

# Background of ihrm in china



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In the 21st century, HR managers have to meet new challenges. The economy and markets are varied from those of a decade ago. As patterns have modified, the characteristics influencing International Human Resource Management (IHRM) are also changed due to the unfavorable effects of the rising internationalization of all industries particularly to the ones that functions worldwide (Briscoe and Schuler, 2009). Such organizations must build up effective structures and operates in order to keep up to pace with significance, modern trends and policies. The capability of a business to stay in substantial era of time in the industry where it belongs is one measure of its accomplishment. With the recent globalization, every business must operate more successfully in order to sustain with the higher needs of customers and to go with the current of the dynamics of global business competition (Brewster. and Vernon, 2007). Actually, the internationalization of businesses resulted in the developing application of expatriates to manage growing numbers of global operations. Therefore, a complete acknowledgement of organizational labor force and progress of organizational systems and procedures that will allow people to add value within a larger organizational unit is required. (Brewster. and Vernon, 2007)

## **1. 1 – Aim/Purpose of the Paper**

The purpose of this paper is to discuss the approaches and challenges of International Human Resource Management (IHRM) in the international environment (China) while operating in diverse cultures by identifying the current issues in IHRM to set the future directions.

## **1. 2 – Background of IHRM in China**

With the passage of time there is an increase in the complexity of workforce management in China. There are many factors associated with the growth of human resource management profession and one of the main factors of the attitude of the workforce and the people towards work, changes in the laws that deal with employment-related issues and various sociological trends (Kidd, 2006). The human resources in the Chinese organizations now recognize the importance of the relationship that exists between strategy, technology, people and the main processes that are able to make the organizations more successful. Although there are many organizations in china that have realized the importance but still the progress in the field of HR has been rather slow. (Kidd, 2006)

In the older times it has been seen that most important principles of the human resources were used. Human resources have been used in the older times when the tribal leaders were to be selected. The selection process included the recording of the related knowledge and passing this knowledge on to the other tribal people as the knowledge was composed on the information about the safety, hunting, health, and gathering. Advancements in the human resources were seen between 1000 B. C to 2000 B. C. Chinese are the pioneers in using employee screening techniques that started in 1115 B. C. (Kidd, 2006)

Since the field of HRM started in china many names have been given to the field. Some of the important names that have been given to the HRM field include personnel relations, industrial relations, employee relations and human resources. Human resources among all other names have been <https://assignbuster.com/background-of-ihrm-in-china/>

considered as the most suitable name (Richter, 2006). I strongly believe that human resources are the most apt name for it. This is the word that shows that for an organization, human capital is the most important. (Evans and Pucik, 2002)

In 1979, "Open Door Policy" was adopted by China and this is the policy that has been seen as a potential growth forum for the industries in China. There has been a great opening of the markets that has brought in many opportunities for the Chinese but with this many issues and for the foreign enterprises. China has been known for its unique political, economic and cultural environment that makes it hard for the foreign organizations having businesses in China to manage their employees in China. Thereby there are many cross-cultural implications for the international business in China as there are issues to be faced in designing and implementing the management training programs. With this the researchers have argued that there is a need of more studies and research on the development of management principles in China. Most of the research has been conducted on the human resources and the practices that have been followed and a very limited concentration has been focused on management development. (Budhwar, 2004)

There has been an increase in the foreign investment in China in the last twenty years. Since the year 1978 there has been a 9% increase in the Chinese economic growth (Budhwar, 2004). In 1996, the economists have reported that the growth in GDP was 9.7%. In the first fiscal months of 1996, the foreign investments were on an average US\$7.74 billion. In the year of 1995, China stood second among the countries that attracted foreign

investments while the first position was held by USA, having a 42% share of investments made in Asian countries. (Budhwar, 2004)

China is seen to be modernizing as there is a large scale reformation in the industrial enterprises so that the problems that are being faced by the industries are solved (Smith, 2005). The changes that have been incorporated in the industries include an increased entrepreneurial autonomy, an increase in the private and rural enterprises, increase in foreign direct investment, an increase in the volumes exported to the developed world, an increase in globalization that has caused an increase in the competition that has led to an increase in business with international market. (William, 2007)

Major changes have been seen in China after the increase in joint ventures as these are the ventures that have asked for increased improvement and better performance. But there has been a resistance in changing the ongoing business scenario thus there has been avoidance in the manager level responsibility (Dowling, 2009). There has been an increase in the pressure created by international managers that makes Chinese managers adopt a defensive stance. Thereby there is a need to acknowledge the Chinese system of industrial governance as this is the system that can help in the explanation of the behaviors of the managers that has been shaped by a long gone dependency culture. Here an important example is that of China where a small defensive mode adopted to avoid a single responsibility is defined as collective irresponsibility. This is regarded as a form of a defensive mechanism that is up taken by the managers (Smith, 2005). If there are increased pressures from the international managers in case of <https://assignbuster.com/background-of-ihrm-in-china/>

joint ventures than there are further changes in the local management. In this case it has been realized that important roles are played by providing the managers benefits that include employment and job security and social benefits that are inclusive of health care and housing. (Richter, 2006)

In addition to this it has been seen that there has been an existence of the pre-industrial behavior that reflect deference towards hierarchy. These are the kinds of behaviors and attitudes that support a general acceptance towards authoritarian state socialism. This is the situation that can be compared with the communists who have been successful in preserving their cultural values as these values have been seen to be reliable while giving up on the values that have been threatening and harmful. Thereby from here it can be seen that the system is overly dominated on the industrialization and it has caused a great change in the economies, and resources. (William, 2007)

There has been a shortage of managerial competence in China and one of the main causes is the systematic industrialization in China. From here it can be deduced that in the changing world of competing markets and increased competition there is a need that the managers in China have more skills in the competitive environment (Dowling, 2009). On the other hand it has been seen that the countries that suffers from the shortage of skilled managers can lag behind in development of better management that is also because of the reason that there are barriers to train managers for better skills.

## **2.0 – Key Human Resource (HR) Practices in China**

The dramatic reforms in the Chinese economy have immensely influenced the role of the manager in Chinese community. The manager's function is altering from a focus mostly on people-problems towards the need for knowledge of the market, financial management and thinking tactically to support competition and cope with joint ventures (Dowling, 2009). As a result, such reforms have generated questions about Chinese managers' aptitudes to cope with competition, insecurity, volatility and increased independence. The localization of the administration group in the overseas-invested businesses, due to the cost reasons, puts strong needs on the universal management progress of local managers and experts. (Brewster and Vernon, 2007)

Management in contemporary China is argued to be described as an exact science with an evident and definable understanding base, with a collection of quantitative and operational techniques with general applicability connected to specialized functional expertise (Hutchings, 2006). This is maintained by the proof of a knowledge-based program for trainee managers where an excellent deal of stress is placed on the conventional numbers-oriented (difficult) subjects and far less time is spent on individuals-oriented (easy) subjects. Behind this approach are three problems- professional context, custom and ideology - all uniting to dictate this particularly Chinese understanding of the hypothesis and practice of management? Management growth within the conventional educational system is defined as: supporting the more didactic, educator-centered teaching techniques; a focus on hypothesis rather than on experience with little contact with the broader

industrial society; and a lack of well educated and well trained management trainers. (Hutchings, 2006)

China's successful progress as a key economic supremacy can only be obtained with the help of highly qualified, professionally trained administration (Dowling, 2009). In China the management training process is not only associated with economic basis and progress, but also to political and ideological beliefs. Since management progress is supposed as a significant means of improving managerial ability and improving competitive benefit, international firms engaged in joint ventures need to be aware of the cross-cultural implications in the design and implementation of management training courses for Chinese managers and its incorporation into the strategic HR system. (Dowling, 2009)

## **2. 1 – Recruitment and Selection**

It is a critical stage when the firms in China proceed to hire employees to fill the vacancies it has recognized. At the employment stage the firm attracts people to apply for its jobs; at the hiring stage it selects the best individual for the job or jobs from among the people it has fascinated. Employment and selection, thus, refers to the group of methods used to hire and select employees to execute the jobs recognized within the firm. (Cooke, 2007)

### **2. 1. 1 – Cultural Issues**

At the time of enrollment and selection procedure in China, firm culture is the most significant and the most complicated part of such organization analysis since various candidates have different insight to same organization culture and moreover, various people communicate with the setting in which



they work in a different manner. On the other hand, a thorough organization analysis could be done to emphasize the selection standard. (Warner, 2003)

### **2. 1. 2 – Cost Benefit Analysis**

Chinese firms also make cost and advantage analysis at the time of selection and enrollment. The procedure of selection can be expensive, and some recruitment methods could be even more costly, such that some firms could only employ them for a few major vacancies. When a firm chooses its recruitment methods, it would try to assess whether the struggles will be worthwhile. To determine on the most cost-effective techniques, both the costs and the advantages related with the recruitment techniques should be considered. (Cooke, 2007)

### **2. 1. 3 – Personality Test**

Personality test has also been adopted in China in selection procedure. They observe aspects of personality that have been demonstrated through research to associate with performance at workplace. Most personality assessments are self-report, where candidates are asked to note how they see themselves on a number of characteristics or behavior. Some items may be unlimited questions asking about preferred actions, and some items may be a selection from a range of statements, asking individual to select which statement most resembles them or is most contrasting them. (Wright, 2004)

## **2. 2 – Training and Development**

Although personnel develop their expertise through every day work, as we have just noted, firms often give additional proper learning chances. These may be off-the-job training programs, or they may contain work based

development courses. We can also contain post-graduate qualifications such as the one you are studying for now. Personnel development is an identification that employees may need to develop modern skills or get new information, both for their own growth and to fulfill the firm's requirements. (William, 2007)

### **2. 2. 1 – Cultural Issues**

When multinationals turn into or with other nations there may be a supposition that because everybody within the firm is working for the same objectives and to the same standards, they will automatically interact, think and view the world in the similar way. When various cultures start working together, issues or complexities occur that several people within these firms are not expert or adept enough to cope with efficiently. This can merely be because they have never had to cope with the problem before. (Wright, 2004)

### **2. 2. 2 – Language Barriers**

Language is the most significant thing when Chinese firms offer training to their staff. In China language is often the least complicated hurdle to breach. When we recognize there may be language variations, we have a greater understanding of the potential for issues. On the other hand, much more often it's a totally different way of seeing things and an incapability, or reluctance, to see what the other individual is seeing that causes the complexities. (William, 2007)

### **2.2.3 – Misunderstanding the Norms**

The most major problem in China we can say that misinterpretation the norm because the other individual understands our language (or we understand theirs) that we speak the same language. Often we don't. Even when our "Native" language is the same, we don't speak it the same way. When we work with other cultures, it's easy to be affected by general stereotypes, misunderstandings and biases about our new colleagues. Without understanding it, we carry those understandings and stereotypes into meetings, conferences, training or even social get-together that can make interaction hard and difficult work. (Smith, 2005)

### **2.3 – Performance Management and Appraisal**

Once the best candidate has been selected and has begun work, firms often wished to observe their work and help them to grow. In the first example, monitoring and growth happens through the normal procedures of daily work, where employees develop themselves with the help of their supervisors (Wright, 2004). On the other hand, some firms have recently begun to take a systematic advancement to the management of individual conduct, seeing it in the perspective of the overall policy of the firm: this is what has come to be called performance management. Several firms have also established it wanted to institute a formal annual review of performance, executed jointly by the worker and his or her supervisor: this is " what is called performance evaluation?" (Wright, 2004)

### **2.3.1 – Cultural Dimensions**

In the China more and more shrinking business world, the firm has arrived with a bang. With it have come cultural problems of race, ethnicity, unlike  
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educational background, language problems, etc. The firms in China are striving for proper alignment of cultural variations between workers of towards increasing organizational effectiveness and output. Such firms are evolving performance assessment methods appropriate for measuring and assessing worker performance along cultural dimensions. (Selmer, 2001)

### **2.3.2 – Power Issues in Appraisal**

In appraising the workers in China power is major threat to companies while appraising the workers. In high power gap cultures, authority is focused at the top of a vertical organizational structure (Jackson, 2005). There are comparatively more supervisory employees, and the resulting variations in power are an accepted disparity between higher-level and lower-level people. Managers depend on formalized roles in which authority is vested and employees expect to be explained what to do without discussion. Close management and authoritative leadership are estimated to lead to job fulfillment, higher performance, and raised output. (Jackson, 2005)

### **2.3.3 – Uncertainty Avoidance**

Improbability avoidance is the level to which participants of a firm in China fear the unexpected at the time of appraisal. Cultures with a low level of Improbability avoidance do not feel pressure while appraising and endangered when faced with reform and vagueness. Low uncertainty avoidance cultures have a comparatively short average time of job with each organization and feel little loyalty to the company. Although self employment is rare, they choose to work for smaller firms. (Selmer, 2001)

## **2.4 – Compensation Management**

Deciding how much and in what way employees should be paid is a key part of HR management. Pay assessments are based not only on workers' performance, but contain data from more universal performance management and assessment processes, such as an analysis of the movement of payment rates in the external marketplace. (Jackson, 2005)

### **2.4.1 – Cultural Dimensions**

In Chinese culture, worker name pay-for-performance as the most essential tool in getting the greatest financial consequences at their firms. But, adopting real, pay-for-performance is simpler said than done. In Chinese culture workforces who outperform their colleagues will be rewarded properly, feel valued and content and more likely to stay with your firm. (Selmer, 2001)

### **2.4.2 – Evolution of Compensation**

Nowadays in China compensation techniques have come from a long way. With the altering organizational structures employees' need and compensation techniques have also been altering. From the bureaucratic firms to the participative firms, workers have begun asking for their rights and proper compensations. The higher education standards and higher expertise needed for the employment have made the firms provide competitive compensations to their workers. (Siam, 2007)

### **2.4.3 – Modern Compensation Systems**

Nowadays the compensation systems are intended aligned to the business objectives and policies. The workers are required to work and take their own

decisions. Administration is being delegated. Workers feel secured and valued in the company. Firms offer financial and non-monetary advantages to attract and retain the best talents in the competitive atmosphere. Some of the advantages are special allowances like mobile, firm's vehicle; House rent allowances; statutory leaves, etc. (Shen, 2007)

## **2. 5 – Labor Relations**

To make sure productive worker relations, human resources management practitioners must cope with the administration of the relation between the employer and the employees as a whole. In several states and employers a trade union or unions represent employees (Siam, 2007). On the other hand, we will discuss that employment relations are a concern of the human resources manager even if his or her firm is not unionized: she or he must still determine, among other things, how the firm is going to interact with its employees, and the extent to which workers should involve in the management of the firm.

### **2. 5. 1 – Cultural Dimensions**

Cultural issues do not describe or affect the way labor relations are executed in China's workplace, as several consider they do. The effect of the international market has considerably changed the way labor relations are really followed in China, which is called an international market paradigm. However, Collectivism and Confucianism carry on to affect labor relations in China and the ideological and cultural leftovers still to be found could influence China's relations with other countries for years to come. (Siam, 2007)

## **2. 5. 2 – Employment Policies and Manuals**

Every firm in China keeps employment strategies and worker manual for workers of any stage. These strategies manuals help the workers and firms in keeping good relationships by resolving disagreement through the proper processes previously discussed before job. (Siam, 2007)

## **2. 5. 3 – Unemployment Benefits**

Many Chinese firms keep proper scheduling about personnel performance to curtail unemployment taxes and evaluation and in defending claims for advantages in managerial proceedings and court petitions. (Shen, 2007)

## **3. 0 – IHRM Environmental Factors in China**

Much of the development in the human resources function over the last thirty years may be typified to its vital role in keeping the firm out of dilemma with the law in China. Most companies are intensely concerned with possible liability resulting from staff decisions that may breach laws endorsed by the state legislatures, and/or local administrations. These laws are persistently understood in thousands of cases brought before regime agencies, federal courts, state courts, and the Supreme Court. (Smith, 2005)

## **3. 1 – Government Actions**

In China the HR management of a company relies to a large extent on its capability to deal successfully with administrative actions. Operating within the legal structure devised by Government needs keeping track of the external official environment and developing internal procedures (for instance, management training and grievance processes) to make sure compliance and reduce complaints. Several firms are now developing formal

strategies on sexual harassment and setting up internal administrative channels to cope with alleged events before workers feel the need to file a case. (Shen, 2007)

### **3.2 – Regional Economic and Political Activity**

Regional monetary and political activity often has a varied effect on public- and private sector companies. Still, politicians and economy in China typically exert much more control over organizational confronts than over environmental confronts in recruiting staff, determining pay, providing promotions, etc (Shen, 2007). Nevertheless successful managers spot organizational problems and cope with them before they become major issues. Only supervisors who are well educated about significant HR problems and organizational confronts can do this. These challenges encompass the requirement for a competitive position and flexibility, the issues of downscaling and organizational reform, the use of self-managed work groups, the growth of small businesses, the need to develop a strong organizational culture, the part of technology, and the development of outsourcing. (Shen, 2007)

### **3.3 – Cultural Diversity**

The future achievement of any firms depends on the tendency to manage a diverse body of aptitude that can bring new ideas, views and prospective to their work. The challenge and issues encountered of workplace diversity can be turned into a tactical organizational asset if a firm is capable to capitalize on this melting pot of different talents (Selmer, 2001). With the merge of talents in China of different cultural backgrounds, genders, ages and way of life, a firm respond to business possibilities more quickly and creatively,



particularly in the international arena, which must be one of the significant organizational objectives to be achieved. More significantly, if the organizational atmosphere does not support diversity generally, one risks losing talent to rivals. (Selmer, 2001)

#### **4.0 – IHRM and China**

Recently the firms in China are encountering the cultural diversity. The challenge of workplace diversity is also common amongst Singapore's Small and Medium Enterprises (SMEs). With a population of only 4 million individuals and the nation's struggle towards high technology and knowledge-based economy; overseas talents are attracted to share their skills in these fields (Cooper and De Cieri, 2007). Therefore, many local human resources managers have to experience cultural-based HR Management training to enhance their capabilities to inspire a group of expert that are highly educated but culturally diverse. Moreover, the human resources professional must assure the local experts that these overseas talents are not a danger to their career development. In several ways, the efficacy of workplace diversity management is reliant on the skilful balancing act of the human resources manager. (Cooper and De Cieri, 2007)

One of the major causes for unproductive workplace diversity management is the tendency to pigeonhole workers, placing them in a various silo based on their diversity profile (Hutchings, 2006). In the actual world, diversity cannot be simply classified and those firms that react to human difficulty by leveraging the talents of a wider workforce will be the most useful in flourishing their businesses and their client base.

## **5.0 – IHRM and China**

As the real diversity is the major problem in China, so in order to successfully manage workplace diversity, Human Resources Manager needs to reform from an ethnocentric view “our way is the best way” to an ethnically relative view “let’s take the best of a variety of ways” (Warner, 2003). This change in philosophy has to be inbuilt in the managerial structure of the Human Resources Manager in his/her planning, organizing, directing and managing of organizational resources. (Warner, 2003)

Most firms in China have determined to begin mentoring program in the future. Because this is the best method to manage workplace diversity problems through initiating a diversity mentoring program. This could entail engaging different departmental supervisors in a mentoring program to coach and provide feedback to workers who are different from them. In order for the program to run effectively, it is wise to give practical training for these supervisors or seek help from advisors and professionals in this field. (Warner, 2003)

## **6.0 – Conclusion**

The conventional functions of Human Resources Management now need to be tactically directed towards flourishing and sustaining organizational abilities, through activities that overlap with conventional business operations such as finance, marketing, and non-conventional operations, such as knowledge management. HR Information System has great importance in every field. It can execute an essential role and help the interactions procedure in the organization. Most significantly, firms can appoint and retain the leading performers, enhance output and improve job

satisfaction of the workers. Human Resources Manager has the liability to amplify competence and profit, but in the current scenario, the role of Human Resources manager is altering quickly due to changes in regime policies, unions, labor legislations and technological advancement. The trends have occurred in the firm, HR planning, job design, enthusiasm, and employment and skill development and worker relations. The challenges can be encountered by Human Resources Manager effectively, if appropriate strategies are adopted. Therefore, the role of Human Resources Manager will be more vital in future due to the emerging scenario.