

The principle that companies are made up of people who must be managed correctly also holds true in China... but in its own special way, as was found in a broad study on how human resources are handled in this great Asian country. Experience in the field not only revealed obstacles that predictably derive from the local culture, but also...

Even in China, a company is made up of people

CHINA 2

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Not only multinationals, but also a large number of small and medium-sized companies are now venturing outside their national borders. But when it comes time to manage human resources abroad, they find themselves struggling with stereotypes deriving from the way the particular characteristics of each nation are represented. Distortion of these attributes, which is intrinsically associated with the distance between the cultures, may become pathological in the case of Asia, and of China in particular. As often occurs, popular conceptions of the “Chinese” are based more on expatriated communities than on the

actual country of origin, and highlight the negative features of the relative work relationships; i.e., the Chinese are persons who are paid extremely little and work grueling shifts in unhealthy environments, at companies that pollute the environment with no control whatsoever.

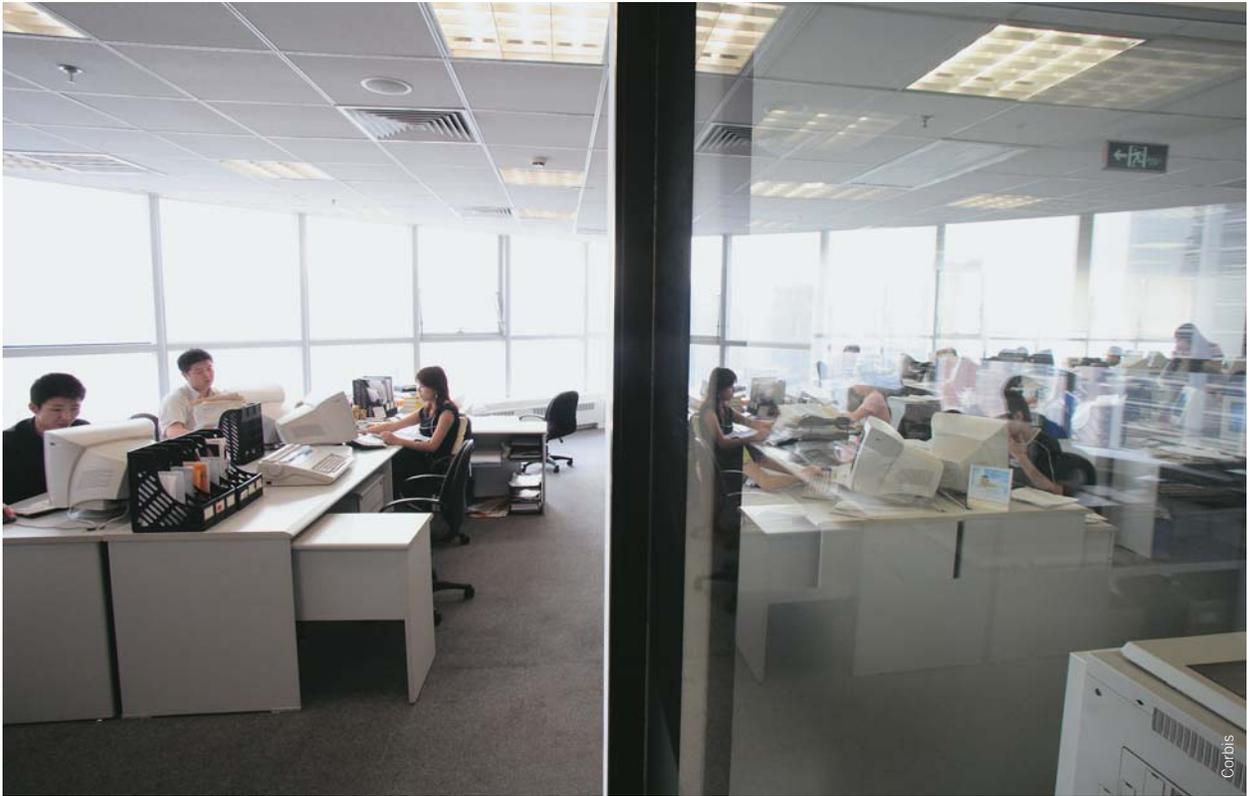
Even Western reporters often paint a picture of China that is based more on their cultural interests and particular ideologies than on an attempt to gain a thorough understanding of another point of view. This is the background that Italian businessmen initially rely upon when they arrive in China. As we saw while we worked



on the book *China: A Family under the Sky* (Guerrini e Associati, 2007), they then find themselves having to rethink many of their initial convictions when they settle down, and they run the risk of making mistakes which will affect the future of their businesses – sometimes quite seriously. From work units to the free market As we know, China's economy opened up to the rest of the world after Deng Xiaoping came to power and after the first law on joint ventures was passed in 1983. For the first time, citizens could start up mixed companies whose capital and organizational control was shared by both Chinese and foreigners. It was the beginning of a turbulent period of development whose results are evident in large coastal cities such as Shanghai and Shenzhen, and in the double-digit annual growth in GNP in coastal provinces such as Jiangsu, Zhejiang and Guangdong. In 1988, an additional law granted autonomy to factories, thus ending the age of guaranteed, life-long jobs and the "iron rice bowl". A popular saying of the time *duo zuo duo cuo*, which can be translated as "it's wrong to do more", perfectly describes the relationship between workers and

_The so-called "lost generation" personally experienced the closure of universities from 1966 to 1975 and has therefore settled for generic professional skills that can be acquired on the job

companies; i.e., there was a minimalist approach to work that avoided interference with the central organization. Under this new law, permanent contracts between a company and its personnel would no longer be stipulated, and salary differences would only be based on merit. As a result, the difference in wages between those at the bottom and those at the top has not only increased considerably over recent years, but risks becoming a social problem. The new Iron Rice Bowl is becoming richer. But not for everyone. Another element that helps one understand China before its economy opened up is the way its society was organized. That society was strongly associated with organized labor through *gongzuo danwei*, otherwise known in English as "work units". In both the city and the country, these work units were the microcosm around which the daily lives of individuals revolved. It was the collector of personal and family needs, and it was the



_Fortysomething Chinese differ from earlier generations in that they have had a chance at education and witnessed the early years of opening up to the West. They have managed the transition towards a mixed economy

only way that such needs could be met. One went to the work unit to find housing, for health necessities, or to get permission to marry.

Up until a few years ago, and particularly in farm communes, even personal mobility hinged upon the permission of one's work unit. A simple trip from one village to another to visit relatives required a written permit that indicated the method and length of travel, and this permit had to be "validated" by local police authorities. Even the school careers of employees' children was regulated by the work unit, both directly through nursery and elementary school services within the company, and through subsequent programs. The work unit was the linchpin of the political organization at the time, and its basic task was to implement five-year economic development plans (which still exist) for gathering and managing resources, and even for their redistribution so that everyone

could enjoy the same basic social services. The work unit acted as the office at work and as the administrative office for pensions, and it kept the huko ben (residence permit) of each family unit up to date.

A collective culture

A Westerner finds it difficult to fathom the consequences of a long historical period in which the life of the individual was based on and regulated by these work units, which certainly had a bureaucratic function, but often became an extended family one could count on in times of trouble, whatever its nature. From the cultural standpoint, *gong-zuo danwei* was the perfect continuation of a collective mentality that privileged the group over the individual. One was forced to adjust to this mentality in order to take advantage of many opportunities which would otherwise be virtually impossible to enjoy. The logical result was that a feeling of loyalty was felt that was more directed toward one's work unit than toward the company as a whole.

What's more, this cultural milieu predates the communist period. Some historians believe that it is rooted in past centuries, specifically in a collective interest in

harnessing rivers and creating canals in the country by means of projects that required individual sacrifice to achieve long-term advantages for the collective. Even more than the still-practiced centralization of five year plans, these cultural roots probably enable us to understand the excellent speed at which the country has built infrastructures such as motorways, railways and airports. This process is still underway and is laying the groundwork for the country's broadly based development. What's more, understanding this collective mentality and the importance of individual participation in group activities enables one to grasp the importance of the *guanxi* or personal network that is created within the group of people one belongs to. The word, whose complete meaning cannot be translated, indicates a series of relationships defined by reciprocity, trust and reciprocal obligations. In simple terms, we could define it as friendship which involves long-term commitment to providing moral and material support. To a Westerner, who is conditioned to ascribing essential value to the individual, his needs and his liberties, it is extremely hard to grasp why people in other cultures knowingly sacrifice certain aspects of their freedom on the altar of collective need.

Different people, different needs

The picture painted above helps bring into focus certain elements of cultural diversity and aspects of recent history that strongly influence the expectations of different groups of people regarding work. If individual needs change with the generations and, consequently, with the needs that can be satisfied within the social milieu, differences in expectations may become excessive in China.

We can schematically represent this picture using a familiar scheme. Chinese retirees constitute a historical record of completely different periods of time in which popular approaches to work were also very different. Many of these retirees came from the farm. They experienced and participated first in the Communist Revolution, and then in the Cultural Revolution. The oldest left the fields to partake in the adventure of the Great Leap Forward and, if they were intellectuals, they returned to the fields to

take up farm work and cash in on their privileges. They worked exclusively for State-owned companies and became perfectly integrated into the work units. The 50 and 60 year-olds are the parents of many of today's economically active persons. Some worked during the periods we previously described regarding their grandparents, and their activities were subjected to central planning by the State. They were bureaucratically assigned where they were needed (often with no attention paid to their skills) according to a policy of interchangeability which resulted from a combination of communist bureaucracy and Western Taylorism applied to production. This segment includes the so-called "lost generation" that experienced first-hand the closure of universities from 1966 to 1975. Most were unable to make up the instruction they had missed and thus ended up with generic professional skills acquired on the job. In this generation, it is common to find "engineers" whose degrees were issued by their work units for special merit "in the field". Very few speak a foreign language, many have never driven a car, and even fewer have had the opportunity to travel not only abroad, but even inside China itself.

The 40 year-olds are different from the previous generation in a very important way: the deserving individuals were able to get a university education, even though they could not choose their majors; in fact, they were placed by a centralized system according to their success in school and the needs of society. Socially speaking, they were shaped by the years when the economy was first opening up to the West, so they were able to study English much more than the previous generation. The beginning of their careers was directly managed by the State, which assigned them to the only legal type of company that existed at the time: the SOE (State Owned Company).

This group of persons was the one most strongly affected by the transition to a mixed economy. They came into contact with the first people arriving from abroad and helped make their first companies a success.

Also, the more enterprising members of this generation purchased State-owned



_For many years, China's organisation of work has depended directly on work units, which are to be considered a reference microcosm of the everyday life of individuals at the rural and urban level alike

companies when they were sold to their managers, as described so well by Studwell in his book *China Dream*.

At present, it is common for this group of people to work in private firms and to have had good technical training, even though they do not always subscribe to the model of organizational management and everyday operation that is associated with Western companies. This generation truly bridged the gap between a government-planned economy and a free-market economy. Today's 30 year-olds are the first real products of a market orientation. They generally have greater knowledge of foreign languages, and a number have studied abroad. They are the quintessential target

group for multinational companies, which seek to train them as middle and upper-level managers; they have the necessary background, and their instruction can be completed in the work setting through proper training. They are also the persons who are most likely to change jobs when tempted by easy, unexpected career opportunities. They lack their parents' loyalty to their work units and are familiar with the principles of the market economy that materialized before their very eyes in their early youth. During adolescence, they switched from quoting the Great Helmsman to eating their first hamburgers at McDonald's. The differences between this group and previous generations are enormous.

The 20 year-olds are the group with the most potential. It includes new college graduates (in China, a student graduates at 22) and persons who take master courses and earn specialization in general. They

invest in their own ongoing training and are anxiously awaited by companies. They have an extremely strong desire to learn, and they are often willing to accept any job to start their careers. They also know English (at least at the scholastic level). They are only children with no brothers or sisters – by government regulation – and they grew up in major cities, where they were surrounded by a climate of materialism that was not moderated by religious ethics. They are guided by a Communist Party which is profoundly changing as it tries to find its identity in Market Socialism.

Job hopping

This is the phenomenon that most strongly surprises and dogs unprepared foreign investors who are struggling to develop local operations. It involves moving (but a better word is “jumping”) from one job to another within very short time frames. Italian businessmen under pressure at home from workers seeking lifelong jobs are particularly disturbed by young, newly hired employees that quit after only a few months on the job, perhaps to be hired by a competitor. This phenomenon is obviously exacerbated by the huge gap between supply and demand on the labor market. The demand for qualified personnel to fill various positions is so strong that people whose skills even remotely match the abilities required enjoy the luxury of changing jobs with ease.

It is therefore essential to understand the reasons behind job hopping and to develop suitable strategies of containment while taking into account, as we mentioned before, that individual needs vary with age and place of origin. The difficulty in finding and retaining personnel is often an unforeseen factor for Westerners arriving in China, who are convinced that there is an inexhaustible army of workers in reserve (which is still true for low-level jobs that are simpler to learn).

Job hopping is the result of many different expectations. First of all, there's the widely held prospect of a salary that grows constantly and unavoidably. Economically speaking, it is an erroneous belief, but it is understandable in the younger generations who have constantly experienced it. A second expectation (perhaps in terms of

priorities) is that one's relationship with work be redefined from the cultural standpoint. The process is virtually impossible to systematize or understand in these times of marked change and complex cultural mixtures.

A study by George B. Green – a professor at the University of Louisiana and at Dong Hua in Shanghai – of 155 MBAs revealed that 48% of these Master graduates left their jobs to advance their careers in the 5 years after entering the working world, but over 24% did so because of cultural incomprehension and incompatibility with foreign managers.

In conclusion, the phenomenon of job hopping must be not interpreted in a single way; specific cases must necessarily be analyzed in terms of the real needs of the people involved and their uniqueness, rather than developing all-encompassing theories that may not satisfy the need to gain the loyalty of personnel, especially those at higher levels. For the businessman, such loyalty creates a natural alliance that facilitates long-term development of the company.

In this sense, China offers a particular challenge that derives from its history, but is also profoundly modern. Even in the advanced Western world – despite the different context and different trend in economic development – the ability to understand and manage the diversity of people is crucially important. At every latitude, it is indispensable to comprehend the professional and material needs of individuals in order to meet such needs appropriately and thus establish productive companies that satisfy requirements not only for economic development, but also for balanced social growth.

The above discussion bears out the Chinese proverb which says that at any latitude and in any culture, people are the cardinal element in operating a company.

Understanding both the professional and material needs of individuals is crucial if social responsibility and economic development are to be achieved. In Europe, like in Asia, it is a strategy that is often forgotten.