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**Contextual Determinants of Human  
Resource Management Effectiveness in  
International Cooperative Alliances:  
Evidence from the People's Republic of  
China**

**CEO Publication  
T 90-6 (168)**

**Mary Ann Von Glinow  
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**Center for Effective Organizations - School of Business Administration  
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Effectiveness in International Cooperative Alliances:  
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International cooperative alliances, especially joint ventures in developing countries with command economies such as the People's Republic of China, encounter myriad factors pertaining to HRM that constrain or influence their effectiveness. However, there has been little research that specifically examines the relationship between HRM and subsequent venture effectiveness, despite the fact that businesses engaged in these ventures commonly cite human factors as greatly influencing their effectiveness. We present a framework for the exploration of the HRM context-alliance effectiveness relationship, and suggest that this analytical approach sets the stage for systematic prescriptive research into this and related phenomena.

International cooperative alliances, especially joint ventures in developing countries with command economies such as the People's Republic of China (PRC), encounter myriad factors pertaining to HRM that constrain or influence their effectiveness. However, there has been little domestic or international cooperative alliance research that specifically examines the relationship between HRM factors and subsequent alliance effectiveness, despite the fact that businesses engaged in these alliances commonly cite human factors as greatly influencing their effectiveness (Campbell, 1985; Frankenstein, 1986, 1987, 1988; A.T. Kearney, 1987; National Council 1987; Teagarden, 1989a; Von Glinow & Teagarden, 1988a; Zamet & Bovarnick, 1986). There is even less research that disaggregates HRM-related contextual factors, a necessary antecedent to explanation of alliance effectiveness across contexts. In this manuscript, we offer a framework for analyzing the alliance's HRM-related context, and using examples drawn from Sino-foreign alliances, discuss ways that contextually embedded HRM influences affect alliance effectiveness.

#### Framework Development

The context-effectiveness framework was developed through analysis of primary data collected in the field and secondary data, as part of ongoing, multifaceted research on international cooperative alliance effectiveness. We have conducted in-depth exploratory, longitudinal, comparative field studies of fourteen Sino-foreign alliances (Schnepp, Von Glinow & Bhambri, 1990; Teagarden, 1989). In addition, we have analyzed over fifty Sino-foreign alliance case studies prepared by others, and have extended these secondary findings with focused interviews as necessary. The sample includes alliances in manufacturing, service and extraction-based industries, with the majority in manufacturing. Six alliance categories have been examined; (1) countertrade and counterpurchase; (2) long-term licensing agreements; (3) dynamic technology transfer agreements; (4) exploration and research consortia; (5) contractual joint ventures; and (6) equity joint ventures. We have examined alliances in various life-cycle stages from pre-formation through operations.

Either alliance partner's identification of contextual influence was sufficient to identify influence, likewise we accepted either partner's attributions of positive or negative associated with the influence. As with much of the research on organizational effectiveness, our measures of effectiveness were usually based on foreign management's subjective positive or negative assessment, an approach that has been used by others in alliance research (Janger, 1980; Killing, 1983). Whenever possible both foreign and local management's subjective assessments were obtained (Beamish, 1988; Schaan, 1983, 1987). Since effectiveness criteria vary across the alliance life-cycle, from firm to firm, and from industry to industry, the subjective assessment approach appears warranted (Schaan, 1987; Teagarden, 1989).

#### Context-Alliance Effectiveness Research

Four common contextual themes in alliance-related literature are the influence of host government policy, global competitive dynamics, technology, or culture on alliance effectiveness. The context influences the alliance directly through resource and information transactions, and indirectly through an extended field of interwoven relations among various environmental subsystems (Cummings, 1984). In China's centrally planned economy, the extended field of interwoven relations has more direct influence on the venture than in Western alliances, and the boundary between the venture and the environment is much less clearly distinguishable than in Western alliances. With all of the attention given to China's economic reforms, it is easy to lose sight of the fact that China is still very much a centrally planned economy (Barnett, 1981; Campbell, 1987a). Foreign-invested alliances are subject to "higher authorities" (shanji danwei)--national, provincial, local and other governmental entities with whom ventures interact to obtain decision ratification, resources, and access to channels of distribution. According to Woodward, "The first rule of Chinese organizational behavior is straightforward: everything is connected to something else...." (1988, p. 1). Thus, context is especially influential in Sino-foreign alliances.

Most discussions of context, even the HRM-related discussions, lack

systematic attention to the intricate social systems which emerge when cooperative alliances are formed (Von Glinow & Teagarden, 1988). Our research strongly supports the contention that contextual factors--especially HRM contextual factors--have significant influence on subsequent alliance effectiveness. Social relationships appear to be fundamental to the effectiveness of international cooperative alliances (Chan, 1987; Davidson & McFetridge, 1985; Henley & Nyaw, 1986a, 1987a, 1987b; Lindsay & Dempsey, 1983; Teagarden, 1989; Von Glinow & Teagarden, 1988; Zamet & Bovarnick, 1986). Nevertheless, there is considerable evidence that adequate development of these relationships is a very difficult, and often insurmountable task in alliance development (Lindsay & Dempsey, 1983, 1985; Teagarden, 1989; Von Glinow & Teagarden, 1988; Von Glinow & Teagarden, 1989c). Therefore, we center our discussion of context on social and cultural subsystem influences, and the interactions of other environmental subsystems--technological, political-economic, and ideological--with these as they influence HRM factors.

#### Context-Effectiveness Analytic Framework

The following analytic framework incorporates contextual factors that have emerged as significant based on our research, and suggests a level of complexity that is sufficiently isomorphic with the cooperative alliance phenomena for our explanatory purposes. It extends a framework developed by Pennings and Gresov (1986) which we have discussed in depth previously (Teagarden & Von Glinow, 1989c). In this discussion the environment will be defined as consisting of five subsystems: (1) technological; (2) political-economic; (3) social; (4) cultural; and (5) ideological.

The technological subsystem is defined as "the machines and tools employed by a society, as well as the way they are organized for use, and the scientific knowledge that makes them both possible and usable" (Pennings & Gresov, 1986:321).

The economic subsystem represents patterns of exchange relationships and laws governing those exchanges. The social-structural subsystem "is the system by which relatively enduring social relationships are ordered, and the relative distribution of human inputs and outputs to a social system are assigned"

(Pennings & Gresov, 1986:322). Pennings and Gresov (1986:322) define the ideology-culture variable as "values, norms, 'knowledge', philosophies, religious beliefs, sentiments, ethical principles, symbols, myths, etc...." We suggest that ideology be separated from culture. Culture represents the enduring aspects of this variable. Ideology, on the other hand, represents permutable aspects such as current political ideology, which is often in a state of flux.

To adequately examine the influence of context on alliance effectiveness, it is necessary to consider the contextual matrix in which both (or all) parent organizations are embedded, and the fit between the subsystems in the respective matrices. The concept of congruence or fit between alliance partners is significant given the costs associated with the absence of fit between target firms (Jemison & Sitkin, 1986). In addition, propositions and hypotheses regarding fit or congruence may be generated based on congruency theory models. Functional congruence represents a general model which has an emphasis on both statistical interaction and consideration of particular criteria, and the framework we propose allows for functional and general congruency propositions (Joyce, Slocum & Von Glinow, 1982; Venkatraman, 1989).

There are various alliance configurations, however for purposes of clarity, our discussion will focus on the most simple case, the two-parent home/host alliance (Teagarden & Von Glinow, 1989c). Alliance and contextual variables interact with each other and across levels of analysis. As shown in Figure 1, influence can flow from the host context/organization matrix to the alliance (1) or from the alliance to the host context/organization matrix (2). Influence can also flow from the foreign context/organization matrix to the alliance (3) or from the alliance to the foreign context/organization matrix (4). These would be considered direct, first order contextual influences. In addition, the host context/organization matrix can directly influence the foreign context/organization matrix (5) or the foreign context/organization matrix can directly influence the host context/organization matrix (6), thus creating an indirect or second order contextual influence that affects the alliance. These second order influences are



usually the result of the direct lobbying by one parent of the other parent's political-economic environment. Pennings and Gresov (1986:321) caution that "the separation of subsystem variables is a conceptual device rather than an empirical reality," and we strongly agree with this assertion--attempts at confining an influence to one subsystem are often difficult.

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Insert Figure 1 About Here  
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We suggest that (1) the congruence or degree of "fit" between the host context and the alliance, and (2) the strength of the linkages between the host or foreign contextual subsystems and the alliance subsystems influence effectiveness. We postulate that the lack of congruence between parental contexts in general, and social systems in particular, will impede alliance effectiveness. This lack of congruence would be any conceptual incongruity between the host and foreign HRM systems, for example, a highly specific selection system (or reward system, performance appraisal system, or career path structure) versus a selection system that does not include assessment, recruitment devices and other mechanisms associated with highly specific systems. There is little congruence between Chinese and US HRM systems, dimensions of the social subsystem; and, this lack of congruence would impede Sino-US alliance effectiveness since effectiveness in this subsystem is linked to attraction, retention, motivation, and overall morale factors. We suggest that complementarity between parental subsystems enhances effectiveness.

We also postulate that strong linkages between any parental context and the alliance will impede effectiveness if the parental contexts are moderately to highly incongruent, and enhance effectiveness if the parental contexts are moderately to highly congruent. For example, we have observed significant incongruence between US and Chinese HRM practices, and would therefore expect this lack of congruity to impede alliance effectiveness since much of the manufacturing

technology used in these alliances relies on US-based HRM practices, yet there is a strong Chinese and weak US social system linkage to the alliance. The extent to which this occurs is worthy of empirical testing. The following discussion will describe the Sino-US alliance phenomenon, and then apply our framework in an analysis of HRM-related contextual influences.

#### The China Context

The PRC is undergoing what may be the most radical social experiment of our time, a gargantuan modernization program of renewal and reform.. China's assumption that rapid and effective modernization is dependent on expanded foreign interaction has resulted in reforms in foreign economic policy, such as the Open Door Policy, the 1979 Joint Venture Law and subsequent joint venture related legislation (Harding, 1987). Cooperative alliances have been the primary vehicle for Sino-foreign economic interaction; equity and contractual joint ventures are the most prevalent alliance forms in China, representing over 90% of the foreign investment in the PRC (National Council, 1987).

Performance attributions characterizing these alliances are mixed ranging from very negative to very optimistic (cf. Campbell, 1985; Davidson, 1987; A.T. Kearney, 1987; National Council, 1987). The contrast between Chinese and Western foreign alliance partners' expectations regarding HRM is sharp (Teagarden & Von Glinow, 1989a), a fact that facilitates rigorous exploration of the HRM-effectiveness phenomenon. Furthermore, the differences between Chinese enterprises and foreign firms regarding human resources practices are prominent (Von Glinow & Teagarden, 1988a; Teagarden, 1989a; Zamet & Bovarnick, 1976). The following will discuss Social and Cultural contextual factors that influence the HRM-effectiveness relationship. This will be followed by a discussion of the interactions between the Social and Cultural subsystems and the remaining subsystems. Thus the PRC affords significant opportunity for the investigation of HRM-related contextual influences on alliance effectiveness.

#### Social and Cultural Influences on the HRM-Effectiveness Relationship

Confucian principles provide the base upon which relatively enduring Chinese

cultural and social relationships are ordered. Chinese social and cultural influences on venture effectiveness has been explored in some depth, including influence on HRM (Von Glinow & Teagarden, 1988). Chinese culture includes an identifiable set of core values that underlie social interaction among Chinese people, whether they are from the PRC, Taiwan, Hong Kong, Singapore or are "overseas" Chinese. Distinguishing features of Chinese culture include: (1) respect for age and hierarchical position--strict hierarchy; (2) family or group orientation--collectivism; (3) the concept of "face"--including avoidance of conflict and need for harmony; and, (4) the centrality of relationships (Castaldi & Soerjanto, 1988; Laaksonen, 1988; Lockett, 1989; Shenkar, 1989; Tan, 1987). Shenkar (1989) identifies two additional Confucian principles that "have wide applicability to management and development": the superiority of broad virtues over technical training; and, the inferiority of economic activity.[1] In the PRC, these traditional Chinese values were incorporated by Mao into post-revolutionary ideology. According to Tung, "Confucianism...had a lasting influence on Mao's...development and his outlook on life and society at large" (1982, p. 17).

#### Strict Hierarchy and Respect for Authority

Respect for age and strict hierarchy is comparatively greater in Chinese society than in others (Lockett, 1989, Shenkar, 1989). Confucianism emphasized a hierarchical society in which everyone "knew his place" and behaved "in a manner appropriate to his status" (Shenkar, 1989). Barnowe argues that Chinese "awareness of hierarchical position pervades all relationships with others" (1987, p.4). Strict hierarchy has implications for HRM including "power distance" issues; the pervasiveness of bureaucracy, and the prevalence and strength of top-down decision-making.

The Chinese preference for clear distinctions between managers and subordinates (Hofstede, 1984) reflects centuries of bureaucratic authoritarianism and dominance by feudal landlords (Fairbanks, 1976). Chinese "bureaucracy" is perhaps the most regularly cited obstacle to Sino-foreign alliance effectiveness. The term refers to three separable, yet highly interrelated, phenomenon--the multi-

layered bureaucratic superstructure in which the enterprise is embedded; the intricate linkages between the enterprise and the superstructure; and the organizational structure of the enterprise.

US MNEs observe that the Chinese rarely, if ever, act without consulting "higher authorities" in the bureaucracy for approval (Ho & Huenemann, 1984; Lindsay & Dempsey, 1983; Schnepf et al., 1990). In addition, while decisions may appear to be made from the "bottom-up" there is ample evidence that there is strong and continuing influence from above (Lindsay & Dempsey, 1983, 1985; Von Glinow & Teagarden, 1988). These decision-related impediments are manifestations of respect for hierarchy and authority. This labyrinthine decision-making process (Laaksonen, 1988; Lockett, 1989), the external decision ratification requirement it imposes (Grow, 1988), and the de facto requirement for vertical consensus regarding change (Grow, 1988; Lindsay & Dempsey, 1983, 1985) have been identified as impediments to general alliance effectiveness, and to alliance HRM, especially regarding implementation of Western HRM technology (Von Glinow & Teagarden, 1988).

#### Family Orientation

Castaldi and Soerjanto comment, "According to Confucius, the norms of a good society are benevolence, propriety, wisdom, and obedience" (1988, p. 2-3). These "constant virtues" are upheld by "five relations," three of which involve familial relationships, and suggest the basis for the Chinese value of "collectivism". Tan (1987) suggests that the values relating to family and community are extended to the business organization in modern China. The view of the State as "an enlarged family system" strongly influences the employment relationship.

#### Face

The concept of face is a universal human characteristic (Goffman, 1955, 1956; Redding & Ng, 1982) which assumes particular importance in Chinese culture (Hu, 1944). The Chinese distinguish two dimensions of face--lien and mien tsu (Hu, 1944). Lien "...carries with it the idea of being a 'decent human being'. It is more ascribed than achieved" (Hu, 1944). A person with lien maintains high status by following proper, historically prescribed standards of behavior. Mien

tsu describes prestige or reputation based on personal effort, and is more achieved than ascribed (Hu, 1944). A person maintains mien tsu, for example, by dressing and behaving with dignity according to one's status. Loss of mien tsu implies that a person has not lived up to expectations, or has been unsuccessful in his career or business (Tan, 1987). In business dealings, mien tsu is more commonly affected than lien.

#### Harmony and Conflict Avoidance

The Chinese avoid open conflict or confrontation--harmony in relationships is rooted in the Confucian tradition of living properly (Kindel, 1987; Shenkar, 1989; Tan, 1987). Tan (1987) argues that the value of harmony within the family and the community is extended to the business firm, and is related to the need to preserve face for oneself and for others. The need for harmony leads to avoidance of conflict or confrontation. Tan argues that unpleasant confrontation upsets relationships, consequently confrontation avoidance behavior is routinely pursued.

#### The Centrality of Relationships

Trust and reciprocity (pao) are the foundation of continuing relationships. Yang states, "...in China the principle [of reciprocity] is marked by its long history, the high degree of consciousness of its existence, and its wide application and tremendous influence in social institutions" (1957, p. 291). The practice of "mutual favors," the use of connections, called guanxi, is at the heart of most Chinese personal and business arrangements.

#### Subsystem Interaction Influences on the HRM-Effectiveness Relationship

The five Social and Cultural subsystem influences cited above interact with factors in other subsystems to introduce additional influences on the HRM-effectiveness relationship.

#### Social/Cultural-Ideologic Subsystem Interactions

Three ideological influences that interact strongly with China's social and cultural subsystems are Marxist-Leninist-Maoist influence; the guiding principles of the Chinese Communist Party (CCP); and residual influence from the Cultural Revolution.[2] Human resource allocation structures and human resource management

practices are strongly influenced by Marxist-Leninist-Maoist ideology, and authority relationships within enterprises are strongly linked to the CCP's guiding principles. There is the dearth of educated and skilled workers as a result of formal education being "suspended" during the anti-intellectual campaigns of the Cultural Revolution (Harding, 1987; Von Glinow & Teagarden, 1988). In addition, the HRM manager function is frequently performed by the Party Secretary, a political appointment designed to assure adherence to the CCP's guiding principles.

#### Social/Cultural-Political/Economic Subsystem Interactions

Chinese political reform and economic reform are closely intertwined dimensions of China's post-Mao systematic structural reform. Despite the move toward what some, like Zhao Ziyang, have termed "market socialism," the State sector of the economy is still the largest employer, and workers are, by and large, allocated to danwei (work unit) by the State. Campbell (1987b, p.69) states, "Chinese industrial reform is accelerating, but the amount of discernible change can be exaggerated....The restrictions enforced by the centrally planned economy in labour management, marketing and purchasing still, for the most part, hold firm." By most estimates less than 10 percent of China's enterprises are profitable.

Industry and competitive dynamics also influence HRM practices: extraordinary vertical integration within industries, little within-industry interaction between geographic regions, and little horizontal interaction between industries inhibit worker mobility and communication within industries, which in turn impedes the diffusion of innovation and the general development of workers' technological capabilities (Nelson & Reeder, 1985; Von Glinow & Teagarden, 1988a).

#### Social/Cultural-Technological Subsystem Interactions

The asymmetry between levels of parental technological capability present ideological and operational impediments to venture effectiveness which particularly affect issues of "appropriate" technology. Ideologically, the Chinese want cutting-edge, world-class technology. However, the reality is that their

existing level of technological development frequently will not support such advanced technology (Fisher, 1986; Schnepf, et al., 1990; Simon, 1983, 1984, 1986a, 1986b; Teagarden, 1989; Von Glinow & Teagarden, 1988; Zhou & Yang, 1987).

The issue of appropriate technology is politically charged and impedes venture effectiveness in two ways. First, negotiating time is lengthened while the Chinese partner, seeking sophisticated technology, and the U.S. partner, trying to introduce intermediate-level technology, reach agreement. Secondly, the agreed upon technology is usually more sophisticated than the Chinese partner can readily absorb: it is not good "learning" technology (Schnepf et al., 1988). This slows the technology transfer process, slows the venture's learning curve, and delays entry into ongoing operations which in turn delays foreign exchange and profit generation. Table 1 presents the array of HRM-related environmental influences that affect alliance effectiveness.

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Insert Table 1 about here.  
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#### HRM Factors that Influence Effectiveness

The iron rice bowl, the danwei, human resource allocation, and overstaffing, all of which are strongly linked with the Chinese social and cultural subsystems, and strongly influenced by the ideological subsystem combine to significantly impede venture productivity. The following discussion will focus on how these contextual influences affect HRM functions.

#### Selection

Every able-bodied adult Chinese living in a city is supposed to work, and 93 million of the 120 million urban workers are employed in State owned enterprises (do Rosario, 1988a). The State sector of the economy accounts for approximately 70 percent of the urban employment and industrial production; the collective sector for about 25 to 30 percent; and the private sector for less than 5 percent (Harding, 1987). According to do Rosario, "state-employed workers remain the least motivated and least competitive of Chinese workers" (1988, p. 72). Most

workers are assigned to danwei by the government with little attention given to individual skills or preferences (Gao, 1988). In addition, the danwei must give approval before a worker can change jobs (Ignatius, 1988, do Rosario, 1988a).

Under Labor Autonomy Provisions passed in 1986, foreign-invested enterprises are assured the right to determine their staffing needs, and to recruit and fire personnel on their own (Greenwald, 1986; Horsley, 1988; Ignatius, 1988; do Rosario, 1988a). However, according to a survey conducted by the reform institute (do Rosario, 1988a, p. 73):

...40% of workers interviewed felt the system made no difference to them. Another 6% regarded it as unreasonable. The survey also found that the already low job-mobility rate had dropped 20% because those about to change jobs feared they would suffer a change in status from permanent to contract worker. At the end of 1987 there were 7 million state-employed contract workers.

Even under these new regulations, most workers must be recruited locally, and enterprises have a very difficult time recruiting skilled labor (Horsley, 1988). Skilled workers are reluctant to leave secure jobs for foreign-managed joint ventures and work under limited contracts. Despite regulations that instruct domestic enterprises to release skilled workers if foreign-invested enterprises wish to hire them, the danwei that the worker is leaving is often reluctant to release the worker because of the generalized shortage of skilled workers (Horsley, 1988; do Rosario, 1988a, 1988b).

### Training

One benefit the Chinese see technology as providing is a training context for technical workers (Simon, 1986b, p.277-278). However, there are strong differences regarding the appropriate scope and content of training (Lindsay & Dempsey, 1983, 1985; Shenkar, 1989). The Chinese give preferential treatment in the development of commercial relations to firms that provide expanded amounts of technology (Simon, 1986b). In many of these ventures the U.S. partner was selected by the Chinese because their technology was considered the best or the most sophisticated in the world market (Schnepp et al., 1990; Von Glinow et al., 1988; Woodward, 1988). However, one factor that especially influences training



is inadequate recognition of the role of the need to develop the social system--HRM and general Western management practices that form the matrix in which Western "hard" technology embedded (Von Glinow & Teagarden, 1988).

An equally significant potential impediment to current modernization efforts can be found in the Confucian view of the inferiority of economic activity. According to Shenkar, "In the Confucian order, economic activity is perceived inferior and must be subordinated to political and cultural activities. This position has been translated in the Imperial Chinese bureaucracy to a "bureaucratic economy" in which entrepreneurial activity was strictly limited; a situation which continued to exist in the PRC until recently..." (1989, p. 135). The political dimension affects enterprise effectiveness since a considerable amount of compensated worker time is spent attending to political activities, and political and ideological "correct thinking" is the basis for career advancement (Nelson & Reeder, 1985).

Face has motivated expatriate venture managers to introduce behaviorally-based adaptations into technology transfer-related operations. In China, if a subordinate challenges or criticizes a manager, or other authority figure, the superior loses mien tsu, and everyone is uncomfortable because the "natural order" is disturbed (Lindsay & Dempsey, 1983; Saltzman, 1987).[3] To overcome this impediment, one venture set aside a room in which challenge and criticism was acceptable. Both partners agreed that challenging authority and being outspoken in this room would not contribute to a loss of face. This was the only way the venture was able to elicit feedback critical to monitoring the effectiveness of its operations.

#### Hierarchical Advancement/Careers

Hierarchical advancement and career related issues are strongly influenced by two factors; the bureaucratic structure, and the strong political influence relating to advancement. The bureaucratic structure lacks several characteristics traditionally associated with the term that directly influence HRM. Chinese bureaucracy does not have an impersonal nature; employment decisions

based on political rather than technical merit; career tracks for employees who are not Party members are rare; and members' organizational and personal lives are tightly linked rather than separated from the venture through the danwei.

#### Reward Systems/Compensation

Historically, Chinese workers have been entitled to lifetime employment, guaranteed wages and cradle-to-grave social welfare regardless of productivity, a practice referred to as the "iron rice bowl". In some cases, the "iron rice bowl" practice is even intergenerational. The danwei is the work unit to which all workers belong, and the extent of the employees association with a danwei is pervasive (do Rosario, 1988a). For example, on the telephone, Chinese commonly identify themselves not by their name, but by the name of their danwei. The danwei serves as the link between workers and the State, and the danwei is considered a State control mechanism by many (do Rosario, 1988a).

Iron rice bowl entitlements, workers compensation, and State human resource allocation practices are administered through the danwei. Workers are commonly paid a base salary and a bonus (Horsley, 1984, 1988; Nelson & Reeder, 1985). The supplemental bonus was intended to reward superior effort and work, however, these bonuses have tended to be distributed equally to all workers and managers, and are even distributed when the enterprise suffers financial losses (Nelson & Reeder, 1985). In addition, the danwei provides an extensive array of entitlements, social welfare benefits, which include among other things, housing, health care, education for dependents, transportation, food subsidies and entertainment. However, reward and motivational systems can best be described as in in state of flux (Lindsay, 1982; Von Glinow & Teagarden, 1988).

Since 1978, China has used a combination of higher wages and short-term employment contracts as part of economic reform, but, these measures have only affected a small group of highly skilled professional and well-educated young people (do Rosario, 1988a, 1988b). According to do Rosario, "The bulk of the urban population remains largely unmoved by the changes. Concepts such as job satisfaction, initiative, competition, dismissal and unemployment remain

irrelevant to them" (1988a, p. 72). The initial increases in wages resulted in "a short burst of energy among urban workers" which deteriorated as wage increases grew more slowly and bonuses were paid indiscriminately to all (do Rosario, 1988a, p. 73).

### Appraisals

Although the iron rice bowl practice is changing, lifetime employment is still prevalent and worker dismissal is taken very seriously (Gao, 1989; do Rosario, 1988a, 1988b). Practices like maintenance of personal dossiers on each worker still continues, and workers that are required to work in another danwei remain loyal to their original danwei as a result (do Rosario, 1988a). Joint venture law permits ventures to terminate workers for poor performance. Nevertheless, terminating workers is a very sensitive issue given the wide range of social welfare benefits associated with the employment contracts, and does not occur easily (Gao, 1988). In addition, conflict avoidance has direct implications for appraisal, since, according to Tan (1987, p. 2-3):

"...Chinese avoid open conflict or confrontation. As unpleasant confrontation upsets relationship, they avoid passing harsh judgement or criticism. They find it difficult to have frank dialogues except among trusted friends. Thus the Western open performance appraisal system seldom reflects the real situation. Extreme evaluation is avoided and central tendency becomes a convenient means for the evaluator to overcome the judgmental problem....The need to avoid direct confrontation has made dismissal or disciplining subordinates a difficult task for the superior...Self-control and subtlety are regarded as virtues...."

### Discussion

HRM is a particularly difficult, complex and multifaceted undertaking in cooperative alliances, especially when the venture is located in a developing country, a command economy, or both. We presented a framework for examining various contextual influences on alliance effectiveness and have focused on HRM-related influences. We have identified an extensive array of environmental influences that interact with HRM factors, and we have identified an array of HRM factors that influence--positively or negatively--the effectiveness of cooperative alliances. Evident from our research is the fact that HRM is

central and critical to alliance effectiveness, and while this is known to those engaged in such ventures, the fact is often lost in alliance research.

This research has a specific focus on Sino-foreign cooperative alliances, however, we feel that the implications are generalizable to a broader range of international and domestic cooperative alliances. For example, this framework has been used to examine HRM-related effectiveness in maquiladora alliances between Mexico and U.S., Japanese, Korean, Taiwanese and Finnish partners (Teagarden & Von Glinow, 1989c). Significant differences between the China context used in the framework development and the Mexico context notwithstanding, the framework dimensions and HRM factors were relevant.

We suggest the likelihood that less interdependent international cooperative alliances, such as long term licensing agreements or compensation trade agreements, would be subject to fewer or weaker HRM-related influences than joint ventures because they have less involvement and exposure in the host partners' country. Nevertheless, by definition international alliances would encounter and have to cope with more HRM-related influences on effectiveness than purely domestic alliances. In domestic cooperative alliances, however, different industries represent different contexts, and different companies represent different cultures, therefore it is likely that the systematic study of HRM-related influences on effectiveness in these cases could also be beneficial. By design, we selected two contexts that are fairly incongruous to illustrate our analysis. We believe that the bulk of the alliance theory literature has ignored HRM-related influences, in particular the social structure influences on alliance effectiveness, thus failing to deal with a significant number of factors influencing and determining alliance effectiveness.

The framework we used is admittedly crude, nevertheless, it has enhanced our understanding of how HRM-related influences affect cooperative alliance effectiveness, an area ripe for research. Further development and refinement of this framework could prove fruitful for future empirical research as well as theory-building. Questions such as the following could occupy an important role in

deriving theoretical propositions: How do you evaluate the impact of HRM-related influence on effectiveness? Which HRM-related influences remain unidentified? Which influences vary from host country to country? Does the impact of HRM factor diminish as parental contexts become more congruent? If HRM factors are influential, how might cooperative alliances best manage these activities? Perhaps we have raised more issues than we have resolved. This is a potential starting point for more rigorous research leading to a theory of HRM influence on cooperative alliance effectiveness. We believe that sufficient anomalies have been noted in the discussion of Sino-foreign cooperative alliances to question the prevailing theories of international cooperative alliances.

## Notes

1. Hofstede and Bond (1988) show several non-East-Asia countries to be high on the "Confucian Dynamism" scale. For example, Brazil and India have higher Confucian Dynamism scores than Singapore. According to Shenkar (1989) this suggests that Confucianism is only partially culture-bound. He suggests that Confucius himself saw Confucianism as a universal philosophy.

2. A thorough understanding of the Cultural Revolution is imperative because of the profound and pervasive influence of this period of China's recent history on China's citizens and institutions. We strongly recommend several books relating to the topic: Son of the Revolution and After the Nightmare by Liang and Shapiro; China: Alive in the Bitter Sea by Butterfield; and Life and Death in Shanghai by Nien Cheng.

3. Saltzman's book Iron and Silk offers exceptional insights into the nature of contemporary Chinese, and the impediments to teaching or training Chinese. In addition, it is a delightful book.

Table 1. HRM-Related Contextual Influences.

SOCIAL SUBSYSTEM

- CONFUCIAN INFLUENCE (M)
  - Respect for authority (-/+)
  - Respect for age & hierarchy (-/+)
  - Family orientation & collectivism (-)
- HUMAN RESOURCE MANAGEMENT PRACTICES (S)
  - Iron rice bowl (-)
  - Danwei (-)
  - Overstaffing (-)
- DECISION-MAKING STRUCTURE (M)
  - Decision approval mechanisms (-)
  - Vertical consensus regarding change (-)

CULTURAL SUBSYSTEM

- CENTRALITY OF RELATIONSHIPS (W)
  - Guanxi (+/-)
- FACE (M)
  - Lien and mien tsu (-/+)
  - Harmony & conflict avoidance (-)
- CONFUCIAN HERITAGE (M)
  - Superiority of broad virtues over technical training (-)
  - Inferiority of economic activity (-)

IDEOLOGICAL SUBSYSTEM

- MARXIST/LENINIST/MAOIST INFLUENCE (S)
  - Adherence to Marxist-Leninist-Maoist Thought (-)
- CCP'S GUIDING PRINCIPLES (M) (-)
- CULTURAL REVOLUTION RESIDUAL (S)
  - Discontinuity in workers educational backgrounds (-)

POLITICAL-ECONOMIC SUBSYSTEM

- PERVASIVE BUREAUCRACY (M)
  - Multilayered superstructure (-)
  - Enterprise-superstructure linkages (-)
  - Enterprise structure (-)
- MARKET STRUCTURE (S)
  - Resource availability and allocation (-)
- LEGAL SYSTEM (S)
  - Labor provisions (+)
- INDUSTRY AND COMPETITIVE DYNAMICS (M)
  - Absence of mobility (-)

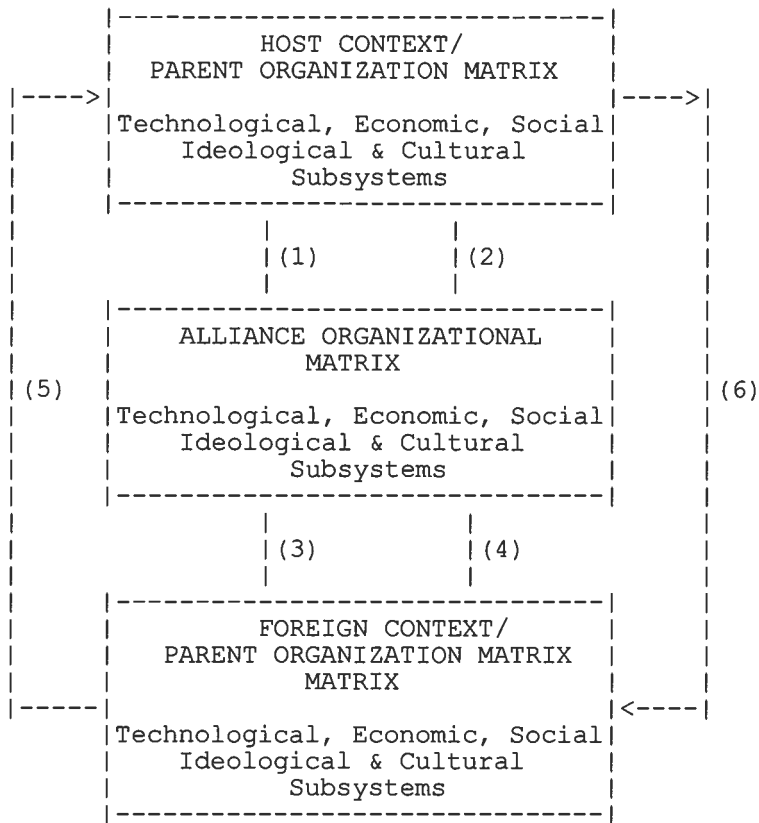
TECHNOLOGICAL SUBSYSTEM

- UNDERDEVELOPED TECHNOLOGICAL INFRASTRUCTURE (S) (-)

W = weak linkage; M = moderate linkage; S = strong linkage

- (-) = negative influence- reported to impede performance
- (+) = positive influence- reported to enhance performance
- (+/-) = mostly positive, occasionally negative - reported to both enhance and impede performance across alliances
- (-/+ ) = mostly negative, occasionally positive - reported to both impede and enhance performance across alliances

Figure 1. Linkages between contextual and alliance subsystems.





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