Will "Chinese HR" Hamper U.S. Companies?
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The February issue of *Foreign Affairs* predicts that China's economy will surpass that of the United States by 2030, and that China may then be the dominant global superpower. The likely rate and level of Chinese "dominance" can be debated, but as the Chinese management and education systems evolve, it seems inevitable that organizations throughout the world will increasingly employ leaders who have grown up in a Chinese management system.

That begs a question: will Chinese organizations invest in human resources to the same degree as their U.S. counterparts? That is an important question, because our recent research at the Center for Effective Organizations suggests that organizations where HR is more strategic and advanced are more competitively successful.

So far, the same study finds, Chinese organizations have *not* invested as much in HR, compared to Western standards. In China, HR plays a lesser strategic role and performs fewer advanced activities than in the United States.

Why might Chinese organizations have a less-advanced and less strategically integrated approach to HR? It may be that history will simply repeat itself – that Chinese organizations are just at a comparatively early stage of management development, and that future Chinese leaders will eventually adopt a similar approach to HR as their U.S. counterparts have employed.

But our data suggest another explanation that may make the Chinese approach more "sticky." That is, Chinese organizations seem simply to have evolved differently.

In 2010, we surveyed top HR leaders in more than 100 Chinese and more than 150 U.S. organizations with more than 1,000 employees. Among other things, we asked them to describe the extent to which their organizations had adopted certain management approaches.

Chinese organizations were more than two-and-a-half times more likely than U.S. ones to say that to a great or very great extent they followed a "low-cost-operator" approach, characterized by low wages, minimum benefits, and focus on cost reduction and controls. In addition, in China, but not in the United States, organizations reporting the low-cost-operator approach were larger than those that didn't.

Adding those facts together, one possible conclusion is that historically Chinese managers have found the low-cost-operator approach to be more successful.

Yet in both the United States and China, the more organizations were rated as low-cost operators, the less likely HR leaders were to report advanced HR activities and a strong role in strategy.

The fact it, operating in low-cost mode creates a "headwind" that impedes advanced and strategic HR. And a more "high-involvement" approach (characterized by a flat structure, participative decisions, and commitment to employee development and careers) or "sustainable" approach (agile design,focus on financial performance and sustainability) creates a "tailwind" that encourages advanced and strategic HR.

If future leaders with experience in China have grown their organizations using the low-cost-operator approach, they may adopt that approach as they move West. Evidence suggests that may lead to less support for advanced and strategic HR, which can reduce an organization's competitive performance.

Of course, Chinese leaders may also adopt the management approaches that are more common in the United States and other Western countries. Certainly, our data showed that some Chinese organizations have already done so.

Which will it be? The answer may have big implications for the role of your leaders in talent strategy, and in how your talent-management and HR practices affect organizational performance.

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