., De Cieri, H. & Dowling, P. J. 2005. The problematic role of a strategic approach to human resource management in industrial enterprises in China. *The International Journal of Human Resource Management*. 16: 517-535.