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Final assignment:

“Managing human capital in China 2.0 - aiming for a renewed organizational model”

By Laurent Dorey

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Professor James Yuann

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Abstract:

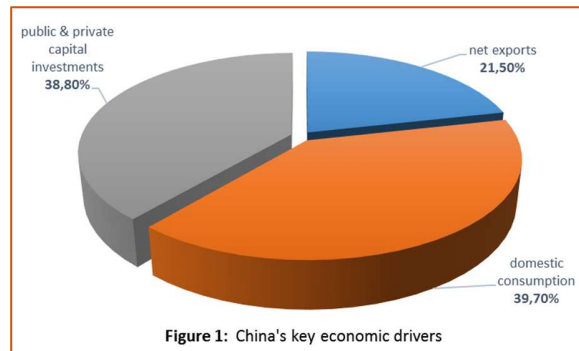
Asia in general, Japan, South Korea, Thailand, China in particular (and most of Eastern Asia in a foreseeable future) have seen, and are still going to witness for times to come, tremendous changes in the nature of their economy, structures, standards of living, access and expectations to the world. In about a 1-generation span, from bare world factories, with low production costs, cheap goods and “redeemable” labors, those countries have emerged as sizeable consumers markets, with raising knowledge-based capacities, capabilities and requirements. Both the countries and their populations have been “engulfed” into today’s world economy, and lifted up by their own political aspirations to achieve better livings for all, longer lasting societal harmony and more forthright roles in the way the world is shaped and managed.

On the corporate and citizen levels, a young generation of highly demanding and versatile customers-managers, is arising and is taking over the middle-to-higher management roles required by such uplifting, while seeing their own level and standards of expectations swelling on their surroundings. Their perceptions, values, capacities and expectations will have to be aligned with the burden they will represent on their economy, their employers, families and selves.

As a newly appointed international consultant in Asia, I have accepted from Europe the mission to assess, plan, and implement a Human Resources Management strategy helping my Asian clients to shape and successfully prepare for a leadership 2.0 structure, a fertile ground for a renewed corporate culture in Asia. To achieve that aim, I will assess the multi-cultural working frame in which I will find myself and want to operate in (China), using for that purpose Hofstede’s 6 dimensions of national culture, while I will aim at defining what an Asian Millennial Generation can stand for, as compared to a Western one, and see how do they compare in their traditional values, connective networks (Guanxi 2.0) and their quest for managerial commitments. I will then try to assess whether Supervisor-subordinate guanxi is “here to stay” or if the Leader Member Exchange (LMX) theory will prevail, rendering it an “object” of the past.

China 1978-2007

“Since Den Xiaoping began the economic reforms in 1978, more than 600 million Chinese have been lifted out of poverty” (World Bank¹), China basing its economic development on three economic drivers: net exports, domestic consumption, and public and private capital investments as illustrated on **Figure 1** (Degen, 2011).



While its GDP growth pace of 8% yearly², in the period 1978-2007 had, by any rate been overly impressive, the global crisis of 2008 had underlined some initial limits to this economic model (China as the “world factory”). China’s main trade partners, USA, Europe and Japan’s economies especially, have been struggling ever since to find (again) a steady internal consumption-based growth. This new situation has consequently stopped in their tracks most of the China-based sourcing strategies, with a net drop (-20%) in exportation to be seen, already on the first Quarter of 2009, as gathered by Lemoine (2009). Such a drop occurring in a country with an export rate of 20% of its GDP being at that time twice the rate of the world largest economy (namely USA), as stated by Hamlin (2011).

Further than just that, it has stressed the fact that China needed to focus on its two other drivers, namely domestic consumption and public capital investment, the latter being synonymous for the Government to intervene and follows what is known as a Keynesian economics³ rationale. A massive plan of \$586 billion had been put in place in 2008 with the aim of building infrastructure (e.g. roads, train, water, power systems) and seeing the banking institutions playing a larger role in its unrolling. Even today, “China is heavily dependent on development in the industrialized

¹ Retrieved May 28, 2014 from <http://penpoliticalreview.org/archives/5399>

² Retrieved May 28, 2014 from <http://au.china-embassy.org/eng/sgjs/Topics123/P020080227277435163515.pdf>

³ Keynesian economists urge and justify a government's intervention in the economy through public policies that aim to achieve full employment and price stability. Their ideas have greatly influenced governments the world-over in accepting their responsibility to provide full or near-full employment through measures (such as deficit spending) that stimulate aggregate demand. Retrieved May 28, 2014 from <http://www.businessdictionary.com/definition/Keynesian-economics.html#ixzz3379nsoJc>

countries and cannot be regarded as an autonomous growth pole in the global economy”, indicate Dreger & Zhang (2014).

On the other side China’s unique alternative growth driver (i.e. domestic consumption) must lean toward a better support of the aspirations of its own population, as it is the case for instance in India (67% of its GDP, as compared to 47% for China, in 2007) which is consequently less sensible to the global economic situation. The Chinese consumers being not eagerly inclined to tap into their (world highest) savings, which goes by the generally estimated rate of 35-40% (assessed at 51% by the World Bank in the period 2009-2013⁴), as per their absence of real trust in the capability of the State to take care of their current and future needs (e.g. health and retirement schemes), as well as added pressure put on their (male) offspring on the marriage market.

China 2007-2014

As a key difference with the former sovereign States governed by Communist parties, China government and the Communist Party have followed a gradual path of reform, which had led to smoother, yet prone to adjustments, changes and the emergence of a private sector playing an important role in driving China’s economic growth. As stated by Degen (2011), *“China is refining its particular social-capitalist economic model in the middle of two extremes, with a mixture of state-owned and private-owned enterprises, and this change is occurring in the context of a complex bureaucratic government structure”*. Indeed *“entrepreneurs still face considerable barriers, such as a volatile institutional environment, limited access to critical resources, and lack of governmental support”*, as stated by Guo and Miller (2010), yet in the first years of the economic liberalization, entrepreneurship flourished in China. The private sector accounting for at least 30% of gross industrial output, compared to less than 5% in 1998 (Troilo & Zang, 2012).

While reforms (see the five drivers behind China’s economical reform, as illustrated in **Figure 2**) resulted in a drastic reduction in poverty, it has been accompanied by rising income inequality, an increase in corruption, while unemployment rose as inefficient state-owned enterprises were forced to adapt to the new competitive environment (with laying off of about 50 million state employees) in the period. Of the 177 countries surveyed by Transparency International in 2013, the Corruption Perceptions Index of China⁵ was rated as 80th (with a score of 40), at the

⁴ Gross saving (% of GDP). Retrieved May 28, 2014 from <http://data.worldbank.org/indicator/NY.GNS.ICTR.ZS>

⁵ *The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be. A country or territory’s score indicates the perceived level of public sector corruption on a scale of 0-100, where 0 means that a*

same level as Greece. China is not among the worst countries, yet it has a serious problem of corruption. Johnston (2001) has argued, that “*illicit practices, have cost at least three percent of GDP*”. It is worth noting however, that only five economies (Japan, South Korea, Taiwan, Hong Kong, and Singapore) have graduated from middle income nations to developed country status while maintaining relatively high growth rates, according to Nobel laureate Michael Spence, and as cited by Hamlin (2011).

- | |
|---|
| - <i>the embrace of marked forces</i> |
| - <i>the opening of the economy to trade and inward direct investment</i> |
| - <i>high level of savings and investments</i> |
| - <i>structural transformation of the labor force</i> |
| - <i>investment in primary school education</i> |

Figure 2: 5 drivers behind China’s economical reform

Yet fully aware of its biggest economic challenge, that is to move China from an export-driven to domestic-demand driven economy, the Chinese Communist Party is encouraging initiatives in favor of a better social welfare system (reinforcement of social safety nets and improvement of the household (Hukou) registration system), which will bolster private consumption. Further than that, it will also lift up value-adding local production (non high-tech products (Chinese customs), such as “*clothes, shoes, and furniture were still making about 68% of the Chinese export in 2010*”, according to Hamlin, in 2011), and future world class (Chinese) entrepreneurship (“*foreign-funded companies in China represent more than 80 percent of the high value-added industries*”, stated Jung-Myung in 2013), and thus deliver a better (long standing) livelihood to everyone. Morgan Stanley having likened China's income growth and stage of economic development to Japan in 1969 and South Korea in 1988.

Yet as, since 1978, China has adopted the most stringent birth control policy in the world, “*the effect of aging on entrepreneurship will show up in the next 20 and 30 years when Chinese Economy will be a mature economy and depend crucially on entrepreneurship and innovation to compete with other mature economies. Currently, the cohort size of 20 year old in China is almost 30% smaller than the cohort size of 30 year old*” (Liang, 2012). Inevitably, the age structure of China will be getting older very rapidly (with a median age of the population about 50 in 2050), will start shrinking in size from 2050 on (the 2004 country fertility rate of 1.69 is well below the 2.1 level where population starts to replace itself), while the age structure of China will be even

country is perceived as highly corrupt and 100 means it is perceived as very clean. Retrieved May 29, 2014 from <http://cpi.transparency.org/cpi213/results>

older than the current age structure of Japan which has the oldest age structure of the world today. It is thus expected that entrepreneurship will not be utterly encouraged, as an aged population limits (as shown in Japan) the ability of the (fewer) younger one to become successful entrepreneurs, blocking in many ways the promotion of young people.

As it recently has been announced⁶, and previously shared by Liang (2012), “if one-child policy is abolished today, the extra babies born can potentially become future entrepreneurs and innovators 20–30 years later”. This will come in effect at a time when the Chinese Economy is moving from a factor driven economy to an innovation-driven economy, while it will allow for a better balancing of the overall “welfare and pension” redistribution scheme.

Human Resources Management 101

“To succeed in a global economy, managers have to apply leadership universals, and in the new borderless economy, culture doesn’t matter less; it matters more”, as stated by Rosen and Digh (2001). This emphasizes the need for “universal” leaders able to understand and respect local codes. As such, getting to manage Human Resources in China, is requiring a deep understanding of the culture and frame of mind, of the Chinese people, as well as of oneself, especially when aiming at managing the younger generations of managers.

The graphical chart below (**Figure 3**), as well as Hofstede’s explanations, shows how China compares with regards to his 6-Dimension of national culture⁷, and what can be the impact on the “Millennials” (born after 1979-1982) of the PRC one-child policy.

⁶ “China formally eases one-child policy”. Retrieved May 28, 2014 from <http://www.bbc.com/news/world-asia-china-25533339>

⁷ **Power distance (PDI)**. This dimension deals with the fact that all individuals in societies are not equal – it expresses the attitude of the culture towards these inequalities amongst us.

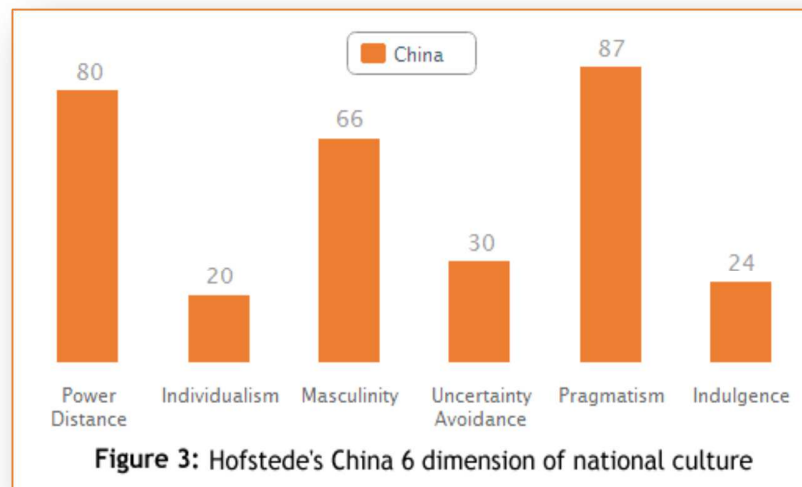
Individualism (IDV). The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”.

Masculinity (MAS). A high score (masculine) on this dimension indicates that the society will be driven by competition, achievement and success.

Uncertainty avoidance (UAI). The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? This ambiguity brings with it anxiety and different cultures have learnt to deal with this anxiety in different ways.

Pragmatism (PRA). This dimension describes how people in the past as well as today relate to the fact that so much that happens around us cannot be explained.

Indulgence (IND). One challenge that confronts humanity, now and in the past, is the degree to which little children are socialized. Without socialization we do not become “human”. This dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised.



- At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors.
- At a score of 20 China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves. In-group considerations affect hiring and promotions with closer in-groups (such as family) are getting preferential treatment.
- At 66 China is a masculine society –success oriented and driven. The need to ensure success can be exemplified by the fact that many Chinese will sacrifice family and leisure priorities to work. Service people will provide services until very late at night. Leisure time is not so important.
- At 30 China has a low score on uncertainty avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound. None the less, adherence to laws and rules may be flexible to suit the actual situation and pragmatism is a fact of life.
- China scores 87 in this dimension, which means that it is a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time.
- China is a restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. (Hofstede⁸)

For “young adults” born without siblings (assessed as 90% of all urban children and over 60% of rural ones⁹) the school and the workplace may have represented both an opportunity to “seek brotherhood and/or sisterhood” and to compete on the job and “love” markets, knowing for the latter the huge unbalance between male and female numbers in the Chinese society. As such,

⁸ Retrieved May 28, 2014 from <http://geert-hofstede.com/china.html>

⁹ Managing leaders. China Economic Review. March 2011. Retrieved May 28, 2014 from <http://www.chinaeconomicreview.com/content/managing-leaders>

in the corporate world this generation is now entering into middle-high management job positions and is to deal with subordinates and superiors, who are differing grandly whether for their generational aspirations (superiors, more keen on pre-reform status-quo) and/or professional expectations of their younger subordinates (junior, post-reform native, keen on entrepreneurship and self-actualization¹⁰). As such, the young generation (also called Millennial, generation Y, generation “me”, N generation, young emperor, ...) will see to foster interpersonal relationships and will require a renewed set of rules for interpersonal connection (i.e. guanxi) within and outside the corporate world.

As Trompenaars and Hampden-Turner (2012) observed though, *“in ‘specific’ cultures in the West, both superiors and subordinates work relations may not assume the right to intervene in each other’s personal life. However, in ‘diffuse’ cultures like China, there is no clear demarcation between personal and organizational life”*. Chew and Lim (1995) showed furthermore that *“compromising tends to be the preferred conflict-resolution mode for Chinese managers because they value harmony and peace”*. It clearly indicate that Chinese society is still much less individualistic than most of the Western countries, and that people’s self-image is defined as a “we” (versus as an “I”).

Yet in contrast to the western corporate world, supervisor-subordinate relationship is defined by the Leader Member Exchange (LMX) theory. As such, it has tremendous impact on *“in-role and extra role performance, turnover, and work attitudes, such as job satisfaction, organizational commitment, and perception of justice”*, as cited by Law et al. (2000). Indeed, it has been shown that the supervisor-subordinate relationship is prone to commitment to the supervisor, meaning that identification with the supervisor and initialization of the supervisor's values takes place, at subordinate level. In contrast to them, guanxi in China covers both social and economical benefits, in a reciprocated way.

“For historical and cultural reasons, guanxi capital is fundamental to the smooth functioning of any Chinese society” (Wei et al., 2000). Guanxi-based assessments of supervisor-subordinate exchange (relationship- rather than task-oriented) may soon show their limits, as in a fast moving and “global” (converging) corporate world, individual performance shall be weighted

¹⁰ The motivation to realize one's own maximum potential and possibilities. It is considered to be the master motive or the only real motive, all other motives being its various forms. In Maslow's hierarchy of needs, the need for self-actualization is the final need that manifests when lower level needs have been satisfied. Retrieved May 28, from <http://www.businessdictionary.com/definition/self-actualization.html#ixzz337qD9gDo>

against true rationales and metrics, matching with what is known within the Human Resource western world as a “competitive competency model” whereas individual (and organizational) competencies are assessed across the organization and/or among the “business peers”.

This leads to the point that Chinese Human Resources Management should be re-aligned in the light of assessing subordinate performance and career potential, and not barely being connection-based (guanxi), so to compete better on the world stage. As we will see below however, guanxi being of cultural nature, its implications and prospective may take time to change and/or adjust, starting with senior management to be found already in place.

Generation Y

Born after 1979, in the USA, the generation Y (also called “digital native”) is perceiving the world (as a corporation or as a continent) as in continuation of their own reach. Able to connect and digitally interact with everyone, everywhere, anytime, their expectations of the corporation is to be a place where they can fully (and quickly) express and value themselves (multi-tasking, instant gratification), aiming at mixing their own and their company’s goals, in holistic ways (flexible, socially responsible). Both should be ideals, and their immediate level of interaction (whether with their parents or with their managers) shall be able to get into their perception of it, or otherwise be perceived as “closed” (as opposed to “open minded”). Conflicts with Generation X can arise as they do resent the hierarchical structure and corporate formality as being too rigid. It will then force organizational structures to adapt, as it has already started in many places in the world (e.g. collaborative work, agility, home offices, BYOD), which may be assessed as being another natural organizational evolution path.

Figure 4 below, illustrates key characteristics of American new Millenials.

- gravitate toward group activity
- identify with their parents' values and feel close to their parents
- spend more time doing homework and housework and less time watching TV
- believe 'it's cool to be smart'
- are fascinated by new technologies
- are racially and ethnically diverse
- often (one in five) have at least one immigrant parent.

Figure 4: Oblinger (2003) distinguishing features of New Millenials

Generation Y grew up in a time of rapidly expanding technology and are the most technically astute generation to date. In general, members of the New Millennial cohort group are alleged to prefer work in teams rather than alone and show an inclination to become socially involved in ways that the Generation X cohort group that preceded them failed to do. *Their expectations from corporations (pay backs) differing grandly from the current senior management's ones, indeed. "Perks such as job titles, corner offices, and reserved parking spaces may have motivational power for Boomers, but they are off a typical Xer's radar screen. Today's senior management ranks are still heavily Boomer populated, that's why organizations tend to be designed around what is important to them, rather than the needs of the neXt generation.* (Shelton & Shelton, 2006). **Figure 5** below presents the distinguishing characteristics across generation.

<i>Main characteristics (USA-based)</i>	
<i>Silent (1925-1945)</i>	<ul style="list-style-type: none"> - pragmatic - civic order - traditional values - family centrism - dependence on trustworthy institutions
<i>Baby boomer (1946-1964)</i>	<ul style="list-style-type: none"> - born during a time of prosperity - became conservative with age - intensely committed to work, often at the expense of family time - optimistic, team-oriented, and value praise and recognition - more likely to feel that work is one of the most important parts of life - individual choice, community involvement, prosperity, ownership, self-actualization or self-improvement, and wellness
<i>Generation X (1965-1979)</i>	<ul style="list-style-type: none"> - tend to place more importance on autonomy, independence, variety, excitement and challenge than baby-boomers - want to be promoted faster and more focused - value contribution, feedback, recognition, autonomy, and one on one time with the manager - independent (yet depend a lot on their parents), selfish, cynical, question authority, resilient, adaptable, culturally progressive, technologically savvy, expect immediate results, and are committed to their team and their specific boss - have little loyalty to the company, but rather place their loyalty on their peers and their immediate supervisor - look for career security rather than job security - primarily family-oriented, and secondarily career-oriented, spending significantly more time with their children than their baby boomer parents did

**Generation Y
(1980-1999)**

- *tend to place more importance on autonomy, independence, variety, excitement and challenge than baby-boomers*
- *value self-expression, fear of living poorly, and branding themselves as a commodity*
- *tech savvy, values personal connections, multitasks, willing to work hard, expect structure in the workplace, respect positions and titles, seek a work atmosphere of learning and personalized career development, and want a relationship with their boss*
- *used to networking in the virtual world but also value personal interactions*
- *desire to feel connected and appreciated*
- *need to earn their respect for your expertise and willingness to guide them in developing their craft, not for your position*
- *seek balance between work and family and believe you can successfully have it all*
- *learned to multitask by playing sports, taking music lessons, achieving in school, and finding time for social interests*
- *preference for a strong connection with their boss can cause conflict between them and Generation X, who want a hands-off management style*
- *experience a higher degree of job and life satisfaction than any of the earlier generations*
- *want to work with managers who are easy to get along with, understanding, and open-minded*

Figure 5: Kodatt (2009) distinguishing characteristics across generation (adapted)

“The tools needed to motivate the Millennial generation differ greatly from the tools used to motivate those from the Baby boomer generation. The latter were a part of the largest generation of active workers who self- identify their strengths as organizational memory, optimism, and willingness to work long hour”, noted by Holt et al. (2012).

In China, on the other side, the “me” generation do represent a triple challenge for the corporations as such, and the country as a whole. Indeed, born after 1978, and the one-child policy, those child have grown up typically as the sole focus of their whole family (2 generations above) and will have to learn how to socially interact with the corporate world and its many (relatively rigid) rules as such. All of their expectations will have to be matched, also in the corporate world, in an economy which will be lagging value-adding workforce and skilled (next generation) management. Adding to that, their “limited” weight (in number) will render them (socially) highly liable to sustain their own family (spouses and child), as well as to their own and spouse’s siblings (that is four to eight persons) in the absence of efficient welfare system and pension schemes (especially when coming from rural China). Additionally, having been their parent’s investment for a better future, they will have to pay back those investments through highly lucrative career,

and enhanced societal responsibilities, which will force them to align their priorities with the (global) world they will have to live in. In turn they will drive the economical demand in China, at a time where the country will have moved away from the “factory of the world” status, to one of the “domestic-demand country of the world”. China will go through the same stages as did Japan in the ‘60s and ‘70s, facing societal, organizational and cultural transformation.

To summarize, and according to the World Bank¹¹, “China has a high-income economy old-age problem burden, with a middle-income economy’s resources to shoulder it”.

Guanxi 2.0

Guanxi is categorized into three types on the basis of family ties (kinship), familiar persons (former classmates and colleagues), and strangers (with common demographic attributes). However, *“even after the modernization of China’s economy since the 1980s, guanxi remains intricately entwined with Chinese people’s ethics, despite the introduction of advanced management philosophies and practices into Chinese businesses”* (Wei et al., 2010). Guanxi in China contains “relational closeness”, “affect relationships”, “reciprocal favors”, and “face”. Indeed *“a well-established guanxi network can save considerably in terms of transaction costs and thus contribute to firm performance, even though their costs of sustaining and saving for transaction costs will concurrently decline in time”* (Standifird & Marshall, 2000).

Wang (2007), then explains that etymologically, “guan” in Chinese means gate, and “xi” means special connections among people who passed through the “guan” (gate). People going through the guan can enjoy “one of us” relationships, but people outside the guan are excluded. *“It is always difficult for outsiders to pass through the gate due to the exclusiveness of guanxi networks”* (Wang, 2007). This applies in business as in social life. A well-functioning guanxi will thus offer a very sustainable barrier to entry for any new (foreign or not) comer. Chinese believing that “one should build the personal relationship and, if successful, transactions will follow”, while Westerners “build transactions and, if they are successful, a relationship will follow” (Gao et al, 2010), combining both western and eastern values, shall be all about reaching a meeting point.

On a more Human Resources Management level, *“subordinates who have a good guanxi with their supervisor may perceive a higher self-esteem when they are believed to be more*

¹¹ Retrieved May 28, 214 from <http://connection.ebscohost.com/c/country-reports/16589333/greying-population-poses-economic-challenges>

important than others in the organization” (Child et al., 1995). Such prestigious feeling can lead to a positive affective orientation toward the jobs and offer a protection against opportunistic behavior thereby reducing risks and maximizing network benefit generated by the guanxi circle. However, traditional guanxi perspectives may be offered to evolve as, as stated by Cheung et al. (2009), “job satisfaction was found to partially mediate the relationship between supervisor–subordinate guanxi and organizational commitment. In the process of reciprocation, as far as organizational commitment is concerned, subordinates may perform some acts that not only benefit the superior but also benefit the organization. As long as employees are satisfied with their current jobs, this could effectively translate the effects of supervisor–subordinate guanxi into favorable organizational-relevant work outcomes, namely more participations on organizational decisions, sharing of organizational goals and values, and less turnover intentions. Consequently, supervisor–subordinate guanxi can have an impact on organizational commitment both directly and indirectly through job satisfaction”. Supervisor–subordinate guanxi is then moving forward a similar concept of Leader Member Exchange (LMX) in the west, which reflects the quality of exchange between the supervisor and the subordinate. But unlike LMX, which is usually restricted to the workplace only, the cultivation of supervisor–subordinate guanxi still involves more after-work activities.

To summarize, guanxi is considered as an important and salient contributor to effective management of Human Resources as driven by human needs to belong, which motivates the establishment of significant interpersonal relationships and frequent contacts with other people. Yet, Chinese employees are however more likely to *“develop relationship with their organization through daily interaction with their supervisors: this rather specific characteristic of Chinese work culture has been referred to as particularism, personalism and lateral relationship”* as underlined by Han and Altman (2009), characteristics from which the western world have moved away, in time.

Guanxi without guanxi?

With the development of modernization in China, some scholars have maintained that the significance of guanxi is declining and as firms are getting into more rationalized organizational structuring, supervisor-subordinate guanxi especially will tend to be counterbalanced with across the board metrics, narrowing their fields of reference to the sole corporate environment. However, under the current transaction cost perspective, and with a foreign eyes perspective, guanxi

management is still highly efficient for the times to come, and shall be accounted for, at time of establishing oneself into the Chinese market. Given time thought, it is also my belief that foreign ventures will have to ensure that *“local management staffs are adequately oriented or trained so that they will act according to organizational regulations and culture rather than their supervisor-subordinate guanxi”* (Law et al., 2000), so to harmonize people and skills management, across the organizations.

Guanxi may then be “here to stay”, yet transform itself toward a more global “social and organizational networking” scheme. In fact, as stated by McNally (2011), *“China’s extensive marketization created a radically more open system of complex personal networks. Guanxi transformed into a “flexible, ‘modularized,’ and to some extent pluralistic” cultural metaphor. Rather than being purely hierarchical and ceremonial, guanxi are now a mobile and flexible means to build interpersonal alliances to mobilize resources.* Indeed, it has been assessed that with *“the change of emphasis on human resource management practices towards individualization and the inflow of vast foreign investment, it is believed there is a shift of cultural values from “particularistic” to “universalistic”* (Chen et al., 2004), also in the Chinese perspective

Further to that there is however an assumption in some neo-institutional theories of organization that China’s integration into the global economy will inevitably lead to a reduction in the influence of guanxi on business practices. While the network practices of many Western managers may contribute to the adoption of international business norms in China, there is another group of managers who make significant adjustments to local conditions and, “contrary to the assumptions of neo-institutional theory, actually engage in strategies, which reinforce some of the existing evasive practices sometimes associated with guanxi. This dichotomy is guided by a process of ‘bricolage’, where managers creatively re-interpret the norms of the local context to justify their actions” (Nolan, J., 2011). This observation tempers the proposition that the influence of guanxi will decrease as China moves closer to a form of rational bureaucratic labor market organization and human resource management.

Conclusion

When a traditional society is transformed into a modern society, universalistic rules generally replace particularistic rules. China has been experiencing shifting norms in terms of resource allocation rules in the recent years. Among three allocation criteria - equity, equality, and need - equity (based on work performance) has become the dominant rule for Chinese employees and organizations. Chinese managers used to employ criteria such as equality, seniority, and need to allocate resources but are shifting toward the use of equity criteria, and will have to align themselves with more global Human Resources Management (HRM) metrics and criteria, yet with a Chinese angle in them.

Indeed, *“recent debates have argued for recognition that HRM practices in China now constitute what can be defined as “Confucian HRM”. Although Western-based industrial relations and HRM concepts and practices are widely taught through management programs in Chinese universities and business schools, they are also developing clearly identifiable “national guises and incarnations”. This identifies the emergence of “Confucian HRM” which takes “harmony” as its “template” for interpersonal relationships” as underlined by Nolan (2011).*

Supervisor-subordinate relationship (guanxi style) is still needed for the times to come, to bridge the transition gap between the logics of private capital accumulation, an economy still controlled (for most part), directly or indirectly, by the State, and the globalized world where Human Resources Management (HRM) are to proceed through the scope of the Leader Member Exchange (LMX) theory.

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