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# Strategic human resource management and its impact on performance – do Chinese organizations adopt appropriate HRM policies?

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## Abstract

**Purpose** – This paper aims to separately consider studies from the three major economies, the USA, Europe and China, to illustrate differences and similarities. A comparison of these three clusters allows the author to conclude that the US human resource management (HRM) model was adopted by European and, subsequently, Chinese organizations through the mechanism of mimetic isomorphism. In addition, the majority of studies have confirmed that certain HR procedures have a positive impact on organizational performance.

**Design/methodology/approach** – The essay reviews and reappraises existing empirical studies in the field of HRM and organizational performance.

**Findings** – As European organizations adopted HRM configurations and the notion that HR should play a more strategic role from US organizations, the review suggests that Chinese organizations are now imitating US and European HRM. In all summarized studies, there is robust empirical evidence that the HR function is able to directly add value and improve organizational performance.

**Originality/value** – The study compares Chinese to Western HR functions and examines the effectiveness of strategic HRM by evaluating the existing research. At a minimum, in response to the title of the manuscript and the question, “do Chinese organizations adopt appropriate HRM policies?”, the general answer is yes. Given the mechanism of mimetic isomorphism, it can be assumed that Chinese organizations adopt the most efficient HR configurations from Western organizations. The summarized studies also support the prediction that subsidiaries of Western multinational organizations accelerate the development of the Chinese HR functions.

**Keywords** Organizational performance, Human resource management

**Paper type** Literature review

## Introduction

In an era when organizations must confront globalization and an increasingly cost-competitive environment, human resource management (HRM) is in a position to contribute to organizational performance (Guest, 2011; Lawler, 2005; Ulrich *et al.*, 2008; Wright *et al.*, 2001). There is growing empirical evidence in the USA and Europe that HRM can deliver a positive impact on organizational performance (Buller and McEvoy, 2012; Combs *et al.*, 2006; Gooderham *et al.*, 2008; Lengnick-Hall *et al.*, 2009; Paaue, 2009). The most recognized aspect of this trend is improved strategic integration of the HR function into an organization's business and the resulting effects (Lawler and Boudreau, 2009; Lawler and Mohrman, 2003;



Lengnick-Hall *et al.*, 2009). Since the mid-1990s, there has been growing demand for a more strategic role for the HR function in the USA (Lawler, 2005; Ulrich, 1997; Ulrich *et al.*, 2008). The spread of the HR business partner model (Ulrich *et al.*, 2008) and the outsourcing of non-core HR tasks across the USA are representative of this development (Belcourt, 2006; Shen, 2005). A few years after these events in the USA, management practices that focus on a more strategic role for the HR function were largely adapted by European organizations (Brewster, 2007). A remarkable finding from comparing the results in the HR literature is the different outcome observed in European organizations when adopting HR management practices from the USA compared to their US counterparts (Björkman *et al.*, 2007; Björkman and Gooderham, 2006; Peretz, 2012). As a potential explanation, some researchers have considered and investigated the institutional environment as mediator of different performance outcomes resulting from the use of comparable HR management practices (Brewster *et al.*, 2008, 2013; Vaiman and Brewster, 2014). There are widespread institutional differences between the USA and Europe that might influence performance outcomes. While the USA is traditionally described as a shareholder economy that pursues short-term interests to maximize profitability, the majority of European countries are characterized as examples of a more coordinated economy (Gooderham and Nordhaug, 2011; Hall and Soskice, 2001). Therefore, European-based organizations have needed to account for interests and regulations of institutional stakeholders that are more restrictive than those facing their US counterparts. While the institutional differences between the USA and Europe are clear and examinable, the institutional environment in China is far less comparable (Björkman and Xiucheng, 2002). It is known that Chinese organizations adopt HRM practices from the US organizations. Over the past seven years, an increasing number of publications have investigated the relationship between HRM and performance in China. Thus, it is necessary to compare these three regional economic clusters and examine the effectiveness of strategic HRM by evaluating existing research. As there is significant institutional heterogeneity, I like to examine, based on institutional influences, if there are differences in the relationship between strategic HRM and performance outcomes in China compared to the USA and Europe?

First, I summarize existing evidence regarding the relationship between strategic HRM and performance in the USA, Europe and China. Then, I introduce institutional theory that should explain the summarized results. I recommend HR management practices that might be fruitfully adopted by Chinese organizations. Finally, I propose future research with consideration of a broader multiple stakeholder framework.

## **Human resource management and its impact on performance in the USA, Europe and China, a cluster review**

### *Human resource outcomes and performance*

Evidence-based HRM and performance research has established the necessity of considering two dependent variables. The first represents so-called HRM outcomes, which are defined as indicators that directly pertain to the HR function (e.g. employee turnover, employee satisfaction, employee absenteeism and employee motivation). The second is organizational performance, which is represented by commonly employed organizational performance indicators such as profit, market value, sales per employee and productivity. (Armstrong, 2012; Boselie *et al.*, 2005; Purcell, 2003).

### *The USA*

The USA and US-based organizations are commonly described as originators of the “modern” conceptualization of HRM (Brewster, 2007). The world’s largest economy, with its competitive industry and relatively entrepreneur-friendly institutions, served as a fruitful

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environment for the development of the HR function from an administrative department toward a more strategic and value-creating department (Barney and Wright, 1998; Ulrich, 1997, 1998). As the trend toward regarding HR as a value creating function increased, it also became increasingly necessary to measure the HR function's impact on organizational performance. This development led to the increasing popularity of empirical research on the link between HRM and performance. Below, I summarize representative studies in this area.

Huselid (1995), one of the earliest and most widely recognized contributions in the field, reported results from 3,452 US-based organizations. These results revealed that investments in a bundle of HR practices had a positive (decreasing) effect on employee turnover, medium- and long-term financial performance and productivity. He assumed that investments in those HR practices would increase employees' motivation and skill, which would in turn result in improved firm performance indicators (Huselid, 1995).

Further empirical evidence was collected in the US banking sector (Richard and Johnson, 2001). As independent variable, the authors used so-called strategic HRM effectiveness, which was measured on a Likert scale that is highly comparable to the bundle of HR practices considered by Huselid (1995). The results indicated a positive influence of strategic HRM effectiveness on employee turnover and overall market performance. The results were significantly moderated by capital intensity. The authors identified a better-developed and more-skilled workforce as drivers for the positive relationship between HRM and performance.

Youndt and Snell (2004) investigated 208 organizations in the US public sector. They constructed several bundles of HR practices that were positively related to three categories of capital: human capital, social capital and organizational capital. Their results support a positive relationship between those three categories and organizational performance (measured by financial indicators).

In addition to the direct effects of HR practices, a survey from the US manufacturing sector established a link between the most senior HR executive and organizational performance (Green *et al.*, 2006). Green *et al.* found that the job satisfaction and organizational commitment of the most senior HR executive was positively related to organizational performance.

In support of pursuing a strategic orientation of the HR function, Lawler and Mohrman (2000) published comprehensive evidence that improving the strategic influence of the HR function considerably increased the effectiveness of HR. The results obtained from two waves of a survey of heterogenous US industries indicated a positive relationship among focusing on strategy, organizational development, organizational change and the effectiveness of the HR function (the measure employed was a bundle of common HR outcomes). Lawler and Mohrman suggested that a more strategic orientation is aligned with focusing on adding value to organizational performance, which explains the findings. Three years later, the authors obtained comparable results from the next survey wave and further reported that the most effective HR functions participate in business strategy formulation and strategy implementation (Lawler and Mohrman, 2003). The next survey wave confirmed the primary contribution of the previous studies: the greater the HR function's strategic involvement, the more efficient the HR function is and the greater its impact on organizational performance (Lawler and Boudreau, 2009). The most recent wave provides further confirmation of the previous results, with the caveat that the authors had expected more progress toward a more strategic role for the HR profession (Boudreau and Lawler, 2014).

Those results have been extended by meta-analyses which have confirmed the findings of the most widely cited contributions (Boselie *et al.*, 2005; Combs *et al.*, 2006;

Crook *et al.*, 2011; Subramony, 2009). Overall, there is robust evidence that in the USA and Europe, the HR function is able to add value to the business. The strategic involvement and activities of the HR function are particularly positively related with performance indicators. In addition, investments in the HRM activities of recruiting, selection, training, career planning, coaching and employee participation have been empirically proven to have the desired influence on performance indicators.

### *Europe*

It is widely accepted that the professionalization of the HR function in Europe is oriented toward and adopts HR management practices from the USA (Brewster, 2007; Gooderham and Nordhaug, 2011), particularly concepts that support greater HRM involvement in organizations' strategic decision making process (Schuler and Jackson, 2005). While a more influential and value-creating role for the HR function was welcomed in the HR and performance literature, authors also raised concerns that European organizations might encounter difficulties in adopting HR concepts and practices from the USA due to environmental differences (Gooderham *et al.*, 1999). In addition to cultural differences, which are notoriously difficult to measure (Javidan *et al.*, 2006), the most recognized differences between US and European HR functions is the influence of the institutional environment. The primary institutional differences addressed by HRM research in Europe concern the influence of unions and Europe's more restricted labor market and legislation (Brewster *et al.*, 2013; Gooderham and Nordhaug, 2011). In addition to these potential differences between the USA and Europe, several previous empirical analyses focus on the impact that the HR function has on performance indicators in Europe.

A comprehensive analysis of 3,702 organizations based in the European Union investigated the impact of 80 individual HR practices and procedures, combined in 15 strategic HR clusters (Stavrou and Brewster, 2005). Organizational performance was measured using a composite measure of service quality, productivity and profitability. The results indicated a positive effect of six HR bundles (training/development, share options and profit and sharing, participation via communication and job expansion) on organizational performance across the full sample.

Michie and Sheehan (2005) investigated the HR function's potential impact on organizational performance in 362 manufacturing and service companies in the UK. In addition, the authors attempted to examine the relationship between investments in HR practices and the financial return on these investments. Based on their analysis, Michie and Sheehan concluded that, first, HR practices (recruiting, training, career path opportunities and performance-based compensation) increase organizational performance (measured in three different models: a productivity model, a sales growth model and a probability model). Second, the results indicate that the return on investment in HR practices depends on a consistent and coherent fit between the organization's overall business strategy and its HR practices and/or that between the organization's strategy and the HR framework.

A empirical comparison using 4,759 European Union-based organizations in the private and public sectors, obtained from the Cranet database, investigated the universal applicability of common HRM practices (Stavrou *et al.*, 2007). The results indicate a robust and positive relationship between training/development and organizational performance (indicators: service quality, productivity, profitability). However, Stavrou *et al.* found less support for HR involvement in the strategic planning process and its impact on performance. The authors argued that European HR functions have not yet completed their transition to a more strategic role.

Nikandrou and Papalexandris (2007) examined the potential influence of strategic HRM practices on organizational performance in the context of mergers and acquisitions in

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Greece. Their survey of 59 private sector organizations revealed positive effects of strategic involvement by HR in business planning and training/development and a high degree of formalization in HR practices on organizational performance (productivity, service quality and rate of innovation). In addition, the results suggest a positive relationship between strategic HR involvement and an organization's merger and acquisition capacity.

An examination of 5,189 organizations in the European Union (Nikandrou *et al.*, 2008) confirmed the abovementioned findings. Specifically, the multilevel analysis suggests that training and development, moderated by strategic HR involvement, has a positive effect on organizational performance (measured by the innovation rate and several probability indicators).

A empirical investigation of 3,281 European Union-based organizations confirmed previous research in certain respects while obtaining more limited results concerning the impact of so-called collaborative HR practices on organizational performance (Gooderham *et al.*, 2008). The study found a positive relationship between bundles of common HR practices (training and career development opportunities, the degree to which HR functions reflect strategic goals, and three different types of performance-based salaries) and organizational performance (measured by gross revenue). The results do not show any significant support for collaborative HR practices (e.g. employee participation and communication frameworks).

Another study considered data from 30 European countries (Ferreira *et al.*, 2012). Based on the assumption that there are no generally applicable bundles of HR practices effective in every type of organization and environment, the authors examine whether HR bundles are efficient within Europe. In keeping with the results of previous studies, the HR bundles (training, profit sharing and performance-based pay) exhibit a significantly positive relationship with organizational performance. In addition, the results offer evidence of a negative relationship between employee participation and organizational performance (the dependent variable was labor productivity). The authors concluded that their results support the notion of "one European HR model" (Brewster, 2007; Brewster *et al.*, 2000; Gooderham and Nordhaug, 2011). In other words, because of the alignment of legislation within the European Union, HRM procedures and practices are less influenced by institutional differences, which results in an easier adoption of HRM practices within the European Union.

This brief literature review of the US and European studies offers a synopsis of the HR function and its impact on performance. At present, there are over 100 reputable empirical studies that confirm the impact of the HR function on organizational performance. A comparison of the results summarized above allows us to make three conclusions concerning commonalities in the USA and Europe.

First, there is irrefutable evidence that the HR function is capable of generating added value to improve organizational performance on both sides of the Atlantic.

Second, there is consensus in the HR and performance literature that there is no single configuration of the HR function that guarantees the creation of added value. Nevertheless, three HR activities appear to be disproportionately efficient and applicable: investments in training and career development, performance-related pay and the strategic involvement of the HR function.

Third, all authors apply one of two theoretical frameworks to explain the positive influence that the HR function has on organizational performance. The first is the resource-based view, which explains competitive advantages through four characteristics. Barney (1991, 1995) established that resources that are rare, valuable, difficult to substitute and imperfectly imitable will generate competitive advantage. Barney's framework has been



adopted as a universal explanation for why HR function is in a position to contribute value added on these four dimensions (Barney *et al.*, 2001; Barney and Wright, 1998). The second theoretical approach that has been used to explain the positive influence of HR is human capital theory. Human capital theory postulates that organizations' investments in training and development will increase the human capital of their employees, which will increase their productivity and abilities, thereby ensuring a return on such investments. As employees are the owners of their own human capital, organizations seek to invest in specific human capital that is not transferable to other organizations in an effort to protect an organization's competitiveness (Becker, 1962; Lepak and Snell, 1999, 2002). Based on these rationales, Chinese organizations would be well-advised to adopt an HR structure that enables strategic HR involvement, investments in training and workforce development and establish performance-based pay systems.

### *China*

Since the 1990s, the US and European multinational organizations have made substantial investments in China to establish a presence in the highly promising Chinese market. Foreign multinationals operating in China import management practices and Western corporate culture to their subsidiaries (Child and Tse, 2001). This raises the question of which HRM activities are appropriate given the fundamental environmental conditions in China, especially the influence of the Chinese institutions (Björkman *et al.*, 2007).

Björkman and Xiucheng (2002) offered the first examination of the strategic role of the HR function and its relationship with performance in 62 Chinese–Western manufacturing joint ventures, based in three large Chinese cities. The dependent performance variable in their analysis was a combination of long- and short-term financial indicators and labor productivity. The results confirm findings from Europe and the USA, namely, that the degree of strategic involvement by the HR function is positively related to organizational performance. In addition, the authors found that a bundle of eleven HR practices had a limited but significant positive influence on the performance indicator. Comparable results can be found in study by Wei and Lau (2008), which support the notion that strategic HR involvement has a positive influence on organizational performance.

In 2003, Li published a study of 296 organizations operating in China. All surveyed organizations operated in the electronics industry or were soft drink companies. The study considered employee turnover, productivity and sales per employee as dependent variables to measure organizational performance. In addition to its primary focus (the educational level of the employees' and its impact), the study's results indicate a positive relationship between average monetary income and productivity, as well as profitability.

Li *et al.* (2006) expanded the literature on HRM and performance in China by linking it to research on technological innovation and firm performance. First, the authors reported a positive influence technological innovation on organizational financial performance. Second, the authors hypothesized a link between employee training and development and technological innovation. Third, a regression analysis of 194 Chinese high-tech companies confirmed both predictions. Therefore, their theoretical contribution was to link the resource-based view with innovation theories.

Zheng *et al.* (2006) focused their study on the HR function in small- and medium-sized organizations in China. Their research framework examined the effect of established HR practices on HR outcomes (employee turnover, commitment and competence); in a second step, they examined the effects of HR outcomes on overall organizational performance. Thus, they did not use HR practices as direct mediator of organizational performance. The first-stage results indicate that the examined HR practices reduce employee turnover and

increase the competence and commitment of the workforce considered in the sample. In addition, the results reveal a negative effect of social benefits on HR outcomes. In the second stage, the results revealed a highly significant positive relationship between employee commitment and all categories of organizational performance considered. This result is contrary to those of analyses of the US and European organizations, which rarely detected a relationship between commitment and performance.

*Akhtar et al. (2008)* examined the effect of strategic HRM practices on organizational performance in 465 Chinese companies. The surveyed organizations were highly heterogeneous with respect to size and sector. The authors applied two models to measure organizational performance; the first was a service-oriented bundle and the second a financial performance bundle. The results entirely confirm previous evidence from comparable investigations. Regarding the independent variables, training exhibited the strongest positive effect on both the performance dimensions, followed by employee participation, internal career opportunities and, last, performance-oriented reviews. Following their analysis, the authors contended that within two decades, Chinese organizations would fully adopt Western frameworks for their HR functions.

*Chow et al. (2008)* investigated 48 Chinese organizations based on the triangulation method (interview, survey and documentation) with the objective of comparing four different HRM configurations and their impact on performance. To create four different types of HRM configurations, the authors assigned 24 HR practices to the clusters of commitment-, market-, compliance- and collaboration-oriented. Sales growth, profit and employee turnover were used as the dependent performance variables. The results of the regression analysis support a positive overall impact of the commitment HR configuration and a negative overall impact of the compliance HR configuration on the performance indicators.

*Ngo et al. (2008)* collected data from 600 organizations based in China. In addition to the impact of strategic HRM and HR practices on performance, their study also considered ownership types as a moderating variable. The results of their analysis are in line with previous research and confirm the existence of a positive relationship between strategic HR involvement and organizational performance (both financial and operational performance). In addition, the results indicate that a bundle of common HR practices has positive impacts on both performance indicators. In the moderator model, the authors employed private, state and foreign ownership status as interaction terms. The results reveal no significant effects between and strategic HR involvement, moderated by ownership, on performance. Surprisingly, the moderating effect of the interaction term denoting private and foreign ownership status and HR practices shows that the latter have less influence on financial performance than they do in state-owned organizations. The authors explained these findings with the observation that there are more expansive HR practices in foreign and privately owned organizations.

*Zhang and Li (2009)* analyzed the relationship between the HR function and organizational performance in 134 pharmaceutical organizations in China. Their results show that HR practices, summarized in four different HRM bundles, have a positive effect on organizational performance (measured by management perceptions). In a second step, the authors linked the HR bundles with a strategic innovation bundle using an interaction term. Contrary to previous studies, the results indicate the possibility that HRM practices and strategic innovation cancel out one another's effects on organizational performance.

*Ali et al. (2017)* focused with an empirical based structural equation modeling (SEM) on the relationship of strategic human resource management (SHRM) and organizational performance in the Chinese bank sector. Their results confirm a positive influence of used



SHRM bundles (26 HR practices) on the organizational performance (they used mainly productivity and organizational efficiency). In addition, their results show a positive relationship between employee relations climate (as mediator) on organizational performance.

In summary, the growing field of HRM and performance research in China generally confirms the findings obtained in the USA and Europe. As in the USA and Europe, training and career path HR bundles, performance-related reviews and the strategic involvement of the HR function exhibit a positive relationship with organizational performance indicators. The review of organizations based in China suggests that bundles of HR practices and the configuration of the HR function, especially it playing a more strategic role, observed in the USA and Europe can be extended to China.

### **Transferability of human resource management and institutional theory**

The new institutionalism is the most widely recognized theoretical approach to explain why successful management practices can be extended to other environments (DiMaggio and Powell, 1991). Therefore, organizations face pressure to adopt and integrate management practices that are consistent with the institutional environment in which the organization operates. Thus, organizations increase their legitimacy by adopting management practices and procedures that considered appropriate in their institutional environment (Meyer and Rowan, 1977). The organizational behavior of imitating reputable and predominant management practices is defined as isomorphism. DiMaggio and Powell (1991) distinguish three different sources of isomorphism. First, so-called normative isomorphism is characterized by the distribution of an appropriate management practice within an occupational group (professional associations and networks). These instances of professionalization influence individuals to adopt behaviors and methods based on the predominant paradigm in the professional group. Second, forced isomorphism is defined as pressure from the institutional environment (government and legislation) to adopt a certain management practice. Third, in mimetic isomorphism practices that are considered successful are adopted. Therefore, organizations often imitate the management practices of market leaders to avoid uncertainties and disadvantages (DiMaggio and Powell, 1991).

The theoretical framework of the new institutionalism has demonstrated its applicability and is well-established in the field of HRM research (Boselie *et al.*, 2009; Paauwe and Boselie, 2003; Wright *et al.*, 2005). The results of previous studies offer, on the one hand, explanations for the distribution of HRM practices and configurations across national and cultural borders; on the other hand, the results indicate that the efficiency of a distributed HRM configuration is heterogeneous. For example, an examination of 158 multinational organizations and their subsidiaries in three different regions (Björkman *et al.*, 2007) yields differences in regression outcomes regarding the HR practices these firms employed. The authors compared three promising HR bundles (training, performance-based pay and communication) across the home and subsidiary countries. The results reveal considerable differences in the extent to which common HR practices were used, which the authors attributed to institutional differences. In this regard, Paauwe and Boselie (2005) contended that, based on new institutionalism, organizations will only adopt HR practices in response to of uncertainty, in an effort to avoid to being perceived as antiquated or to increase legitimacy. Thus, the effects that adopted HR practices have on organizational performance play a minor role in organizational considerations. Similar conclusions can be found in Vaiman and Brewster (2014), who investigated the different influences that cultures and institutions have on HRM and the latter's general applicability.

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## Discussion

The objective of this manuscript was to summarize the existing literature on HRM and its impact on organizational performance to understand the HR function and its activities in China. I gathered a selection of widely recognized empirical publications from the USA, Europe and China to identify both commonalities and possible differences. By reviewing these empirical contributions from three geographical clusters, I make the following conclusions.

First, as European organizations adopted HRM configurations and the notion that HR should play a more strategic role from US organizations, the review suggests that Chinese organizations are now imitating the US and European HRM. I believe that the application of HR practices and configurations in China is primarily driven by the mechanism of mimetic isomorphism. A study by Björkman *et al.* (2008) has offered empirical support for this conclusion. The authors compared subsidiaries of multinational organizations based in China with Chinese-owned organizations. Their survey was conducted in two waves (1996 and 2006) and investigated the general use of HR practices. The results reveal no significant changes from 1996 to 2006 with respect to the configuration of the HR functions of Western-owned subsidiaries. However, the results reveal a development towards the use of the US and European HR practices by Chinese-owned organizations over the ten-year period examined. Thus, the results support the notion that Chinese organizations are adopting the HR practices of multinational companies through the mechanism of the mimetic isomorphism. Wei and Lau (2008) arrived at a similar conclusion by investigating the impact of strategic HR involvement on Chinese organizations. Therefore, I suggest that Chinese organizations will continue to imitate Western HR functions, and hence it can be assumed that, in the near term, there will be fewer differences between Chinese and Western HR configurations.

Second, the selection of empirical studies on Chinese organizations fully confirm our midterm summary. In all three geographical clusters, there is robust empirical evidence that the HR function is able to directly add value and improve organizational performance. Notably, there are HR procedures and practices that appear to have a universally positive influence on organizational performance indicators across all three major economic regions. Clearly, it is not possible to provide a final universal recommendation concerning the best-performing configuration of the HR function. Nevertheless, the most cited and recognized empirical studies summarized in this manuscript suggest a ranking of HR practices and procedures that seem particularly successful in increasing organizational performance. Investments in training and development or training and career development bundles have been widely applied as independent variables and exhibit a positive impact on organizational performance or HR outcomes. From a theoretical perspective, the results are fully supported by the human capital perspective (Becker, 1962; Lepak and Snell, 1999, 2002) and justify adequate financial investments in training and career development. The set of HR procedures that exhibits a positive relationship with organizational performance in all three economic clusters are HR processes that evaluate performance and link it with salaries. Finally, the third HR configuration that has a positive effect on performance is to strategically embed the HR function within the business. Both performance reviews and strategically embedding the HR function are fundamental prerequisites for the efficiency of HR practices. While performance evaluation systems ensure that employees will pursue the business' objectives (Armstrong and Baron, 2000), strategic HR involvement should translate the business strategy into an appropriate HR configuration (Allen and Wright, 2006; Becker and Huselid, 2006; Boxall and Purcell, 2003).

Third, the summarized studies indicate that HR practices and configurations that generate greater commitment among employees have a positive relationship with organizational performance. Nevertheless, some studies have reported that a more committed workforce has negative effects on performance indicators (Chow *et al.*, 2008; Ferreira *et al.*, 2012). In contrast to the other three consistently successful HR configurations, it is conceivable that the substantial differences in the institutional environment among China, the USA and Europe have a crucial effect on this variable. It is known that differences in union influence or employee involvement, for example, by electing a works council, across countries are particularly pronounced and depend on legislation (Brewster *et al.*, 2013, 2008, 2013). This difference appears to be a fruitful avenue for future research, especially the peculiarities of the Chinese institutional framework and its influences on HR practices.

Finally, regarding the title of the manuscript and the question, “do Chinese organizations adopt appropriate HRM practices?”, I believe that the answer is generally yes. Based on the mechanism of mimetic isomorphism, it can be assumed that Chinese organizations will adopt the most efficient HR configurations from Western organizations. The summarized studies also support the prediction that the subsidiaries of Western multinational organizations will accelerate the mimetic process transforming Chinese HR functions.

### Research outlook and limitations

The studies which are summarized in this manuscript, mainly focusing on HR practices and their influence on organizational performance, but these are only segments of the reality. The idea to compare the HR function its setup and influence over regions, requires a broader multiple stakeholder framework to examine and understand all the interdependences. To bridge this gap between theory and practice, Jackson *et al.* (2014) propose a so called “Aspirational Framework for SHRM”. The Aspirational Framework, which is developed in its origin by Jackson and Schuler (1995), integrate multiple stakeholders (e.g. external environment and internal environment, HRM systems, outcomes for internal and external stakeholders) into one holistic model. From my perspective, it would be a very fruitful avenue of future research to put all the empirical fragments of different SHRM disciplines together in one model. Jackson *et al.* (2014, p. 16) pointed out that only the minority of empirical SHRM studies consider environmental characteristics as antecedents of HRM. Empirical region or country comparison research would benefit from a picture which includes multiple stakeholders. Particularly, the consideration to operate with the institutional factors: industrial relations and unions, market conditions and the national culture as predictor or moderator variable. The use of CRANET data could be used as data backbone expanded with data of external stakeholders; for the analysis multilevel modeling or structural equation modeling appear as promising. In general, the outcome could help to expand the view of SHRM research, instead of finding an ever-smaller research gap.

However, the summarized results and the conclusion suffer from limitations and have to be reviewed carefully. First, research on HRM and its impact on performance in China is comparatively new. The sample sizes of the existing studies are rather small. In addition, most studies collected their data in the metropolitan regions of Beijing, Shanghai and Nanking. Thus, conclusions regarding Chinese HR functions are related to these economic regions. Nevertheless, a number of empirical studies by different authors and heterogeneous data sources support a comparable relationship between HR procedures and organizational performance in China relative to Western countries.

Second, most of the summarized studies measured the effect of HR procedures on performance post hoc (for example, net revenue in the previous fiscal year). This means that the majority of studies might be biased because the causal relationships they describe are the effects of HR procedures on performance indicators (Paauwe, 2009). Thus, there is a lack of panel studies on the relationship between HRM and performance that do not rely on lagged values.

Third, the studies summarized in this manuscript were determined based the number of citations and their reputation (the ranking of journal in which they were published). The authors primarily came from the field of HRM research and published in HRM journals. Thus, it is conceivable that, rather than offering a critique, the authors were motivated to report positive links between HRM and organizational performance. In other words, it is conceivable that the studies focused on HRM in areas for which positive results of HRM were expected.

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