

The impact of cultural differences on the HRM of Hutchison Whampoa in China

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## **1. 1 Introduction**

Multinational enterprises operating in China often maintain leadership and management that are not recruited from the country of operations. In fact, many MNEs use expatriate leadership that are exported from the original base of business operations and therefore are not intimately familiar with the local culture and social systems that drive lifestyle, professional decorum, and generalised social relationships between individuals in the domestic country. This incongruity between, for instance, Western management values and those of employees in China can create difficulties in establishing effective human resource management policies and systems.

Economic globalisation has created the necessity for MNEs to expand overseas and thus is creating fierce competition. Many companies that have expanded into China whilst still maintaining their host operations overseas seek to exploit their human capital as a means of gaining competitive advantage effectively over their competing companies in similar markets. Because the human capital is considered one of the most important and crucial elements of establishing this advantage, it becomes extremely necessary for businesses to understand how to bridge cultural and social differences in order to build loyalty, motivation and productivity with individuals in China.

China is a country that is ruled by rituals that often express significant differences in status at the social level. Those with higher resources often do not exploit or display their material wealth in order to illustrate their superiority over the lower or middle class citizens (Bell, 2008). However, significant changes to social policy in the 19<sup>th</sup> Century had the wealthy citizens in China driving lower class citizens from their land and poorer people grew increasingly angry over their exploitation by the wealthy (Bell, 2008).

Because of this, individuals who fit the lower and middle class categories of citizens and workers have had it instilled into their social systems and mindsets that one must constantly fight to gain economic freedom by amassing wealth. Generation after generation have found that material wealth is the most important method to gain influence and social freedoms and continue to fight to gain this type of prestige through finance.

Why is this important for the study? Chinese management have a tendency to connect wages and bonus structure with public benefits, which is likely a product of over a century worth of struggle to gain economic freedom through wealth accumulation. Chinese citizens, in terms of selection and promotion, also believe highly of qualification and maintaining interpersonal skills while foreign management believes strongly in performance standards and compliance. Again, this seems to be a product of years of cultural development that places high emphasis on employee wealth accumulation and an illustration of their competency and relationship development that often conflicts with certain MNE management and leadership.

The goal of this study is to determine the impact of cultural differences on the human resource management within foreign companies operating in China. It is important, therefore, to understand the social mindset and cultural development that has occurred in China in recent years and in the broader historical context. There is considerable support to the notion that Chinese citizens/employees fitting into lower or middle class categories maintain a powerful belief in wealth and the material display of wealth as a means to justify their places in society and culture. According to one philosopher, “There are three important things that make a Chinese gentleman: nice skin,

an elegant manner and classical dress. One often dreams of using men's facial cream made out of pearls" (Wen, 2007, p.107). The ability to procure these types of fashion and beauty accessories comes with the exploitation and display of material wealth and having these items and social benefits occurs within the work organisation in terms of compensatory benefits. Thus, it could be offered that Chinese employees value their outward display of wealth and would therefore consider compensatory issues to be a primary driver in what makes a successful Chinese employee.

Furthermore, Chinese citizens place a considerable value on the outward display of jewellery. Regardless of their class status, "workers, peasants, and merchants alike all wear jewellery in their hair and on their hands. Regardless of how destitute, they *all* have this type of jewellery" (Gunde, 2002, p.131). Again, this supports the notion of wealth as one of the most primary issues in Chinese society and should therefore be given special attention in regards to foreign management at the MNE to ensure that Chinese needs are met through compensation and employee promotion. In any event, the literature on Chinese society and culture seems to support outward displays of wealth and actual finance as primary drivers to motivation, productivity, and perhaps even self-concept.

## **1.2 Research aims and objectives**

This paper explores the differences between foreign MNE leadership and the contemporary Chinese worker to understand how to bridge gaps in cultural differences and perhaps lay a new template for how to create more effective HRM policies with Chinese citizens forced to work under foreign management systems at the MNE. The aim is to identify the social, lifestyle values, and needs as followers in the organisation in

order to develop an effective model of HRM for companies operating in China with Western leadership as authoritarians. There are significant gaps in research knowledge on building effective HRM policies between Western managers and Chinese workers as it pertains to actual Chinese employee attitude about their role in the organisation.

This study maintains three specific objectives:

- 1. Identify the cultural and social systems that drive Chinese attitude and behaviour in the organisation.*
- 2. Determine the attitudes that Western managers have (whether legitimate or perceived) about Chinese employees that drive leadership and management practices and policies toward Chinese workers.*
- 3. Determine what specific needs that actual Chinese workers have within the organisation as followers, these being social, cultural and professional.*

Fulfilment of these objectives will require conducting research on theoretical principles and values of Western and Chinese managers and employees, focusing on empirical research to identify real-life attitudes of an appropriate sample of Chinese workers and Western authoritarian leaders. The next chapter describes the theoretical research on Chinese and Western organisational and cultural values to assist in determining a potential effective model of HRM in a multi-national company.

## **2.1 Literature Review**

The aim of this chapter is to identify characteristics commonly found in collectivist Chinese workers and its potential linkages to management style appropriate for Chinese followers. This chapter will examine the history of Chinese social beliefs and principles, Chinese citizen viewpoints on lifestyle needs, and the social connections in collectivist lifestyle that drive attitude and behaviour.

This section further identifies concepts of benevolence versus hedonism to determine the most practical application of potential leadership styles when working with Chinese employees. It will examine conflicting views of the appropriateness of these leadership values and strategies, illustrating a linkage between power distance in this country and its acceptability as well as the potential influence of long-term orientation as a driver for establishing effective HR policies, procedures and strategies. It is necessary to understand the dynamics of cultural and leadership values in China to determine the potential linkages to HRM for multi-nationals operating in Chinese environments and sustaining high volumes of Chinese workers

## **2.2 Society, culture and lifestyle in China**

“History hangs heavy over China, like a vapour that used to be sweet, but has somehow imperceptibly turned bad. It seeps into every corner” (Gifford, 2007, p.41). This is why the comparisons were introduced in the previous section about social changes that occurred during the 19<sup>th</sup> Century where citizens without wealth were displaced from their lands and forced to struggle against those with higher resources. According to one author, “social comparisons are *never* more odious than when it comes to incomes”

(Becker , 2000, p.183). Again, compensatory issues seem to be a significant driver as it provides the means by which Chinese citizens can procure more quality dress and vanity-inspired products to show their influence.

Chinese citizens also find considerable satisfaction in leisure. According to Haw (2008), Chinese citizens strongly value their luxury time but are strictly limited to their income level in order to explore these valuable social and cultural needs. The *average* Chinese income in contemporary society is 900 Yuan (Haw). Chinese employees who live in inland areas are “growing disillusioned” with economic reforms currently in place to assist employees as these changes are lowering their real income (Murrow, 2004). These effects are being felt, also, in the employment environment. Foreign managers operating MNEs with Chinese employees tend to link salary with the existing price index and inflationary environments, thus they take a *hard* HRM approach to salary whilst possibly negating the employee needs associated with compensation to fulfil their luxury needs and social outward display of success through wealth accumulation.

China is also very ritualistic in terms of their social connections and cultural needs. In China, traditions are customs that are valued by group membership and “become symbols of group solidarity, expressions of self-worth, and become standard modes of behaviour” (Schwartz, 1990, p.881). Chinese citizens are collectivist in nature, meaning that they value group harmony and group needs over individualism and self-expression. These behaviours also spill over into the employment environment. To support this notion, Geert Hofstede, a respected cultural researcher, identified that Chinese employees score highly in what is referred to as long-term orientation. By definition, this involves respect for tradition as a cultural whole, the fulfilment of social



obligations, and protecting one's reputation (Boyd, 2009). Again, this high score in long-term orientation supports the concepts already introduced about cultural unity, traditional values, and solidarity in social situations. Thus, it is not surprising that Chinese employees maintain a strong focus on qualifications and interpersonal skills, due to collectivist values, that drive their performance and loyalty within the multi-national organisation.

### **2.3 Benevolence versus hedonism**

There is also another problem, perhaps, in finding a method to bridge the gaps between foreign management leadership at the MNE and that of domestic Chinese employees. Schwartz (2004, p.3) identifies that employees "must be induced to consider the welfare of others, to coordinate with them, and thereby manage their unavoidable interdependencies". Why is this important for understanding the cultural impact of differences between foreign MNE management and the Chinese worker? Many foreign managers, especially those from Western countries, are egalitarian in nature. By definition, this is a system of values and beliefs that seek equality and with less focus on social segregation through class (Schwartz, 1999). Because foreign managers seek to create policies that lessen social class segregation, it does not seem to classically fit with the Chinese propensity to value this type of inequality and might not be effective policies in human resource management to seek inclusion in all aspects of business.

Schwartz (2005) further identified many different motivational goals and factors that drive values within a population. One of these is benevolence, the process of preserving the welfare "of those with whom one is in frequent personal contact"

(Schwartz, p.21). Farh and Cheng (2000) assert that benevolence maintains strong roots in Chinese culture, driven by Confucian political systems and the acceptability of vertical authority structures between superiors and followers in society. According to the authors:

“When both leaders and subordinates willingly accept and respect the benevolent prescriptions in their respective roles, benevolent leadership is often accompanied by positive employee responses, which, in turn, predict an increase in subordinates' work motivation” (Farh and Cheng, 2000, p.121).

A benevolent climate in the workplace is one where leadership formulates decision-making for the best welfare for the whole of the employee population. This includes a high emphasis on cooperation and the maximization of potential collective gains in the organisation (Martin and Cullen, 2006; Cullen, et al. 2003; Victor and Cullen, 1998). The concept of benevolence is rooted in Chinese culture, though its practical application differs, where authority and employee followers have rather polar opposites. Cheng (2011) believes that benevolence in China produces positive outcomes such as valuing talents and promoting empowerment and autonomy, which is an accepted practice by followers of authority figures.

Several researchers agree with a *lack* of practical application of benevolence when leaders intervene with Chinese employees, citing that benevolent leadership maintains inappropriate applications in Chinese society where power distance is accepted and expected from those in authority positions (Liu, 2003; Yang, 1998; King, 1979). It is relatively common for leaders in China, historically, to underestimate employee

contributions, ignore their decision-making suggestions, and purposely conceal information from employees to exert their authoritarian dominance (Liu, 2003).

Another of the motivational drivers is hedonism, or the process of seeking pleasure and satisfaction for oneself rather than through equality and group membership (Schwartz). Though these two values differ, it would be important for the MNE management from foreign countries to understand which value, either benevolence or hedonism, would be associated with the emotional and cultural needs of the Chinese worker. Many studies have been conducted on the theory of hedonism and its relationship to self-satisfaction (Mees, et al. 2008; Lemos, 2004; Overskeid, 2004; Sober and Wilson, 1998; Broad, 1950). The phenomenon of hedonism is deeply engrained in Chinese society and the aforementioned researchers have determined a singular definition of hedonism as it relates to the self. Hedonists view pleasurable activities as being quality when it is concerned with sustainment of personal welfare (Rem, 1979). Hedonism is closely defined to rather unbridled greediness, which motivates pleasure-seeking (Veenhoven, 2003). Wen (2007) and Gunde (2002) identified in the introductory chapter that Chinese citizens enjoy outward presentation of vanity-inspired wealth attainment and fashion/beauty accessories. These are hedonistic characteristics widely prevalent in modern Chinese culture.

#### **2.4 Power distance and long-term orientation**

Geert Hofstede is a renowned cultural researcher that identified the concepts of power distance and long-term orientation as potential cultural characteristics that drive behaviour and also establish cultural and social norms. Power distance is defined as the

level to which an individual in society or the organisation tolerates authority disparity between power figures (e.g. managers and leaders) and their own role as follower (Hofstede, 2001; Hofstede, 1984). Several researchers attempting to clarify power distance and its relevance in Chinese workplaces indicate that establishing cooperative work systems between leaders and followers is inappropriate (Gomez, et al., 1999; Francesco and Gold, 1998; Adler, 1997; Gullen, 1994). Societies that are comfortable with a high level of power distance will reject participatory environments and the creation of cooperative systems between leader and follower can actually provide diminished organisational commitment in China (Gomez, et al, 1999).

High desire for competitiveness rather than cooperation is understood to exist in Chinese companies where collectivist social systems exist (Van de Vliert, 1998; Smith, et al. 1996; Furnham, et al., 1993). Collectivist systems have very indirect styles of communication and Chinese workers must first be persuaded effectively to desire to build long-standing relationships with others (Cheung, et al., 2008). Thus, the implication would be that employees must first trust leadership before desiring to maintain a bridged relationship between authority figures based on collectivist values.

Hofstede (2001, p.359) further identifies the nature of long-term orientation, which is defined as “fostering of virtues oriented towards future rewards, in particular, perseverance and thrift”. In opposite accord, short-term orientation is maintaining virtues and principles that are related to traditional and respect for the past, the fulfilment of social and group obligations, and saving face as it pertains to reputation (Hofstede, 2005). According to the Chinese Culture Connection (1987) the primary values associated with the majority of Chinese collectivists include prudence, cultural superiority,

trustworthiness, and saving face. Following these definitions and the quantitatively supported primary values provided, short-term orientation would be more predictive for the Chinese employee as it pertains to reputation sustainment and sustaining the needs of the group rather than individual with much respect for traditionalism and history.

## **2.5 Distinguishing culture in UK leaders**

The collectivist values recognised to exist in majority China are sharp contrasts to leaders stemming from the United Kingdom, a largely individualistic society maintaining more long-term orientation, more equality (thus less power distance) between organisational authority and followers, and accepting of more benevolent leadership structures of hedonistic self-gain (Hofstede, 2005). Thus, the UK culture is a direct polar opposite to Chinese values as proposed in the research, raising the question as to whether managers from the UK would be effective using Western models of leadership with Chinese employees. There is considerable research literature on the effectiveness and importance of transformational leadership in UK companies (Fairholm, 2008; Schosberg, 2006; Bass, 2003). Thus, the implications would be that Western models of management and leadership would be largely ineffective in collectivist China maintaining polar opposite values and principles of Western leadership.

## **2.6 Hutchison Whampoa**

Hutchison Whampoa, a multi-national organisation, operates in North America, Europe and Asia. This business organisation maintains industry investment in maritime shipping, financial investment, property development, infrastructure, and

telecommunications. It is a diverse organisation with 49.7 percent ownership by the Cheung Kong Group and sustains an employee base of 230,000 worldwide. This organisation was selected for examination in primary study due to its presence in the United Kingdom, utilising domestic management and leadership who are expatriated to Chinese organisations to assist in business development and investment.

## **2.7 Chapter summary**

The cultural models proposed by Geert Hofstede and Shalom H. Schwartz identify the different value and social categories of beliefs and customs that might be important to a society or population. The literature described paints a picture of what drives (or might drive) Chinese employee value systems associated with group membership, compensatory issues, interpersonal relationships and promotion, and also long-standing rituals and customs associated with Chinese success and wealth promotion. Therefore, issues of hedonism versus benevolence, compensation versus performance, long-term orientation versus self-direction, and equality versus power distance should be the focus to determine whether there might be a new, acceptable template or model by which foreign MNEs should regulate and design the HRM system when operating in China. The following section describes the methodology of a study to determine these factors with a more in-depth exploration of the model concepts offered by researchers in Chinese versus Western leadership principles.

### **3.1 Methodology**

This section will explore the role of Chinese or foreign MNE management views associated with factors of hedonism versus benevolence, short- versus long-term orientation, compensation, and equality versus power distance as provided by the literature in chapter two. Compensation associated with Chinese values of wealth and compensation must be explored as the cultural and social systems drive lower and middle class Chinese employees (based on literature) toward these value drivers. These models have been selected as the most appropriate comparison templates by which to understand the contemporary social and cultural issues with Chinese employees forced to work with foreign MNE management and leadership. The empirical study was conducted at Hutchison Whampoa, a multi-national organisation maintaining diverse employee populations both in the United Kingdom and in China, where expatriate managers are often responsible for long-term assignments to assist in business development or growth projects overseas.

### **3.2 Research design**

Henerson, et al. (1987) and Patton (1987) identifies the complexities of attempting to measure complex attitudes and social principles using strictly qualitative methods. The many different facets of values, beliefs, and social constructions require a research approach that can be measured quantitatively due to research limitations (geographic) in carrying out intensive interview sessions with both UK management/leadership and Chinese workers, something necessary to achieve fulfilment of the study's research objectives. Thus, the project took a quantitative approach, seeking

to develop a measurement instrument that could be distributed overseas to target Chinese workers at Hutchison Whampoa. Hutchison Whampoa was selected due to researcher familiarity with a leader in this organisation that had worked on long-term expatriate assignment at the firm, thus maintaining strong connections with other leaders in this organisation recruited from domestic UK labour pools. The goal of the study was to create a correlative, exploratory approach to research to determine whether UK *beliefs* about Chinese worker preferences, lifestyles, and social tendencies could be correlated directly with *tangible* Chinese values and principles and how they relate to the workplace.

The study recruited six UK managers that had worked in expatriate roles at Hutchison Whampoa in the last five to eight years, recruited through the familiar channel. Four of these managers maintained junior-level executive leadership positions at the firm, whilst two leaders had been expatriated to Beijing to develop human resources at a developing division of the business from 2007 to 2009. Credentials of these individuals were pre-screened through brief telephone interviews, contacts provided by the familiar manager, to determine the extent to which they had had direct involvement in line or HR management with large groups of Chinese workers. Comparatively, the recruited sample of domestic Western managers maintained line experience or HR experience, on average, with between 20 and 75 Chinese employees depending on their position and roles as expatriate developer. The entire sample of managers had maintained practical living experience in Beijing and other locations in China and Hong Kong with considerable exposure to Chinese culture that influenced development of HR policy during these business development projects.



Preliminary interviews determined that the HR managers had been responsible for establishing HRIM systems for technology advancement, worked directly with Chinese employees on benefits, workplace practices, and team development. Junior-level managers maintained experience in line and operational practices, most largely involved with establishing supply chain, manufacturing, contract negotiation, and research and development that required intensive interventions and consultations with Chinese employees in diverse business divisions during their expatriation tenure. The six managers selected for this sample passed the researcher's subjective credentials template established to ensure this was a valid sample to gain knowledge on existing beliefs about Chinese culture and business needs in a diverse multi-national. One manager was rejected from the sample for maintaining limited experience in line or HR management during their expatriation experience. The total sample utilised for this study included six domestic managers.

The contacts identified for domestic management assessment provided a distribution channel for delivery of quantitative questionnaires to Chinese employees via technological systems. Coordination with the sample and overseas leadership assisted in facilitating delivery of questionnaires to a desired sample of Chinese employees working at Hutchison Whampoa Property in Beijing, a division of the business supporting and constructing world class hospitality and consumer properties in China and sponsoring tourism initiatives for Beijing. Thus, the majority of employees worked in construction support activities, including customer service, business-to-business marketing, tourism development, real estate coordination, supply chain and information technology support. Upon coordination, an identified sample of approximately 70 employees had been

identified and the questionnaires were distributed electronically to overseas HR leadership. Distribution of the instruments was coordinated through a multi-party process and finally returned via post to the researcher upon completion. Assessment of the instruments indicated only 54 had been returned, of which 45 were usable and completed accurately. Thus, the sample included 45 employees, working in diverse support and low-level supervisory positions at Hutchison Whampoa. All six of the domestic management leadership questionnaires were completed successfully.

Overseas management agreeing to manage distribution of the questionnaires were not informed of the research intention to avoid bias being introduced into the research study. The HR manager and assistant to this project were informed to simply distribute the instruments over a two week period, selecting a diverse randomized sample of employees in different divisions of the firm to ensure a quality cross-section of attitudes, social lifestyles, genders and age groups. The employee questionnaire contained a brief section inquiring of demographics, its intention to determine whether any noticeable correlations could be discovered with certain socio-demographic, gender or job role demographics with concepts of hedonism, benevolence preferences, social needs, and other aforementioned principles described in the review of literature. Since post-testing could not feasibly be conducted by the researcher, understanding demographic profiles for each respondent assisted in justifying the reliability of the correlative approach to research undertaken.

The questionnaires consisted of a simple ranked order system, asking respondents to indicate top priority to low priority needs and activities common in the workplace and as it relates to their role as followers with authoritative leadership. A question was

inserted allowing for free discussion about their opinion of Western management to identify any concerns or attitudes not easily determined through quantitative approaches. Findings associated with returned evaluations assisted in connecting findings with theory in the pursuit of building a more effective model of HRM with contemporary Chinese citizens.

The instruments also contained a section of ranked comparisons to determine whether an individual agreed with a statement in large proportion or *not at all*, designed to express the level to which the Chinese sample was engaged in concepts of hedonism, culture, autonomy and social solidarity as was proposed by the theoretical literature in chapter two. Mean analysis to determine mean averages associated with the instruments was determined to be the most effective method of analysis associated with the correlative approach to investigation. By understanding majority versus minority opinion of key concepts of power distance, benevolence, and other aforementioned principles of theoretical Chinese values, it assisted in correlating results with Western manager attitudes also calculated under simple mean analysis.

Analysis of the returned instruments included grouping by demographic profile and then by divisional profile at the company. Redistribution of the surveys also made considerations for gender profiles and age groups to identify any potential secondary correlations to the data findings. Results were charted or graphed as appropriate for presentation of the findings to illustrate whether any concepts maintained majority opinion that could potentially be included in a new model of HRM for Chinese employees.

### **3.3 Limitations and ethical considerations**

Bias introduction into the questionnaire distribution process was the only limitation to the study as the researcher was unable to control the process prior to ultimate return of the instruments. However, by limiting knowledge about the intention of the study from both domestic managers and Chinese employees reduced the risks of bias. The leadership respondents were informed that the results of their participation would be published with direct recognition of the company where the research took place. Agreement to have this information publicized was granted, so long as corporate intellectual property concerns were obscured. Leadership recruited for the study demanded anonymity associated with their names and position with the leadership, which was guaranteed on pre-consent forms delivered to the sample group.

### **3.4 Threats to reliability and validity**

The only consideration that should be recognised in this study is the inability to conduct post-testing or other appropriate follow-up of the study. The questionnaire data could not be feasibly replicated or piloted with similar recruited samples due to time constraints by the researcher and geographic location. However, the instruments maintain psycho-social and appropriate theoretically-founded information about Chinese and Western cultural values which contribute positively to concerns about validity risks.

### **3.5 Methodology summary**

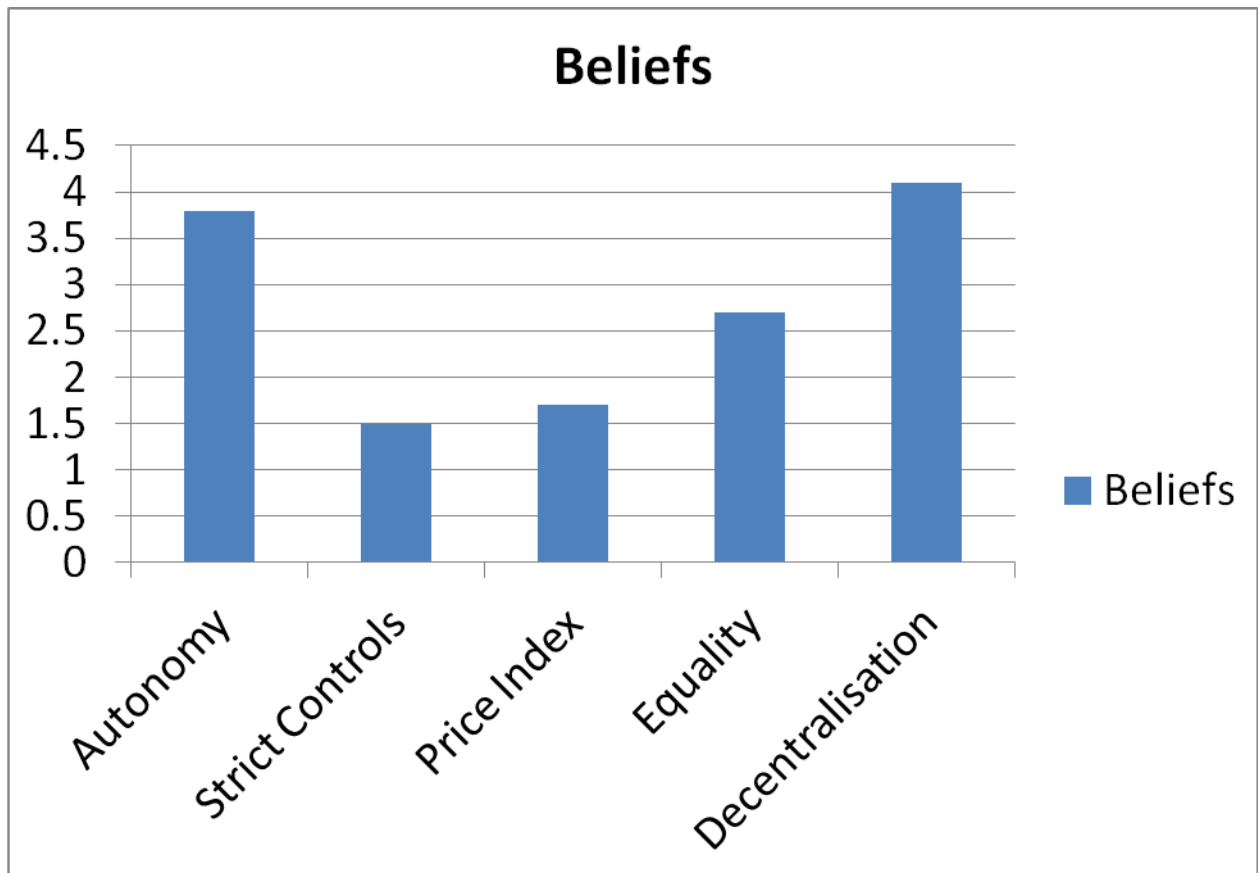
The approach determined as most appropriate for this study took into consideration geographic constraints by the researcher and also as the method most viable

for constructing a viable model of HRM and deconstructing complex social principles uncovered in the study. Further consultation with psychological, sociological, and leadership-based secondary research assisted in the process of analysis of the study instruments to improve validity of the assessments and evaluations made by the researcher.

#### **4.1 Presentation of Findings**

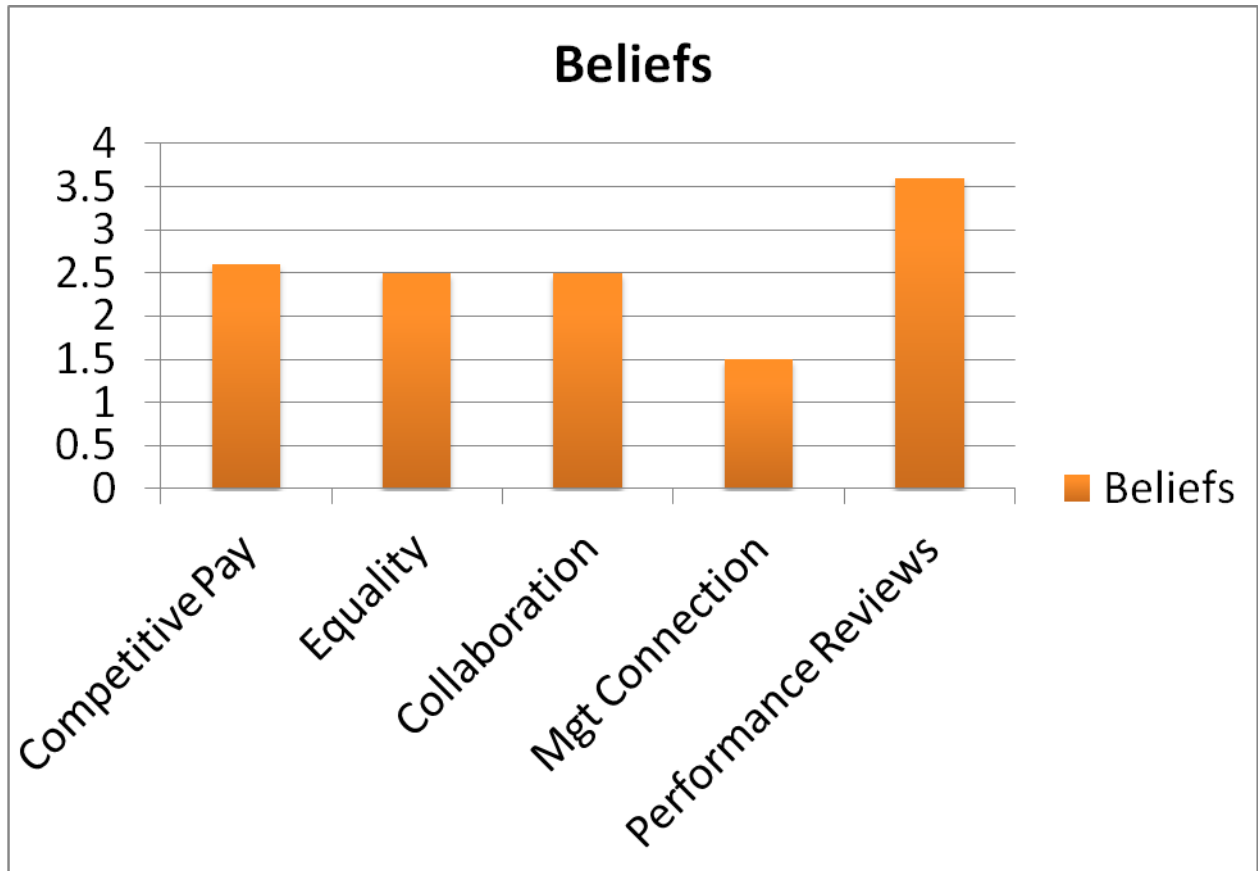
The study identified many different disparities between Western *beliefs* about Chinese values and principles and their role in the organisation as compared to Chinese values respectively. There were significantly-different results especially associated with the role of benevolence in leadership as it relates positively to hedonism driven by culture and also significant disparities between perceptions of power distance versus Chinese views on autonomy in the organisation. The stark differences between beliefs and legitimate Chinese viewpoints reflected obvious misunderstandings between Western domestic managers regarding what Chinese workers prefer in the organisation. Most apparent were concepts of autonomy, material wealth expression, and compensation with significant differences between the two samples.

**Figure 1: Belief in crucial concepts for achieving business goals using Chinese workers**



Mean averages were calculated, based on the ranking given to each concept. As indicated by Figure 1, Western managers believed in decentralisation, autonomy and equality as being the most critical business strategies for achieving business success in Chinese populations. Less emphasis was placed on adherence to the price index or establishment of authoritarian controls.

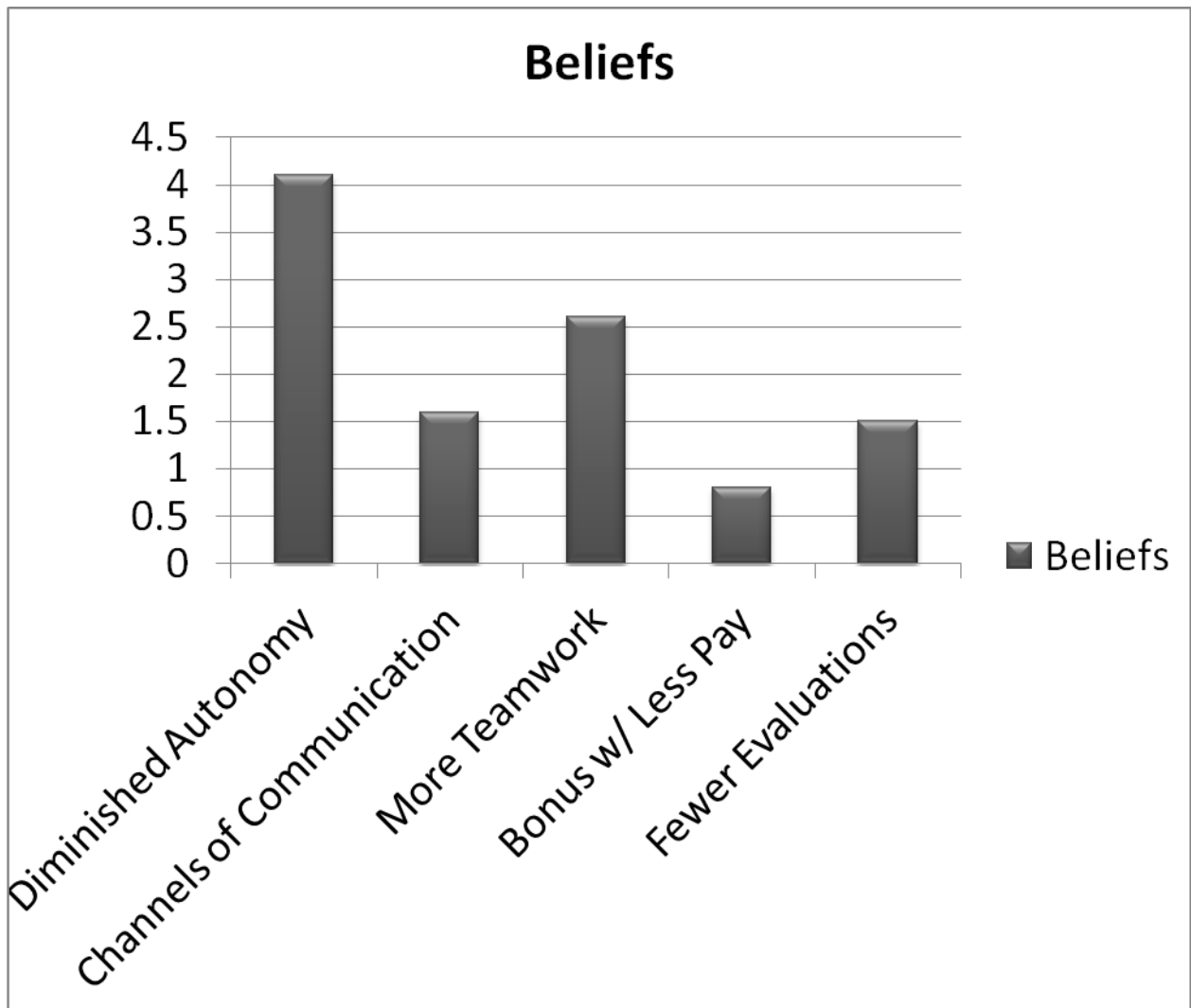
**Figure 2: Beliefs in the priority of what Chinese employees require most in business**



The adoption of routine performance reviews, as illustrated by Figure 2, maintained the most belief focus. Competitive pay, equality and collaboration maintained moderate views as ranked by the domestic management sample. Connection with management was the lowest indicator of beliefs in Chinese needs.

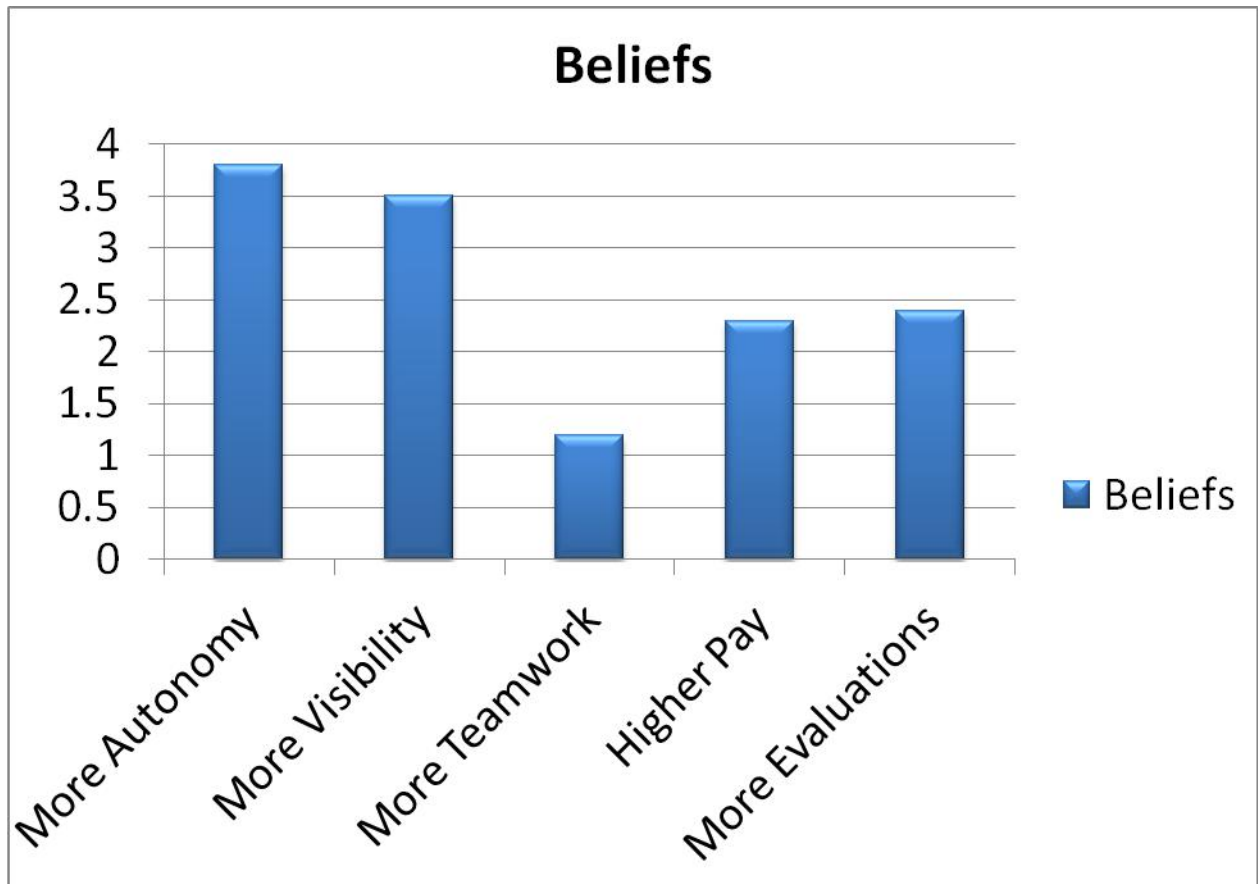


**Figure 3: Beliefs in what would decrease Chinese employee productivity**



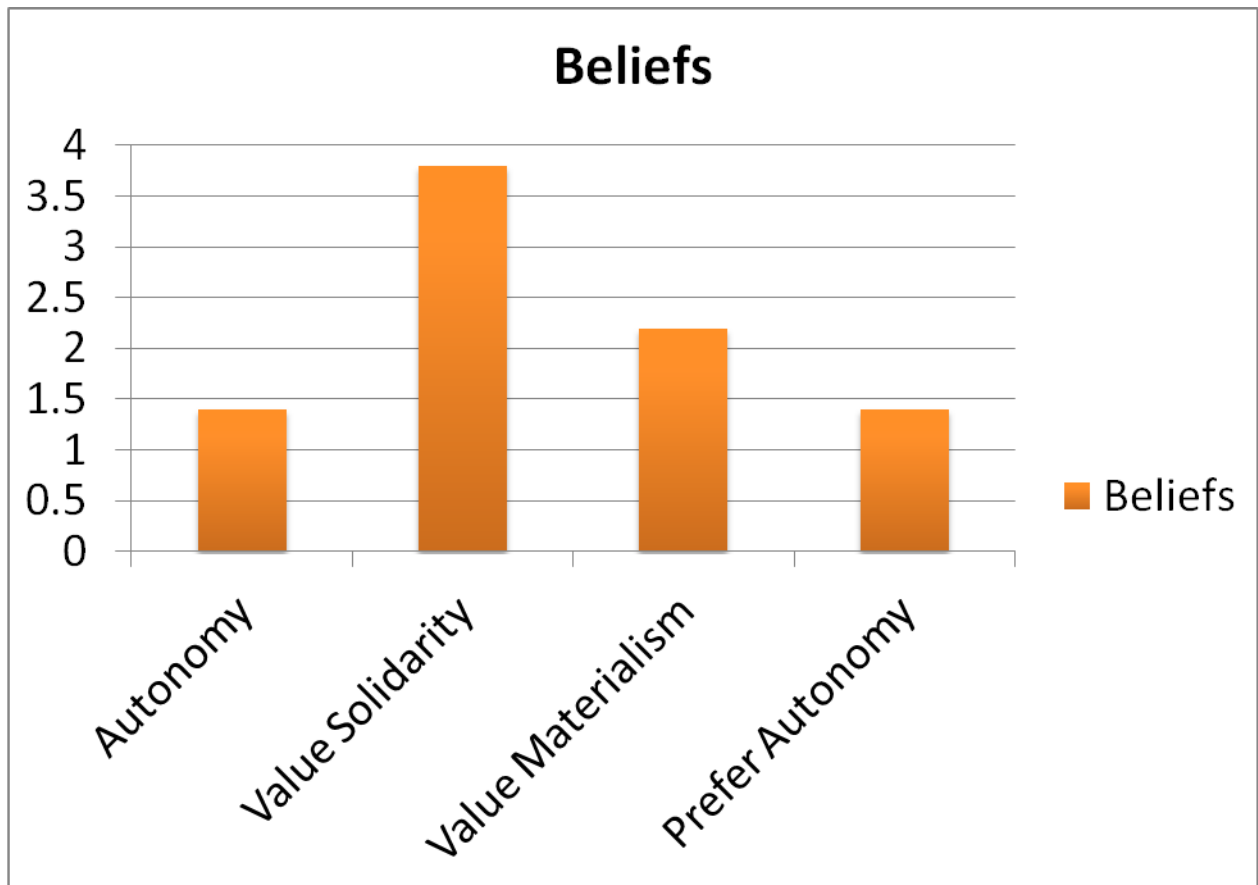
As illustrated by Figure 3, the management sample indicated a very high belief that autonomy reductions would impede productivity as well as more teamwork and collaboration.

**Figure 4: Beliefs in factors that would enhance productivity in Chinese populations**



Again, as illustrated by the figure, managers believed more highly in increased autonomy to enhance productivity. More management visibility was also highly recognised.

**Figure 5: Degree to which Western managers believed Chinese employees maintained identified values and needs**



Low scores indicated high needs, whilst high scores indicated low needs. As illustrated by Figure 5, Western managers again indicated they believed Chinese workers preferred autonomy, moderately valued materialism, and modestly valued social solidarity.

**Figure 6: Management responses regarding opinion of Chinese needs and self-assessment of benevolence versus political lean.**

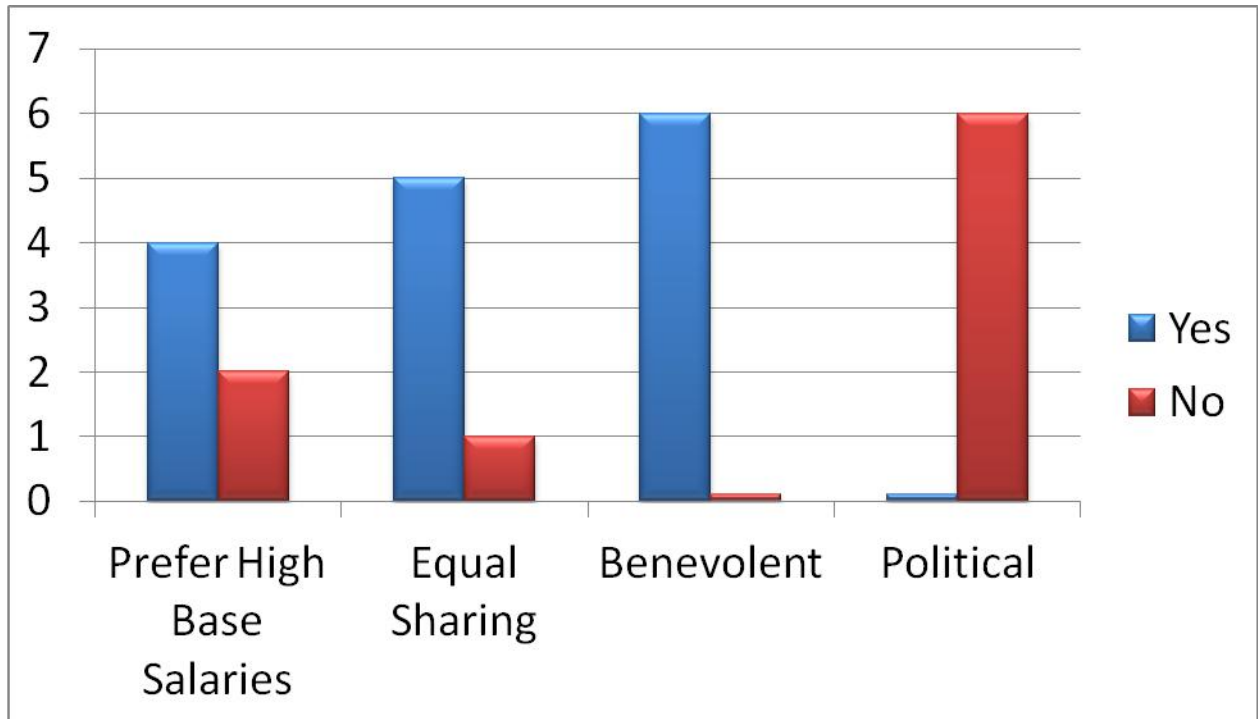
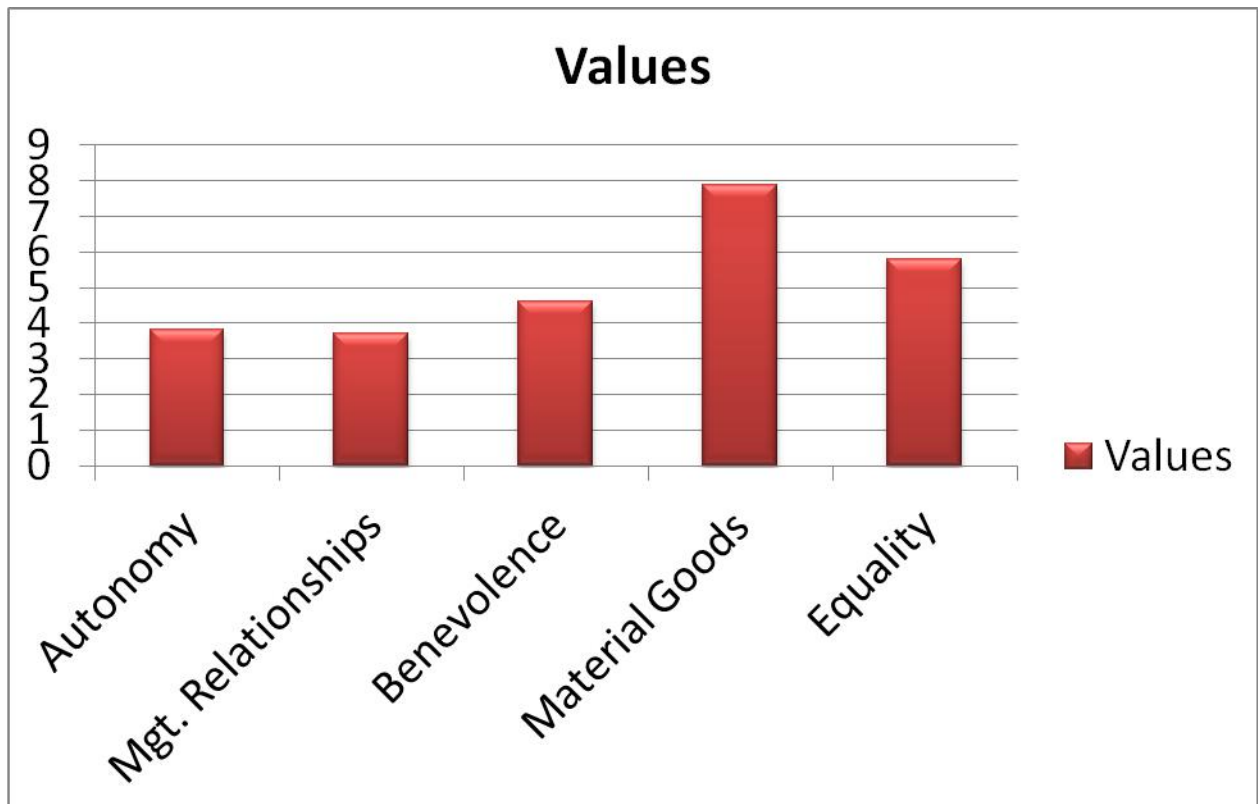


Figure 6 illustrates that no manager considers themselves political, all leaning toward benevolence. 80 percent of respondents believed Chinese employees require equal sharing in decision-making and 60 percent believed high base salaries were preferred by Chinese employees.

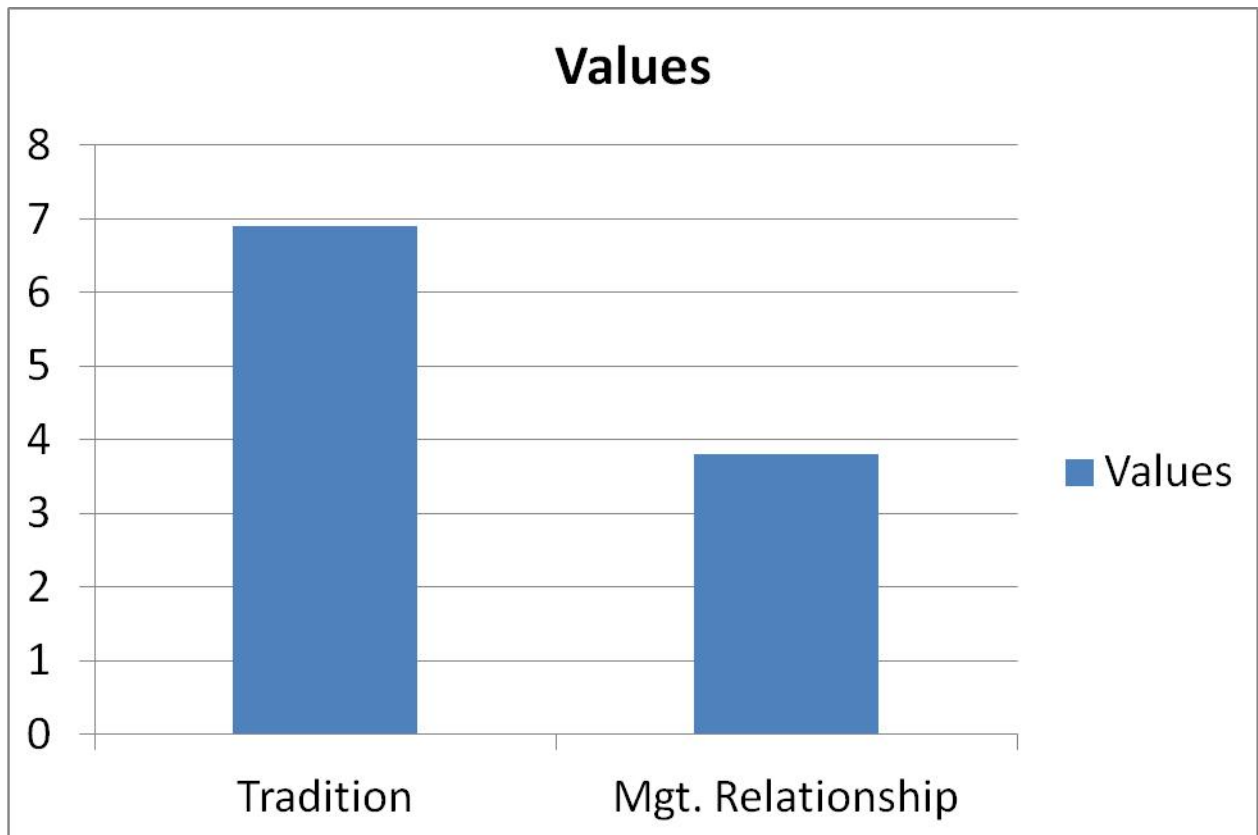
The results of the study indicate that the majority of the Western UK managers still maintain their Western model viewpoints on leadership associated with benevolence, autonomy, the level of cooperative environments required to enhance productivity, and do not recognise to a significant degree materialism with Chinese employees. Social solidarity as a belief about Chinese social principles also received minimal consideration by the sample group.

**Figure 7: Chinese viewpoints toward benevolence, autonomy, equality and hedonism**



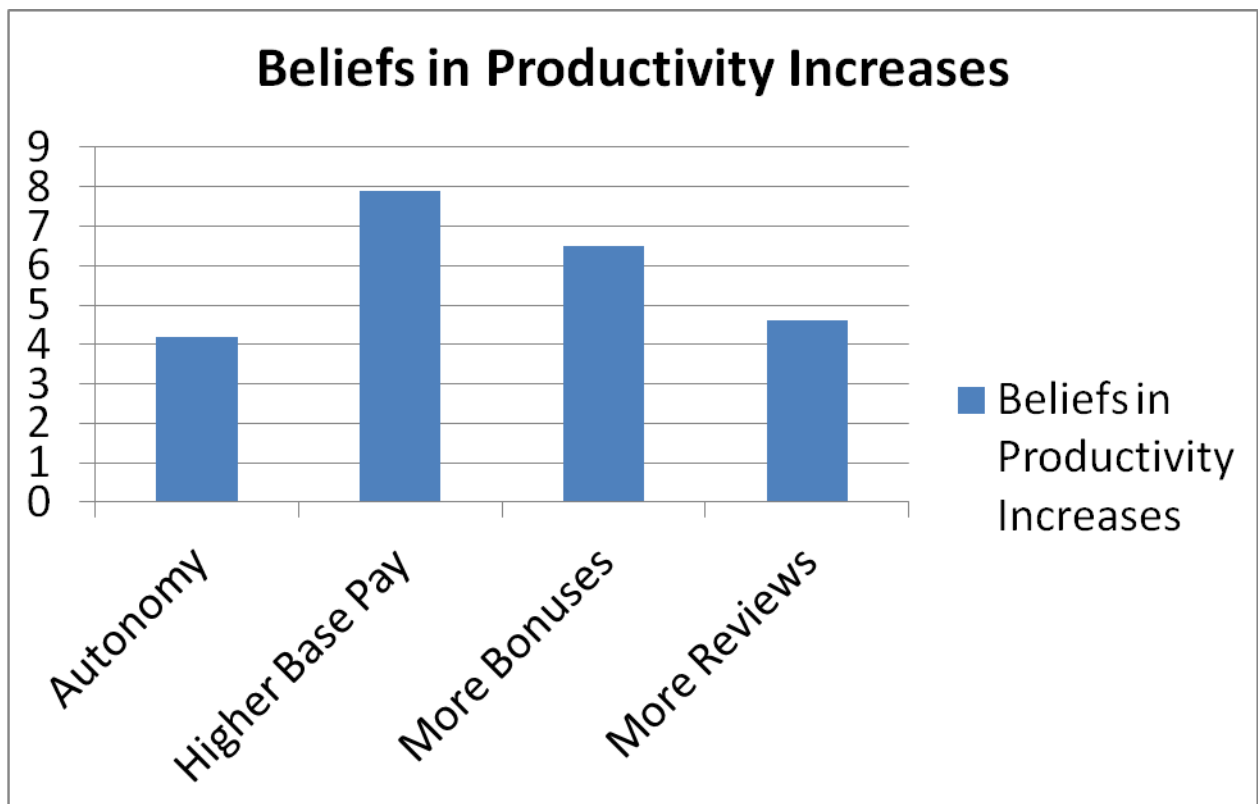
As illustrated by Figure 7, there is a strong recognition of material goods. Less emphasis is placed in job role autonomy, maintaining relationships with managers, and the benevolent characteristics of management. Equality maintained a moderate mid-range mean total.

**Figure 8: Chinese beliefs on power distance and tradition related to short-term orientation**



As illustrated by Figure 8, there is a significant recognition of tradition as a preferred social value. The depth of management relationships maintained a below average mean total.

**Figure 9: Chinese employee beliefs about productivity increases with specified factors related to the organisation**



As illustrated by Figure 9, employees believed productivity would increase by a large margin for higher base pay and less bonuses, as opposed to more bonuses and lower base pay. Autonomy and performance review increases were both below average sentiment.

**Figure 10: The social condition as perceived by Chinese employees**

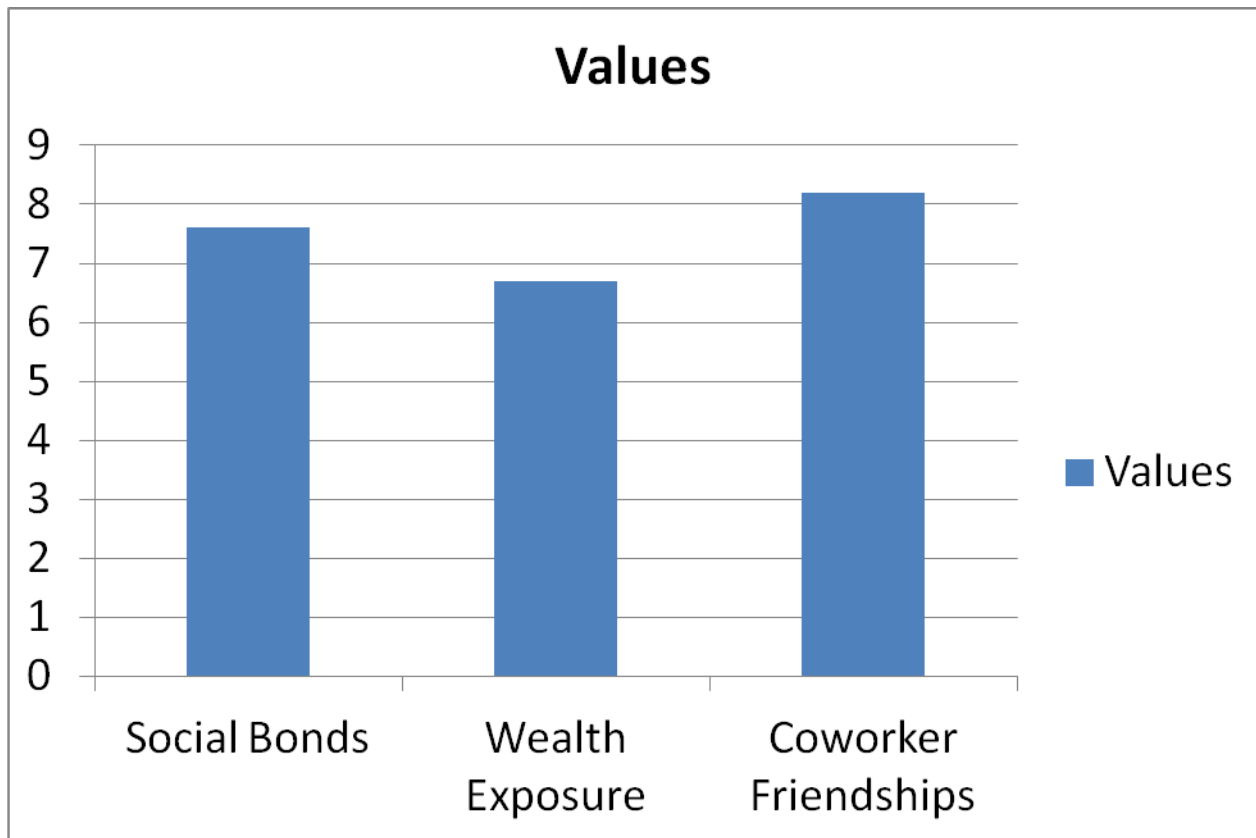


Figure 10 illustrates the very high importance of maintaining social bonds and friendships with co-workers, which was in stark contrast to relationships with management. Wealth exposure also sustained very high mean values.



## 5.1 Discussion of Findings

The majority of the data findings supported the concepts of Western management styles and principles along with Chinese values associated with power distance, hedonism, long- versus short-term orientation, and compensation practices. The sentiment of the Chinese employees largely supported a recognition of traditionalism as an important value driver, the importance of maintaining social bonds in the workplace with those of equal rank in the organisation, and the outward exposure of wealth accumulation. These social principles justify the research acknowledgement provided by the research resources discussed earlier in this research project. (Haw, 2008; Wen 2007; Gunde, 2002).

What most requires discussion are the significant disparities between what Western managers believe as it relates to Chinese employees and the tangible values learned through the research study. For the sake of justifying previous research on cultural characteristics of the vast volume of research on Chinese values, society and principles, this study reinforced their validity in various HRM programmes for effective understanding of the Chinese culture. Nearly all of the concepts associated with hedonism, short-term orientation, social systems, and power distance accurately matched the existing research data on Chinese culture and society.

Western managers, even those with tangible practice with Chinese citizens and employees, still believed in the integrity of Western models of employee practice, which was evident with high ranking totals about their beliefs in Chinese needs. One of the most paramount that requires discussion is the recognition that these employees need autonomy in order to be effective and productive workers. Nearly all of the research data on Chinese culture recognises this nationality as collectivist where power distance

between managers and followers is accepted and expected (Gomez, et al., 1999; Francesco and Gold, 1998; Adler, 1997; Gullen, 1994). Though these assessments are theoretical in nature, with some supported by tangible primary research in Chinese organisations, it still creates a template by which a manager would address Chinese employees. It might be an assumption that real-life practice would tend, periodically, to refute existing research data, however this study reinforced that the majority of Chinese employees hold these values strongly and do not consider close cooperation with managers to be acceptable or required or productive outputs.

All of the managers in this study identified themselves as being benevolent, which is a common theme in Western management literature associated with gaining employee commitment and dedication to meeting organisational goals. However, concepts of benevolence with this Chinese sample of 45 employees indicated very low preference for benevolent management activities and less emphasis on close cooperative relationships with authority figures. Thus, despite the small sample size of domestic managers involved in this study, it leans toward predicting that Western managers are unaware that Chinese employees do not find autonomy in job role to be an important predictor of motivation and performance. It should, based on the data uncovered in this study along with the supporting secondary research from existing studies, be determined that employees are not swayed by benevolent policies, shared decision-making, or close interpersonal relationships with supervision. Thus, these Western models would likely maintain very little relevance or productivity gains when applied with Chinese workers.

This study also sought to identify the role of compensation strategies as it would be perceived by Chinese employees to improve productivity or otherwise create effective

organisational outputs. Western managers, as identified in Figure 2, believed that increases in regular performance reviews would enhance productivity. In Figure 3, this was justified with a very low scoring from the Western management sample regarding their belief that reduced performance evaluations would ultimately lead to lower productive outputs. Again, this seems to follow the Western model of leadership and management which this study continues to reinforce simply is not applicable to the Chinese employee environment. Performance reviews usually point toward individual accomplishments and establishing appropriate rewards to the individual when meeting performance expectations. This study reinforced, again, the collectivist mentality that seems to be deeply engrained in this culture that negates individual rewards as a need for Chinese employees.

When the Chinese employees were asked about their preferences for lower base pay with more bonus opportunities versus higher base pay with less bonus opportunities, they clearly preferred the latter. This would seem to support the notion of hedonism with employees and their desire for wealth presentation and material goods as a lifestyle goal as it relates to compensation in the workplace. This is further justified by the data from Figure 10 with high recognition of the desire for outward wealth exposure and from Figure 7 with an abnormally high mean total about the importance of material goods in employee lifestyles. The data provided by the Chinese sample illustrates that the foundational cultural characteristics of Chinese employees are highly hedonistic and concerned with sustaining social reputation and presenting wealth status through material goods consumption and presentation which would seem to be a predictor when establishing a compensatory plan for Chinese employees.

With such a high acknowledgement of the importance of material goods and wealth expression in social lifestyle, it is surprising to the study that Western managers with several years each of experience with Chinese workers and culture would not recognise these factors. As illustrated by the data results from Figure 2, there was only moderate/average belief from the Western management sample that competitive pay was a predictor of organisational performance and productivity. As illustrated also by Figure 3, the management sample did not believe that a compensatory strategy with higher bonuses and less pay would impact productivity negatively as it scored a very low mean total after analysis of the questionnaire instruments. There is, in this case, clearly a disconnect between Western beliefs about the Chinese propensity to have a secure and readily available income that can allow for expression of their social needs related to class and wealth accumulation. The existing literature sources on Chinese employees continues to predict consumption and wealth exposure as key predictors of social lifestyle as did this study. Future research on why Western managers do not recognise this would be highly valuable for expatriate leadership and HR programme development. Having been exposed to these cultures for several years and worked alongside these employees, perhaps it is not a characteristic of lifestyle that presents itself at work or does not work its way into conversation due to the power distance that exists at these businesses.

Five of the six managers in the sample also believed that Chinese workers would require shared decision-making in order to provide effective organisational outcomes which is illustrated in Figure 6. The Chinese sample of 45 only illustrated a moderate view of equality as being drivers for performance and needs. Though the Chinese sample did not reject the notion of shared decision-making, in comparison to other values and

productivity drivers identified, there is no distinct correlation that the Western belief of Chinese needs correlates with actual organisational practice. Though this study does not concretely determine that there should be *no* shared decision-making, it simply does not supersede other dimensions of Chinese needs and values that are more closely related to hedonism and acceptance of power distance.

It is clear, however, that Chinese employees genuinely value social relationships with like figures in the organisation. There was a strong recognition of the importance of traditionalism, maintaining social bonds and the social context of potential linkage with wealth exposure. In direct opposite accord, the level of relationship with managers and other leadership characters in the organisation maintained very little acknowledgement by the sample as to its importance in driving productivity or job satisfaction. This study rather concretely justified that Chinese employees are indeed collectivist and that power distance is something accepted and rarely considered important by employees. Why is this? Future research in this area could better answer this question concretely, however this study seems to lean in the direction that power distance is so deeply engrained in Chinese society that it has become a best practice activity that is just socially and professionally expected by employees. In the pursuit of establishing a better HR model for multi-nationals in China, there should be little consideration about benevolence or in bridging the social gaps between leadership and followers as this will likely be rejected or not meet with expected outcomes for cooperative organisational culture development in diverse operating environments.

The majority of managers placed decentralisation and autonomy as being primary drivers for better organisational outcomes, which again was highly refuted by the Chinese

sample of employees. There might be, perhaps, some level of bias about the superiority of Western management systems that exists in domestic managers that serves as a predictor for why these activities are carried into the Chinese environment. After having been exposed to Chinese workers in real-time environments and charged with line and HR leadership, it would seem that this would be a more obvious characteristic of Chinese employees. Clearly, more research on the topic of decentralisation and shared decision-making would need to be conducted with an emphasis on management bias and cultural superiority conceptions to determine whether this is factual. However, this study leaves many questions open about why management, even when hailing from environments with strong Chinese cultural influence and dominance, continue to hold true to their Western models of management and leadership believing them appropriate for Chinese employees.

The aforementioned determinations about Western applicability of Western models to Chinese environments are supported by the literature from chapter two that describes distinct differences between Asian and Western models of management (Fairholm, 2008; Hofstede, 2005, et al.). Many researchers identified that models which involve considerable equality and interpersonal relationships simply are not appropriate in the Chinese environment (Liu, 2003; Yang, 1998; King, 1979). There would seem to be a dominance and effectiveness benefit for managers by separating interpersonal relationship development from Chinese employees which would allow the manager to focus on more technical or financial imperatives rather than devoting time and labour into the HR function. However, the Western domestic sample of managers clearly find this to

be important in both cultures even though this study refutes the majority of conceptions about effectiveness of Western management style in China.

The Western model of management points toward more long-term orientation, where rewards are contingent on conceptions such as interpersonal relationship development, teamworking, and organisational culture. However, the data produced in this study indicated support for the notion that Chinese employees maintain more short-term orientation characteristics as proposed by Hofstede (2005). Such examples of short-term thinking appear in culture related to wealth presentation through material consumption, lack of need for bonus availability, and also higher base pay scales. This study would seem to support that HR policies should also be established with a short-term orientation, with an emphasis on *outcomes* related to social principles and social needs as a collectivist group. It is unlikely, based on the results of this study that programmes designed to build a strong organisational culture would meet with productive outputs by employees or long-term gains.

## **6.1 Conclusion and recommendations**

This study fulfilled its objectives, identifying the needs of Chinese employees, the views of Western managers regarding Chinese employee populations, and the level of influence of cultural and social systems within an organisational context. This study justified much of the pre-existing knowledge about Chinese culture that served as the foundation for this study's research approach and opened new questions about the dynamics of Western leadership as it is applied to a Chinese culture. There is absolutely a need for more research with a more streamlined and narrow focus to determine why these disparities between Western view and Chinese view exist even when cultural exposure is pre-existing with Western managers.

It is recommended, based on this study's results, that Western managers working as expatriates overseas in China or when working with a large volume of Chinese workers, to abandon most principles of the Western HR model and focus more on satisfying collectivist values even if they conflict with long-standing positive views on British or U.S. leadership models. Chinese employees are clearly motivated, as supported by this study, by social expression of success and reputation through consumption, demand higher base pays with less long-term bonuses, and are hedonistic in nature without much acknowledgement of benevolent management or social system function. HR policy in Chinese cultures should look less toward the price indices and more toward how higher competitive pay will serve their lifestyle (cultural and social) to produce more productive outcomes.

Managers should also maintain their power distance from employees as this is also a recognition of traditionalism that is long-standing in this very ancient culture.



Rather than working toward establishing interpersonal relationships, managers can instead focus on satisfying employee needs through material goods rewards since these have such a primary significance in social system adjustment and self-esteem development (or other associated psycho-social outcomes). Outward expression of vanity and success through wealth accumulation should be considered a high predictor of social satisfaction which could, in turn, create more productive social systems and productive outputs in the organisation. Future researchers should reduce the variables of research studies and focus on wealth and consumption as a predictor of organisational performance to concretely validate these assumptions drawn from this study's research.

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Appendices A:  
Questionnaire for Western Management Sample

## **Management Questionnaire**

**This questionnaire aims to understand your opinion of Chinese employees and how they relate to organisational policy, procedures and productivity.**

**1. Please rank in priority each listed concept you believe most crucial for achieving business goals.**

- A. Granting employees autonomous work roles
- B. Removing social inequality from the workplace
- C. Adhering to price indexes and inflation when establishing pay scales
- D. Removing power distinction from employees to establish a decentralized, shared business decision-making model
- E. Establish firm controls and political structures

**2. Please rank in priority each listed concept you believe your foreign employees require most.**

- A. Competitive pay structures
- B. Equal decision-making throughout the organization
- C. Collaborative work environments with ample social recognition
- D. To be connected with senior management executives
- E. Regular performance reviews

**3. Please rank in priority each listed concept you believe would cause productivity reduction in employees if it were to occur in the business.**

- A. Diminished autonomy
- B. Executives stop communicating directly, but instead dictate through middle management channels.
- C. Increased meetings, team and group work instead of more self-directed work
- D. Less base pay with the addition of more bonus opportunities based strictly on performance
- E. Fewer performance evaluations

**4. Please rank in priority each listed concept you believe would cause productivity increases in employees if it were to occur in the business.**

- A. More autonomous work
- B. Executives start increasing visibility throughout the business with more interpersonal style.

- C. Increases in meetings, team and group work instead of more self-directed work.
- D. Higher base pay with no opportunities for bonuses
- E. Increase in performance evaluations

**5. To what level do you believe that Chinese employees require autonomy in their work role?**

1. Extreme                      2. Moderate                      3. Very Little                      4. Not at all

**6. Do you believe that Chinese employees prefer high base salaries with minimal performance evaluations as compared to lower base salaries with more performance evaluations?**

1. Yes                                      2. No

**7. Do you believe that Chinese employees require equal sharing in decision-making throughout the organization?**

1. Yes                                      2. No

**8. Do you consider yourself:**

1. Benevolent                      2. Political

**9. Please indicate the level to which you agree or disagree with this statement:  
“Chinese employees appreciate strong social connections and value solidarity in decision-making”**

1. Not at all                      2. Very little                      3. Moderately                      4. Very Much

**10. Please indicate the level to which you agree or disagree with this statement:  
“Chinese employees value their material possessions, appearance and reputation more than Western employees”**

1. Not at all                      2. Very little                      3. Moderately                      4. Very Much

**11. “Chinese employees are frustrated and less motivated when working in teams and groups and would prefer autonomous work”**

1. Not at all                      2. Very little                      3. Moderately                      4. Very much

**12. In 150 words or less, please provide the study with any thoughts, attitudes, or opinions you might have about Chinese employees you believe relevant to business success or failure.**

Thank you for your time!



Appendices B:  
Survey Instrument for Chinese Employees

Please determine the level to which you feel strongly, moderately, or not at all, where 0 = not at all and 9 = to extreme.

1. How important is autonomous work to you in your role?

0    1    2    3    4    5    6    7    8    9

2. How important is it to have close social relationships with managers?

0    1    2    3    4    5    6    7    8    9

3. How important would it be to have higher base pay and less opportunities for bonuses if such a structure existed?

0    1    2    3    4    5    6    7    8    9

4. How important would it be to have lower base pay and more opportunities for bonuses if such a structure existed?

0    1    2    3    4    5    6    7    8    9

5. How important to you are material goods (e.g. face creams, clothing and jewelry) to you as a person?

0    1    2    3    4    5    6    7    8    9

6. How important are regular performance appraisals to you to measure your performance on the job?

0    1    2    3    4    5    6    7    8    9

7. To what level do you value and adhere to tradition?

0    1    2    3    4    5    6    7    8    9

8. How important is it for you to show your status by wearing quality material goods?

0    1    2    3    4    5    6    7    8    9

9. How important is it for you to maintain strong social bonds with your coworkers?

0    1    2    3    4    5    6    7    8    9

10. To what level is it important for you to have strong social bonds in general lifestyle?

0    1    2    3    4    5    6    7    8    9

11. How important is it for your manager or leader to be benevolent in their dealings with you?

0    1    2    3    4    5    6    7    8    9

12. To what level do you think equality and shared decision-making with managers is important?

0    1    2    3    4    5    6    7    8    9

Thank you for your time!