Grounding our HRD Practice in the Challenges of Management Development: A Case of China

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In the context of on-going economic reforms in the People’s Republic of China, the paucity of management resources is widely recognized as a major obstacle to the country’s endeavor toward modernization. This review of the literature explores pressing issues facing Chinese managers and current solutions being provided at the national, organizational and individual levels. Implications for management development are drawn and specific directions for future HRD research are presented.

Keywords: Management Development, International HRD, China

China’s economic reforms since 1978 have ignited the transformation of many Chinese state-owned enterprises (SOEs) from a centrally planned government allocation system to a free market oriented shareholding system (Blayney, 2001). As a result, cadres of managers have shifted from being bureaucratic administrators to becoming strategic decision-makers (Branine, 1996). China’s open-door policies and recent entry into the World Trade Organization (WTO) have further exposed Chinese managers to tougher global competition and higher standards of performance. In light of these changes, attracting and developing qualified managers has become a pressing issue for many Chinese organizations (Wang, 2002). Management development has been prompted speedily during the past two decades in response to the enormous and urgent demand for competent managers, however there is still a critical shortage of experienced and well-trained managerial personnel. In fact, it is widely recognized today that the paucity of management resources is a major obstacle to China’s endeavor toward modernization (Frazer, 1999; Newell, 1999, Wang 2002).

China’s economic transition has called for not only high quality managers but also professionalization of organizational management. How to transform so-called “civil servants” (gong pu) of SOEs into professional managers under the market economy has become a major issue in SOEs reforms (Li, 2003). Consequently, China is witnessing an emerging market of professional managers whose management experiences, talents, and skills are being recognized as valuable yet scarce resources.

All of these challenges continue to emerge, and yet there is strikingly little information available that helps us to really understand the day-to-day challenges that Chinese managers experience. The limited volume of literature on management and management development in China reflects the formative state of research in these areas (Lau & Roffey, 2002). Even the information that is available is not effectively synthesized to allow the typical HRD professional to get a grasp of how to best design and implement HRD interventions that will be most helpful during this transitional time. HRD professionals working with Chinese managers need a clearer and richer understanding of the unique and complicated managerial and organizational issues facing Chinese managers. If HRD professionals are to facilitate the development of people and systems in organizations, they must be more fluent in these issues and ground their HRD practice in the challenges of the stakeholders they serve.

Purpose and Methodology

The purpose of this literature review is to assess the management and management development literature related to two questions. First, what pressing issues are facing Chinese managers in a transitional economy? Second, what solutions for these issues are being discussed in the Chinese management literature?

This paper presents the results of a review of the literature. Searches of both Western and Chinese literature were conducted at two different phases. For the Western literature, a thorough search via five American databases was conducted in areas of business/economics and education: ABI/Inform Complete at ProQuest, ERIC at EBSCOhost, PsychInfo, Academic Search Premier, and Business Search Premier. The following key words were used either alone or combined to generate as many publications as possible: “organization management,” “business management,” “Chinese managers,” “professional managers,” “human resource management/development,” “management education,” “organization development,” “management development,” and “China”. This search was
confined to the literature from 1990 to 2003.

The second phase was locating the Chinese literature. This search was conducted by one of the authors in China over a two-month period of time during summer 2003. Major Chinese management websites were reviewed such as China Professional Managers Research Center website, China HRD Net, China Training Net, China Professionals Net, China Organization Management Net, and Chinese Professional Manager Training Certification Net. In addition, several of the popular Chinese management journals and periodicals were reviewed including Manager, Professional Managers in the Chinese Market, China Entrepreneur, China Small and Medium Enterprises, Sino-Foreign Management, and HR World. Due to time constraints, only issues between 1999-2003 were reviewed.

For the purpose of data analysis, all the data was organized in a matrix according to the author(s), year of publication, research questions, research method, participants (if empirical study), and key findings. Qualitative techniques were applied to identify major themes.

Pressing Issues Facing Chinese Managers in a Transitional Economy

The following themes must be understood in the context of five major transitions that have resulted from China’s change initiatives: (a) transition of the economy from being rigid planned to becoming market oriented, (b) transition of the country from being rural and agricultural to becoming urban and industrialized (Zhang, Yang & Zhang, 2002), (c) transition of the society from being closely self-contained to becoming more actively involved in the global community (Zhang et al), (d) transition of enterprises from being state-owned allocation system to representing private or collective forms of ownership (Blayney, 2001; Lau, 2002), and (e) transition of culture from being Confucian dominant to be more diverse with emerging socialism and capitalism (Yang, 2002). These five transitions have had a huge impact on managers. Fan (1998) likened this impact as “a non-swimmer being suddenly plunged into the ‘sea of market’ by the force of reform” (p. 203). In this section, we present three pressing issues facing managers during this transitional time.

Challenge of Changing the Managerial Role and Practice

China’s economic transition has shifted millions of Chinese managers from being bureaucratic administrators to becoming strategic decision-makers (Branine, 1996). For example, managers under the market-oriented economy have been charged with sufficient autonomy and responsibilities to set production quotas and make decisions while they were left with little room to do so under the centrally planned economy because production quotas were pre-established by central and local governments (Krone, Chen, & Xia, 1997). Hiring is another example. In the planned economy, hiring was based on state assignment of jobs while in the market economy the state has gradually removed itself from this administrative responsibility and managers increasingly make hiring decisions independent of state control (Guthrie, 1999). Further, the practice of organizations providing employees with guaranteed lifetime employment (iron rice bowl) and generous benefits (e.g., free medical care, housing) is being replaced by time-specific employment contracts (Wang, Ruona, & Rojewski, 2003).

While managers are forced to re-adjust their thinking and practice in the light of a market-driven economy that emphasizes performance and individual accountability (Branine, 1996), they are still found to make compensation or bonus decisions and evaluate subordinates based more upon relationships than work performance (Zhou & Martocchio, 2002). This kind of resistance to change has historical and cultural roots. Historically, China has been a rural, agricultural and self-contained society isolated from the outside world for many years. Culturally, China has been dominated by the Confucian ideology (Wang et al., 2003). It was not until the country’s recent opening to the outside that managers were exposed to different cultural norms and beliefs, different political and social systems, and different managerial mindset and conducts. Nevertheless, the strong cultural orientations of Chinese managers have often constrained them from understanding and accepting business and social practices that differ from their own, and these problems then “generate other human resource and strategic management problems, in job design, leadership, motivation, performance and productivity improvement, and organizational development” (Lau et al., 2002, pp. 3–4). Therefore, it is not surprising that even with a shift in managerial values, Chinese managers are more likely than their Western counterparts to engage in “informal” (what may be regarded in the West as illegal) business activities (Whitcomb, Erdenei, & Li, 1998). Further, the co-existence of traditional and reformed economic, institutional and cultural systems in China have caused more challenges for managers. For instance, despite the government’s continued effort in promoting the market-oriented labor contract system since the mid-1980s, a considerable number of employees in SOEs still hold the mentality of relying on the government or state agency to assign jobs rather than actively participating in the labor market (Zhang et al., 2002).

Challenge of Developing Management Competencies

This issue can be understood in two respects. First, periodic changes in China have made managers’ previous know-how increasingly inadequate and obsolete (Newell, 1999). Many managers have realized that skills they
acquired a decade ago are no longer sufficient for them to cope with changing business issues. In this regard, competencies such as problem-solving, strategic decision-making based upon a realistic understanding of market competition, and business English are most desired by employers (Shi, 2000). However, the majority of Chinese managers holds no education beyond high schools (Lau & Roffey, 2002) and have been promoted from workers or appointed because of their political and military background. The formal training they have received from organizations has tended to be in areas such as production and finance, even though there is a serious need for managers with knowledge in HRD, marketing, and organizational analysis (Branine, 1996).

Second, China’s global development initiatives (e.g., open-door policy, WTO membership) have exposed Chinese managers to higher international standards for competencies. A recent research conducted using the Managerial Proficiency Assessment studied 70000 global managers from 17 different countries and found that the 7000 Chinese managers under investigation scored much lower in relevant managerial skills including listening and managerial resources in reformed China. These include, for instance, the Law of Labor, the Law of Professional Education, and the Law of Enterprise. A series of training policies have also been formulated to provide specific guidance for developing management staff in large and medium enterprises. The Guidelines for Training National Managerial Personnel during the Ninth Five-Year Plan explicitly regulate that during the planned five-year period of 1996-2000 all the enterprise managers must attend a three-month training on business administration which consists of 12 subjects such as Corporate Finance, Marketing, International Business, Economics, and Human Resources Development. Meanwhile, they must also complete a minimum of seven-days training on newly formulated laws, policies, and pressing issues during enterprise reforms. However, no literature has been found to assess whether or how well these government policies have been implemented in reality.

Second, in an effort to establish effective professional management systems within enterprises, a series of strategies have been adopted by the central government. A typical example is the 2002 establishment of China Professional Managers Research Center (CPMRC) and the China Institute for International Professional Managers (CIIPM) under the administration of the China Economy and Trade Commission. These organizations are charged with central tasks such as conducting professional management related research, providing accreditation for managers, and promoting life-long learning among managers (Wen, 2003). The government has also proposed specific strategies to build effective professional management systems including (a) continuing research on

Current Solutions for Management Development in China

China now faces the daunting task of developing more than seven million Chinese administrators. To accomplish this huge task, many strategies have been adopted at the national, organizational, and individual levels.

National Level

The central government has made substantial efforts in addressing issues facing Chinese managers. First, the central government has stipulated adequate national laws and policies as a reaction to the critical shortage of managerial resources in reformed China. These include, for instance, the Law of Labor, the Law of Professional Education, and the Law of Enterprise. A series of training policies have also been formulated to provide specific guidance for developing management staff in large and medium enterprises. The Guidelines for Training National Enterprise Managerial Personnel during the Ninth Five-Year Plan explicitly regulate that during the planned five-year period of 1996-2000 all the enterprise managers must attend a three-month training on business administration which consists of 12 subjects such as Corporate Finance, Marketing, International Business, Economics, and Human Resources Development. Meanwhile, they must also complete a minimum of seven-days training on newly formulated laws, policies, and pressing issues during enterprise reforms. However, no literature has been found to assess whether or how well these government policies have been implemented in reality.

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Western countries. A typical example is the development of Western-style MBA (Master of Business Administration) programs. Since the central government views MBA programs as an effective way to improve the quality of managerial personnel, the planning and implementation of MBA programs in Chinese universities are closely monitored by the Ministry of Education and the Academic Degree Committee (ADC, the highly ranked government authority supervising the award of academic degrees by universities in China) (Shi, 2000). In addition, the Ministry of Education and the ADC have also set up the National Guidance Committee for MBA Degree to supervise academic standards and evaluate the teaching quality of MBA programs offered by universities at different levels. At the same time, China has imported MBA programs from the United States, Canada, Australia and European countries. However, despite the government’s effort in quality control, a number of researchers and scholars have reported problems associated with both domestic and imported management programs. Included among these problems are cultural discrepancy (Fan, 1998; Lau & Roffey, 2002; Newell, 1999) and unqualified management educators (Frazer, 1999; Shi, 2000; Zhang et al., 2002) which are widely accepted as major obstacles to the transfer of learning. Compared to developed countries, management development in China appears to have a less coherent strategy (Zhang, et al.) and has a long way to go to meet international standard and the need for Chinese management personnel (Qui & Zeck, 2001).

Finally, the Chinese government has also made a special effort in developing Chinese managers into WTO experts. A result of this effort is a 2002 national training project launched by China Enterprise Management Training Center and the University of International Business and Economics. It is expected that within next two years about 6500 high-level Chinese managers will attend this program which mainly offer training courses on WTO rules and market economy knowledge (China Trade World, 2002).

Organizational Level

China’s SOEs reform during the past two decades has led to many fundamental changes in organization management. These continuous transformations are evidenced by organizations’ effort in restructuring, technological upgrading, and human resource development (Yiu, Wu, & Saner, 2000). The gradual reduction of organizational hierarchy and bureaucracy requires managers to understand the market economy, have major accountability to their stakeholders, and retain more autonomy in decision making. The selection of managers has shifted from governmental appointment to public competition which adds new pressures for organizations to develop their selection systems.

In addition, formal management training and development programs have been given top priority and have been adopted Chinese organizations as a core strategy for the organizations’ growth (Branine, 1996; Wang, 1999). The Chinese training market has witnessed rapid expansion in recent years. The domestic training expenses in 2001 were ¥30 billion (approximately US$3.8 billion) and amounted to ¥40 billion (approximately US$4.8 billion) in 2002 (Qu, 2003). Training has taken a variety of forms. For example, Frazer (1999) identified five training options for companies in China, including in-house training, the use of regional training centers, local outsourcing training, overseas work and study programs, and the local MBA programs. Similarly, Wang (1999) highlighted on-the-job technical training programs, formal management development programs (e.g., academic programs in economics and management), MBA programs, and management personnel on-the-job training programs. Although training has been given great importance, to what extent such an intervention has been sufficient and effective remains unclear. Branine (1996) characterized the process of introducing and implementing training programs in China as a great emphasis on quantitative rather than qualitative knowledge and as a poor appreciation of training priorities. He further critiqued the Chinese approach to management training and development for not being selective because training priorities are not clearly defined at the outset and being over-ambitious given the fact that the majority of managers have no education beyond high school and their management knowledge and skills are limited to the strict socialist central planning economy model.

Individual Level

Few studies have been found in the current management literature exploring how Chinese managers prepare themselves to deal with challenges day to day. However, it is apparent that Chinese managers are increasingly
committed to lifelong learning in both formal and informal settings. There is ample evidence that MBA education has gained and is increasingly gaining prominence among Chinese managers (Newell, 1999; Wang, 2003). Other means of learning include attending on-the-job training and management development programs and experiential learning - i.e. learning from personal experiences and mistakes, learning from the media, networking with other managers, and joining management associations, etc.

Implications

This analysis of the literature points to a few key themes for HRD professionals to consider. We organize them around two areas: management development in China (especially as is relevant for those practicing HRD in China) and future HRD research.

Implications for Management Development in China

First, it is evident from our discussion above that training has been adopted as a primary means to address the need for quality managers in China. This intervention is supposed to equip Chinese managers with adequate competences that will ultimately result in more effective managerial performance in the changing Chinese and global environments. However, both Western and Chinese management researchers and scholars have continuously reported problems associated with training programs-and these are increasingly being encountered in China. For example, Frazer (1999) stated that developing a quality in-house training program is one of the most difficult tasks for HR professionals in China. Shi (2000) found that the lack of qualified teaching staff, inappropriate teaching materials, and ineffective teaching methods are three major problems associated with MBA education in China. For Chinese management education as a whole, there is still a long way to go to meet the international standard (Qui & Zeck, 2001). Yiu et al. (2000) even went further by cautioning us that there is little evidence that training actually leads to better managerial and organizational performance. Thus the need to ensure adequate talent pools of middle and top managers in the coming decades continues to grow unabated even though China has invested extensive resources in training and upgrading its managerial talents. Two implications can be inferred here. First, HRD professionals working in China must be very critical when adopting training as an intervention, especially when managers’ issues are beyond what can be effectively addressed via training. Hence, conducting an in-depth organization and training needs analysis should always be on the agenda of HRD professionals. Second, HRD professionals should strive to find means to warrant the quality of training programs whenever they decide to use training as an intervention. In fact, a few scholars have already taken actions in this direction. For instance, Wang (1999) identified the following three approaches that are approved to be useful in management development in China particularly in international joint ventures: (a) process skills, teamwork, and context learning, (b) action learning and experiential development, and (c) cross-cultural management learning and strategic distributive training. However, many more actions must be taken.

Second, our analysis also revealed that organizations do not have effective systems to support the development of professional managers. It is widely accepted in China that an effective management development system must incorporate four areas of practice: selecting, motivating, monitoring, and performance evaluating. Yet it is found that none of these four systems has proved adequate within Chinese organizations (Anonymous, 2003a). Take the selection procedures as an example. It is not uncommon for a manager in a shareholding enterprise to be designated by his/her superior authority rather than being selected by the board of directors from the managerial talent pool. In other words, the selection of a manager is not guided by the principle of openness, equality, and fairness as it is supposed to be. Concerning the motivation system there is currently no significant difference in pay between a manager and his subordinate, nor adequate monetary or non-monetary incentives. Further, performance evaluation in Chinese organizations still reflects the old practice under the planned economy which is to base performance reviews on personal attributions (Hempel, 2001; Huo & von Glinow, 1995) rather than work performance. The lack of effective management support systems has resulted in the increased turnover of Chinese managers (Anonymous, 2003a). A huge task for HRD professionals is to help organizations build more market-oriented selection, reward, monitoring, and appraisal systems that will not only develop but also retain management talents.

Third, Western management techniques are being uncritically adopted in Chinese management programs primarily through the channel of imported management education and development programs such as MBA. While there is extensive demand in China for Western MBA degrees, there is also a strong agreement that these degrees are inadequate in addressing the values, needs, and expectations of both Chinese managers and the organizational environment in China (Lau & Roffey, 2002). This is largely due to cultural discrepancy in these imported programs and a clear gap between what Western programs offer and what modern-day Chinese organizations demand (Wang, 2003). Newell (1999) made this point well with the following statement.

The manager in China faces a very different set of problems from his/her Western counterpart …and has a
very different set of underlying assumptions and values. Recognising the importance of developing a new cadre of managers, but relying on transferring explicit management knowledge from the West, may ironically impede economic development, by over-emphasising simple mechanistic tools, which bear little relation to reality and will not really help to solve the organizational problems in China. (p. 291)

HRD professionals must work harder to understand the demands on managers and how the Chinese and Western ways of working relate to each other. In addition, the cultural context plays a critical role in facilitating the transfer of learning. An uncritical adoption of Western management theories and techniques without recognition of unique Chinese environments is unlikely to resolve Chinese problems (Wang et al., 2003).

Fourth, as mentioned earlier, the professionalization of management is a result of the development of the market economy. Therefore, management competencies are not natural or in-born skills but are acquired and developed through long-term training and developmental experiences (Anonymous, 2003a). It is HRD professionals’ responsibility to promote learning at both the individual manager and organizational levels. Further, given that the need for professionalizing management practices was not felt until the late 1980s (Anonymous, 2003b), China is witnessing the burgeoning of the market of Chinese professional managers, and guidelines for professional conducts are yet to be established. This presents a large area that HRD professionals can take a lead in helping organizations improve the quality of Chinese managers.

Implications for Future HRD Research

In light of the foregoing discussion, the following research areas seem likely to make an important contribution in helping HRD professionals to facilitate further management and organization development in China.

Building a management competency model with Chinese characteristics. Managerial competencies should be defined by focusing on various Chinese organizations’ critical success factors and the particular challenges that are likely to face Chinese managers over the next decade and beyond. For example, state enterprises will need people to manage international competition and global expansion. Government ministries and agencies will need people to formulate effective policies to deal with constant political-socio-economic-cultural changes confronted by a technologically advanced society. Political organizations will need people who know how to manage the governance infrastructure in an interconnected global community, while social organizations will need people who can strengthen the functioning of the civil society. Whatever the nature of these organizations, they all require people who can manage change, rejuvenation, and growth. The task for HRD professionals is to develop multiple sets of managerial competency models that can guide management development more coherently.

Identifying the development paths of successful managers. It is widely believed that managerial and leadership skills can be taught through training and development. However, there is still little evidence that management training actually leads to better organizational performance (Yiu et al., 2000). This lack of transfer is particularly predictable when training programs are disconnected with the performance needs and/or strategic orientation of the organization. However, on-the-job learning seems to be formative for managerial success. Therefore, it would be useful for HRD professionals to conduct research to document the effectiveness and impact of management development so we have more evidence of if/how it affects managers and organizations.

Developing a profile of Chinese managers. Given the dearth of Chinese management theories and the minimal empirical research in China over the past fifty years, little is known about Chinese managers—their changing management values, styles, practices, etc. Some effort has been made in studying Chinese managers. For example, Ralston, Egri, Stewart, Terpstra, and Yu (1999) developed a profile of the new generation of Chinese managers based on measures of individual values (individualism, collectivism, and Confucianism). However, it would be extremely helpful if HRD professionals can further and more deeply understand modern Chinese managers. This will help in many ways including to begin to reveal the strengths and weaknesses of the existing managerial pool. The results of such an endeavor could then serve as a guide not only for Western organizations who plan to engage in business in China, but more importantly, for HRD professionals when designing OD interventions and training programs that will develop, enhance, or supplement existing managerial competencies.

Identifying situational factors that affect managerial and subsequently organizational performance. Research in this direction is particularly meaningful given the dramatic changes which have taken place in China in the past twenty years. Data needs to be collected concerning the contextual factors which impact both individual and organizational performance. This data will provide HRD professionals with a better insight into the dynamic interplay between managers and their working environments.

Assessing current interventions for management development. Few studies have been forwarded in the literature we reviewed, yet we see an increasing number of scholars moving toward this direction. For example, Zhang, Zhang, and Yang (2002) empirically examined the applicability of the learning organization intervention in Chinese SOEs and found that the Chinese version of the Dimensions of Learning Organization Questionnaire demonstrated acceptable psychometric property. Newell (1999) conceptually explored the transferability of Western management
knowledge to China and suggested that a community model, rather than the cognitive model of knowledge development could be a good fit with Chinese culture. Effort in this area will be extremely worthwhile because it provides HRD professionals with a solid base that can enable them to make the best decision.

In sum, HRD professionals must continue to build a firm understanding of organizational and managerial issues in the coming decades. They must take a more proactive role and make more conscious attempts so that they can discover more effective ways of developing managers and maximizing their managerial capacity.

Conclusion and Contributions to HRD

This paper has explored a critical area of concern among Chinese organizations and managers. Although this exploration has been a rather broad brushstroke at the conceptual level, it has intended to provide insightful information for HRD professionals. In this paper, three pressing issues facing Chinese managers were identified and strategies to address them were also discussed at the national, organizational, and individual levels. Current management development issues in China have been tackled, but not entirely and with mixed results.

Given China’s phenomenal economic expansion, corresponding social and administrative complexities, and their continuing effort to globalize, it is imperative that Chinese organizations ensure better equipped talent pools of middle and top managers in the coming decades. The need to groom future managers who can oversee operations at various hierarchical levels with various types of organizations will remain a huge challenge for HRD professionals. Another issue that deserves reiterating is the emerging trend of professionalizing management in China. What is garnering the most passion and concern among Chinese managers today is how to professionalize and standardize their conduct so that they are in a better position to compete against their international counterparts. This is certainly an issue most Chinese organizations are grappling with, and HRD professionals are in a unique position to discover more effective ways of unleashing and maximizing managers’ capacity.

This paper contributes to HRD in four ways. First, focusing on a developing country like China where radical changes have taken place in the last two decades, this paper presents more details about a case in which HRD professionals practice in an unstable environment full of high ambiguity and uncertainty. Given that most conceptual and empirical studies in the field of management training and human resource development are conducted in developed countries, this literature review provides a needed perspective and expands our current understanding. Second, this paper adds knowledge to management development by outlining the critical concerns of Chinese managers and by synthesizing findings that could inform the development of management resources in China. Third, by analyzing the unique issues facing managers in the Chinese context, this paper increases the cultural awareness of HRD professionals and situates them in a better position to develop culture-sensitive HR/OD interventions that will be most appropriate to the Chinese situation. Lastly, for HRD scholars who are interested in Chinese management studies, this paper provides specific areas for future research.

References


