Global HRM Practices across Cultural and Institutional Differences: The Case Analysis of China-Western Joint Ventures

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1. Cultural context

Globally, a wide range of cultural differences has been found in the HRM practices, including selection, recruitment, and reward allocation policies. Power distancing is the first difference involved in HRM practices. In his study Hofstede, explained that power distance is the extent to which power differences are accepted and sanctioned in a society (Thomas & Lazarova, 2014). Thus, in such hierarchical structures, the decision making process in the organizations would be painstakingly slow.

The second difference is in ‘individualism versus collectivism’. Hofstede claimed that in a collectivist society like China (see Figure 1), loyalty was paramount and overrode most other societal rules and regulations, and employees were considered for promotion and compensation taking into account the group performance. Moreover, workers were emphasized to maintain harmony in interpersonal relationships (Thomas & Lazarova, 2014).

2. Influence of Cultural differences on HRM—A Case of Whirlpool

The failure of the Whirlpool Corporation is considered here as an example. The firm formed several joint ventures in China in the mid-1990s. Nonetheless, these joint ventures proved to be unsuccessful (Fischer et al., 2013). They needed to report all information to the headquarters for further arrangements (Lee, 2008). Each recruitment process details had to be sent to its Hong Kong office for onward transmission to its American headquarters for

Abstract

A large number of studies on human resource management policies in the era of globalization show that there are significant differences in the operations of transnational corporations. The purpose of this study is to explore two major differences between countries and global human resource management (HRM) practices in terms of institutions and cultures. While doing a good job in human resources, we also need to pay attention to the construction of enterprise culture and enterprise system, so that the enterprise culture and enterprise system can develop together with human resources, enhance the comprehensive competitiveness of enterprises, and ensure the steady, healthy and sustainable development of enterprises in the market competition. This study will also analyze two specific cases related to these problems in the field of human resource management, and propose appropriate human resource management solutions to address the inherent weaknesses and achieve the improvement of the enterprise's human resource management system.

Keywords

Institutional Differences, China-Western Joint Ventures, Human resource management
further approval. This process took almost three to four months (Lee, 2008). Undoubtedly, their intentions were to safeguard the complete control of the headquarters, however, it impeded Whirlpool’s speed to seek talents in a fast-moving market such as China.

Besides, Whirlpool’s management team had only Westerners in the team with Western experience, hence their employee incentives plan was a total waste of time. Consequently, they were not motivated by such a payroll system and the group performance dropped by 45% between June and the end of December 1966, with the company incurring losses to the tune of 89.69 million yuan in 1997 (Fischer et al., 2013).

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3. Recommendations on Whirlpool’s failures in the Chinese market

Evaluating these difficulties faced by the HRM team in the operations of Whirlpool, the discussion could be held on five different aspects. A company likes Whirlpool having global presence needed to focus on the talent recruitment at the first stage. Thus, the headquarters of Whirlpool could have built a new office in the mainland which could have been given the responsibility to address this issue.

First and foremost, to attract the right talent for Whirlpool within a very short period, the human resource management group should have introduced these three means to increase the sources of candidates, college recruiting. Consequently, considering local sourcing of candidates as a significant step in the talent selection for Whirlpool, it could have attracted more local talents, far more familiar with the Chinese markets.

Second, the traditional approach of matching the position with the employees by observing the incumbent workers. Nonetheless, it is an inefficient and immature approach, and difficult to match the right person to the right job (Barney et al., 2000). In practice, the human resource management group provides the skills matrix sheet to each candidate, asking them for self-assessment before the interviews. During the course of the interview, the interviewers could consider the candidates’ skills based on their performance and the self-evaluation report.

Third, in practice, Whirlpool should have provided a new incentive plan being a combination of regular wages along with non-tangible recognition-based awards (e.g. Gift certificates and individual travels). It could be easily understood that these recognitions have a positive impact on employee performances, either alone or in conjunction with the financial rewards (Dessler, 2001).

By introducing a ‘360-degree feedback’ into a relationship, it could have created another touch-point of reciprocal support besides face to face discussion in the ‘15-weeks’ sessions. In the case of Philips, in 2013, they found...
a highly positive response to the ‘360-degree feedback’ in reducing the employee turnover and leading the local-employees appraisal amongst the co-workers in a subtle manner (Huselid, 2017).

Figure 2. Example of the skills matrix.

4. Institutional Context

An institution is the structure and activity which provides stability to a society, including the economic, social, and political system. These institutions shape the organizations in various aspects including the firm-employee relations and educational training, they are built into the fabric of the society, and also set conditions on the actions of the organizations (Thomas & Lazarova, 2014).

In a broader sense, there are three institutional settings based on the varieties of capitalism, namely, coordinated market economies, liberal market economies, and the state capitalism. Considering the United States and China as examples, undoubtedly the United States is a liberal market economy, in which competitive markets coordinate the interactions of the organization with other elements of the environment. Thus, liberal market economies provide a primarily contractual relationship between the employer and individual, wherein the trade unions are weak and the market barriers are low. Further, there is a general education provided by the state. Vocational training systems are unstable (Edwards & Rees, 2016).

In an internal relationship based society, such as in China, it is reasonable to expect an even greater role of a harmonious relationship and sense of belongingness relative to the perceived organizational support in accounting for organizational citizenship behavior (Aryee et al., 2002; Becker et al., 1996; Chen & Francesco, 2003). Besides, the government offers compulsory education and technical based firms could focus on the vocational training systems.

5. Influence of Institutional differences on HRM—A Case of Starbucks

Starbucks has had a long journey in China since it established its first shop in 1999, over more than twenty years. The Chinese market has become Starbucks’s second largest market outside the US, and in 2018, the company operated 28218 locations worldwide with12.5% of the stores located in China (see Figure 3) (Loxcel Geomatics, 2018). It is apparent that Starbucks’ operational philosophy revolved around human resource policies and it developing the new HRM strategy to fit into the unique characters on State Capitalism.

Firstly, considering the dynamic internal relationship between the managers and employees in the Chinese market, Starbucks update the new ‘Starbucks Partners’ program, aimed at giving the employees a sense of belongingness. Compare with the original partner-program in US, this new partner program based on Chinese collective culture combine with the role of internal relationship in State Capitalism background, this system had the capability to
foster a relationship-driven, employees-first approach, which encouraged the staff to form close bonds with each other. Undoubtedly, this program generated fast growth of its revenue and it stood at $745 million in 2019 up 13% compared to the figures of last year (Leinwand & Davidson, 2016).

Besides, Starbucks is an American multinational chain of coffeehouses, and since China does not offer knowledge of baking in its compulsory education programs, the local employees lacked the coffee knowledge, the core mission of Starbucks. In this case, compare with Starbucks located in US, Starbucks in China provided a program called ‘24 hours of classroom learning’ which included an overview of the organizational history and self-guided booklets for the beginners. As a result, this method sparked off incredible growth in profits for Starbucks, with the net revenues for the company’s Chinese franchise growing to $1,186.4 million in 2017 itself (Leinwand & Davidson, 2016).

<table>
<thead>
<tr>
<th>Country</th>
<th>Stores</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>14,451</td>
<td>50%</td>
</tr>
<tr>
<td>China</td>
<td>3,598</td>
<td>12.4%</td>
</tr>
<tr>
<td>Canada</td>
<td>1,499</td>
<td>5.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>1,363</td>
<td>4.7%</td>
</tr>
<tr>
<td>South Korea</td>
<td>1,201</td>
<td>4.2%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,026</td>
<td>3.5%</td>
</tr>
<tr>
<td>Mexico</td>
<td>694</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Figure 3. How many Starbucks stores are out there (Loxcel Geomatics, 2018).

6. Conclusion

Evidently, the trend of globalization influences HRM both in cultural and institutional aspects, since global HRM not only emphasizes how the management method influences the companies, but also regarding the understanding of which the different nations provide the various institutional and cultural backgrounds. Thus, in the future, organizations like Whirlpool and Starbucks need to recognize the importance of HRM in their global strategies and accept HRM as the most crucial step in their development planning.

References


