

The Transfer of Human Resource Management Technology in Sino-U.S. Cooperative Ventures: Problems and Solutions

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Abstract

Differences between Chinese and U.S. human resource management systems are described with respect to fundamental organization and work-related assumptions about people and performance, rewards, training and development, and educational background of HR practitioners. We identify key differences that present impediments to the modernization of HRM practices in Sino-U.S. cooperative ventures, and then, present a normative framework for the introduction of modern HRM practices into these ventures. We conclude with implications for both research and practice that focus primarily on integrating individuals and the enterprise, as well as integrating the enterprise with social and economic goals.

THE TRANSFER OF HUMAN RESOURCE MANAGEMENT TECHNOLOGY IN SINO-U.S. COOPERATIVE VENTURES: PROBLEMS AND SOLUTIONS

Mary Ann Von Glinow (University of Southern California)
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Introduction

By most assessments, China will not join the ranks of the industrial mighty by the year 2000, the ambitious goal of the "Four Modernizations," modernization of agriculture, industry, science and technology, and defense. Although not making progress as quickly as planned toward accomplishment of this herculean modernization effort, China has experienced impressive growth in agriculture and both light and heavy industry. Far reaching economic reforms which support this modernization effort, have been the basis for China's much heralded Open Door Policy. These economic reforms are occurring within China, and between China and various trading partners. Internally, China has modified its centrally planned economy by placing a greater emphasis on enterprise profitability and by allowing enterprise managers greater decision-making autonomy.

To compete effectively in the international marketplace and to enhance internal development, China has aggressively sought importation of modern industrial technology and the management and marketing technologies that support industrialization. There are now numerous examples of the successful transfer of technology from industrialized

See Campbell, N. China Strategies 1986 for an in depth discussion of the problems reported by U.S., E.E.C., and Japanese firms engaged in business relationships in China. See also, the Suttmeier, and Schnepp articles, at the Symposium on U.S. China Technology Transfer, Woodrow Wilson Center, Smithsonian Institution, Washington, D.C., 1987. Area experts at this conference, and the Phillipines Conference, August, 1987 agree that industrial sector development is falling behind planned goals.

countries to China. For example, U.S. firms such as AMC and Cummins Engine have successfully transferred automotive and diesel engine technology, Westinghouse and G.E. have transferred power generation technology successfully, and Boeing and McDonnell Douglas have transferred aircraft technology successfully. Japanese firms, such as Hitachi and Mitsubishi have also successfully transferred power generation technology to China. EEC country firms have led the way in the transfer of nuclear power generation technology to China. In many of the above cited cases, the overall pattern of technology transfer that seems to be emerging is one in which the industrial technology transfers with relative success, while management and marketing technologies do not transfer nearly as well.

Those technologies are herewith referred to as soft technologies, and it has been noted that soft technologies transfer with much greater difficulty than do the harder technologies.²

Management expertise is consistently cited by foreign and Chinese researchers and business people, as problematic in Sino-foreign business relations, and particularly in Sino-foreign cooperative ventures. These cooperative ventures, equity and contractual joint ventures combined, accounted for about 80% of the almost U.S.\$9 billion foreign investment in China at the end of 1984. Cooperative ventures are said to provide

For considerable discussion, see Schnepp, O. Bhambri, A. and Von Glinow, M.A. "U.S.-China Technology Transfer: Problems and Solutions," Proceedings. Symposium on U.S. China Technology Transfer, Woodrow Wilson Center, Smithsonian Institution, Washington, D.C., April, 1987; Von Glinow, M.A., Schnepp, O. and Bhambri, A. "Assessing Success in U.S.-China Technology Transfer," in Agmon, T. and Von Glinow, M.A. (eds.) The Dialectics of Technology Transfer, Oxford University Press, Forthcoming.

c.f. China Business Review, 1986.

not only an infusion of foreign capital, but of equal importance, they are currently the primary medium through which technology is transferred to China. A lag in the absorption of management technology in these cooperative ventures creates enterprises where the task structure (technological subsystem) is out of synchronization with the management structure (social subsystem). This is particularly true in those cooperative ventures where the technology transferred is of medium technological intensity, that is, technologies that require a high level of interaction between workers and hardware. The end result is that these cooperative ventures perform short of their potential efficiency and effectiveness. 4

Within the array of modern management technologies, the hard or more easily quantifiable technologies, such as accounting, finance, production, and management information systems, have met with more success in the transfer process than have the soft, behavioral based technologies, such as marketing, organizational development and human resource management. Human Resource Management (HRM) stands out as an area where China's practices are far behind those encountered in most industrialized countries. China's absorption of modern HRM technology in these cooperative ventures has been minimal, thereby impeding the overall technology assimilation process. This is despite the recent

See Nigel Campbell's (1986) excellent discussion about shortcomings of cooperative ventures in China. (op cit.)

⁵ Schnepp, O. et al., 1987, op.cit.

enterprise reforms that call for management modernization as the "Fifth Modernization."

In this paper, we will compare Chinese and U.S. HRM systems followed by a prescription for introducing "state-of-the-art" HRM technology into Sino-U.S. cooperative ventures. First, however, we begin our analysis with an examination of the historical antecedents of current HRM practices in China, and then we examine the current context in which China's HRM systems exist. We then explore assumptions underlying these systems and compare them to the U.S. HRM system context and underlying assumptions. This comparative analysis helps identify critical similarities and differences between the Chinese and the U.S. HRM systems. In conclusion, we offer some suggestions on how modern HRM practices may be more effectively introduced into Sino-U.S. cooperative ventures.

Historical Antecedents of Current HRM Practices in China

There are a number of historical factors that have influenced current organizational or enterprise activities in China, including HRM practices. These factors include a very long recorded history, more than 6000 years, cultural and ideological factors, political-economic factors, social welfare factors, and the role of administrative bureaucracy.

Most analysts of Chinese enterprise activities begin with the founding of the People's Republic in 1949; however, many current practices and beliefs predate this period. The current form and structure of the Chinese enterprises may be traced in part, to the

Management Modernization has been referred to as the "Fifth Modernization" by Simon (1986), and Fischer (1986, 1987).

Confucian Civil Services. It has been noted that the heavy emphasis on testing in China emanates from the Tang Dynasty (circa 700 AD), when centrally-administered examinations were employed to choose officials. These Confucian beliefs have shaped the Chinese culture, and dictated norms of behavior that are appropriate for government officials and cadres alike. The strong drive for individual enterprise self-sufficiency, which results in hoarding of production inputs, personnel and technological know-how, is rooted in a long history of scarcity that has persisted into the present, albeit to a lesser degree. Regionalism and industry level factionalism are partly derived from a history of scarcity, partly from pre-revolutionary military-related factionalism, and partly from Confucius' "five relations," specifically loyalty between sovereign and ministry (Castaldi and Soerjanto, 1988).

Political-economic factors have also strongly influenced the functioning of the Chinese enterprise. The Chinese concept of the planned economy was an outgrowth of the Soviet model, which China embraced during the early years after 1949. Rural communes became a way of life, with virtually all aspects of the economy controlled by the Central Planning Committee. Over the years, these communes have given way to other economic entities, however some have argued that the economy has benefitted from tight political and economic controls. After all, China has managed to feed and employ a population in excess of one billion people. The 1950's and 1960's brought tremendous economic upheaval with the devastations wrought by the Great Leap Forward, where Mao's dream caused the starvation of 25-30 million people, and the Cultural Revolution, where wealth, education, science

⁷ McLaughlin (1987).

and technology were considered the enemies of the people. In consideration of those difficult periods, it is not difficult to imagine a system whereby jobs are guaranteed, and people were able to receive entitlements from the state. Such is the concept of the iron rice bowl, where workers were guaranteed most of their material needs.

Since 1979, when Deng XiaoPing became the head of the Chinese Government, China has gradually shifted from the Soviet model of the centrally-planned economy. Since that time, market-style economic reforms have almost doubled Chinese incomes 8 and during this time, the economy has grown at 8 percent annually, surpassing the U.S. and the European growth rates. Deng's concept of a planned economy was one in which the economy allowed some economic entrepreneurism with tight political controls. China has chosen to decentalize economically, and the most recent National People's Congress, March 1988, called for the reduction of the state's role in the economy from planner to indirect market regulator. Government leaders, Zhao Ziyang and Li Peng, the new Premier have recently announced that increased productivity must be their chief criterion. The economic ramifications of these words are yet to be determined; however, Zhao has noted that development must take precedence over political ideology if China is to end its chronic poverty. It has also been observed that prices in China, long distorted by state subsidies, will continue to be gradually decontrolled through market mechanisms. Li Peng has further noted that within the next five years, that grain production must be increased, and scientific development must be encouraged. The bureaucracy should be further "revitalized" and the enterprises should have reduced state controls.

 $^{^{8}}$ Speech by Li Peng, at the National People's Congress, March 25, 1988.

The role of the enterprise historically has been ubiquitous in worker lives. In many enterprises, the workers live in apartments or complexes owned by the enterprise. Therefore, work and family life become highly intertwined. The concept of HR management might include resolving family disputes, arranging hospitalization for workers, counselling young people on family planning, as well as getting the work Historically, the enterprises have had little discretion in hiring, firing, and wage setting. These have been set by the state or the government's planning committee. There are some pay differentials according to job family, and wages are generally divided into eight steps, whereby workers progress according to tenure and "proficiency." Managers also have steps, and promotions do not necessarily mean greater wages. The wage ratio of senior-level, factory director to the lowest worker is approximately 4:1. Before Deng took over, "spiritual" incentives pevailed over "material" incentives, thus contributing to this low ratio in pay differentials. When we consider that the standard work week is six days, and that extensive employee benefits are provided to all workers and cadres, we come to understand the important role that the enterprise has played in the lives of all Chinese workers.

Party leaders, and political analysts have noted that enterprise reform is critical if China is to improve its industrial productivity levels. Many of the state-owned enterprises operate at a loss, with others receiving marginal marks. Qualified managers are difficult to find, recruitment of workers is rarely done, job mobility is infrequent,

⁹ McLaughlin, (1987).

financial incentives are quite new, and only slowly are beginning to influence work behavior. The concept of life-time employment, or the iron-rice bowl was said to have occured after the worker passed the probationary period ranging from six months to two years. To forego this meant giving up the stability of the state-owned enterprise for private sector work that has been viewed as risky at best, given the newness of the Party policy under Deng's leadership.

All of these political, economic and organizational factors are the backdrop for the current reform movement in China in the 1980's. The factors have heavily influenced current enterprise practices. The next section examines the socio-structural characteristics of Chinese enterprises, to help frame the current HRM practices more precisely.

Chinese Enterprises

Before delving into how the Chinese system of HRM differs from the U.S. system of HRM, we examine the contexts in which these HRM systems operate. Therefore, we begin with the identification of key differences among Chinese enterprises and other differences that subsequently dictate Chinese HRM practices. Currently there are over 400,000 enterprises in China, ranging from a small scale, fairly autonomous, "private sector" enterprises which include, for example, mom-and-pop noodle stands, to centrally-controlled, sophisticated manufacturers of high technology products. Following is a brief discussion of four contextual issues that surround these different enterprises: degree of external control; enterprise characteristics; enterprise structure; and the role of "Management Modernization."

Degree of External Control

In China's centrally planned economy, the degree of external control largely dictates how enterprises operate. An enterprise is controlled at one of four levels, ranging from highly centralized, extensive external control to highly decentralized, limited external control. Enterprises can be Ministry-controlled, an external, highly centralized and extensive, national level of control. They may also be locally-controlled by the local province or municipality, which is analogous to state or city level control. This is also external control, but is less centralized, and usually less extensive, than Ministry control. It has been estimated that 20% of the state-owned enterprises operate at a loss, with the remainder barely meeting their output quotas. 10

The third type of control is dual control, a hybrid incorporating both Ministerial and local control. Collective ownership enterprises, the fourth type of control, have a highly decentralized level of control that enables a relatively high level of autonomy similar to private ownership in the United States. In enterprises with more decentralized external control, the collective ownership enterprises and some locally and dual controlled enterprises, day-to-day control is reduced over the operations of the enterprise. However, key areas, like procurement of supplies, distribution of products, and, hiring and firing, require external approval. Additionally, managers in the more decentralized enterprises have greater responsibility for the profitability of the enterprise.

Source is Nicholas Lardy, Professor of Economics at University of Washington, 1987.

It is clear that with industrial productivity lagging, that greater emphasis will be placed upon enterprise performance in the future. The recent National People's Congress has called for further reduction of controls on enterprises. Thus, we would expect that the fourth category of control would be applied to a growing number of enterprises in the years ahead, if China continues its policy of economic decentralization.

Enterprise Categories

Chinese enterprises can be classified into one of four categories based on the degree to which they embrace or resist the economic reforms underway in China. 11

Iron Rice Bowlers. Twenty to twenty-five percent of the enterprises fall into this category, comprised mostly of heavy industry. These enterprises, which operate similar to the pre-reforms Soviet model, are not concerned with quality or efficiency, but rather with meeting externally set output quotas. They have not felt the impact of the new reforms.

Bandwagoners. Constituting an additional 30%, these enterprises pay lip service to the reforms, but operate in a manner similar to the Iron Rice Bowlers. The Bandwagoners go through the motions of reform, but cling to pre-reform values and behaviors. Within these enterprises, status and power are given to technical experts.

Incrementalists. These are the enterprises which, although threatened by the reforms, attempt to minimally incorporate these reforms into their practices. For them, change is incorporated at a very slow, steady, and cautious rate. Incrementalists also comprise

¹¹ Simon, 1986.

about 30% of the Chinese enterprises, and feel the impact of the new reforms. However, they do not stick their necks out to initiate change—they are followers.

Entrepreneurs. For these enterprises the reforms present opportunities of which they can take advantage. They embrace the economic reforms and are moving ahead at full speed to incorporate change. The remaining 10-15% of the enterprises can be considered entrepreneurs.

Most technology transfer takes place between foreign firms and Bandwagoners or Incrementalists although the Entrepreneurs are seeking technology at a quickly growing pace. Although enterprise managers in these two categories see the introduction of new technology as a risk and inconvenience, they reluctantly adapt, since most industries in China are driven by technology, or at least by the desire to acquire industrial technology to upgrade productivity. The concept of the market-driven economy is slowly emerging with the emphasis on economic decentralization and reforms. However, like their Iron Rice Bowler counterparts, Bandwagoners and Incrementalists are risk averse, and not likely to welcome or embrace the introduction of western HRM technology. They have been observed as resisting many of the current economic reforms.

Structure

Most Chinese entreprises are structured similar to the organization chart in Figure 1. This figure depicts the strong emphasis placed on the enterprise's technical subsystem with elements of strong vertical integration and self-sufficiency within ministries. Within the enterprise, the chief engineer reports directly to the factory director

and is the hub through whom other deputies report. This structure reinforces the importance of technology and engineering, by channeling communication through the chief engineer. The structure is also self-reinforcing, since the ability to control enterprise communication confers power and status on the chief engineer. The enterprise is also part of a vertically-integrated system in which the factory director relies on the local bureau or a Ministry for inputs, such as raw materials and human resources, and for the distribution of outputs. Little direct horizontal communication occurs between enterprises whether they are in the same or related industries or unrelated industries: any that occurs is channeled through local provincial bureaux or Ministries.

Insert Figure 1 Here

Management Modernization

After the acquisition of technology and foreign exchange, management modernization is at the crux of current economic debates on enterprise reform. As mentioned earlier, management modernization has been referred to as the "Fifth Modernization." Political conservatives favor scientific management, in the tradition of Fredrick Taylor, as the appropriate approach to management modernization. Liberals see management modernization as much further reaching, requiring fundamental changes in industrial organization, such as linking pay to performance, implementing bonus incentive systems, developing performance management and appraisal systems, and permitting enterprises to hire and fire. While there is consensus by the heads of government that management modernization is essential, there is little consensus about the form it should take.

This brief overview of the contextual issues that surround Chinese HRM systems allows three observations. First, Chinese HRM systems exist in a highly centralized economy which, in the late 1980s, is undergoing radical reform. Second, there is a very strong emphasis on hard technology within enterprises, especially technologies related to industries designated critical by the Four Modernizations, such as electronics and energy. Third, while management modernization is desired, there is no clear consensus which management technologies this should include. With this as background, the following discussion will elaborate differences and differing assumptions that underly Chinese and U.S. HRM systems.

Differences in Chinese and U.S. HRM Systems

China prefers and aggressively seeks to acquire "state of the art" technology. Therefore, we discuss comparisons of HRM differences between the U.S. and China, by anchoring organizational and work-related assumptions in the practices of U.S. firms that the Chinese view as "state of the art" technology-providers, for example IBM or G.E. 12 While not all firms seen by the Chinese as "leading-edge" companies have the same views on HRM practices, we present a typology used by Leskin 13 which discussed organizational and work-related assumptions, assumptions--about people and performance, assumptions about reward

The Chinese Ministries have identified certain firms as leaders in their industry, and prefer to do business with the leaders, not the subsequent developers of the technology. See Schnepp, Bhambri and Von Glinow, (1987) for a discussion of this.

Leskin, 1986, identified a typology of assumptions about a firm's human resources, employing a stakeholder analysis to uncover assumptional differences regarding HRM practices.

systems, training and development. In addition, we examine differences in the educational backgrounds of HR practitioners in both countries. This typology was deemed useful in highlighting different assumptions held by progressive U.S. firms and Chinese enterprises. The typology is not meant to unfavorably compare a developing country's practices, with the Western view of HRM. Rather, it attempts to delve into the different assumptional frameworks that both possess, to develop a normative framework to assist in the transfer of HRM technology, keeping in mind the enterprise's political, economic and social realities.

After identifying different assumptions that govern HRM practices in both countries, we then identify the major differences that present impediments to the modernization of HRM practices in Sino-U.S. cooperative ventures. Having identified key impediments, we offer a normative framework for the introduction of modern HRM practices into these ventures. We conclude with suggestions for future research. Organizational Assumptions

<u>U.S.</u> In the United States, HR managers believe that the organization's principle constituency is the employees of the firm. (Leskin, 1986) There are, of course, other stakeholders that the firm must consider, and other important criteria for organizational success; however, the HR function has generally focused on the internal organizational processes, systems and people, rather than on external factors. As such, these professionals are highly concerned about improving internal organizational functioning. That of course may mean interfacing with customers, and other relevant stakeholders; however, it is generally accepted that people are the firm's greatest asset. 14

Further, they believe that there is no best organization structure or job design, and these factors are frequently changed to take advantage of new technologies, people or processes. Reorganization has frequently been the result of these changes. HR managers believe the ability to change, in response to internal or external factors is fundamental to human growth and development. These managers believe, however, that change requires the proper conditions, which rests on senior management support and with such support, revolutionary change is possible. Without this support, U.S. HR managers would most likely agree that the requisite conditions that facilitate change are missing, thus decreasing the likelihood that the change will produce the desired outcomes.

China. In China, the enterprise's principle constituency is the Central and/or local provincial government. Historically, many enterprises have been vertically integrated, and the primary goal, as articulated by the Party Congress and State Planning Commission, has been self-sufficiency particularly in energy development and use, and industrial productivity. Today, most enterprises are highly self-sufficient, and do not rely on those outside their own vertical chain for local content or human talent. Although an argument may be advanced that, in some industrial activities, the Chinese enterprise must rely heavily on others outside the vertical chain for sourcing of raw materials, energy acquisition, and the like, the recent trend is toward greater self-sufficiency through greater productivity. To

¹⁴ Leskin op, cit.; Von Glinow and Chung, 1987.

¹⁵ Leskin op. cit.

¹⁶ Schnepp, et al., op. cit.

In general, organizational change is tied to political and ideological values. These values include a marxist sensitivity to the exploitation of labor and secrecy regarding "internal" matters.

Consequently, there is a failure to see HRM as a legitimate part of modern management. When there is a unit head labelled Personnel, this individual is almost always a top party official who deals with people through "rule enforcement," similar to a coercive Employee Relations function.

Work Environment

<u>U.S.</u> In the United States, managers and employees alike enjoy employment-at-will. It is quite likely that most HR managers have had a variety of work experiences in a variety of firms. Employees are selected to fit jobs, and are then expected to achieve high levels of performance in those jobs. Beyond that, employees are encouraged to excel or outperform previous standards in those jobs. Salaries are highly differentiated within organizations based on equity and merit: generally, the more complex the job, the more pay, and the better the performance, the more pay. Regarding their colleagues, HR managers' assumptions include that they work with competent professionals who have comparable values and skills, including beliefs in due process and self-development. Therefore, decision-making is generally pushed downward in organizations. HR managers are rewarded for being good team players,

¹⁷ Li Peng op. cit.

¹⁸ Leskin op. cit.

¹⁹ Leskin op. cit.

and for recommending innovative changes. In general, the work of the firm is conducted within a fixed annual budget, and most HR managers have limited salary, bonuses, and perks to distribute for excellent performance.

China. One critical difference in Chinese and U.S. work environments is that Chinese enterprises are assigned workers by the central government, which continues to govern employment contracts. There is very little concept of employment-at-will. Students 20 who graduate from college may have some choice--generally from among three to five alternatives--as to which enterprises they will join. Until recently, once workers were hired by a particular enterprise, they enjoyed lifetime employment. There is some evidence now that technical professionals and a few managers have participated in interunit mobility; however, this is not widely practiced. Labor contracts are newly emerging as experimental devices allowing a few enterprises to hire on an as-needed basis, and fire workers who repeatedly violate work rules. Similarly, the Joint Venture Law of 1979 allows enterprises engaged in cooperative ventures with foreign firms to hire and fire workers.

In China, unlike the U.S., the Marxist-Leninist doctrine has influenced performance, and except for meeting output quotas, workers have not been under pressure to perform. While current policy discussions at the state level are attempting to confront this problem of industrial productivity, some sectors remain low producers.

Current figure estimate that 300,000 students enroll annually in Chinese Universities; Simon, 1986.

²¹ Bai et al, (1986).

Poor performers have rarely been terminated, despite highly variable levels of performance. Perhaps because of the wide variability in performance, individuals have virtually no authority to make decisions without clearance from those in higher authority, and individual decision making is actively hampered by bureaucratic interference. All decisions that are made go through hierarchical channels and recommendations for change and innovation are rarely seen. It should be noted that, in addition to meeting output quotas, the criterion for successful performance, other social welfare goals must be met as well. Toward that end, the "extended enterprise" or danwei may have attached to it a school, a hospital, or other social structures, for example, housing which is generally provided by the enterprise. This all relates to the fact that all workers receive government subsidized living, 22 including rent, health care, transportation and utilities, which, compared to the U.S., represents a widely-broadened benefit package.

In China, managers do not have collegial relationships with co-workers. They manage individuals with widely varying abilities, skill levels and experience, who may also have dissimilar political or ideological values. Further, they manage downward, one-on-many. The "many" function together as a team, unit or group of which the manager is not a member until it comes to the distribution of material incentives. In general, managers distribute salary, bonuses and perks

Government compensation is broken down into two categories--direct worker compensation which accounts for 40% of total compensation, and indirect, or other, which accounts for 60% of total compensation.

according to level in the enterprise; however, there is very little pay differential across all levels. Finally, managers are not responsible for financial planning. This function is handled primarily by the State Planning Commission or the local finance bureau.

Assumptions about People

U.S. In the United States, HR professionals make the assumption that people must be "motivated to perform." To motivate employees, the HR manager has an arsenal of tools which include compensation; situational change, for example, through reward systems or job design; selection; and training. Particularly in the 1980s, it is believed that employee participation and involvement can eventually lead to increased organizational performance, as well as enhanced employee satisfaction. 23 Participation frequently manifests itself in teamwork and organizational commitment, which HR managers view as essential. A further assumption is that managerial influence is, and should be, based on consensus and participation. HR managers assume that an overly controlling manager inhibits individual growth and employee development. HR professionals embrace change and innovation, whereas they believe that line managers resent innovation and are unable to see the "big picture."

China. The Chinese believe that people should be treated equally; egalitarianism is the rule. If workers are not performing properly, they must be "educated" to insure performance." "Correct thought," they believe, leads to correct behavior. Historically, there has been a

²³ Leskin, op.cit.; Lawler, 1986.

strong linkage between employee education and ideological training. A manager's tools for employee "education" include training workers to improve their skills, reassignment, and placing each person in the right job. Change and innovation are almost universally resented and resisted. A manager's influence stems from rule compliance and strong control insures compliance with objectives. In general, the cooperation that occurs is within a department or unit, and rarely across units. Extreme departmentalism inhibits cooperation between individuals and between units, and people hoard information within their departments. Finally, the work unit retains ultimate control over its employees, and bears ultimate responsibility for their welfare.

Assumption about Performance

<u>U.S.</u> HR professionals in the United States believe that the effective management of human resources improves "bottom line" productivity, at least in the long term. HR professionals do not believe that short-term results are the only measure of performance. Long-term measures and the creation of a "learning organization" are also important. Senior-level managers who stress short-term results at the expense of long-term development are seen as mortgaging the firm's future. Thus, regardless of productivity, or how the "numbers" look, managers are viewed suspiciously by HR managers if they fail to emphasize development, delegation, and participation. 25

China The need to increase productivity, and improve quality in management and labor was first enunciated in 1984. Historically, the

²⁴ Leskin op.cit.

²⁵ Leskin op.cit.

Chinese have equated performance with meeting output quotas. There was no incentive to surpass designated quotas, nor to improve output quality under the concept of the iron-rice bowl. Recently, with increasing frequency, performance has been discussed and sweeping enterprise reforms have been enacted, including an Enterprise Law, which gives new power and discretion to the enterprise. Lagging productivity has increasingly been the center of discussions at the State level. The ability to obtain sophisticated technology through association with a foreign firm in a cooperative venture has been one index of productivity. Once an enterprise has acquired this technology, even though the technology may not have been assimilated, the enterprise is viewed as having performed successfully. This is not to suggest that the Chinese are not interested in utilizing the technology. However, local absorptive capacity has often impeded the successful utilization of acquired technology. 26 Since neither the meeting of output quotas, nor acquiring new technology in and of itself encourages or contributes to the development of a "learning organization," while necessary to growth, neither are sufficient if China is to meet its modernization goals.

See Von Glinow, Schnepp, and Bhambri, 1988; Schnepp, Bhambri and Von Glinow, 1987 for a discussion of the problems inherent in technology assimilation. In general, technology assimilation is a function of many different factors: the recipient enterprise's ability to manage the "paper flow" or documentation, the ability to change specifications and standards to the Chinese system, the ability of the "trained" workers to perform their new tasks, and the ability of the recipient enterprise to work carefully with the technology-provider. Finally, the receiver must be able to manage the transfer of the "hardware" and trouble-shoot through consulting, the inevitable problems associated with technology assimilation, over a period of time.

Perspectives on Training and Development

U.S. Human Resource development professionals in the United States see training and development as tightly linked to bottom line performance. Within highly integrated HR systems, training and development are linked to the performance appraisal and reward system. The key to performance is in developing human potential: HR managers believe that they "win the war" based on how well developed their employees are. Here, the assumption is that if a person is not performing well, then most likely he or she has not been properly developed by higher management. Facilitation is requisite to proper development and with the proper amount of development and training, people can be made to change reasonably quickly, especially if the change includes humanistically-expressed work values. Again, U.S. HR managers tend to believe that the release of human potential by management represents the ultimate untapped organizational resource. 28

China. In general, Chinese managers have resisted rapid change.

Mao believed in "Red versus Expert," which means that all challenges could be overcome by political will, not expertise. Deng Xiaoping believes in expertise, and training is seen as the key to acquiring this expertise. The Chinese currently believe that training is the primary vehicle for creating productive Chinese enterprises, and it is seen as very prestigious to be allowed to train outside China. Acquiring expertise through training accords a certain amount of power to the person who has been trained, and two likely scenarios result. The

²⁷ Leskin op.cit.

²⁸ Leskin op. cit.

individual is asked to train others, similar to U.S.-based train-the-trainer programs. These programs have gained in popularity, recently, but generally occur only within the individual's own enterprise. Interenterprise training rarely occurs because of the enterprise's strong vertical linkages. An equally likely outcome of training is that the individual will be placed into a managerial position elsewhere, to apply that training. This frequently results in engineers trained abroad returning to a managerial, not a technical, position. 30

For the most part, training revolves around technical training, and, behavioral training is virtually nonexistent and exceedingly difficult to implement, even in joint ventures. Nevertheless, training is considered one of the most important tools to reinforce the expertise side of the "Red versus Expert" slogan.

Assumptions About Rewards

U.S. There is a phrase that has become popular within the past decade in the U.S.: "You get what you reward." If you want performance, you must be able to reward it; if you do not reward it, chances are you will not see performance. Organizational reward systems have become exquisitely varied and highly elaborated in the U.S., and the concept of pay for performance, the most visible criterion of a good reward system, is but one aspect of these systems. Broadly, reward systems include financial incentives, social status incentives, which are the organizational equivalent of "keeping up with the Jones's," and job-

Schnepp, et al. op.cit.

Won Glinow, et al. op.cit.

³¹ Kerr, 1975.

content incentives. The job-content aspects of reward systems include challenge, responsibility, feedback, and career-based rewards. Most HR professionals would favor a reward system that employs a broad spectrum of these types of rewards in order to encourage performance. In addition, the organizational climate, supportive supervision, participative decision-making and self development opportunities for individuals are seen as important contextual components of the organization's reware system.

China. In post-1949 China, equality has traditionally been the best policy. Egalitarianism, however, is conceding somewhat to duo lao, duo de, an equity-based "more work, more pay" scheme. There has been a belief that higher wages in one enterprise will set disruptive precedents for workers and cadres (managers) in other enterprises. Thus, the concept of pay for performance is in the "experimental" stages at present.

While some cash bonuses for good performance are possible, and widely publicized when they occur, there is no equation for distributing these material incentives. Generally, when a unit within an enterprise performs meritoriously and a cash incentive is distributed, that incentive is distributed equally among all individuals, however remotely involved: the work group, the department, the division, and so on up the vertical chain, using egalitarian logic. Thus, while cash incentives are theoretically possible, in practice they are egalitarian based, not equity-based. Prior to 1980, "spiritual incentives were preferred to material incentives, and high performers were given titles

such as "Model Worker," suggesting a strong reliance on non-financial incentives."

As previously mentioned, Chinese workers are provided housing, medical coverage and an extensive range of other benefits. While these would commonly be seen as part of the reward system in the U.S., in China these benefits are deeply interwoven in the enterprise and social structure. The concept of the "iron rice bowl" signifies a form of cradle-to-grave reward/entitlement system that is not related to work performance, and in some cases, has an intergenerational aspect. Sons will sometimes inherit the father's position, thus going beyond lifetime to intergenerational employment and entitlement.

HR Practitioner Background

U.S. In the United States, most HR practitioners have fairly similar educational training. They generally hail from psychology or social psychology, and occasionally, education or organization behavior. They have had considerable experience throughout their college careers with classroom training. Much of this college training is targeted toward HRM, since this specific functional area is common to most U.S. organizations. The future HR practitioner takes classes in compensation, human resource planning, career planning, organizational change, organizational development, and consulting, among others. A Ph.D. is becoming more commonly required by many firms.

China. Those cadres who practice HR or "Personnel Management" have had very little training or education that would be typical of or considered appropriate to the HR function, by Western standards. In part, the Cultural Revolution wreaked havoc on many educational

McLaughlin, op.cit.

endeavors, and many managers between the ages of 30 and 45 will not have had more than rudimentary training. These educationally-disenfranchised may elect to receive remedial training, however, this mostly occurs at the individual's own expense. Generally, it is those under 30 or over 45 who have received an education or speak a foreign language. The implication is that those engaged in "Personnel Management" have had little education and little background experience in that function; the "Personnel Manager" is a political appointee.

Impediments to HRM Modernization

From an analysis of the preceding comparison, we have identified four major impediments to HRM modernization in Sino-U.S. cooperative ventures: (1) a closed versus an open society; (2) the HRM legitimacy issue; (3) the technology acquisition versus absorption issue; and (5) the need for management infrastructure creation.

A Closed Versus an Open Society

Modern HRM practices that support industrial technology presuppose the existence of an open society with a concomitant availability and sharing of information. China is still, by and large, a closed society with political ideologies that run counter to many of the goals that Western HRM advocates. Information is frequently unavailable, and when it is available, as mentioned, it is hoarded rather than shared. The gap between the Chinese closed society and the more open U.S. society is significant, and the change required to close the gap, monumental. Suggestions on closing the gap must incorporate consideration of technoeconomic, social structural, ideological and political differences between the two cultures. 33

Pennings and Gresov, 1986.

HRM Legitimacy

Western HRM practices are rooted in behavioral science. The introduction of a specific HRM technique, for example, high involvement work settings, in a new context does not have the immediate, clear-cut, predictable results that the introduction of an inventory control system, for example, might have. One may even ask, "Are modern HRM practices relevant to the Chinese context?" and "Can modern HRM practices be applied in the China context?" The introduction of modern HRM techniques would require the risk-adverse Chinese to take a large risk based on research that is virtually non-existent in their culture, nor which they find legitimate. In fact, in 1957 psychology was branded a "bogus bourgeois science" and abolished by the government. This attitude has relaxed since Mao's death. 34

The current Chinese personnel system has many flaws that the Party policy officials quickly admit. These flaws include a tremendous shortage of management talent, as well as the political interference in enterprise activities. Although steps are currently underway to ameliorate those flaws, change of this magnitude will take a considerable amount of time. The acquisition of management talent has caused the party to implement policies to affect the "brain drain". Students educated abroad must now return to China to work. To guarantee their return, someone "back home" serves as guarantor; if the student fails to return, that person will be punished. In addition, the Chinese government is limiting the number of students that can study in any particular country.

Butterfield, 1982.

McLaughlin, op.cit.

Similarly, steps have been taken to reduce the party's role in the operation of enterprises. These so-called enterprise reforms serve to separate the political and management processes, and further increase productivity by implementing greater Western-based performance appraisal and evaluation systems, as well as adding greater material incentives into the enterprise. ³⁶

The focus of modern HRM practices in the West has been, by and large, within the organization, with the goal of optimizing human and organizational outcomes. HRM systems of a given firm in the U.S. are frequently judged on the extent to which they introduce a source of competitive advantage relative to the firm's strategic challenges.

For the Chinese, these strategic challenges have yet to be operationalized at the enterprise level. At the government policy-making level, the enterprise challenges are to increase productivity and acquire management know-how, while simultaneously lifting tight enterprise controls that have historically been in place. These challenges for the enterprise must, however, be discussed within the Chinese context of economic, political and social/welfare goals for the country as a whole. In a sense, there are two levels of abstraction implicit in these goals: goals attainable at the country-level, and those that are set for the enterprise. While both sets are equally important and should be considered in any analysis of enterprise changes, it is the challenges which affect the enterprise that concern us here. For enterprises to acquire and maintain efficiency of production, performance must be accurately defined and monitored at the enterprise level. That suggests performance management, evaluation,

McLaughlin, op.cit.

appraisal, control, as well as reward systems diagnosis—all hallmarks of modern Western HRM systems. We believe that for enterprise reform to occur, HRM systems must have legitimation within the Chinese context.

Technology Acquisition versus Absorption

Benjamin Franklin once described a boy who was so educated he could say cow in eight languages, but he could not milk one. The lesson is that knowledge, in and of itself, is not always useful. Usefulness lies, instead, in the ability to apply that knowledge. Thus, another stumbling block to the modernization of HRM practices is the Chinese perception that acquisition of a technology, for example, management know-how rather than the absorptive capability to apply that know-how constitutes performance. This technology acquisition versus absorption issue is not germane only for HRM, but for all hard and soft technologies. The Chinese government has historically controlled the enterprise activities. They simultaneously have designated which enterprise should receive new technology, via technology transfer, as well as controlling the paper flow during the transfer process. 3/ The Chinese government has, therefore, been able to keep its finger on the pulse of technology acquisition activities and thus has contributed to the acquisition versus absorption dilemma. It is believed that with deregulation of enterprise activities, greater assimilation will occur. However, as previously mentioned, absorptive capacity is a function of many different criteria, all of which must be addressed for success to occur.

³⁷ Von Glinow, Schnepp, Bhambri, 1988.

Management Infrastructure Creation

Management modernization sounds appealing, however, the issue may not be modernization of Chinese management practices as much as it is the need for creation of a management infrastructure within the enterprise. The management infrastructure in most enterprises predates 1950, if it exists at all. Thus, management information and control systems are not widely used, nor are any of the major Western management practices and techniques to increase individual and organizational productivity in place. Thus, the lack of a coherently developed management infrastructure, in and of itself, may preclude speedy attention to upgrading the HR function.

Modernization of the Chinese HRM system, recasting the iron rice bowl, is fraught with significant stumbling blocks. However, if Sino-U.S. cooperative ventures are to achieve world class performance, an outcome highly desired by both sides, development and/or modernization of Chinese HRM systems is necessary. To facilitate this modernization, we offer the following framework.

Recasting the Iron Rice Bowl: A Normative Framework

Incorporation of modern HRM techniques within the Chinese enterprise represents significant innovations for the Chinese. Therefore, we will use an innovation-decision process model as the skeleton of our normative framework. While there are a number of potentially useful models of the innovation-decision process, Rogers' framework gets to the heart of the general impediments identified earlier, and in particular the technology absorption impediment. Rogers identifies five stages in the innovation-decision process:

³⁸ Rogers, 1983.

(1) Knowledge--where the "decision-making unit" is exposed to the innovation's existence and function; (2) Persuasion--where the "decision-making unit" forms either a favorable or unfavorable attitude toward the innovation; (3) Decision--where the "decision-making unit" engages in activities that lead to the adoption or rejection of the innovation; (4) Implementation--where the "decision-making unit" puts an innovation into use; and (5) Confirmation--where the "decision-making unit" seeks reinforcement for the innovation decision already made. We then suggest how the U.S. partner can weave this model into the joint venture process to facilitate the transfer of HRM technology.

Knowledge

In negotiating a cooperative venture, the Chinese expend considerable effort ascertaining that they are receiving current, state-of-the-art industrial technology. Historically, negotiations have centered around the transfer of hardware—the equipment, components and raw materials. It is an established fact, however, that it is the software and management know-how that transfers far less easily in U.S.—Sino technology transfers. The transfer of software typically includes training, and consulting follow-up, whereas management know-how includes systems for getting the work done, i.e., accounting control, inventory control, distribution, performance planning, management, evaluation and control. While somewhat greater attention is given to the software transfer, very little attention is currently paid to transferring management skills, including HRM skills, in negotiating joint ventures.

Most current assessments of U.S.-Sino joint ventures indicate that the major dilemma in such negotiations concerns the management of the

joint venture's human resources. ³⁹ Thus, we take a somewhat radical departure from the "traditional" model of knowledge acquisition, and suggest that the U.S. partner begin at the negotiating table to educate the Chinese partner about the value of modern HRM technology as a subset of the much-desired management know-how. The U.S. partner can best present HRM technology in a manner that emphasizes that it is state-of-the-art management technology; discuss the critical role that modern HRM technology plays in supporting the absorption of industrial technology; and explain the productivity and efficiency benefits that would be expected if modern HRM technology was systematically implemented in the cooperative venture.

Persuasion

Because these cooperative ventures are still fairly new, and in many cases "experimental," the U.S. partner should stress that they present a compartively "safe" place to introduce HRM innovations. However, the Chinese look for bargains, and seek to pay as little foreign exchange as possible for technology; therefore, evaluating the cost or value of HRM innovations will undoubtedly be problematic.

A further dilemma exists with respect to the persuasion stage. Negotiators on behalf of the Chinese enterprise may resist the HRM technology, on grounds that the hardware is more important than the management software technology. The problem may be exacerbated by U.S. negotiators who may be unfamiliar with modern HRM technology, and

This conclusion was supported by consensual agreement at the Pacific Rim Management Program, "Doing Business in China," held at USC, June, 1987. In addition, more recent conferences, including the Philippines Conference: August, 1987, "China in a New Era of Science and Technology," and the "Dialectics of Technology Transfer Conference," USC, April, 1988 conclude the same.

its usefulness as supporting technology. We acknowledge such claims but suggest that new U.S.-Sino joint ventures will parallel the progress of other U.S.- foreign joint ventures that have suffered start-up and subsequent productivity problems due to lack of management know-how. We strongly believe that the U.S. firm that can persuade their Chinese colleagues that management support systems are critical in achieving joint venture performance, will have a distinct competitive advantage over firms that do not take the time to advocate these technologies.

Our strong belief, garnered by anecdotal data as well as case findings suggest that discussions of this nature must occur if China is ultimately going to reform its cooperative venture enterprise management. The U.S. partner should ideally be willing and prepared to appeal directly to "higher ups," if the discussion regarding HRM innovation stalemates during the negotiation process.

Decision

As discussed earlier, decision-making in the Chinese system is time consuming, and the U.S. partner will not be privy to the multiple layers of consensus-seeking that will occur behind the scenes. Top down change implementation is the norm within the U.S. In China, it is the only way, and like any other change in China, approval must come from the top. At this stage, the U.S. partner must "wait and see" if the adoption of HRM innovation receives approval. If the U.S. partner receives a negative response at this stage, a decision must be made on the part of the senior negotiators to reopen the discussion. Since this is a common negotiating tactic of the Chinese, the U.S. side should be prepared as well to reopen discussions. It might behoove the U.S. side

to have the senior HR officer discuss the importance of this type of technology directly with the Chinese negotiators, and answer questions with respect to usefulness of these Western technologies. The U.S. side should ultimately be prepared to terminate the negotiation process if the key negotiators conclude that inclusion of modern HRM techniques and management know-how are <u>essential</u> to the success of the joint venture and the Chinese appear <u>unwilling</u> to incorporate these technologies into the contract. Admittedly, this is a strong step to take; however, preliminary data now indicate that many joint ventures fail to reach a return on their investment, due to lack of management and HR infrastructure attention. Thus, we feel this conclusion is warranted at this stage, particularly to persuade the Chinese side of the importance the U.S. side places on modern HRM technologies.

Implementation

There will most likely be a significant lag between HRM innovation approval and actual implementation. The cooperative venture negotiation process is usually lengthy and HRM innovation transfer should be incorporated into the overall technology transfer package. HRM technology will have to be modified to accommodate many of the Chinese system constraints outlined earlier—U.S. HRM technology is not culture—free. We urge that both partners work together to define the specific form that HRM innovation should take in their venture. In the process of implementing these HRM technologies, we believe problem solving and ultimately learning occurs on both sides of the joint venture. When both sides participate in what is an on-going process,

⁴⁰ Teagarden and Von Glinow, 1988.

both sides learn of impediments and how to deal with those impediments. We believe that education is a critical component at this stage, for all managers. Subsequently, that education will trickle down, via training, to shop floor personnel. Educating Chinese joint-venture personnel about relevant HRM technologies is not a "one-shot" experience though. By education, we advocate an educational process that is repeated for all personnel, so that all recognize the importance of managerial and HR infrastructures. For example, if performance management is desirable to the joint venture, steps must be taken so that all personnel are evaluated according to relevant performance criteria. This means sensitizing the Chinese to performance indicators and encouraging measurement of those indicators at relevant time periods.

It has been noted that as local personnel become more and more familiar with the HRM processes and norms, it will be important to leverage their knowledge and skills by involving them in discussions of important issues facing the joint venture. This ensures that their involvement is more than superficial.

Equally important is the issue relating to the U.S. expatriate managers. Managers who are on-site participants in the joint venture process should be properly briefed by predecessors as to which systems are working properly, and which are not. Care must be taken by these expatriate managers to continue with the educational process, since joint venture productivity may suffer otherwise.

Ultimately, for the joint venture to succeed, the HRM systems that have been implemented must be able to support the hardware in the way

⁴¹ Bartlett and Yoshihara, in press.

in which it was designed. The final stage of the process speaks to that issue.

Confirmation

Introduction of HRM innovation presents a higher order risk to the Chinese partner than introduction of industrial technology. Therefore, confirmation becomes very important if the HRM innovation is to become institutionalized. Reinforcement should include acknowledgement of the risk and the courage required to take such a risk; feedback from the U.S. partner on how the implementation is going; and, reiteration of the interdependence between hard and soft technology and the integral role that soft technology plays in management modernization and ultimately enterprise success. Of course, the ultimate reinforcement is a demonstrable increase in enterprise productivity. However, the ease with which the technology is ultimately diffused is an important criterion as well.

Recasting the iron rice bowl is a tremendous undertaking. It implies modification of the work environment, and more importantly, of the Chinese social structural underpinnings. However, if China is to attain world class manufacturing status, it is necessary to implement world class technology, both hard and soft. A framework for the introduction of HRM innovation into Sino-U.S. cooperative ventures only scratches the surface—there are many unanswered questions. 42

Excellent references that discuss many of these questions follow.

They have been useful in the development of our discussion of Chinese industrial management.

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Suggestions and Conclusions

In progressive U.S. firms and in academia, discussions frequently focus on the integrated aspects of HR systems—namely the ability to chart essential information flows concerning the management of human resources throughout the organization in response to strategic challenges of the firm. An integrated HR system is one where "HR activities are holistically interdependent and connected, each of which informs the design and implementation of particular activities . . .

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individual and organizational parts are actively involved with one another. 43 If China is to vault itself into the 21st century, it too must begin to think in terms of integrating individual and enterprise parts, in addition to integrating the enterprise with economic goals of modernization. We believe that this internal alignment holds the most promise for increased organizational effectiveness and efficiency. Such integrated thinking requires a greater leap forward than current enterprise reforms suggest.

We believe the area of Chinese HRM systems is ripe for both research and practice. Researchers attempting to extend current thinking in the area should begin with two basic questions:

- 1. Will a knowledge of modern HRM theory and practice significantly add to an understanding of Chinese difficulties in absorbing transferred technology?
- 2. Will more attention to effective HRM systems and subsystems lead to greater individual and enterprise productivity?

The answers to these research questions can serve as a preliminary basis on which to begin testing hypotheses related to effective HRM in Chinese enterprises.

The result of inquiry into these research questions will additionally inform practice. For example, HRM diagnosis can be used to track enterprise change over time, which would allow practitioners to establish a priori conditions suitable for individual and/or enterprise change to occur. For example, the Chinese HRM system should be closely linked to the joint venture's business strategy. Once the business strategy is identified, then the strategic needs of the enterprise can

Von Glinow, Driver, Brousseau and Prince, 1983, p. 25.

be matched with other individual or enterprise factors, such as recruiting, and training processes. Absent these articulated linkages, changes introduced will be difficult to monitor; therefore, their likelihood for successful implementation will be diminished. HRM diagnosis further allows practitioners to design HRM systems that are uniquely appropriate to the Chinese setting and are maximally sensitive to internal and external demands, such as government control, enterprise efficiency or individual performance. It further allows specific HRM subsystems to be developed that will fit within the overall HRM system. This customization will further insure successful implementation of HRM innovation.

In conclusion, we strongly believe that HRM technology is an integral part, not an adjunct, of the industrial technologies that China is importing. The success of these industrial technologies does not occur in a managerial void. Thus, given the differences between many HRM assumptions, the Chinese and U.S. partner will ultimately have to work together to develop a state-of-the-art HRM system that incorporates strengths from both sides. Currently, the Chinese refer to these cooperative ventures as "Sleeping in the same bed, dreaming different dreams." The Chinese dream is industrialization and the U.S. dream is long-term profit: these goals are interdependent and attainable. Our hope is that eventually, through the introduction of soft technologies like HRM, this saying will become, "Sleeping in the same bed, dreaming the same dreams."

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Figure 1

