

Strategic Human Resource Management in Chinese State-Owned
Enterprises: Practices Compared with Private Chinese Enterprises-Qi FENG



Université de Pau et des Pays de l'Adour
École Doctorale 481 Sciences Sociales et Humanités

**Strategic Human Resource Management in Chinese State-Owned
Enterprises: Practices Compared with Private Chinese Enterprises**

(Gestion Stratégique des Ressources Humaines dans les Entreprises d'Etat
Chinoises : Pratiques comparées avec les Entreprises Privées locales)

Thèse pour l'obtention du titre de Docteur en Sciences de gestion présentée et soutenue publiquement
le 10 juillet 2014

FENG Qi

Membres du Jury

Rapporteurs : **Bruno AMANN**, *Professeur, Université Toulouse III - Paul Sabatier, France*
Sophie NIVOIX, *Maitre de Conférences, HDR, IAE, Université de Poitiers, France*

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SUR L'USAGE DES LANGUES DANS CETTE THESE

Bien qu'il ait une certaine pratique du français, l'auteur de cette thèse, de nationalité chinoise, remercie l'Ecole Doctorale Sciences Sociales et Humanités de l'Université de Pau et des Pays de l'Adour de lui avoir donné la possibilité de rédiger et de soutenir son travail en anglais. Le propos n'en sera que plus précis et soigné.

En accord avec les directives de l'Ecole Doctorale et celles de notre directeur de thèse, nous présentons, en complément du texte intégral en anglais, l'introduction de la thèse et la conclusion générale en français.

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ABSTRACT

This PhD research reviews the empirical studies on strategic human resource management (SHRM) practices in Chinese companies. It intends to achieve two aims. First, to critically evaluate the development of Chinese HRM practices in the past 30 years. Second, to identify research gaps on the Chinese case for what need to be done in the future. The full dissertation focuses on remaining differences between state-owned and private Chinese firms, as far as human resource management practices are concerned. The dissertation is organized as follows. The first part is the theoretical foundation of the research. The second part is empirical research and results. Last is the limitation and further research in the area of SHRM practices in Chinese companies.

Keywords: China, strategic human resource management, ownership

RESUME

Cette recherche porte sur l'étude des stratégies de la GRH (SGRH) en Chine. Nous avons deux buts: (1) évaluer de manière critique le développement des pratiques de GRH en Chine au cours des dernières années; (2) identifier les lacunes à combler de la recherche sur le cas chinois pour améliorer la GRH pour le futur. La thèse étudie les différences qui subsistent entre entreprises d'Etat et entreprises privée en Chine, du point de vue de la GRH. Elle est organisée comme suit: la première partie est relative au cadrage théorique de la thèse, la seconde partie est consacrée au travail empirique. La conclusion formule des suggestions de recherches en gestion des ressources des entreprises en Chine.

Mots- clés: Chine, stratégie de gestion des ressources humaines, type de propriété

摘要

本篇论文预计完成两个目标:(1)评估中国企业在过去 30 年里的人力资源管理方法。(2)本文的主旨是找出中国国有企业人力资源管理方法与私企人力资源管理方法的不同。本文第一部分为综合介绍,第二部分是文献摘要及理论基础,第三部分是实证研究及结论,最后是本文的局限性及未来的研究方向。

关键词: 中国, 战略人力资源管理, 所有制

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Introduction

Strategic human resource management (SHRM) attracts a lot of attention because it has been seen as a foundation, integrated and consistent approach to tie people management to business goals. It is beyond personnel management which emphasizes on strategic functions such as compensation, training, recruitment and appraisal. Strategic human resource management takes a more proactive view by looking at people in economic terms as assets and liabilities which can be

Introduction

La gestion stratégique des ressources humaines attire beaucoup d'attention, comme une approche intégrée liant la gestion des personnes aux objectifs commerciaux des entreprises. Elle dépasse la gestion personnel qui se concentre sur les pratiques fonctionnelles telles que la rémunération, la formation, le recrutement et l'évaluation. La gestion stratégique des ressources humaines a une vision plus proactive en considérant les personnes en termes économiques,

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managed. Each practice of SHRM is integrated to fit into a pattern which ultimately meets business goals.

SHRM is seen to be a whole, focusing more on conceptual, higher-level concerns such as the structure and culture of the organization and the provision of necessary competencies.

SHRM consistently uses organization's compensation systems, performance appraisal, promotion and learning opportunities to maximize the utilization of human resources. In particular, it focuses on the attitudes, beliefs, commitments and a culture of commitment that will lead firms to a better level of productivity, profitability and

qui peuvent être gérées activement.

Chaque pratique de la gestion stratégique des ressources humaines est intégrée dans un modèle qui répond finalement aux besoins des objectifs commerciaux de l'entreprise.

La gestion stratégique des ressources humaines est considérée comme un tout, en se concentrant plus sur des préoccupations d'ordre conceptuel de haut niveau tels que la structure, la culture de l'organisation et la recherche des compétences nécessaires.

La gestion stratégique des ressources humaines utilise de manière conséquente les systèmes de rétribution de l'organisation, d'évaluation de la performance, de promotion et les opportunités de

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competitiveness. Until the 1980s, China was a planned economy; staffs have been generally allocated by the Ministry of Personnel which was responsible for high ranking manager appointment and the Ministry of Labor for workers. Nowadays, even though this policy has been modified in order to let market forces play a bigger role, national regulations still affect almost all state-owned enterprises. The constraints can be extended not only to decision making on selection of staff, but also on determination of wages and fringe benefits including housing and insurances.

Human resource management practices within enterprises in the

formations pour maximiser l'effet des ressources humaines. En particulier, elle se concentre sur les attitudes, les croyances, l'engagement et une culture de l'engagement qui va conduire les entreprises à une productivité, une rentabilité et une compétitivité de niveau plus élevé. Jusqu'en 1980, la Chine était en économie planifiée; les employés étaient généralement attribués par le Ministère du Personnel qui était responsable de la nomination des managers de haut niveau et par le Ministère du travail pour les travailleurs. Même si maintenant cette pratique a été modifiée afin de laisser les forces du marché jouer un rôle plus important, les réglementations nationales

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planned economy was strictly limited on looking after staff records and controlling allocation of resources with minimum staff training and development. There was little performance evaluation in Chinese companies in order to promote staff performance. Promotion was often made on the basis of employee personal relationship with his superiors or the seniority of the employee. The influence of workers union (or workers representatives) was mainly in supporting management to motivate employees, organizing group activities to increase cohesion and taking care of training and so on. Personnel department played the same role in some cases.

continuent d'affecter la plupart des entreprises d'Etat. Les contraintes peuvent être étendues, non seulement pour la prise de décision sur la sélection du personnel, mais aussi sur la détermination des salaires et des avantages sociaux tels que le logement et les assurances.

Les pratiques de GRH au sein des entreprises en économie planifiée étaient strictement limitées au suivi des dossiers du personnel et au contrôle de l'allocation des ressources avec la formation et le développement minimum du personnel. Il y avait peu d'évaluation de la performance dans les entreprises chinoises afin de promouvoir la performance du personnel. La promotion dépendait

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Strategic human resource management (SHRM) is a new field for Chinese enterprises, particularly for state owned companies. Many studies have showed the differences between Chinese personnel management system with Western human resource management practices (Ding, 2002).

In the global market, China is already a key player with its enterprises taking a great share of the global market. It is important then, to understand how Chinese companies have managed their employees to perform well.

Chinese companies always focus on employee relationship instead of human resources management; they regard the HRM as a way to

souvent des relations personnelles entre un employé et ses supérieurs ou de son ancienneté. L'influence du syndicat (ou des représentants des travailleurs) a été principalement de soutenir l'encadrement pour motiver le personnel, organiser les activités de groupe afin d'augmenter la cohésion, et décider des formations du personnel. Et le département du personnel jouait le même rôle dans certains cas.

La gestion stratégique des Ressources Humaines est un nouveau domaine pour les entreprises chinoises, en particulier pour les entreprises d'Etat. Une série d'études ont montré les différences entre le système de

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get a better human relationship management (Ding, 2001). Chinese firms are recognized however for their effective utilization of cost reduction strategies, rather than utilization of human resource management practices, such as selective recruitment, ensuring the right people in the right position at the right time, or on performance appraisal, compensation tied closely with performance or on heavy investment in training and capability building for long-term development.

Since management practices in China developed particularly after 2000, the development of a specific Chinese human resource management and the framework of

gestion du personnel chinois et les pratiques de la GRH occidentales (Ding, 2002).

Dans le marché mondial, la Chine est déjà un acteur important; ses entreprises prennent des parts importantes du marché mondial. Donc il convient de comprendre comment les entreprises chinoises ont réussi à faire bien travailler leurs employés.

Les entreprises chinoises attachent toujours plus d'importance aux relations entre les employés plutôt que de la GRH, car elles regardent celle-ci comme le moyen d'une meilleure gestion des relations humaines (Ding, 2001). Les entreprises chinoises sont connues pour leur utilisation efficace des stratégies de réduction des coûts,

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relationship have been recently examined. For instance, Ding and Warner (2001) focused on evaluating the Chinese labor management system and its results of breaking the three irons which refer to the one life contract, equal payment, and unchangeable position of job. Similarly, Morris, Sheehan and Hassard (2001) speculated on the changes of employee relationships among state-owned enterprises as a result of the shift from the lifetime contract arrangement to performance based contracts.

Although Chinese companies have a long history of personnel administrative systems rather than the introduction of the Western concept of HRM, a main concern

plutôt que de judicieux recrutements, d'une gestion fixe des affectations ou de la gestion de la performance, des rémunérations étroitement liées à la performance ou de lourds investissements sur la formation et sur le renforcement des capacités pour le développement à long terme.

Comme les pratiques de gestion en Chine se sont développées après 2000, le développement d'un système spécifique de pratiques de GRH a été examiné récemment. Par exemple, Ding et Warner (2001) ont étudié le système de gestion du personnel chinois et l'éclatement «des trois fers» (bol en fer, salaire en fer et position en fer) qui se réfèrent au contrat à vie, au paiement égalitaire et à la

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for researchers is that of the compatibility of Chinese personnel management systems with Western HRM practices. Therefore, there has been a relatively important focus on comparing HRM practices among companies owned by foreigners or joint ventured companies and by those of state owned or home-grown domestic Chinese firms (Jaussaud & Liu, 2012). In addition to the comparison of HRM practices according to different firm ownership, there are also some interests on comparing HRM practices according to different industries. Researchers from outside China are also interested in the issue of how successfully the Western concept of HRM could be

position de travail stable. De même, Morris, Sheehan et Hassard (2001) ont étudié les changements de relations entre les employés dans les entreprises d'Etat à la suite du passage de contrats à vie aux contrats à la performance.

Bien que les entreprises d'Etat chinoises font valoir qu'elles avaient leurs propres systèmes administratifs valables plutôt que d'introduire des concepts occidentaux de GRH, pour les chercheurs une préoccupation centrale est la compatibilité des systèmes de gestion du personnel chinois avec les pratiques de GRH occidentales. Par conséquent, les chercheurs ont mis un fort accent sur la comparaison des pratiques de GRH entre les entreprises

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transferred to China, in particular through international joint ventures or independent foreign owned firms. (Jaussaud & Liu, 2012)

The economic reform in China began in the year of 1978. Since then, China has enjoyed a rapid economic growth. China's GDP in 2011 reached US\$ 6988.4 billion in absolute dollar terms, making it the second largest economy behind United States. This result of economic growth is been considered to have come from two main reasons: the reformed state-owned enterprises (SOEs) and private enterprises such as the foreign-invested enterprises (FIEs) and joint ventures.

There are signs showing the increasing competitiveness of

appartenant à des groupes étrangers ou des entreprises conjointes (coentreprises) avec des entreprises d'Etat ou des entreprises privées chinoises (Jaussaud & Liu, 2012). En plus de la comparaison des pratiques de GRH selon les différents systèmes de propriété de l'entreprise, il y a aussi des recherches comparant les pratiques de GRH selon des industries différentes. Les chercheurs hors de Chine ont également étudié les succès du transfert des concepts occidentaux de la GRH en Chine, en particulier à travers les coentreprises internationales ou les entreprises étrangères indépendantes (Jaussaud & Liu, 2012).

La réforme économique en Chine a

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Chinese firms. In year of 2009, 43 of Chinese state owned enterprises appeared on the list of Fortune's largest global 500 firms. Sinopec, a publicly traded Chinese company with majority state ownership, was ranked the 31st largest firm in the world, with revenues of US\$ 75.1 billion and profits of US\$ 1.3 billion.

Haier, a former appliance SOE and now a shareholding company with majority state ownership, reached an annual sale of US\$ 12.2 billion in 2004, almost catching up to Whirlpool's US\$ 13.2 billion. That year Haier had not only occupied the domestic Chinese market for major household appliances, but also took part in the competition in US market by opening up a

commencé dans les années 1980. Depuis lors, la Chine a une croissance économique rapide. Le PIB de la Chine en 2011 a atteint 6988.4 milliards de dollars ce qui en fait la deuxième plus grande économie derrière les Etats-Unis. On estime que la croissance étonnante vient de deux sources principales: les entreprises publiques réformées (SOE), et les entreprises privées, telles que les entreprises à participation étrangère (EPE) et les coentreprises.

Certains signes indiquent la croissance de la compétitivité des entreprises chinoises. En 2009, 43 entreprises d'Etat étaient sur la liste des 500 plus grandes entreprises mondiales du

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manufacturing facility in South Carolina with a capacity of half a million refrigerators in 2002.

Meanwhile, Legend, which latter changed its brand name into Lenovo, a shareholding company headquartered in Beijing, outperformed Dell, Compaq, and IBM to become the largest computer manufacturer in Asia. Its acquisition of IBM's personal computer business in 2004 has made it the third-largest PC maker in the world. In the mobile phone market, domestic firms captured a 50% market share in 2003 at the expense of Motorola, Nokia, and Ericsson.

All these Chinese firms emerged as major players on the global scene at the beginning of the century.

classement Fortune. Sinopec, une société chinoise cotée en bourse dont la propriété majoritaire est de l'État, était la 31ème plus grande entreprise du monde avec son chiffre d'affaires de 75,1 milliards de dollars et ses bénéfices de 1,3 milliards de dollars US.

Haier, une ancienne SOE de l'électroménager, maintenant société anonyme à participation majoritaire de l'État, a ainsi réalisé un chiffre d'affaires annuel de 12,2 milliards de dollars en 2004, rattrapant presque cette année là les 13,2 milliards de dollars de Whirlpool. En 2004 Haier avait non seulement dominé le marché intérieur chinois pour les gros appareils ménagers, mais aussi étendu sa concurrence sur le

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Since then, they all strengthened a lot their positions.

On the other hand, there are signs showing that there are performance discrepancies among Chinese firms. According to the Nation Bureau of Statics of China, as the reform continues, the SOEs, private owned, foreign owned and joint ventures exist at the same time. Whereas, SOEs accounted for 77.7% of China's industrial output in 1978, they accounted for only about 20% by 2012 (Nation Statics Bureau, 2012). Through the reform, the private owned companies developed quickly and made successful process in business, meanwhile, the state owned companies have not effectively solved their old

marché américain par l'ouverture d'une usine en Caroline du Sud avec une capacité d'un demi-million de réfrigérateurs en 2002.

En même temps, Legend qui a changé son nom pour Lenovo, une société anonyme dont le siège est à Beijing, a surpassé Dell, Compaq et IBM. Elle est devenue le plus grand fabricant d'ordinateurs en Asie. Son acquisition de la division "ordinateurs personnels" d'IBM en 2004 en a fait le troisième fabricant de PC dans le monde. Dans le marché du telephone portable, les entreprises chinoises ont occupé 50% du marché domestique en 2003 au détriment de Motorola, Nokia et Ericsson.

Toutes ces entreprises chinoises

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problems, such as deficit and retired employees (Lin, Cai, & Li, 1998).

There is an increasing commitment of multinational firms in China (Li, Qian, Lam, & Wang, 2000). By January 2005, a total of 512,504 foreign invested enterprises had been approved to set up their companies in China, with a cumulative actual investment of 566.2 billion dollars. After China's admission to the WTO in the year of 2001, inflows of foreign investments in China increased rapidly. A total of 43664 FIEs were approved in 2004, an increase of 6.3% from 2003. The total realized foreign investment was 60.6 billion dollars, an increase of 13.3% from 2003. At the end of May in 2012,

sont devenues des acteurs majeurs au niveau international au début de ce siècle. De plus, elles ont toutes considérablement renforcé leurs positions.

D'autre part, il existe des différences de performance entre les entreprises chinoises. Selon le Bureau National des statistiques de la Chine, alors que la réforme se poursuit, les entreprises publiques, les entreprises privées, les entreprises à capitaux étrangers et mixtes continuent à coexister. Alors que les entreprises publiques représentaient 77,7% de la production industrielle en Chine en 1978, elles ne ne représentaient plus que 20% en 2012 (Bureau National des Statistiques, 2012). Grâce à la réforme, les entreprises

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there were total 439300 FIEs with total assets of 1800billion dollars (National Bureau of Statistics, 2012). While the overall statistics on capital inflows are impressive, there is still a lack of comprehensive understanding of the performance of multinational firms in China.

The profitability of multinational firms from certain countries started to decline, such as US and Japan companies (Pan & Chi, 1999). Further, it appears that multinational firms are abandoning their long-standing strategy of entering China through equity joint ventures (Jaussaud and Schapper, 2006). Thus, during that period, it is important to evaluate the performance of foreign owned and

privées se sont rapidement développées. Pendant cette période, les entreprises d'État n'ont pas effectivement résolu leurs problèmes traditionnels, tels que le déficit et les retraites (Lin, Cai, et Li, 1998).

L'engagement des entreprises multinationales est croissant en Chine (Li Qian, Lam, & Wang, 2000). En Janvier 2005, un total de 512504 entreprises à capitaux étrangers ont été approuvées par un investissement en cumulé de 566,2 milliards de dollars. Après l'accès de la Chine à l'OMC en Décembre 2001, les flux d'investissements étrangers ont augmenté rapidement. Un total de 43 664 entreprises à participation étrangère ont investi en 2004 en

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joint venture companies.

The last twenty years has been a period of increasing the importance of the strategic management of firms in China. Numerous models of strategic management have been proposed, particularly in the field of human resource management (Wang, 2007). This interest in strategic human resource management has turned into different organizational functions becoming more concerned with their role in the strategic management process. The Human Resource Management field has greatly tried to become integrated into the strategic management process through the development of a new regulation referred to Strategic Human Resource

Chine, soit une augmentation de 6,3% par rapport à 2003. À la fin du mois de mai 2012, la Chine avait 439 300 entreprises à capitaux étrangers avec un capital social de 1800 milliards dollars. Les investissements étrangers total réalisés étaient de 60,6 milliards de dollars, soit une augmentation de 13,3% par rapport à 2003. Alors que les statistiques sur les entrées de capitaux sont impressionnantes, il y a encore un manque de compréhension globale de la performance des entreprises multinationales en Chine.

La rentabilité des entreprises multinationales de certains pays a commencé à baisser, telles que les sociétés américaines et japonaises (Pan & Chi, 1999). En outre, il

Management. This study of strategic human resource management has produced a number of conceptual contributions. Many articles propose particular human resource practices that would be connected with different business strategies (Wang, 2007). In addition, recent research had already begun to test the functions of HR practices from a strategic perspective.

Research Hypotheses

Based on the literature review that is presented in the following part of this PhD (Part I), this research will examine four main directional hypotheses:

H1: Compensation is more merit based in private firms than in state

apparaît que les entreprises multinationales abandonnent leur stratégie d'entrer en Chine à travers des coentreprises (Jaussaud, Schaaper, 2006). Ainsi, il est important d'évaluer l'ensemble de la performance des entreprises à participation étrangère en Chine.

Au cours de la dernière décennie, on a vu un intérêt croissant pour la gestion stratégique des entreprises en Chine. De nombreux modèles de gestion stratégique ont été proposées, en particulier dans la domaine de la GRH (Wang, 2007). Cet intérêt sur la gestion stratégique des RH a conduit diverses fonctions des organisations à être de plus en plus préoccupées par leur rôle dans le processus de gestion stratégique.

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owned enterprises (SOEs) in China. Le domaine de gestion des ressources humaines s'est efforcé

H2: Organizational strategic training before work and during work is more developed in private firms than in state owned enterprises. de s'intégrer dans le processus de gestion stratégique. Cette étude de la gestion stratégique des ressources humaines a produit un certain nombre de concepts. De

H3: Regarding recruitment, working experience is more important than education background in private firms compare to the state owned enterprises(SOEs) nombreux articles connexes proposent des pratiques de gestion des ressources humaines particulières qui seraient, liées à des stratégies commerciales différentes. Et en plus, des

H4: Appraisal systems are more developed in private firms than in state owned enterprises (SOEs) in China. recherches récentes ont déjà commencé à examiner l'incidence des pratiques de GRH sur la performance dans une perspective stratégique .

Methodology

A survey method has been used in this research. To differentiate the strategic human resource

Hypothèses de recherche

Sur la base de la revue de la littérature qui est présentée dans la

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management implementation levels in the targeted companies, a face to face interview guide has been designed. We looked for the differences in strategic human resource management practices according to different ownership of the companies under investigation. Interviews took places in 13 state owned companies and 11 private owned companies located in the cities of Beijing and Tianjin in 2012 in totally eight industries. Each interview took an hour to one and half hours. All interviewees were the high ranking managers of human resource department of the targeted company.

Structure of the dissertation

This dissertation is structured as follows. Part I, which is made of

Partie I de cette thèse, notre recherche se penchera sur quatre hypothèses principales:

H1: La rémunération est plus fondée sur la performance dans les entreprises privée que dans les entreprises d'Etat (SOE) en Chine.

H2: la formation stratégique du personnel avant le travail et pendant le travail est plus développé dans les entreprises privées que dans les entreprises d'Etat.

H3: En ce qui concerne le recrutement, l'expérience de travail et le niveau d'éducation sont plus requis dans les entreprises privées que dans les entreprises d'Etat (SOE).

H4: Les systèmes évaluation sont plus développés dans les

two chapters, is devoted to the theoretical foundation of this research. Part II, which is made of five chapters, is devoted to the empirical investigation and tests of our set of hypotheses. The thesis ends with a general conclusion and references.

entreprises privées que dans les entreprises d'Etat en Chine.

Méthodologie

Une méthode d'enquête a été utilisée dans cette recherche. Pour différencier le niveau de mise en œuvre de la gestion des ressources humaines stratégique dans les entreprises ciblées, un guide d'entretien en face à face a été conçu. Nous voulions identifier les différences de pratiques de GRH selon la propriété de l'entreprise. Les entretiens ont eu lieu dans 13 entreprises publiques et 11 entreprises privées qui se trouvaient aux villes de Beijing et de Tianjin en 2012 appartenant à huit industries. Chaque entretien a duré d'une heure à deux heures. Toutes les personnes interrogées

sont les responsables de haut niveau du département des ressources humaines de l'entreprise ciblée.

Plan de la thèse

Cette thèse est structurée comme suit. La première partie, constituée de deux chapitres, est consacrée aux fondements théoriques de la recherche. La seconde partie, constituée de cinq chapitres, est consacrée à notre démarche empirique et au test de nos quatre hypothèses. La thèse s'achève par une conclusion générale et par les références bibliographiques.

Part I Theoretical foundation of the research

In part I, there are two chapters. First chapter introduces the practices of strategic human resource management in the Chinese context. The Second chapter introduces the literature review which leads to our set of the four hypotheses.

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Chapter 1 - Literature review of Theories

There are two sections in this chapter. The first section introduces different characteristics and ownerships of firms in China. The second section introduces the historical and theoretical background of strategic human resource management in China

1.1 Different characteristics and Ownerships of Chinese Firms

In this section, development of Special Economic Zones and ownership of Chinese firms will be introduced.

1.1.1 Development of Special Economic Zones and Firm Performance

Since the year of 1978, Chinese state government has adopted market oriented measures to incent the performance development of state owned enterprises. According to Tse (1997), companies located in different areas in China perform at different levels because of three factors: first is the investment climate; second is government support and third is purchasing power.

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As the foundation of its modernization strategy, Chinese government has set up five Special Economic Zones and 45 open coastal cities sequentially. These areas have preferential tax incentives to foreign and local firms and at the same time allow these firms to autonomously recruit, reward, and hire their workers while companies which are in other areas must obey the government regulation of dismiss employees.

As the result, many studies based on manager surveys (Beamish, 1993) and large-scale databases have confirmed that these incentives and degree of openness to market economy principles have had positive impact in attracting investments and improving firm performance. Until today, in many areas of China which do not have the special economic zone, firms continue even today to struggle within the bureaucratic structures. Different treatments from the government that firms receive result in huge difference in economic success across areas. In some cities, such as Beijing, Shanghai and Tianjin, the companies in such areas perform better than the companies located in the rest of the country. The incomes of employees in these areas are three times higher than the national average income. This large income difference shows that firms located in more developed areas have more opportunities and better performance and profits.

1.1.2 Ownership Type and Firm Performance of Chinese companies

One of the significant changes in China's economic transformation is the changing of industrial structure. In 1978, there were only SOEs (83,700 of them producing 80.8% of the country's GDP) and other forms (264,700 of them producing 19.2% of the GDP). By 1995, four types of firms contributed to the country's economy: SOEs (118,000 SOEs producing 33.9% of China's GNP), Town and Village Enterprises (TVEs; 1,475,000 TVEs producing 36.6% of the GNP), privately owned firms (5,688,200 firms producing 12.9% of the GNP) and other forms (60,300 Joint Ventures and shared enterprises, producing 16.6% of the GNP) (State Statistical Bureau, 1992-96). In 2012, SOEs (324,000 SOEs producing 43% of China's GNP), Town and Village Enterprises (TVEs; 3,600,000 TVEs producing 25% of the GNP), privately owned firms (9,800,200 firms producing 22% of the GNP) and other forms (100,000 Joint Ventures and shared enterprises, producing 10% of the GNP) (State Statistical Bureau, 2012).

This huge change of economic power attracted many studies. Such as, firm evolution (Peng & Heath, 1996), management practices (Yan & Gray, 1994), organizational structure (Boisot & Child, 1988), readiness to change (Lau, Tse and Zhou 2002) in Chinese market oriented economy have been investigated.

SOEs are owned by the national government. Recently some of them have been characterized by poor technologies, poor financial resources,

corruption, and inefficient management systems. Sino foreign joint ventures have modern technologies, modern management systems. They are able to attract foreign capital for growth.

Recently, another kind of ownership of company has emerged. The shared stock company, which, belonging to the employees, the state or private investors. Most of these kinds of companies are local with low tech, labor intensive and are heavy polluting companies; the rapid growth of these companies reflects the policy of Chinese local governments. Local governments are allowed to set up and implement policies as long as they are not in conflict with national guidelines. Therefore, many local governments are actively involved in developing and operating companies with local investors to improve their financial performance. Motivated by self interest, local governments are using different policies than for other companies, such as, unequal fees, soft budget subsidies, entry barriers, differential profit taxes, and area policies to ensure that the enterprises they own survive and continue to develop (Tse and Lau, 1999).

The transition from a planned economy towards a market economy has been a great economic, social and political change. The state owned enterprises are the center of the reform through the transition. There are three periods of this reform. The first period of reform, from 1978 to 1986, was for the state to delegate power to SOEs and permit them to keep part of their profits. Due to increased autonomy and external competitive pressures, most SOEs

improved their efficiency; however, many problems remained. Then, during the second period, from 1987 to 1996, the attention was shifted to transforming the operating mechanisms of those enterprises. Some SOEs started to learn and adopt the Western style corporate structure and human resource management systems.

During the third period, from 1997 to today, the issue of ownership reform was brought into practice. Privatization of state owned enterprises and other measures of reform were formally approved and implemented. Ownership reform happened in the late 1990s because the Chinese government found it financially difficult to keep SOEs making profit even with special policies. For example, there was a state-owned company (China metallurgical group) which required a government payment of 2.2 billion RMB to keep running. More and more people recognized that state ownership was reason of all sickness of the state owned companies. The only way to save state owned enterprises was to change the structure and ownership of the companies. Gradually, the central government was forced to allow the SOEs to raise the needed capital from non-state sources, which resulted in the privatization of state owned enterprises.

In the year of 2002, the central government had implemented the policy of “grasping the large and releasing the small” (refers to 抓大放小 in Chinese). Under this policy, the government kept direct control only over some of the largest SOEs. It attracted additional funds in these largest state

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owned enterprises to make them more competitive. At the same time, the state gave up the small and medium sized SOEs to the non-state sector through management buyouts, equity sales, auctions, and other measures. State owned enterprises have been transformed into three major types of new ownership, such as shareholding firms, limited liability firms and private companies.

The first type is shareholding enterprises (股份制企业). Ownership of shareholding companies is open to all kinds of investors, including the state and private investors. This kind of company is the basic form of modern firms in the West. To ensure the abilities of shareholders, the Chinese government requires a shareholding company to have a minimum of at least five stockholders of any kind with no maximum limit. The final goal is to let the state owned enterprises make profit by turning the companies into modern management systems. When these SOEs become profitable and attractive to private investors both in China and abroad, they will go for public listing in the stock markets. Many of these enterprises such as Sinopec have already been listed on the stock exchange. For example, Jinbei Automotive Company Limited, which manufactures light trucks, pick-ups, and auto parts, is a typical SOE-transformed listed company. It was formed in 1988 when Shenyang Automotive Industrial Company, an SOE, was restructured into a joint stock company. Subsequently, it went public through an initial public offering on the Shanghai Stock Exchange.

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The second type is limited liability firms (有限责任公司). Ownership of these companies still kept in the hands of the state, but the state provides them with a higher level of autonomy than before. The state is no longer their unlimited creditor. If the firm suffers from unrecoverable losses, the state may let it go bankrupt. This type of reform forces the SOEs to be separated from the state and become independent business entities. They were not turned into shareholding firms, either because there has not been enough capital from private sources, or because the state wants to keep these enterprises in particular industry segments and does not intend to privatize them entirely. Even though the enterprise is still state-owned, the state does not have direct control of managerial and operational issues. For example, The Commercial Aircraft Corporation of China, Ltd. (COMAC) is a state-owned company with headquarter of the company in Shanghai. COMAC functions as the main vehicle in implementing large passenger aircraft programs in China. It is also mandated with the overall planning of developing trunk liner and regional jet programs and realizing the industrialization of civil aircraft in China. It is not going to be listed because the government wants to keep the company in the its hands.

The third type is privatized SOEs. The ownership of these firms is private. It means that the state has sold these former state owned enterprises to private investors. Most of these kinds of SOEs were small compared to others.

The foundations of Chinese economic growth are Reform and open door

policy in the last thirty years. In the reform, especially the ownership reform since the late 1990s has caused some fundamental organizational changes to the Chinese state owned enterprises.

The surprising increase in the inflow of foreign direct investments (FDI) has externally facilitated these changes, as well as reshaped the competitive landscape of the China market as a whole. In the year of 2003, the amount of FDI was above US\$ 50 billion and in year of 2012 the amount of FDI is US\$ 111.72 billion.

The conventional belief that domestic Chinese firms are not competitive compared to multinational firms is widely held. This view has appealed, and is supported by numerous cases in the early days of economic reform and open door policy. Thirty years later, the situation has been changed. Many Chinese firms have made great progress through the reform by directly competing with the multinational firms, meanwhile, multinational firms should also have made progress by accumulating more knowledge about the Chinese culture and experiences.

From an economic perspective, transaction cost theory proposes that enterprises exist because they can handle transactions within their own organization more efficiently than through the market mechanism (Williamson, 1985). According to this theory, SOEs are not efficient because transactions can often be better handled by the market. For example, large SOEs must bear policy burdens, such as retaining redundant workers and

providing welfare benefits (Lin et al., 1998). They are obliged to grow into a mini-society by having their own schools and hospitals. Through the reform, the more efficient forms of organization will gradually replace the inefficient SOEs.

Unlike the economic perspective, the resource based view states that SOEs may have access to certain resources that private firms cannot touch. For example, *guanxi* which refers to relationship is a key source of competitive advantage in the Chinese context (Tsang, 1998). It is argued that personal relationship is more important to private firms than to state-owned enterprises; this is because SOEs have more formal and official network resources than private firms (Peng & Luo, 2000). One reason is that such resources are SOE managers' connections to the central governments (Shenkar, 1990). China's market economy only exists for thirty years, the Chinese private firms normally have not developed valuable, inimitable resources and unique competences which could be turn into competitive advantage (Barney, 1991).

Institutional theory assumes that a firm that follows the formal and informal rules, cultural norms, and implicit assumptions of the society would earn legitimacy and social capital, thus enabling it to ensure its own survival, even though it is sometimes not organized in the most efficient way (Scott, 1995). China being in a transition economy, socialist values and traditions make up the formal rules through government orders in market activities,

and make up the informal rules through their influence on managerial practices. For example, in state owned enterprises, maintaining an unnecessarily large workforce could be seen as a firm's contribution to the central or local governments economic and social stabilize goals. Firms that achieve such goals might be rewarded by bank loans and other financial resources, although the firm might be closed to bankruptcy. In such tradition, SOEs clearly enjoy more benefits of legitimacy than their counterparts of various non-state enterprises, and are able to survive even with economic inefficiencies.

Human resource managers from all types of ownership are beginning to take part in strategic decision making, but whether the decision would be critical is still a question. In a word, theoretical and empirical evidence supports that strategic human resource management practices have positive effects on the performance of firm outcomes. But, the utilization of strategic human resource management practices is different among different types of firm ownership in China.

The positive relationships between SHRM practices with firm performance have been approved in China. These relationships are not only found in private firms, but also in SOEs (Law et al., 2003). Both local and foreign private firms have recognized that the proper utilization of human resources practices can improve organizational performance (Zhu et al., 2005). Through strategic human resource management practices firms recruit and

keep employees in order to gain a competitive edge in the economic market. When the strategic human resource management practices are implemented with company business strategy, the practices help to develop a human resources base that adds value to the firm, and therefore improve the performance (Bae & Lawler, 2000). We may thus conclude that firms using a proper developed SHRM practices achieve better financial and operational performance.

1.2 Theories Review for our research

1.2.1 Historical background of Strategic Human Resource Management in China

Before the year of 1978, the Chinese companies were operating under the planned economy, and human resource functions in most of companies had been developed slowly or there was no human resource management at all. It was rather called the personal management which refers to the management of the employee's files only. Since 1978, the Chinese companies have been developing the strategic human resource management practices from the previous mode of planned economy towards a market oriented system.

While most of Western companies operate under a market oriented system, they try to manage their human resource in pursuing internal set of ideal practices to improve internal management for getting market advantages. Once the system is established, strategic human resource management

approaches are sought to respond to the changes of external environment to gain competitiveness.

Chinese enterprises would be another case. The strategic human resource management in Chinese companies started with the government's open policy which brought into practice in the year of 1978. Chinese State owned enterprises have been challenged for profitability, then market competitiveness. Previously the state could make intervention to keep profitability and market competitiveness by price control such as distorted price national controlled goods. The use of human resource management to solve problems of inefficiency was totally ignored.

Now, organization performance is greatly influenced by external factors. For example, new legislations like the new Labor Law of 1994 and 2008, the nature of market, and the industry characteristics. Companies are trying to set up business strategies to respond to these changes; HRM strategy and practices would be set up to match the focused objectives of getting profitability and market advantages.

After the economic reform, the unique system is China's mixed economic system. While China is having a rapid transition to the market economy, researchers have noted that the old political systems still have great influences on the country's economic activities (Child & Tse, 2001). Meanwhile, many industries are still influenced by the planned economic system. Government hidden subsidies including soft budget constraints and

market barriers occurred by internal firm relationships were harming the Chinese market. Within this system of coexistence of conservative and liberal dimensions, many foreign firms choose to operate in places with explicit laws and policies to ensure that their operations are not hampered by China's conflicting political agendas (Lin, 1998). Meanwhile, the Chinese government has set up many special economic zones such as Shenzhen and Shanghai with open and special policies such as tax free for foreign owned companies.

The second unique system is Chinese system of local governments. From 1980s to today, Chinese national government has gradually released its authority to local governments to implement, little by little to interpret national wide policies. Local governments can make regulations in setting taxes, specifying entry barriers and creating administrative policies for businesses operating in their areas (Lin, Cai & Li, 1996). Many local governments function as protector and protect the local firms that they own from other companies of other areas. Companies must have good relationships with local governments in order to have better performance and operate successfully.

Basically, before the economic reform launched in the year of 1978, state owned enterprises were the only form exists in Chinese economy. The operation and management of the SOEs were followed by traditional culture values and communist ideology which refers to equality. The Chinese

traditional culture can be summarized by collectivism and Confucianism, with an emphasis on respect for hierarchy, in-group harmony, reciprocity, and loyalty (Chen, 1995). These culture values, together with strict bureaucratic order from the government, developed the pre-reform system of human resource management in the SOEs, which was characterized by lifelong contract, seniority based and personal relationship based promotion and wage increases, and extensive welfare programs. The so-called “iron rice bowl” which refers to the lifelong contract employment system explains the egalitarianism and workforce stability; however, these kinds of personal management were totally incompatible with the market oriented economic environment.

In the year 1990, nationwide reforms in human resource management had been started with the primary objective of improving efficiency and productivity in SOEs. Major changes, such as in the year 1995, the introduction of fixed term employment contracts and performance based rewards, a shift in welfare provision responsibility, and in year 2008, a new labor law regulating employment relations. In addition, the rights of setting up employment policies and practices have been given to the enterprise level, and managers in SOEs have been given greater autonomy in hiring and firing workers. In result, since 2000, the “iron rice bowl” employment system had been vanished and abolished. However, despite these changes, HR decisions in many SOEs are still influenced by social and political issues,

particularly because of the pace of social security reform and the possibility of massive unemployment (Zhu, 2005).

Government influence in the management still exists in SOEs, and organizational inertia was a deterrent to the change in HR systems (Ding & Akhtar, 2001). Some traditional practices such as social welfare and personnel administration coexist with modern strategic human resource management practices in state owned enterprises. As a consequence of the open door policy, the number of foreign owned enterprises has increased dramatically in China over the last thirty years. Western modern functions in human resource management such as strategic recruitment, performance appraisal, performance based compensation, and extensive training has been widely adopted in all types of Chinese firms (Jaussaud & Liu, 2012). Due to less administrative influence from the governments, even SOEs have more space in designing their own human resource systems.

During this time, the number of privately owned enterprises (POEs) has also developed quickly. One reason of its rapid growth is the ability to respond quickly to environmental changes. According to Warner (1996), POEs have more space in their employment practices compare to SOEs, and they can hire and fire workers in a relatively free way. Because of the short history of POEs, human resource practices of POEs seem to be informal and nonsystematic as compared with other firms in a first time, but this has changed a lot then (Jaussaud & Liu, 2012). In order to improve their market

competitiveness and to attract and retain talented employees, private firms have started to invest more in human resource practices and to develop their own human resource management systems.

Using a large-scale survey of HR managers across China, Law et al. (2003) found that the strategic practices of HR are important to firm performance in joint ventures (JVs). Bjorkman and Fan (2002) focused on JVs and fully owned foreign subsidiaries in China and found support for the positive impact of fully developed HR practices and the extent of strategic human resource management integration on firm performance.

Under Chinese economic environment, it is assumed that better human resource management practices would be those practices that have the rights to recruit the suitable employees from market, are not appointed by the government as the planned system practiced previously; able to offer incentive reward systems by at least linking performance with compensations, and practicing effective welfare scheme that will improve to help to keep the best staff, instead of having the same standardized wage systems and life time social welfare system (Goodall and Warner, 1997).

Many human resource practices were introduced in Chinese companies such as training of existing workers to suit job descriptions and requirements rather than work in the position with old professional skills which have never been updated; increasing the level of transparency by implement institutionalized performance appraisal to promote staff instead of promotion

of staff based on seniority and personal relationship with superior managers. Also by developing an overall flow of management communication to encourage staff participation in management instead of having only Party's authoritarian leadership over company management; exercising appropriate labor union's power to create cohesion and to truly protect employees interest and clarify labor management relationship.

1.2.2 Theories on Strategic Human Resource Management

There are many definitions of Strategic Human Resource Management. One of them define strategic human resource management as the pattern of planned human resource deployments and activities intended to enable an organization achieve its goals (Wright & McMahan, 1992). Therefore, it can be stated as the concern with the understanding of how a firm's human resources management can improve the firm performance and sustainability through the achievement of sustained competitive advantage (Wright et al., 2005).

Boxall and Purcell (2003) state that by placing the word “strategic” in front of HRM means a concern with the ways in which the HRM function is critical to organizational effectiveness. More important, strategic human resource management means that employees are a source of strategic value, the development of the employees of the company, deployments are all contribute to firm performance and sustainability.

According to the resource based view theory, employees are viewed as a

potential source of sustained competitive advantage, because they may fit to the requirements of value, rareness, inimitability and non-substitutability. Value derives from the unique source of skills, knowledge, and cognitive abilities to achieving firm goals. Inimitability implies that only the employees from inside the company acknowledge the commitment to company goals. Non-substitutability refers to employee commitment. For example, new technology may provide a short-term cost advantage and it might be copied easily by similar firms, but if the product is produced by unique organization culture then it could not be copied easily.

Strategic human resource management was first introduced in China during the period of 1980–1990. Several important theoretical foundations were established. The concept of strategic human resource management was expanded to include strategy formulation and strategy implementation (Lengnick-Hall, 2009).

Theoretical foundation for empirical research appeared in the beginning of 1990s. Fit and flexibility were important for the study of strategic human resource management. The importance of SHRM research was specified. It was confirmed that strategic human resource management practices have positive effects on organizational outcomes. The difference between intended and realized human resource management strategies and practices was identified as key factors which could have great impact on organizational performance.

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After the theory groundwork had been developed, there were many merits in the theoretical research and empirical research. From 1990 to 2000, this period of strategic human resource management research is a time of rapid growth and the beginnings of developing a clear identity for the field of study. Lots of critical accomplishments were developed, including the refinement in theoretical perspectives provided with the introduction of the universalistic, contingency, and configurationally taxonomy for categorizing strategic human resource management. After 1990, practices inspired from the resource-based view were implemented and the HR function became emphasized in the strategic human resource management literature. The concept of competitive advantage was translated into the human resource management as the construct of human resource advantage. What's more, strategic human resource management can be used to explore the advantage of the organization.

Later, researchers found that in reality the strategic human resource management in the service sector is different from SHRM in the manufacturing sector, and that state owned sector is different from the private sector as far as SHRM is concerned. Therefore, adjustment is needed among organizations, required employee behaviors and HR practices lead to the required performance.

Finally, researchers found that introducing strategic human resource management change in international companies involves a process with

several steps and each step had been developed by practices. Particularly, in emerging economies such as China, strategic human resource management is more easily to be adopted by organizations with private ownership; state owned companies in China have been more reluctant to adopt the strategic human resource management practices.

According to Guest (1997), there are three types of theory of human resource management. They are strategic theory, descriptive theory and normative theory.

Strategic theories of human resource management are first concerned with the relationship between the possibilities of external contingencies and human resource management policies and practices. They assume that those firms that have a fit between business strategy, structure and HRM policy and practice will have the best performance.

Jackson and Schuler (1995) made a great contribution to the SHRM literature through identifying the important components of organizational environments. Organization environments were divided into internal and external categories. Important components of internal organizational environments include: technology, structure, size, life cycle stages, and business strategy. Important components of the external organizational environment include: legal, social, and political environment; labor market conditions, including unionization; industry characteristics; and national culture. This framework provides organizations with a comprehensive

perspective on important contextual factors influencing HR systems in organizations.

As the field of SHRM develops quickly, scholars began to consider the differences of SHRM practices embedded in different organizations. Manufacturing and service organization distinctions were investigated first. This was followed by an examination of distinctions between public, nonprofit, and private organizations. Third, high reliability organizations were investigated as a special category of firms.

There is no such theory about performance for all conditions (Guest, 1989). It is hard to connect the job satisfaction with firm performance. Therefore, an organization with rapid growth may not have excellent human resource management outcomes from every employee. However, we can still tell the difference of the performance of the company, and set up some measures of performance by the firm's output such as production, timing (including absence, failure to meet deadlines and etc.) and sales, lastly the attitude of employees on job and their professionalism. By these figures, the performance theory may conclude that there are some connections between human resource management and performance (Guest, 1989).

In early paper of strategic human resource management, Tichy, Fombrun, and Devanna (1982) developed a program investigating the role of the human resource management having a positive impact on organizational performance. They proved that human resource activities have great

influence on individual performance and therefore on organizational performance. The relationship between human resource management activities and employees is interdependent. An effective strategic management requires effective human resource management.

Evans in 1986 proposed three strategic outcomes for SHRM: equity and human relations; competitive performance; innovation and flexibility. Equity and human relations represents an internal focus, competitive performance represents an external focus, innovation and flexibility represents the organization–environment boundary focus. But he didn't describe it this way, Evans was one of the first researchers to realize the need for a balanced approach to assessing SHRM outcomes. Many of these ideas could not be fully developed until years later.

In the early 1990s, Wright and Snell (1991) proposed open systems theories such as inputs, throughputs and outputs to SHRM and proposed that two major ideas are competence and behavior. Competence refers to knowledge, skills and abilities. Management strategies are including competence acquisition, competence utilization, competence retention, and competence displacement. Behavior management strategies consist of behavior control and behavior coordination. This type of article was the first kind in the SHRM literature and now it is referred as a human capital perspective.

Human resource management (HRM) has been already developed into strategic human resource management (SHRM) in last 20 years for

emphasizing the importance of the concept to the effective functioning of organizations. In order to reach this goal, many researchers have confirmed that SHRM is directly linked to organizational performance; high-performing work organizations pay lots of attention to adopting special human resource management policies and connect these practices to the organization strategy. Environmental changes rapidly, globalization, innovations to provide competitive products and services, changing customer and investor demands have become the standard backgrounds for companies.

For effective competition, organizations have to constantly improve their performance by reducing costs, improve quality, refresh their products and provide more services. To improve organizations performance and create organizations competitive advantage, HR must create a new set of priorities. These new set of priorities are more business and strategic oriented and less oriented towards traditional HR practices such as recruitment, training, appraisal and compensation. Strategic priorities include team-work designs, flexible workforces, quality improvement practices and incentive compensation. SHRM was designed to make sure organization strategic needs and planned employee development which is required to implement a competitive strategy and achieve operational goals (Huselid et al., 1997).

Strategic Human Resource Management is the planned form of human resource implementation and activities intended to enable the organization to

meet firm goals and objectives. SHRM involves a high degree of participation in the central decision-making by HRM departments, in designing and implementing, to make sure that the firm human capital contributes to reach the firm business goals.

Huang (2000), using a sample of 315 Chinese firms, found evidence of a reverse relation in the HR practices to organizational performance relationship. He found that companies with higher levels of performance were more likely to adopt certain SHRM practices, such as relevant recruitment, extensive training, performance appraisal and compensation. These companies also were also likely to combine their HR functions with business strategies, to implement HR activities to line managers, to adopt formal and explicit planning procedures and long-term planning, and to integrate their HR planning and business planning closely.

New studies still try to examine the relationship between SHRM and organization performance. Nikandrou and Papalexandris (2007) examined SHRM practices that distinguish top performing organizations from relatively poor performing organizations regarding management of people in mergers and acquisitions, using the CRANET data. The Cranfield Network on International Human Resource Management (Cranet), was established in 1989, in order to meet the need for ready access to information on best practices and comparative performance within Europe and now globally. Cranet is now an established research tool with a proven track

record of collecting powerful, representative data, on a continuing basis, enabling rigorous analysis and disseminating high quality results. The researchers found that successful companies had increased HR involvement in strategic decisions, formalized HR practices, built organizational capability through training and development activities, devolved HR activities to line managers, and emphasized internal labor market opportunities.

Due to the nature of SHRM, it is very important that the field develops or uses theoretical models that allow for both predicting and understanding the effects of HR practices on organizational functioning and performance. However, up to now, one of the weaknesses of SHRM was the lack of a strong theoretical basis for viewing the HRM practices (Mahoney & Deckop, 1986) within the whole organization.

HRM research should be connected to the organizational context. Zedeck and Cascio (1984) stated "HRM issues are part of an open system, and research is theoretically bankrupt unless placed in the broader context of organizations". What's more, Dyer's (1985) reviewed SHRM research and said that the field of strategy human resource management lacked a solid theoretical foundation. He pointed out that regard to the dependent variables of SHRM research, that it would be helpful to have a fully strong theory of personnel and human resource management. In fact, in his discussion of the criteria for evaluating a theory, Bacharach (1989) noted SHRM research as

one important example of the lack of theory. He particularly pointed to this field as one which is characterized by descriptive typologies, rather than good theory that helps us to understand the why, how, and when of relationships between business strategy and HRM practices.

In China, recruitment was becoming to decrease while layoffs were increasing, during the economic downturn from 2002. Then Chinese companies and job categories continued to grow however as the overall global economy slows down. The performance and development of employees would influence business performance. In order to support their strategic decisions, companies are trying to improve employee's skills and competencies by performance management and development. For example, relevant information is needed to promote high performers. Different compensation standards are also depending on the performance information. In addition, the workforce of the companies is becoming younger and more global.

Richard (2001) found that the practices of strategic human resource management significantly cut down turnovers, which in turn increases the performance in terms of organizational income. SHRM effectiveness could be seen as building human resource management through reforms such as team work designs, flexible workforces, and employee empowerment. Ahmad (2003) tested the relationship between human resource management practices and operations management among different countries and

industries. He claimed that there is a relationship between Pfeffer's (1998) seven best HRM practices and organizational performance among three different industries and four countries. This study shows an empirical validation of a perfect HRM system for manufacturing plants and offers overall support for the seven preferred HRM practices.

Harris (2001) tested the relationship between the practices of SHRM and performance, mediated by market orientation. Using a sample of UK firms, the author found support for his hypotheses. He found a direct connection between market orientation and performance of the organization, in addition, explained that the relationship between SHRM and performance is mediated by the company market orientation. At this point, the SHRM could be seen as an antecedent to market orientation.

1.2.3 Theories of Human Resource Management practices in the academic literature.

Boxall (2007) divide human resource management into three main fields, which are: micro HRM (MHRM), strategic HRM (SHRM), and international HRM (IHRM). Micro HRM covers managing individuals and small groups. Strategic HRM is including all HR strategies adopted by business units and companies taking in account their influence on the performance of the company, such as strategic recruitment, extensive training and development,

performance appraisal and compensation. International HRM refers to the HRM in companies operating overseas. Most of the time, strategic HRM often covers the international context.

Early studies linked individual human resource practices such as training, recruitment, performance appraisal and compensation to firm financial performance. But, traditional HRM factors are no more sufficient in maintaining firm performance. Thirty years ago, the human resource departments were running mainly bureaucratic functions in the company; now its role has been concentrated on reaching more flexible and creative functions to deliver services in constantly changing environments. The managers of human resource departments are expecting to become more flexible to make strategic decisions to their company.

In the early stage of the development of the human resource management, the emphasis was always concentrated on making sure that employees had the professional skills and motivation to accomplish the established organizational goals and that there were enough employees with particular abilities available to meet the companies needs. When the concept of strategic human resource management was introduced, this emphasis had been changed to human capital contributions, strategic capabilities, and an organizational competitive performance. This change led to a big change in the role and impact of human resource management and adjusted the expectations of human resource activities within companies.

Hiltrop (1999) had a survey on the managers of human resource departments about the human resource practices of their companies and discovered that the employment security, training and development, promotions within the companies had great consequences. He found that career development as the most important factors. In a similar survey, Jayaram (1999) states that the broad range of human resource management practices affecting performance can be classified into five major topics: 1) Top management commitment; 2) Communication of goals; 3) Employee training; 4) Cross functional teams; and 5) General HRM practices. This classification shows that human resource management practices can be analyzed by using the five categories. In another survey, Pfeffer (1998) had given seven human resource management practices that are expected to improve organizational performance. The practices are: 1) Employment security; 2) Selective hiring of new personnel; 3) Self-managed teams and decentralization of decision making as the basic principles of organizational design; 4) Comparatively high compensation contingent on organizational performance; 5) Extensive training; 6) Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; 7) Extensive sharing of financial and performance information throughout the organization.

According to Ulrich and Lake (1990), there are ten practices and functions offering a practical framework that managers may use for categorizing and

assessing their HRM policies and practices. The framework is based on the assumption that there are a limited number of factors that underlie the different approaches to HRM found in organizations. The ten practices and functions of HR management are: 1) reliance on internal recruitment and promotion, 2) emphasis on teamwork, 3) strategic career systems, 4) openness and information sharing, 5) decentralization and delegation of authority, 6) concern for people in the management philosophy, 7) recognition and reward for high performance, 8) rewards for skills and competencies, 9) training and development of employees and 10) a longer term focus of HR decisions.

1.2.4. The resource-based view theory

From a strategic perspective, the resource-based view (RBV) suggests that resource advantages of valuable knowledge, unique skill sets, and decision making capability result in a firm's competitive advantage within the market place. The resource based view was first proposed to change from an organizational production perspective to a resource perspective to better explain the strategic management of business (Wernerfelt, 1995).

This view shows that resources are the basis of many kinds of strategy among firms and there is a huge cost for the transfer of resources. These two characteristics lead to competitive advantage. The resource based view main

idea is that only resources that are valuable, unique, inimitable and sustainable are capable of generating the best performance (Wernerfelt, Birger. 1995). Such resources are considered as the tangible assets and reputation. Therefore, in the last three decades, there have been many important developments in the literature discussing the issues concerning the management of human resources. Researchers have proposed that the human resources function is an organizational resource that could and should, contribute to the organizational level competitive advantage and value creation. Therefore, from a resource based view, an appropriate HR system creates and develops organizational capabilities which become sources of competitive advantage (Lau and Ngo, 2004).

As a matter of fact, both Wright, and Snell (2001) and Boxall (2000) were doing the same research using the resource-based view of the firm as theoretical foundations. Lengnick-Hall (1988) had claimed the same idea in his earlier study of strategic human resource management. He stated that the field of strategic human resource management would benefit from greater interaction with the organizations. For further theoretical development of SHRM, researchers also expect to examine issues relating to empirical research of SHRM.

Barney (1998) stated his idea that the resource-based view of the organization could be applied to human resources management and the human resource function. The key components of the resource-based view

are value, rareness, inimitability, and non-substitutability. He explained how human resource could be used to create competitive advantage. The human resource function can help reducing costs and increasing revenues and it can obtain human resources with unique characteristics that are impossible to imitate. With the right organizational systems to get the most benefits from its employees, the combination of human resource factors can create competitive advantage.

1.2.5. The contingency theory

The contingency theory assumes that human resource management should fit the demand of the internal and external conditions of the organizations (Delery & Doty, 1996). External functions connect human resource systems to business strategy and internal functions concentrate on HRM practice configurations. Thus, combining HR configuration with business long term strategy is conducive to improve organizational performance and effectiveness. Baird (1988) defined the notion of fit to combine both external and internal components. External fit is adjusting an organizational human resource management practices with its strategy, when internal fit is adjusting an organizational HR practices within the company. Finally, he claimed that the fit between HR practices and business strategy will change an organization performance through its life cycle stages.

It is common that throughout much of the organization sciences, HR

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scholars realized that certain sets of HR practices were likely to have better performance when it is matched with specific business objectives, conditions, and strategic interests.

In the year of 1984, Miles (1984) had claimed that how specific sets of HR practices could be matched to each strategy of business. This perspective on SHRM was later described as a contingency approach, which means that the choice of a particular set of HR practices depends on the organizational strategy.

In another research, Schuler and Jackson (1987) stated that different strategy types, such as cost reduction, quality improvement, and innovation, are requiring different types of employee skills. Later, they claimed that once the desired employee role behaviors have been identified to match with the business strategy, HR practices should be used to ensure that those behaviors happen. This is the earliest articles that discuss the behavioral perspective of SHRM.

Lengnick Hall (1988) argued that for human resource management to have an impact on business strategy there must be a connection between an organizational business strategy and its HR strategy which refers to contingency perspective. But, speaking of the importance of fitness, he found that the fitness is not always possible, particularly during the period of transition. Therefore, the fitness can be considered as the opposite end from flexibility. So, human resource management should be considered as strategy

formulation and implementation.

In the year of 2004, Skaggs and Youndt (2004) carried out a study of contingency perspective view. They found strong evidence that strategic human resource management is actually related to human capital and that the proper fit among these variables affects organizations performance. This study explained that the strategic human resource management ensures the level of uncertainty arising from the client firm interaction, and the human capital is needed to deal with this uncertainty. This result explained that when human capital is fit to the organizational strategic human resource management, then the positive organizational performance results happens.

Youndt, and Lepak (1996) compared the universalistic view with contingency perspectives of SHRM through a study in the fields of manufacturing companies and they had positive results to support the contingency approach. They discovered that the human resource system concentrated on human capital enhancement in firms pursuing a quality enhancement strategy related to multiple dimensions of operational performance. The researchers discussed that universalistic and contingency perspectives are not only mutually exclusive but also to provide a solid foundation of SHRM activities. In order to achieve a better performance the contingent factors should take part in the practices of strategic human resource management.

Boxall and Purcell (2008) made a comparison between contingency

perspective and universalistic perspective. They found that there is not much evidence to support the universalistic perspective. But, they insist to have a wider view on contingency perspective than had been examined before. They also stated that the resource based view of the company is useful in SHRM research and should be used to study further how HR activities could impact on organizational performance.

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Chapter 2 : literature review as a foundation of our hypotheses

In this chapter, there are four sections of literature reviews on compensation, training, recruitment and appraisal.

2.1 Review on Compensation

2.1.1 Literature Review of Compensation

Compensation is seen as direct and indirect monetary and non-monetary rewards given to employees on the basis of the value of their job and the performance. These rewards must meet the needs of both organization and the employees.

In any kinds of organizations, employment relationship is seen as an exchange process for employees to provide inputs in terms of skills and ask for various compensations in return from the employer. From the perspective view of the employee, payment has an important impact on many aspects such as standard of living, status, and security. Indirect forms of compensation such as health care, pensions, vacations and other benefits are

also having an important for employees living. From the employer's point of view, compensation is a business cost which needs to be controlled and reduced. On the other hand, compensation also needs to be raised as the development of the organization requires to attract the talented employees and stimulate the performance of the employees.

Theories of compensation assume that better performance of a company requires greater effort from employees. In order to offer incentives, reward systems should be carefully designed and linking with desired business goals. These rewards could be in many different styles, such as, praise from superiors and colleagues, opportunities of future promotion, feelings emphasizing of self-esteem and recognition and current and future cash rewards according to the performance. While recognizing the importance of the non-monetary rewards, reward system designers, such as HR managers should also focus on monetary rewards because individuals are willing more for monetary rewards.

The potential benefits of compensation to employee's performance are obvious. Compensations are also tied to job levels in the firm; most of the average increases in an employee's compensation can be connected to promotions. Bonus-based incentives, depending on this year's performance, provide proper incentives for all individuals in the organization, as it may be based part on individual and part on collative performance. Bonus-based incentives would be more important at higher levels in the organization since

the space of future promotion is limited and the competition among company managers is stronger.

Promotion based incentives appear in large organizations. In addition, promotion-based reward systems will be more prevalent in growing industries, while bonus-based systems will be more prevalent in low growth or declining industries.

2.1.2 Compensation in different ownership of organization

After the reform, around the year of 1985, the firms have been given the autonomy to decide their own remuneration systems in accordance with the local regulations. By the 1990s, a performance-based reward system linking compensation with achievement had been implanted to the private enterprises. In Chinese state owned enterprises, they still practice the grade based system.

Changes in the compensation system in different ownership include the introduction of higher wage differentials in order to end the egalitarian mentality and provide sufficient incentives so that employees are motivated to work better (Ding, Akhtar, & Ge, 2006). In state owned enterprises, the position wages, education background and the time of working in the company have been replaced by performance in non state owned enterprises. Bonuses and profit sharing is also implemented into private enterprises.

The structure of compensation systems has also changed; vary according to the ownership of the firm, and is even different in different industries. For example, the compensation system is more flexible in private firms than in state owned enterprises. In state owned enterprises long term orientation and seniority rather than strong benefit policy and incentives are considered important in designing the pay system. However, in the private enterprises and some state owned enterprises the workers do no longer enjoy the social benefits including housing, medical, and children's education, as they used to under the planned economy. What's more, state owned firms usually use group pay when they allocate bonuses so that everybody in the group receives the same amount; in private enterprises the employees are given individual pay according to the performance.

Based on the compensation theories, the research is mainly aimed to investigate the compensation practices in Chinese enterprises, therefore the first hypothesis is:

H1: Compensation is more merit based in private firms than in state owned enterprises (SOEs) in China.

2.2 Review on Training

2.2.1 Literature Review on Training

Training has an important role in the achievement of an organizational goal

by incorporating the interests of the organization and the workforce. The employee performance depends on various factors and training increases the efficiency and the effectiveness of both employees and the organization. But one of the most important factors of employee performance is training (Khan, 2011). Training is important to enhance the capabilities of employees. The employees who have more on the job experience have better performance because there is an increase in the both skills and competencies with more job experience.

Training also has an impact on the return on investment (Raja Abdul, 2011). The organizational performance depends on the employee performance. In order to improve the organizational performance and the employee performance, employees are given training by the organization. Training is an important activity for certain industries as regards health issues, such as the construction industry, in order new employees not to be hurt at work for instance (Iftikhar Ahmad and Siraj-ud-din, 2009).

Employee performance depends on many factors like job satisfaction, knowledge and management but there is a relationship between training and performance (Amisano, 2010). Training increases or develops the managerial skills (Rosti & Shipper, 1998). Instead of focusing on efficiency and cost control spending on training it should be increased because it helps an organization to get more efficiency and effectiveness (Workforce special report, 2006). In order to make sure that the employees are well managed

with the proper skills and knowledge to perform their assigned jobs, training plays an important role. By choosing the certain kind of training, the company ensures that its employees possess the right skills for its business. It should always update its employee's skill with new practices of human resource.

The traditional approaches to training can be defined as regular, delivered in classrooms. In a proactive approach, the organization utilizes all practices relating to the organization's strategy and it focuses on developing competencies. This may be done at different levels.

According to an active learning approach, trainees play an important role through designed problems by their trainers. The trainees learn by asking questions, searching for answers, and interpreting various observations made during the process. The active learning approach helps in long term returns of knowledge and capabilities, including in finding the best solutions in the new situations.

Nowadays, continuous learning is critical to the success of a company. Companies need their employees to improve their skills, so they can keep up the pace of the job demands in order to maintain the performance of the company.

It is very necessary for the organization to design the training very carefully (Armstrong, 2000). The design of the training should be according to the needs of the employees in relation with the company requirements

(Boudreau et al., 2001). It is known that the design of training is related to the organizational performance, a bad training design is nothing but the loss of time and money (Tsaur and Lin, 2004).

The job training helps employees to get a better knowledge of their job (Deming, 1982). People learn from their practical experience much better than they learn from books. On the job training reduces cost and saves time (Flynn et al., 1995; Kaynak, 2003; Heras, 2006). It is better for the organizations to give their employees on the job training because it is cost effective and time saving (Taylor, 2004). It is good for an organization to give its employees on the job training so that their employees learn in a practical way (Baum, 2007).

Delivery style is a very important part of Training (Carlos, 1995). Employees are very conscious about the delivery style. If someone is not delivering the training in an impressive style and is not capturing the attention of the audience, he is wasting the time (Griffin et al., 2000). It is very necessary for a trainer to engage its audience during the training session (Seamen, 2005). Delivery style means a lot in the Training. It is almost impossible for employees to perform well without any pre-training. Trained employees perform well as compared to untrained employees (Partlow, 1996). It is necessary for any organization to give its employees training to get overall goals of the organization in a better way (Heras, 2006). Each company should ensure its employees for continuous training in order to

meet the needs of the company's strategy goal.

2.2.2 Training in different ownerships of organization

The training system for workers is different in different types of ownership of organization in China. Both state owned enterprises and non-state owned enterprises have transformed compulsory to optional pre-work traineeships and vocational training. In non-state owned enterprises, training is usually outsourced to vocational training schools and enterprises usually encourage the employees to choose the courses they need and the enterprises pay about half of the training fees, the other half is paid by the local government as a return in tax and most of time, the new employees have to pay for their own pre-work training. In state owned enterprises, most of the companies have a department of training. This department is in charge of pre-work training and on the job training. The courses are already designed; employees may not choose the courses. The training fees are on the organization totally.

The non state owned enterprises typically give priority to improving technical skills, preparing for future jobs, and providing orientation to new employees. State owned enterprises are concentrating on teaching employees about organizational values, cultures and organizational procedures. Training techniques such as team building and interpersonal skills often receive low priority in state owned enterprises. Because of the rapid economic expansion, Chinese firms do not have enough time and resources

to develop and implement systematic training, which results in poor training consequences compared to foreign companies.

Based on the training theories, the research aims to investigate the training practices in Chinese enterprises. Therefore the second hypothesis is:

H2: Organizational strategic training before work and during work is more developed in private firms than in state owned enterprises.

2.3 Review on Recruitment

2.3.1 Theory of Recruitment

A challenge for any business is to find and recruit the right people for the right place and meet the needs for future skill and requirements. As a rule, the preferred source of recruitment for an organization may be internal, in which case job vacancies are primarily filled from the internal labor pool at all but the lowest levels. Or it may be external, in which case the organization is likely to hire talents from outside the company as it is to promote people from within at all levels.

After more than thirty years of the economic reform, it is concluded that China's market reform will not succeed unless serious measures are implemented on the employment relations system. This argument is based on the analysis of China's labor policy and institutions being relative to the

purpose of political stability rather than economic development. As market reform has already moved to the stage of a more market oriented economy, the old model of employment system is not capable for dealing problems through the process of market liberalization.

China has a long feudal history, centralized state structure through different dynasties. The Chinese people are deeply affected by this common historical memory. However, as a result of globalization and enhanced customer expectations in today's business environment, competitions among organizations have become more intensive (Newell 2005).

Organizations need to attract and retain high-quality individuals who can respond effectively to this changing environment (Newell 2005). If wrong personnel are hired for certain jobs, they will not contribute to organizational success, and may even damage the organization in terms of lower productivity, potential loss of clients, training costs, advertising costs, recruitment fees and redundancy packages (Smith and Graves 2002). What's more, according Hacker (1997), a poor recruitment decision can cost an employer an amount equal to 30 per cent of the employee's first-year earnings. Therefore, organization will need to ensure the effectiveness of their recruitment and selection procedures (Bratton and Gold 2003).

Recruitment is the process of attracting individuals with appropriate qualifications, developing their interest in an organization and encouraging them to apply for jobs (Crawford 2004). Therefore, through this process is

made to fully inform the applicants of required skills that in result with the effective performance, they will be rewarded. The organization should also provide enough information on the job position to the employees so that the employees qualifications could match with the job requirements. An effective recruitment and selection procedures helps the organization to hire competent employees. Recruitment and selection are procedures of attracting suitable candidates with a good fit, between particular individuals and the organization and job requirements (Newell 2005). Nevertheless, recruitment involves making predictions about future behavior. This requires a systematic process of assessment of both individual differences and organizational requirements, as the process is important to select the most suitable candidate for a certain position.

2.3.2 Recruitment and Selection in China

So far, the recruitment and selection process was not seen as curial sector in the organization strategy, in China. The limited functionality of human resource department until recently tightly restricted the development of human resource management (Lin 2002). According to the Chinese national statics bureau, there are an estimated number of 1.35 billion populations in the year of 2012, among which about 60% are rural populations which are populations with lower skill and weaker educational background than urban

citizens. Furthermore, with the deepening of the reform of advancing to modern enterprise system in state-owned enterprises, large numbers of people were laid off in order to keep the companies more efficient (Xie 2005). In the year of 2000, nearly 30 million workers in Chinese enterprises, including state owned and non state owned enterprises, have been laid off (Yang, 2000).

Therefore, since 2000, the supply of labor force in China is more than enough especially those jobs with lower skill and technique requirements (Yang, 2000). As for the process of recruitment, employers used to spend less time and money on studying which selection method to employ, but would rather use the probation period for usually three months to evaluate whether a candidate to hire is the right person (Wang, 1999). In China, many companies believe that probation is a much more valid and effective way than any other selection methods. Besides, because of the cheap labor force, companies may afford to select the wrong persons. For example, in Tianjin, the third largest city in China, the average wage for workers in factories and construction sites is about 4000 Yuan (500 Euros) per month per person. Besides, according to the Labor Law, it is legal for employers not to pay insurances during the period of probation, which cannot exceed three months. Because of the labor law, employees have to accept such conditions in most of cases.

Fortunately, this only happens to the employees with poor skills and

experiences. In China, the development is not balanced at all for different areas. In order to earn more money many people from the poorer regions go to big and relatively developed cities to look for jobs. However, due to the lack of education and skills and most of the time, no working experiences when they first enter to a new city, these people can only be employed as low paid workers, in conditions which are hardly applied to the local citizens. Another aspect for this difficulty to avoid this situation is that there is a lack of clear employment laws to state the rules from the legal perspective, even after the enforcement of the new labor law (Jaussaud and Liu, 2011).

However, when organizations recruit senior managers or important position in the company, they still consider using more valid and reliable selection ways such as structured interviews. This is because the costs for hiring wrong personnel are much higher, which the company may not be able to afford. Nowadays, there are thousands of students going abroad for advanced education. After graduation, they return to China and get the positions and salaries which are higher than those people who did not received any western education. But, whether all of these people deserve the higher positions and salaries have been questioned. In order to select the right person an appropriate selection technique could help the organizations to have a fair and proper judgment.

2.3.3 Job Analysis

Job analysis is used before the recruitment process of a company; it is recommended that it identifies the needs for recruitment by adopting a systematic review of the organization's requirements (Newell, 2005). After this stage, the organization should establish a thorough analysis of the requirements of the job, which is termed as job analysis (Cook, 2001). Job analysis is used for many different purposes in human resource management, such as selection and training. A company recommends the manager of a department to write a job description and a person specification based on a thorough job analysis, which will help recruit the right candidates and increase the validity of the selection process (Cook 2001).

Cook (2001) had summarized that there are nine methods of collecting such information, which are film or video recording, written records of sales, accidents, observation, structured questionnaires, diaries, open-ended questionnaires for higher level jobs with diverse tasks, individual and group interviews, and finally participation.

Once the information has been collected, the next stage is to analyze and interpret the information in order to specify the typical characteristics (behavior and ability requirements) of effective job performance (Algera and Greuter, 1989). In general terms, job analysis systems divide the process into worker orientated characteristics, job-orientated characteristics and attribute-orientated characteristics techniques (Cook, 2001). Job-orientated

characteristics concentrate on the work to be done,

2.3.4 Recruitment in different ownership of organization

In the year of 1986, China terminated the policy of lifetime employment and replaced it by labor contracts, which can be terminated by the employer for the employee's poor performance, violation of company rules, or company bankruptcy according to the labor law. For the private enterprises, the central government's role in commanding the employment relations at the local level has gradually declined, and human resource management can make its own decisions on the quantity and quality of the workforce. In state owned enterprises, high level officers are still appointed by the central government, but ordinary employees are recruited from open work force.

The bloated SOEs have reduced their workforces in the past 20 years, resulted in approximately 50 million workers being laid off. Since the beginning of the reform, large numbers of peasants have moved to the cities in order to find job. In 2012, the official number of migrant workers was established as being 140 million. This huge number of cheap work force has been the engine of China's capitalist miracle and facilitated employers' free selection of workers (Shen, 2007).

State owned enterprises now use multiple channels to recruit employees, such as recruitment agencies, and employment services at universities. Non

state owned enterprises use even wider ways such as individual recommendations, employment centers, media advertising and internet websites. The criteria for selecting and promoting are also different between state owned enterprises and non state owned enterprises. In state owned enterprises, political ideology and seniority is very important. In non state enterprises, technical skills and managerial capabilities are the most important factors (Zhu, 2005). In state owned enterprises, the interpersonal relation which referred to *guanxi* in Chinese is still a key factor for recruitment and promotion, but the SOEs never admit this issue. Nowadays job interviews are widely adopted, and candidates are usually assessed strictly during the interview in both SOEs and non SOEs. In general, political attitudes and educational background is more important in SOEs, skills and experiences are more important in non SOEs.

2.3.5 Recruitment in State-owned Organizations

Generally speaking, state-owned organizations tend to adopt internal recruitment rather than external, in particular for the senior positions (Lu, 1993). Firstly, there are many candidates in the organization. Secondly, internal recruitment is a good way of balancing internal relationships in organizations especially when the vacancy is a senior position. Thirdly, personal relations are important in recruiting and selecting staff in such

organizations and whom have been recognized to be loyal in the past work are more easily promoted.

Of course, state-owned organizations recruit people in large numbers externally as well, such as recruiting civil servants each year all over the country (Cooke, 2005). In such case, they tend to advertise in newspapers and organization websites. Civil servants are dream jobs for undergraduates. Selection is very complex and difficult to get through the exams and interviews.

2.3.6 Recruitment in Private Enterprises

Recruitments in private enterprises are not competitive compare to state owned enterprises because of the limitation of their budget for recruitments and small business scale in market (Liu, 1996). They tend to recruit more in job centers and recruitment from websites.

Job centers and many small private employment agencies mainly attract those workers with lower skills and weaker education backgrounds. For example, in China, about 65% of applicants who registered in job centers and private employment agencies are high schools graduates and most of them are from rural areas (Yang and Li, 2000).

Recruitment by face-to-face interview is also very popular in private enterprise. It is quite common in Chinese small private companies that

workers only come from two provinces or even one province. This is because the first employee is from the same province as the owner and introduces as many friends or relatives as he can to the company.

Based on the recruitment theories, the research is mainly aimed to investigate the recruitment practices in Chinese enterprises. Therefore the third hypothesis is formulated as follows:

H3: Regarding recruitment, working experience is more important than education background in private firms compared to state owned enterprises (SOEs).

2.4 Review on Appraisal

2.4.1 Literature Review on Appraisal

The performance appraisal system impacts the other HR systems as well as organizational strategy. The effectiveness of an organization's performance appraisal system is a required issue for ensuring the success of its selection, training, and employee motivation practices. At a strategic level, the need for rapid and effective organizational change in today's dynamic social, economic, and political environment requires that employees continually re-align their performance with the evolving goals and objectives of the organization.

Performance appraisal is one of the most problematic components of human resource management. Appraisal involves the relationship between cause and effect on which employment policies are based and on which are scrutinized the employees. Nowadays, many organizations are implementing the reward and recognition programs. In state owned enterprises, lots of money are being invested in these types of activities and some managers are required specifically to set aside a certain amount from their budgets for this purpose (Denning, 2001). These types of incentives will encourage employee loyalty and teamwork, finally to reach the desired goals of the organization. Organizations should design reward and recognition systems that stimulate sharing of all kinds: goals, tasks, vision as well as knowledge (Wright, 2004). In addition, it is clear that giving employees a voice in their own appraisals enhances the perceived fairness of the appraisal process. This in turn, increases the likelihood that employees will accept the appraisal system of the company (Weick, 2001).

The terms rewards programs and recognition programs refer to different concepts. In general terms rewards programs come within the overall concept of compensation strategies which are defined as the “deliberate utilization of the pay system as an essential integrating mechanism through which the efforts of various sub-units or individuals are directed towards the achievement of an organization’s strategic objectives” (Gomez-Mejia and Balkin, 1992).

2.4.2 Motivation theory in the Chinese context

Motivation is one of the most important factors influencing the performance of employees. This is the reason why managers pay great attention to motivation in organizational strategy. If the organization is directing the employees in an effective way, it leads the organization to effectiveness, both for organizational and individuals. Motivation is also a dilemma for managers because what motivates one individual may not motivate another one. Another problem of motivation theories is that they were developed in the West, may be used upon Western cultural situations that do not necessarily match with other areas, such as China.

Before the economic reform, Chinese leaders see the satisfaction of lower needs as the main objective of the masses. After the reform, the management gave the employees welfare according to the performance of production process. It also gave material incentives that promoted self interest and competition. Afterwards, the Chinese employees were incited by the need for achievement and the need for power (Certo, 2008).

According to the theory of Herzberg, there are some job conditions which operate primarily not to satisfy employees while other job conditions operate primarily to build strong motivation and high job satisfaction. He called these factors hygiene factors and motivating factors respectively (Herzberg, 1974). Hygiene factors provide no motivation to employees but the absence of these factors dissatisfy them. This means that they will break down

motivation when not good, but will increase motivation when extremely good. These are called Hygiene Factors because they support the mental health of employees.

Hygiene Factors include wages, salary and other types of employee benefits.; company policies and administrative rules that govern the working environment ; interpersonal relation with colleagues, supervisors and subordinates; cordial relation will prevent frustration and dissatisfaction; working conditions and job security. The job security may be in the form of tenure or it could be supported by a strong union.

Motivational factors help to build strong motivation and high job satisfaction. They are also known as satisfiers. These are related with the job content. Their absence or decrease will affect the level of job satisfaction and motivation. Motivational Factor include: the job itself; recognition; achievement; responsibility; growth and advancement.

There are three cognitive processes of work motivation: equity, expectancy, and goal setting (Kreitner & Kinicki, 2007). Equity theory shows that the employees willing for fairness and justice during the work. Equity theory explains that people are motivated to seek social equity in the rewards they expect for performance (Dessler, 2008). Individuals will compare their performance to others' performance. Where the performance is equal, if the appraisal are equal, then the relationship is perceived as equitable. If the individual thinks that he is been appraised lower than the other for the same

performance, then inequity happens, and it causes dissatisfaction. Individuals who perceive inequitable treatment may reduce their inputs by giving less effort, performance, or even quitting.

There is a period of inequitable treatments in China which refers to the Cultural Revolution. Compensations were not related to performance. Productivity decreased dramatically during that period. The environment has an effect on work ethic as well as the organization. Currently, China is in the process of building its workforce to compete globally and must design the motivation system on effective performance-appraisal.

In order to recognize the motivation systems in China it is necessary to learn the history of the cultural, political, and economic environment. Organizations must learn to integrate visions from motivational factors based on divergent values.

2.4.3 Appraisal in different ownership

Since the economic reform, performance appraisals have been widely used in Chinese firms, particularly in non state owned enterprises. Chinese state owned enterprises pay attention to performance criteria such as party loyalty, positive working attitude, sound moral practices, and good personal relationships. In non state owned enterprises, the performance appraisal procedure includes also outcome and achievement criteria, and involves

self-assessment, group discussion, and a superior's final comments (Zhu & Dowling, 1998).

In state owned enterprises the results of performance appraisal usually open to the employees according to the regulation of the company. In non state owned enterprises the results are usually kept secret, because management do not want any negative information to influence employees in front of other employees.

The lack of openness, transparency, the influence on management development, and objective standards in Chinese performance-appraisal practices has been a huge problem to the implementation of performance appraisals (Shen, 2004).

Appraisal system is a management tool that hopefully contributes to a firm's effectiveness by influencing individual or group behavior. All businesses use pay, promotion, bonuses or other types of rewards to encourage high levels of performance. In state owned enterprises recognition is still an important management tool, because recognition always leads to promotion even it is a nonfinancial award. In non state owned enterprises financial rewards has been given to employees in appreciation of a high level of behavior or accomplishment.

Based on the appraisal theories, regarding the appraisal practices in Chinese enterprises, the last hypothesis is formulated as follows:

H4: Appraisal systems are more developed in private firms than in state owned enterprises (SOEs) in China.

The second part of our PhD will be devoted to the test of our hypotheses. We are going to explain our empirical methodology data collection and analysis, and finally discuss our main results.

Part II. Empirical Research and Data Analysis

In this part, there are five chapters. In the first chapter, I introduce the qualitative approach and the methodology of the empirical research. The second chapter is the empirical research on hypothesis one, the one on compensation. The third chapter is the empirical research on hypothesis two on training. The fourth chapter is the empirical research on hypothesis three on recruitment. The last chapter is the empirical on hypothesis four on appraisal.

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Chapter 3 Methodology of the Empirical Research

3.1 Qualitative Approach

I gathered a sample of 24 carefully selected companies in the cities of Beijing and Tianjin in China. They are all large firms and with a good reputation of modern and efficient management, because of the implementation of modern human resource management practices. Since the questions I developed are subject to quick change, in terms of Chinese political context and development, I adopted a qualitative approach. Therefore, the results of this dissertation remain useful to analyze the context of human resource management in China in the future.

The total sample consists of eleven private firms and thirteen state-owned firms. They are including eleven industries. (cosmetic, mechanical, manufacturing, beer, hotel, consulting, imports and exports, construction, trade, steel, banking, household appliances, and pharmacy industry) and two cities in China (Beijing, Tianjin), we avoid the possibility that the results

reflect any specific local and industry situation. With this diversity of this sample, it meets the criteria of qualitative representativeness (Symon and Cassel, 1998). In particular, I aimed to gather data that provided the same profile in terms of the main variables that affect HRM practices, such as size, industry, and location in China for both private and state-owned firms.

Table i and ii is an overview of our sample, in which we replace company names with codes: PA–PK for private firms and SA–SM for state-owned firms.

The interviewees were all high ranking human resource managers of the targeted companies. All interviews took places in China in 2012 from April to October. The length of the interviews took between 1–2 hours. In some cases, I was allowed to record the interview.

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Table i : codes, industry and ownership of eleven non state owned enterprises of the samples

code	PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK
industry	cosmetics	electronics	mechanical	Wire manufacturing	Beer	metallurgical	Hotel	Consulting	Hotel	printer	Imports and exports
ownership	Private	Foreign owned	Private	Joint venture	Joint venture	Private	Foreign owned	Foreign owned	Joint venture	Private	Joint venture

Table ii: codes, industry and ownership of thirteen state owned enterpirses of the sample

code	SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
industry	Constructions	Imports & export	Steel	Bank	Constructions	Light manufacturing	Household appliances	Imports and exports	Steel	Steel	trade	Steel	pharmacy
ownership	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE	SOE

3.2 Interview guide

The interview guide has been designed in order to provide the data that we needed to test our four hypotheses.

Interview guide

Compensation

1. What are the compensation policies of your company?
2. Do your employees receive a variable salary? If yes, what are the components of the salary? Is such a salary system the same to every employee of the company?
3. What's the main purpose for adopting such a salary system?

Training

1. What's the training system in your company? Do you have pre-work training or just during working training, or both?
2. The training is implementing inside the company or outsourced?
3. How do you track the results after the training?

Recruitment

1. Can you describe the recruitment policy in your company?
2. How and by whom are set up the recruitment criteria?
3. What are the challenges in terms of recruitment?

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Appraisal

1. What's the performance' appraisal system in your company?
2. When applying this system to the Chinese context? What kinds of difficulties do you face with?

From the questions on compensation, I can identify the compensation policies of the company, whether the compensation is related to performance, what does the compensation consist of and why the company adopted that compensation policy. From the questions on training, I can specify the training policies of the company, how they train their employees. From the questions on recruitment, I can specify the recruitment policies of the targeted company, the difficulties during the recruitment, and the most important factors for candidates to have. From the questions on appraisal, I can identify know the appraisal policies of the company, the difficulties of adopting the system, and the impact to the company performance.

Each question from the interview guide was developed on the bases of the literature review, and directly related to the set of our hypotheses.

3.3 Brief introduction of each company of the sample

PA was established in 1995, and is one of the major hygiene manufacturers in China. The headquarter of the company is located in Tianjin, as is the research and development center. The company produces sanitary towel, sanitary pad, household paper, baby diaper, baby products, adult diaper and adult's incontinence care products. The logo of its product has been recognized as “Chinese famous trademark”. There are more than 1000 employees with investment over 150 million RMB in the company.

PB is a leading global manufacturer of electronic devices. It was established in the year of 2003, supplying 40,000 different components to around 2,000 companies that produce automobiles, home appliances, mobile devices and industrial machinery all over the world. The products may not always be directly visible to their users, but they do play vital roles in many items used by people every day. It is a Japan-based company mainly engaged in the manufacture and sale of electronic components. As of March 31, 2013, the Company owned 87 subsidiaries and eight associated companies with employees more than 10000.

PC is located in Tianjin National Science and Technology Park. The company was established in 2001. The company is occupying a land of

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120000 square meters. The company dedicates and specializes in heavy metallurgical technology and manufacturing of metallurgical equipments, such as complete production lines for strip steel, section steel, medium steel plate, steel bar, and wire rod and so on. There are over 500 staff members in the company, including 102 technical staff members and 35 senior engineers.

PD was established in 1989 in Tianjin, as a limited company. Right now it has 4000 employees with revenue of 15.29 billion RMB in 2012. The company belongs to the medium and heavy industry specialized in wire and cable Manufacturing. Main products include: Insulated Cable; Power Cable; Steel Reinforced. It uses the Xunjie brand. Top 500 Chinese Manufacturing Enterprises in 2005.

PE is a subsidiary of China Resources Enterprise, Limited and a joint venture with the SABMiller brewer. The employees of the company in Tianjin branch are nearly 500 and it was established in year of 1994. It has been ranked No.1 by sales volume in China's beer industry; its “Snow” beer has been named the best-selling single beer brand in China for the year 2010, according to the China Industrial Information Issuing Center, an authoritative institute under the National Bureau of Statistics of China. This is the sixth straight time that “Snow” has commanded the No.1 spot as a single beer brand in the industry in terms of sales volume.

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PF is located in Tianjin. It is producing metallurgical equipments, forging equipments, and is a research and development of wind power equipment manufacturing private high-tech enterprise. It was established in 1998 and the employees of the company are around 360.

PG is a multi-national hotel chain. The branch in Tianjin was established in year of 2007, including the Hotel Nikko properties in global hotel brand of Japan Airlines. Following its acquisition in 2010, it is now a subsidiary of Okura Hotels. The branch in Tianjin is located on Nanjing Road with employees more than 360, which is Tianjin's premium shopping and entertainment district. All 373 guest rooms and suites are some of the most spacious in the city, offering unsurpassed luxury and providing the latest in-room technology. With 6 levels of retail shopping within the hotel complex, 3 restaurants and 2 bars, Hotel Nikko Tianjin provides travelers on business or leisure with an ultimate hotel experience.

PH is a financial and professional services firm specializing in real estate services and investment management. The company has more than 48,000 employees in 1,000 cities in 70 countries. It serves the local, regional and global real estate needs. There are 6700 employees in China and the Beijing branch was established in 1998.

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PI is a multinational brand of hotels, part of the InterContinental Hotels Group (IHG). Originally a U.S. motel chain, today it is one of the world's largest hotel chains. The branch in Tianjin sets on the banks of the Haihe River with nearly 200 employees. The Tianjin branch was established in 2008.

PJ was founded in Taiwan, and the branch in Tianjin was established in 1995. The company is listed at Shenzhen Stock Exchange since 2012. With net assets of 1.3 billion RMB, 10 thousand square meters of facilities, 800 excellent employees in R&D and production, the company spreads its products in more than 20 countries and yields 550 million in revenue in 2011. It's also honored as "The Best Aggregative Index of Economic" in printing equipment manufacturing industry.

SA was founded in Tianjin Binhai New Area in 2009. It is engaged in dredging of port and waterway, land reclamation engineering and hydraulic engineering. Currently its registered capital is 1.02 billion RMB. The company has been granted the Certificate of Qualification for Second Class General Contract of Port and Waterway Engineering.

The company has a high efficient and professional managing team. The employees of the company is about 10000, more than 70% are senior management and technical staff. Among them, 4 persons own postgraduate diplomas, 8 persons have certificates of first-grade

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registered construction engineer, 4 persons have certificates of second-grade registered construction engineer, 13 persons have senior professional titles, 54 persons have intermediate professional titles and 172 persons are assistants engineers and economic managing persons. The dredger operators received simulator training and have good professional level and advanced management concept for dredgers managing.

SB is one of China's premier companies in the field of international economic cooperation. Approved by State Council of China, it was established in 1982 with 200 million RMB registered assets. Licensed by the Ministry of Commerce and other competent authorities, it is involved in diversified structures composed mainly of contracting overseas projects and domestic works with foreign investment, including feasible study, design and consultation, exploration and survey, supervision and construction, and labor cooperation. They have also been engaging in overseas investment, exploitation of natural resources and import and export of complete sets of equipment including installation and commissioning. The company has gained British UKAS ISO9002 Certification, ISO 9001 certificate, and GB/T28001-2001 certificate. The employees of the company are about 15000.

SC is located in Tianjin. It was founded in 1995. The main products are

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cold-rolled sheet and hot rolled coil (products positioning in high- grade steel such as the steel, automotive steel and special steel), varieties of steel billet, finishing twisted steel, coated twisted steel. The employees of the company are 23000.

SD is China's seventh-largest lender in terms of total assets. It was established in February 1987, is a nationally comprehensive and internationally oriented commercial bank. By end of October 2012, its network comprises 418 branches countrywide, and includes established correspondent relationships with 990 banks and their branches in 70 countries around the world. The company is a wholly owned subsidiary of China International Trust and Investment Corporation, with assets of RMB 576 billion and 34,589 employees.

SE is a construction company, the major products are various types of concrete. The company was founded in 1998 and located in Tianjin. There are more than 10000 employees in the company.

SF is a light manufacturing industrial enterprise, producing the most important daily consumer goods such as soaps and papers in China, with total assets of 16 billion RMB. With thousands of fast-moving consumer goods and 30 thousand highly qualified staff, the company reveals uncommon strength and has been ranked among the top 500 best in

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China's manufacturing business for 4 consecutive years. Up to now, through joint-ventures and cooperative partnerships with numbers of famous companies in the world, it has successfully built up 46 joint ventures and cooperative enterprises.

SG is a manufacturing company located in Tianjin. It was founded in 1994; the employees of the company are 35000. The main products of the company are house appliances, clothes, and sportswear.

SH is an import and export comprehensive national enterprise located in Tianjin. The employees in Tianjin are nearly 500. It is in the top 500 list in China, top 50 in Tianjin. The company consists of 8 foreign trade professional companies under control directly, 11 districts companies, 27 enterprises which are shareholding, joint venture and pool, 3 overseas enterprises, in more than 30 industries. Main business is import and export of varied products including light industrial products, animal products, crafts, packaging material, hundreds of patterns and thousands of types of products. The business spread all over 160 countries and regions, and it has built relations with more than 8000 traders. More than 120 production bases have been founded all over China. Overseas sale sites have been built in Australia, Hong Kong and other countries and regions. A European trade center have been formed in Belgium, to do business, trade and show. It has been the leader of enterprises and

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products entering European market and cooperating with Europe.

SJ is located in Tianjin; the main products are general equipment manufacturing, metal casting, forging processing, iron and steel casting manufacturing. The company was founded in 1989 and there are 200 employees in the company.

SK is a trade company; it delivers goods to more than 400 supermarkets in Tianjin. The company was founded in 2000 and the employees of the company are more than 200.

SL is a wholly owned subsidiary of Tianjin Pipe (Group) Corporation, with the status of an independent legal entity. Since its establishment in 1994, SL has been progressing year after year and awarded several times Number One in earning foreign exchange through exports among Tianjin state owned industrial enterprises and many times one of the top 50 exporters in Tianjin. It has been consecutively one of the top 500 enterprises in China foreign trade.

SM is the first manufacturer to research and develop corticosteroid drugs, the most time-honored specialized manufacturer of small-dose injections and the first manufacturer of amino acid transfusions in China. The company is located in Tianjin, and it has more than 3000 employees. The company has strong technical power with advanced management. It has a pharmaceutical research institute with first-class talents and test

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equipments. It also has a national research and development center. The leadership of the company is characterized by young, high-educated and specialized staff members. The 80% members of high ranking managers are bachelors, postgraduates and doctors, who have good scientific decision-making ability, professional technology and practical management experience. Through the development of nearly 70 years, especially in recent 30 years since the beginning of the reform and opening-up, it has experienced tremendous changes. Now, the Group has grown from an old state-owned enterprise with the capital of only RMB40 million into a trans-industrial, trans-regional and transnational large corporation group with total assets of RMB14.9 billion and net assets of RMB8.4 billion. It has more than 40 holding subsidiaries and joint stock subsidiaries.

Following the presentation of the method of our empirical investigation and of the firms of our sample the following chapters aim to test our set of hypotheses.

Chapter 4: Test on Hypothesis of Compensation

Hypothesis 1 on compensation has been formulated as follows:

H1: Compensation is more merit based in private firms than in state owned enterprises (SOEs) in China.

4.1 Data Selection

In Chinese companies, wages consists of fixed and variable parts. The variable part generally includes bonuses and allowances according to the performance of the employee. Unsurprisingly, the variable portion is higher among private companies compared with state-owned companies. I conclude that compensations have more connections with performance indicators in private firms than state-owned companies of Chinese firms. Take SF as an example, Tianjin YiQing Group (SF) is an industrial enterprise producing the most important daily consumer goods such as soaps and papers in China. The compensation policy of SF is as follows. The compensation policies are opened to all employees of the company. The fixed part of the salary is 90% and the floating part is 10%. The

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differences of salaries are caused by differences in positions and in performance. Insurances of employees are according to the labor law.

SE group is based on constructions, including municipal services, roads, bridges, urban rail transit, and environment protection. The compensation policies are as follows. Salary consists of a fixed part and a floating part; floating salary is decided by every branch. There are ten different levels of fixed salary; the differences are caused by educational background, working experience and positions. There is a determined promotion system as displayed in table 1.

Case SA, SG, SH, SI are similar to case SF.

SB is an import and export comprehensive national enterprise, which is located in Tianjin. In the compensation policies of SB, basically there is no floating salary. The difference of the salary is based on differences in positions and the working experience and education background. The compensation promotion system is opened to every employee. The promotion is based on the years of working and performance.

Case SC, SD, SE, SJ are similar to case SB. Let us now consider the case of private firms.

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Table 1: the policy for different salary standard of company SE

Education back ground based levels of salary	1	2	3	4	5	6
Master			1year working experience	2year working experience	3year working experience	4year working experience
Bachelor		1year working experience	2year working experience	3year working experience	4year working experience	
Junior college	1year working experience	2year working experience	3year working experience	4year working experience		

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The main product of company PB is electronic devices. It was founded in the year of 2003; the employees of PB are more than 10000.

The compensation policies of PB are as follows. The best conditions of the compensation policy of PB are not offered to all the employees. Salary consists of 70% of fixed and 30% of floating wages; fixed wages has 5% raise every year and the floating wages are launched based on the performance and the decision of the superior manager. According to each employee's performance and presence, there is a bounce every month. The main differences of the salary are because of the position of the job.

Cases PE, PF are similar to case PB.

PC is located in Tianjin. It dedicates and specializes in heavy metallurgical technology and manufacturing metallurgical equipments, such as complete production lines for strip steel, section steel, medium steel plate, steel bar, and wire rod and so on. There are over 500 staff members in the company.

The compensation policies of PC are as follows. The salary consist of two parts, 70% fixed salary and 30% floating salary. The floating salary is a mean to stimulate the performance of the employees. The difference in salaries is based on the performance, position of the job, skills and working experience. Salary is raised according to the promotion system of the company.

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Cases PG and PH is similar to case PC.

PA established in 1995, is one of the major hygiene manufacturers in China Now there are more than 1000 employees with investment over 150 million RMB in the company.

The compensation policies of PA are as follows. The compensation system of PA was set up both by the administration and the delegation of the employee. More than 50% of salary is floating salary according to the performance of the employees and the company. The difference of the salary is based on the performance, position of the job, skills and working experience. Cases PG and PI are similar to case PA.

PD was established in 1989 in Tianjin, as a limited company. Right now it has 4000 employees with revenue of 15.29 billion RMB in 2012. The compensation policies of PD are as follows: the compensation system of PD is well known by the employees; the salary consist 60% fixed and 40% floating salary. The floating salary means to stimulate the performance of the employees. The difference of salary is based on the position of the job, the background of education, and performance of work and working experience.

Cases PH, PK are similar to case PD.

The results is summarized as Table 2

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Table 2: the results of the compensation policy according to different ownership of company

Case	Private/ state-owned	Industry	Compensation policies
1	Private	cosmetic	All compensation policies are opened to all employees. Floating wages of each month is a related to the performance of the employee.
2	Foreign owned	Electronic	Employees don't know the salary systems exactly, it is classified. Fixed wages has 10% percent raise every year and according to the performance and presence there's a bounce every month.
3	Private	Mechanical industry	Compensation policies are opened to employees, company has many benefits including many kinds of vacations and insurances. Individual performance is related to payments.
4	Joint venture	Wire manufacturing	Compensation policies are opened to employees, floating salary stimulates the performance of the employees. Bounce and allowance are not much.
5	Joint venture	Beer industry	Salary consists of fixed, floating wages and allowance. Sometimes the head of the departments has the rights to give personal bounces.
6	Private	Metallurgical equipment mfg.	30 per cent of salary is floating which stimulates the performance of the employees
7	Foreign owned	Hotel	Compensation policies are not all opened to all employees, salary including a foreign language bounces. Floating wages are huge according to the performance.
8	Foreign owned	Consulting	All compensation policies opened to all employees; if there is a change employees will receive an email. Some positions have fixed salary only, a few positions have fixed and floating salary.
9	Joint venture	Hotel	There is a floating salary depending on how many room are rented each month.
10	private	Printer	Different compensation policies for different types of employees depend on how long you have worked in the company each month .
11	Private	Imports and exports	30% of floating salary depends on job performance.

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12	State-owned	Construction	Same income for same level of employees, all employees benefit the same kind of insurances according to the level.
13	State-owned	Import and exports	10% of floating salary according to the performance of the company.
14	State-owned	Steel industry	Income of every month is the same. Lots of welfares including housing and medical treatment. Strictly follows the Law of labor.
15	State-owned	Bank	All administration employees have the same amount of salary. Business managers have a huge amount of floating salary. Bounce and allowance are satisfied by the employees.
16	State-owned	Constructions	Salary consists of five parts, many kinds of bounce and allowance. All kinds of insurances followed by the Labor law.
17	State-owned	Light manufacturing	10% of floating salary. Insurances followed by the labor law. Different position has different level of fixed and floating salary.
18	State-owned	Manufacturing	Different diploma means different level of salary. Floating salary takes a little part of all wages.
19	State-owned	Trade	Classified to public.
20	State-owned	Steel industry	50% of salary is floating wages. Besides, there are many kinds of bounces and allowance; all employees should learn the policies of compensations.
21	State-owned	Steel industry	40% of salary is floating wages. Floating wages is linked to the performance. Different level has different standard of floating wages.
22	State-owned	trade	All employees are well known the compensation systems. 30% of floating salary according to the individual performance
23	State-owned	Metal casting	Compensations policies are learned by employees during the training orientation. 30% of wages is floating salary. At the end of each year there is a bounce for each employee for good performance.
24	State-owned	Pharmaceutical	Three times allowance each year for employees, compensations policies are well known by the employees, floating salary is different from one to another according to the different position and different performance.

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4.2 Codification of further data Analysis

Let us codify strictly the collected data from interviews in order to carry out further analysis.

Therefore we may conclude as Table 3 and Table 4

Table 3: the result of compensation policy of non state owned companies

PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK
1	1	1	1	1	1	1	1	1	1	1

Table 4: the result of compensation policy of state owned enterprises

SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
0	1	0	0	0	1	1	0	0	1	1	1	1

0=compensations has no huge connection with performance of the employee; 1=compensations has connection with performance of the employees.

Take companies PA and SA as an example. The compensation policy of company PA is clearly introduced to every employee that floating wages of each employees of each month is a related to the performance of the employee; therefore, I code 1 for the compensation policy of company PA.

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According to the manager of HR department of company SA, he said that the same income is provided for same level of employees and managers, all employees benefit the same kind of insurances according to the level. Therefore I code 0 for the compensation policy for company SA. As the same criteria, I coded the rest of the companies for the compensation policies.

From the results, we can see compensation includes fixed and floating wages, zero out of eleven coded 0 for non state owned companies and six out of thirteen coded 0 and seven out of thirteen coded 1 for state owned companies. The floating part is related to the performance of the employee. Unsurprisingly, the floating part is higher among non state owned enterprises compared with state owned enterprises. So, we may conclude that compensations are more connected to private firms than in state-owned companies of Chinese firms. So H1, which stated that compensation is more merit based in non state owned enterprises than in state owned enterprises (SOEs) in China, is validated.

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Chapter 5 Test on Hypothesis of Training

Hypothesis 2 on training has been formulated as follows:

H2 : Organizational strategic training before work and during work is more developed in private firms than in state owned enterprises.

5.1 Data Selection

Training refers to the process to obtain or transfer knowledge, skills and abilities needed to carry out a specific activity or task; therefore, benefits of training for employer and employees are strategic in nature and hence much broader. A comprehensive training program helps in deliberating on the knowledge, skills and attitudes necessary to achieve organizational goals and also to create competitive advantage.

Reactive approach and proactive approaches are widely used in Chinese firms. A more proactive approach is formed in organization which aligns all learning activities with the corporate business strategy, and which focus is on developing competencies. An active learning approach is more and more often emphasized.

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Take company PE as an example: PE is a subsidiary of China Resources Enterprise, Limited, and a joint venture with SABMiller Plc. It has been ranked No.1 by sales volume in China's beer industry.

The training policies of PE as follows: after the employees are recruited, the company wouldn't train the employees immediately. But at the beginning of every year, each department would set up a training plan for the year and most of the time the training will be outsourced for better quality.

PG is a multi-national hotel in Asia, Europe, and North America. It is owned by Okura Hotel. The branch in Tianjin is located on Nanjing Road, which is Tianjin's premium shopping and entertainment district. The training policies of PG are as follows: the company does not recruit inexperienced employees. Therefore, after the recruitment, employees should know what to do. During the work, there will be training according to the problems that occurred. Thus, it is a reactive training approach.

SD is one of the largest banks in China. It was established in February 1987, is a nationally comprehensive and internationally oriented commercial bank. The training policies of SD are as follows: the SD company pays lots of attention to training. Right after the employees are

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recruited, the HR department organizes a three days training for orientation. Many contents are studied in the pre-work training, such as job security, career planning, background of the company and so on. At the beginning of each year, every department must set up an annual training plan for the department. Therefore, each department has different training plan than each other. And sometimes there are many unscheduled training through the year. Thus, it is an active training approach.

SM is the first manufacturer to research and develop corticosteroid drugs, The group has more than 3000 employees. The leadership of the company is characterized by young, high-educated and specialized personnel. The training policies of SM are as follows: the company has a talents training plan, sends employees to U.S.A. and Europe for training to improve their abilities, provide special funds to graduates for further education; inviting experts to the company for teaching the latest knowledge and technology in the pharmaceutical industry, and let the employees to attend related training courses; be able to provide the new employees with important position, provide more opportunities to young technicians. There is safety training for new employees before they come to a new position. At the end of each year, every department set up a training plan for next year and each employee may demand to their manager for training which they

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want. There is also a training file for each employee. In a word, training is very important for SM. Thus, it is a proactive training approach.

SH is one of China's premier companies in the field of international economic cooperation. Approved by State Council of China, it was established in 1982 with 200 million RMB registering asset. The training policies of SB are as follows: most of the new employees are well experienced, so there is not a lot of training for new employees. For each department of SB, there are three times training every year; each employee must be trained once a year with many forms of training for different years.

The results are summarized as Table 5.

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Table 5 is the summary of training policy in different ownership of company

Case	Private/state-owned	Industry	Training before work	Training during work
1	Private	Manufacturing	No training before work	Training plan set up at the end of every year and implemented every month of next year.
2	Foreign owned	Manufacturing	One month training before work, including regulations and practices.	Once a year the whole company will be trained. Each department will also set up its own training program. All trainings are traced by the HR department
3	private	Mechanical industry	Training before work including orientation, employees behaviors	Three levels training through the year, including personal skills, safety, and quality.
4	Joint venture	Manufacturing	One week training before work including orientations and policies.	Training plans are designed by the manager of each department according to the circumstances of the business.
5	Joint venture	Beer industry	One day training for orientation and introduction of the company.	Training is scheduled at the beginning of every year, training is outsourced.
6	Private	Metallurgical equipment mfg.	No training before work	Training include work ethic, personal skills, safety
7	Foreign owned	Hotel	No training before work because all employees must be experienced.	Training during the work. And most of the employees are well experienced.
8	Foreign owned	Consulting	Three days training before work	Determined training plan for different position. Trainers are famous in the field. And tests after training.
9	Joint venture	Hotel	Little training before work	No training for basic members.
10	private	printer	A little orientation.	According to the daily issues to set up training plans.
11	Private	imports and exports	Different training for different	Centralized training 1-2months.personal training

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			education backgrounds, 3-5days of training.	1-3years.
12	State-owned	Construction	Safety training for one day.	Training plans was set up by the branches once a year.
13	State-owned	Trade	One day of orientation.	Three times training every year for each department with different employees, every employee must be trained once a year.
14	State-owned	Steel industry	Three days training before work	Training every year and test after training.
15	State-owned	Bank	HR department in charge of pre-work training, three days training.	Different training for different departments, lots of unscheduled and scheduled training.
16	State-owned	Constructions	Little training before work	Training for license, training voluntarily.
17	State-owned	Light mfg.	No training before work	Set up training plans at the beginning of the year.
18	State-owned	Manufacturing	No training	Unscheduled training
19	State-owned	imports and exports	Different training for different education backgrounds, 3-5days of training.	Centralized training 1-2months.personal training 1-3years.
20	State-owned	Steel industry	3-5days of training for orientations	Specialized training every year and each department has its own training plans
21	State-owned	Steel industry	Training for safety and skills	Once a year of training and traced after training
22	State-owned	Household appliances	No training	No certain training plans, time to time training for innovations
23	State-owned	Metal casting	No training	Training in different forms for different employees, training once a year.
24	State-owned	Pharmaceutical	Safety training	Every employee must be trained once a year, training plan was set up by both directors and employees.

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5.2 Codification for further data analysis

Table 6: Training before work for non state owned enterprises

PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK
0	2	1	0	1	0	0	1	1	1	1

Table 7: Training before work for state owned enterprises

SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
1	1	1	1	1	0	0	1	1	2	0	0	1

Table 8: Training during work for non state owned enterprises

P A	P B	P C	P D	P E	P F	P G	P H	P I	P J	P K
2	2	2	1	2	1	1	2	0	2	2

Table 9: Training during work for state owned enterprises

SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
1	1	2	2	1	1	1	1	2	2	1	2	2

0=no training; 1=little training; 2=lots of training

0 means there is no training at all in the practices of human resource management of the company; 1 means there is little training in the

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practices of human resource management; 2 means there is a full developed system of training of all types of the practices of human resource management of the company.

Take company PA, PB and PC as examples to explain the codes of 0, 1 and 2. According to the interview, the manager of HRM department of company PA said there is no training before work for new employees, thus, I code 0 for no training at all of the training policy of before work for company PA.

According to the interview, the manager of HRM department of company PB said that there is one month training for new employees, including regulations, practices of the hardware, thus, I code 2 for the training policy is well developed and implemented of before work training for company PB.

According to the interview, the manager of HRM department of company PC said there is a pre-work training, but it is very short. The pre-work training only includes orientation, thus, I code 1 for a little training of before work training policy for company PC.

The criteria are the same for the rest of the companies.

There are four 0 out of 11, six 1 out of eleven, and one 2 out of eleven for before work training of private companies. There are four 0 out of

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thirteen, eight 1 out of thirteen, one 2 out of thirteen. From the results, we can see that both private and state owned companies pay little attention to pre-work training.

There are seven 2 out of eleven, three 1 out of eleven, one 0 out of eleven for during working training of private companies. There are six 2 out of thirteen, seven 1 out of thirteen, none 0 out of thirteen for during work training of state owned enterprises. From the results, we can see that both private and state owned enterprises pay attention to during work training. Surprisingly, the investment on training for private enterprises compared with state owned enterprises are no less. Since everybody recognizes the importance of training, both non SOEs and SOEs of Chinese companies are going to put more investment on training.

So, we can conclude that both SOEs and private enterprises of Chinese companies are paying a little attention to before work training, but pay a lot of attention to during working training. So H2, which stated that organizational strategic training before work and during work is more developed in private firms than in state owned enterprises is not validated.

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Chapter 6 - Test on Hypothesis on Recruitment

Hypothesis 3 on recruitment has been formulated as follows:

H3: Regarding recruitment, working experience is more important than education background in private firms compared to state owned enterprises (SOEs).

6.1 Data Analysis

The process of generating a group of capable people to apply for employment to an organization is called recruitment, and the process for managers to use specific instruments to choose from a group of candidates to succeed in the job is called selection (Cooke, 2004).

Recruitment and selection are affected by the overall human resource management level and pattern (Cooke, 2004). It is necessary to know the present human resource management situation in China by learning the general background knowledge.

Since the economic reform started in 1978 by Chinese government,

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China has been playing an important role in the world economy with the high growth rate and GDP growth of 7% (World Fact book 2012). In order to import high technology, high skilled labors and foreign direct investments, the Chinese government has been empowering the local authorities and officials to push the effective co-operations with foreign companies (Dickie and Dickie, 2005).

Table 10: Socialist model and market-oriented model of HRM in comparison

Socialist Model (until the 80s)	Market-oriented model (from the 80s)
One life contract	Contract-based recruiting
Egalitarian pay	Incentive compensation
Ideology training	Professional training
Enterprise-provided social welfare	Social welfare system
Employee centered industrial relations	Manager-centered industrial relations

Recruitment Methods in China

After job analysis the cost effective recruitment is always the primary concern for many organizations, regardless of the chosen method

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(Newell, 2005). For example today, more and more organizations post recruitment advertisement in their own website. Generally speaking, most of organizations have used both internal and external sources to generate the sufficient number of applicants.

Take PH as an example. PH is a financial and professional services firm specializing in real estate services. I went to see the manager of HR department of Tianjin branch and recorded the interview for 40 minutes. The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. The recruitment policies of PH are as follows: at the beginning of each year, every department would set up a recruitment plan according to the needs of the department and report the plan to headquarter of the company. The company will ask the employees to recommend their friends first; if there is no one who suits the new position, the company will publish the new vacant position on internet. For new candidates, one must have a good working experience.

Cases PA, PC, and PE are similar to case PH.

Company PD is a manufacturing factory in the field of hardware. Lots of new employees are required every month, because many front line

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workers change working position frequently. Basically HR department interviews new candidates every day. The front line workers are not required for high degree of education but for their working experience. Managers are quite stable, if someone is going to retire, there will be a new manager selected from inside the department of the company.

Cases PB, PE, and PF are similar to case PD.

Let us now consider the cases of state owned enterprises. Company SD is a state-owned bank. Because the banking businesses grow rapidly, there is lots of recruitment every month. For positions of managers, the company would like to have someone promoted from inside of the company or recruited from the same level of manager of another bank. This is because working experience is very important for managers. For basic positions, the company would like to have graduates from famous universities. The company would like to have employees with good background of education.

Cases SA, SC, SE are similar to case SD.

SL is a metal casting company. It was established in 1994. SL has been progressing year after year and awarded several times Number One in earning foreign exchange through exports among Tianjin state owned

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industrial enterprises and many times one of the top 50 exporters in Tianjin. It has been consecutively one of the top 500 enterprises in China's foreign trade. I interviewed the deputy manager of HR department for more than an hour.

The recruitment policies of SL are as follows: managers are quite stable, seldom are managers recruited. If there is a vacant position, the company prefers to have someone promoted from inside of the company. Blue collar workers are graduated from specialized colleges. The company has relationship with such colleges. Every year the company recruits a number of employees from these colleges, and all of the blue collar workers are well trained before graduate.

Cases SG, SE, SK, and SI are similar to case SL.

Table 11 summarizes the differences on recruitment according to the kind of ownership, state-owned enterprises versus private ones.

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Table 11 shows the differences on recruitment of different ownership of the organization

Case	Private/state-owned	Industry	Hiring on experience	Hiring on education background
1	Private	Cosmetic	Experience is more important	Education background is not a key factor for recruitment.
2	Foreign owned	Electronic	All managers must have more than 5years of experience	Do not need high degrees of educations for front line workers.
3	Private	Mechanical industry	Experience is quite important through interviews.	We don't ask for high degrees.
4	Joint venture	Manufacturing industry	For line workers, they must have certain skills and experience.	Blue collar worker don't need high degrees.
5	Joint venture	Beer industry	For manager level you must have at least 3 years of manager experience.	Not necessary
6	Private	Metallurgical equipment mfg.	Experienced workers benefit through interviews.	Not related too much.
7	Foreign owned	Hotel	All new employees must have experience, we don't hire beginners.	Not necessary
8	Foreign owned	Consulting	Working experience is the most important factor..	Better education background will be effective for promotion.
9	Joint venture	Hotel	Experience is the only demand.	Not necessary
10	private	Printer	Experienced workers only.	Not necessary
11	Private	Imports and exports	For management level, they must have the group of clients.	Good education background is more competitive but not necessary
12	State-owned	Construction	Most of the managers are promoted from inside company; therefore, all managers are experienced.	Undergraduate students with good education background are welcomed

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13	State-owned	Trade	Different level has different recruitment policies	In order to be a manager, good education is needed.
14	State-owned	Steel industry	No manager's recruitment recently. It's quite stable for manager level.	For line workers, employees must have a good education background.
15	State-owned	Bank	Some of the managers are from inside of the company, some are from other banks.	Undergraduate Students for basic position
16	State-owned	Constructions	Managers are from inside of the company	Good relationship with local key universities.
17	State-owned	Light manufacturing	Managers are basically from the company	Set up recruitment system with key universities.
18	State-owned	Manufacturing	Managers are from inside of the group	Just graduated students only for front line positions
19	State-owned	imports and exports	Most of the managers have worked for many years.	Beginners all with good education backgrounds.
20	State-owned	Steel industry	Based on working experience	All students are welcomed to send resume.
21	State-owned	Steel industry	Employees of management level, almost from inside of the company	Good education is very competitive inside the company.
22	State-owned	Household appliances	Most of the managers of the company are more than 5years of working experience.	Most of the managers of the company with bachelor degree.
23	State-owned	Metal casting	For some position employees must have working experience	Good education background is quite important for new workers.
24	State-owned	Pharmaceutical	Working experience is very important for manager level	Good relationship with local universities

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6.2 Codification for further data analysis

Therefore we may conclude as table 12 and 13.

Table 12: The result of working experiences and education backgrounds of private enterprises

PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK
1	1	1	1	1	1	1	1	1	1	1

Table 13: the result of working experiences and education backgrounds of state owned enterprises

SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
2	1	2	1	2	2	1	2	1	2	2	2	2

1=working experience is more important than education background

2=education background is more important than working experience.

Take company PA and SA as an example. According to the manager of HR department of company PA, most of the managers are promoted inside the company, so working experience is the basic condition for managers. For new employees as basic line worker or graduates from

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university, education background is not a key concern of recruitment, thus, I code 1 for “working experience is more important than education background”.

According to the manager of HR department of company SA, he said that in order to be promoted, good education background is very critical, and for new graduates, even not written in the recruitment policy of the company, all new employees are graduated from famous universities in China or have the diploma of abroad for last a few years. Thus, I code 2 for “education background is more important than working experience for company SA”.

There are eleven 1 out of eleven for private companies of recruitment policy. There are nine 2 out of thirteen and four 1 out of thirteen for state owned enterprises of recruitment policy. From the results, we can see recruitment in Chinese company is most related to working experiences than education background. Unsurprisingly, the working experiences for private enterprises compared with state owned enterprises are more important. The education background for state owned enterprises compared to private enterprises is more important.

Because of the structure and constitution of Chinese state owned enterprises, the policies for recruitment are not going to change in a near future. So, we can conclude that SOEs pay more attention to education

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backgrounds than private companies for basic level of new employees and both SOEs and private companies of Chinese firms pay attention to experienced employees for managerial level.

So, H3 which stated that regarding recruitment, working experience is more important than education background in private firms compare to state owned enterprises (SOEs), is validated.

Chapter 7 Test on the Hypothesis of Appraisal

H4 has been formulated as follows:

H4: Appraisal systems are more developed in private firms than in state owned enterprises (SOEs) in China.

7.1 Data Selection

Staff appraisal has increased in use. Appraisal can motivate staff by clarifying objectives and setting clear future objectives with provision for training and development needs to reach the performance objective. Appraisal leads to assessing past performance and distribution of rewards based on past performance (Bach, 2005, p. 301).

Take company PB as an example. PB is a private electronic company. I interviewed the manager of HR department for 50 minutes and recorded the conversation. The appraisal policies of the company are as follows: the company set up an aim of sales at the beginning of each year according to the last year performance for every department of the company. If the department accomplish the aim there will be a bonus

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every month, otherwise no bonus for the department. Individual would also have wage increase linked to performance.

Company PC is a mechanical company. The appraisal policies of the company are as follows: the company has different standards for different departments and job positions. Performance of each department and individual is checked every month by HR department; the result of the performance is linked with salary of each month.

Company PG is a hotel company. Policy of performance appraisal is only for managerial level. More room are sold would lead a percentage of bonus. Cases PI, PG are similar to case PG.

Company PE is a beer manufacturing company. The employees of administration department have fixed income every month, sales department has performance appraisal every month with bonus related.

Let us now consider the case of SOEs. SA is a construction company; the company takes orders from municipal affair office. All employees of the company have fixed income according to the company regulations. There is basically no performance appraisal.

SC is a steel company; all employees have the same amount of salary each month. There is a performance appraisal at the end of each month, a bonus limited in amount is linked to the appraisal, basically small impact to the employees. The results are summarized as Table 14.

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Table 14: summary of appraisal policies of different ownership of company

Case	Private/state-owned	Industry	Appraisal policies
1	Private	Cosmetic	Appraisal is important to each employee as the floating salary is based on the appraisal result.
2	Foreign owned	Electronic	According to last year's performance to set up the appraisal system for this year, results in linked to the compensations.
3	Private	Mechanical industry	Different appraisal policies for different positions, results linked to every month salary.
4	Joint venture	Manufacturing industry	Different position has different standard of performance appraisal, performance was tested each month which is related to the salary.
5	Joint venture	Beer industry	Administration has no performance appraisal, sales departments appraisal each month with salary related.
6	Private	Metallurgical equipment manufacturing	Utilize the KPI system for performance appraisal. 20% of monthly floating salary is based on the results of KPI.
7	Foreign owned	Hotel	Only for managers, linked to the compensations.
8	Foreign owned	Consulting	Twice a year for performance appraisal utilize the IPMP system, results linked to the compensations.
9	Joint venture	Hotel	Only for managers, linked to the compensations.
10	Private	Printer	Only for managers, linked to the compensations.
11	Private	imports and exports	Every month appraisal, results take a great part of salary.
12	State-owned	Construction	No performance appraisal.
13	State-owned	Trade	Appraisal every month, results linked to the compensations and promotions.
14	State-owned	Steel industry	No important impact on employees happens once a year.
15	State-owned	Bank	Performance appraisal happens every month, directly linked to the

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			compensation of each month.
16	State-owned	Constructions	No performance appraisal.
17	State-owned	Light manufacturing	Twice a year of performance appraisal, the results are connected to the compensations.
18	State-owned	Manufacturing	Follows the regulation of the government, the results will be linked to the floating salary.
19	State-owned	imports and exports	Performance appraisal will be tested to departments and individuals, especially to the managers. Results are linked to the compensations and promotions.
20	State-owned	Steel industry	Once a year, no important impact to the employees.
21	State-owned	Steel industry	No performance appraisals.
22	State-owned	Household appliances	Both for departments and individuals. All employees will be ranked and results in linked to the compensations.
23	State-owned	Metal casting	Appraisal happens every three month, full systems of appraisal.
24	State-owned	Pharmaceutical	Appraisal happens once or twice a year. Results linked to the compensations and promotions.

7.2 Codification for further data analysis

Therefore, we may conclude that the appraisal systems of private enterprises may be codified as table 15 and state owned enterprises as table 16 shows.

Table 15: the results of the appraisal system of private enterprises

PA	PB	PC	PD	PE	PF	PG	PH	PI	PJ	PK
1	1	1	1	1	1	1	1	1	1	1

Table 16: the results of the appraisal system of state owned enterprises

SA	SB	SC	SD	SE	SF	SG	SH	SI	SJ	SK	SL	SM
0	1	0	1	0	1	1	1	0	0	1	1	1

0=no appraisal or little appraisal which has almost no impact on the organization and the employees of the organization;

1=appraisal is important to employees and the company.

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I code 0 for no appraisal system or little appraisal system which has almost no impact on the employees and the company; I code 1 for the appraisal system which is well developed in the company and has great impact on the employees as well as the company itself. Take Company PA and SA as an example.

According to the interview, the manager of HRM department of PA said that appraisal is important to each employee as the floating salary is based on the appraisal result. Therefore, I coded 1 for the appraisal system of company PA. According to the manager of HR department of company SA, he said that the appraisal system has not been developed yet; the performance of the employee is not related to any compensation. Therefore, I coded 0 for the appraisal system of company SA.

There are eleven out of eleven 1 for the appraisal system of private companies. There are five out of thirteen 0 and eight out of thirteen 1 for the appraisal system of state owned enterprises. From the results, we can see appraisal is related to the compensation in Chinese companies. Unsurprisingly, the appraisal systems are more developed in private enterprises compared with state owned enterprises. But, in some state owned companies, they also have developed appraisal systems, which mean developing appraisal system is a trend in Chinese state owned companies. So, we may conclude that state-owned companies pay less

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attention on appraisal than Chinese private companies. So H4: Appraisal systems are more developed in private firms than in state owned enterprises (SOEs) in China, is validated.

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General Conclusion

I intended to achieve three goals in this paper: first, to evaluate the development of Chinese HRM practices in the past 30 years, second, to identify research gaps for what needs to be done in the future, and last, to determine the different practices of HRM in the different ownership of Chinese enterprises. I also try to answer the question “To which extent do Human Resource Management practices in Chinese State-Owned Enterprises still differ from the ones in Private Chinese

Conclusion générale

Nous souhaitons atteindre trois objectifs dans cette recherche: d'abord, évaluer le développement des pratiques de GRH en Chine dans les 30 dernières années, d'autre part, identifier les lacunes de la recherche pour ce qui doit être fait à l'avenir, et enfin, pour déterminer comment la gestion stratégique des ressources humaines influence la performance des organisations dans les différents types d'entreprises chinoises, privées ou d'Etat.

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Enterprises?”

I studied 24 companies in eleven industries and four kinds of ownerships located in two cities by face to face interviews of the managers of the human resource department. It helped me studying the practices of strategic human resource management in different ownership of Chinese companies. The research is mainly based on four comparisons on compensation, training, recruitment and appraisal in SOEs and non SOEs. There are four hypotheses around the research question, each of them have been validated or not validated.

J'ai étudié 24 entreprises dans huit industries et de quatre types de propriétés, situées dans deux villes, par entretiens face à face de managers du département des ressources humaines. Cela nous a permis de réaliser un bilan des pratiques de la gestion stratégique des ressources humaines dans différents types d'entreprises chinoises. La recherche est basée principalement sur quatre comparaisons des pratiques de rémunération, de formation, de recrutement et d'évaluation dans les entreprises d'Etat et les entreprises privées. Il ya quatre hypothèses autour de la question de recherche, chacune d'entre elles ont été validées ou pas.

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Main findings

This study investigated the present state in HRM practices found in Chinese SOEs and Chinese private companies, using the same questionnaire through face to face interviews with top managers and HR managers of each company.

The research question of the paper is “To which extent do Human Resource Management practices in Chinese State-Owned Enterprises still differ from the ones in Private Chinese Enterprises?” Based on the academic and professional literature, we have designed the four hypotheses:

H1: Ccompensations are more merit-based in private firms, than in Chinese state-owned firms.

Résultats

Cette étude analyse les changements des pratiques de GRH dans les entreprises d’Etat et les entreprises privées en Chine, en utilisant le même questionnaire d’entretiens en face à face avec des cadres supérieurs et des responsables RH de chaque société.

La question de recherche est “Dans quelle mesure la GRH diffère-t-elle entre entreprises d’Etat et entreprises privées en Chine ? ».

Sur la base de la littérature académique et professionnelle, nous avons formulé quatre hypothèses:

H1: la rémunération est plus liée au mérite dans les entreprises privées

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H2: Organizational strategic training before work and during work is more developed in private firms than is state owned enterprises

que dans les entreprises d'Etat en Chine.

H2: la formation avant le travail et au cours du travail est plus développée dans les entreprises

privées que dans les entreprises d'Etat.

H3: Regarding recruitment, working experience and education background is more required in private firms than in state owned enterprises (SOEs)

H3: Considérant le recrutement, l'expérience de travail est plus nécessaire que le niveau de

H4: Appraisal systems are more developed in private firms than is state owned enterprises (SOEs) in China.

l'éducation dans les entreprises privées comparé aux entreprises d'Etat.

H4: les systèmes d'évaluations sont

plus développés dans les entreprises privées que dans les

entreprises d'Etat en Chine.

Les résultats des tests de ces quatre hypothèses sont les suivants: Selon

l'hypothèse 1, la rémunération est

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on individual merit. Thus H1 is validated.

Regarding H2, both SOEs and Chinese private enterprises are paying attention to training. Thus H2 is not validated.

Regarding H3, SOEs pay more attention to education backgrounds than private companies for basic level of new employees, while both SOEs and private company of Chinese firms pay attention to experience and educational backgrounds for managerial level. Thus H3 is validated.

Regarding H4 State owned companies pay less attention to appraisal than private companies do in China. Thus H4 is validated.

plus liée au mérite dans les firmes privées que dans les firmes chinoises appartenant à l'Etat. En effet, elles calculent une part plus importante du salaire basée sur le mérite individuel. H1 est donc validée.

Selon l'hypothèse 2, les entreprises d'Etat et les entreprises privées chinoises sont tout autant attentives à la formation. H2 n'est donc pas validée.

Concernant H3, les entreprises d'Etat accordent plus d'attention au niveau d'éducation que les entreprises privées pour les niveaux d'emplois opérationnel, mais les deux types d'entreprises sont attentives à la fois à l'expérience et au niveau d'éducation par les postes

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In the last three decades we have witnessed dramatic developments in strategic HRM practices in Chinese enterprises. Not only have private companies adopted these practices, but large, reformed SOEs are also carrying out these changes. My findings determine that strategic HRM practices have already widespread and are recognized by Chinese companies, although there still remain some differences between private firms and state owned firms as regards merit based pay and consequently, appraisal. We may expect however such differences to vanish in a near future.

managériaux. Donc H3 est validée.

Selon l'hypothèse H4 les sociétés d'État font moins attention à l'évaluation que les entreprises privées en Chine. H4 est effectivement validée.

Ces dernières années la gestion stratégique des ressources humaines a connu des développements spectaculaires. Non seulement les entreprises privées ont adopté des pratiques sophistiquée de GRH, mais les entreprises d'Etat ont adopté également ces changements. Mes recherches prouvent que les pratiques de GRH stratégique ont déjà été popularisées et sont appréciées par des entreprises chinoises, bien qu'il reste encore

Limitations and Future Research

Different companies use different HRM practices which might not be similar at all, and the lack of consensus in the HR practices has led to inconsistencies in research linking HR practices to firm performance. In this paper, most companies are located in Beijing and Tianjin, which is a limitation on potential generalization of our result.

When I interviewed the managers of our sample it seems that senior management recognizes the importance of human resource practices but ignores the practical implementation of them. Future research should be done to fill this

quelques différences entre les entreprises privées et les entreprises d'État en ce qui concerne la rémunération , et par conséquent, l'évaluation. Nous pouvons nous attendre à ce que ces différences disparaissent dans un avenir proche.

Limitations et recherches futures

Différentes entreprises utilisent différentes pratiques de GRH. L'absence de consensus dans les pratiques RH a conduit à des incohérences dans la recherche reliant les pratiques RH aux performances des entreprises. Dans ce document, la plupart des entreprises sont situées à Beijing et à Tianjin, cela est une limite pour nos résultats, et leur possible

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gap by assessing the level of implementation of HRM in Chinese companies.

Another limit might be that Chinese respondents are often very sensitive about publicizing the inner issues of the company. Therefore, some variable might be not exact as the respondents claimed.

Another limitation is the number of companies. In our sample we have carefully selected the companies in order to fit to sample requirements of qualitative research. However, a quantitative investigation on the subject would be highly welcome. The advantage of having a broad range of companies is that it maximizes variation in the

généralisation.

Quand j'ai interviewé les gestionnaires des entreprises, il semblait que les cadres supérieurs connaissaient l'importance des pratiques de ressources humaines, mais ignoraient beaucoup de leur mise en œuvre pratique. La recherche future devra évaluer le niveau de mise en oeuvre des pratiques de GRH dans des entreprises.

Une autre limitation est peut-être que les répondants chinois sont souvent très réticents à parler des problèmes internes de l'entreprise. Donc certaines variables peuvent-être différentes de ce que les répondants ont affirmé.

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independent variables and increases
the stability of findings.

Une autre limitation encore est la
taille de notre échantillon. Dans
notre échantillon, nous avons
soigneusement choisi les
entreprises pour respecter les
exigences d'échantillonnage de la
recherche qualitative. Cependant,
une analyse quantitative sur ce
sujet serait bienvenue. L'avantage
d'avoir un large éventail
d'entreprises est que cela peut
maximiser la variation des
variables indépendantes et
augmenter la stabilité des résultats.

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