



Thirty-two years of development of human resource management in China: Review and prospects[☆]

Shuming Zhao^{a,*}, Juan Du^{a,b}

^a School of Business, Nanjing University, Nanjing, 210093, China

^b Shanghai International Studies University, Shanghai, 200083, China

ARTICLE INFO

Keywords:

Personnel management
Human resource management
Transition period

ABSTRACT

Focusing on the theoretical developments and practical applications of human resource management, this paper reviews the transition of human resource management in China from planned labor and personnel management to modern human resource management in three distinct time periods since China's reform and opening-up. Next the paper discusses the challenges of human resource management research and its practices from the perspectives of internationalization, corporate culture, and organizational innovation during China's economic transition. Finally, it presents the prospects and trends in the future development of human resource management in China.

© 2012 Elsevier Inc. All rights reserved.

Contents

1.	Introduction	180
2.	Stages of development of China's HR management	180
2.1.	Introduction stage of the HR management concept	180
2.2.	Probe stage of HR management	181
2.3.	Systematic intensification stage of HR management	181
3.	Challenges that HR management are facing in a transition economy	182
4.	Future prospects for human resource management in China	183
4.1.	Human resource management in the knowledge economy era	183
4.2.	Internationalization of human resource management	184
4.3.	Professionalism of human resource management	184
5.	Case study: an application by Chinese enterprises	185
5.1.	State-owned enterprise: Haier	185
5.1.1.	Haier's human talent view and personnel mechanism	185
5.1.2.	Human resource management system of Haier	185
5.1.3.	Haier's value distribution system	185
5.2.	Private enterprise: Lenovo	186
5.2.1.	Changes of ideas	186
5.2.2.	Overall human resource management	186
5.2.3.	Building a perfect performance evaluation system	186
5.2.4.	Establishment of an effective preservation mechanism	186

[☆] This paper is part of the research project supported by the National Natural Science Foundation of China's Key Project (project no. 70732002).

* Corresponding author.

E-mail address: zhaosm@nju.edu.cn (S. Zhao).

5.2.5. Create a sustainable developmental space for employees	186
5.3. Joint-venture enterprise: Phoenix Contact China	186
6. Conclusion	187
References	187

1. Introduction

The past 32 years of reform and opening-up have seen unprecedented development in the Chinese economy and society. Human resource (HR) management has also experienced the transformation from labor and personnel management under the planned economy system to modern human resource management. Since the 21st century in particular, human resources as the root of national competitiveness has been raised to the level of a national strategy. This includes the agreement that people should be given top priority in enterprises and that human resources is a vital dimension for success. There is a higher demand and recognition for effective HR management because of the growing trends of economic globalization and improved education. How China's HR management will adapt to these changes has become a new issue facing the current society. On the occasion of the 30th anniversary of reform and opening-up, reviewing the course of development of China's HR management will contribute to our deeper understanding of the characteristics and difficulties of HR development. Noting the progress and limitations to date, researchers and practitioners must pay attention to advancing the development and practice of China's HR management so that there can be a positive impact on future human resource practices.

2. Stages of development of China's HR management

In general, the development of China's HR management has evolved with concept processing, exploration, and intensification of the system during 30 years of reform. Three distinct stages are involved in the roles of HR management. The first stage involves administrative roles that primarily concern administration management, and personnel files/archives management. The second stage involves supportive roles, describing most human resource practices that provide employees with supportive activities and services. The third stage involves strategic roles, referring to the contributions to organizational objectives and to the protector of the organizational ethic (Zhao, 2002). Before the 1980s, China was essentially in a period of labor and personnel management under the planned economy system. The core concepts of HR management were gradually introduced into China from the middle and late 1980s, but the practice of HR management was not applied on a large scale. This was consistent with China's reform of social and economic management systems at that time. By the middle and late 1990s, the whole society realized that HR management required constant reform, development, and innovation. With that, the practice of HR management began to be widely applied. Nevertheless, at that time the reform of the enterprise management system and the economic system in the labor market did not provide strong support for the establishment and improvement of rules and regulations necessary for modern HR management to be readily implemented. Because of the dynamic changes in the external environment during the 21st century, HR management reform is further growing and developing in an international, market-oriented, and professional dynamic.

With China's accession to the World Trade Organization (WTO) in December 2001, China has been facing a more complicated market and operational environment. In order to maintain the healthy development of Chinese enterprises, a long-term undertaking must be examined that focuses on a human resource management pattern suitable for these enterprises. Although China has witnessed a rapid transition to the market economy, the old administrative system of national economic activity still has important influences (Child & Tse, 2001).

2.1. Introduction stage of the HR management concept

Emerging in the early 1980s, HR management was one of the frontiers of American management study. However, up to the mid-1980s, the phrase "HR management" remained unfamiliar to the Chinese public and it was even misinterpreted to read "personnel management." Personnel management was still subject to administrative orders under the planned economy system. During that time, workers were not considered in terms of individual contributions, but rather as factors of production similar to land, capital, and other resources. It was understood that personnel management, in relation to the perception of its employees, was seen only as a tool to manage and control costs. The department of HR management only dealt with daily clerical work, such as personnel assessment, payment, and personnel file management. Personnel management mainly depended on administrative allocation. Operating posts lacked mechanisms for effective assessment and the implementation of the labor contract was a mere formality. Furthermore, effective incentives and competitive employment mechanisms were insufficient.

The development of HR management in practice was not separate from the Chinese theory. While the planned economy had a strong impact on China during this period, the theoretical frameworks of HR management began to be introduced from the West. Zhao (1998) and Wang (1985) were among the first scholars who did the early research on labor, personnel management and talent management. Wang (1988), Zhang (1990) and Shi (1990) were among the scholars who introduced the theories of psychology into HR management in China. Their work provided the theoretical foundation of China's HR management. Shuming Zhao, together with other distinguished Chinese scholars, introduced advanced Western HR management concepts into China.

For example, upon returning to China in 1991, Shuming Zhao contributed to the early HR management research in *International Business: HR Management* and *International Comparative Study on HR Management and Development*. In this early work, Zhao advanced the concept that HR management represented the trio of effective development, rational use, and scientific management necessary for the appropriate development of unique human resources. Effective development of human resources includes not only the intellectual development, but also the development of ideological and ethical awareness; not only giving full attention to the available capacity of humans, but also effectively exploring each individual's full potential. Rational development means not only the projection and planning of human resources, but also the organization and training programs. From the perspective of scientific management, it is about planning, organizing, commanding, controlling, and coordinating the ways of using human resources. The main purpose is to smooth the interpersonal relationships, cultivate the workers' potential, and fully motivate people thus to improve work efficiency. These early findings resulted in a significant impact on the development of domestic HR management practice and research.

2.2. Probe stage of HR management

Since the mid-1990s, Chinese practitioners and researchers have begun to apply and implement HR management into the personnel management practices of businesses and government. Zhao (1999) conducted a large-scale nationwide survey of the position of HR management in Chinese enterprises.¹ The results of the survey showed that industries had begun to implement and improve HR management functions through recruitment, training, pay and performance appraisal, as well as improvement of professional skills. Some enterprises implemented an annual salary system which motivated entrepreneurs, intensified self-restriction of their business operation, and limited their annual income.

It is a significant advancement that the annual salary system has been implemented. The system not only shows the characteristics of annual or tenure performance-related pay of managers, but further motivates managers by balancing responsibilities, risks, and income. It allows managers to be involved in sharing the profits, and provides motivation for long-term performance. Furthermore, the annual salary system can be considered a solid foundation of shared motivation, which will provide incentives for senior management. The implementation of this system may contribute to reducing the risks of management corruption. As for employees, their salaries were based primarily on performance. Reform of the pay management system was still in development, due to its ambiguous structure and the progress yet to be made on the establishment of the post analysis, salary system, and performance appraisal system (Deng & Liu, 2007).

It is to be noted that due to the imperfection of the market system, there were many drawbacks in HR management at that time, such as the ambiguity of rights and liabilities within an enterprise. These drawbacks resulted from the vague property rights system, the administrative overreach of internal management systems of the state-owned enterprises, and the development of the professional human resource market management. Responding to these problems, scholars such as Liao (1998) and Chang (1995) conducted a comprehensive analysis of HR management by exploring the influence of the national human resource laws and policies. Zhang (1996) focused on the internal control and corporate governance framework in the reform of state-owned businesses. Zhang (2002) and Shi (1998) are among those Chinese scholars who early on paid attention to the talent value of workers, the value calculation of human resources, and the motivations of income allocation.

2.3. Systematic intensification stage of HR management

From the late 1990s until now, the reform of human resource management has systematically intensified, which is reflected in the growing importance that China has attached to changes in corporate understanding and improved development of HR management (Xiong & Zeng, 2008). During this phase, China's labor market has experienced a relatively full growth; the labor law is one step closer to full implementation; the HR management in government has been enhanced; businesses now encourage autonomy among their employees and pay more attention to the effective practice of HR management. During the systematic intensification stage, HR management became a significant part of business management. The Department of Human Resource, changing from traditional personnel administration to strategic HR management, has become part manager and part worker, as well as a supporter in the process of corporate development of HR management practices. With the profound changes in the basic management model, HR management has become a core resource, which has been widely acknowledged along with the idea of "people orientation." Under these circumstances, the new HR management mode has been established with personnel assessment, performance evaluation, and incentive pay at its core.

Meanwhile, the academy has made significant contributions and progress. Chinese human resource scholars have conducted numerous studies to research HR management from different perspectives. HR management has become a source of core competence in many enterprises. For example, the Lin, Development Research Center of the State Council, and Human Resource Management Research Center of HRM (2006) organized experts who developed and administered a random questionnaire survey for 2100 companies throughout the country. The survey included respondents from different geographic locations, industries, and organizational types and sizes. It was developed to provide information on the current state of the establishment and implementation of human resources. The survey provided information on planning, position management, recruiting, labor

¹ This project was supported by the National Natural Science Foundation Research Project (Project No. 79870033), January 1, 1999–December 31, 2001.

contract management, regular performance appraisal, pre-training or internships for new employees, employees' training, rewards and punishment, payment distribution, job security and work protection, employees' social security, management employed through competition, backup managers' pool, employees' career development, employees' rational suggestions, and employees' appeal. Results of the survey strongly showed that human resource is a way for companies to gain continuous competitive advantages.

Other scholars have found some significant results. [Zheng and Lamond \(2009\)](#) reviewed the empirical studies on HR management practices in mainland China using meta-analysis. All of the literature was from 26 leading international journals, spanning 30 years, during the period of 1978–2007. The literature evaluated the Chinese practices in HR management for the past 30 years and identified research gaps. [Gao, Zhou, and Yim \(2007\)](#) examined the roles of strategic orientations including customer, competitor, and technology in China's transitional economy. They found that the effects of customer and technology orientations on business performance were contingent upon the competitive environment. [Zhu and Dowling \(1994\)](#) examined the rapid revision of HR management and employee behavior under the new market oriented system in China. Their findings highlighted the necessity to shift from a planned economy to a market economy, and the important role that HR management will play in the transition. [Malcolm Warner \(2004\)](#) reviewed the economic background of the recent changes in the People's Republic of China from 1978 to the present day, exploring the change from a command economy to a more market-led one. He described the demise of the 'iron rice bowl' policy, which was in part a policy that promised urban Chinese workers 'jobs for life'. He also compared different HR management patterns in Asian countries, such as the national HR management systems of Japan and South Korea. [Zhu and Warner \(2004\)](#) examined the increasingly complex challenges facing HR management in China following the country's accession to the WTO, and discussed the implications for further reform of government policy and enterprise level HR management practices. In addition, many Chinese scholars have contributed both theoretical and practical research about the different HR management modules, such as recruitment and selection, training and development, compensation and benefits, performance evaluation, career management, and labor relationships. For example, [Chen and Qing \(2005\)](#) analyzed disadvantages of traditional promotion policies through game theory based on promotion theory, and recommended effective suggestions on the improvement of enterprises' promotion systems.

As the theories of Western strategic HR management are better understood by the Chinese, more progress can be expected. Strategic HR management views workers as the most valuable resource for an organization. The development of an organization and the development of its employees' capabilities are mutually dependent. Therefore, companies continuously encourage their employees to develop work skills in order to increase a company's core competitive advantages. Individuals must receive more attention rather than focusing exclusively on an employee's work capabilities. An organization can have core competitive advantages through investment in human capital. Strategic HR management asserts that developing the human resource can bring value to a company. In this case, a fair environment for value creation and necessary resources should be provided. Authority and power should also be delegated appropriately to employees. Scientific and effective motivation systems could be designed to motivate employees through material and social awards based on the fair assessment of their capabilities, behavior, and performance. This enables employees to create value for the company while actualizing self value.

Western researchers have demonstrated that HR management as well as policies for development can enhance corporate resourcefulness and create a competitive advantage only when corporations maintain a dynamic relationship with the external environment, operating strategy, and organizational structure ([Barney, 1991](#); [Wright & McMahan, 1992](#)). This increased research focused on the relationship between HR management and the performance of companies. This research includes the concept of HR management benefits, the relationship between HR management and business performance, and the mechanism and mode of action by which HR management addresses business performance. Academics and practitioners have also shown concern for HR management in newly developed matters, such as the relationship between enterprise development and HR managements, entrepreneurs' remuneration systems, the management of knowledge staff, and HR management in new and high-tech enterprises and learning enterprises.²

3. Challenges that HR management are facing in a transition economy

With the transition of China's economic system from a planned economy to a market economy, researchers must consider numerous theoretical and methodological challenges. At present, a majority of our theories and models on HR management originate primarily from Western developed countries. In order to appropriately adapt these theories and practices to our businesses, researchers and practitioners must focus on Chinese theoretical frameworks and applications. It is necessary to borrow relevant experiences from developed countries; however, it is crucial to establish local theories and modes that are adaptable to China's transitional economy. Companies have to continue to tackle the HR management problems in accord with the Chinese transitional economy as the social culture, technical developments, and business systems continue to evolve.

According to a survey of [Lin et al. \(2006\)](#), HR management practices in Chinese businesses continue to exhibit problems. First, most businesses are trying to formulate a variety of HR management policies and practices consistent with the best practices. However, the executive capability in many organizations still needs to be improved. Second, most businesses have built the capability to conduct position management through job analysis, but the level of normalization is still relatively low. Third, the labor employment in Chinese enterprises has progressively achieved marketization, but this needs to be reinforced and

² Zhao (2001), *Research on Human Resource Management*, Beijing, China Renmin University Press.

maintained. Fourth, the relevant evaluation system for performance management has been used extensively, but the effects of this evaluation have not been as good as expected. Fifth, training investments from different regions are unbalanced. The investment from enterprises in the west and the interior of China remains lower than that in the south and east of China. It is not the implementation of these training processes that is ineffective, but the evaluation and application. Finally, motivational practices are not sufficiently applicable towards all critical employees, such as senior managers, technical employees, salespersons, and workers.

During the thirty-two years of the opening-up reform, the achievements of HR management in China have had led to a significant improvement in a number of organizations. There are a number of regions where the labor market is fully developed, and the labor laws have gradually improved. Businesses have acquired sufficient employee autonomy and devoted more attention to human resources and HR management. The philosophy and practices of HR management have greatly improved in most businesses and have moderately improved within the government. These achievements demonstrate that the development of Chinese HR management practices has incorporated practices from the West. However, Chinese HR management continues to have problems. For example, the ownership of businesses and the current labor laws still have weaknesses, as they continue to build and refine HR management practices. The function of HR management in most enterprises has not achieved strategic value, and so far has not produced the best results.

The management expertise of government and institutions in the field of HR management needs to be improved as quickly as possible. Specifically, it is necessary to recognize relevant features and mechanisms of our economic transition. We must research and discuss the influences on HR management caused by the transition, and understand how to realize the adaptability of HR management. Simultaneously, we need to consider the main characteristics and trends of the transitional economy, conduct detailed and intensive research on specific problems, and explore appropriate theories and models for HR management in Chinese-specific situations.

Along with the economic transition, business cultures are undergoing an evolution from an early planned economy to the present socialistic market economy. Traditional Chinese culture and the economic social changes lead to remarkable differences between our business cultures and foreign ones. There is an important mutual adaptability between business cultures and HR management, which improves business and performance development. This presents new research questions: Can Western HR management theories be adapted to our distinctive enterprise cultures? How do we construct fit theories and models for our cultures? [Quinn and Cameron \(2005\)](#) have found that cultural factors restrict the adaptability of Western-origin management in non-Western countries. Another area of study would be investigating the interaction between business culture and HR management, which would thereby advance understanding in the Chinese context.

Independent innovation has become a new target for businesses. It is a significant objective during an economic transition to strengthen independent innovative capability and increase the relative contribution of knowledge capital to economic growth. To make China an innovative country is one of the State's developmental aims. In other words, the aim is to transition from "made in China" to "created by China." HR management is a key to strengthening the innovative capability of businesses and the realization of knowledge capital values. This will require the development of effective personnel organizational patterns, optimization of talent structures, and the promotion of an organization's innovative ability. Therefore, this is another significant issue facing local enterprises in the transitional economy.

The integral competitive ability of local enterprises has been promoted by economic transition. The progress of global development of enterprises has been intensified with entering the WTO. However, as is evident with TCL, Lenovo, Huawei, and other local enterprises, the difficulties that businesses face in internationalization and innovation are not necessarily from capital or technology, but from management expertise, especially HR management. To build internationalization capabilities and construct an internationalization platform and systems for effective HR management, more attention must be given to HR management in local business efforts. With foreign economic, cultural, legal, political, and market differences, the capability to establish effective HR management within local enterprises is a key concern for academic researchers and practitioners.

4. Future prospects for human resource management in China

The past 32 years of reform and opening-up have brought unprecedented attention to HR management in China. The transition to modern HR management practices and the focus on individual contributions have raised awareness in organizations and society. The heightened awareness has brought higher requirements and expectations for HR management in the 21st century. Effective contributions of HR management to the success of local and global enterprises are imperative. As we move forward with progress across China, HR management practices must be dynamic, strategic, and global.

4.1. Human resource management in the knowledge economy era

The nature of the current knowledge economy requires an innovative enterprise. In this new economic era, organizational talent and knowledge will play a vital role in the existence and competition of organizations. Many suggest that the competitive edge for sustaining a business will depend mainly on its innovative ability. Those global, flexible, and innovative companies that possess rich human resources and effective social relations will enjoy the most competent and competitive edge. Successful global companies have adopted flexible and cooperative strategies to manage organizations. It is anticipated that capital-oriented phenomena will be replaced by talent-oriented phenomena. With the short supply of managerial talent, competence, and expertise, those who demonstrate that skill set will likely enjoy more career opportunities and higher salaries commensurate

with their contributions. It is expected that companies' HR management will place increased emphasis on knowledgeable employees. The creation, dissemination, application, and value-added effect of knowledge will become the priority of HR management (Drucker, 1999). So, the highest priority should be given to the management and development of talents.

4.2. Internationalization of human resource management

The development of global leaders will become a priority for the academic and business worlds. Drucker (1998) suggested that there are two types of managers in the 21st century: the manager who has a global perspective and the manager without a global perspective. Businesses will need effective global leaders and a company's failure will be attributed in part to an insufficient number of them (Javidan & House, 2002). In China, with the emergence of international capital and technology, many industries and enterprises have changed their competitive patterns, with international competition localized and local competition internationalized. Chinese companies also are faced with the real challenge of insufficient numbers of skilled global leaders. Companies should cultivate their global collaborative abilities and team spirit through resource flow in transnational networks formed by business units, community, and economic management. Greater attention to recruiting and maintaining skilled talent within HR management is the essence of an organization's success, and a prerequisite of to an organization's competitive edge.

Companies should help employees with career planning, provide individual human resource services and products, and give consideration to the development of human capital in the organization's operation. In addition, companies should attempt to promote employees' work life quality and help employees to realize their personal value and career goals. Strategic HR management must equip the company with hard skills for creating market value, and teach them to attract and maintain excellent talent. The ability to gain and retain talent requires the company to develop strategically-oriented values and to conduct HR management policies and practices that will promote skills that are relevant for an innovative organization.

Chinese companies should develop global talent in various ways. Companies can nurture high-level talented personnel through global recruitment and system training, acquire talent through outsourcing, or attract talent from international companies or local organizations. Companies can develop a culture of innovation and build performance systems to reward specific skills. Understanding how to realize effective core competence management on a global scale is a new challenge for domestic enterprises. The future operations of innovative companies in China should make transnational and cross-functional cooperation an important priority and promote each unit's contribution for global performance through enhancement of indices, which, for example, indicate global production and performance contribution in the employee's salary system. Meanwhile, companies should establish new global incentive mechanisms that are appropriate to the strategies in the new situation, and encourage knowledge sharing across the organization. Finally, trust can promote communication, cooperation, and reduce conflicts. Chinese companies should implement appropriate cross-functional mechanisms to establish and build trust among different cultures through institutional arrangements, team building, and cross-cultural training and information sharing systems.

4.3. Professionalism of human resource management

Professionalism is an important indicator of market maturity. Changes of the market environment pose challenges of professionalism for employees working in HR management (Zhao, 2008). With the advent of the knowledge economic society, HR management professionals are expected to become a key resource within the organizations. For example, HR management practitioners and academics, recognized for their professional contributions in the HR area, will be sought after for their expertise in order to consult with organizations and enterprises that seek to develop HR practices that support innovation and globalization.

Freidson (1973) provides insight to the definition of professionalism of HR management practitioners describing professionalism as a process. Because people working in the HR management field pay attention to work life quality and contributions to society, they will gain knowledge to engage in a particular career, career training as well as career entry, determination, and evaluation. Persons in the HR management field are responsible for some administration management related to salary or documents. For example, the administration management department is a substitute for the HR management department, which is in charge of some administrative affairs related to HR. These responsibilities include managing labor contracts and personnel files, and keeping records of personnel transactions such as hiring, promotions, transfers, performance reviews, and labor contract terminations. Generally speaking, compensation and benefit systems are implemented by the financial department, while recruitment, selection, and performance evaluation are conducted by the line managers. Expanding the basis of professionalism and fostering professional HR management skills are necessary foundations to the establishment of effective HR management practices.

Through that talent market, professional skills of human resource practitioners can be evaluated, certified, exchanged, and developed. In the future, professionalism of human resource practitioners will manifest itself in the following areas: strict professional accreditation mechanisms, standardized HR management education, professional associations and professional training, professional staff assignment of HR management, and higher salaries of human resource professionals (Zhao, 2005).

5. Case study: an application by Chinese enterprises

5.1. State-owned enterprise: Haier

Haier, one of the largest companies in the household appliance industry in China, is widely known at home and abroad. It has put forward the slogan “Learning from GE, becoming The World Top 500.” Haier Group has become a successful example of Chinese modern companies, and is widely studied.

5.1.1. Haier's human talent view and personnel mechanism

Haier regards realization of individual value as the foundation for the company's development. Employee development is derived from a team's progress as a whole; the accumulation of personal development also promotes the level and goal of development. Haier has created a system to ensure common development between the company and its employees. In this way, the realization and recognition of every employee's value could help the company to achieve its own value. Haier practices the dynamic management of full employment mechanism, which includes (1) dynamic management of the full employment mechanism “horse racing” with fifteen rules. Haier proposes that the company's internal talent management should adopt the idea of horse racing, in which every employee has a sense of pressure, providing the opportunity for them to become more competent in the process. The most successful aspect of Haier's talent management lies in its internal competitive mechanisms. It also includes (2) grading its staff within three alternative degrees, which are “excellent employee,” “qualified employee,” and “probationary employee,” according to the individual's achievements. People working in Haier will naturally feel pressure under this mechanism of competition and elimination. Its major points can be finely illuminated by the so-called “theory of slope” put forward by Zhang Ruimin, Haier's CEO. The angle of the “slope” is based on the degree of market competition, so if an employee seeks no progress he will probably roll down the slope. Moreover, the employee can find a track, associated with individual performance on the slope. The “radius” is equal to the capability of the employee, which means the stronger the capability the bigger the climbing space for advancement. This principle leads to a mechanism of competition and elimination that selects the most capable employees.

5.1.2. Human resource management system of Haier

The first HR management principle of Haier is to fully use all people's potential through the system designed to exert internal competition and market competition. Managing, cultivating, and servicing people are the starting point and core concept of Haier's “OEC” management model (O means “overall,” E means “everyone, everything, every day,” and C means “control and clear”). Each enterprise in the group should formulate its own management system according to its practical situation, incorporating the basic tenets of the whole group's enterprise.

The second principle is to establish a just, fair, and open system of competition. (1) Each position has its on-duty standard. Candidates can contrast these criteria and if qualified, they can apply for the position and enter into the talent bank of the company. (2) Working personnel are examined and evaluated each month. (3) Up and down promotion system allows personnel to shift between different positions and improve their ability and range of skills. (4) Haier attracts talent by utilizing the talent pool system. The talent pool incorporates ranking and associated opportunities. Talent will be promoted if there are vacant positions.

The third principle relates to the education and training policies. Education and training are the most fundamental ways of improving the quality of employees. Haier has pre-service training, adaptive training, and improvement training. Each, places a different emphasis on training content designed for specific positions. In addition, further education is carried out for management teams, and short-term training and overseas training are designed for scientific research employees who can also take part in short-term training. The training system in Haier improves the quality of employees and helps to solve the problems of personnel development.

The fourth principle is an elaborate management system. Haier carries out the management policy of “daily clear and daily closing,” which clearly conveys to all employees information about the content of management and control. It is required to control and check what every employee has done on a daily basis, and by scientific evaluation compares the results according to the plan.

5.1.3. Haier's value distribution system

Haier has a special value distribution system. Firstly, Haier adopts various payment systems and flexible distribution methods. For example, it carries out scientific research contract payment for technical employees, annual salary and commission for sales employees, piece rate wage for manufacturing workers, and wage jobs for supporting staff.

Secondly, Haier implements its reward and compensation system based on an exact evaluation of performance including quantity and quality. The total salary in Haier is distributed according to a hierarchy of positions. Scientific research workers and sales employees have a performance-related payment system. Technical workers are rewarded according to market performance. Additionally, the “Haier Prize” is available to those employees who make great contributions to the company.

Thirdly, the prize for reasonable suggestions is designed to encourage all staff to participate in management improvement activities. The company will regularly share the list of reasonable suggestions and difficult projects needed, and give opportunities to employees to announce the results. Rewards criteria are designed for various proposals and projects according to various contributions. At the same time, both material and spiritual rewards are practiced to motivate employees to take part in the management suggestions.

5.2. Private enterprise: Lenovo

Reviewing the development of private enterprises, enterprises can be identified that have experienced three stages. The first venture stage is from the beginning of reform and opening-up to the early 1990s. In this period, private enterprises are characterized as a “self-made and simple operation.” The second venture stage is from the early 1990s to the late 1990s. During the “second pioneering” tide, a large number of outstanding private enterprises emerged based on their ability and talents, such as Lenovo, Hope Group, Wanxiang Group, and others. The third venture stage began with the 21st century and China’s accession to the WTO. This case puts forward Lenovo as an example to demonstrate the successful experiences of a private enterprise. The example shows Lenovo’s developmental process and successful experiences in the field of HR management.

Lenovo Group was established in 1984, and is a large enterprise group with diversified development within the information industry. Lenovo Group is a successful international private enterprise with 10,000 employees, having grown from 11 employees and a 20 million Yuan capitalization at the beginning to a multinational company today.

5.2.1. Changes of ideas

Lenovo has a specific people-oriented management concept named the “necklace theory,” which focuses on its effective human resource practices. The name refers to a strand of pearls. It is not necessary to have the biggest and best pearls for competition. Instead, the chain of pearls should be ready for knotting into a beautiful necklace. Like the human resource process, only when the chain of management system is collaborative and links the parts can an effective management system be constructed. Without that strand, the individual pearls have less value. Therefore, even with high salaries alone, a firm cannot expect to keep the most talented person in an organization. Corporate cohesion is the key for success.

5.2.2. Overall human resource management

Lenovo considers its managers as business operators, operation managers, and capability developers combined. Managers first should focus on the business by putting planning, implementation, and review into updated management cycles while developing the capabilities of the organizational members. At the same time, managers should focus on building a positive teamwork environment to improve the effectiveness of the organization. Management planning is required in order to retain core managers. A process of finding the most competent winners is accomplished through the selection of the candidates using the evaluation system, training, and developing of their skills. This process will help employees cultivate and develop their abilities during the management activities. Line managers and the human resource department are in charge of evaluating and checking employees’ qualifications. It is also a type of natural selection and the reasonable process through which enterprises and employees can readily adapt.

5.2.3. Building a perfect performance evaluation system

The HR management department develops normative job descriptions and position qualifications through scientific job analysis, which is widely used in Lenovo. This is the foundation of employees’ objectives, and helps to clearly state the responsibility of employees, establish compensation and benefits systems, and carry out related policies.

5.2.4. Establishment of an effective preservation mechanism

In order to retain talented employees, Lenovo designs a “conversion cost” strategy and achieves a positive effect in management practices. It means that employees will reduce turnover behavior because of the “conversion cost” when they are trying to leave the company, or when they merely have turnover intentions. It needs to fully consider the relationship of short-term, medium-term, and long-term rewards when formulating the compensation policy, especially in order to design a compensation package for special talent such as senior managers, salespersons, technical employees, and workers.

5.2.5. Create a sustainable developmental space for employees

Lenovo actively encourages the sustainable development of employees in the organization, and provides employees with a number of opportunities to improve their abilities, adapt to innovation, and benefit from the changes. The cultivation of an employee’s ability is an important aspect of every unit. For example, the formulation of the individual’s training planning will be acknowledged by every employee in order to obtain positive outcomes when implemented. Lenovo is a good example of adapting changes and creating competitive advantages through the full utilization of human resources in the organization.

5.3. Joint-venture enterprise: Phoenix Contact China

Phoenix Contact China is the subsidiary of the German Phoenix Contact Group in China whose regional headquarters is located in Nanjing. Founded in 1923, the German Phoenix Contact Group is a universally acknowledged world market leader in the industrial automation field and a supplier of electronic interface technology and products. In 1993, it invested jointly with the Electric Power Automation Research Institute of the National Electric Power Company of China (NARI) in setting up a high-tech enterprise, Phoenix Contact (Nanjing) Co., Ltd. Later on, the investment was increased to set up Phoenix Asia-Pacific Contact (Nanjing) Co., Ltd., Phoenix Contact (Shanghai) Co., Ltd., and Phoenix Contact R&D Engineering Center (Nanjing) Co., Ltd. Together the four companies are collectively known as Phoenix Contact China (PC-CN). Currently, PC-CN has a registered capital of over 39 million U.S. dollars, with a workforce of over 1000 people, annual sales over 1.2 billion Chinese yuan, and features a 100% local workforce and a 100% local management team.

The unique culture, shared values, and management philosophy of the company are the foundation of the company's sustainable development. Integrating the Chinese wisdom, culture, and management philosophy into the company's overall development strategy, combining the Chinese and Western work styles, managing locally, and doing business honestly, have all contributed to the culture that forms the distinct platform of activities for Phoenix Contact China.

For a corporate culture of independence and self-reliance, they adhere to developing independently. For innovation and creation, they think of innovation as the bridge for connecting to the future, and take the initiative to develop continuously. For trust and partnership, their actions are based on mutual devotion, fraternity, and honesty oriented by mutual benefits. They establish cooperative relations with customers and business partners. They encourage trust, and support mutual development between staff and company.

Among the 100% local management team, 80% hold a bachelor's degree while 20% hold a master's degree. Mastering foreign advanced technologies as well as operational philosophy and having a good knowledge of national conditions, they integrate the cultural ideas into an overall strategy, and achieve mastery through comprehensive study to build a unique development mechanism of PC-CN and strengthen the company's core competence.

Phoenix Contact China (PC-CN), based on a philosophy of innovation and creativity, makes decisions scientifically and carries out management with high efficiency in order to promote sustainable development. To uphold the principle of putting people first and harmonious development, PC-CN pursues the personnel standard of morality and identification in recognition and practice, and prioritizes training, attracting, and retaining talent and workers of ability. PC-CN positively employs "putting people first" in the enterprise's strategic and operational management, corporate cultural and organizational construction, and team building in order to sustain the enterprise.

In PC-CN, the number of employees with accrued tenure of ten years or more exceeds 10%, including employees in workshops and top managers. This stable personnel team is the core force in the development of PC-CN, and influences the new employees in formation of their values. Since 2001, the annual personnel flow rate in the company has been below 10%. Such a stable personnel structure comes from the employees' loyalty to the company and enterprise's trust of its employees.

The Chinese traditional culture is the root of the wisdom of 5000 year Hua Xia culture, as well as the root that nurtures every individual and helps to develop the enterprise. PC-CN sets store by and popularizes the Chinese traditional culture which constitutes one of the core elements of the corporate culture. PC-CN has always regarded training employees and tapping human resources as a prominent social obligation of the enterprise to cultivate outstanding PC-CN talent. PC-CN practices a dual-channel system of career development and framework to face the future. Employees can choose their development according to their personalities, specialty, value orientation and career-planning, and the company provides relative resources to support the employees' self-improvement to meet the requirements of the fast development of the company and its strategic requirements.

PC-CN combines the requirements for the company's business development with the requirements for individuals' growth by way of perfecting the training system and combining internal training with training abroad, to offer the employees more opportunities to learn and further their education. The training is subdivided into on-the-job training and employees' development training, including the entry guidance of new employees, general competence, on-job expertise, national laws and regulations, position qualification, technical competence, and management capacity. Training mainly consists of two parts, internal and external.

6. Conclusion

With the increasing challenges and opportunities of economic globalization and social knowledge, universality, complexity, and uncertainty become the crucial characteristics of this new era, creating new demands and expectations for HR management. HR management professionals of Chinese enterprises in the 21st century must develop their organizations by improving learning, innovative capability, cultivating global thinking methods, recruiting knowledgeable managers and staff with global leadership abilities, and enhancing the development of professionalization of HR management, in order to contribute to the sustainable development of the Chinese economy. The contributions of HR management practitioners and academics in this new period will be critical to the development of Chinese enterprises seeking to become more innovative and build capabilities to compete in the domestic and international markets.

References

- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99.
- Chang, K. (1995). *Labor relationship, laborer, labor rights*. Beijing: China Labor Press.
- Chen, M., & Qing, X. (2005). The game analysis of the traditional promotion mechanism. *East China Economic Management*, 12, 94–97.
- Child, J., & Tse, D. K. (2001). China's transition and its impact on international business. *Journal of International Business Studies*, 32(1), 8–21.
- Deng, T., & Liu, X. (2007). Meander of Chinese human resource management. *The Human Resource*, 18, 18–26.
- Drucker, F. P. (1998). *Peter Drucker on the profession of management*. : Harvard Business School Press.
- Drucker, F. P. (1999). *Knowledge management*. Beijing: China Renmin University Press.
- Freidson, E. (1973). *The professions and their prospects*. London: Sage Publications.
- Gao, G. Y., Zhou, K. Z., & Yim, C. K. B. (2007). On what should firms focus in transitional economies? A study of the contingent value of strategic orientations in China. *International Journal of Research in Marketing*, 24, 3–15.
- Javidan, M., & House, R. J. (2002). Leadership and cultures around the world: Findings from GLOBE (An introduction to the special issue). *Journal of World Business*, 1(37), 1–2.
- Liao, Q. (1998). *The research of human resource development and management*. Shanghai: Tongji University Press.

- Lin, Z., Development Research Center of the State Council, & Human Resource Management Research Center of HRM (2006). Present status, characteristics and roadmap for the future development of HRM system of in-transition Chinese enterprises. *Human Resource Newspaper*, 12. (pp. B05).
- Quinn, R. E., & Cameron, K. S. (2005). *Diagnosing and changing organizational culture*. N.J.: John Wiley & Sons, Inc..
- Shi, K. (1990). The research of Chinese employees' training psychology and its sticking points. *Labor and Personnel*, 6, 13–15.
- Shi, J. (1998). *Modern human resource development and management*. Shanghai: Shanghai Jiaotong University Press.
- Wang, T. (1985). *A general treatise of human capital*. Tianjin: Tianjin Renmin Press.
- Wang, Z. (1988). *Psychology of workforce and labor*. Hangzhou: Zhejiang Education Press.
- Warner, M. (2004). Human resource management in china revisited: Introduction. *International Journal of Human Resource Management*, 15, 617–634.
- Wright, P. M., & McMahan, G. C. (1992). Theoretical perspectives for strategic human resource management. *Journal of Management*, 18(2), 295.
- Xiong, T., & Zeng, X. (2008). The trend of national and enterprises' human resource management from the point of 17th CPC National Congress. *China Labor*, 1, 35–38.
- Zhang, D. (1990). *Social psychology*. Beijing: Workforce and Labor Press.
- Zhang, Y. (1996). The discussion of internal personnel control and corporate governance structure in the reformation of state-owned enterprises. *Economic Science*, 6, 3–8.
- Zhang, W. (2002). *The research of human resource accounting*. Beijing: China Finance and Economy Press.
- Zhao, L. (1998). *Labor employment and the building of labor market*. Nanjing: Jiangsu Renmin Press.
- Zhao, S. (1999). *International comparative study on HR management and development*. Beijing: People Press.
- Zhao, S. (2001). *Research on human resource management*. Beijing: China Renmin University.
- Zhao, S. (2002). Human resource management in new economy. *Journal of Nanjing University*, 3, 34–42.
- Zhao, S. (2005). The development of human resource managers professionalization. *Nankai Management Review*, 3, 73–77.
- Zhao, S. (2008). *A study of professional competence of Chinese managers*. Beijing: Beijing University Press 3–28.
- Zheng, C., & Lamond, D. (2009). A critical review of human resource management studies (1978–2007) in the People's Republic of China. *International Journal of Human Resource Management*, 20(11), 2194–2227.
- Zhu, C. J., & Dowling, P. J. (1994). The impact of the economic system upon human resource management practices in China. *Human Resource Planning*, 17(4), 1–22.
- Zhu, Y., & Warner, M. (2004). Changing patterns of human resource management in contemporary China: WTO accession and enterprise responses. *Industrial Relations Journal*, 35(4), 311–328.