HR Practices and Challenges in Chinese Firms: Comparison with Western Firms

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ABSTRACT

This research compares Chinese HRM with Western HRM, particularly in the areas of development of HR information systems (HRIS) and HR measurement systems and their relation to HR’s involvement as a strategic partner in firms. The research uses a 3-stage model of HRIS (workforce profiling, business insight, and strategic driver) based on studies of Irmer and Ellerby (2005) and Boudreau and Ramstad (2003) to compare the relative stages of development of Chinese and Western HRM. The quantitative aspect of the study comprises a survey of senior HR practitioners from 171 Chinese firms whose data is compared with data from Irmer and Ellerby’s study of Australian and U.S. HRM (2005) and Lawler et al’s series of studies of U.S firms (1995, 1998, 2001, 2004).

The main results of the comparison are that Chinese HRM generally lags behind Western HRM. In particular, Chinese HR professionals allocate less time to strategic activities and their roles are less strategic than those of Western HR professionals. The HR measurement systems of Chinese firms are more limited in function, and the HR information systems of Chinese companies are less automated and integrated. However there is also evidence of a “two speed” HR system in China with a small proportion of firms having highly sophisticated HR systems but with a much larger proportion of Chinese firms than in the West having only the most basic HR information systems. This ‘two speed” system is in part attributable to a split between the relatively advanced HR systems of large State Owned Enterprises and the basic systems that predominate in smaller, growing Local Private firms. The survey study is complemented by a series of interviews with a number of senior Chinese HR practitioners who provide richer insights into their experiences and the challenges they face in contemporary Chinese firms.
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STATEMENT OF ORIGINAL AUTHORSHIP

I certify that the thesis is my original work and has been written by me. No other person’s work has been used without due acknowledgement in the text of this document.

Signature of Candidate

Wei Shi
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THESIS OVERVIEW

The central purpose of this research is to explore the current state of development of Chinese Human Resource Management (HRM) in comparison to that of Western HRM. There are three separate yet related areas of HRM development the research aims to look at, i.e., general HRM, HR information systems and HR measurement. As an exploratory study, the author is interested in both benchmarking developments of the three areas against yardsticks of Western HRM in numeric forms, and identifying key issues, challenges and textured backgrounds of these three areas, in more qualitative form. Besides, this research also plans to looks into the impact of different ownership types of Chinese enterprises on their HRM development.

Research Design

This research plans to use a design based on a mixed methods approach to take advantage of both questionnaire surveys for comparing Chinese HRM to Western HRM quantitatively, and interviews in exploring key issues, live cases and textured information about Chinese HRM developments. Therefore the two-study research design is as follows:

**Study 1**

**Method:** Questionnaire Survey (171 participants)

**Key Question:** What is the general state of development of Chinese HRM in terms of the 3-stage model? How is Chinese HR developed in areas of both HR information systems and HR measurement, as well as general management in comparison to the HRM in developed western countries like U.S. and Australia?

**Advantage:** To compare the developments of Chinese HRM and Western HRM in a numeric and standardized fashion.

**Study 2**

**Method:** Interviews (10 interviewees)

**Key Question:** What kind of information (HR data) is needed in their HR decision making? What are the current HR measures used in their organizations? What is the current level of HRIS development in Chinese HR functions?

**Advantage:** To explore qualitative information, live cases, textured background which assists understanding the results of questionnaire survey.
Study 1 – Quantitative Survey

Study 1 builds on previous studies of a 3-stage HRM developmental model based on Irmer and Ellerby (2005) and Boudreau and Ramstad (2003) to compare the relative development of Chinese and Western HRM. The questionnaire largely draws on the questions used by earlier studies of Irmer and Ellerby’s (2005) and Lawler et al’s (1995, 1998, 2001, 2004) in fields of general HRM, HR information systems and HR measurement in survey of North American and Australian companies. Study 1 contrasts the results of Chinese data to their data of Western HRM development. The Chinese data is collected from a convenience sample composed of 171 MBA students in the Management School of the Chinese Academy of Science.

Study 2 – Qualitative Interviews

Study 2 collects more textured information from Chinese HR professionals so to enrich our understanding of Chinese HRM development and its current issues. This interview-based study adopted a purposive sampling strategy to identify persons with HR expertise, experience, and knowledge of the current overall state of development of HRIS and HR measurement in China. Ten experienced senior HR professionals were interviewed. The interviews were normally around 1 ~ 2 hour in duration. The semi-structured interview script is developed in such a way as to explore stories and issues behind the patterns found in the survey result from Study 1.

Advantages

A feature of this research thesis is that it adopts a mixed method approach, using both a quantitative survey and qualitative interviews to study the topic. Both surveys and interview have advantages and disadvantages. One key advantage of questionnaires over interview is
their ability to collect information from a large sample of informants in a relatively short time. Another important advantage of questionnaires is their standardized form which improves consistency of answers and makes it easier for analysis and comparison across different samples. However, the consistency of questionnaire method also means it is relatively inflexible. Questionnaires are less capable of asking informants to clarify or elaborate answers to obtain information outside the questions asked if and when issues of particular interest or importance arise during the survey, so it’s less able to produce in-depth information.

In contrast, the interview method is more flexible though it generates less consistent data. Interviews have an advantage in creating opportunities to collect a broader range of information as well more detailed and in-depth information as they enable the researcher to ask supplementary questions and solicit answers during the interview process. The largest disadvantage of interview is that individual interviewers can influence the results and damage the consistency of measurement (Babbie, 2001).

Therefore questionnaires are more suitable for testing hypotheses, and demonstrating statistical relationships, while the interview method is more suitable to develop understanding and interpreting participant perceptions and attitudes. For our research in Chinese HRM, we are interested in obtaining both statistical comparison of Chinese HRM to Western HRM and to further understanding the differences, background and implications of these. Therefore a mixed method of both questionnaire and interview was deemed appropriate for the purpose of this research. By using a mixed method, each one approach complements the other to improve the overall robustness of the design and validity of the results. Both data consistency and in-depth understanding can be thus gained and triangulation leads to greater confidence in the results.
Thesis Outline

The main body of the thesis consists of four chapters. Chapter 1 is a review of the key literatures that result in identifying a total of four research questions to be further investigated in the succeeding chapters. The literature review covers three areas: (1) research into strategic HRM and HR measurement, and particularly the relative lack of studies in the latter; (2) the stage model of HRM evolution where details of a 3-stage model are discussed as the basis to compare the stages of development of Chinese and Western HRM, and (3) HR in China, its historical developments, Chinese characteristics retained in introduction of Western HRM and how different types of ownership tend to have different HRM systems.

Chapter 2 is the quantitative study (Study 1) based on a questionnaire survey of Chinese HR professionals. This chapter starts with discussion of the methods of the survey, i.e., the procedure, sampling, and measures in the survey, and then reports the main results of the survey. There are four main results derived from the data analysis answering the four research questions developed in Chapter 1. They are reported in the order of: (1) HR roles and time allocation to different HR activities; (2) use of HRIS and HR measurement capability; (3) effects of organisational ownership on HR development, and (4) the relationship among HRIS, HR measurement and HR role. Chapter 3 is the qualitative study (Study 2) based on interview with selected senior, Chinese HR professionals. This chapter also starts with a section describing the sampling and interview script that is then followed by reporting of results. The results are organised in a way that interpretation of information collected in interviews relates to each of research questions investigated in the quantitative survey.

Chapter 4 is the final chapter which summarises the main findings of this thesis, discusses the limitation and strengths and discusses possible future research.
CHAPTER ONE – Literature Review

I start this literature review section with a brief summary of the development of Human Resource Management (HRM) theory and particularly the emergence of the Strategic HRM (SHRM) concept, where I contrast the booming research interest in SHRM to the relatively inadequate research of HR measurement; the latter I propose is a key to the ultimate success of SHRM. I then discuss the administrative - strategic dichotomy in HRM, as well as in HR measurement and HR Information Systems (HRIS) research, as observed by different researchers, and find they share a similar pattern, which I summarise using a 3-stage model. I then discuss the three studies that provide the empirical results for describing current Western HR development with which I contrast Chinese HR. Then I move to review Chinese HR, where I particularly analyse the different types of ownership of enterprises which is a distinct phenomenon for an economy in transition and potentially has great implications for HR practices. I also discuss the ongoing convergence of Chinese HR with more western practices but caution that “Chinese characteristics” might still persist. The key research questions are developed as the review proceeds, and summarised in the final section.

1. 1 Strategic HRM and HR Measurement Research

Human resources is a relatively modern term, which came to gain popularity in the 1980s to replace the old concept of “personnel management” (Legge, 1999), with a new emphasis on sourcing workforce capacity which is a factor of production in theory of economics. Simply put, Human Resource Management (HRM) is an approach and a function in the management of an organization’s people to maximize the return on investment from its human capital through workforce planning, recruitment, selection, training and development, compensation and incentives, performance appraisal and management, and other people-relevant activities (Becker, Huselid & Ulrich, 2001). The value of HRM lies in that it
can increase employees’ knowledge, skills and abilities (KSAs), motivate employees to leverage their KSAs to contribute to the companies’ performance, and provide a better organization structure and culture to empower employees to do so (Huselid, 1995).

The development of HRM has been constantly evolving and Langbert and Friedman (2002) summarized western HR development in terms of four stages: (1) Pre-industrial; (2) Paternalistic; (3) Bureaucratic; and (4) High Performance and argued we are presently evolving to the fourth stage though with important elements of the previous bureaucratic stage of scientific management left in such aspects as job analysis and evaluation, training and development, employee selection techniques and systematic goal setting and rewards, which were introduced by Taylorism to improve HR formality and efficiency.

The high performance stage was initiated by the Hawthorne studies in the 1920’s and came into greater prominence in the late 20th century. Analysis of how human factors and psychology affect organizations and organizational performance is the centrepiece of this stage. Topics such as teams, motivation, and the actualization of the goals of individuals within organizations are the focus, placing emphasis on how leadership, cohesion, commitment, and loyalty play important roles in organizational success. The links between soft factors of HRM and organizational performance stressed by high performance studies was carried further by SHRM and developed into the idea of alignment between HRM practices/system and organizational strategy/performance.

**Emergence of SHRM and HRIS**

Though not presented in Langbert and Friedman’s (2002) framework, concurrent with the growing importance of the High Performance stage and possibly equally important in the development of HRM in the late 20th century was the introduction of information technology
to the management of human resources (Broderick & Boudreau, 1992), hence wider application of Human Resource Information System (HRIS). HRIS not only significantly reduced the administrative workload previously undertaken by people but also made data-based, HR decision-making potentially easier and more reliable.

The importance of HR data and analysis also grew with the advancement of HRIS and the increasing need for more HR information and reporting to support organizations’ workforce strategy formulation and decision-making. High performance HRM’s emphasis on the relationships between HRM and organizational performance and HRIS’s potential for providing data and analytics for exploration of such relationships contributed to the emergence of Strategic Human Resource Management (SHRM), which aims to align HR activities to business strategies and transforms the HR function from a care-taker role to a partner role which is integrated into the overall business. HRM historically is not as important a part of the organization as other functional areas (e.g. production, marketing, and finance) and it is largely viewed as a cost centre dealing with “administrative trivia” rather than contributing to the company’s performance; therefore HRM was not stressed and developed with the necessary ability to better contribute to the business (Boudreau & Ramstad, 2003; Lawler et al, 2004).

The debate about SHRM started around the late 1970’s and emphasised that there were ways to better utilize HRM for organizational performance. The SHRM concept developed into a major topic in the HRM field. Though different definitions of SHRM exist such as “a human resource system that is tailored to the demands of the business strategy” (Miles & Snow, 1984) and “the pattern of planned human resource activities intended to enable an organization to achieve its goals” (Wright and McMahan, 1992), the core of SHRM concept is to align HRM to business strategy, as summarised by Ulrich (1997) in the
“strategic business partner” role. A typical illustration of this role can be linking HR activities with an organisation’s core competencies or activities in order to forecast and acquire required workforce competencies or changing employee competencies as business strategies and competitive environments change.

Ever since the origin of SHRM, research into strategic HR has grown exponentially. The explosion of strategic HR related literature is a very good manifestation of this trend (Table 1.1). From 1980 to 2009, the number of published, peer reviewed paper identifiable in Google scholar with the key words “Strategic Human Resource” or similar anywhere in the article has increased from 6 per year to 1650 per year. During the same period, the number of published peer reviewed paper with the key words “Strategic Human Resource” or similar in the title increased from 1 per year to 89 per year.

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**Table 1.1:** Number of References to Strategic HR in Google Scholar from 1980 to 2009

Note: 1) The results are obtained from searching keywords of "Strategic HR" OR "Strategic Human Resource" OR "Strategic Human Resource Management" OR "Strategic HRM" in Google scholar, search results are retried on 18, Oct, 2010. 2) * Number of search results with key words anywhere in the article. ** Number of search results with keywords only in the title.
As the academic advocacy for this change of HR developed, the wave also hit the practitioner press (Table 1.2). In Google News Archive, I found the number of items searched with keywords “Strategic Human Resources” or similar exploded from 5 in 1991 to 212 in 2009. And the idea of turning the HR function from an administrative role to a strategic one quickly gained acceptance among HR practitioners and executives. HR professionals were attracted by the vision and the idea that it would potentially help them to win respect from other business functions and resources from organizations. More importantly, a number of empirical studies supported the positive relationships between strategic HR practices and firm performance (Becker and Huselid, 1998; Wright, Gardner & Moynihan, 2003).

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Table 1.2: Number of Mentions of Strategic HR in Google News from 1990 to 2009

Note: 1) The results are obtained from searching keywords of "Strategic HR" OR "Strategic Human Resource" OR "Strategic Human Resource Management" OR "Strategic HRM" in Google News Archive, search results are retried on 5, May, 2010. 2) * Number of search results with the keywords anywhere in the news.

However, despite growing empirical evidence supporting the view that strategic HR boosts organizational performance, HR has seemingly continued to have a disappointingly limited influence on corporate strategy development (Lawler, 1995; Brockbank, 1999; Lawler & Mohrman, 2000 and 2003). Overall, the failure of HR to move from an administrative role to a strategic one is frequently attributed to lack of appropriate HR measures, analytical capability, and HR theory (Lawler, Levenson & Boudreau 2004; Boudreau & Ramstad, 2006).
Many organizations consider their HR measurement system to be ineffective and not comparable to other corporate functions (Corporate Leadership Council, 2002). Since HR measurement, analytic capabilities and theory issues are inherently interrelated, researchers often study them as related issues, and in our thesis, I look at them as all being elements of one stream - HR measurement research. So in accord with this view, I define HR measurement broadly as “the activity of conceiving, defining, quantifying and collecting HR related metrics, as well analysing and interpreting them”. While I find a growing amount of research points to the significance of HR measurement as pivotal to moving strategic HR to a more central role in organisations, it’s notable that HR measurement research has attracted far less research attention than strategic HR (Table 1.3 and Figure 1.1).

In contrast to the explosion of published peer-reviewed papers in the area of SHRM, the growth of HR measurement research seems to be quite slow, the number of published peer reviewed paper searchable in Google scholar with titles or citations including “Human Resource Measurement” or similar keywords has increased from 4 per year in 1968 to 205 per year in 2009. The number of published peer reviewed papers with titles only including “Human Resource Management” or similar key words increased from 1 per year in 1968 to only 3 per year in 2009, or only 12 in 2008.
Table 1.3: Number of References to HR Measurement in Google Scholar from 1968 to 2009

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</table>

Note: 1) The results are obtained from searching keywords of "Human Resource Measure" OR "Human Resource Measurement" OR "Human Resource Management Measure" OR "Human Resource Management Measurement" OR "HRM Measure" OR "HRM Measurement" OR "HR Measure" OR "HR Measurement" OR "Human Capital Measure" OR "Human Capital Measurement" OR "Talent Measure" OR "Talent Measurement" OR "Workforce Measure" OR "Workforce Measurement" OR "Workforce Matrix" in Google scholar, search results are retried on 18, Oct, 2010. 2) * Number of search results anywhere in the article. ** Number of search results with only title of the keywords.

From our Google scholar search results, I found HR measurement research actually appeared in scholarly publications much earlier, in 1968, than strategic HR research did, in 1980. However, the number of academic publications on HR measurement grew relatively slowly and was quickly overtaken by the explosion of publication numbers of strategic HR. In fact, as can be seen in Table 1.3 and Figure 1.1 the number of HR measurement publications is only around one eighth the number of Strategic HR publications over a long period, measured either by title only or by a combination of title and citation. This poses a
serious question for HR researchers: if the lack of progress in HR measurement is one of the biggest challenge to further development of strategic HR, why are there so few HR measurement studies compared to strategic HR?

![Google Search Result](image)

**Figure 1.1**: Numbers of Strategic HR and HR Measurement Studies

### 1.2 Stage Model of HRM Evolution

#### 1.2.1 The Arguments for HR Measurement and HRIS as Separate Solutions

Despite the evidence supporting the view that HR acts as a great contributor to organizational performances (Becker and Huselid, 1998; Wright, Gardner & Moynihan, 2003), it is observed that HR historically and currently still has very limited influence in corporate strategy (Brockbank, 1999; Lawler, 1995; Lawler & Mohrman, 2000, 2003; Lawler, Boudreau, & Mohrman, 2006). This failure is frequently attributed to the lack of data integrity, analytic skills and data-based decision-making capability in the HR profession and in HR functions alike (Boudreau & Ramstad, 2003; Lawler *et al*, 2004).
One point of view I propose is the “HR measurement solution”, which, as the name implies, argues that the inability of HR to become more strategic is largely due to the under-developed nature of HR measurement systems and that better HR measurement is a viable solution to the current HR problem. Echoing this view is the finding that many organizations consider their HR measurement system to be ineffective and not comparable to other corporate functions. To prescribe a remedy, several studies suggest HR focusing on identifying and collecting important data rather than just more data, and developing logical and concise frameworks for analysis and decision making (Boudreau & Ramstad, 2006; Lawler et al, 2004).

Another stream of HR research specifically focuses on Human Resource Information System (HRIS) for solving measurement problems. A frequently referred to definition of HRIS is “the composite of data bases, computer applications, and hardware and software that are used to collect/record, store, manage, deliver, present, and manipulate data for human resources” (Broderick & Boudreau, 1992). The main argument for HRIS to be the solution to enabling strategic HR is that it enables essential data integrity and provides the basis for data-based decision making. Also, the diversity of information systems and the positive changes they bring about in other business functions, such as in finance, consumer data collection and analysis in marketing, the electronic inventory, purchasing systems and operations management systems in manufacturing, reinforces the notion that HRIS can do the same for HRM.

However, the reality is, even with advanced HRIS and more comprehensive datasets at hand, most organizations still find it difficult to derive anticipated benefits from them. One frequently cited reason for this is that although many organizations use HRIS, more often than not, they use HRIS for administrative purposes, or they intend to be more strategic but
don’t have the analytic insight to utilize HRIS data in this way (Ball, 2001; Kinnie & Arthurs, 1996; Kovach & Cathecart, 1999; Tansley, Newell & Williams, 2001). This problem illustrates the inter-dependence between HRIS and HR measurement. As the design and use of HRIS is concurrent to the development of HR measurement, if HR measurement is mostly administrative in character, its corresponding HRIS elements only serve an administrative role. If the necessary analytics and frameworks are not developed for HR measurement, there can hardly be a strategic design and use of HRIS.

1.2.2 Consolidating the Stage Models of HRM and Two Solutions

This divergence between the espoused goal of HRIS and its actual application in organisations is documented by different studies, and is described as the administrative vs. analytic application (Ball, 2001), or administrative vs. strategic advantage (Kovach, Hughes, Fagan, & Maggitti 2002) or unsophisticated and sophisticated application (Martinsons, 1994). This binary categorisation can be understood in terms of an earlier “automating vs. informing” dichotomy of information technology (Zuboff, 1988). It can be observed that the frequently cited administrative – strategic dichotomy of HRM role and the automating – informing dichotomy of HRIS applications actually describe the same underlying weakness of HRM (Figure 1.2).
In addition to the similar bipolar categorization of HRIS and HRM development, some stage models that describe incremental stages of HR measurement development jointly with HRM development show a similar administrative vs. strategic pattern. For example, Irmer and Ellerby (2005) summarize the use and development of HR measures in terms of three stages: workforce profiling, business insight and strategic driver and emphasize their influences on the overall progress of HRM. The notion of “workforce profiling” in their definition is very closely related to administrative HRM and the automating aspect of HRIS, and the notions of “business insight” and “strategic driver” are close to strategic HRM and informing use of HRIS. This again supports the idea of inter-dependences among HRIS, HR measurement and HRM roles. The reciprocal relationships among them (Figure 1.3) make up a triangular dependency, in which the advancement of each is both constrained and facilitated by those of the other two.
This interdependence again questions as to why relatively few studies about HR measurement are published in comparison to SHRM. I explore this inter-relationship among HRM, HR measurement and HRIS development in the Chinese context as one of our proposed research question at the end of this literature review.

Another stage model has been proposed by Boudreau and Ramstad (2003) with a similar categorization of efficiency, effectiveness, and impact, each of which is comparable to the stages in Irmer and Ellerby’s (2005) model. The main commonalities of both 3-stage models are obvious: 1) both use HR measurement as the central criterion to describe which stage an organization’s HR belongs to, while also emphasizing that the stages reflect overall HR development; 2) both models categorize HRM development, from primitive to advanced, into three comparable and similar stages. We can say the 3-stage model is a more refined version of the bipolar categorization of HRM as it expands the administrative vs. strategic dichotomy to a more refined, three-step, dynamic process, with recognition of HR measures and HRIS being important “covariates” and “determinants” in the overall development of
HRM. Therefore, as we need to base this research on we adopt these three stage models, in particular the Irmer and Ellerby (2005) model as an appropriate theoretical framework of HRM development suited to both theoretical understanding and interpretation of empirical data.

1.2.3 Details of the Stage Model

Irmer and Ellerby (2005) used the three stage model (Figure 1.4) to capture the different levels of value realization from HR measurement, or in their terminology “human capital metrics”. The overall development of HRM is argued to occur in three progressive stages along with the development and successful implementation of HR measures. The three stages, from basic to advanced, are described as follows: “workforce profiling – consistent and timely organization wide human capital reporting; business insight – the analysis and interpretation of human capital metrics, and strategic driver – providing a measurement framework that guides decision making by demonstrating human capital processes’ influence on organizational effectiveness” (Irmer & Ellerby, 2005, pg. 6). As an organisation’s HR system progresses through the three stages the business impact of HR measures grows while also requiring greater resources and more time to achieve outcomes (Figure 1.4).
In addition, Irmer and Ellerby (2005) compare their 3-stage model to binary views of HRIS. They argue the first two stages are reflective of the administrative vs. analytic application dichotomy, while the final “strategic driver” stage is a transformation to strategic focus (Irmer & Ellerby, 2005). They emphasize that it’s relatively easy to achieve the “business insight” stage if access and utilization of HR measures can be improved. However, reaching the “strategic driver” stage requires substantial cultural and behavioural change where systematic HR measurement is a prerequisite but deeper understanding of the measures and better application of them in HR activities, such as linking measured results to aligned HR programs and to overall corporate strategies, is required. That is, better HR measurement is still necessary but not sufficient for a HR system to progress from stage 2 to stage 3. Irmer and Ellerby (2005) discussed their three stages in more detail as follows.

**Figure 1.4: HR Activity and HR Measurement Stage Models (from Irmer & Ellerby, 2005)**
For the first stage, they summarized three activities as most indicative that this stage has been successfully achieved: “The first activity is enhanced reporting of HR data by extracting and integrating data into a single convenient dashboard in a timely manner in line with financial reporting. Second, the human capital measurement framework facilitates the development of shared understanding of the data, issues of definition, timing and data sources. Finally, HR has the ability to produce standard-format reports but also has the option to customize reports to meet users’ specific needs” (Irmer & Ellerby, 2005, pg. 7). They found a majority of HR professionals in their study reported their HR systems did not have access to accurate, reliable and consistent HR data, thus failed to meet the standards of even the first stage. They also noted ongoing IT driven improvements in HR activities should improve this situation through automating report generation, increasing efficiency and facilitating self-service.

The second stage is characterized by “HR professionals having access to data and developing the necessary analytic skills to inform critical decisions throughout the organization”. The hallmark of the “business insight” stage is when HR data is translated into actions in areas such as: “1) improved human capital reporting that provides not just data but also interpretation to convey meaning; 2) examination of human capital trends and the provision of both internal and external benchmarks to identify areas of action; 3) integration of human capital metrics with other data sources in one location to enable the examination of interrelationships between workforce data and organizational effectiveness measures; 4) development of case studies to demonstrate the business impact and utility of human capital metrics; 5) enhanced workforce planning by providing projections of future workforce needs under various scenarios; 6) increased breadth of users leveraging the data to understand the workforce” (Irmer & Ellerby, 2005, pg. 8)
The final stage is characterized by HR being able to speak the language of business with the help of better HR measurement, and becoming more analytical so as to be a strategic partner with management. Irmer and Ellerby summarized key features of the last stage as follows: “1) HR is capable of not only analysing and interpreting human capital metrics but also able to recommend and implement interventions based on the data to drive organizational effectiveness. 2) Establish drivers of organizational effectiveness by linking human capital metrics with performance outcomes. Thereby establishing valid lead and lag indicators of organizational effectiveness and demonstrating the importance of HR to business outcomes. 3) Ability to quantify, evaluate and compare the performance of managers and business units by integrating various human capital metrics into one scorecard. 4) Develop the business case for implementing HR strategies by using data to forecast the potential ROI of the strategies. 5) Empirically evaluate the effectiveness of HR programs and practices. 6) Improved HR strategic planning through prioritization of HR strategies based on root cause analysis of human capital metrics. 7) Proactive identification of potential problems before they manifest enabling preventative intervention” (Irmer & Ellerby, 2005, pg. 9). Irmer and Ellerby went on to argue that though improved HR measurement leads to better business insight, it is not a panacea that will inevitably take HR into the final stage. The real key drivers for the transformation to happen are substantial cultural and behavioural change.

Like Boudreau and Ramstad (2003), Irmer and Ellerby (2005) also noted many HR departments seem stuck in the transition phase and they examined the resistance HR faces during their development, and summarized them into four major challenges. The first challenge is establishing and maintaining HR data credibility. Though this is a very basic step for any HR function to move to a more strategic role, it still remains an ongoing challenge that needs recurring quality checks. Before efforts are put into HR measurement, consistent
definitions and understanding of HR constructs should first be developed and the relative priority of measures needs to be identified.

The second challenge is HR’s ability to analyse and interpret human capital metrics. Many HR professionals feel their HR function lacks the knowledge, skills and ability to conduct analytics, and interpret and communicate their findings from the HR data, let alone to make compelling cases to drive actions (Irmer & Ellerby, 2005). One problem many organizations have is they have far more HR data than their ability to analyse it, and this problem can be compounded by complex HRIS creating data overload in the HR function.

The third challenge is securing adequate resourcing (e.g. head account, budget and time) for HR analytics projects. These projects are usually under-resourced and lack senior management support. Often the demonstration of return on investment in HR measures and analytics is best done by case study. However, without adequate analytic capability it’s also difficult to achieve this.

The final challenge is managing cultural resistance to human capital metrics. Long term success of HR measurement and analytics requires buy-in and involvement of HR business partners, and subsequently a change in the organization’s culture and employees’ mindset towards the role of HR and HR measurement. This can only be achieved when users see value in HR measures and analytics and then other functions and managers can embrace HR measures. Irmer and Ellerby (2005) observed that overlooking the cultural and behavioural side of the change but focusing on technical aspects of HR transformation usually reduces the chance of success.

The four challenges summarized by Irmer and Ellerby (2005) provide an important reference point for our research into Chinese HRM. In our analysis of Chinese HRM,
especially in our interviews, we will look back at their findings and conclusions to interpret challenges faced by Chinese HR professionals.

1.3 HR in China

1.3.1 Brief Review of HRM History in Modern China

Any generalizations about “Chinese HRM” must involve some oversimplification as in a country that is geographically large, populous and undergoing rapid economic development there are considerable differences across ownership type, industry, size, and geographic location (Child & Stewart, 1997). Our discussion of “Chinese HRM” in this thesis will address different ownership types. However when the term “Chinese HRM” is singularly referred to and compared to other HRM systems, we intend to mean the Chinese elements in a HRM system that are different from common western practices, like the HRM practices found in traditional state sectors, or modifications with strong “Chinese characteristics” in Joint Ventures (JV) and Foreign Direct Invested Entities (FIE).

A uniform concept of “western” HRM also risks ignoring some diversity in HRM practices. However, at least some degree of homogenization seems to be taking place with the U.S. model of HRM being the dominant Western model (Ferner and Quintarilla, 1998), and we will use the term “western HRM” as commonly adopted by HRM researchers to describe the broad patterns found in U.S. and Australian HRM research.

Our review of Chinese HRM history categorises the development of Chinese HRM into 3 phrases: Soviet Traditional (from 1949 – 1979), Reform and Departure (1979 – mid 1990s), Deepening and Mixture (mid 1990s – now). Two milestones in the development are
the Third Plenary Session of the 11th Central Committee of the CPC in late 1978 when economic reform is initiated and “three system” reforms and adoption of Chinese Labour Law in mid 1990s which deepened the reform specifically in the labour relationship and HRM area.

During the Soviet Traditional phrase, Chinese HRM was marked by an extremely high degree of centralization under a planned economy regime. As enterprises are owned by state, their governance and personnel policies were under the control of the state through labour bureaus and planning departments. The state determined the number of employees, the sources of recruitment, who to hire and fire, and remuneration according to a national wage system. Managers were only to implement policies under the state’s rigid guidelines (Cooke, 2005). For most workers, the employment relationship was the “iron rice bowl” with life-long job security and very few of them changed their jobs. Wages were low and not linked to individual performance, but were compensated with a wide range of welfare provisions, such as housing, meals, education for children and nursing for the elders (Warner, 1996a). Under this state ownership and control, management was like a “bird in the cage” (Naughton, 1996) and “puppet” (Lin, Cai, & Li, 1998), no modern HRM could have developed. The ideology and institutional and legal frameworks were all against a modern HRM system based on free exchange and a market economy.

This rigid, Soviet-based economic regime came to change only after the Third Plenary Session of the 11th Central Committee of the CPC in late 1978 when Deng seized power. At the macro level, private ownership and foreign investment were allowed and granted legal status in 1988; at the micro level, enterprises were given profit incentives to encourage performance, and different types of profit sharing systems between the state and SOEs were experimented with and adopted.
As enterprises under new ownership and profit sharing programs developed competitive advantages in that they had greater incentives and were more able to respond to demand, they flourished very soon. During this time, personnel management practices, especially in early reformed SOEs and the nascent private sector gradually departed from the old practices. Foreign invested entities notably in the form of JVs also began bringing more western HRM practices to China, which became an important learning source for Chinese managers. State control of employment and recruitment gradually loosened among SOEs, and a free labour market started to take form. A national wage structure was not required for enterprises after reforms in 1985 and 1993, and performance-linked compensation was introduced even to governmental and public sectors since then. Managers were gradually given more freedom as to how to design and implement personnel practices when state labour bureaus and planning departments exited from micro-management to focus on policy development, regulation and general supervision.

These changes brought a natural burst of economic activity and expansion after a long period of stagnation. However, as new institutional and legal frameworks did not come in as quickly to endorse and regulate new practices, many of the new personnel practices were at the risk of being built on sand, that is, lacking legitimacy in the eyes of many employees and managers, and many traditional personnel practices still lingered among enterprises which were not responsive to change.

It was after introduction of the Corporate Law in 1993, Labour Law in 1995, and “three system” reforms during the 1990s that the reforms were deepened and integrated into a formal, legal framework. The purpose of the introduction of Labour Law was to rationalize and endorse market-based labour relationship. All employers were required to sign an employment contract with their workers with specific rights and obligations formalised such
as length of contract, work content, remuneration, discipline, and liability for violation of contact. This contract based employment practice replaced the old system in which managers were appointed by state bureaus and workers were employed for life. Therefore it reduced the state’s influence in personnel affairs while also reducing the job security of workers.

The “three system” reform was launched in the late 1980s and lasted well into late 1990s, and focused on reforms of labour and personnel systems, the wage and welfare system and the social insurance system. These reforms touched both macro and micro levels of the economy. Specific changes included abolition of jobs-for-life for contract based labour relationships, compensation linked to performance, skills and seniority; and abandonment of the old welfare system to introduce pension, unemployment and medical insurance fund schemes which all employees are required to participate in (Warner, 1996b).

The “three system” reform was a top priority in the overall reform agenda of Chinese government and was repeated several times for SOEs to deepen the changes during 1990s to 2000s. However, considering the breadth and depth of the reforms, the roll-out took a long time and is still unfinished. The “three system” reform was to change old personnel practices towards the direction of a modern HRM system. Free labour markets further developed and became the dominant way of recruitment, appointment to managerial posts by central authority was gradually replaced by at least some kind of competition in SOEs; compensation radically moved from an egalitarian, flat structure to one rewarding efficiency and performance; the welfare burden was shifted from state employers to individual employees.

At the same time, when JVs and FIEs continued and expanded their operations, along with HR consultancies and academicians, they educated a new generation of Chinese managers, and diffused the knowledge and practices of HRM to other Chinese companies. SOEs and Chinese Private Companies started to benchmark themselves against the HRM
practices of FIEs and copied their policies and practices where they thought fit. FIEs also adapted their HRM practices to the Chinese environment as part of their localization process. The gap between HRM system in Chinese companies and western FIEs is gradually closing (Wei and Lau, 2005), and a hybrid of western HRM practices with strong Chinese characteristics seems to be beginning to emerge in Chinese companies. We should take note that the Chinese characteristics are still tangible in many aspects due to entrenched institutional and cultural factors, and that some of the HRM policies and processes of Chinese enterprises may appear similar to those of Western companies on the surface, but are applied with strong ”Chinese characteristics”. We briefly summarize these characteristics in key HR areas as follows, based on personal observations of the author in conversations and interviews with HR practitioners, and live cases the author experienced himself which are also supported by his knowledge of Chinese HR literature.

1.3.2 Chinese Characteristics: Some Observations on the Current State

Employment in enterprises now is highly dependent on a much more deregulated labour market than before. Two-way job selection replaced central planning for most recruitment except for the very top posts in large SOEs. Sophisticated recruitment and selection processes were also introduced to both SOEs and local private companies. However, as most companies installed standardized “best practices” with the help of external consultancies, selection processes are often not aligned to companies’ individual conditions. In contrast to western HRM practices, one key aspect of employment in Chinese enterprises is its irregularities. Chinese enterprises might adopt formal employment policies and processes similar to those in western enterprises on the surface, but in implementation the written rules are regularly not adhered to and replaced with ‘short-cuts’ that reflect top
management’s preferences and interests. One major reason for this is the rampant nepotism and guanxi in employment (Warner, 1993).

Compensation systems have radically changed from an egalitarian flat structure to one linked to performance, skills and job levels in most enterprises. One key Chinese characteristics of the compensation system is that outside formal salaries, a large portion of income occurs in forms of subsidies, provisions, even institutionalized gift-giving (Wang 1998). These ‘fat jobs’ are concentrated in governmental offices and monopolistic, giant SOEs, and are avidly sought after by graduates.

Performance management as a western concept was introduced to Chinese enterprises with the most important reason being to link it to compensation so to give workers incentives to increase their productivity. Therefore, its role in training and development, recruitment and organizational competencies is less emphasized. Till now, the integration of performance ratings with these other HR areas is not common in Chinese enterprises. One key aspect of Chinese performance management is its emphasis on “moral” criteria such as work attitudes, diligence and teamwork spirit (Nyaw, 1995), which are a legacy of the old Soviet rating frameworks and are still common in both SOEs and local private companies.

Research has also found that Chinese companies use less clear-cut criteria in performance assessment (Verburg, Drenth, Koopman, Van-Muijen, & Wang, 1999), but instead rely more on vague criteria subject to individual interpretation. Chinese society’s distinct “rule-by-people” rather than “rule by law” feature and vague criteria make performance assessment very subjective. A comparative study of Chinese and Dutch companies found that clear-cut criteria for performance assessment were more rarely used in Chinese companies (Verburg et al., 1999). Nyaw (1995) also found Chinese performance
assessment put great emphasis on the “moral” criteria such as political correctness, diligence and teamwork spirits, which are hard to measure.

The assessment methods of Chinese enterprises also slightly differ from the common Western ones. The Chinese assessment process contains more self-evaluation elements and unique “democratic” gathering of opinions towards the assessed person from his/her work contacts. The goal setting process is marked with Chinese authoritative, top-down feature, where supervisors usually dominate the goal setting and the subordinates are less involved in the discussion than their peers in the West. Also, the goal setting process of performance management is less widespread in Chinese companies, only relatively fewer companies have goal setting as an integrated part of their performance management system.

Training and development in Chinese enterprises generally received relative more attention in non-SOEs rather than in SOEs. SOEs tend to focus more on technical skill training but lack management development content, while non-SOEs have more emphasis on both working relationships and skill improvement (Ng & Siu, 2004). The goal of matching training and development with the needs of individual enterprises is often missed in design of training courses. In SOEs and big domestic companies, managerial development occurs primarily in the form of local EMBA courses and party schools’ politically orientated education.

The last area we are going to discuss is HRIS which also has its own characteristics in China. HR consultancy Watson Wyatt surveyed 268 firms in the Greater China region (including Hong Kong, China and Taiwan) in 2002, and found that the use of HRIS was not as popular in this region as it was in Europe. The Watson Wyatt (2002) survey report reached a conclusion that companies in the Greater China region “have only just started their journey
towards enhancing the use of technology in achieving the desired results of improvement in
HR processes, efficiency, productivity and cost reduction” (Watson Wyatt Worldwide, 2002).

Following up the 2002 survey, Watson Wyatt’s 2003 survey in Greater China region
compared findings with similar surveys in Australia and US. The 2003 survey examined 289
companies with operations in Greater China. The majority of the surveyed companies were
FIEs. So the survey findings are most representative of this group. The 2003 general results
show Greater China has a high access rate to internet, intranet and e-mail. The intranet usage
rate in Greater China has a higher rate than in Australia. However, the most widespread use
of the intranet is to present static HR information like policy documents and procedures. HR
self-service and interaction are still quite uncommon.

The survey also found the outsourcing rate in this region is low compared to Australia
and the US, and companies seldom measure benefits of HRIS against its cost, or return on
investment for these technologies. Only 13% of companies in Greater China measured return
on past investment in their HR technology. However, 47% of companies claimed that they
had gained the expected outcomes from their HRIS investment. For use of HRIS, the 2003
survey found that HRIS in Greater China is used primarily for administrative activities. The
most popular functions include: payroll processing, leave management, personnel
administration. Sophisticated functions such as planning and competency management are
the least frequently used.

Another difference between HRIS use in Greater China firms and more advanced
economies such as Australia and the US is that Chinese companies tended to use customized
HRIS, usually designed and built by outside companies, while U.S. and Australian companies
usually adopted HRIS packages. Only 42% of firms in Greater China have adopted HRIS
compared to 68% in Australia and only 8% of Chinese companies integrated their HRIS to
ERP, while 44% of Australian companies have already done so. The overall picture presented by the survey is that HRIS development in the Greater China region still lags behind that of US and Australia (Watson Wyatt Worldwide, 2004). As the survey used a sample of companies in mainland China, Hong Kong and Taiwan, and HRIS in the latter two are expected to be more highly developed than mainland China, firms in mainland China, which are our focus, may be even less developed than the overall picture for the Greater China region as a whole.

The findings of the Watson Wyatt 2002 and 2003 surveys are also substantiated by other studies in mainland China. The results of a 2002~2003 China eHR report (Zheng, 2003) supported the finding that most Chinese companies used HRIS for basic administrative HR activities rather than for more sophisticated ones. Zheng’s survey of 1,775 mainland Chinese companies, of which 78% are domestic firms and 22% foreign enterprises, found that 70% had not adopted a HRIS. Despite that a vast majority of surveyed companies reported they believed in the importance of implementing HRIS to transform HR functions, though only 30% had done so, and most were large companies with over 500 employees. However, around 60% of companies that had not implemented HRIS planned to introduce it in the next two years, indicating that companies recognized the importance of HRIS and they are catching up. For those that had implemented a HRIS, more than half introduced their system within the two years prior to the survey, suggesting the wave of HRIS adoption had just began in China. These companies also admitted that they used HRIS mainly for very basic HR functions such as keeping personnel records, registering wages, attendance, recoding recruitment and welfare information. Very few companies used HRIS for strategic manpower planning, performance management, training and career development, or self-service purposes. Major challenges found in the introduction of HRIS include the lack of knowledge and training to facilitate the HRIS implementation, lack of skills in management of HRIS.
Based on those survey findings, Zheng claimed that there is a gap of five to ten years between current HRIS development stage of China and that of Western countries’. Zheng also predicted that e-learning, e-recruitment and employee self-service will become popular uses of Chinese HRIS.

Zheng’s (2003) survey also gave an estimate that Chinese companies lagged 5~10 years on average behind their multinational counterparts in HRIS development. Companies with more than 500 employees are more likely to have adopted HRIS, and 47% of listed companies have implemented HRIS. This is much higher than the 21% average percentage of the total sample. Companies mostly used HRIS for administrative functions such as employee profiling (71%), compensation (68.2%), reporting (62.2%), absenteeism tracking (59.9%), recruiting (56%), and welfare (53.8%) and so on. HRIS is rarely used for functions related to managing business process or strategic management. Functions needed in future as claimed by surveyed companies included self-service, performance management, training and development, and HR planning. The research also found most Chinese companies introduced HRIS in attempts to catch up with competitors and adapt to new situations in business development. Only 3% of Chinese companies acknowledged that HRIS was to be introduced to meet employees’ needs compared to 60% of their western counterparts.

To sum up, surveys carried out around 5 years before our research suggested HRIS development in China was at the time behind that of Western countries by a 5-10 year gap. However, companies’ general willingness to implement HRIS in a short time horizon and the fact that most companies had implemented HRIS just before the surveys suggest Chinese companies were quickly adopting HRIS. The underdevelopment of HRIS in Chinese companies in contrast to US and Australian companies is generally twofold: percentage-wise there are fewer Chinese companies to adopt HRIS, and Chinese companies are more prone to
use basic HRIS functions for administrative purpose as opposed to advanced functions for strategic purposes.

1.3.3 Enterprises with Different Types of Ownership

As China is undergoing an economic transition from a socialist economic model to a market based one, enterprises with different forms of ownership co-exist. As Ding and Akhtar (2001) pointed out, HR practices i.e. the extent to which they are more western-like or more traditional, is largely dependent on the type of ownership an enterprise has. The four major types of ownership we discuss in order are State Owned Enterprises (SOE), Chinese Private Companies (CPC), Foreign Directed Invested Entities (FIE) and Joint Ventures (JV) in the follows:

State Owned Enterprises (SOE)

After the founding of the PRC in 1949, the government nationalised virtually all industries by turning previous private businesses and subsidiaries of foreign companies into state-owned companies. The increase in proportion of total industrial output by the SOE sector from 32.7% in 1949 to 89.2% in 1958 showed how rapid and widespread the nationalization was. On the eve of the economic reform in 1978, the SOE sector represented 77.6% of total industrial output (Lin et al, 1998) and was run like government departments or bureaus rather than a profit-making business. Little discretion over business operations was held within SOE companies but rather, control was in the hands of state economic planners. Besides meeting production targets required by the state, SOEs also need to undertake many social welfare functions, including housing, providing meals, nursing houses, and education from kindergarten to middle school to their employees. The “cradle to grave” welfare functions carried out by SOEs formed a major pillar of the PRC’s socialist institutional
structure. However, economic performance of SOEs that were under rigid central planning was normally quite poor, many of them merely survived on subsidies and cheap loans from state banks, a big proportion of which eventually became non-performing loans (Korzec, 1992).

Before economic reform, the personnel management of SOEs strictly followed a Soviet socialist ideology and was a part of the state’s economic planning. Distinct features of this personnel management include labour immobility – enterprises and workers are not free to enter employment relationship between each other but are subject to state planning and assignment; heavy party involvement in administrative and policy functions – party organs are heavily involved in personnel affairs on the general policy level and political attitudes are weighted as a key factor in all aspects of personnel management such as appraisals, promotion, training and welfare, personnel management offices operate under party organs to manage administrative details; egalitarian wage structure and lack of economic incentives for performance – the wage structure is very flat and adheres to a national 9-grade wage standard, there is little link between wage and productivity, thus little incentive existed for workers to perform and managers to make profit.

After the economic reform starting in 1978, reform of SOEs has been a top priority of overall reform. A number of measures were introduced to improve the efficiency and productivity of SOEs. Among these measures are separation of governmental administration and management of enterprises, decentralization to make the old allocation system more responsive to market forces, and to give managers authority to retain profit and invest; a shakeup of the egalitarian wage system and the introduction of contract based labour relationships to mobilize the labour market and give performance incentives. The people management system of SOEs during this period gradually departed from the old Soviet model.
to absorb more western HR management practices, though economic, political institutional and organizational inertia deterred quick change of HR policies.

The personnel management in SOEs clearly differs substantially from Western HRM. A distinct features of HRM of SOEs at this period is the mixture of old and new: managers’ have greater discretion over personnel issues with widespread, contract-based labour relationship but senior positions in SOEs are still assigned by the state; performance-linked pay practices have been incorporated into the wage system to some degree but a major portion of salary still depends on tenure and seniority; SOEs are gradually losing their social welfare functions though for big SOEs enterprise-based social security systems still exist; training for technical and managerial development is more frequent though political education is still an integral part of corporate training program (Cooke, 2005; Zhu, 2005).

*Chinese Private Companies (CPC)*

Chinese Private Companies can be defined as those owned and managed by Chinese citizens rather by the state or foreign investors. They are all very young businesses relative to SOEs and FIEs and have received less attention than the other two types, though they are by far the most important source of income and employment growth for China. International Finance Corporation estimates that this non-state sector has already taken around 62% of GDP of China in 1998 (Gregory, Tenev, & Wagle, 2000). And by estimates in “Report on Non-state sector Economic Development (2005/2006)” published by All-China Federation of Industry & Commerce (ACFIC), the percentage has already surpassed 65% before 2006 and to rise to around 75% in 2011 (ACFIC, 2006). As a result, the non-state sector has become the major source of employment. Chinese Private Companies emerged during the early 1980s and boomed subsequently after the removal of an upper limit of seven employees in 1988 by the central government, which can be viewed as the legal foundation for the later quick
advancement of the domestic private sector in the 1990s. The source of Chinese Private Companies can be family firms building companies from scratch, or managers privatizing former SOEs in the form of a management buyout (MBO), for both of which a good connection between the entrepreneur and the bureaucracy is very important for success. Though some of the very successful firms have reached very large scale and developed modern corporate governance through listing on a stock exchange, the vast majority of typical Chinese Private Companies are family companies managed more by personal relationships rather than formal, management policies. These small to medium private companies are concentrated in low-technology, labour intensive sectors such as manufacturing and exporting, face financing difficulties and face discrimination from government in terms of access to subsidies, taxes and other privileges offered to SOEs and FIEs.

The management of Chinese Private Companies is generally viewed as backward compared to SOEs and JVs/FIEs as they are not the focus of the state’s corporate reforms, nor do they have direct means to learn modern corporate governance. Though private companies are in a better position than SOES to more freely adopt new management practices as they develop as “green sites” and have less organizational inertia and social burdens, they typically operate as a “one-man” culture under the strong influence of their founding entrepreneurs. This rule-by-leader culture often impedes the development and execution of a formal HR system in these companies. The typical HR management system of Chinese Private Companies usually lacks a comprehensive and consistent HR strategy and offers even less training and career development than SOEs (Cooke, 2005). They often resort to the external labour market for recruitment though the key management posts are usually confined to family members. The compensation structure is usually at the discretion of the ‘CEO’ and not developed from systematic and consistent approach; rewards are tied to performance as
well as loyalty. By comparison, the state-sector organizations have a more established HR system due to the fact that they have a much longer history and have been subject to much more state influence. They are also typically larger.

*Foreign Directed Invested Entities (FIE) and Joint Ventures (JV)*

FIEs and JVs become the two major types of foreign invested entities (FIE) in China after a tremendous inflow of foreign direct investment (FDI) since 1978. The early days of FDI was marked with waves of overseas Chinese capital from Hong Kong and Taiwan to partner with SOEs to establish JVs. The JV structure was favoured by the Chinese government because it gave Chinese the chance to learn technology and managerial know-how from direct experience cooperating with overseas engineers and managers. Foreign partners also preferred JVs in the early days to accumulate local market knowledge from their SOE partners and to strengthen their relationships with local government.

JVs typically have much more freedom than SOEs as to how they manage their own business and tend to bring in new management practices, however, as JVs benefit from strong association with government and depend on SOE partners for local operational matters, some of them are likely to compromise on management issues and be locked into keeping at least some old practices (Beamish, 1993). The motivations for SOE partners to retain old practices in a JV can be to maintain their influence in key management areas, to continue old style employee welfare, or simply due to unwillingness to change. Continuation of old practices is most visible in JVs which were formed from old SOEs, such as 50% equity being purchased by a foreign partner but old staff being retained, than in newly created JVs. Actually, problems in HRM have been argued to be one of the key reasons for JVs to under-perform or fail in China (Glover & Siu, 2000). Unlike wholly-owned foreign subsidiaries, a JV is a particular challenge as the foreign investor has to co-operate with the local Chinese partner,
which means less freedom in managing the business. The differing views and practices towards HRM issues between the Chinese and Western partners often cause disagreement and lack of coordination in management which affects efficiency, employee morale, and productivity, causing the company to underperform.

For example, Chinese enterprises’ traditional emphasis on seniority as the basis for the pay system clashes with the Western idea of a meritocracy and the performance based pay system, therefore for the Chinese, promotion of younger staff to a position above their former supervisors and elders means loss of face. Though such promotion rewards outstanding performance and creates upward mobility for able workers, sometimes these promotions are rejected by the Chinese partners which drag down the overall productivity of the company.

In contrast to JVs, FIEs have no influence from a Chinese partner, hence the maximum freedom to import management practices of their parent companies to their local subsidiaries. The only constraints they face are the cultural, legal and institutional differences which can require FIEs to modify standard HRM practices to better fit local conditions.

The HRM systems at JVs and FIEs, in contrast to those at SOEs, are more sophisticated: systematic recruitment and selection process with market based principles; self-determination of key posts and management; compensation systems with a much greater portion of financial rewards linked to individual performance; greater labour flexibility within companies with more systematic and orientated training and development, and more integrated performance management aligned with other areas of HRM. In fact, recognition of performance in the form of higher compensation aligned to individual performance and more open working environment to utilize one’s talents and values has become a major reason for the recent exodus of talent from SOEs to JVs and FIEs (Ding & Warner, 2001).
1.3.4 Relative Convergence

Several decades ago convergence theory proposed that economic and management systems of different countries are converging due to the homogenizing forces of industrialization and the spread of technologies and knowledge (Kerr, 1983). In the field of HRM, proponents of convergence argued that the international transfer of HRM “best practices” as part of a general globalization process, particularly FIEs’ export of their HRM systems would lead countries to become more similar to each other with regards to HRM practices and principles. However, many studies so far have suggested that there remain many substantial differences in HRM due to cultural and institutional factors (Rowley & Benson, 2002), despite evidence of some degree of convergence being under way (Björkman, 2003).

In the case of China, some researchers have argued a relatively predictable, but gradual convergence was likely to occur (Warner, 1998, 2004). That is to say, though the Chinese HRM system was adopting western elements, and becoming more similar to how HRM operated in the West, the change process was gradual and major differences between China and the West were likely to persist.

These HRM practices operated according to more market-based principles at FIEs and to a lesser degree at JVs, and were viewed as an important source of their higher productivity. Also when traditional personnel management practices and theories gradually faded out with the withering of socialist ideology, a huge vacuum was left for new HRM practices and theories to fill. Thus, during a transition time where Chinese Private Companies were hungry to learn advanced, management practices and SOEs were pressed to reform, FIEs were generally viewed as successful role models with advanced management know-how, and their
Western HRM theories and practices begin to diffuse to both SOEs and Chinese domestic companies.

The actual channels of learning for local companies are very diverse. They can directly imitate practices of FIE subsidiaries, partner with FIEs in the form of JVs and absorb FIE practices, hire expatriates and, returned overseas graduates, recruit people from FIEs or JVs who can bring in western management techniques, or hire consultancies to benchmark themselves against “best practices” in FIEs/JVs. Another important channel is a new generation of Chinese managers who are more open-minded and educated in the language of Western management. All these channels are sources of change, and in reality, a company may learn from a combination of these various ways.

Also the influence of FIEs and JVs in China and their contribution to HRM convergence grew when FIEs and JVs gradually got more autonomy and became a more positive source of influence. In the earlier days of China’s economic reform, JVs between a Chinese SOE and a FIE was the most widespread form of foreign direct investment. In those JVs, Chinese SOEs’ managers and personnel were directly exposed to Western management practices and participated in the day-to-day application of these practices. This exposure created a first-hand learning experience for the Chinese and reliable transfer of management practices (Björkman, 2003). However, during this early stage of China’s reform and opening up, FIEs and JVs sometimes had to tactically adapt HRM practices to the broad Chinese environment (Child 1994; Goodall & Warner, 1998) to ensure ongoing cooperation and avoid conflicts as the institutional, cultural and psychological attachment to the old Soviet model was still strong.

It was after the deepening of economic reform and longer exposure and adaption to the Western management practices and Western values as a whole, that there seemed to
emerge a broader consensus that the Chinese economy should adopt more Western practices. Thereafter there was a stronger trend towards introducing more Western HRM theories and practices during the 1990s as suggested by several studies (Björkman & Lu 2001; Lasserre & Ching, 1997). The “three system reforms” aimed at modernizing SOEs which was launched by Premier Zhu Rongji and imminent WTO entry which posed pressures for local companies to directly compete with foreign corporations in a broader range of industries both drove the adoption of HRM to be quicker and more extensive.

The current trend towards greater convergence with Western HRM systems is observable in many aspects. Major signs of change include more sophisticated and competency-based recruitment and selection processes, increasing emphasis on training and development, market-based compensation linking financial reward to performance, awareness of career development, and renewed emphasis on corporate culture.

However, we should also remember that, similar to the uneven economic development of China across different regions, Chinese adoption of Western HRM practices is also uneven across geographies and ownership, as Ding and Akhtar (2001) pointed out:

*An increasing number of enterprises will make a clean break from past personnel practices and move towards convergence with HRM practices aimed at developing human capital. The magnitude of convergence will, however, significantly depend upon organizational characteristics (age, size and particularly ownership), the intervening role of the HR function and the choice of the competitive strategy.*
1.4 Research Questions

The present research seeks to compare some of the key characteristics of HR roles, practices and systems in Chinese organisations with those in western organisations drawing especially on the three stage models of HR activities and measurement we have been discussing in section 1.2. The goal is to understand both similarities and differences between the two contexts in the relationship between HR systems’ relative levels of development and HR practitioners’ roles. Therefore while one aim is to compare the relative levels of development of HR systems between Chinese and Western organisations the other goal is to explore whether the nature of the relationship between HR practitioners’ roles, the stage of HR development, and the perceived contribution of HR to organisations is similar in different contexts. That is, while one goal is primarily comparative and descriptive the other is to compare whether the underlying dynamics of HR systems development and its relation to the role of HR practitioners is similar across different contexts.

1.4.1 Question One – Concerning HR Roles and Time Allocation to Different HR Activities

Our analysis of current Chinese HRM is based on a comparison between collected Chinese data and key western HRM studies which provide empirical findings on HRM developmental stages and HR measurement systems in western organisations. The first is a series of empirical studies carried out by Lawler and Mohrman (2001, 2003, & 2006) among US companies. The second literature is the already mentioned study by Irmer and Ellerby (2005) among Australian companies and some US companies in which they investigated their 3-stage model.

These empirical results which summarise the general HRM and HR measurement development of U.S. and Australian companies form our general understanding of western
HRM and are treated as the benchmark against which to compare the current state of development of Chinese HR.

The Lawler and Mohrman (L&M) surveys were carried out in 1995, 1998, 2001, 2004 and with samples in each year comprising of more than one hundred large US companies, most of which are from the Fortune 500 list. The sample is representative of big multinationals (around 80% of the companies had international operations) typically implementing standardized, modern western HR practices. Therefore the results provide a good benchmark of current western HRM, with which to contrast Chinese HRM. Correspondingly, our general research question is concerning the contrast between overall Chinese HRM and Western HRM, with regards to where Chinese HR is in the 3-stage HR development model.

The Lawler and Mohrman surveys addressed three areas of interest to this study – HR’s strategic role, HR measures/analytics and use of information technology, which fittingly fall into our previously discussed three dimensions of HRM development. We address the above three areas by asking two specific research questions, the first of which pertains to HR’s strategic role and the second pertains to HR measurement capability and HR use of information technology.

The first question is about the development of HR’s strategic roles. The L&M surveys asked respondent to choose a role description that best described HR’s role in their organization in relation to overall organizational strategy using one of 4 role descriptions with increasing strategic input: (1) No Role, (2) Implementation Role, (3) Input Role & Implementation and (4) Full Partner in Development and Implementation. The 2004 L&M results found most respondents chose either Full Partner in Development & Implementation (39.8%) or Input Role & Implementation (45.9%). The survey also asked respondents the
percentage of HR’s time allocated to activities of increasing strategic importance: 1. Maintaining Records, 2. Auditing/Controlling, 3. HR Service Provider, 4. Development of HR System and Practices, and 5. Strategic Business Partner. The 2004 result showed a small increase in time allocation between 1995 and 2004 to more strategic activities: for example, the time spent on Strategic Business Partner increased to 23.5% from 21.9%, though time allocated to administrative activities still constituted a considerable portion, for example Maintaining Records (13.2%) and Auditing/Controlling (13.3%). The biggest share of time was allocated to HR Service Provider (32.0%). The result of the first question seemingly point to highly strategic role for HR as a great portion (39.8%) of the participants report being full partners in strategy development and implementation. However, we think this more reflects that HR is in the transition from administrative role to strategic role as “partner in implementation” and “service provider” suggests intermediate phases from administrative to strategic role. This is supported by the results of the latter question, where the biggest and third biggest portions both describe the transition phases - HR service provider and Development of HR System and Practices. This transition phase, in our view, reflects that overall, HR is in a state between the first stage “workforce profiling” and second stage “business insight” in Irmer and Ellerby’s stage model. To investigate these findings, our first research question is:

**Question 1: How do Chinese HR practitioners allocate their time to strategic activities and how do they view their roles?**

1.4.2 **Question Two – Use of HRIS and HR Measurement Capability**

Secondly, the Lawler and Mohrman research asked about the state of use of HRIS in companies, i.e. the degree of use of information technology in managing HR. It separated the development of HRIS into 5 phases: 1. No Automation Present; 2. Little Automation Present
in HR Function; 3. Some HR Processes Are Automated; 4. Most Processes Are Automated but Not Fully Integrated; 5. Completely Integrated HRIS. The 2004 result showed most of the US companies concentrated in either Most Processes Are Automated but Not Fully Integrated (48.5%) or Some HR Processes Are Automated (32.3%). The percentages for the most and least sophisticated HRIS descriptors are both very low. This result is in line with our discussion above of the transition phase between “workforce profile” and “business insight”.

“Workforce profile” stage requires access to consistent and reliable HR data which automated HRIS in most cases provides, however, the “business insight” stage requires analytics to inform critical decisions which involves not only data but also analysis of trends, internal – external benchmarks and integration of HR measures with other data sources in the organization. All these are typical features of a completely integrated HRIS. The “strategic driver” stage not only requires a completely integrated HRIS and analytic input to inform decision making, but also further alignment of HR to business strategy, where integrated HRIS is just a prerequisite not a sufficient condition. Therefore we speculate that even those reporting “completely integrated HRIS” which is only a small portion (13.1%) don’t necessarily qualify for the “strategic driver” stage. To explore this aspect, we ask a corresponding second research question:

**Question 2: What is the current state of Chinese HRIS in terms of measurement capability and use of information technology?**

By answering questions 1 and 2, we are able to compare the development of Chinese HR to that of Western HR. Lawler and Mohrman’s survey result showed that HR in U.S. companies is moving from the first stage “workforce profiling” toward a more strategic second stage “business insight” as their identification of HR role in business strategy and time allocation suggested. Their HRIS are almost automated to produce efficiency in data
collection and storage but this needs to be further integrated to support the analytics of effectiveness. We will compare our Chinese data with these results in order to explore the development of Chinese HRM.

1.4.3 Question Three – Effect of Organisational Ownership on HR Development

We’ve discussed four main different ownership types - SOEs, CPCs, JVs and FIEs, their origins, distinctions and general HR practices of each ownership type. Based on our review of the particularities of HR systems in different ownership types, we suggest FIEs are likely to have the most HR knowledge and managerial freedom to implement modern western HR practices directly borrowed from their parent companies, and JVs to a lesser extent because of influence from the domestic Chinese partner side, thus they are more likely to have a hybrid of modern HR management system and HR practices of Chinese characteristics. However, they both are operated along more market-based principles than SOEs which retain the most traditional Soviet personnel management practices but have relatively long operating history, large scale and system management system which are conducive to more systematic HR management. In contrast CPCs start from more of a clean slate to build their management system but lack standardization and are often subjected to the “one-man” culture effect. In general, we think the level of sophistication of HRM systems is likely to be in the following order, from most highly developed to least: FIEs > JVs > SOEs > CPCs. Correspondingly our third research question is:

Question 3: Is there a relationship between the relative stage of development of HRM, in terms of HR roles, HR measurement capability and use of HRIS, and ownership types of organisations?

1.4.4 Question Four – Relationship among HRIS, HR Measurement & HR Role
We’ve discussed the development of HRIS, HR Measurement and general HR separately and found that the documented divergence between administrative and strategic applications exist in the development of all three. HRIS use is categorised as administrative vs. analytic application (Ball, 2001), HR measurement is categorised as efficiency vs. impact by Boudreau and Ramstad (2003), which corresponds to the general administrative vs. strategic role categorisation of HR. We analysed this dichotomy, and discussed the influences of three elements on each other in section 1.2.1, where we proposed an interdependent relationship among the three. We then use a triangular interdependency map in Figure 1.3 to summarise the reciprocal relationships among the three and argue that the advancement of each of the three elements is both constrained and facilitated by those of the other two. We therefore plan to test this contested relationship in our empirical study with the following question:

**Question 4: Is there evidence of interdependent relationships among HRIS, HR measurement and Strategic HRM in the context of Chinese organizations?**

Till now, all our four research questions have been developed alongside our review and to conclude the literature review, we here summarise the main points. We firstly reviewed the emergence of the SHRM agenda and importance of HR measurement to the fulfilment of SHRM, proposing that the three streams of HR measurement, HRIS and SHRM are all interdependent and for anyone to progress all must advance. However, our somewhat disappointing conclusion was that relatively little HR measurement research is done in comparison to SHRM or even HRIS. We proposed that viewing the current state of development of HRM in Chinese organisations and comparing it with the current state in Western organisations offers a useful perspective and we review current models about Western HR development and particularly empirical results of Lawler et al.’s studies which
form a benchmark for our Chinese survey. We also review Chinese HR in length to provide a background for analysis and particularly examine the four different ownerships which we propose have effect on the development of general HRM. In the end, we develop our four research questions along these points. In Chapter 2, we will begin our analysis of survey results according to our specific research questions based on a sample of Chinese companies and compare it to findings from a number of surveys of western companies. Then in Chapter 3, we adopt a qualitative approach to discuss the research questions by analysing interviews with a number of senior Chinese HR practitioners. Finally, we summarise the findings and the main conclusions and implications for research and practice in Chapter 4.
CHAPTER TWO – Survey of Senior HR Professionals

The focus of this thesis is the comparison between HRM in Chinese and Western companies, which lays the foundation for further in-depth discussion of the characteristics of Chinese HRM. The results are organised around the four research questions. First, we consider similarities and differences in how HR practitioners report their HR roles with a particular interest in the amount of time that is allocated to different HR activities. Second, we analyse the current HRIS development state and HRIS capability. Third, we discuss how organisational ownership affects HRIS and the overall HRM development. Lastly, we discuss the interrelationship between HRIS, HR measurement and overall HRM in this part.

This chapter reports the findings of a survey of 171 senior Chinese HR professionals. In order to examine HRIS practices in Chinese organisations, data from this survey is compared with published findings from multi-organisational studies with American and Australian companies (Irmer & Ellerby, 2005; Lawler et al., 2006). Irmer and Ellerby (2005) conducted a study on the utilisation of HR metrics and analysis in 47 organisations, of which 21 were American and 26 Australian. Lawler et al (2006) examined longitudinal data (i.e., 1995, 1998, 2001, and 2004) from 150 American companies on the effectiveness of their HR function. These results were compared with the Chinese sample using either chi-squares and or mere descriptive analysis depending on the availability of the data. To examine the strategic development of Chinese HRIS practices in greater depth additional cross sectional analysis was also conducted.
2.1 Method

2.1.1 Procedure

The focus of this study was to examine HRIS practices in Chinese organisations and where applicable to compare the results with practices in American and Australian organisations. To this end a survey questionnaire was designed from the literature on HRIS and SHRM (see Appendix A). An invitation to complete the surveys was sent to 240 medium and large Chinese companies, whose HR professionals are in an on-the-job MBA programme of the Chinese Academy of Science. We obtained access to this contact list through our collaboration with the professor of HR courses of the MBA programme at the Chinese Academy of Science. Surveys were directly distributed to the HR professionals in their class to ensure a high response rate.

2.1.2 Sample

One hundred and seventy-one (n=171) senior Chinese HR professionals completed the survey for a response rate of 71.3%. The high response rate is due to our direct access to the HR professionals of these organizations. This compares favourably with the response rates of similar research on HRIS conducted in the US by the Centre for Effective Organizations at the University of Southern California which obtained response rates of 11.1% (Lawler, Boudreaux, & Mohrman, 2006), 15.5% (Lawler, Boudreaux & Mohrman, 2003), and 17.9% (Lawler, Mohrman & Benson, 2001). It also compares favourably with response rates of similar Chinese HRM research, such as 60% in Law et al.’s study (2003) and 43%–45% in Gong et al.’s study (2009). Tung et al. (2001) obtained a response rate of 80% similar to ours.

Demographic Characteristics. The survey respondents had an average age of 37.1 years and had worked in the HR profession for an average of 10.7 years. Among the 137
participants who reported their job level, 30.7% held the most senior HR role while 51.1% reported directly to the most senior HR role, with the remaining 17.5% respondents were in senior HR roles. Thus the surveys were completed by senior HR professionals who were in a director level or above position with corporate wide visibility of the HR function. Of the 156 participants who reported their gender, 43% were male, and 57% were female.

*Company Ownership.* The responses came from a mix of state owned enterprises (SOE), Chinese private companies (CPC), Chinese government departments (CGD), solely foreign invested entities (FIE), and joint ventures (JV) (see Table 2.1). This study’s sample is predominately SOEs, which raises potential concerns regarding its representativeness. However, we think the sample is still representative for two reasons.

First, the sample represents SOEs’ ongoing significance in national economic activities in the PRC. While the Chinese economy is trending towards higher levels of private sector ownership (Dougherty, 2007), there are still state monopolies in the financial, energy, utilities, transportation and telecommunication sectors (see Table 2.1). Overall the National Bureau of Statistics of China (NBSC) statistics suggests the company asset, number of companies and employed population are all concentrated in SOEs and CPCs. While the proportion of SOEs in our sample is relatively high (75.6%) compared to CPCs (15.9%), it is reflective of the relative importance of SOEs. SOEs are still the dominant players in key industries (energy, telecommunication, transportation, etc). Furthermore, the Private sector classification in the NBSC includes companies which are jointly owned by the State and private entities. Although they are categorised as private, the State has considerable influence over the management and operations of these companies, to the extent that they are often viewed as SOEs rather than CPCs (Delios, 2006). Thus, the percentage of SOEs in the NBSC statistics is somewhat underestimated.
Second, the focus of this study was on large and medium companies which are more likely to be SOEs in the Chinese economy and we intentionally did not survey small companies which are more likely to be CPC in the NBSC statistics. Further, this study’s sample is in line with our study’s aim to examine Chinese HRIS practices, as SOEs and CPCs retain more ‘traditional’ Chinese HR elements in contrast to Chinese operations of Western firms. We think this sample therefore is appropriate for contrasting the HR characteristics of Chinese firms with those of Western firms for our research purpose. Furthermore, because SOEs and CPC take the biggest percentage in our sample, while FIE, JV and Government only have a few counts; our comparison of HRM between different ownership mainly examines the difference between SOEs and CPCs.

Table 2.1 provide a comparison of the percentage of companies of different ownership types to the total number of companies with annual operating revenue over RMB 5 million. The statistics is obtained from NBSC.

<table>
<thead>
<tr>
<th>Ownership Type</th>
<th>By Total Asset</th>
<th>By No. of employees</th>
<th>By No. of companies</th>
<th>By No. of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBSC</td>
<td>24.6%</td>
<td>14.9%</td>
<td>6.9%</td>
<td>75.6%</td>
</tr>
<tr>
<td>Current Study</td>
<td></td>
<td></td>
<td></td>
<td>81.7%</td>
</tr>
<tr>
<td>Revised*</td>
<td></td>
<td></td>
<td></td>
<td>91.5%</td>
</tr>
<tr>
<td>State Owned Corporations (SOE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NBSC</td>
<td>49.4%</td>
<td>55.9%</td>
<td>74.9%</td>
<td>15.9%</td>
</tr>
<tr>
<td>Government (CGD)</td>
<td>Na</td>
<td>Na</td>
<td>Na</td>
<td>2.4%</td>
</tr>
<tr>
<td>Foreign Invested Entities (FIE)</td>
<td>14.0%</td>
<td>19.4%</td>
<td>11.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Joint Ventures (JV)</td>
<td>11.9%</td>
<td>9.7%</td>
<td>7.1%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>

Table 2.1: Comparative Company Ownership Composition: Current Study’s Sample vs. 2007 NBSC statistics

Note: * SOE and CPC data are combined to show that the sample and NBSC statistics are both concentrated in SOEs and CPCs.
Industry. The responses came from companies from a variety of industries with 20 out of 27 major industries being represented. Table 2.2 lists the percentage of companies in each industry in our sample. While, the industry composition of the sample is diverse the largest proportion comes from the sectors of Energy and Utilities, etc which are the SOE dominant areas.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>36</td>
<td>27.3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>30</td>
<td>22.7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13</td>
<td>9.8%</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>11</td>
<td>8.3%</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>8</td>
<td>6.1%</td>
</tr>
<tr>
<td>Telecommunication Services</td>
<td>6</td>
<td>4.5%</td>
</tr>
<tr>
<td>Consumer Durables &amp; Apparel</td>
<td>4</td>
<td>3.0%</td>
</tr>
<tr>
<td>Transportation</td>
<td>3</td>
<td>2.3%</td>
</tr>
<tr>
<td>Automobile &amp; Components</td>
<td>3</td>
<td>2.3%</td>
</tr>
<tr>
<td>Retailing</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Banks</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Software &amp; Services</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Materials</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Food Beverage &amp; Tobacco</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Media</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Education</td>
<td>2</td>
<td>1.5%</td>
</tr>
<tr>
<td>Technology Hardware &amp; Equipment</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Diversified Financials</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td>Household &amp; Personal Products</td>
<td>1</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>132</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 2.2: Industry Composition of Sample

Organisational Size. The majority (85.3%) of respondents indicated that their organisations employed fewer than 5000 employees (see Table 2.3); while 14.7% of respondents indicate their organizations employed more than 5000 employees. On face value, this composition of organizational size appears a departure from the sample of Lawler et al.’s serial studies in which around 50% of organizations employ over 20,000 staffs (Lawler et al.,
However, the two figures are not directly comparable because in Lawler et al.’s survey the question is asked to the HR executives at the headquarters where the total employment of a group is concerned, while in our sample, many respondents come from a subsidiary of a big Chinese SOE group and choose to respond with the employment number of the subsidiary.

This can be seen from that, companies in energy, utility, telecommunication, and banking sector, which should come from large monopolistic SOE groups, accounting for 56.1% of the sampled organizations. As the total number of employment of the large monopolistic SOE groups would easily exceed 5,000, the answers below 5,000 means that a big portion of respondents choose to reply only with the number of employees in their subsidiary level. This difference of reporting level sampled is one major reason for the disparity of organisational sizes. And as our samples include those responses from HR executives and managers of subsidiaries of big companies (compared to Lawler et al.’s sample of HR executives and managers of headquarters of multinationals), the responses also more or less reflect the HR condition of these subsidiaries especially when the HR system of the group is fragmented therefore the HR of the subsidiaries differ substantially to that of the group.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5000</td>
<td>85.3%</td>
</tr>
<tr>
<td>5001-10000</td>
<td>5.5%</td>
</tr>
<tr>
<td>10001 – 20000</td>
<td>4.3%</td>
</tr>
<tr>
<td>20001-50000</td>
<td>1.8%</td>
</tr>
<tr>
<td>Over 50000</td>
<td>3.1%</td>
</tr>
<tr>
<td>Missing data</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 2.3: Organisational Size of Sampled Companies
2.1.3 Measure

A survey was developed to measure the variables of interest (see the Survey Questionnaire in Appendix A). The measures were developed from previous literature. The measures were translated from English into Mandarin. The mandarin version of the items was piloted tested with 3 native speakers who are master research students in the School of Management, Chinese Academy of Science for comprehension and phrasing to ensure their applicability in the Chinese context. The pilot testing involved participants completing the survey and then providing feedback on clarity, applicability and contextual relevance of the items.

The survey covered the following areas:

1. Role of human resources
   a) Time spent on various Human Resources Activities - The focus of the HR function in measured in terms of how much time is spent in different kinds of roles.
   b) HR involvement in business strategy - the involvement of HR in business strategy development and implementation.

2. Use of HRIS and HR measurement system
   a) Use of HRIS - The degree of automation and integration of HR process and HR information systems
   b) HR Measurement Capability - Capability of the HR measurement system to support reporting, analysis and decision making.

3. Demographics - General descriptive information about the characteristics of respondents and of the firm.
Time spent on various Human Resources Activities. The role of Human Resources was measured using Mohrman, Lawler, and McMahan’s (1996) measure of percentage of time spent on various Human Resource activities. Participants were asked “For each of the following HR roles, please estimate the percentage of time your HR function spends performing these roles. Please split 100% among the following categories: “(a) Maintaining records (collect, track and maintain data on employees); (b) Auditing/controlling (insure compliance to internal operations, regulations, legal and union requirements); (c) Providing human resource services (assist with implementation and administration of HR practices); (d) Developing human resource systems and practices (develop new HR systems and processes); (e) Strategic business partnering (being member of the management team, involved with strategic HR planning, organization design and strategic change).

HR involvement in business strategy. The role of Human Resources in business strategy was measured using Lawler et al.’s (2001) measure of HR’s role in strategy. Participants were asked: “Which of the following best describes the relationship between the Human Resource function and business strategy of your operation? (Please check one response)”. The four response options were: (a) Human resource plays no role in business strategy; (b) Human resource is involved in implementing the business strategy; (c) Human resource provides input to the business strategy and helps implement it once it has been developed; and (d) Human resource is a full partner in developing and implementing the business strategy.

Use of HRIS. The state of HR information technology was measured using Mohrman, Lawler, and McMahan’s (1996) measure. Participants were asked to “Please check the one statement that best describes the current state of your HR information technology: (a) Completely integrated HR information technology system; (b) Most processes are information technology-based but not fully integrated; (c) Some HR processes are
information technology-based; (d) Little information technology in the HR function; or (e) No information technology present.

**HR measurement capability.** The capability of the HR measurement system to support reporting, analysis and decision making was measured using Irmer’s (2007) scale. Irmer’s measure asks participants to provide an overall assessment of their firm’s HR measurement capability by choosing one of the four following options: “(a) Limited HR reporting and benchmarking capability; (b) Solid HR reporting and benchmarking capability with limited application; (c) Extensive use of data in managing the HR function” and “(d) Extensive use of data in advising business leaders on workforce management”.

### 2.2 Results

**Data Cleaning.** The analyses reported in this chapter were conducted using analysis of variance (ANOVA) or chi-square tests. Results of the evaluation of the assumptions of normality of sampling distribution, linearity, and homogeneity of variance were satisfactory. The data was screened for the presence of outliers. A score was considered to be an outlier if it lay three or more standard deviations above or below the mean (Tabachnik & Fidell, 1996). No outliers were detected.

**Unequal cell size.** In ANOVA unequal cell size can create computational and interpretational difficulties (Tabachnick & Fidell, 1996). The design becomes non-orthogonal, main and interaction effects are not independent, and the sum of squares is not additive (Keppel, 1991). Several different strategies have been suggested for dealing with unequal cell sizes (Overall & Spiegel, 1969; Tabachnick & Fidell, 1996; Winer, 1971). The unweighted-means method was utilised here.
2.2.1 HR Roles and Time Allocation to Different HR Activities

This section provides the results for research question 1: *How do Chinese HR practitioners allocate their time to strategic activities and how do they view their roles?*

Respondents were asked to estimate the percentage of time that the human resources function currently spends in carrying out a number of activities. Table 2.4 shows that respondents reported that HR spends the most time on service provision.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain Records</td>
<td>22.8%</td>
<td>13.2%</td>
<td>14.9%</td>
<td>16.1%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>20.4%</td>
<td>13.3%</td>
<td>11.4%</td>
<td>11.2%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>34.5%</td>
<td>32.0%</td>
<td>31.3%</td>
<td>35.0%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Development of Human Resource Systems and Practices</td>
<td>16.9%</td>
<td>18.1%</td>
<td>19.3%</td>
<td>19.2%</td>
<td>18.6%</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>14.0%</td>
<td>23.5%</td>
<td>23.2%</td>
<td>20.3%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

Table 2.4: Comparison of Time Spent on Various Human Resource Activities between Chinese and US companies

Note:

1) * The detailed description of the roles in the questions is as follows: (a) Maintain Records (collect, track, and maintain data on employees); (b) Auditing/Controlling (ensure compliance to internal operations, regulations, and legal requirements); (c) Human Resources Service Provider (assist with implementation and administration of HR practices); (d) Development of Human Resource Systems and Practices (develop new HR systems and practices); (e) Strategic Business Partner (As a member of the management team, involved with strategic HR planning, organisational design, and strategic change)

2) ** The US data is from Lawler et al. (2006, pgs 21-22).
3) *** The percentages of time allocation are actual percentages, which do not necessarily have to add to 100% as they are averages and secondly the respondents may have also allocated time to other activities.

Table 2.4 reveals both similarities and differences in US and Chinese practitioners’ reports of their time allocation. The similarities are in the amounts of time allocated to what can be considered to the ‘intermediate’ (in terms of their relation to business strategy) types of HR activities – the development of HR systems and practices, and acting as a provider of HR services. There are no major differences between US and Chinese samples on the proportion of time allocated to, the development of HR systems and practices, and acting as a provider of HR services. Where the main differences occur is in the amounts of time allocated to the most traditional, ‘personnel’ types of activities, “maintaining records”, and “auditing/controlling”, and the most influential or sophisticated role for HR as a ”strategic business partner”. Please note, we were unable to conduct independent group t-tests on these differences as the published US data did not include standard deviations.

*Role of Human Resources in Developing and Implementing Business Strategy*

Respondents were asked to indicate the level of involvement of the HR function in business strategy development and implementation. Table 2.5 shows that most Chinese HR executives reported that their function is involved in business strategy to some extent but only 15.7% considered themselves as a full partner in business strategy development and implementation.

When the Chinese companies are compared to those of US companies, Chinese companies have a significantly lower percentage reporting their HR being involved in business strategy, particularly a full partner role (PRC: 15.7% vs. US2004HR: 39.8% or
US 2004NonHR: 23.7%). Whether we use the responses from US HR executives or non-HR managers, both suggest that Chinese companies at this stage are less strategic than their American counterparts. The difference between HR executives and non-HR managers in the US data is not surprising as this pattern was also found previously (SHRM, 1998). As noted by Lawler et al. (2006), the difference can be explained in two ways, it can be because HR executives have better visibility and information in regard to HR role in strategy than most managers do therefore hold a more accurate image of their roles, or it can be because HR executives tend to overestimate their own function due to self-serving biases.

<table>
<thead>
<tr>
<th>Role in Business Strategy development</th>
<th>China</th>
<th>US*</th>
</tr>
</thead>
<tbody>
<tr>
<td>No role in strategy</td>
<td>9.6%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Implementation role</td>
<td>46.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Input role</td>
<td>28.1%</td>
<td>45.9%</td>
</tr>
<tr>
<td>Full partner</td>
<td>15.7%</td>
<td>39.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Role of Human Resources in Business Strategy and Activities undertaken by HR</th>
</tr>
</thead>
<tbody>
<tr>
<td>We next break down the time allocation within each HR role in business strategy in the Chinese data (see table 2.6a). That is, we examine average time allocation to various HR activities by the role HR plays in business development. This more detailed breakdown</td>
</tr>
</tbody>
</table>
serves two main purposes.

First, to cross-check the consistency of the two different methods of measuring HR’s strategic involvement we should find that those HR functions that are reported to have a more strategic role should also spend more time on strategically related activities. The second purpose is to contrast the time allocation in different business roles to that of the overall US and Chinese level. These data are presented in Table 2.6a.

In relation to the first issue, Table 2.6a shows that the more strategic a role HR occupies, the greater the proportion of time is allocated to strategic activities such as “development of HR systems and practices” and being a “strategic business partner”. The pattern also shows a decreasing portion of time allocated to administrative activities such as “auditing/controlling” and “maintaining records” when HR roles move from “no role” to “full partner in development and implementation”. This suggests the two methods are at least measuring HR’s strategic orientation in the same direction, which also offers support for the validity of two measurements.

Further we performed one-way ANOVA with HR role treated as the independent variable and allocation of time to different HR activities treated as the dependent variable. ANOVA results show the effect of HR role is statistically significant on two HR activities: the most administrative one – maintain records, $F(3, 155) = 5.65, p<0.001, \eta^2=0.10$, and the most strategic one – being strategic business partner, $F(3, 155) = 3.94, p<0.01, \eta^2=0.07$. For the three HR activities between them, the effect of HR role is not statistically significant. The detailed ANOVA statistics is in Table 2.6b. We further look at the post hoc analysis (see Appendix D), where Turkey HSD method is used to control for experiment-wide Type I errors (Day & Quinn, 1989). The post hoc results show that the pair-wise statistically significant difference exist in 1) Full Partner Role allocates less time than Implementation
Role on “Maintain Record”, $t(97)=3.94$, $p<0.001$, $\eta^2=0.14$; 2) Full Partner Role allocates more time than No Role on “Strategic Business Partner” $t(37)=3.00$, $p<0.01$, $\eta^2=0.20$; and 3) Full Partner Role allocates more time than Implementation Role on “Strategic Business Partner” $t(95)=2.35$, $p<0.05$, $\eta^2=0.05$. The last two differences are relatively straightforward to interpret as Chinese HR with Full Partner Role have significantly higher percentage of their time allocated to the most strategic HR activities “Strategic Business Partner” which is defined as “playing a member of the management team, getting involved with strategic HR planning, organisational design, and strategic change” (see survey questions in Appendix A), than HR with only implementation role in Business or even no role. However, 1) presents a small surprise that the greatest amount of time spent on administrative activities is in the context of an “implementation role” (28.0%) rather than “no role” (22.1%). There is a plausible explanation for this slightly inconsistent pattern. This result may be due to the survey items’ design; that is the last three items, namely, “HR service provider”, “auditing/controlling” and “maintaining records” arguably have less clearly distinguishable levels of strategic importance than “strategic partner” and “development of HR system and practices” in the eyes of HR respondents. For this reason, the relative portion of each might vary across the 3 different roles but the sum of them decreases as the HR role moves from an administrative to a strategic role, which is evidenced by these results.
HR Role in Business Strategy

<table>
<thead>
<tr>
<th>HR Role and Activities</th>
<th>No Role</th>
<th>Implementation 2</th>
<th>Input 3</th>
<th>Full Partner 4</th>
<th>Overall</th>
<th>ANOVA Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain records *</td>
<td>22.1%</td>
<td>28.0%</td>
<td>20.9%</td>
<td>12.0%</td>
<td>22.8%</td>
<td>0.001</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>18.9%</td>
<td>21.8%</td>
<td>18.7%</td>
<td>19.6%</td>
<td>20.4%</td>
<td>0.799</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>38.6%</td>
<td>34.7%</td>
<td>33.7%</td>
<td>32.8%</td>
<td>34.5%</td>
<td>0.747</td>
</tr>
<tr>
<td>Development of Human Resource Systems and Practices</td>
<td>12.1%</td>
<td>15.6%</td>
<td>18.7%</td>
<td>19.6%</td>
<td>16.9%</td>
<td>0.258</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>6.4%</td>
<td>12.6%</td>
<td>14.6%</td>
<td>20.4%</td>
<td>14.0%</td>
<td>0.010</td>
</tr>
</tbody>
</table>

Table 2.6a: Comparison of Time Spent on Various Human Resource Activities by HR’s Role in Business Strategy

Note:
1) * The detailed descriptions of these activities are in Table 2.4
2) 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; 4 Human resource is a full partner in developing and implementing the business strategy;

<table>
<thead>
<tr>
<th>Time Allocation to Different HR Activities</th>
<th>1. No Role</th>
<th>2. Implementation</th>
<th>3. Input</th>
<th>4. Full Partner</th>
<th>Total</th>
<th>Post hoc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining Records</td>
<td>22.2%</td>
<td>28.0%</td>
<td>21.0%</td>
<td>12.1%</td>
<td>22.8%</td>
<td>2 &gt; 4</td>
</tr>
<tr>
<td>F(3, 155)=5.66 **</td>
<td>(16.3%)</td>
<td>(19.9%)</td>
<td>(17.1%)</td>
<td>(7.6%)</td>
<td>(18.1%)</td>
<td></td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>18.9%</td>
<td>21.8%</td>
<td>19.2%</td>
<td>19.4%</td>
<td>20.4%</td>
<td></td>
</tr>
<tr>
<td>F(3, 156)=0.34**</td>
<td>(10.8%)</td>
<td>(19.1%)</td>
<td>(13.9%)</td>
<td>(15.8%)</td>
<td>(16.5%)</td>
<td></td>
</tr>
<tr>
<td>HR Service Provider</td>
<td>38.6%</td>
<td>35.3%</td>
<td>33.5%</td>
<td>32.3%</td>
<td>34.5%</td>
<td></td>
</tr>
<tr>
<td>F(3, 157)=0.41**</td>
<td>(19.3%)</td>
<td>(21.7%)</td>
<td>(18.4%)</td>
<td>(18.1%)</td>
<td>(20.0%)</td>
<td></td>
</tr>
<tr>
<td>Development of HR Systems and Practices</td>
<td>12.1%</td>
<td>15.8%</td>
<td>18.7%</td>
<td>19.6%</td>
<td>16.9%</td>
<td></td>
</tr>
<tr>
<td>F(3, 155)=1.36**</td>
<td>(8.9%)</td>
<td>(16.0%)</td>
<td>(12.0%)</td>
<td>(11.6%)</td>
<td>(13.8%)</td>
<td></td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>6.9%</td>
<td>12.8%</td>
<td>14.2%</td>
<td>21.2%</td>
<td>14.0%</td>
<td>1, 2</td>
</tr>
<tr>
<td>F(3, 155)=3.95*</td>
<td>(8.3%)</td>
<td>(15.5%)</td>
<td>(11.0%)</td>
<td>(16.0%)</td>
<td>(14.4%)</td>
<td>&lt; 4</td>
</tr>
</tbody>
</table>

Table 2.6b: One Way ANOVA between HR Roles and Time Allocation among HR activities

Note: The numbers in parentheses are standard deviations. The numbers in the column headings are utilised to depict significant differences in the last column titled “post hoc”.
* p<0.01
** p<0.001
ns = not significant
Role of HR by Organisation Type

We are interested in whether roles of HR are different in different types of organisations. We examined HR’s roles in business strategy data by each organisation type (see Table 2.7). As the cell sizes of Government, FIE and JV groups are quite small, we mainly carried out statistical comparison between SOE and CPC, the data in Table 2.7 shows an interesting pattern. SOE contains 10.7% of companies which states “no role in business strategy” while CPC contains none, and SOE has slightly fewer percentage of companies (SOE: 14.8%, CPC:15.4%) which states they are “full partners” than CPC, the overall distribution shows SOE has more percentage of companies being either “input role” or “full partner” (SOE: 45.0%, CPC:38.5%) and fewer percentage of companies being either “implementation role” or “no role” (SOE: 55%, CPC:61.5%). However, these differences between SOEs and CPCs were not statistical significant, is $x^2 = 4.517$, df = 3; n.s. (p=0.21).

This suggests that there is no statistically significant difference between overall HR roles of SOEs and CPCs. However, the above cross-tab analysis is constrained by that more than 20% expected frequencies (2 cells out of 8 cells) are less than 5. Therefore the power of the analysis is somewhat impaired. We re-ran the analysis by merging CPCs, JVs and FIEs into one group which, in contrast to state ownership of SOEs, can be defined as an aggregate “Private Sector”. We performed a cross-tab analysis between the two, and again found no different, $x^2 = 3.99$, df = 3, n.s. (p=0.47). This result still implies the difference between SOEs and new aggregate “Private Sector” is not statistically significant. As we will encounter similar problem of small cell sizes of JVs and FIEs and frequencies requirement of CPCs cells in subsequent analysis, we will employ the method to merge JVs and FIEs with CPCs into an aggregate “Private Sector” to increase the power of our analysis.
Table 2.7: HR’s Roles in Business Strategy by Organisation Type

<table>
<thead>
<tr>
<th>Organisation Type *</th>
<th>SOEs</th>
<th>CPCs</th>
<th>Government</th>
<th>FIEs</th>
<th>JVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Role in Strategy</td>
<td>10.7% (13)</td>
<td>25.0% (1)</td>
<td>33.3% (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation Role</td>
<td>44.3% (54)</td>
<td>61.5% (16)</td>
<td>25.0% (1)</td>
<td>33.3% (1)</td>
<td>50.0% (3)</td>
</tr>
<tr>
<td>Input Role</td>
<td>30.3% (37)</td>
<td>23.1% (6)</td>
<td>25.0% (1)</td>
<td></td>
<td>16.7% (1)</td>
</tr>
<tr>
<td>Full Partner</td>
<td>14.7% (18)</td>
<td>15.4% (4)</td>
<td>25.0% (1)</td>
<td>33.3% (1)</td>
<td>33.3% (2)</td>
</tr>
</tbody>
</table>

Note: * The actual counts of corresponding responses are in the brackets, the percentages without brackets are percentages of counts to the total in each organisation type.

We also broke down HR’s time spent on various HR activities by each organisation type (see Table 2.8). Also due to small cell size, Government, FIE and JV groups have been excluded from statistical comparisons. For comparison between SOE and CPC, the data in Table 2.8 shows a pattern where SOE spent slightly less percentage of time in the most strategic activity – “strategic business partner” (SOE: 12.4%, CPC:14.2%) and second most strategic activity – “development of human resource systems and practices” (SOE:14.8%, CPC:17.2%), as well as slightly less time in the least strategic activity – “maintain records” (SOE:21.0%, CPC: 23.5%) and the second least strategic activity – “auditing/controlling” (SOE:18.8%, CPC:21.0%) but significantly more time in the middle level – “human resource service provider” (SOE: 33.0%, CPC: 24.0%).

Again this overall pattern suggests there is no significant difference between SOEs and CPCs in regards to their time allocation to different HR activities. SOEs allocate fewer percentages in the least strategic activity and the most strategic activity compared to CPCs.
and allocates a greater percentage to the middle level. To sum up, we think the similar level of overall HR roles and overall time allocation to HR activities of SOEs and CPCs show that the SOEs and CPCs are at the similar stage of overall HRM development in China. However, we will discuss this point in junction with our analysis of the difference of Use of HRIS and HR measurement capability between SOEs and CPCs in later sections.

<table>
<thead>
<tr>
<th>HR Role in Business Strategy</th>
<th>SOEs</th>
<th>CPCs</th>
<th>Government</th>
<th>FIEs</th>
<th>JVs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain records</td>
<td>23.5%</td>
<td>23.5%</td>
<td>22.5%</td>
<td>18.3%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Auditing/Controlling</td>
<td>20.9%</td>
<td>21.0%</td>
<td>22.0%</td>
<td>23.3%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Human Resources Service Provider</td>
<td>36.9%</td>
<td>24.0%</td>
<td>28.8%</td>
<td>30.0%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Development of Human Resource Systems and Practices</td>
<td>16.6%</td>
<td>17.2%</td>
<td>13.8%</td>
<td>15.0%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Strategic Business Partner</td>
<td>13.9%</td>
<td>14.2%</td>
<td>15.0%</td>
<td>25.0%</td>
<td>18.3%</td>
</tr>
</tbody>
</table>

Table 2.8: Time Spent on Various Human Resource Activities by Organisation Type
2.2.2 Use of HRIS and HR Measurement Capability

This section contrasts and HR measurement capabilities and use of HRIS in Chinese firms with those in Western firms. This section reports the results relevant to research question 2: *What is the current state of Chinese HRIS in terms of HR measurement capability and Use of HRIS?*

*Human Resource Measurement Capabilities*

Respondents were asked to indicate the effectiveness of their companies’ HR measurement system on Irmer’s (2007) Measurement system capability scale. We examined the difference in HR measurement capabilities between Chinese and Western Companies using a cross-tab analysis. The statistical result is $x^2 = 7.79$, df = 3; p<0.05. Therefore HR measurement capabilities between Chinese and Australian/American Companies are significantly different.

Table 2.9 shows almost half of Chinese practitioners (41.7%) report that their organisations have only basic HR measurement capabilities versus 26.1% of Australian/American practitioners. However this does not mean that sophisticated HR measurement systems are not found or very rarely found among Chinese organisations in comparison to Western ones.
Table 2.9: Comparison of HR Measurement System Capability between Chinese and Western Companies

<table>
<thead>
<tr>
<th>Capability</th>
<th>China</th>
<th>Australia/US*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited HR reporting and benchmarking capability</td>
<td>41.7% (72)</td>
<td>26.1% (12)</td>
</tr>
<tr>
<td>Solid HR reporting and benchmarking capability with limited application</td>
<td>29.8% (51)</td>
<td>45.7% (22)</td>
</tr>
<tr>
<td>Extensive used of data in managing HR function</td>
<td>16.7% (29)</td>
<td>10.9% (5)</td>
</tr>
<tr>
<td>Extensive use of data in advising business leaders on workforce management</td>
<td>11.3% (19)</td>
<td>17.4% (8)</td>
</tr>
</tbody>
</table>

Note: * The Australian and US data is from Irmer (2007).

There is virtually no difference between the two samples in the percentage of practitioners reporting that their organisation had a HR system with one of the two highest levels of capability (PRC: 28.0% vs. Australia/US: 28.3%). However the Chinese pattern can be described as pyramid-like compared to US/Australia’s spindle-like pattern. This contrast between the bottom and top of the Chinese pyramid suggests a “two tier system”. That is, though equally high proportions, of Chinese companies have sophisticated HR systems, a considerably larger number of Chinese companies have only the most basic capabilities (PRC 41.7%; Australia/US 26.1%).

**HR Measurement Capability by Organisation Type**

To further explore this pattern, we broke down HR measurement capability data by each organisation type (see Table 2.10). The data in Table 2.10 indicates an uneven distribution of HR system capabilities across different types of organisations. There is evidence for the two-tiered system with clear differences between SOEs and CPCs where more percentage of companies are is with the lowest level of HR measurement capability in CPCs than in SOEs.
Nearly 56% of all Chinese Private Companies are in the bottom level compared to only 38.5% of SOEs. The percentages of SOEs with “Solid HR reporting and benchmarking capability with limited application”, “Extensive use of data in managing HR function” and “Extensive use of data in advising business leaders on workforce management” are 31.6%, 18.8% and 10.3% respectively. The corresponding percentages for Chinese Private Companies are only 20.0%, 12.0% and 12.0%. As the number of observations for both SOEs and CPCs is large enough for a meaningful statistical comparison, we examined the difference between SOEs and CPCs using a cross-tab analysis. The statistical result is $x^2 = 3.05$, df = 3; n.s., p=0.38.
The result indicates that HR measurement capabilities between SOEs and CPCs are not statistically significantly different though its pattern suggests CPCs having more tendencies to being in the lowest level of HR measurement capabilities. However, the above cross-tab analysis is constrained by that more than 20% expected frequencies (2 cells out of 8 cells) are less than 5. Therefore the validity of the analysis is somewhat impaired. As we mentioned before, we take a remedial solution by merging CPCs, JVs and FIEs into one group which, in contrast to state ownership of SOEs, can be defined as an aggregate “Private Sector”. We perform cross-tab analysis between the two, and the requirement of expected frequencies is met. The statistical result is $x^2 = 0.97$, df = 3, n.s, $p = 0.81$. This result still implies the difference between SOEs and new aggregate “Private Sector” is not statistically significant.

Use of HRIS

Besides HR measurement capability, respondents were also asked to indicate the current state of their companies’ HRIS on Lawler et al.’s (2006) scale. The results of use of HRIS and HR measurement capability supplemented each other so to give us a better view of the progress of Chinese HR vs. Western HR. Table 2.11 shows the state of IT-based human resource processes. 11.3% of Chinese companies were using IT for most or all of their human resource systems compared to 13.1 in US in year 2004. The largest difference between the US and China in percentage of respondents indicating that either “little automation present in HR function” (US2004: 6.1%; PRC: 23.8%), or “most HR processes are automated” (US2004: 48.5%; PRC: 33.3%). Chinese HR’s lag in the lower end of the HRIS development spectrum, combined with the actually higher-than-US percentage of respondents indicating their organisations have highly advanced HRIS systems conforms to our previous observation that there is a large gap between the lower end and higher end of Chinese HR, creating a “two
tier system”. This pattern is to be discussed below, where the gap between SOEs and CPCs was identified as one major factor.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Little or no information technology/automation present in the HR function</td>
<td>23.8%</td>
<td>6.1%</td>
<td>8.3%</td>
<td>8.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Some HR processes are information technology based/automated</td>
<td>31.5%</td>
<td>32.3%</td>
<td>48.3%</td>
<td>40.3%</td>
<td>45.3%</td>
</tr>
<tr>
<td>Most processes are information technology based/automated but not fully integrated</td>
<td>33.3%</td>
<td>48.5%</td>
<td>35.9%</td>
<td>42.9%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Completely integrated HR information technology/automated system</td>
<td>11.3%</td>
<td>13.1%</td>
<td>7.6%</td>
<td>8.4%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

**Table 2.11: Comparison of Use of HRIS in Chinese and US companies**

Note: * The US data is from Lawler et al. (2006, pg 60).

**Use of HRIS by Organisation Type**

To further explore the “two-tier” pattern, we break down Use of HRIS data by each organisation type (see Table 2.12). The data in Table 2.12 indicates an uneven distribution of use of HRIS across different types of organisations. There is evidence supporting the two-tiered system with clear differences between SOEs and CPCs.

The pattern suggests that SOEs have more advanced Use of HRIS than CPCs. Fifty-six percent of all CPCs are in the bottom level “Little or no information technology/automation present in the HR functions” compared to only 17.2% of SOEs. The percentages of SOEs with “Some HR processes are information technology based/automated”, “Most processes are
information technology based/automated but not fully integrated” and “Completely integrated HR information technology/automated system” are 30.8%, 38.3% and 13.3% respectively. The corresponding percentages for Chinese Private Companies are only 32.0%, 12.0% and 0.0%.

The number of observations for both SOEs and CPCs is large enough for a meaningful statistical comparison. We examined the difference in Use of HRIS between SOE and CPCs using a cross-tab analysis. The statistical result is \(x^2 = 20.29, \text{df} = 3; p<0.001\). Therefore Use of HRIS between SOE and CPCs are significantly different, where overall SOEs have more advanced Use of HRIS than CPCs.

<table>
<thead>
<tr>
<th>Organisation Type</th>
<th>SOEs</th>
<th>Government</th>
<th>FIEs</th>
<th>JVs</th>
<th>CPCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little or no information technology/automation present in the HR function</td>
<td>17.2%</td>
<td>16.7%</td>
<td>56.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(21)</td>
<td>(1)</td>
<td>(14)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some HR processes are information technology based/automated</td>
<td>30.8%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>16.7%</td>
<td>32.0%</td>
</tr>
<tr>
<td></td>
<td>(37)</td>
<td>(2)</td>
<td>(3)</td>
<td>(1)</td>
<td>(8)</td>
</tr>
<tr>
<td>Most processes are information technology based/automated but not fully integrated</td>
<td>38.3%</td>
<td>50.0%</td>
<td>12.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(46)</td>
<td>(3)</td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completely integrated HR information technology/automated system</td>
<td>13.3%</td>
<td>16.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(16)</td>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2.12: Use of HRIS by Organisation Type
2.2.3 Effect of Organisational Ownership on HR Development

In this section we summarise the finding of our analysis on the relationships between organisation types, HR’s roles, HR measurement capability, and Use of HRIS to provide an integrated answer to research question 3:

**Question 3: Is there a relationship between the relative stage of development of HRM, in terms of HR roles, HR measurement capability and use of HRIS, and ownership types of organisations?**

As the cell size of Government, FIEs, and JVs are too small for meaningful statistical analysis, our analysis focus on the comparison between SOEs and CPCs in discussing HR’s roles, HR measurement capability and Use of HRIS. Based on our empirical results, the comparison between the two shows an interesting pattern. In general, based on the “Use of HRIS” data SOEs appear to have more advanced HRIS. However, data of HR’s roles in business strategy and time allocation on various activities show SOEs don’t have a statistically significantly more strategic role. Similarly data of HR measurement capability shows SOEs don’t have a statistically significant better HR measurement capability than CPCs.

This result suggests that though SOEs have better HRIS infrastructures, they have not been able to fully convert these advantages to advancement of HR measurement capabilities, and further, the advancement of their HR management, particularly the strategic role of HR function. This, as summarised by Irmer and Ellerby (2005), might be due to the organisational and knowledge challenges SOEs face after they have installed HRIS. Irmer and Ellerby summarize main challenges to HR professionals into four types – 1) Establishing and Maintaining HR data Credibility (technology challenge); 2) HR’s Ability to Analyse and
Interpret Human Capital Metrics (knowledge challenge); 3) Securing Adequate Project Resourcing (budget challenge); and 4) Managing Cultural Resistance to Human Capital Metrics (organizational challenge). We call the second is a knowledge challenge and the fourth one is an organizational challenge. Irmer and Ellerby noted that most HR professionals found that knowledge challenge is one of the greatest they face, where there is a knowledge, skill and ability gap around doing analytics, interpreting and communicating HR measurement findings, and specifically lack of ability to identify links between HR performance and business objects. The organizational challenge is about managing the change of required organizational culture and behaviours towards a more conducive one to analytics and use of HR measurement in business issues. This is about to get the stakeholders to see HR measurement and analytics add value to the company and its different functions rather than as an additional task. The organizational challenge is also about the reactive administrative mindset of many HR functions. The organisational and knowledge challenges cannot be as easily solved as challenges in budget and technology which are mostly the barriers to initial HRIS development. To put it in the context of Chinese SOEs, it’s the bureaucratic organisational culture, inefficient command system and old Soviet socialist practices as well as lack of required HR knowledge that prevent SOEs from capitalising on their HRIS and measurement infrastructure. Even though many SOEs might already have decent HRIS, those problems are still dragging the HR development of Chinese SOEs.

2.2.4 Relationship among HRIS, HR Measurement & HR Role

This section provides the results for research question 4: *Is there evidence of an interdependent relationship among HRIS, HR measurement and Strategic HRM in Chinese organizations?*
To answer to this question, we undertake two analyses. The first is to explore the relationship between Use of HRIS and Strategic Role of HR and the second is to explore the relationship between HR measurement capability and Strategic Role of HR.

**HR Information Systems and Strategic Role of HR**

Table 2.13 presents data on the relationship between the use of HRIS systems and the degree to which HR is a strategic partner. It shows that HR is most likely to be a full partner in the strategy process when a completely integrated HRIS system exits. However, the data also indicates that having a completely integrated HRIS system does not necessarily result in HR being a strategic partner. Sixty four percent of companies (11 of out 17) with a fully integrated HRIS system are not strategic partners and 13.6% of companies (20 out of 147) with only partially integrated HRIS systems consider themselves a full strategic partner.

Table 2.13 below is the cross-tabulation of HRIS automation/integration development and HR roles. The sample is 164 Chinese HR professionals who answered both questions in our survey. The crosstab analysis was statistically significant ($x^2 = 28.19$, df = 9, p<0.001). The general pattern shows that the more strategic an organisation’s HR function is, the more advanced its HRIS development.

However, the above cross-tab analysis is constrained by that more than 20% expected frequencies (4 cells out of 16 cells) are less than 5. Therefore the power of the analysis is somewhat impaired. We take a remedial solution by merging “no role” with “implementation role” into one group which in aggregate represents the more administrative level of HR role compared to “input role” and “full partner”. We perform cross-tab analysis between the three, and the requirement of expected frequencies is met. The statistical result is $x^2 = 21.24$, df = 6, p <0.01. This result is in line with our previous finding, which lends support to the conclusion that advancement of HR role and HRIS are linked.
In other words, the more strategic the HR role is, in order to support its strategic activities, the more likely the organisation is to adopt more advanced HRIS. However, it is important that alternative explanation is also possible – the more advanced HRIS an organisation has, as better infrastructure and decision tools support strategic use, the more likely its HR’s Role in Business become strategic.

<table>
<thead>
<tr>
<th>Little or no information technology/automation present in the HR function</th>
<th>No Role(^1)</th>
<th>Implementation(^2)</th>
<th>Input(^3)</th>
<th>Full Partner(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>56.3%</td>
<td>25.3%</td>
<td>14.9%</td>
<td>19.2%</td>
<td></td>
</tr>
<tr>
<td>(9)</td>
<td>(19)</td>
<td>(7)</td>
<td>(5)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Some HR processes are information technology based/automated</th>
<th>18.8%</th>
<th>32.0%</th>
<th>46.8%</th>
<th>7.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3)</td>
<td>(24)</td>
<td>(22)</td>
<td>(2)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most processes are information technology based/automated but not fully integrated</th>
<th>25.0%</th>
<th>36.0%</th>
<th>25.5%</th>
<th>50.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4)</td>
<td>(27)</td>
<td>(12)</td>
<td>(13)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Completely integrated HR information technology/automated system</th>
<th>0.0%</th>
<th>6.7%</th>
<th>12.8%</th>
<th>23.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(0)</td>
<td>(5)</td>
<td>(6)</td>
<td>(6)</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2.13: State of HR Information Systems in Chinese Companies with Different Strategic Partner Roles**

Note: \(^1\) 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; \(^4\) Human resource is a full partner in developing and implementing the business strategy

**HR Measurement Capabilities and Strategic Role of HR**

Table 2.14 presents data on the relationship between the HR measurement capabilities and the degree to which HR is a strategic partner. It shows that, in general, the more advanced the HR role is, the more advanced the HR measurement capability is, such as
“extensive use of data in advising business leaders on workforces management issues” as opposed to less advanced HR measurement capability such as “limited HR reporting and benchmarking capability”.

We also look at the interaction between HR measurement capabilities and HR role in a similar manner. Crosstab analysis confirms that the cross tabulation is statistically significant ($x^2 = 33.93$, df=9, $p<0.001$), which means the HR measurement capability has an association with HR’s role in business strategy, in a way that more advanced HR roles correspond to more advanced HR measurement capabilities.

However, the above cross-tab analysis is constrained by that more than 20% expected frequencies (4 cells out of 16 cells) are less than 5. Therefore the power of the analysis is somewhat impaired. We again take a remedial solution by merging “no role” with “implementation role” into one group which in aggregate represents the more administrative level of HR role compared to “input role” and “full partner”. We perform cross-tab analysis between the three, and the requirement of expected frequencies is met. The statistical result is $x^2 = 29.03$, df = 6, $p <0.001$ This result is in line with our previous findings, which lends support to the conclusion that advancement of HR role and HR measurement are related. From Table 2.14, we can also see the pattern that levels of HR role and HR measurement capability move in the same direction. As statistical results of either one of the two variables as dependent are significant, it’s reasonable to interpret the relationship as either HR’s role in business strategy or the HR measurement capability can be the cause for the other.
### Table 2.14: HR Measurement Capability in Chinese companies with Different Strategic Partner Roles

<table>
<thead>
<tr>
<th>HR’s Role in Business Strategy</th>
<th>No Role¹</th>
<th>Implementation²</th>
<th>Input³</th>
<th>Full Partner⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited HR reporting and benchmarking capability</td>
<td>81.3%</td>
<td>52.0%</td>
<td>27.7%</td>
<td>11.5%</td>
</tr>
<tr>
<td></td>
<td>(13)</td>
<td>(39)</td>
<td>(13)</td>
<td>(3)</td>
</tr>
<tr>
<td>Solid HR reporting and benchmarking capability with limited application</td>
<td>18.8%</td>
<td>26.7%</td>
<td>29.8%</td>
<td>42.3%</td>
</tr>
<tr>
<td></td>
<td>(3)</td>
<td>(20)</td>
<td>(14)</td>
<td>(11)</td>
</tr>
<tr>
<td>Extensive use of data in managing HR function</td>
<td>0.0%</td>
<td>14.7%</td>
<td>25.5%</td>
<td>19.2%</td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(11)</td>
<td>(12)</td>
<td>(5)</td>
</tr>
<tr>
<td>Extensive use of data in advising business leaders on workforce management</td>
<td>0.0%</td>
<td>5.3%</td>
<td>17.0%</td>
<td>26.9%</td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(4)</td>
<td>(8)</td>
<td>(7)</td>
</tr>
</tbody>
</table>

Note: 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; ⁴ Human resource is a full partner in developing and implementing the business strategy.
2.3 Discussion

We have developed our four research questions in the literature review and we are going to re-state these questions with discussion of what our survey findings suggest in terms of these questions here to bring a holistic understanding of Chinese HRM.

Strategic Role of HR

*Question 1: How do Chinese HR practitioners allocate their time to strategic activities and how do they view their roles?*

To summarize the key findings, Chinese HR practitioners report allocating less time to strategic activities and report having less of a strategic business role when compared to US HR practitioners. The Chinese HR and US HR spend around similar percentage of time to providing HR service, but Chinese HR spend significantly more percentage of time to maintain records and auditing/controlling activities. The most typical role for Chinese HR is a implementation role while in comparison, most Western HR has either an input role or business partner role. It’s also found that when Chinese HR plays a more important role in business strategy, the trend is for it to spend more time on strategic activities but still comparatively less than its American counterparts. Overall the results suggest that Chinese HR still largely lags behind Western HR in terms of their role in business and their time allocation is still skewed towards administrative activities.

HRIS and HR Measurement

*Question 2: What is the current state of Chinese HRIS in terms of measurement capability and use of information technology?*
In summary, Chinese organisations have a lower HR measurement capability and lower automation/integration development of HRIS compared to US and Australian organisations. As for HR measurement capability, typical Chinese organisations have only limited HR reporting and benchmarking capability while in comparison, typical Australian and US organisations have solid HR reporting and benchmarking capability with also higher portion of organisations having extensive use of data in advising business. As for HRIS, the lag is less pronounced, though Chinese organisations still have higher portion with little or no information technology in HR compared to Western ones and slightly lower percentage in strategic end. Overall the results suggest though Chinese HR is still behind of Western HR in terms of HR measurement capability and HRIS, the gap – especially of HRIS, is not as pronounced as the gap of HR roles and time allocations, which we think suggests that Chinese HR is quickly catching up in the hardware aspect of HR development but progress in this area has yet fully reflected in the overall change of HR roles and will take time to do so. Moreover, Chinese HR appears to have a “two-tier” system, in which there is a big gap between the relative a few having a sophisticated HRIS system and the majority having very limited ones. The gap is bigger among CPCs than in SOEs. And overall, SOEs have more sophisticated HRIS system (statistically significant) and HR measurement capability (statistically not significant) than CPCs, which we think can be a main cause of the “two-tier” system.

HRM development and Organisation Type

Question 3: Is there a relationship between the relative stage of development of HRM, in terms of HR roles, HR measurement capability and use of HRIS, and ownership types of organisations?
Due to small cell size in FIEs and JVs, we only perform statistical analysis on the effect of organisation type in SOEs and CPCs. And our results in general suggest SOEs have statistically significantly more advanced use of HRIS, but don’t have a statistically significantly higher HR measurement capability or significantly more strategic role than CPC. This result suggests that SOEs have not been able to fully convert the HRIS advantages to advance their HR measurement capability and further to HRM development, particularly the strategic role of HR. Our interpretation is that it’s the bureaucratic organisational culture, inefficient command system and old Soviet socialist practices as well as lack of required HR knowledge that prevent SOEs from capitalising on their HRIS and measurement infrastructure. Overall, as for the research question, we get partial answer that SOEs have better HRIS than CPCs but similar level of HR measurement capability and HR role. However, most of the research questions remained unanswered due to inability to perform statistical analysis under a sample size constraint.

**Relationship between HR Role, HR Measurement Capability and HRIS**

**Question 4: Is there evidence of interdependent relationships among HRIS, HR measurement and Strategic HRM in the context of Chinese organizations?**

In summary, the cross tab analysis indicated that both Use of HRIS and HR measurement capability are significantly associated with the strategic role HR plays in business strategy. The more advanced an organisation’s HRIS system is or the higher the capability of its HR measurement system is, the more strategic role the company’s HR tend to have. Therefore, we can accept the conclusion that there is an association between HRIS and HR role, and also between HR measurement capability and HR role, both in positive
direction. However, the relationship should not be interpreted as only a one-way, causal-relationship from HRIS capability to strategic role as a company’s HR role can also be the cause for the other two. Overall for the research question, at the very least, the result substantiates a positive association between HRIS and HR role, as well as between HR measurement capability and HR role, and demonstrates possible interdependence among HR Role, HRIS and HR measurement capability.
CHAPTER THREE – Qualitative Study

Following the questionnaire survey, we carried out semi-structured interviews to serve the purpose of providing a deeper understanding of Chinese HRM development which supplements the survey findings with examples of ‘live cases’, and offers more textured details and insights into the meaning and significance of the survey results. With the personal descriptions and insights provided by interviewees, we can interpret the research questions with more qualitative details beyond what we already have in the quantitative results. These semi-structured interviews were developed on the basis of the results of our survey, and questions were designed in such a way as to explore stories behind the patterns the survey result shows.

Similar to the general themes of the survey, the interviews aim to “dig” further into the three areas of our research interests: 1) Role of HR in Strategy; 2) HR measurement capabilities and use of HRIS; and 3) interaction between HR roles, HRIS and HR measurement.

3.1 Method

The interview phase adopted a purposive sampling strategy to identify persons with HR expertise, experience, and knowledge of the current overall state of development of HRIS and HR measurement in China. Consultants and HRIS service providers with access to a broad range of HR cases are considered as prime candidates, senior practitioners are also considered valuable informants. We obtained contact lists of potential interviewees from several Chinese HR researchers who have previously built up relationships with these HR professionals and recommended them as potential sources of information based on their industry or research activities or experiences. Interviewees were selected based on an
assessment of their organisational visibility (the higher their rank the better) and experience in HR profession (the longer in the industry the better). Ten interviewees were selected, and 10 interviews were conducted in Chinese during the period 2007 - 2008. The interviewee list is as follows:

<table>
<thead>
<tr>
<th>NO</th>
<th>Profession/Position</th>
<th>Company Type</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Head of HR</td>
<td>Private Company</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>2</td>
<td>HR Manager (1 level down from top)</td>
<td>SOE listed Overseas</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>3</td>
<td>HR researcher</td>
<td>Research Institute</td>
<td>Academic Research</td>
</tr>
<tr>
<td>4</td>
<td>Head of Asian HRIS of a major ERP Provider</td>
<td>Listed Multinational</td>
<td>ERP Consultancy</td>
</tr>
<tr>
<td>5</td>
<td>HR Manager (1 level down from top)</td>
<td>Listed Company</td>
<td>Real Estate</td>
</tr>
<tr>
<td>6</td>
<td>Head of HR</td>
<td>SOE in transition</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>7</td>
<td>HR Manager (1 level down from top)</td>
<td>Listed Company</td>
<td>Sportswear</td>
</tr>
<tr>
<td>8</td>
<td>Senior HR Consultant</td>
<td>Multinational HR Consulting Firm</td>
<td>HR Consulting</td>
</tr>
<tr>
<td>9</td>
<td>Head of HR</td>
<td>Private Company</td>
<td>Software</td>
</tr>
<tr>
<td>10</td>
<td>HR Manager (1 level down from top)</td>
<td>Listed Multinational</td>
<td>Health Care</td>
</tr>
</tbody>
</table>

Table 3.1: Interviewee List

The interviews were normally around 1 to 1.5 hour in duration. A semi-structured interview protocol was used. The interview protocol consisted of a series of standardized, open-ended questions (see Appendix C). The protocol was sent to participants before the meeting with an invitation letter describing the purpose and the context of the interview. With the agreement of interviewees the sessions were recorded. After the interviews, the recordings were transcribed into English. The main themes explored in the interview data were initially drawn from the interpretation of the survey results to generate more “richness”. The analysis of the interviews is mostly qualitative to gain more in-depth understanding of the survey findings in the, which fit the exploratory nature of this study.

Though we are not going to do a detailed quantitative analysis of the interview results, we’ve done a basic coding of the interviews to provide a framework for the results. The coding based on the English transcripts is done by the author and another PhD research
student in management in the way of content analysis. The initial codes are derived from reading of the first interview, and then grouping themes under different categories which are basically sections in the Interview Protocol. Agreement concerning what specific responses can be counted under the code’s definition was established between the 2 coders on the texts applying to the initial themes by using the first 3 transcript. A summary of the coding is as follow:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Codes</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR</td>
<td>Exclude HR from strategic formulation</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Inconsistent support for HR involvement in strategic formulation</td>
<td>5</td>
</tr>
<tr>
<td>Responsibility of HR</td>
<td>Support workforce decision making</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Personnel administration</td>
<td>23</td>
</tr>
<tr>
<td>Challenges to HR</td>
<td>Limited HR knowledge</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Lack of advanced HRIS support</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Lack of analytic ability</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Lack of budget for change initiatives</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Change of organisational culture and managers’ attitudes towards HR</td>
<td>16</td>
</tr>
<tr>
<td>Chinese Characteristics</td>
<td>Great hierarchical gap</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Inconsistency between written rule and practices</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Un-standardized</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Personal relationship orientated</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Status quo preference</td>
<td>4</td>
</tr>
<tr>
<td>HR Measures</td>
<td>Contextual dependency</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Not proactive</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Summative rather than informative</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Top management interest</td>
<td>6</td>
</tr>
<tr>
<td>Value of HR measures</td>
<td>Show HR is professional</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Improve HR management control</td>
<td>5</td>
</tr>
<tr>
<td>Specific HR measures</td>
<td>Employee morale</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Productivity</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Ratio of overtime pay to total salary</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Satisfaction with particular practice</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Turnover rate</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Key position turnover rate</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Recruiting speed</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>HR cost</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Managers’ satisfaction with recruitment</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Recruiting efficiency</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Performance</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Employee knowledge structure</td>
<td>1</td>
</tr>
</tbody>
</table>
The coding of results gives a general picture for readers to briefly see what different themes and topics were brought up in the interviews and the relative frequency with which interviewees mentioned them. We now give our thematic reading of the interview findings while also relating them to the survey results. We present quotes from the interviews and our comments and analysis under the same structure as the questions in the survey.
3.2 Result

3.2.1 HR Roles and Time Allocation to Different HR Activities

In the survey analysis, we firstly discussed question 2 and found that Chinese HR allocates a smaller percentage of time to strategic activities and has less strategic business roles than their western counterparties. The interview data generally support this conclusion as most of the interviewees reported that their HR role is for the most part to handle administrative issues and gave an impression that many HR departments are simply “maintained” by the organisation rather than “developed”. The Chinese HR professionals interviewed also observed that their function had quite limited strategic roles. However, there appeared to be a strong desire among HR practitioners to move to a more strategic position and have a HR measurement system to support the move. It should be noted that this sentiment sometimes comes from a very high level of management in the company. One interviewee put it this way:

Interviewee1: Our boss really wants HR to provide more information concerning strategic issues, helping the whole company to enact this strategy... We really want a system that can measure and provide objective information in HR. Our boss is very keen on this.

Nonetheless, management’s desire for HR development towards a more strategic end was often seen as just ‘wishful thinking’ that was not adequately matched by with required knowledge and long-term goals for HR to support this realization. The pervasive mindset regarding HR as having merely an administrative function among managers was seen as counter-progressive.
Interviewee 1: In fact, although our boss thinks HR is important, he is not farsighted enough to further develop HR. We don’t see the long term intention of our managers either. They mostly think we just do administrative stuff. I think this is not a problem that is specific only to us; all Chinese HR departments face the same problem in their companies. When you speak of bottlenecks, I think one of them is HR’s knowledge limitation, and this is the reason why I have applied for an MBA program.

Some interviewees also observed that there is a strong consensus among industries, academics and consultancies all advocating SHRM and a proliferation of SHRM workshops, forums, and education programs further spreading the SHRM ideas, however, actual progress is still limited and the administrative nature remains unchanged. Many HR practitioners familiar with the concept of SHRM were seen as not being equipped with necessary tools and roadmap to realize the change plan. This observation is in accordance with our observation about the contrast between increasing awareness of SHRM in the form of academic and general publications and relatively less research in practical SHRM tools particularly HR measurement which is important to the success of SHRM.

Another HR manager lamented the difficulty of transforming talk of SHRM to real actions, let alone real tangible changes. Without applicable methods and executable plans, the support promised by the management seems like only lip service.

Interviewee7: To tell the truth, it is hard for HR to play an important role in strategic decision making in most of Chinese companies, most of the time I think a supporting role is pretty good enough....Although we always speak highly of HR, saying what it should be like; in reality it’s quite difficult to put our words into actions in most Chinese companies. Our company repeatedly vows to raise HR to a new level but HRs’ primary job in recent years has been to continue doing what we’ve always been doing
However, one bright spot we found in the interview is, in some big SOEs and FIEs, for some explicit interconnection to be made between company strategy and HR policies, which suggests there is at least some involvement of HR in company strategy input or implementation. However, we didn’t see any cases where HR is meaningfully involved in strategy formulation.

*Interviewee2: The orientation of our training caters for our business’ strategies...for example internationalization strategy is one of our big 8 strategies. To support this strategy, HR intentionally develops job requirements and performance criteria for international posts, we have developed special test for English ability and international adaptation capacity. Also we developed some policies in order to retain the talent that who comes back from abroad. In other words, we need to consider a variety of things from our HR perspective in order to support the overall strategy.*

In this company, though HR plays an important input/implementation role in the company’s internationalization strategy, the strategy itself is developed largely independently of HR. Also this listed SOE is considered by many as one of the best of its kind in terms of governance and management and thus presents the very top level of HR development of Chinese SOEs rather than the general level.

One “Chinese characteristic” factor which makes HR input influential in a strategic role is the power of the HR head in the concerned organisation. Furthermore this power often comes from the personal relationship that the HR head has with the CEO. This point was earlier discussed in the literature review where the Chinese “rule-by-people” culture was contrasted to the western “rule-by-law” culture.
Interviewee1: One key reason why HR plays an integral role in the strategic affairs of the company is because I as the HR head am also the sister of our CEO, and he values my ideas very much for my professionalism as well as for our relationship.

Also from another interviewee

Interviewee7: If the head of HR is a quite strong personality, his chance of being involved in the decision making in the company is bigger. I think a key to moving the HR department towards a more strategic role is to have a strong and outspoken HR head. One reason why our HR couldn’t get to strategic role is that our head is not strong enough to confront managers from other departments and to win the CEO’s support.

To sum up, interview findings supported the survey’s conclusion that Chinese HR hasn’t yet played an integral strategic role in business though in some cases HR functions in the better-managed companies have input and implementation roles. The reason why the change towards SHRM is quite slow despite endorsement by management and consultancies is attributed to lack of HR knowledge, usable tools and executable plans.

3.2.2 Use of HRIS and HR Measurement Capability

In the survey we found Chinese organisations have a lower HR measurement capability and use of HRIS compared to USA and Australian organisations. We also found that Chinese HR has a “two-tier” system, in which there is a big gap between a few who have advanced HR measurement capability and make fairly sophisticated use of HRIS and the majority who have very limited in these respects. The gap is bigger in the Private Sector than among SOEs.
We combine these two points in our discussion of interview findings as they are fairly related topics – HR measurement capability and HRIS, the former refers to the concept level of HR measurement and the methods and processes of measurement while the latter is the realization level in which the infrastructure, often electronic, supports the former. It is noteworthy that respondents in the interview often talk about the two at the same time. Thus one piece of interview content will be useful for the analysis of both issues.

In line with the survey findings, interviews further revealed that HRIS in Chinese Private Companies was typically a hybrid of both paper and electronic databases, oftentimes Microsoft Office Excel. An interesting point about the use of HRIS is that though some analytics are processed electronically, often in a spreadsheet, HR data are still mostly collected via paper forms.

*Interview 1: We document some (HR information) on paper and some on our database. We have a very comprehensive documentation of our employees’ information...Like you said; we have two parts, paper based and electronic. The paper based system is the most comprehensive and the electronic based system contains information valuable to managers (like career interests). They (HR measures) are collected and stored in a paper based system. However, we will also store performance reviews in the electronic system in order to analyse their trends...They are stored in Excel files. They are just final scores, details are not stored.*

A senior researcher at a national HR research institute, who focuses on HRIS topics, contrasts the common uses of the HRIS system in China to what he believes a genuine HRIS system should be capable of. He stipulates that the key difference is that Chinese HRIS lacks a decision making support function and is mostly used for administrative purpose only. This is just what many researchers have observed (Ball, 2001; Kinnie & Arthurs, 1996; Kovach &
Cathcart, 1999; Tansley et al, 2001). Their reasoning as why this phenomenon occurs is also similar to how this Chinese researcher explained the fact. He points out that as HR practitioners don’t have adequate knowledge and analytic ability to interpret the data for more strategic use, they are in stuck in the old way of using and interpreting HR data only for administrative issues, and this is the biggest problem that has to be overcome in moving HR forward. This further lends support to the view regarding the importance of HR knowledge that we discussed. It seems that Chinese HR practitioners believe that knowledge is a prerequisite for any true development of strategic HR and that the strategic use of HRIS requires that “new thinking” should first replace the old before there can be any transfer to changed practices.

**Interviewee 3:** (A genuine) HRIS is a decision-support system, used for management decision making. This is quite different from Chinese HRIS; Chinese HRIS is primarily used for administrative needs. Current Chinese HRIS doesn’t incorporate decision support features. ...I really think Chinese companies need this kind of HRIS badly but normal Chinese HR practice doesn’t have the same line of thinking. The common Chinese HR practice, even performed in some sort of an information system, basically focuses on the administrative end. Chinese HRIS as a concept, to an extent, basically just transfers paper-based data to electronic database, and still uses old ways to analyse and interpret those electronic data for the old uses.

However, Chinese management does value any genuine HRIS and HR measurement system and interestingly, they compare development of decision making in finance to that in HR (Boudreau & Ramstad, 2005). Many of the interviewees agreed that the problem is two-fold. That is, at one end, HR practitioners seem not to have the data needed to perform the desired analytic tasks to inform strategic formulation, at the other end, even if data is
readily available, HR currently doesn’t have adequate knowledge and analytic ability to fully realize the value of HR data. The former problem in actuality reflects a lack of adequate HRIS and measurement system to collect and maintain a complete and reliable database for HR analysis. The latter problem, as has been discussed throughout the thesis, is more far-reaching and difficult to solve in a short time horizon. It also affects the former problem to a great extent as the design of HRIS databases, which decides what measure to collect and where to gather data, largely starts from what one expects to find – which is based exactly on current HR knowledge.

*Interviewee 7:* *We really want a system that can measure and provide objective information on HR. Our boss is very keen on this... If Chinese HR could have the kind of (genuine) information system you describe, to collect and process data for them... They would provide inputs into crucial decision making processes and base their strategic suggestions on solid data and analysis... Right now we still make many of our HR decisions on mere intuitions. I think the best manner in which we HR people work is pretty much like the finance people do their jobs. They get solid data and make decisions based on solid analysis.*

Although HRIS is generally valued as one key facilitator for a real change of HR, in the eyes of most non-HR managers, HRIS is just “nice to have” rather than “must have”. In the absence of any strong need from outside to develop HRIS, it is thus important that HR managers initiate and champion the adoption and use of HRIS to advance the SHRM cause. An executive of a major ERP provider, who oversees the HRIS business in Asia, addressed this issue as follows:

*Interviewee 4:* *I don't think so (Should managers apart from HR directors be pushed to more sophisticated use of HRIS?)... There are some measures managers are very*
interested in. But it varies. Once those metrics have been set, those managers become very, very interested in getting measures out of HRIS... But in general, whether the managers will knock on your door and tell you they want the measures, the answer will be NO.

The lack of HRIS and corresponding HR measurement system is readily felt by many Chinese HR practitioners. When some HR data are needed in relation to some important decision making about production or some other aspect of the business, some companies chose to develop HR metrics and analytics on their own. However, they generally do not have an adequate HRIS design/feature to collect these data across different departments and process them in a coherent manner, and thus have to start with a clean slate and “do-it-yourself” to customize the process to suit their own needs. The initiative of Chinese companies to develop and analyse HR data suggests that Chinese HR is in need of more advanced and objective HR metrics and analytics to drive SHRM forward but restricted in doing so by ineffective HRIS and low analytical ability. We excerpt the following from a case of Chinese Private Company in the manufacturing industry:

Researcher: Are we really using the two variables you mentioned? Productivity and the ratio...

Interviewee 1: Yes, we are currently using them. These are just two examples. Before, when we didn’t use productivity, we based our decisions of labour force size on our production. But sometimes you got low production but a high productivity. Why? It might be because you arranged the work schedules well, and your employees have less leave. Also, you might get a high production with low productivity.

Researcher: OK, now we go a bit deeper, how do we calculate this productivity?
Interviewee1: This is a bit complex. To make this simple, we can say it is brought into practice when our technique department was established last year. The technique department made a series of technique cards, on which manufacturing steps are described in detail. The workers in the production line operate according to such manufacturing details. The time allocated to different manufacturing processes is prescribed in the technique cards, and we calculate the productivity of each position using the production volume and the time.

Researcher: Then how can we gather the time spent on different steps in the manufacturing processes? Do we gather the information automatically?

Interviewee1: No. we do it manually in order to estimate the time required for each manufacturing steps. We will go to the production site and record the time spent for each step and average them to get a rough estimate.

Researcher: I want to say it’s pretty hard for production line time management, since the production time for one product is measured perhaps in hours and the steps are in minutes. So you need to measure and improve each step even in seconds. I want to ask, how frequently do you measure the time for each manufacturing step?

Interviewee1: In fact we borrowed this practice from other manufacturers. After recording the time for certain manufacturing steps for ten times or more, we get a rather stable average. And the manufacturing time for each step doesn’t vary too much because the manufacturing steps and techniques are set except for dramatic change of manufacturing techniques.

Researcher: Speaking of other departments, how do we get the data we need in other departments, to calculate the HR statistics you mentioned before, like productivity?
**Interviewee1:** Currently, we need to go to those departments to ask for those data. We don’t have an information system to access those data. The finance department has already introduced ERP, but we only use the finance module of ERP, and we can use the information stored in it.

This proprietary development of HR metrics is also existent in SOEs as we found a similar experience in a major listed, telecommunication SOE. This company has a grand strategy to go international, and chose to develop HR measures to select candidates for overseas posts based on its previous experiences. Both cases show there is great demand from Chinese companies for more advanced HR measurement and HRIS but it seems the demand is not met by what HR consultancies and HRIS providers currently supply. It might be because companies with particular HR issues need very particular measures which are not to be found in general “all-in-one” HRIS suit and thus have to do it on their own.

**Interviewee2:** Because talent suitable for an international post is always in short supply, we do not have too many choices when we need to send someone aboard...as to who will be sent for an overseas posting, it usually depends on their performance. Some will fail while others will succeed in their overseas postings. Then we will be able to learn from the result, in other words what kind of people are suitable for overseas posts and what kind of characteristics they normally possess. We will then utilize what we have learnt for the selection of candidates for overseas posts in the future.

The previously mentioned executive in charge of the Asia Pacific HRIS business of an ERP consultancy also confirms that many Chinese companies are moving up the ladder of HR analytics and some of them are quite in need of advanced HRIS to support their business, but he considers that the portion of these kinds of companies is still quite small. In his own words, the percentage is “8 in 10,000 organisations” doing real HR analytics across Asia.
Researcher: What’s your sense of how many organisations are moving forward instead of being stuck in their reporting?

Interviewee4: I don’t think many organisations are doing analysis... there are a few, but it’s unfair to say organisations are moving towards analysis, because I don’t think you’ll see much evidence of this. So you just have a couple of HR people inside the organisation, who look at some analysis. Look at this and that and come up with recommendations, you are going to have these sorts of situations. But at least in my experiences in Asia, I don’t see a lot. But I think in one organisation, I was in, I came across, let me think about this...about 8 in 10 thousand organisations doing this, and that’s considered pretty good by me.

When asked what kind of analysis the Chinese companies with the most advanced HRIS are doing, this executive provides a wide range of answers including recruitment, retention, and compensation etc., among which competency forecasting is particularly addressed as key in a forward-looking company.

Researcher: What do clients want to see from their data, say in 12 to 18 month? What are they looking for?

Interviewee4: One of the key things they always look for is what the competency level of the organisation is. Selection for some reason is crucial in a forward looking organisation... what we tend to do is we look at the performance of our employees, we tend to evaluate how our recruits perform in the first 12 months of their employment. As far as I know, we constantly calibrate to see how they are performing in first 12 months of their job. Are we losing the right people within the 12 month of their job or are we losing the wrong people? With regards to the organisation that I’ve seen, we don’t
focus on the competencies that we need today, we build in a forward looking manner to see if these are competencies that will last for the next ten years.

3.2.3 Effect of Organisational Ownership on HR Development

During the survey we found that Chinese HR has a “two-tier” system, in which there is a big gap between the minority who have a sophisticated HR system and the majority who have very limited ones. We read this gap as partially due to more sophisticated HRIS in SOEs and very limited HRIS in Chinese Private Companies. Here we can explore this in more depth.

The mentioned ERP consultant points out that HR analysis is only meaningful when a company has a long enough operating history for historical analysis, and new companies that don’t have long history are also too resource-constrained to put effort into HR analysis. This gives support to our previous reasoning as to why Chinese Private Companies lag behind SOEs in relation to HRIS and the HR measurement capability since they as a group have a much shorter history and are smaller compared to SOEs. In addition to this they are focused on expansion and sales growth and are therefore too busy to care much about internal control such as HR analysis.

Interviewee4: But for the companies I know, it doesn’t matter if they are Chinese organisations or not, if they are new, forget analysis. They don’t tend to need analysis, especially for those a few I interacted with, they are too busy to, and sometimes they don’t even think about (HR historical) report, sometimes they don’t even care about them, they look at the present. You know data is meaningless unless you see some trend. So some of them are just busy looking after the current situation, they are unable to get (HR
historical) report; they are unable to know what is happening. In fact, if you look at some HR information systems that are used in Chinese companies, they don’t capture history.

This view is also held by some HR practitioners. A HR line manager from the mainland operation of a HK listed sportswear company made the following observation:

Interviewee7: I think data for analysis should not be static. The analysis is better when the current level is compared to the historical level, for example, the number of employees who are onboard and the number of employees who have left the job. Because we have peaks and troughs of these two sets of figures during each year, and a historical comparison is needed...The history of my company is not very long. Though it was listed last year, it was established only six years ago. We normally trace back two years’ worth of historical data especially in recruitment. There is little need for us to trace back to an earlier time, because the last two or three years normally saw our fastest growth.

In fact, when asked about the impact of different ownership types on development of HR and HRIS, many interviewees come up with a conceptual divide between Chinese Private Companies and SOEs and generally think that Chinese Private Companies have a less developed/standardized management system than SOEs.

Interviewee 8: There are many different types of enterprises in the country, like State-owned Enterprises, which will involve HR to a greater or lesser extent in their strategic formulation. State-owned enterprises generally are relatively large with more standardized management systems. As for private companies, the most developed ones are in Zhejiang and Guangdong. Specifically in Guangdong, companies’ management philosophies are more modern and their experiences are richer. However private companies in other provinces are not that good...The more standardized the
management is, the more likely it is that they have done such analysis (HR measurement relevant to business and strategy). I think more than 80% of the state-owned enterprises have done such analysis already. However, relatively far fewer private companies have done the same. The ones in the coastal areas might have done more, such as those in Guangdong and Zhejiang. Fujian is catching up.

The view that most Chinese private companies are growing rapidly and are occupied with this challenge and therefore spend very limited time developing or even thinking about a HR measurement system is also brought up by another interviewee. In this case, many HR measures are thought to have been conceptually formed or noted by HR and the management. However, these measures are not quantified and standardized to the extent of being reliably executed.

Researcher: Which measures can we use to assess the effectiveness of recruitment?

Interviewee5: We don’t have detailed standards but only a rough impression of these measures. For example, now we are in need of a lot of engineers and then we will recruit some, and we will seek feedbacks from each department which place these engineers. If we want to further breakdown of the effectiveness of recruitment, I don’t know how we would go about it?

Researcher: In fact, effectiveness of recruitment which you just said is a measure. However, it is not recorded, quantified and standardized.

Interviewee5: Most Chinese companies are in the phase of rapid growth, they are quite busy in their daily routines. I think they don’t have enough time to think about measures deeply.
Therefore, our interviews generally suggest that, in comparison to Chinese Private Companies, SOEs have the most sophisticated HRIS, measurement and management systems. Like what we have observed in our survey findings, long operating history, size and the recent introduction of modern management are typical traits of these SOEs; the first two are like gunpowder and the last seems to be a fuse to the final explosion of the sophisticated use of HRIS. The mere status of SOE doesn’t seem to be directly related to the development of HRIS, especially before or during its transformation. One interviewee from a local SOE recounted a story supporting this view. Her SOE didn’t have modern management practices by the time it started transforming itself to a listed company. The company met huge resistance while it tried to convert the old socialist, egalitarian way of compensation to a modern competitive performance-based compensation system. This company also has had too many employees working in unprofitable businesses. For a long time the company had to keep them employed only because local governments required that they so for “social stability” reasons. When this company started its transformation, one of the most challenging tasks facing HR in this company was massive lay-offs. The negotiation of severance packages and the numbers of people who were laid-off often escalated to protest and sometimes led to violence. These situations are common for local Chinese SOEs during transitions and their HR is too busy with employee relations to think about HR analytics.

3.3 Discussion

In general, Chinese HR gains limited and inconsistent support from top management for their involvement in strategic formulation or even worse – they are actively excluded from strategic formulation process. Still, most of HR’s time is focused on administrative issues though some of them might be assigned responsibilities to support workforce decision
Making. However, limited HR knowledge, limited analytic ability and lack of HRIS support are major impediments to a truly strategic HR. Typically, Chinese HR focuses more on the current state than trends in their analysis for most of them are recently established and too busy to care about trend analysis. Chinese HR has greater hierarchical gaps and less internationalization. Chinese HR practices are less standardized and are imbedded in personal relationship. Attitudes towards HR measures are mostly context dependent. However, overall, line managers’ attitudes are not proactive. Though some senior managers might be interested in developing HR measures, very few HR people do analytics and HR reporting is summative rather than informative in most organisations.

In their HR practices, Chinese managers use specific HR measures like employee morale, productivity, employee satisfaction, turnover rate, recruiting speed, HR cost, and so on. It’s interesting to note, though many Chinese HR professionals are not familiar with HR measurement research findings, they develop HR measures themselves based on their own managerial experiences. HR measures are often used to track competency level, validate and develop recruiting instruments, analyse performance, identify reasons for turnover and improve retention. HRIS use depends on individual organisational objectives. In China it is often used in retention, talent development, performance management, recruitment and monitoring labour cost.
CHAPTER FOUR – Conclusion and Discussion

In this chapter we summarise our findings and interpretations from both the quantitative and qualitative studies. We then consider limitation of the studies, suggest what future research is required, and finally draw some implications for organisations and practitioners.

4.1 Main Findings

We begin by comparing the strategic role of HR, HRIS, and HR measurement in our sample of Chinese organisations with the patterns found in western organisations where our results show Chinese HRM lags behind Western HRM in several respects. We then discuss how Chinese companies with different types of ownership also differ in their HRM development and particularly address the difference between SOEs and CPCs. Lastly we discuss the relationships among HRIS, HR measurement and Strategic HRM where our results suggest an interdependent relationship among the three.

Time spent on various HR roles and HR Role in Strategy

The results are consistent with an interpretation in which Chinese HR practitioners on average spend more time on traditional, personnel type activities and have less involvement in shaping overall business strategy. However it should be noted that both Chinese and US HR practitioners report spending about half of their time on traditional or standard HR activities thus there is a pattern of similarity ‘overlaid’ by differences in relation to their relative levels of involvement in highly routine versus more ‘advanced’ HR activities. Time allocations to various HR activities and self-reported roles both indicate that Chinese HR practitioners perceive that they are less strategically involved and less influential than their
US counterparts. This comparison may even underestimate the differences since it is done in an asymmetric time frame which favours China by using more recent data to compare with US data. However, it can be noted that the portion of time devoted to different HR roles in the US data varies very little from 1998 to 2004, which suggests the time allocation is quite consistent over this period and we can therefore reasonably use it for benchmarking purposes.

Self-reported HR roles in business strategy show even more dramatic differences between Chinese and US HR. More than half of Chinese HR practitioners reported they play “no role” (9.6%) or just an “implementation role” (46.6%) in business strategy while more than 80% of U.S HR respondents report they are either a “full partner” (39.8%) or have an “input role” (45.9%). Again, although US results show a significant increase in those reporting a “full partner role” between 1998 and 2001 (from 29.4% to 41%), the levels of each role in 1998, 2001 and 2004 still show a fairly stable pattern, with the difference between 2001 and 2004 being very minor (See Table 2.5).

We therefore conclude that HR’s role in business strategy in Chinese organisations lags significantly behind that of US, with the overall pattern suggesting that Chinese HR still concentrates on carrying out “implementation role” and trying to get to a more “input role” while US HR is at a higher development stage with their focus moving from an “input role” to “full partner role”. However, the small changes in time spent on different HR roles in US from 1998 to 2004 indicate that US HR also confronts significant challenges which we suggest may be due to a decreasing marginal return effect. That is, US HR departments and practitioners may be already ‘hitting the wall’ between these two roles that is harder to cross over, i.e. there are large organisational and knowledge challenges which need effort and time to overcome that cannot be met simply by more of the same resources and technology. This is consistent with Irmer and Ellerby’s (2005) suggestion that there are important qualitative
differences not simply quantitative ones in moving from an input to a full partner role. A similar amount of money or time invested in the latter types of problems – solving more fundamental and difficult HR problems will produce fewer outcomes than invested in former – relatively easier, ‘traditional’ HR problems. While Chinese companies are still at a less advanced stage, their efforts at dealing with comparatively easier problems can deliver a higher return on their efforts. For this reason, we think Chinese companies will catch up in terms of the current gap quickly at first but then will also meet with the same difficult HR problem their western counterparts are already dealing with, and show a pattern of decreasing marginal return to their invested efforts in the coming years, similar to the US.

Qualitative results from interviews also support the conclusion that Chinese HR practitioners play a less strategic role than their US counterparts. Chinese HR professionals described their HR functions as having quite limited strategic roles though there appears to be emerging a strong desire among them to strive towards a more strategic position. This desire for HR to advance forward sometimes directly comes from the very top of the company which becomes a major driver for the development of HR as we noted from the interviews. As one interviewee observed, “Our boss really wants HR to provide more information concerning strategic issues, helping the whole company to enact its strategy”. However this desire was described by several HR professionals more as ‘wishful thinking’ that was not coupled with requisite knowledge and action plans to realize strategic HR. The same interviewee noted “(Our boss) is not farsighted enough to further develop HR”. Moreover, the interviewees also described managers’ mindset and organisational culture towards HR as counter-progressive, treating HR as merely an administrative function with a Soviet era personnel management viewpoint in many cases, and resisting any change initiatives from their HR departments. One interviewee put it as follows: “We don’t see the long term intention of our managers either. They mostly think we just do administrative stuff. I think
this is not a problem that is specific only to us”. This backward mindset combined with lack of practical HR tools and change roadmaps represents a large obstacle to HR professionals pushing for a transformational change in their roles. In that respect Chinese HR professionals seem to be encountering the same obstacles that western HR professionals report facing.

*China vs. US in Time spent on strategic role*

We also found that even those Chinese practitioners who describe their role as a “full partner role” allocate less time to strategic activities (the two most strategic activities being “development of HR system and practices” and “strategic business partner”) when compared with US HR (38.3% versus 41.6%), and report giving more time to administrative activities (30.3% versus 26.5%), defined as two most administrative activities, i.e. “maintain records” and “auditing/controlling”. This means even Chinese HR managers who have the most strategic business role who are in the top 15.7%, on average, overall still lag behind US HR in terms of time allocation to strategic activity. Overall we observed a pyramid-like “two-tier” pattern among Chinese organisations with a small proportion operating at the highest end of advanced HR, and a majority having relatively underdeveloped HR profiles. This implies that only a very small portion of Chinese organisations tend to be strategic in their use of HR while many more don’t, and the gap between the two is large. We will discuss this “two-tier” system further in the discussion of differences between organisation types.

Another “Chinese characteristic” to HR’s strategic role that we observed is that HR’s status in the company in terms of its importance to overall business strategy is often closely linked to the HR head’s personal relationship with the CEO, especially in CPCs where a family member of the founder-CEO in the role of HR head can give HR more voice and input to business strategy. This point was made by one interviewee who is the sister of the
founder-CEO of the company and in her role as the HR head reported she can play an integral role in business’ strategy. This illustrates the importance of relationship (guanxi) and the “rule-by-man” culture in Chinese companies (Xin & Pearce, 1992).

**HR Measurement Capability and Use of HRIS**

The results show that Chinese HR lags behind western counterparts in the two fields of HR measurement capability and use of HRIS. The “two-tier” pattern just described is also observed in HR measurement capability with 41.7% of Chinese organisations having only the lowest HR measurement capability and 11.3% with the highest capability. This contrasts to the “spindle” pattern observed among US firms, where 26.1% of organisations have the lowest capability and 17.4% have the highest capability, while most firms are in the middle. For use of HRIS, the “two-tier” system pattern is less pronounced, but Chinese HR still has a significantly larger percentage on the bottom rung of HRIS capabilities (23.8%) in comparison to the US (6.1%). Again, it can be argued that the decreasing marginal return effect is observed in the US use of HRIS in the US data, especially from 1995 to 2001. Though in the US 2004 survey results we see a notable increase in the proportion of firms in the highest and second highest level of HRIS resulting from firms being “squeezed out” of the category describing firms with “some HR processes that are information technology based/automated”, this rise in the average level of sophistication of HRIS didn’t consequently result in more strategic roles or a higher percentage of time devoted to strategic HR activities. It’s reasonable to interpret this as consistent with a view that the increased use of HRIS from 2001 to 2004, pushed by the wave of development of IT applications in organisational management, in fact has had only limited effect on the wider development of strategic HRM.

In line with the survey findings, interview results reveal that the HRIS of CPCs typically adopt a hybrid system of paper recording and electronic databases, often collecting
primary HR data through paper and pencil methods and storing/analysing data using spreadsheets. As one interviewee noted: “(HR measures) are collected and stored in a paper record system, however, we will also store performance reviews in the electronic system in order to analyse their trends…these are kept as Excel files.”

From the interviews we also found that Chinese HRIS lacks a decision-making support function and is mostly used for administrative purpose. When questioned further about this pattern, Chinese HR professionals observed that HR practitioners don’t have adequate knowledge and analytic ability to interpret the data for more strategic uses, and they still tend to feel ‘comfortable’ with old ways of using HR data only for administrative purposes. Moreover, in the eyes of most non-HR managers, as one interviewee noted, HRIS is just “nice to have” rather than a “must have”. In the absence of any strong drive from the top to develop HRIS, it is important that HR managers initiate and champion the adoption and use of HRIS to advance the SHRM cause. Nonetheless, the lack of HRIS and corresponding HR measurement systems is readily felt by many Chinese HR practitioners. Our interview results suggest that when various HR data are sought for use in some important operational or strategic decision, some Chinese companies develop HR measures and analytics on their own as their HRIS systems don’t have the capabilities to collect these data. The initiative of these Chinese companies to develop and analyse HR data suggests that Chinese HR is in great need of more HR tools and measures to drive SHRM forward but constrained by ineffective HRIS, lack of an integrative, theoretical framework and low analytical ability, which has been observed in western firms also (Boudreau, 1997).

Type of Ownership and Two-tier System

The research result suggests that though SOEs have better HRIS than CPCs, they seem to have not fully converted these advantages to better HR measurement capability and
advancement of general HRM, particularly the strategic role of HR. The pyramid shaped, “two tier system” pattern we found in general Chinese HRIS and HR measurement capability is largely attributable to the under-developed HRIS and HR measurement capability in CPC relative to SOEs, where among CPCs HR systems are very skewed to the most under-developed categories.

The CPC’s underdevelopment of HRIS relative to SOEs may look counter-intuitive at first sight. It is normally thought that the private sector is more entrepreneurial and able to change and adopt new management ideas and practices, including HRM (Cooke, 2005), since private companies are more affected by competitive market force and have more incentives and pressures to try new ideas and innovations. Our findings differ to this view, probably because SOEs and private companies in China have distinct characteristics not found in their Western counterparts.

One major distinction between SOEs and private companies in China is that SOEs historically developed from state organs and are inherently linked to state power, while private companies only came into existence after 1979 and have far fewer economic and political connections and resources. SOEs have better industry infrastructures, a better trained workforce, brand recognition, more extensive networks of influence in government, financial/policy support from government, and a much longer operating history than private competitors. As a result of the government’s policy of maintaining a high level of state ownership and control over strategically important industries, SOEs remain powerful players especially in key industrial areas where heavy investment is needed, while they have withdrawn from light industry and some service industry sectors.

Therefore China’s industrial landscape is characterized by goliath-like SOEs that dominate heavy industries that are of strategic importance to the state, in fact in the top 6
industries of our sample, energy, utilities, real estate, automobile & components, capital goods, and telecommunication services as well as industries like transportation, banks and media all have SOEs as dominant players. In our sample, 80.2% of the companies in the above industries are SOEs. The bigger a company is, the more need it has to establish formal management control and to build comprehensive management systems including HRIS. Also a larger company is more financially able to afford the installation of more sophisticated HRIS than a small company. In contrast, private companies even if they are interested in adopting modern management systems, they are less enthusiastic about HRIS as most of them are quite young, small companies just recently developed from family shops and in the stage of expanding sales and focusing on growth rather than on internal management. There are of course large CPCs, such as those listed on overseas stock exchanges, however, they are the minority in the private sector and our sample is not representative of them.

In fact, a large number of major Chinese SOEs have in recent years turned to big consulting firms to remake their management systems as SASAC (State-owned Assets Supervision and Administration Commission of the State Council)\(^1\) pushes SOEs to transform their outdated management systems and list on stock exchanges. Even smaller SOEs have a great interest in introducing modern management systems as they are under direction from regional SASAC bodies to “transform to modern enterprises”, and the incentives can be great when this introduction is in line with SOE managers’ appraisal or personal interest\(^2\).

So the relatively advanced state of HRIS within SOEs, and to a lesser extent in HR measurement capability, in our view, is not a result of more entrepreneurial management or

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\(^1\) It is responsible for managing China’s state-owned enterprises, including appointing top executives and approving any mergers or sales of stock or assets, as well as drafting laws related to state-owned enterprises.

\(^2\) MBO becomes one very controversial way of “transformation of SOEs to modern enterprises”, a variety of western management systems are adopted by managers to justify the capital friendly practices.
bottom-up market-driven practices, but more a consequence of top-down, bureaucratic control. This interpretation is in line with our finding that HR in SOEs, though equipped with better HRIS, does not have a significantly more strategic role than in CPCs. SOEs might have installed better HRIS and acquired stronger HR measurement capability through more investment in budgets and infrastructure, however, the bureaucratic organisational culture, inefficient command system, old Soviet socialist personnel management mindset as well as lack of the required HR knowledge all prevent SOEs from capitalising on their investments to leverage their HRM to a more strategic stage.

Our interview findings also support this conclusion. An interviewee, who is the head of HRIS business in Asia for a global ERP provider, stated that HR analysis is only meaningful when a company has a long enough operating history to allow for historical analysis and identifying significant trends over time. New companies such as CPCs in China don’t have a long history and are often also too resource-constrained to put any effort into HR analysis due to their focus on sales growth and internal management in other areas such as finance and marketing. In his words, “If they are new, forget analysis. They don’t tend to need analysis, especially for those few I have interacted with, they are too busy to, and sometimes they don’t even think about (HR historical) reporting, sometimes they don’t even care about them, they look at the present”. This gives support to our previous reasoning as to why CPCs lag behind SOEs in terms of HRIS and the HR measurement capability since they as a group have a much shorter history and a smaller size compared to SOEs, and they simply do not see HRIS as a high priority.

*The Stage Model of HR Development*

To this point, we have reviewed our findings in perceived HR roles, use of HRIS and HR measurement in order to provide a general, descriptive picture of the development of
Chinese HR and have concluded that Chinese HR lags behind Western HR at present in a number of respects. To put these findings in theoretical perspective, we can interpret our empirical findings in terms of Irmer and Ellerby’s (2005) 3-stage model we discussed earlier. Overall, we think it’s appropriate to consider that Western HR has, by and large successfully arrived at the second development stage – “Business Insight” i.e. the central topic of HR is effectiveness where the HR system is able to provide integrated profiles of a business’ workforce and basic analytics for these, thereby supporting managerial use and interpretation of HR data. In contrast, Chinese HR is still in the process of striving to move from the “Workforce Profiling” stage to this intermediate “Business Insight” stage, so its primary focus is the efficient provision of basic administrative HR services and consistent and timely HR reporting for management.

Our empirical results substantiate the above conclusion where we found distinct development patterns in HR roles, HRIS and HR measurement exist between Western HR and Chinese HR. If we look at the overall development pattern in terms of the average ratings in these three areas, we can see that the biggest differences lie in the proportion of Western HR executives (45.9%) or non-HR Managers (52.6%) identifying HR as having an Input Role compared to 46.6% of Chinese respondents identifying themselves as having an Implementation Role. Similarly for Western HR, 45.7% report having “solid HR reporting and benchmarking capability with limited application” compared to 41.7% of Chinese describing themselves as having “limited HR reporting and benchmarking capability”. The same pattern emerges for different indicators– Chinese HR is generally one step behind the developmental stage of Western HR. Chinese HR’s role on average is between the

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3 Data from Lawler et al.’s study (2006) is reported in two sections, one with responses from sample of HR executives and another with responses from sample of managers outside HR function (non-HR managers).
“implementation stage” and “input stage” while Western HR is between the “input” and “full partner” stages.

The stage model is a useful way of locating where Western and Chinese HR are in relative terms. Our empirical results show some of the Western companies, i.e. those ranking near the top in HR roles, use of HRIS and HR measurement, are in the process of moving from the “Business Insight” stage to the higher “Strategic Driver” stage and a large portion of Chinese companies are moving from the “Workforce Profiling” stage to “Business Insight” stage. One of the advantages of examining the development of Chinese HR from the perspective of stage models is to identify the progress and understand the challenges HR practitioners and organisations might encounter in each stage. As Irmer and Ellerby (2005) observed, there are four main challenges for HR transforming from being seen primarily as an administrative operation to a role as contributor to strategic decision making, and for various development stages, the challenges will be different. For Chinese HR generally striving to progress from “Workforce Profiling” to “Business Insight”, we anticipate they are currently having most challenges in establishing and maintaining HR data credibility and securing adequate resourcing (e.g. head account, budget and time) to develop the HR function. As they gradually develop a more strategic role, the challenges will be more of managing cultural resistances and developing HR’s ability to analyse and interpret HR data. We’ve already noted in our interviews that some Chinese HR professionals from organisations representing those Chinese companies on the frontier of HR development are already feeling the need to address these types of issues in their organizations.
Our results generally show that when HR moves to more strategic roles, concurrently its HRIS and HR measurement capability tend to be more highly developed. However, this relationship cannot be simply concluded as a cause-effect pattern i.e. higher HRIS/HR measurement capability $\rightarrow$ more strategic HR role. The statistics we have show only a correlation between the three, thus the possibility of a reversal of this relationship or a fourth factor causing the three to move concurrently cannot be ruled out. Nonetheless, the results are consistent with an interdependent relationship between the three.

Moreover, comparing HRIS patterns by different HR roles to the average pattern of Chinese HR, those organisations with HR having an “implementation role” is the closest to the general Chinese HR pattern (see Table 4.1). Also comparing HR measurement capability patterns by different HR roles to the average pattern, organisations with an “implementation role” are again the closest to the general Chinese HR pattern (Table 4.2). Besides, HR professionals who report they have “implementation roles” make up 46.6% of all Chinese HR respondents. These results suggest that if we are to name just one role as best describing the current state of Chinese HR, the label would be “implementation role”.

<table>
<thead>
<tr>
<th>China</th>
<th>Average</th>
<th>Implementation Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little or no information technology/automation present in the HR function</td>
<td>23.8%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Some HR processes are information technology based/automated</td>
<td>31.5%</td>
<td>32.0%</td>
</tr>
<tr>
<td>Most processes are information technology based/automated but not fully integrated</td>
<td>33.3%</td>
<td>36.0%</td>
</tr>
<tr>
<td>Completely integrated HR information technology/automated system</td>
<td>11.3%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

**Table 4.1**: Use of HRIS by Average Chinese HR and HR with “Implementation Role”
<table>
<thead>
<tr>
<th>China</th>
<th>Average</th>
<th>Implementation Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited HR reporting and benchmarking capability</td>
<td>41.7%</td>
<td>52.0%</td>
</tr>
<tr>
<td>Solid HR reporting and benchmarking capability with limited application</td>
<td>29.8%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Extensive used of data in managing HR function</td>
<td>16.7%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Extensive use of data in advising business leaders on workforce management</td>
<td>11.3%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

**Table 4.2: HR Measurement Capability by Average Chinese HR and HR with “Implementation Role”**

For a better representation of the impact of HRIS and HR measurement capability on HR’s business role, we have restructured the original Tables 2.13 and 2.14 as Table 4.3 so that the percentages are recalculated on the total of each row, representing the portion of different HR roles in one category of HRIS or HR measurement capability.

<table>
<thead>
<tr>
<th>State of HR Information Systems</th>
<th>HR’s Role in Business Strategy</th>
<th>No Role(^1)</th>
<th>Implementation(^2)</th>
<th>Input(^3)</th>
<th>Full Partner(^4)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Little or no information technology/automation present in the HR function</td>
<td>22.5%</td>
<td>47.5%</td>
<td>17.5%</td>
<td>12.5%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Some HR processes are information technology based/automated</td>
<td>5.9%</td>
<td>47.1%</td>
<td>43.1%</td>
<td>3.9%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Most processes are information technology based/automated but not fully integrated</td>
<td>7.1%</td>
<td>48.2%</td>
<td>21.4%</td>
<td>23.2%</td>
<td>100.0%</td>
<td></td>
</tr>
<tr>
<td>Completely integrated HR information technology/automated system</td>
<td>0.0%</td>
<td>29.4%</td>
<td>35.3%</td>
<td>35.3%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4.3: State of HR Information Systems in Chinese companies with Different Strategic Partner Roles - Percentages Recalculated on Row**

Note: * The actual counts of corresponding responses are in the brackets, the percentages without brackets are percentages of counts to the total counts in each row.
This makes it easy to observe that the “implementation role” is the dominant role for most stages of HRIS and HR measurement capability, which is in line with what we discussed above. For use of HRIS, the “implementation role” represents 47.5%, 47.1% and 48.2% of all respondents in the respective first three stages. Only when Chinese HR moves to “completely integrated HRIS”, does the dominance of the “implementation role” drop significantly to 29.4%, which in turn increases the importance of the “full partner” and “input’ roles to 35.3% for both. Similarly for HR measurement capability, the “implementation role” represents 57.4%, 41.7% and 39.3% of all respondents in the first three stages respectively. Only when Chinese HR moves to “Extensive use of data in advising business leaders on workforce management”, does the dominance of the “implementation role” drop to 21.1% and the “input role” increases to 42.1%, and “full partner role” increases to 36.8%. Though “input role” already surpasses “implementation role” slightly at the stage of “Extensive use of data in managing HR function”, the dramatic change from an “implementation role” still occurs only in the final stage.

The pattern of change for the “input role” in the US (Lawler et al., 2006) is similar to that of the “implementation role” in Chinese HR. In the US 2001 survey, the “input role” represents a large portion of the total along with the “full partner” role and it increases gradually when HRIS development moves upwards until reaching the point of “completely integrated HRIS” when the significance of the “input roles” decreases sharply from 50% to 27.3% and in turn the “full partner” role substantially increases from 36.5% to 54.5%.
Table 4.4: HR Measurement Capability in Chinese Companies with Different Strategic Partner Roles - Percentages Recalculated on Row

Note: * The actual counts of corresponding responses are in the brackets, the percentages without brackets are percentages of counts to the total in each row.

The changing pattern of “implementation role” in Chinese HR and “input role” in US HR suggests major bottleneck for Chinese HR to move forward is the “implementation role” while the major bottleneck for US HR is its “input role”. For both, HRIS integration may represent a key for the breakthrough of these bottlenecks. That is to say, in China, the most prevalent role of HR is the “implementation role” when an organisation is in the lower-middle levels of HRIS development, and when the organisation breaks through into the “completely integrated HRIS” stage, the likelihood of HR advancing to a more strategic role greatly increases. In contrast, the two most prevalent roles of US HR are “full partner” and “input role”, and when an organisation breaks through into the “completely integrated HRIS” stage, HR’s chances of advancing from “input role” to a “full partner” increases. We interpret
this pattern as majorly due to Chinese HR’s lack of knowledge and organizational support to further advance HR even in presence of an advanced HRIS.

As we noted earlier the four major challenges classified Irmer and Ellerby (2005), the technology and budget challenge which HRIS installation mainly depends on can be resolved in relatively short time but the organization and culture challenge can not be quickly overcome. Our survey result also finds that the gap of HRIS is relatively less pronounced than the gap of HR roles and HR measurement, which supports the claim. Therefore, “implementation role” as the bottleneck for Chinese HR means Chinese HR overall do not yet have gained necessary HR knowledge and established conducive organisational culture to fully utilise the HRIS to enable a full partner role. And to make this change, it requires HR learning how to conduct, interpret and communicate HR analytics and change their own administrative mindset as well as promoting change of culture organisation-wise. This learning curve cannot be completed overnight. It is continuous from the most primitive “no role” development stage to most advanced “business partner role”. Overall this finding suggests the major struggle for Chinese HR is making the move from a traditional “implementation role”, and in this respect it lags behind Western HR.

4.2 Limitations and Strengths

Our research is subject to several limitations which are due to the imperfect design of our research questionnaire and samples. The first limitation is the size of our sample of companies which, overall, is smaller than the US samples in Lawler et al.’s (2006) surveys. This is partially due to difference of sampling methods; where Lawler adopted a purposeful sampling of the Fortune companies, while we adopt more of a convenience sampling method and consequently this results in a size difference such that in Lawler et al.’s samples, more than half of the companies have more than 20,000 employees whereas in our sample, more
than 80% of the companies have fewer than 5,000 employees.

Though the pure numbers may exaggerate the difference somewhat as in our sample many respondents work in subsidiaries of giant, monopolistic SOEs with large numbers of employees but only report the number of employees in his/her subsidiaries, the effect of size differences is still too big to ignore and it reduces the comparability of our research results. Nevertheless, while we do not have a very large sample, it has a fair representation of industries important in the Chinese economy, and overall, we believe, it represents a reasonable sample with which to compare findings from western firms, given that the firms in the sample generally represent a cross-section of neither the most westernised Chinese firms nor those that are the least sophisticated or even ‘primitive’ in their understanding of HR and modern management ideas. Furthermore the process followed in recruiting respondents resulted in high levels of commitment to providing good quality data.

Another weak point of our sample is the over-representativeness of SOEs and relative under-representativeness of CPCs, FIEs and JVs. As we summarised in our literature review, we attempt to analyse the difference of HR among these different types of ownerships where we believe FIEs and JVs have the most advanced HRM followed by SOEs and then CPCs have the least advanced HRM. However, as our sample only has not enough FIEs and JVs for meaningful analysis, we only compare the difference between SOEs and CPCs. This weak point also directly results to small cell sizes of FIEs, JVs and in some cases CPCs while doing chi-square comparisons. As chi-square analysis requires each cell have at least 5 expected frequencies, to solve the problem of small cell sizes, we choose to merge CPCs with JVs and FIEs in some of our analysis. This method of expediency of course reduces the rigour of our analysis.

The treatment of missing data in our survey is another limitation in our research. As
missing data was too common for a list-wise deletion process (delete a respondent if he/she has not answered all the questions), we chose to adopt pair-wise deletion (exclude only unanswered questions but not delete the respondent’s other answers). One important reason for the amount of missing data is the use of open ended questions in our survey which significantly reduced the response rate of those questions.

Another constraint on our data analysis is due to the design of some of the original question in Lawler et al.’s and Irmer and Ellerby’ surveys which we adopted. The questions are formulated in a way that variables are nominal, which limits the use of some more data analysis method. For example, the Role of HR, Use of HRIS and HR Measurement Capability are all nominal measures in our survey, and are processed with cross-tab and chi-square. If they were measured as scale variables, we can perform t-analysis, ANOVA and spearman correlation which would add more rigour to our analysis.

Besides some data limitation, the study also has some limitation stemming from the range of questions we could ask in our survey. The survey asks only very simple questions concerning the organisation, and we had limited opportunity for exploring the relationship between organisational characteristics and HR development. Both Irmer and Ellerby (2005) and Lawler et al (2006) have shown in their studies that organisational strategies affect the development of HR development and management’s choice of particular HR strategies. Also, industry might be an important factor that affects the importance of HR in the organisation and general development of HR. For example, labour intensive industries such as manufacturing where labour is cheap and plentiful may differ in terms of HR policies and strategies from technology intensive industries such as pharmaceutical development where innovation and human capital is more valued and a more advanced HR system is required. These are significant issues for future research in Chinese organisations.
As for the strengths of our study, this thesis combines both qualitative research and quantitative research and this approach enabled us to generate more in-depth understanding of the research subject than using quantitative research alone. The questionnaire survey drew on previous studies to generate a quantitative description of the current state of HR development and based on the primary results of this survey we developed a qualitative interview schedule to further explore the “texture” of the quantitative findings. The interviews give a more vivid, richer picture of the Chinese HR situation and provide ‘live cases’ for us to understand the detailed issues and practices of current Chinese HR.

4.3 Future Research

We suggest our findings point to three four main questions for future research, in relation to Chinese HR and HR more generally.

*HR measurement.* In this thesis we have generally discussed the importance of HR measurement in advancing strategic HR management. However, we have just touched on the nature and value of various HR measures. Important questions include: what HR measures are generally used by HR, what measures are important to HR management, particularly for advancing strategic HR management, what measures are relatively easy to use, what measures to recommend for use by HR systems in different developmental stages? Those questions are more practical inquiries than theoretical ones, which will be useful for on-the-ground HR professionals. There has been some pioneering research done in this field, such as by Tsui (1987). In fact, our initial research design encompassed relevant research into HR measures and we have done data collection and analysis and reached some conclusions concerning the above questions we raised. Based on the data analysis, we proposed a cost-benefit framework for selection of HR measures which trade off between the strategic importance of a HR measure and the difficulty of implementing them (Shi, 2010). Further
research in the field of HR measures would encompass the development of a framework for analysing and understanding HR data and corresponding measures as proposed by Boudreau and Ramstad (2006).

**HR Challenges.** We have only discussed the potential challenges Chinese HR faces in advancing strategic HRM without further analysis of specific challenges and how to overcome them. However, analysis of this kind is of great practical importance. Our future research should try to identify the specific challenges Chinese HR faces and the underlying reasons for the challenges, as well as solutions to overcome these challenges based on both HR professionals’ successful experiences and theoretical arguments. Similar exploratory studies concerning challenges Australian and US HR faces and possible solutions have been carried out by Irmer and Ellerby (2005) with mostly qualitative and quantitative analysis of interviews asking HR professionals’ perceived challenges. Our future research about Chinese HR can adopt a similar method. In fact, in our research of HR measurement, we have categorised the challenges into four main areas: knowledge challenges, organisational challenges, technical challenges, and budget challenges. We asked how HR perceives the challenges relating to implementation of the concerned HR measures and found the general challenges Chinese HR face in implementation of most of measures lies in organisational inertia and lack of knowledge and analytical ability.

**HRM and different ownership types.** We touched on the effect of different forms of ownership on organisations’ development of HRM, but due to limited sample sizes in FIEs and JVs, we only examined the difference between SOEs and CPCs. In future research, we should secure larger samples to permit more rigorous data analysis of all types of ownership, to complete the whole picture of relative HRM development of SOEs, CPCs, JVs and FIEs. Particularly, it’s of interest to further explore if there are different issues and challenges for
firms with different types of ownership, to which our interview results in this research tend to suggest an affirmative answer, that CPCs have still face some challenges in installing automated HRIS and maintaining consistent and valid databases, while SOEs, especially those with considerable size and long operating history, are facing more challenges in overcoming cultural inertia and managerial resistance. If so, more refined questions should be asked concerning how and why the differences arise which will help to develop descriptions of issues and recommendations to fit organisations with different types of ownership.

Interdependence among HR Role, HR Measurement Capability and HRIS. In this research we studied the relationships among the three and found positive associations among them thus partial support for the claim. However, due to the limitation of research design, we are unable to analyse which comes as more of cause which more of effect. To answer this question, a longitudinal research design is required. Moreover, our survey result finds that the gap of HRIS between Chinese HR and Western HR is less pronounced than that of HR measurement capability and HR role, which supports our argument that technology and budget challenges which HRIS mostly depends on are relatively easier to overcome than knowledge and organisation challenge by which HR role and measurement capability are largely influenced. This suggest we might take a more comprehensive perspective to look at the relationships among HR role, HR measurement and HRIS, where and in future research to incorporate the four challenges as independent factors to explain their influence on the three.

Difference in Specific HRM Practices and Identification of Best Practice. In this research we only touch on the general level of HR management – role of HR, use of HRIS and HR measurement capability, but not on specific HR practices. It would be of great interest to further analyse what differences in specific HR practices exist between Chinese companies and Western companies. Concurrent with this kind of analysis, it would be of
value to evaluate the effectiveness of distinctly different HR practices implemented in Chinese companies, possibly comparing the effectiveness of introduced western HR practices with local Chinese practices in organisations of different types of ownerships. This would help to identify what Western HR practices can be better applied to Chinese organisation to improve the organisational effectiveness and what others not, which would be a great value for HR executives in choosing how to reform their HR systems.

4.4 Conclusion

Based our analysis of the research data and discussion we conclude that 1) Chinese HR systems and practitioners in general lag behind their counterparts in Western countries in regards to their role in business strategy, use of HRIS and HR measurement capabilities; 2) SOEs make more advanced use of HRIS than CPCs but this doesn’t lead to higher HR measurement capability or more strategic role of HR in SOEs than CPCs; and 3) A positive relationship exists among use of HRIS, HR measurement capability and strategic role of HR, where more advanced use of HRIS and HR measurement go with more advanced role for HR. Our analysis of the current challenges Chinese and Western HR face suggest that both of them encounter bottlenecks in further advancing HR from their current stage, and simply doing more of the same might not be enough to achieve SHRM’s ultimate objectives. We also discussed these conclusions in more details from analysis of interviews with HR professionals which provide us with a more textured understanding of our survey results.
References


Tilley, A. (1994). *An introduction to psychological research and statistics* (2nd ed.). Brisbane,


Appendix A - Survey Questionnaire (English Translation)

Survey of Human Resource Information System

Dear Participants

We would like to invite you to participate in this survey on the general development of human resource (HR) in your company and especially the development of Human Resource Information System and Human Resource Measurement. The survey is only for research purpose and will take you around 10 minutes. All your responses and comments will be anonymous thus your and your company's identity will be kept in confidentiality. Your completion of the survey will be accepted as consent to participate and our use of your responses.

If you have any questions regarding our research or what to know more of it, please contact Wei Shi at mark.wei.shi@gmail.com.

Definition: In this questionnaire, we define “HR measure” as the quantifiable measures and data used for Human Resource Management, and “HR measurement system” as the systematic activities and framework to conceive, define, quantify and collect HR measures as well as analysing and interpreting them. We also define Human Resource Information System as “the composite of data bases, computer applications, and hardware and software that are used to collect/record, store, manage, deliver, present, and manipulate data for human resources”. Paper files, electronic spreadsheets, and advanced HR management software are HRIS of various degree of development.

1. For each of the following HR roles, please estimate the percentage of time your HR function spends performing these roles. Please split 100% among the following categories:
   a). Maintaining records (collect, track and maintain data on employees);
   b). Auditing/controlling (insure compliance to internal operations, regulations, legal and union requirements);
   c). Providing human resource services (assist with implementation and administration of HR practices);
d). Developing human resource systems and practices (develop new HR systems and processes);
e) Strategic business partnering (being member of the management team, involved with strategic HR planning, organization design and strategic change)

2. Which of the following best describes the relationship between the Human Resource function and business strategy of your company? (please check one response):
a). Human resource plays no role in business strategy;
b). Human resource is involved in implementing the business strategy;
c). Human resource provides input to the business strategy and helps implement it once it has been developed; and
d). Human resource is a full partner in developing and implementing the business strategy.

3. Please check the one statement that best describes the current state of the Human Resource Information System (HRIS) of your company?
a). Completely integrated HR information technology system;
b). Most processes are information technology-based but not fully integrated;
c). Some HR processes are information technology-based;
d). Little information technology in the HR function; or (5). No information technology present.

4. Please check the one statement best describes the HR measurement capability of your company:
a) Limited HR reporting and benchmarking capability;
b) Solid HR reporting and benchmarking capability with limited application;
c) Extensive use of data in managing the HR function
d) Extensive use of data in advising business leaders on workforce management”.

5. What is the industry your company is in __________________?

6. What type of ownership is your company belongs to?
a) Government
b) State Owned Enterprises
c) Foreign Invested Entities
d) Joint Ventures

e) Chinese Private Company

f) Others, please specify ________

7. How many employees are there in your company?
   a) 0-5,000
   b) 5,0001-10,000
   c) 10,001-20,000
   d) 20,001-50,000
   e) above 50,000

8. Please check the one that best describes your job level in your company?
   a) The most senior HR role
   b) Report directly to the most senior HR role
   c) Two or more levels below the most senior HR role
   d) Others, please specify____

9. What is your age _____ and gender ______, and how many years have you been working
   in the HR profession ______?

   End of the Survey

   We Appreciate Your Participation in Our Research and Thank You Very Much!
Appendix B - Survey Questionnaire (Original Chinese Version)

人力资源信息系统调查问卷

您好！感谢您参与此调查研究，这份调查问卷是旨在了解中国人力资源信息系统的现状。所有调查获得的资料只作科学研究，将会严格保密，研究结果只展现综合数据，不涉及任何个人信息。由于调查结果的可信度取决于您对问题的认真、客观的回答，请您填写问卷时，细心阅读问卷要求和各项问题，以便客观真实地表达您的想法。如果您希望进一步了解调查结果，或您对此项研究有任何疑问和建议，可以直接与我们联系。联系人 施维：mark.wei.shi@gmail.com，再次对您的参与及帮助表示衷心的感谢！

定义：在本次研究中，人力资源指标指的是“用于人力资源管理的可量化的指标和数据”，人力资源指标系统指的是“构思、定义、量化、收集人力资源指标并且对之进行分析和理解的系统活动和框架”，人力资源信息系统指的是“用于收集、记录、存储、管理、传递、呈现、分析人力资源相关数据的方式方法、数据库、程序、硬件的综合”。不论是发达的管理软件、简单的Excel表格或者纸质的人事信息档案，只要用于记录、管理、分析人力资源相关数据信息，都是人力资源信息系统。

1. 您所在的组织在人力资源的不同角色上所用的时间分别为，请填写百分比数据
   ____% 维护记录 （收集、追踪、维护员工档案记录）
   ____% 审计控制 （保证内部运营、公司规章、法律和工会条例得到遵守）
   ____% 人力资源服务 （实施执行人力资源政策）
   ____% 人力资源开发 （开发新的人力资源系统和政策）
   ____% 战略伙伴 （成为高层管理团队一员，参与战略人力资源计划、组织设计）

2. 您所在组织的人力资源在组织战略方面担当何种角色（单选）
   a) 没有任何战略角色
   b) 执行战略的角色
   c) 参与制订战略的角色
   d) 在战略制订和执行中成为高管团队的伙伴

3. 您所在的组织的人力资源信息系统现状是 （单选）
   a) 全面整合的人力资源信息系统
   b) 大多数人力资源功能已自动化但没有全面整合
   c) 一些人力资源功能已自动化
   d) 人力资源功能很少自动化
e) 完全没有自动化

4. 请您选择下面符合您所在组织人力资源管理指标情况的描述？（单选）
a) 有限的人力资源汇报和外部比较工作
b) 扎实的人力资源汇报和外部比较工作，但是应用有限
c) 大量运用人力资源数据进行管理
d) 大量运用人力资源数据对公司领导在人事决策上进行战略性建议

5. 您所在企业所属的行业为____________________

6. 您所在的组织属于下列哪种类型：
a) 政府机关
b) 国有企业
c) 外资企业
d) 合资企业
e) 民营企业
f) 其他（请说明________）

7. 您所在的组织有多少员工？
a) 0-5000
b) 5001-10,000
c) 10,001-20,000
d) 20,001-50,000
e) 超过50,000

8. 您的职级是
a) 组织中最资深的人力资源经理（如人力资源总监）
b) 直接向最资深的人力资源经理汇报
c) 在最资深的人力资源经理两级或更多级之下
d) 其他（请说明__________________）

9. 您年龄为______，性别______，已在人力资源领域已经工作了________年。

非常感谢您参与研究！
Appendix C - Interview Protocol

At the beginning of the interview, the interviewer should inform the interviewee definition of HRIS “as the composite of data bases, computer applications, and hardware and software that are used to collect/record, store, manage, deliver, present, and manipulate data for human resources”. The interviewer should also give examples or elaborate for the interviewees to ensure the definition and topic is not confounded.

1. HR Role, Issue and Task (5min)

- What are the main types of issues/problems/tasks HRM departments in Chinese public/private organizations are faced with and expected by senior managers to deal with?

2. HR Measures (15min), Prompts including:

- How do they identify and prioritize workforce issues? What kind of information (data) is used in making these decisions?
- How do you describe the current HR measures in Chinese organizations? How do you think the HR measures are influencing the HRIS in Chinese organizations?
- What do you think is the difference of HR measures between Chinese and western organizations? (Emphasize western ‘best practice’ as benchmarks.)

3. HRIS (15min), Prompts including:

- Do HR managers and other senior managers have any sense that they need HRIS or that it is a priority for them to develop HRIS? Why? If not, why not?
- How do you describe the current HRIS development in Chinese organizations?
- What are other issues that you are particularly interested in exploring the adoption of HRIS by Chinese organizations?

4. The interviewer should also ask and fill in the demographic information after the interview including:

- Years working in the HR profession
- Years working with HRIS
- Profession (HR manager, Consultant, Researcher) and Job level (Most senior HR role, Direct report to most senior HR role, Two or more levels below the most senior HR role, Others - to be explained)

Specific Questions about HRIS and HR Measures (When they emerge as significant issues in the interview)

Factors influencing HRIS Adoption (10min), Prompts including:

- What do you think are most important factors influencing the adoption of HRIS in Chinese organizations?

HR Measures, Use Rate and Effectiveness (10min), Prompts including:
• What are the **widely used** HR measures in Chinese organizations?
• What do Chinese organizations consider the effectiveness of different HR measures?
• What other less-often-used HR measures can you suggest for the Chinese organizations to improve their HR effectiveness?

HRIS Function, Use Rate, and Effectiveness (10min), Prompts including:

• What are the most **widely used** HRIS functions in Chinese organizations?
• What do Chinese organizations consider the **effectiveness** of different HRIS functions?
• What other less-often-used HRIS functions can you suggest for the Chinese organizations to improve their HR effectiveness?
## Appendix D – Post Hoc Analysis of Effect of HR Roles on Time Allocation

Significant results are highlighted in gray.

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* The mean difference is significant at the .05 level.