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**The Strategic Role of HR in the U.S. and
China: Relationships with HR Outcomes
and Effects of Management Approaches**

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Chapter 7

The Strategic Role of HR in the U.S. and China: Relationships with HR Outcomes and Effects of Management Approaches

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7.1. Introduction

The previous chapter laid out some of the developments in talent management when seen in a global context. In this chapter we look at the strategic context in the largest emerging market – that of China – through comparison of practices with those in the United States of America. Corporations in China and the United States differ greatly in many ways. U.S. firms typically are older, and are more global. Thus, it is not surprising that some research suggests that Chinese HRM policies and practices differ from Western HRM practices. In particular, there is evidence that HR functions allocate less time to strategic activities and play a less strategic role (Wei, 2010). However, there is some evidence of a two-speed system in China, whereby a small number of firms have highly sophisticated systems, while a much larger proportion has only very basic HR systems. This has been attributed to the difference between the relatively advanced management systems of large state-owned enterprises and the more basic systems characterizing smaller private firms.

The development of Chinese HRM has occurred in several phases (see Wei, 2010). During a Soviet-style traditional phase (from 1949-1979), there was little HR presence in organizations because much of HR management was dictated by State rules that required similar treatment

across organizations, and with little worker movement across organizations (Warner, 1996a; Naughton, 1996). This phase was followed by a reform phase (1979-1995), following the Third Plenary Session of the 11th Central Committee in late 1978. It allowed private ownership and foreign investment. It included greater profit incentive for enterprises, allowed for more experimentation with employment arrangements, and allowed the importation of HR practices by the Western firms that were investing in China (Wei, 2010).

In the 1990's, there were changes in Chinese corporate and labor law. These included abolishing the jobs-for-life requirement in favor of specific labor contracts, compensation linked to performance and skill, and employment-based pension and insurance arrangements (Wei, 2010; Warner, 1996b). Thus, China as compared to the U.S. and other Western nations, has had less experience with a legal and social environment that motivates significant investments and advancements in HR, and a shorter time during which the strategic value of the HR profession has been recognized. Thus, we might expect that China HR functions and leaders currently play a less strategic role in their organizations.

It is possible that Chinese organizations and HR leaders have had the chance to learn from the best practices of the West, and thus might be equally or even more advanced than their Western counterparts. Convergence theory has proposed that cross-national systems converge as industrialization and technologies carry knowledge of new approaches and their effects (Kerr, 1983), particularly the transfer of international best practices. However, the evidence of convergence remains mixed (Rowley & Benson, 2002; Bjorkman, 2003, Brewster, Mayrhofer & Morley, 2004; Wood, Psychogios, Szamosi & Collings, 2012).

Recent studies of Chinese organizations' HRM practices have suggested that there is some convergence, but also some important differences (Collins, Zhu & Warner, 2012). For many years now studies have suggested that the Chinese system emphasizes criteria such as work attitudes,

diligence and team spirit more than Western systems (Nyaw, 1995), and that Chinese companies rely on less specific criteria in performance assessment, leaving more to individual interpretation (Verburg, Drenth, Koopman, Van-Juijen & Wang, 1999). Thus, there is reason to believe that we may see differences between Chinese and U.S. organizations in the array and combination of HR practices that they use and in the activities of the HR function.

A significant reason for the evolution of HR practices in China has been that the dominant organizational ownership and management approach in organizations has changed. There has been a good deal of writing about the impact of ownership arrangements on the professional practice of HR in China (e.g., Ding & Akhtar, 2001). It describes four types of ownership: State Owned Enterprises (SOE's), Chinese private companies (CPC's), Foreign Directed Investment Entities (FIE's), and Joint Ventures (JV's).

SOE's were the dominant ownership approach from the 1940's to the 1970's, offering little discretion in employment and social welfare arrangements, they were controlled by State economic planners. Beginning in the late 1970s', SOE's were encouraged to increase productivity, leading to reforms designed to be more sensitive to labor and economic market forces. As Wei (2010, p. 44) noted, "a distinct feature of HRM of SOE's at this period is the mixture of old and new: managers have greater discretion over personnel issues... but senior positions are still assigned by the state; performance-linked pay practices have been incorporated ... but a major proportion of salary still depends on tenure and seniority; training for technical and managerial development is more frequent though political education is still an integral part of corporate training..." (Cooke, 2005; Zhu, 2005).

Joint ventures were quite popular during the 1970's as capital investment increased rapidly. JV's were often formed through part-ownership of former SOE's by foreign investment entities. Thus, the organization and HRM practices were often a compromise between the older

traditional approach of the SOE's, and the more Western approaches of the investing organization (Beamish, 1993), with some suggesting that integration of HRM practices as a reason for the underperformance of JV's (Glover & Siu, 2000). FIE's are fully owned by a foreign investor and thus have more freedom in choosing their organization and management approaches. It has been suggested that the greater recognition of performance and performance-based incentives is one reason for talent moving from SOE's to JV's and FIE's (Ding & Warner, 2001).

CPC's are companies managed by Chinese citizens rather than foreign investors. They tend to be younger businesses but important to China's economic growth, with some reports projecting a proportion of over 70% of GDP (ACFIC, 2006). These firms are smaller and managed more through personal relationships than formal management policies, and that they are "concentrated in low-technology, labor intensive sectors such as manufacturing and exporting" and face greater hurdles of obtaining financing and other privileges offered to SOE's and FIE's. Thus, CPC's may offer less comprehensive HR strategies (Cook, 2005).

There are few parallels between the Chinese ownership categories and those in the U.S. A prior survey showed that a very large proportion of larger Chinese companies are SOE's, so 75% of the sample came from SOE's (Wei, 2010, p. 60). Thus, while ownership category has been proposed as a potential factor in the variation of HR practices by past research, the current Chinese organization distribution suggests that ownership category does not differ very much among large companies. Thus, in comparing U.S. and Chinese firms, this chapter reports on a study that compares large firms regardless of the ownership category of the firms.

The study included a variable that reflects the perceived management operating approach of the organization. The management approaches included operating as a Bureaucracy, Low-Cost Operator, Global Competitor, Innovator, or through Sustainability. We elaborate on this later in the chapter. For now, we propose that examining the management approach of organizations

may provide a direct perspective on the organizations' support for advanced HR. Because we measured size and organization approach in both samples, these variables allow us to examine the emergence of HR practices in China and the U.S., and their patterns with regards to organization size and management approach.

7.2. Sample, Methodology, Measures and Outcomes

The data reported in the chapter come from a survey conducted in 2010, of HR leaders in the U.S. and China (Lawler & Boudreau, 2012). These data form part of a larger research initiative in which similar survey data were collected from U.S. HR executives in the years 1995, 1998, 2001, 2004, 2007, and 2010. For China, the questionnaire was translated by Chun Hui Huo, a Chinese HR researcher. All the 2010 survey data were collected using the internet. We restricted our analysis to companies with more than 1,000 employees. HR executives were given a link and asked to respond. We received completed surveys from 172 U.S. companies and from 215 companies in China.

The survey contained items concerning the characteristics of the HR function in corporations and how the corporation is managed (For a copy of complete survey, see Lawler & Boudreau, 2012). Items to measure the effectiveness of the HR function and its role in corporations were also included.

HR Strategic Role. The survey contained an item asking respondents to answer the question, "Which of the following best describes the relationship between the Human Resource function and the business strategy of your corporation?" Four options were offered: 1="Human Resource plays no role in business strategy," 2="Human Resource is involved in implementing the business strategy," 3="Human Resource provides input to the business strategy and helps implement it once it has been developed," and 4="Human Resource is a full partner in developing

and implementing the business strategy.” There was a notable tendency for Chinese HR managers to more frequently report playing “No role” or an “Implementation Role,” and less frequently a “Full Partner” role, than their U.S. counterparts. The U.S. sample responses showed 4.3% chose no role, 17.4% chose an implementing role, 47.3% chose input and implementing, and 31% chose full partner role. The Chinese sample showed 15.5% chose no role, 41.3% chose implementing role, 37.6% chose input and implementing, and 5.6% chose full partner.

The picture in China appears not to have changed in recent times, despite the continued and rapid development there. In a 2007 study, Wei (2010) used the same items and surveyed 171 HR leaders in China. His 2007 sample showed 9.6% chose no role, 46.6% chose implementing role, 28.1% chose input and implementing, and 15.7% chose full partner. The relative frequencies in our 2010 sample and the Wei 2007 sample are similar. Taken together, the results from the two surveys reaffirm that Chinese HR leaders are less involved in strategy than U.S. HR leaders. Indeed, if the comparison to the Wei sample in 2007 is valid, then the strategic role of Chinese HR leaders may have, in fact, decreased during the period of the global economic downturn. This is interesting because data from the Cranet survey for 2011 shows that in Taiwan (which although sharing many cultural traits with mainland China, of course differs in institutional, managerial and economic context) 51% of HR managers claim to be involved in the development of business strategy from the outset.

HR Functional Effectiveness. The overall effectiveness of the HR function was measured using the average of the ratings of effectiveness (1=Not meeting needs...10=All needs met), on eleven items describing various HR activities: Providing HR services, Being an employee advocate, Analyzing HR and business metrics, Managing outsourcing, Operating HR centers of excellence, Operating HR shared service units, Working with the corporate board, Providing change consulting services, Being a business partner, Helping to develop business strategies, and Improving decisions

about human capital. The mean was 6.4 for the U.S. sample and 5.2 for the China sample, a statistically significant difference ($p < .05$) that shows that the U.S. HR functions were rated as more effective.

Organizational Effectiveness. The effectiveness of the organization was measured with one item, asking “How would you gauge your organization’s performance relative to its competitors?” Respondents chose from the following options: 1=Much below average, 2=Somewhat below average, 3=About average, 4=Somewhat above average, 5=Much above average. The mean response for the U.S. sample was 3.87, while the mean response for the China sample was 3.58. The difference between the responses for the two countries was significant ($p \leq .05$).

Overall then, the pattern is consistent. The Chinese HR leaders consistently rate their organizations lower on effectiveness and the strategic role of HR. Why might this pattern arise? Our survey data revealed a particularly interesting reason having to do with the management approach taken by organizations.

7.3. Organization’s Management Approach

We asked respondents to describe their organization’s management approach. Table 7.1 shows the approaches, and the proportion of HR executives choosing each response (For more details on the definition of the approaches, see Lawler and Boudreau, 2012; Lawler and Worley, 2011). China HR executives are similar to their U.S. counterparts regarding their ratings of the Bureaucratic management approach. This is interesting in light of the propositions of prior researchers that Chinese State Owned Enterprises (SOE’s) are characterized by a bureaucratic approach. It seems plausible that our sample contains a large proportion of SOE’s considering Wei’s (2010) finding that a similarly-solicited sample of 171 Chinese HR leaders produced about 76

percent who said they worked in SOE's. In our results, the Chinese HR leaders rate their organizations significantly higher only on the "Low-Cost Operator" approach. They rate them significantly lower on the "High Involvement," "Global Competitor," and "Sustainable" approaches.

Table 7.1. Organizational Management Approach, U.S. versus China

To what extent do these describe how your organization operates?	Country	Little or No Extent = 1	Some Extent = 2	Moderate Extent = 3	Great Extent = 4	Very Great Extent = 5	Mean of 5-point scale
Bureaucratic (hierarchical and top-down)	U.S.	12.8%	29.9%	24.6%	27.8%	4.8%	2.8
	China	9.8%	30.7%	31.2%	23.7%	4.7%	2.8
Low Cost Operator (minimum compensation, low-cost focus)	U.S.	40.0%	29.2%	21.6%	7.6%	1.6%	2.0
	China	9.3%	36.0%	31.3%	16.8%	6.5%	2.8*
High Involvement (participative, flat, High career commitment)	U.S.	9.1%	25.7%	26.2%	29.4%	9.6%	3.0
	China	13.0%	33.5%	31.6%	19.1%	2.8%	2.7*
Global Competitor (complex work, hire the best, low career commitment)	U.S.	20.4%	28.5%	23.1%	21.0%	7.0%	2.7
	China	28.4%	32.6%	24.2%	11.6%	3.3%	2.3*
Sustainable (agile, both financial and sustainability goals)	U.S.	4.8%	18.2%	27.8%	38.0%	11.2%	3.3
	China	5.6%	28.4%	29.8%	28.4%	7.9%	3.0*

*Significant differences between countries ($p \leq .05$).

Early Chinese economic successes were often built upon being a low-cost global supplier of manufactured goods. The research noted above proposed that the evolution of Chinese organizations has proceeded from purely state-controlled SOE's to more market-driven SOE's as well as growing joint ventures, foreign investment entities and private companies. It may be that the larger Chinese organizations are evolving from a purely bureaucratic approach patterned after

state control to a more market-driven approach, but one still characterized by a low-cost emphasis.

A further test of this possibility is whether organizational size is differently associated with management approach in China and the U.S. We examined the relationship between management approach and organization size in both countries. For the U.S. sample, there were no significant correlations between organization size (number of employees) and ratings of the different management approaches. The China sample reflects a similar pattern – with one exception: There is a significant, positive correlation between organization size and the extent to which HR leaders characterized the organization as “Low-Cost Competitor.” This suggests that in China, organizational size is more associated with taking a low-cost approach than it is in the U.S. As we shall see, this has significant implications for the likelihood that Chinese organizations develop advanced strategic HR practices.

Our results show a similar pattern to prior research. Compared to U.S. HR leaders, China HR leaders report less of a full partner role in strategy, lower HR functional effectiveness and lower organizational effectiveness. Moreover, China HR leaders work in organizations that operate more as low-cost competitors, and less as global competitors, high-involvement, and sustainable organizations. For research on talent management in a Chinese context, this may mean that until Chinese HR functions and leaders play a more prominent role, the mechanisms through which talent management investments affect organizational outcomes may be different. For example, Bowen and Ostroff (2004) suggest that HRM practices work through both content and process, and note the importance of employee perceptions. In organizations with strongly strategic HR leaders and functions, it seems likely that such perceptions will be shaped more by the intentions of the HR function, than in organizations where this role is weaker. Measuring HRM programs through perceptions of HR leaders may be less valid in a Chinese context.

The traditional management systems in China may be ones that hinders the implementation of strategic HR because they are characterized by practices and structures that are less HR-friendly. In research focusing on the U.S. sample (Boudreau & Lawler, forthcoming), we found that the management approach has a strong effect on virtually all measures of HR advancement and effectiveness. We need to examine the effect of an organization's management approaches on how HR spends its time and how HR engages in strategic activities, to see if this pattern also exists in China.

7.4. Time Spent: China and U.S. Both Perceive HR's Progress Incorrectly

We asked respondents to indicate the percentage of time their HR function currently spends on five categories of HR activities, ranging from maintaining records and auditing, to acting as a strategic partner. We also asked them to recall the percentage allocation that existed 5 to 7 years ago. Table 7.2 shows the results.

Table 7.2. How HR Spends Its Time Now and 5-7 Years ago Comparing U.S. and China

Please estimate the percentage of time your HR function spends performing these roles...	5 – 7 Years Ago		Current		Wei (2007)
	U.S.	China	U.S.	China	China
Maintaining Records Collect, track, and maintain data on employees	23.2%	31.5%	13.6%	19.4%	22.8%
Auditing/Controlling Ensure compliance to internal operations, regulations, and legal and union requirements	15.7%	21.2%	12.5%	20.1%	20.4%
Human Resources Service Provider Assist with implementation and administration of HR practices	32.8%	27.1%	30.4%	29.5%	34.5%
Development of HR Systems and Practices	14.4%	11.0%	16.7%	16.0%	16.9%

Develop new HR systems and practices					
Strategic Business Partner Member of the management team. Involved with strategic HR planning, organizational design, and strategic change	13.9%	9.2%	26.8%	15.0%	14.0%

Looking at the current time allocation, China HR leaders report HR spending more time than their U.S. counterparts on the administration and auditing of records and compliance. They report spending less time as strategic partners. HR leaders in the U.S. report HR spending 26.1 percent of its time maintaining records and auditing/controlling compliance, 47.1 percent of its time providing and developing human resources services, and 26.8 percent of its time acting as a strategic business partner. In China, the estimates are about six percentage points higher for maintaining records and auditing/controlling. They are about twelve percentage points lower for strategic business partner.

The last column of Table 7.2 contains the results from a survey by Wei (2010) using the same questions. It reports the responses of 171 Chinese HR managers. The responses to this independently-conducted survey with a different sample are quite similar to our 2010 survey, suggesting that these measures are relatively stable and reliable between 2007 and 2010

The two left columns of the table show that when recalling their time allocation from 5-7 years ago, U.S. HR leaders recall significantly less time being spent maintaining records in the past (23.2 percent in the past and 13.6 percent currently). They recall spending about the same percent of time on auditing/controlling, providing and developing HR services, and significantly less time on strategic partnership in the past (13.9 percent in the past and 26.8 percent currently). For the China HR executives, the general pattern of recollection is similar. They recall much greater time spent on maintaining records in the past than currently (31.5% versus 19.4%) and less time spent

on strategic partnership in the past (9.2% versus 15.0%). Based on these perceptions, HR leaders in both China and the U.S. might quite understandably feel that they might have reduced their time on administrative records maintenance, and re-allocated the time to strategic partnership activities.

In the U.S., our research suggests that the sense of progress is actually due to the misperception of how time was spent in the past (See Lawler & Boudreau, 2012). In prior studies of U.S. HR leaders (based on our survey run every three years since 1995), each survey found virtually identical current time allocations, as well as virtually identical recollections of time spent 5-7 years ago. So, although U.S. HR leaders perceive spending more time on administrative activities and less time on strategic partnership activities in the past, the data suggest that the actual allocation has not actually changed. The past is consistently and incorrectly perceived to have had less strategy and more records administration than it actually had.

We did not collect prior data for the China sample of HR leaders. However, some longitudinal perspective can be gained by comparing the results from the Wei (2010) sample. This suggests a similar pattern to the U.S. Specifically, our sample of China HR leaders in 2010 recalled a far different pattern of time allocation than their ratings of how they currently spent their time. Yet, the Wei (2010) data show that a similar sample of China HR leaders in 2007 rated their actual time allocation as more similar to the 2010 allocation, than to the 2010 recollections of Chinese HR leaders. Like the U.S. HR leaders, China HR leaders may perceive progress based on a misperception of the past.

We have coined the term “stubborn traditionalism” (Boudreau & Lawler, forthcoming, Lawler & Boudreau, 2012; Boudreau & Ramstad, 2007) to describe the evolution of the HR profession, reflecting the widespread impression and frequent finding that HR’s progress is slower than often perceived, and possibly slower than needed to retain its relevance. These results

suggest that in both the U.S. and China, perceptions of HR leaders about the progress of the profession may be subject to the same misperceptions. One explanation may be that the admonishment that HR must evolve to a strategic partner role, and shift its time from “administrative” to “strategic” activities is now so globally widespread that HR leaders in most regions tend to believe that such a shift has taken place. Research on HR’s role may be more accurately based on actual estimates of time spent, activities undertaken, skills achieved, etc., than on opinions about HR progress.

7.5. Time Spent and Performance Outcomes

Table 7.3 shows the correlations among the responses to the time-spent question and measures of HR and organization effectiveness. The pattern is broadly the same for all three outcomes within each country, but the strength of the relationships differs between countries. For both the U.S. and China samples, the greater the reported time allocated to “Maintaining Records,” and “Auditing and Controlling,” the lower the reported level of HR’s role in strategy, HR’s effectiveness, and organizational performance. The negative correlation with organization performance is even stronger for the China sample.

Table 7.3. Time Spent and Key Performance Outcomes for the U.S. and China

	U.S.			China		
Please estimate the percentage of time your HR function spends performing these roles	Correlation with HR Role in Strategy	Correlation with HR Effectiveness	Correlation with Organization Performance	Correlation with HR Role in Strategy	Correlation with HR Effectiveness	Correlation with Organization Performance
Maintaining Records Collect, track, and maintain data on employees	-.18*	-.42***	-.12	-.36***	-.31***	-.24***

Auditing/Controlling Ensure compliance to internal operations, regulations, and legal and union requirements	-.17*	-.30***	-.13	-.04	-.21*	-.18**
Human Resources Service Provider Assist with implementation and administration of HR practices	-.18*	-.24**	-.23*	.02	.07	.10
Development of HR Systems and Practices Develop new HR systems and practices	.05	.12	.16 ^t	.24***	.32***	.24***
Strategic Business Partner Member of the management team. Involved with strategic HR planning, organizational design, and strategic change	.31***	.54***	.27**	.22**	.15 ^t	.10

Significance Level: ^t $p \leq .10$ * $p \leq .05$ ** $p \leq .01$ *** $p \leq .001$

However, the other three categories of time allocation show interesting differences between the countries. “Providing HR Services” is negatively related to all three outcomes in the U.S. sample, but not significantly related to any outcomes in the China sample. “Developing HR Systems and Practices” is not significantly related to the outcomes in the U.S. sample, but is strongly and positively related to all three outcomes in the China sample. Finally, while “Strategic Business Partner” is significantly and positively related to all three outcomes in the U.S. sample, it is unrelated to the outcomes in the China sample. There is of course good reason to assume that an HR Business Partner role is very much an artifact of western HR practice, and that the traditional three box model that differentiates transactional, centres of excellence and strategic HR business partner roles has low adoption in Chinese organizations.

Correlations cannot reveal causal direction, so it is possible that these relationships occur partly because when the outcomes occur (HR plays a greater role in strategy, achieves effectiveness or is a part of a well-performing organization), it causes HR to spend time differently. However, it seems likely that the relationship exists in part because when HR spends more time on

certain activities, it contributes to a stronger HR role in strategy, stronger HR functional effectiveness and better organizational performance.

It appears that the path toward achieving better HR outcomes and effectiveness is somewhat different in China than in the U.S. In the U.S., time spent on service provision is negatively related to HR effectiveness and organization performance. However in China, it is not. Time spent developing HR systems and practices in China, is positively related to HR effectiveness and organizational performance, while in the U.S. it is not. Perhaps this reflects a relative lack of HR program development and availability in Chinese organizations, making time spent by HR on these dimensions more important and impactful.

Regarding time spent on a strategic partnership, the results for China show that it is unrelated to HR effectiveness and organizational performance, yet it is positively and significantly related to these outcomes for the U.S. sample. Perhaps HR strategic partnership activity is recognized or valued more by the line leaders and other members in the U.S., relative to China. Perhaps HR leaders in the U.S. have had more time to develop satisfactory HR systems, so that they have a platform and permission to be a strategic partner. On the other hand, the development and delivery of HR services in China may be at an earlier stage and has not yet progressed to the point where an HR strategic partnership is widely understood and valued by key executives and HR professionals.

The results suggest that it is quite feasible for HR activities to impact HR and organizational effectiveness in both the U.S. and China, but in different ways. Greater time on building the infrastructure of HR services and practices seems more potent in China, while strategic partnership is relatively more potent in the U.S. Both the “services” and “strategy” paradigms can add value depending on organizational needs. It may be quite sufficient in some contexts for HR to focus much more on insuring that business units receive the HR programs they

want or need, and that they are delivered well. Excellence in such service delivery need not necessarily go hand in hand with HR being deeply involved in shaping or even understanding strategy. For example, sometimes a business unit merely needs a working system to recruit talent, not an HR partner equipped to debate which talent characteristics best fit the strategy. Delivering great recruitment services may be far more impactful than delivering great strategic insight. In the predominant Western view, it is often implied that if HR “merely” delivers services, without a strong connection to strategy, that there is little value. It appears possible that differences in where HR makes its most “pivotal” contribution (Boudreau & Ramstad, 2007) may vary across regions and with the evolutionary stage of organizations and HR.

7.6. Management Approach and How HR Spends Its Time

Table 7.4 shows the correlations between time spent and the use of each management approach. For the first four HR activities, both the U.S. and China samples show similar patterns. When respondents rate Bureaucratic or Low-Cost Operator higher, they also tend to report spending more time on maintaining employee records and less time on HR systems development. Also, in both China and the U.S., when respondents rate High Involvement, Global Competitor, and Sustainable higher, they report less time spent on maintaining records and auditing, and more time spent on developing HR systems. This suggests a common pattern between China and the U.S. in the value that organizations with different approaches derive from HR activities, and in the way that different organizational approaches allocate resources for HR activities.

Table 7.4. HR Time Allocation and Organization's Management Approach

Please estimate the percentage of time your HR function spends performing these roles	Bureaucratic (hierarchical and top-down)		Low Cost Operator (minimum compensation, low-cost focus)		High Involvement (participative, flat, High career commitment)		Global Competitor (complex work, hire the best, low career commitment)		Sustainable (agile, both financial and sustainability goals)	
	U.S.	China	U.S.	China	U.S.	China	U.S.	China	U.S.	China
Maintaining Records Collect, track, and maintain data on employees	.19*	.18**	.30***	.17*	-.23**	-.21**	-.12	-.16*	-.11	-.25***
Auditing/Controlling Ensure compliance to internal operations, regulations, and legal and union requirements	.12	-.01	.09	.11	-.18*	-.07	-.06	-.23***	-.17*	-.23***
Human Resources Service Provider Assist with implementation and administration of HR practices	.14 ^t	-.07	.10	-.10	-.04	.02	-.06	-.07	-.02	.01
Development of HR Systems and Practices Develop new HR systems and practices	-.11	-.16*	-.20**	-.14*	.16*	.21**	.23**	.19**	.09	.26***
Strategic Business Partner Member of the management team. Involved with strategic HR planning, organizational design, and strategic change	-.24**	.03	-.20**	-.04	.16*	.10	.03	.30***	.11	.25***

Significance Level: ^t $p \leq .10$ * $p \leq .05$ ** $p \leq .01$ *** $p \leq .001$

When it comes to time spent on strategic partnership (the bottom row of table 7.4), the U.S. and China samples differ. In the U.S., the more an organization is characterized by a Bureaucratic or Low-Cost-Operator approach, the less time is spent on strategic business partnership, while the Sustainable, Global Competitor and Involvement approaches are positively and significantly associated with time spent on strategic partnership. In the China sample, time spent on strategic partnership is unrelated to the organization's management approach.

As noted earlier, the China sample spends less time on strategic partnership activities, and time spent in this role has a lower association with all HR outcomes in China than it does in the U.S. Perhaps for this reason, Chinese organizations do not attend to the strategic partnership role to the same extent as their U.S. counterparts. This reinforces the earlier observation that HR's presence as a strategic partner may play a very different structural role in China versus the U.S., not only in the time spent, but also in the way it contributes to the underlying organizational approach. This may have implications for how the HR delivery system and structure has, and will, evolve differently in the two regions.

Thus, while U.S. HR leaders apparently face greater challenges in acting as a strategic partner in Bureaucratic and Low-Cost-Operator organizations, this is not the case with HR leaders in China. It is possible that as the strategic partnership role evolves in China, we may see a greater association with an organization's management approach, because Chinese organizations will see the value of such activities, and different types of Chinese organizations will support or demand them. It may also be that Chinese HR management may evolve with a lighter emphasis on HR's strategic role, perhaps adopting a model in which leaders outside of HR are more accountable for understanding the connection between their talent and strategy, and formulating talent strategies to fit their current and future challenges.

7.7. HR's Strategy Activities

We have seen that the U.S. and China vary in the time spent on strategic partnership activities and in how those activities relate to organizational success and management approaches. This raises the issue of whether the two countries also differ in the types of strategy activities they engage in. We asked respondents to rate the extent to which their HR function engages in eight strategy activities. Table 7.5 shows to what extent the average organizations engage in eight HR strategy activities in the U.S. and China. China HR leaders rate seven of the eight activities significantly lower than their U.S. counterparts, reinforcing the pattern of a generally less extensive strategic role for the Chinese HR leaders. The one activity on which the HR leaders' ratings are not significantly different is, "help identify new business opportunities." This item is also the lowest-rated by both the U.S. and Chinese HR leaders, so there may be a "floor" effect that caused the two ratings to converge at a very low level.

Table 7.5. HR Strategy Activities Comparing U.S. and China

<i>With respect to strategy, to what extent does the HR function ...?</i>	U.S.	China
Help identify or design strategy options	2.8	2.2*
Help decide among the best strategy options	2.9	2.3*
Help plan the implementation of strategy	3.6	2.5*
Help identify new business opportunities	2.0	2.1
Assess the organizations readiness to implement strategies	3.2	2.6*
Help design the organization structure to implement strategy	3.6	3.0*
Assess possible merger, acquisition or divestiture strategies	2.7	1.9*

Work with the corporate board on business strategy	2.6	2.1*
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Response Scale: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

* $p \leq .05$ test of mean differences

The relative extent to which HR engages in these activities is similar in both countries. Specifically, in both countries the more traditional HR activities (strategy implementation and organization design) are rated highest, while activities related to strategy formulation and business decisions are rated lowest. Thus, in both the U.S. and China, HR is more extensively involved in strategic activities focused on implementing strategy after it is formed than in actually formulating the strategy itself.

Does the extent and kind of HR strategy activity matter to key organizational outcomes?

Table 7.6 shows the relationship between the ratings of the extent that each HR strategy activity takes place, and the ratings of HR's role in strategy, HR effectiveness, and organizational performance.

Table 7.6. HR Strategy Activities and HR Outcomes

	U.S.			China		
<i>With respect to strategy, to what extent does the HR function ...?</i>	Correlation with HR Role in Strategy	Correlation with HR Effectiveness	Correlation with Organization Performance	Correlation with HR Role in Strategy	Correlation with HR Effectiveness	Correlation with Organization Performance
Help identify or design strategy options	.65***	.45***	.15	.35***	.47***	.15*
Help decide among the best strategy options	.70***	.53***	.14	.41***	.48***	.16*
Help plan the implementation of	.58***	.55***	.11	.42***	.46***	.13 ^t
Help identify new business opportunities	.52***	.47***	.12	.24***	.43***	.20**
Assess the organizations readiness to implement	.54***	.59***	.13	.50***	.48***	.20**

Help design the organization structure to	.58***	.62***	.12	.39***	.44***	.18*
Assess possible merger, acquisition or divestiture	.38***	.55***	.18 ^t	.26***	.45***	.20**
Work with the corporate board on business	.58***	.51***	.09	.41***	.47***	.18*

Response Scale: 1 = Little or No Extent; 2 = Some Extent; 3 = Moderate Extent; 4 = Great Extent; 5 = Very Great Extent

Significance Level: ^t $p \leq .10$ * $p \leq .05$ ** $p \leq .01$ *** $p \leq .001$

In both countries, all of the strategy activities are significantly and positively correlated with both HR's role in strategy and HR's functional effectiveness. The correlations in the China sample are somewhat lower, but still statistically significant.

When it comes to organizational performance, in both countries the correlations are positive but smaller than those with HR's role in strategy and HR effectiveness. This is not surprising given the many factors that influence organizational effectiveness. It is much less likely to be influenced by HR activities than is the effectiveness of the HR function and HR's role in strategy.

The strength of the correlations with organizational performance is different in the two countries and somewhat surprising. Considering the greater extent of strategy activity in the U.S. sample, and the greater relationship in the U.S. between time spent on strategy and organizational performance, one might expect that the extent of the strategy activities in Table 7 would be more strongly related to organizational performance in the U.S. sample. Yet, in the U.S. sample the correlations range from .11 to .18 with only one reaching significance at $p < .10$. For the China sample, the range of correlations is somewhat higher (from .13 to .20), and all but one reached significance at $p < .05$. However, none of the differences between the China and U.S. correlations reached statistical significance. Thus, it does not appear that the extensiveness of

these strategy activities is more strongly associated with organizational performance in the U.S. than in China.

7.8. Organization Management Approach

Does an organization's management approach associate with the extent of HR's strategic activity? Table 7.7 contains the correlations of the eight strategy activities with ratings of the organization's management approach in both the U.S. and China.

Table 7.7. HR Strategy Activities and Organization's Management Approach

<i>With respect to strategy, to what extent does the HR function ...?</i>	Bureaucratic (hierarchical and top-down)		Low Cost Operator (minimum compensation, low-cost focus)		High Involvement (participative, flat, High career commitment)		Global Competitor (complex work, hire the best, low career commitment)		Sustainable (agile, both financial and sustainability goals)		
	Country	U.S.	China	U.S.	China	U.S.	China	U.S.	China	U.S.	China
Help identify or design strategy options		-.21**	-.20**	-.11	-.06	.27***	.44***	.00	.37***	.26***	.41***
Help decide among the best strategy options		-.22**	-.21**	-.07	-.03	.30***	.42***	.06	.34***	.32***	.41***
Help plan the implementation of strategy		-.26***	-.19*	-.17*	.02	.39***	.39***	.11	.30***	.32***	.32***
Help identify new business opportunities		-.12	-.06	-.10	-.05	.27***	.28***	.13 ^t	.33***	.19*	.28***
Assess the organizations readiness to implement strategies		-.25***	-.14 ^t	-.16*	-.04	.42***	.40***	.14 ^t	.30***	.22**	.38***
Help design the organization structure to implement strategy		-.27***	-.11	-.21**	-.05	.44***	.36***	.21**	.30***	.20**	.34***

Assess possible merger, acquisition or divestiture strategies	-.28***	-.03	-.20**	.01	.27***	.27***	.17*	.32***	.19*	.22**
Work with the corporate board on business strategy	-.19*	-.18*	-.14 ^t	-.09	.38***	.32***	.07	.21**	.22**	.22**

Significance Level: ^t $p \leq .10$ * $p \leq .05$ ** $p \leq .01$ *** $p \leq .001$

The overall pattern of correlations is similar across both countries. As with earlier findings regarding time spent, the more an organization is characterized as Bureaucratic or Low Cost Operator the less extensive are HR strategy activities. The more an organization is characterized as High Involvement, Global Competitor, or Sustainable the more extensive are HR strategy activities, in both the U.S. and China. Thus, it appears that the management approach creates a similar pattern of encouragement or discouragement for HR strategy activities across both countries. It is simply less likely that HR will engage in these strategic activities in Bureaucratic and Low-Cost Operator organizations in both countries.

There are some intriguing differences between the countries. Consider the findings for the Low-Cost-Operator approach. The ratings of this approach are more likely to be significantly negatively associated with strategy activities in the U.S. than in China. As noted earlier, this management approach was significantly associated with organization size only in the China sample. It seems possible that if the route to growth in China has more often been through the Low-Cost-Operator approach, then this approach may have little effect on HR's strategic activity. Large organizations may have the resources and capacity to value HR's strategic activity, and in China such organizations are more likely to be Low Cost Operators. In contrast, if Low Cost Operator is less often a growth strategy in the U.S., then it may mean that U.S. organizations adopting this approach devote fewer resources to HR and allow it less opportunity for strategy activities.

Consider the findings for the Global Competitor approach. The correlations of the strategy activities with this approach are stronger and more frequently statistically significant for China than for the U.S. It seems possible that the U.S.-based companies that are global competitors may have progressed through the stage at which deep HR strategy involvement occurs, and have moved toward a model of shared services and a more pragmatic approach to careers (“we employ you as long as you can add value”). On the other hand, China based Global Competitor organizations may be at an earlier growth stage in which deep involvement by HR in strategy issues is more necessary and accepted. It may also be that there is simply a more HR-involved approach and perspective among the Global Competitors in the China sample than the U.S. sample.

Table 7.1 showed that, compared to U.S. HR leaders, China HR leaders more strongly described their organizations as Bureaucratic, and less strongly described them as Global Competitors, High Involvement and Sustainable. The results in Table 7.7 suggest that this pattern may partially explain the lower level of many strategy activities in Chinese HR functions. In both China and the U.S., advanced strategy activities are more extensive under management approaches that occur less often in China. Thus, U.S. HR leaders more frequently find themselves in organizations that operate in ways that may be more “friendly” to HR strategy activities.

These results from the U.S. and China, as well as the larger pattern of results in our survey data (Boudreau & Lawler, forthcoming; Lawler & Boudreau, 2012) suggest that certain organizational approaches (e.g., Bureaucratic and Low-Cost) present a “headwind” against which HR must battle to achieve strategic partnership, advanced strategy activities, high professional skill levels, etc. Other organizational approaches (e.g., Sustainable and Innovation) present a “tailwind” that seems to support such achievements. The fact that the former approaches appear more often in the Chinese sample may mean that Chinese HR leaders and organizations may find

it more difficult to advance HR through the Western pattern of strategic partnership. It may also be that the place to look for more advanced HR in China may be not only a function of organization size or longevity, as of management approach. Future research might attend to the role of the organization's management approach in HR evolution in China, versus other countries.

7.9. Conclusion

China and U.S. HR organizations show interesting similarities and differences. Our results clearly reinforce prior studies that suggest that Chinese HR is at a different stage than HR in the U.S. Chinese HR functions spend a smaller proportion of their time on strategic partnership and engage in advanced strategy activities less often. This may be partially explained by the fact that time spent on strategic partnership is less strongly related to organization performance in China. Yet, time spent on auditing and maintaining records was negatively related to organization performance in both countries, and the Chinese HR leaders reported spending more time there than U.S. organizations. In both the U.S. and China there appears to be a case that increasing the proportion of time spent on strategy will enhance key HR outcomes, though the impact of increased time on strategic partnership seems to be less in China.

The China HR leaders more often characterized their organizations as Low Cost Operators, and less often as Global Competitor, High Involvement and Sustainable organization. This is related to the greater proportion of time Chinese HR functions spend on HR administration, because in both the U.S. and China, being a Low Cost Operator was positively related to HR administration and the other three management approaches were negatively related to it. Interestingly, the proportion of time spent on strategic partnership was unrelated to the

management approaches in China. So, the lower proportion of time spent on strategic partnership by Chinese HR functions may not be a consequence of their management approach.

When it comes to advanced strategy activities, our results reinforce past research suggesting that Chinese HR functions engage in such activities less extensively. Interestingly, the relative extensiveness of the activities suggests that in both China and the U.S., HR is more likely to implement the strategy than to form it.

Advanced strategy activities were related to HR and organizational outcomes in both the U.S. and China. The relationship with organizational performance was more statistically significant in the China sample. Thus, the implication that more extensive engagement in advanced strategy activities may enhance HR and organization outcomes is similar for both countries.

Management approaches do affect the extent of advanced strategy activities. Both the Low Cost Operator and Bureaucratic approaches are being negatively associated with these activities in both countries. The greater prevalence of these management approaches in China may partially explain their less extensive use. An interesting finding was that the Low Cost operator approach was more strongly associated with organization size in China than in the U.S., and had less of a negative association with advanced strategy activities in China than in the U.S. Chinese HR leaders in Low Cost Operator companies may be seeing the advantages of size in ways that their U.S. counterparts do not.

Overall, while China appears to show a pattern of HR activity that is at an earlier stage of development, both China and the U.S. show evidence that progress toward strategic partnership and active strategic roles is associated with stronger HR and organizational outcomes. Both samples also show evidence that an organization's management approach matters. Thus, in both China and the U.S., HR may advance more quickly in organizations that operate as Global

Competitors, Sustainable, and High Involvement than as Bureaucratic and Low Cost Operators. A key to the advancement of HR in China may well be how the use of management approaches evolves.

7.10. Implications for Practice

This chapter has analyzed the extent and nature of HR strategy activity in U.S. and Chinese companies. The findings reinforce past research, in that that HR executives in China remain less active in business strategy than are U.S. HR executives. In both countries the extent and nature of HR strategic activity is associated with HR effectiveness and organizational performance, albeit with some differences. It appears that one reason for the differences in the strategic role of HR between the two countries is the extent to which organizations adopt management approaches that are positively associated with the opportunity for HR to engage in strategic activities. Moreover, organizations in China often have organization design and HR practices that are less “friendly” to strategic HR.

Given this, organizations operating globally will likely wish to accommodate the differences between HR approaches and practices in the U.S. and China. Indeed, in data not reported here, we found that this same pattern of differences exists when Chinese companies are compared to their counterparts in a variety of Western countries, including Europe and Canada. It appears that in many ways Chinese HR operates in a more operational and less strategic role than in the U.S. and other Western countries. This may mean non-HR Chinese leaders will be less accustomed to having HR play a leadership role in strategy and a strategic role in the enterprise. There is likely to be a greater need for education and acceptance-building with HR constituencies in China in order to advance a greater strategic role for the HR profession. It may also be that Chinese leaders outside of HR will learn to take on a greater role in HR strategy, lacking an HR function that is as prepared to take this role.

A significant finding is that the management approach taken by the organization associates strongly with the degree to which HR engages in strategic activities and spends time on strategy. This was true in both countries, though the pattern differed somewhat. It appears that organizations which accomplish their objectives by operating as low-cost-operators or bureaucracies are less likely to see strategic and more advanced HR roles, while those operating as global competitors, sustainable organizations and with high employee involvement are more likely to see such roles. This poses a conundrum for organizations and the HR profession. Should HR leaders who wish to play an advanced HR role try to join organizations whose operating approach is more “friendly” to strategic HR, or is it possible to change organizations whose approaches are inherently less HR friendly? Do organizations that operate as bureaucratic or low-cost have different needs for strategic HR? Our data is at the early stage, but it does appear that both HR and non-HR leaders as well as HR scholars, may wish to measure and account for the management approach of organizations as they consider the likelihood and effect of strategic HR activities.

Understanding and measuring the management approach of organizations may also provide ways to compare U.S. and Chinese organizations that add to what has been done before. Specifically, a good deal of prior research on Chinese HR has emphasized ownership arrangements such as State-owned or joint ventures. Such categories are less meaningful in the U.S. and other Western countries, but our data suggest that measuring the organization’s management approach may provide similar insights while being more comparable across regions. Though our data are at the company level, it seems plausible that such measures might also reveal differences between organizational units at the regional or national level. Thus, leaders may find it useful to map their units according to the prevalent management approach, as they consider the viability of strategic HR in different regions of their organization.

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