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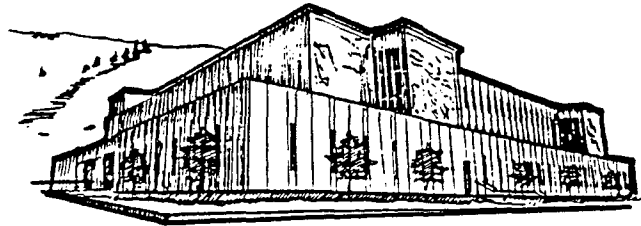
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THE EXPANDED ROLE OF HUMAN RESOURCE MANAGEMENT
IN
JOINT-VENTURE ENTERPRISES
IN THE
PEOPLE'S REPUBLIC OF CHINA

BY

Wei Shao

B. E., Hangzhou Institute of Electronics Engineering, 1986

Presented in partial fulfillment of the requirements

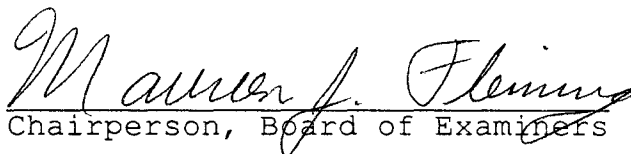
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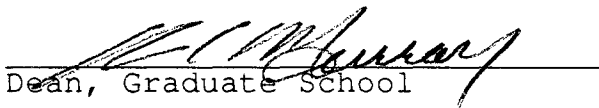
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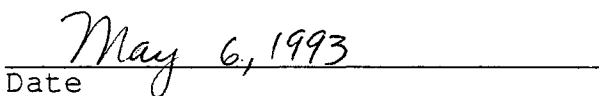
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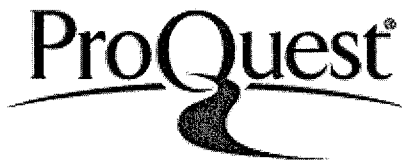


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The Expanded Role of Human Resource Management in Joint-Venture Enterprises in the People's Republic of China

Director: Maureen J. Fleming *MJF*

The sino-foreign joint-venture enterprises (JVEs) are the biggest foreign investment in China. Human resource management (HRM) is a critical factor to the JVE success.

Obtaining and developing employees are the first steps to HRM. The operation has its uniqueness due to the political, social, and cultural conditions. The old and traditional HRM practices in the state-owned enterprises have tremendous impacts upon the operations in the JVEs. These practices can be characterized as over-centralization, organizational overlap, closed structure, and egalitarianism in remuneration. New strategies need to be developed to break the deadlock.

The intervention from the government and the Communist Party has brought many bureaucratic obstacles to HRM. However, it should also be realized that Western partners can benefit from the involvement. HRM needs to engage the support of influential members and groups of the government.

Understanding the Chinese culture and cultural transition is important because HRM is never culture free. To a large degree, culture decides behavior. The Western HRM practitioners need to develop strategies to improve their communicating skills across the cultural gulf thus reducing cultural misunderstanding and misinterpretation.

There are several major impediments to HRM in the JVEs. Different objectives and expectations, shortage of management talent, lack of acquisition and absorption capability of new HRM technology, tight ideological control and political uncertainty make HRM operations in the JVEs extremely difficult. It is the author's hope that the Western HRM practitioners can better understand the problems and overcome them with creative talent and management strategies.

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CHAPTER ONE

INTRODUCTION

With the largest work force in the world, the People's Republic of China (PRC) has long been a subject of curiosity for Human Resource Management (HRM) practitioners in the West. The opening of China's borders to foreign investment and trade since 1978 has turned that curiosity into a more pragmatic interest.

China is experiencing a transformation from a centrally-planned economy to a market economy. During the transition period, the joint-venture enterprises (JVE) between Chinese and Western partners are playing a significant role in economic development.

The HRM practice in the JVEs is different from either Chinese or Western traditional styles. This paper aims to provide a description, analysis, and exploration of the expanded role of HRM, with a special focus on employee development, involvement of the government, and cultural assimilation in JVEs in China.

Differences between the Chinese and Western HRM systems are described with respect to work-related assumptions about people and their performance, training and development.

These differences in assumptions directly result in different employee development programs.

In China, the government has significant influence on HRM practices. Many people regard this as a big impediment to HRM. However, this involvement can benefit HRM personnel if they provide information and suggestions to the government, thereby extending their legitimacy and gaining an ally under the specific political and economic system of Chinese society.

In China, traditional Chinese and modern Western cultures are merging, resulting in new cultural norms and values. This is particularly true in the JVEs. In many respects, the JVEs have become the focus of conflict between the two cultural patterns. HRM can not only create new policies and procedures in the traditional areas of reward, promotion, training, and appraisal, but also be a vehicle for interpreting major cultural or political changes to the organization's members. In this broader role, HRM can be a manager of context and culture (Cyr and Frost, 1991).

In the following chapters, the author will explore effective employee development programs; describe the liaison between the government, HRM authorities and unions, and the impact of the government involvement; evaluate the

influences of political and economic changes on the HRM operations; discuss the cultural assimilation at the organizational level; finally, analyze and identify key differences that present impediments to the practice of human resource management in the JVEs in China. The author will also portray the trends of human resource management in the JVEs and will make recommendations.

This paper is designed to achieve three ultimate goals. First, it is hoped that through analysis and exploration the JVEs in China devote enough attention to HRM, and realize the uniqueness of the cultural and organizational conditions. Second, the paper will provide existing and potential Western partners with some relevant information of HRM practices and pertinent problems of the JVEs in China. Finally, with an understanding of these practices and problems, both the Chinese and Western partners may develop new HRM strategies.

CHAPTER TWO

OBTAINING AND DEVELOPING EMPLOYEES IN THE JVES

The staffing of an organization involves the process of analyzing present and future needs for human resources and of obtaining personnel to meet these needs. Effective staffing, furthermore, includes the developing and maintaining of adequate human resources from which applicants may be recruited and selected.

1. History and Development of the Sino-Foreign JVES

As a basic business unit, a JVE in China has its own characteristics. It is necessary to review the history of the JVE development in order to analyze its personnel policies.

The first JVEs emerged in early 1980's, at the beginning of the Deng Xiaoping's economic reform movement. The government's initial purpose was to establish a window for the Western countries, exhibiting China's "open door policy." The Western businesses rushed in, eager to gain a foothold in the last commercial frontier. For many Western investors, this enthusiasm quickly turned into frustration when faced with a vastly different culture, a tangled bureaucracy, difficulty in obtaining competent workers and

raw materials, and limited access to the local market. At that time, the Chinese government, in order to keep sovereign rights, only allowed foreign partners up to forty-nine percent of shares in the JVEs. The operation of these types of businesses encountered tremendous government restrictions and bureaucracy, as well as confrontations regarding traditional management style, personnel policy, and sense of values.

There were more than 53,000 JVEs in China by mid-1992 (UPI, February 14, 1993). And the number is still increasing. The JVEs become the most important source of foreign investment and modern technology transfer. The government is eliminating more and more barriers and providing more and more incentives to the establishment of the JVEs. Envisioning a huge market for their products, a vast, untapped store of natural resources, a source of cheap labor, and a large potential market caused by the booming economy, the Western businesses rushed in to initiate enterprises with China. Today's JVEs are symbolized by higher productivity, better work efficiency and product quality. These characters have resulted in the JVEs being more competitive in the marketplace.

Based on the information mentioned above, the JVEs' recruitment policy and human resource development programs

in China have their specific characteristics.

2. Obtaining Employees

The first step is finding the right people. This can be a time-consuming task given the bureaucratic obstacles involved in the hiring process. Before analyzing the JVE recruitment system, it is important to look at the history and development of the personnel system in Chinese state-owned enterprises.

The Chinese personnel system employed in state-owned enterprises was gradually built from the early 1950s through the late 1970s. It was in fact a hybrid of the centrally planned economy and Chinese feudalism. The fundamental model, which had been copied from the Soviet Union in the early 1950s, defined the personnel system's structure while Chinese feudalism influenced the ways in which it was operated. This system could be characterized by over-centralization, organizational overlap, closed structure, and egalitarianism in remuneration.

In a centrally planned economy, the government is supposed to plan and develop the national economy at its will. Thus, it is necessary for the government to possess and dispose of not only the means of production and raw

materials, but also the manpower. In the Chinese centralized system, the annual plans for distributing human resources were divided into the provincial plans which were then subdivided into city plans. The further division was not completed until each grassroots unit, such as a state-owned enterprise or a school, had its share of the central plans. These plans, which stipulate in detail the recruitment numbers and procedures, were obligatory and even slight changes were not allowed.

Under these circumstances, the state-owned enterprises had little discretion in hiring, firing, and wage setting. These activities were actually determined at local, provincial, and the Communist Party levels. The little leeway remaining in the hands of an enterprise was subject to strict ideological imperatives. Local Party officials usually had a final say in all human resource decisions, because the Party organization at all levels undoubtedly assumed true government power while the parallel government structure was only its rubber-stamp.

In ninety percent of the Chinese families, both husband and wife work. It is not uncommon that a couple work in different towns, sometimes hundreds of miles apart. This situation is particularly true in the technological fields due to a shortage of the needed skills. A typical case is:

a couple of engaged or married graduates fresh out of college have been permanently allocated to different state-owned enterprises in different parts of the country. Together, the couple will only have a fifteen day visiting leave every year to meet each other if they are married. This scenario may be worsened by the public personnel administrative pattern---a highly controlled identity and personnel record system, which will be mentioned in detail later in this chapter. The system makes it difficult for the either party of the couple to obtain a job transfer to the location of the other party. Based on different cultural background and social conditions, many couples have surprisingly survived under the separating circumstances. However, more people eventually have divorced after many failed reunion efforts.

With the economic reform which began in the early 1980s, significant changes have occurred in HRM practices. The highly centralized power has been decentralized. Today, state-owned enterprises have unprecedented power and flexibility in HRM decision making. Most of these enterprises have limited autonomy to hire and fire. But state-owned enterprises still have to measure a job applicant based on numerous specific guidelines regarding his/her political background, age, and residency. Firing an employee is still difficult for many reasons. The top Party

authorities still keep the power of appointing key positions such as those of CEOs of major state-owned companies, presidents of major universities, and chief editors of major newspapers, etc. However, HRM reform is continuing. Further decentralization is expected as the economy is changing to a market-oriented system.

Theoretically, like other enterprises, the JVEs have many recruitment sources of qualified personnel. Since most of the JVEs are newly established, external sources become a major consideration in recruitment. For many JVEs, advertisements are the main method used for filling a variety of different jobs. As in many Western nations, the JVEs frequently utilize newspapers, television, and posters as advertising media in attempting to reach potential applicants. But China, which is governed by a Communist regime is still, by and large, a closed society with political ideologies that run counter to many of the goals that Western HRM advocates (Glinow and Teagarden, Summer 1988).

For example, in China the grassroots public security authorities use an identity system to keep a registered permanent residency record for each individual and household. Each citizen older than eighteen is given an identity card except convicted criminals, law enforcement

personnel and servicemen. Any migration must be approved and reported for change of domicile. The identity system, which was established for public security reasons and control of internal migration, effectively prevents the JVEs from hiring the best people from another town, even county. Another practice is called the personnel record system. Each adult has a personnel record either with his/her employer or school. He or she cannot move to another work or study unit without permission to release and transfer his/her personnel record from the existing employer or school. In Tianjin, an Australian joint venture partner offered twenty specialized jobs to 800 applicants over an eight-month period, but was able to hire only two workers who could secure transfers from their home-units (Mayer, Han and Lim, 1987). Getting out of a work unit is even more difficult if one is technically skilled, as that unit will resist allowing a much-needed worker or manager to leave. There is little concept of employment-at-will. With the economic reform, although these practices are certainly under constant changes, the JVE HRM authorities still can not ignore such disadvantages brought on by government policies.

However, the government has its own concerns. In its view, it is absolutely necessary to control the internal migration. Since the eastern coast areas and urban areas in

China are much more developed than the other parts and seventy percent of the national industries are located near the Pacific, it is natural that the vast numbers of the populace would move to the East and large cities if there were no identity and personnel record control system. This situation would cause deterioration in the already overcrowded eastern and metropolitan environments and increase life-standard, technology and management distances between the East and the rest of the cities and the countryside.

Another reason which prevents the JVEs from obtaining qualified employees is that many employees in state-owned enterprises resist movement to a more market-oriented system. This is especially true in state-owned factories which provide workers with a subsidized living standard. Some workers in this situation perceive performance-based pay policies as a potential threat to their job security and welfare, even if they can get more pay.

One of the limitations of using advertisement is the unpredictable nature of its results. An advertisement may cause a JVE to be over-burdened with applicants, many of whom are marginally qualified, but who respond in hopes that they will be considered (Chruden and Sherman, Jr., 1976). In today's China, many job applicants come to the JVEs only for the opportunity to work under Western management and for

high wages.

The JVEs' HRM authority should avoid taking too many employees from any one source. The reason is that the management should not risk hiring a large number of people with similar bad habits who will tend to reinforce each other. In addition, inheriting the power and social structure of the previous organization will compete with the environment the management tries to create in the new venture. Although recruiting from the outside is much slower, involves many bureaucratic hurdles, and may require a JVE to provide even more training than would hiring from within a single state-owned enterprise, the HRM authority needs to accept these costs. Finding the right people will pay off over the long term even if there is a slow initial growth rate.

3. Developing Employees

Employee development programs usually include a wide variety of activities that are concerned with informing employees of company policies and procedures, training them in job skills, motivating and evaluating performance, and providing counseling as it is needed. The primary purpose of these activities is to develop employees who will contribute more effectively to the goals of the organization

and who will gain a greater sense of satisfaction and adjustment from their work.

Currently, employee development programs in state-owned enterprises are rarely generated by HRM authorities. The basic function of a personnel department is to handle hiring, internal transferring, and interpreting related government policies. The concept of an employee development program is vague and most of the responsibilities are delegated to specific working units. The personnel department is not responsible for training employees. Training and developing an employee is the obligation of his/her immediate superior in his/her unit or department. In fact, in most state-owned enterprises, there are only personnel departments instead of HR departments. The different functions between the two departments are clear. The HR department is not only in charge of policies and practices like hiring and firing, but also responsible for employee development. The personnel department usually does not cover the latter function. Parallel communication between the personnel department and other departments is weak and limited. HRM employees have had little training or education that would be typical of or considered appropriate to HR functions in Western countries.

The Sino-foreign JVEs are a relatively new type of

business in China. They bring an infusion of new management styles and gradually an infusion of new value orientations as perceived by employees. Employee development has become increasingly vital to the success of the JVEs in China. The changing technologies and environments require employees to possess new skills and abilities to meet new challenges. When making an employee development plan, the HRM authority needs to be aware of the environment, economic conditions, and people. There is no simple pattern for tailoring employee development for different countries and cultures. Employee development programs can be made culturally relevant for different audiences without compromising core concepts.

Most of the employees in the JVEs are young and moderately well-educated. Their basic motivation to work in the JVEs is for higher wages/bonuses, better career opportunities and experiences under Western management. Accordingly, the scenario requires HRM personnel to work closely and frequently with their employees. Due to the unfamiliarity with the nature of JVEs and Western style management, employees need a development plan, including a complete interpretation about company policy and contract, a detailed job description, a list of training programs, and health/safety programs, etc.

Many JVEs now bargain for employee contracts of five or more years to ensure the Chinese partner will keep employees at the joint venture after being trained. On the other hand, it is important for the HR department to make sure that the policy and contract themselves are reasonable, and to make sure that employees do understand the contents of the contract and the reason for it in order to avoid future disputes. It should come as no surprise that sometimes the training system itself encourages dissatisfaction in employees as in the following case:

A U.S. firm was able to get a five-year contract for trainees after they had trained them in the United States in factory management operations for one month. The trainees were not altogether satisfied with their employment situation. They were understandably upset because they had not themselves chosen to be trained overseas. They were also disgruntled and disillusioned that they had been not only committed to work for the joint venture for five years, but were to be relocated in China without any say on their part. These trained workers also thought it unfair that although the U.S. firm was paying \$4,000 per year to the Chinese side for each of their salaries, they themselves were being paid by the Chinese side only 4,000 yuan as salary. With the difference in exchange rates, the workers concluded that 2.7 yuan on the dollar was being skimmed off and paid to local official agencies. If that were not enough, the joint venture could fire them at any time during the five-year contract. It remains to be seen whether this exploitative contract, sanctioned by the Chinese side and demanded by the U.S. side, will dampen the morale of these workers to work hard for the China venture in the future (Engholm, 1989).

It is important to provide detailed job descriptions, but recognize their limitations. It is impossible to cover all aspects of employee's responsibilities in a job

description to justify their actions, or their inactions. Based on cultural and historical reasons, most Chinese are risk averse. They generally seek to avoid personal responsibility for solving problems, as acceptance of responsibility increases the odds of failure and loss of face. Therefore, the HRM authority should view job descriptions as training tools to help and assist staff to understand their responsibilities and place in the organization. The management should have its own expectations of results and accountability. There will and should be some inevitability of gaps among job descriptions, employee and management expectations. Descriptions imported from Western countries can be good starting points, but they must be localized. Furthermore, the descriptions must be living documents that are updated as needed.

Currently, either Chinese or joint ventures regard training programs as an important part of employee development. Training is viewed as the primary vehicle for increasing productivity. Even in the JVEs, training generally is limited in the technical area. Behavioral training is virtually nonexistent and exceedingly difficult to implement. However, it is important for JVE employees to keep good attitudes toward their duties and maintain high morale. This is particularly true in hospitality industries. But any behavioral training should not rest

entirely on the basis of Western standards, but should also take advantage of Chinese culture and traditions.

Many JVEs train some local employees in the Western partner's home country. This is certainly popular among the recipients. However, the high costs force the HRM authorities to reconsider the necessity of doing that, especially if the trained employees leave shortly afterwards. Another problem is that those who are not chosen to be trained overseas will have a grievance. A practical solution to this problem may be establishing a training center by importing Western experts. In this way, the scale of training will also increase.

In many JVEs, the individual is asked to train others, similar to U.S.-based train-the-trainer programs. These programs are gaining in popularity, but generally occur only within the individual's own enterprise. Inter-enterprise training rarely occurs because of the enterprise's strong vertical linkages (Schnepp, Bhambri, and Glinow, 1987). This situation may change with the decentralization of the economy.

The Chinese government currently has neither a comprehensive social security system nor a medical insurance system. Like other state-owned enterprises, the JVEs have

to carry the responsibility of medical and accidental injury expenses for their employees. However, the specific policies can be different depending on individual companies. The JVE HRM needs to figure out a set policy. Probably the best way to deal with the problem is to follow the policies set by similar types of businesses, thus avoiding possible further disputes. Because the JVEs are usually viewed as successful and wealthy in China, if an employee needs medical care, the company may be involved in endless claims for compensation if it has not established a strong policy.

For a long time, pensions have been a big financial burden for state-owned enterprises. Each enterprise in China has to pay pensions to its retired employees according to regulations of the Labor Department. Since China does not have a comprehensive nationwide social security and medical insurance system, a state-owned enterprise has to pay seventy to ninety percent of the last year's salary as pension to a retiree depending on his/her working age.

Life-time free medical care is another part of the benefits provided to employees. Usually, funeral expenses are covered also. Sometimes, a retiree's spouse will be provided discounted medical care if he/she is unemployed and some stipends will be provided after the retiree's death. It is not rare, in large state-owned enterprises, to have

the pension expenses be as much as the salary expenses on the balance sheet.

Accordingly, employee safety becomes a big concern in China. Without exception, the JVEs need to pay attention to safety. Whether or not to have and enforce effective health and safety rules not only directly affects the amount of the company's medical/health expenses, but also affects its reputation and future market share.

As the economic reform deepens, the state-owned enterprises have the power to decide their own retirement plans including age limits and offerings. Regulations regarding the JVEs' retirement plans are still under discussion and remain unclear. A common practice used by the JVEs today is that the contract employees contribute up to three percent of their monthly wages to the retirement fund. When retired, employees can get pensions and related benefits from that fund. Spouses of retirees are no longer eligible for benefits. Nevertheless, the JVEs have and will have more autonomy and flexibility to deal with this issue.

Day-care is a benefit that the large state-owned enterprises offer to employees. Usually, these enterprises have their own day-care centers and only charge users nominal fees. Medium and small businesses pay their

employees with children day-care stipends. Like Western enterprises, most JVEs don't have their own day-care facilities, but as a common practice, they cover a portion of the expenses incurred for use of public day-care facilities.

Obtaining and developing employees in the JVEs are different from the state-owned enterprises. It is not easy for the JVE HRM authorities to develop a practical procedure and system between two cultures. The understanding of the cultural and political environment becomes an important factor in achieving these HRM objectives.

CHAPTER THREE

THE INTERVENTION FROM THE GOVERNMENT AND THE PARTY

Almost every Westerner who does business in China finds that the Communist Party, the central and local governments have considerable involvement in HRM operations in the JVEs. But not everyone is thinking about the reasons and the consequences which result from such involvement.

1. The Previous Experiences and Concerns

It is important for today's Western investors to realize that foreign investment in China did not begin with the China's opening to the West in 1978, and therefore should not be viewed as existing in a historical vacuum. Although foreign trade with China has existed for centuries, foreign participation in China's economy began at the conclusion of the Opium War (1839-1842) when Chinese ports were forced to open to Western trading companies under a series of unequal treaties that drew harsh and debilitating concessions from the Chinese (Wakeman, Jr., 1975).

Sensitive about the past experience with Western nations, the Chinese government allows foreigners to participate in their economy while maintaining strict protection of its national sovereignty and independence.

From the Chinese perspective, interaction with foreign business interests must contribute directly to the national objectives of the country, and more importantly, investment projects must be fully consistent with current economic, diplomatic, political, and even propaganda policy goals. Chinese leaders are uneasy and unwilling to trade political control of their affairs in return for economic and technological assistance to support their country's modernization drive. From this perspective, the Sino-foreign joint ventures are encouraged because they are perceived as the best method of absorbing foreign capital and technology while retaining the greatest degree of control over the business operation.

Since the Communists took power in 1949, there has been a planned economy, organized and monitored at all levels by the central government. The state-owned enterprises have overwhelmingly dominated the economy. The government has been placing substantial influence on these enterprises.

For a long period of time, in many enterprises, the employees and their families have lived in apartments or dormitories owned by the state-owned enterprises. Therefore, work and family life have become highly intertwined. If an employee has the intention to leave his/her employer, he/she not only has to deal with the

complicated identity and personnel record problem, but also has to face the loss of his/her dwelling.

In China, although the rent is low, there is a serious shortage of housing, especially in the urban areas due to the large population. The government-built apartments are only provided to a small portion of the residents. There are some apartments for sale, but the prices are far beyond the purchasing ability of the majority of working people. Most families live in company apartments. They have to be on the list for a long time before they can get a family member's company apartment as their permanent dwelling. Young single employees have few chances to be on a housing list until they get married. As soon as an apartment is obtained, it will be regarded as someone's own property and is kept for a lifetime. So, housing becomes a tool to control or obtain a useful employee.

The concept of personnel management in the state-owned enterprises also includes resolving family disputes, arranging hospitalization for employees and counselling young people on family planning. The fact that needs to be recognized is that the government uses its power to compel state-owned enterprises to take a great amount of social responsibility to maintain its monopoly. On the other hand, the enterprises have little discretion in hiring, firing,

and wage setting. These are set by the state or government planning committee.

Politically, even today, the central or provincial government still instructs these state-owned enterprises to organize their numerous employees to study the current government documentation and policies through political discussion seminars on a weekly basis. In the typical state-owned enterprise, the administrative structure of the units includes not only the managing directors and the rest of the management hierarchy, but also a parallel structure of the Chinese Communist Party (CCP) committees at the various levels in the units. Even at the level of the individual workshop there might be a Party committee. The CCP develops its members in each enterprise. The CCP committee secretary has visible and invisible power to influence the HRM policies and practices.

During the Cultural Revolution, the CCP dominated the technical management, but since economic reform was instituted, there has been an effort to reverse that situation so that the managers are less inhibited by the Party considerations. For example, there is a power separation in today's state-owned enterprises. The Party secretary and general manager take different responsibilities. Usually the Party secretary no longer

holds a managerial post nor intervenes in technical development programs. However, with the ideological control by the CCP, enterprises can be effectively guaranteed to be politically consistent with the current policy.

2. The Impact of the Economic Reform Program

With the economy being decentralized and privatized, much of the centralized government control and discipline are vanishing. Social goals are now sought in different ways: through economic freedoms, private ownership, and greater reward for job performance. By offering people a higher standard of living, the government hopes to maintain social contentment and therefore political stability. Nowadays, many state-owned enterprises are gaining more power in formulation and implementation of their HRM policies.

The regulation regarding personnel practices in the JVEs has been a thorny issue for most JVEs in China. In most cases, the JVEs had been somewhat restricted in hiring and firing employees and in determining their wages and bonus levels. In late 1986, the now reorganized Ministry of Labor and Personnel announced a series of specific measures which expanded the rights of the JVEs to oversee the hiring, wages, bonuses, and welfare of their employees (Zhou,

November 21, 1986). The CCP branches still exist but in much smaller scale and have a declining influence over HRM decision making. Generally, the JVE HRM authorities have more freedom and flexibility than the rest do. However, the vestiges of bureaucratic mechanism still function well enough to prevent the JVE HRM authorities from effective operation.

Although the management reforms have provided many new freedoms to the JVE managers, it should be noted that extensive autonomy has not been fully granted in the area of HRM. Under the current reforms, the position of the CCP still represents a formidable obstacle to HRM practice. In the JVEs, the small scale CCP branches cannot formally govern HRM decision making and operations. This is not to imply, however, that political considerations no longer affect the functioning of HRM. The CCP links the JVEs with the ideological interests of the state. In essence, the CCP functions largely as a constraint on the JVE autonomy, and criticizes policies that yield too many freedoms to the foreign partners.

The Westerners need to understand an important Chinese word: *Guanxi*. *Guanxi* connotes both the existence of relationships and the influence or power one can derive from them. Although the Law of Sino-Foreign Joint Venture gives

the JVEs freedoms to hire and fire employees, some government and CCP officials use their *Guanxi* to pressure the JVE HRM authorities to hire their relatives and friends. For example, an official who is responsible for approval of the JVE registration may suggest a JVE hire his son or daughter as a condition of the license approval. The resistance to such demands frequently results in retaliation in the areas of support and cooperation from the government officials. It is not unusual for a registration application approval to be delayed for a few months because of a personal grievance.

This issue has been one of the major challenges to the JVE HRM authorities for a long time. The Western partners should not be surprised because in a traditional collective Chinese society, personal relations always play a significant role in the business culture. But how to deal with the issue is formidable in the view of Western partners. The reason is simple: the Western partners do not want to compromise the basic principles of HRM. On the other hand, they understand that the support and cooperation from the government and CCP are so critical to the success of business that no one is willing to risk challenging the relationship.

It is not unusual that sometimes, for certain reasons,

a local manager works closer to foreign interests than the local interests. And getting closer to the foreign partner can be dangerous. The government's involvement can be seen in the following example:

A case in point is Parker-Hannifin's joint venture in Hubei, where two Chinese factory directors were dismissed for not keeping greater distance from their Western counterparts. The Hubei provincial bureau of the machine building industry dismissed the director and deputy director of the factory in April, 1986 without first consulting the factory's board of directors. The Foreign Investment Administration Bureau intervened at the insistence of the foreign partner and reversed the decision. The two returned to their posts as director and deputy director of the Hubei-Park Hermetic Parts Factory, only after much publicity and controversy (China Daily, September 28, 1986).

The interesting thing here is that different government institutions have different power to intervene in the JVE's personnel arrangement with different interests.

Contrary to the increasing freedom granted to the JVEs' HRM, the government has imposed some new constraints upon the JVEs through issuing internal documents to set restrictive policies. For example, the government is becoming more protective of skilled workers employed in universities and research institutions. Because state-owned institutions cannot compete with the JVE wages, the government is increasingly using unpublished restrictions and special perks to keep academicians and scientists from transferring to higher-paying jobs in the JVEs.

Another example is that the JVEs are finding themselves subject to new restrictive wage regulations. In January, 1990 the central government issued a directive instructing local labor bureaus to monitor the JVE wage rates and allow only profitable JVEs to increase wages. Many JVEs were pressured to maintain their current wage levels or even reduce them. Reducing the autonomy of the JVEs to set their own wages undermines their ability to recruit the best people and will likely reduce productivity.

3. The Benefits from the Involvement

I often say, a joint venture has party A and party B, but I would like to add a party C, which in this case has to be the [Chinese] government that is always firmly supporting us.

John McCoy, President
Squibb China
(Engholm, 1989)

Many Westerners regard the government involvement as a major impediment to HRM practice. However, in the view of this author, it is unimaginable and impractical for the JVEs to survive without government intervention and support in China. HRM needs to engage the support of influential members and groups of the local and central governments. In many cases, business success largely depends on whether the venture includes a Chinese government entity as either a formal or informal partner. It is not rare that high-level local officials serve as directors of boards of the JVEs. In many instances, they merely serve as figure-heads. Some

are retired senior officials with no business experience. Their new "jobs" are only rewards for their past service to the state and the Party. However, their influence should never be underestimated as key to the survival and prosperity of JVEs in China. A foreign manager can be certain that having the backing of the local and the central government or the CCP officials will be an asset to the JVEs.

The JVE HRM can benefit from the government involvement because with increasing frequency the JVEs solve their problems with the help of government officials. With supports from these interest-related officials, much communication time with the government can be cut and much red tape can be avoided. Further, these officials can encourage and influence the government to set up new favorable public HR policies for the JVEs and guarantee the implementation in the JVEs. Also, these officials can help the JVEs to get skillful employees through influencing the old employers to release the personnel records.

The control of the job market by the government makes it difficult for the JVEs to obtain the people they need, but makes it easy to keep a relatively stable labor force.

The local government labor bureau can be expected to

assist the JVEs to complete a recruit and transfer, if the labor bureau can be convinced that these actions are important to the future success of the JVEs. The Chinese employees usually compel the JVE partners to establish labor unions at their ventures. It is necessary for the Westerners to realize that unions in China are manipulated by the government. Union leaders are usually assigned by the local government. Although sometimes labor unions can be a nuisance to the Western partners by interfering in the hiring and firing of employees and in the process of implementing incentive plans, labor unions do not play adversarial roles in promoting things like wage increase or employee safety. They often play cooperative roles throughout the management structure, monitoring benefits and supervising employee relations (Livingstone, April 1987). Western partners have few complaints concerning labor unions. Because the government and CCP are involved in union organization, it will be advantageous for HR personnel to form linkages with union organizers. This will assist HRM authorities in establishing vertical relationships with the Party officials and forming alliances within the enterprise's union networks.

CHAPTER FOUR

UNDERSTANDING CHINA'S CULTURE

One of the most comprehensive and generally accepted definitions of culture is offered by Kroeber and Kluckhohn:

Culture consists of patterns, explicit and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other hand, as conditioning elements of future action (Kroeber and Kluckhohn, 1952).

HRM has never been culture free. The traditional HRM approach of the foreign partners usually must be adapted to meet the reality of the Chinese environment. Factors that influence the HR system function are things like the manner of communication between management and employees, the assumptions about people, organization, performance, and rewards. All these factors require particular attention because of the culture and expectations in China. Finding the right balance between prescribed international HRM techniques and sensitivity to the Chinese employees' and government's needs and customs, in the view of this author, is the key to the JVE's ultimate success.

Due to the unique ideological, political, economic, and social conditions in China, the Western HRM theories and

practices cannot be directly transferred to the JVEs. As a first step, it is necessary for the Western HR practitioners to realize the cultural difference evolving from the different tradition and society. Also, they need to understand and meet the challenges brought by the current radical social and economic changes.

Whether in state-owned enterprises or the JVEs in China, the HRM policy and practice are solidly linked to the political ideology and cultural pattern. In fact, ideological differences clearly exist among various cultures, and turbulence results when national cultures modify and in that modification process create changes in corporate cultures (Meindl, Hunt, & Lee, 1987).

1. The Typical Characters of the Chinese Culture and Values

China is a country with more than a 4,000 year history of culture. Its history of civilization is far different from that of most Western nations. The modern Chinese business culture is almost directly inherited from earlier generations. Old values and behavioral norms have substantial influence upon the present cultural model. Values and attitudes concerning age are an important aspect of the culture.

Although seniority's influence is declining in the Chinese family life, respect for tradition, ancestors, and age, largely stemming from the thoughts of Confucius, is one of the main values of the business world. In China, age is viewed as an indication of seniority. In enterprises, most advanced managerial positions are held by the people from fifty to sixty years old. Until a few years ago, the salary rank system set by the government was based on a person's working age instead of his/her performance. Because of the reverence for age, older people have more authority in negotiations, supervision, and decision making. This practice is difficult for the Western partners to accept and makes young Western managers frustrated and puts them in a disadvantageous position.

Despite the age problem, attitudes towards hierarchy and authority are also different. These attitudes determine the behavior patterns concerning managerial authority, responsibility, and superior-subordinate relationships in business enterprises.

Barry Richman, in his *Industrial Society in Communist China*, indicates that in old China, the dominant attitudes towards authority, responsibility, and subordination were shaped largely by Confucianism and other traditional and historical values. These values defined interpersonal

relationships and obligations almost wholly in terms of the family hierarchy system. Business and industrial enterprise typically functioned as an extension of the family system, placing high value on family-type obligations and personal relationships. What held the people and the organization together were personal relationships derived from one's status, rather than a contractual or a legal type of relationship. The managers were not simply overseer; they were personal representatives of the board of directors and usually had considerable financial interest themselves in the firm (Richman, 1969). These attitudes are somewhat still valid in today's business society.

In this culture, active participation is not encouraged and higher authority is not supposed to be questioned. This conduct reinforces the subordinate's subservience and the dependence on superiors. High-level managers tend to feel that their authority and power are based on some type of natural law, rather than on a clearly defined contractual type of role in the organization, or on specific skills and knowledge.

In the Chinese culture, there is an important value which is related to "face-saving" behavior. "Face" can be defined as "the positive social value a person effectively claims for himself" (Redding and Ng, 1982). In China, maybe

in all of Asia, losing "face" is a serious issue. People usually regard it as an intentional insult. In their perspective, there is no difference among prestige, respect, esteem and "face." It is usually not proper to point out one's mistakes directly, or in front of others. In many cases, even expressing different opinions will be considered personal thus unacceptable. Approaching problems in China head-on, a common approach in Western countries, often leads to situations where Chinese partners or employees "lose face," making conflict resolution more difficult. The phenomenon could be explained with the above mentioned assumption: to a large degree, people's relationships are personal rather than contractual in the business world.

From a standpoint of organizational level, national culture explains more of the differences in values and attitudes than does profession and position within the organization. Culture determines organizational structure, defines professions, and decides social roles of different people. The particular cultural pattern stipulates people's behaviors in the organization. What are the Chinese behavioral characters at the organizational level? In a sixty-country study conducted by Geert Hofstede, a Dutch researcher, China belongs to the group representing countries of large power distance, low individualism (or high collectivism), and high uncertainty avoidance. In the

dimension of masculinity-femininity, Chinese group is located between the two extremes (Adler, 1991).

With these characters: superiors and subordinates consider bypassing to be insubordination; they are used to report and to be reported to; titles and status are important in the society. People live in a tight social framework where they distinguish between their own groups and other groups by different interests and values; people in the same group expect to be protected by each other and given security. Most people are risk-averse and prefer greater career stability; everyone tries to avoid taking responsibility because any mistakes may jeopardize the personal career and job stability. The roles of males and females in the society are inclined to be equal; there are few pay differences between males and females for the same position.

2. The Transition of the Cultural Pattern in China

Today, in China, traditional Chinese culture and modern Western culture have been merging due to the drastic social changes, which are resulting in new Chinese culture values and assumptions. The symptoms of the new trends can be characterized as the following:

- 1) The model of inter-personal relationships is changing. With the rapid increase of Western cultural and commercial influences, the old inter-personal relationships based on family hierarchy and authority are declining. Instead, new relationships have been established on the basis of money. The control of different amounts of money results in new social hierarchy and authority.

- 2) The generation gap is deepening. Younger and older people have different attitudes towards work and life: younger Chinese employees desire greater freedoms and changes, they are more willing to work under a pay-for-performance system; older workers, because of their ages, are reluctant to alter a status quo which guarantees security and welfare regardless of effort and contribution.

- 3) The understanding of the West is increasing. The development of modern transmitting technology such as television has widened people's cultural field of vision. Since more Western teachers, workers, and visitors go to China and more Chinese people have a chance to go overseas, the cultural differences are more easily understood. The time is gone that the Chinese appeared to be shy, naive, and inquisitive in

front of Westerners. They are getting more aware and protective of their own interests.

Comprehension of the changing culture is important for the future HRM policies and practices in the JVEs in China. Western partners need to modify their HRM strategies in accordance with the change of social conditions and cultural values.

3. Crossing Cultural Differences

Management depends on the effective flow of applied information. On a large scale, difficulties often arise within the JVEs because of varying cultural interpretations of the role of communication in business. Lack of Chinese language skills is a primary obstacle to smooth HRM operation. The language barrier becomes a major communication problem. Most Western managers don't have any systematic Chinese language training before their assignments in China. After their arrival, the busy work schedules usually make it more difficult for them to study the language. Many Japanese managers spend a year studying Chinese in China before working full time and thus tend to be able to better communicate with their Chinese employees. If there are a certain number of Western managers in a JVE, especially HRM personnel and they can invest some time and

money to learn the language, they will have a clear linguistic advantage over other counterparts.

Besides basic linguistic difficulties, communication between Chinese and Western managers is complicated by different cultural norms. In state-owned enterprises, there are no formal communication channels between the superiors and subordinates. Written reports and memoranda have never been used. Most information is imparted orally or by large character poster boards. Slogans are frequently used on safety, company policy, and work ethics. Some JVEs found using a mixture of Chinese and Western methods to be the most effective means of communication. The JVE management can use newsletters, blackboard announcements, and internal broadcasts, as well as memoranda as means of communication (Ireland, 1991).

Further, people's attitudes toward communication are different. Westerners see communication as a means of keeping employees informed about their responsibilities. In China, communication has an important function in bringing about consensus and avoiding confrontation. Usually, communication is conducted indirectly rather than straightforwardly. As mentioned before, "face" is so important in the business culture that the Western partners should always try to allow the Chinese to "save face" by

jointly working out settlements.

For cultural and financial reasons, foreigners and Chinese tend to be segregated from one another, and daily contact on an informal basis is also not encouraged. Usually, people frown on foreigners dating Chinese, and any sort of social mixing is discouraged. But an effort can and should be made to get local Chinese employees and Western managers talking to each other. An acceptable substitute practice is that the HRM sponsors holiday outings or sports events. These activities can promote closer ties between the management, especially the Western partners, and the local Chinese employees.

Another problem the Westerners find is that it is particularly difficult to get the Chinese managers and employees to participate in the decision-making process and to take personal responsibility for their actions. On the other hand, the people who have to take responsibility don't have power. The separation of power and responsibility is regarded as a major defect of the Chinese management system. In order to overcome this problem, the Western partners need to specify job descriptions and disciplines. The willingness and ability to take responsibility should be an important criterion in promotion and a pay for a performance-based reward system. Also, the Western managers

need to serve as role models themselves.

The Western HRM personnel usually don't realize how important the *Guanxi*, also called the personal relationship, is in the Chinese business culture. As mentioned before, in many situations, *Guanxi* could be the key to the problem solution. There is a good case where we can see how *Guanxi* functions:

Otsuka Pharmaceutical Company of Japan, which has a joint-venture in Tianjin, could not find a market for its intravenous bottles, and inventory stocks were piling up. Otsuka's Chinese manager, Nie Yuhe, remained desperate until Li Ruihuan, Tianjin's mayor, summoned the city's hospital staff to a conference at which his aides convinced the hospital personnel to buy Otsuka's bottles. Suddenly, the joint venture was making plans to double its output. What motivated Tianjin's mayor to resolve the problem? Cleverly, Nie Yuhe, the Chinese manager, had broached the subject of the inventory problem in a conversation with Gu Mu, a state counselor, while in the presence of Tianjin's mayor Li. Because of the close intimate *Guanxi* between the Gu and Li, and in order to save face with his bureaucratic superior, Li had issued the remedy (Engholm, 1989).

However, many Westerners dislike accepting this type of practice because in their view, it is a departure of the Western management norm. But, if they can perceive this practice within a foreign culture with solid social foundations, they may have different attitudes.

In order to cross the cultural abyss, many Western partners use ethnic Chinese expatriates as mediators when possible. With Chinese cultural and language background,

these expatriates can be more effective in dealing with the local management and bureaucratic system. For example, Western-educated Hong Kong and Taiwan Chinese usually have intimate knowledge of Chinese and Western culture and management. Personally, they may have family connections in China. They can offer a communication bridge between the Westerners and their Chinese counterparts. Hiring native Chinese with Western educational background living in the PRC is the best choice. However, only a few such candidates are available to the JVEs because native Chinese attending Western business schools intend to work in Western countries rather than to return to China. These Chinese, if available, will not only be able to access Chinese bureaucrats, but also will help build the consensus needed to bring about changes.

Besides the cultural barriers mentioned above, Westerners are also suffering daily life pressure in China. Because the Chinese government attempts to isolate foreigners physically and socially, cultural disorientation occurs. Upon arrival in China, most Western managers find themselves living in cramped quarters, often feeling a sense of isolation, both geographical and social. As one U.S. consulate described:

Foreign business people have to agree to live in hotel rooms (usually without cooking facilities) for several years, to eat all their meals in restaurants, and to forgo accustomed sports

activities, recreation, and cultural entertainment. The normal friendships and circle of acquaintances among host nationals that an expatriate in almost any other assignment would develop as compensation are largely barred to the foreigner in China. So he leads a somewhat isolated existence, artificially isolated from local culture and society (Foreign Consulate Service Circular; U.S. Consulate in Shanghai).

Chinese bureaucracy tends to force the expatriate into a position of dependency on a so-called sponsoring unit, which like the Chinese Production unit, takes responsibility for the expatriate while in China (Li, 1981).

In most parts of the country, foreigners seeking social interaction are relegated to foreign clubs, which are off limits to native Chinese. To a large degree, a foreigner's privacy is not respected. Mail is frequently inspected and telephone conversations are often taped. The Westerners can find themselves always under surveillance. Also, there are restrictions on foreign expatriates' free travel between China and the outside world. The single-entry visa requires expatriates to reapply each time they enter China. Added to this sense of infringement of personal privacy, the Western expatriates living in China face feelings of isolation and even fear.

It is hard to tell if these kinds of problems originate from different culture or political and ideological considerations, maybe both. The Westerners should always

remember two important characteristics of the PRC: China has the tradition of isolation; China is a communist country. However, the interference and restrictions to foreigner's private life are affecting the Western partners' confidence in doing business in China. It is the job for the JVE HRM to develop new strategies to negotiate with both the Western and Chinese counterparts, struggle with the government bureaucracy, and then find out acceptable resolutions by mutual efforts.

CHAPTER FIVE
MAJOR IMPEDIMENTS TO HUMAN RESOURCE MANAGEMENT IN THE JOINT
VENTURE ENTERPRISES

The Western JVE partners need to realize that effective joint HRM in China requires co-operation and communication between partners as well as a system of planning geared to avoiding mishaps. The Westerners must dovetail their objectives for a free-market enterprise with one in a state-controlled, bureaucratized socialist system.

Different Assumptions and the Major Impediments to the JVE HRM Improvement

Different objectives, contradictory expectations, and separate operating procedures are major problems for the JVE management. The following presents some divergent objectives and expectations regarding the HRM in the JVEs.

In most Western countries, HR officials believe that people must be motivated to perform. To achieve the goal of motivation, the management can use different tools such as reward systems and job training. Employee participation and involvement can eventually lead to increased organizational performance, as well as enhanced employee satisfaction (Leskin, 1986). Also, the Westerners desire to reduce work

force and reduce the number of middle managers.

The Chinese HR personnel think that people should be treated equally. They feel people need to be educated instead of motivated to ensure performance. Education means "correct thought." There is a strong linkage between employee education and ideological training. Although the political and ideological hue is diminishing in the business culture, ideological education still plays an important role in the HRM practice. The Chinese partners, who usually represent the government, often view a JVE as an opportunity for job creation. Too many middle-level managers and administrative officials populate the JVEs, which results in increased costs and lower productivity.

 Otis Elevator's Tianjian joint venture started with a ratio of seventy percent administrative employees to thirty percent workers. Smith-Kline succeeded in reducing the number of administrators in its joint venture to thirty percent by agreeing to export thirty to thirty-five percent of their production (Mayer, Han, and Lim, 1987).

On the other hand, extreme departmentalism inhibits cooperation between individuals and between units. The work unit retains ultimate control over its employees, and bears responsibility for their welfare.

In the Western countries, pay raises are based on performance and abilities. In other words, if the management wants performance, it must be able to reward.

The concept of pay for performance is deeply rooted in the Western society. The reward system includes financial incentives, social status incentives, and job-content incentives. These aspects cover not only actual cash, but also career-based rewards such as job challenge and responsibility. A broad spectrum of these types of rewards is designed to encourage performance. Employee participative decision making and self-development opportunities for individuals are also regarded as important components of the reward system.

In China, egalitarianism dominated the reward system until the early 1980's. Although the concept of pay for performance was introduced recently, the nature of ownership determined the limitation of the practice. Even in the JVEs, the practice of pay for performance is adopted conditionally. The local labor bureaus often set a ceiling for the maximum pay and bonus due to concern about possible large income discrepancies among the workers. When some cash bonuses are possible, the recipients' names will be widely publicized. More commonly, a unit or a group qualifies for a bonus. The bonus is to be equally distributed among all individuals. Thus, while cash incentives are possible, they are still egalitarian-based rather than equity-based.

However, it should be realized that the Western-type incentives are based on the tradition of heterogeneous groups achieving material success and personal gain through individual hard work in an environment free of extensive government intervention. When this type of incentive is used in a Communist and collective society which has a long history of state-controlled economy and a social disdain for individualism, the results could be different and problematic.

Besides the cultural differences and the different assumptions about people, performance, and reward systems, some other impediments to effective HRM are identified below.

The current Chinese personnel system has many flaws. These flaws include a tremendous shortage of management talent. One of the reasons for this shortage is that the political interference in enterprise management activities substantially limits the authority and legitimacy of HRM. As mentioned before, the government and Party officials have extensive visible and invisible power and personal *Guanxi* to influence HRM operation. These interventions seriously frustrate the HRM personnel and prevent them from generating management talent. Another issue is that the introduction of modern HRM techniques would require the risk-adverse

Chinese to take a large amount of risk which is not compatible with their culture. Although the Chinese feel curious about Western HRM, in practice they find it hard to adapt to.

Different views of using human resource originate from different considerations. For example, the management of the Sino-U.S. JVE Beijing Jeep has divergent opinions on hiring retired American auto-workers. The Chinese suggested to AMC, the U.S. partner, that it send some of its retired employees to Beijing Jeep. In a Chinese view, the American retirees would be experienced workers and cheaper labor. Because of the Chinese reverence for age, the retirees would be well respected in China. They might be easier to work with than the younger, more ambitious, hard-driving Americans. The American side refused to go along with the proposal. They argued that the retirees would have health problems in China and would not be up to speed with developments at the home company. People eligible for a pension, and unconcerned about promotions, might not care what management thought at the headquarters (Mann, 1989).

Another stumbling block to the improvement of HRM practice is the acquisition and absorption capability of new HRM technology. Because of the underdeveloped communication and information system, the deficient management

infrastructure, and the government's and Party's controls over the enterprise activities, only a certain number of enterprises can receive new HRM technologies via technology transfer. It is believed that with the modernization of the communication technology and deregulation of enterprise activities, greater assimilation will occur. However, in the JVEs, many Western partners intend to keep new technology hidden in order to have a competitive advantage for the parent company. Few Western partners are willing to conduct R&D in the Chinese JVEs. This issue is not only applicable to HRM, but to all hard and soft technologies. So, it is not unfair to say that, to some degree, the Western JVE partners present technical obstacles to technology transfer.

The unstable political structure makes the JVE HRM policy and practice uncertain and inconsistent. The Tiananmen Square massacre in the summer of 1989 became a nightmare for the Western business people who had interests in China. In the following years, the JVE HRM has suffered more political and ideological constraints than in the mid-1980s. Employees have to spend more time on political studies and have been warned to keep a further distance from the Western managers. Although this scenario has been reversed recently due to another highlight of the senior leader Deng Xiaoping's economic reform, a setback could

happen any time in the post-Deng era. From that perspective, the future of the JVE HRM is largely dependent on the Chinese political prospect.

Conclusions and Recommendations

It is important for Westerners to establish a long-term HRM perspective. The Western partners often send expatriates to China on a rotation system, with each staying in the country for one to two years. Lessening the hardship of living is the advantage of the system. But on the other hand, the Chinese based on their background may find it difficult to reacquaint the newcomers again and again. Long-term *Guanxi* or personal relationships are valuable to the Western partners after start-up. The selection of expatriates should be based on the ability to live comfortably in China for long periods and on Chinese language fluency.

One of the reasons that keeps the Western expatriates from staying longer in China is their pay. Average salaries are not altogether high. A survey published in the China Business Review in 1985 indicated that the typical U.S. employee in China is a "37 year-old marketing manager earning a base salary of \$52,700 per year." (China Business Review, November/December, 1985) The high turnover rate has

a negative influence on consistent business performance in the Chinese JVEs. The Western partners may consider increasing their expatriates' benefits by reducing the number of assignees.

Building grass-root support is another critical process for the HRM authorities. Grass-roots endeavors will further the image of the firm at the local level. In China, which is identified as a typical collective society, the support from the local level is significant. Employing more local people, helping local officials gain favorable attention, and providing some congenial benefits to the Chinese employees can win their support. This support can help the JVE HRM departments establish their authority and legitimacy among the workers. Further, it may influence the government's policy making.

The importance of public relations with the government and the Party should never be underestimated. Dealing with the local and central governments or Party officials, plugging into the Chinese bureaucracy, and perceiving the Chinese policy makers' feelings should be the routine work of not only the HRM officials, but also the Chinese counterparts. Inviting the senior government and Party officials to visit a JVE could be a part of the effort. Through these approaches, the HRM officials can constantly

change their HRM policies and strategies to meet the changing environment.

A sophisticated view of HRM in China in the 1990s should focus more on just how far the Chinese have come since 1978, rather than merely focussing on the current problems.

The Westerners are doing something which was impossible in 1978. Today, the Western HR practitioners have greater control over the local labor force. The political and ideological interference from the government and the CCP is decreasing. People's sense of cultural value is changing under the increasing Western influence. China is on the way from a closed society to an open world.

The political picture is optimistic as well. The government is walking out through the shadow of the Tiananmen Square massacre. A so called "socialist market economy" is substituting for the traditional state-controlled economy. This is endorsed by a constitutional amendment. Minimal policy reversal or business disruption is anticipated in the post-Deng era. Further, the longevity of the open-door policy increases the likelihood that the policy itself will become a permanent element of China's approach to interacting with the world economy.

However, all this does not mean that there is nothing that needs to be done in the current JVE HRM. A wait-and-see attitude could cost Westerners tremendous business opportunities. In essence, what the effective HRM operation needs is freedom from negative interference by the government and the CCP, and a group of well-trained and well-prepared managers. Westerners should always struggle in this direction.

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