

## **A Model for Examining the Changing Role of HRM in Chinese Organizations: A Knowledge Perspective**

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### ***Abstract***

*The coming of the knowledge economy has significant implications for managing human resources. Having cast off their bureaucratic image, human resource managers now closely align their activities to their organisation's strategic plan. This alignment requires a new generation of managers who can respond to the dynamic environment of a knowledge economy. One way human resource [HR] managers have reinvigorated themselves in Western economies can be seen in their contribution to managing knowledge and human capital within their organisations. However, although the contributions of HR managers in the West has the potential to create additional sources of competitive advantage through the more effective management of human capital and knowledge, the role of HR managers in the new Chinese economy deserves special attention.*

*The paper examines aspects of the revitalization of the human resource management [HRM] function in Chinese organisations in four essential areas, viz. (i) managerial roles, (ii) managerial relationships, (iii) an organisation's strategic focus, and (iv) an organisation's learning focus. Subsequently, the notion of context is discussed and proffered as the principal consideration in developing HRM functions in Chinese organisations. This development requires a cadre of HR managers cognizant of how*

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*context affects all HRM functions. Specifically, managers must appreciate how environmental and organisational contexts as well as team and individual contexts underpin an organisation's approach to managing human resources. These contextual considerations are most important because the wholesale transfer of Western management theories and practices pertaining to HRM to Chinese organisations has shown to be inappropriate. The 'one size fits all' approach is no longer a legitimate strategy.*

*The contextual factors within Chinese organisations are explored using data gathered from a large pharmaceutical company. A heuristic framework is presented, which sets out the relationships between context and HRM functions the areas of managerial roles, managerial responsibilities, the organisation's strategic focus, and the organisation's learning focus. This is achieved by taking into account the particularities of not only Chinese culture but also the structure of Chinese organisations. It is suggested that in order for Chinese organisations to reap the benefits of a knowledge economy, HRM practices must extend beyond their conventional functions, which normally include staffing, HRD, remuneration, and performance management. Such functions are now largely devolved in Western organisations.*

*However, many Chinese HR managers are yet to fully embrace these conventional functions let alone move to considering knowledge management or managing human capital as within their sphere of influence. Against this background, the paper discusses the ways in which Chinese managers can extend their activities beyond the conventional functions by strategically directing, developing, and sustaining organisational capabilities through activities that overlap with business functions. These functions include finance, marketing, strategy, and non-traditional activities such as managing knowledge and human capital.*

## **Introduction**

The rise of the knowledge economy has had a major impact on the management of human resources within organizations. The shift in human resource management (HRM) away from a bureaucratic personnel management operation to the development of discrete HRM functions that support among other things, competitive advantage, a strategic focus, and outsourcing is a feature of the new environment. However, experts in the field caution that HRM will lose its place in knowledge based organizations unless practitioners respond positively to challenges posed by this new environment by creating a value-added function (cf. Stewart, 1997; Ulrich, 1997, 1999; Saint-Onge, 2001; Lengnick-Hall, 2003; Stone, 2002). One way for HRM to reinvent itself is through its contribution to the effective management of human capital and knowledge within organizations (Saint-Onge, 2001). This paper outlines the changes required for HRM to become a dynamic contributor to competitive advantage in the contemporary knowledge-based business environment.

Although the contribution of HR managers generally has the potential to add value to the organization, through more effective management of human capital and knowledge, the role of HR managers in the new Chinese economy deserves special attention. The burgeoning Chinese economy has altered the economic face of China. Accession to the World Trade Organization (WTO) combined with a rapid transition to an emerging market economy has created a complex and turbulent environment for Chinese organizations (cf. Nolan, 2001). In particular, the pharmaceutical industry is one that has undergone massive change since the early 1980s. Because the capital costs are relatively high in terms of market entry, joint ventures (JVs) offered both Chinese and foreign players opportunities to enter the market. The Xian-Janssen Pharmaceutical Ltd. (Xian Janssen) was set up in 1985 as a Sino-foreign JV between the global giant Johnson and Johnson and several Chinese companies. Since that time, the company has grown and achieved considerable success within China.

The pharmaceutical industry in China is growing rapidly. In 2002, it grew 20% with an estimated growth of 15% in 2003. These growth figures are expected to continue in the light of recent Government policy decisions. In July 2001, a new policy allowed organizations outside the pharmaceutical industry to invest in the sector. In

2002, changes to policy meant that foreigners could become players in listed State-owned enterprises and furthermore, foreign investment in non-listed enterprises was placed on the table. However, while these are positive initiatives, the downside is that new investment rules remain untested and the Chinese constitution is vague concerning the protection of private assets (Capie, 2003). In this environment in 2001, Xian Janssen was ranked no. 5 in the top 10 Chinese drug manufacturers and in terms of profits, it led the field in the first six months of that year. The organization is the largest among the Sino-foreign JVs. In the first three-quarters of 2002, it ranked no. 7 with revenues of 1,934million (an increase of 14%) and profits of RMB511million (an increase of 26%). The company has established relationships with some 1,200 second and third tier distributors and has offices in well over 100 locations throughout China. The industry sector is also huge with RMB92million in revenues generated among 3900 enterprises in the first half of 2003. Profits were estimated to be RMB7.5billion with nearly RMB4billion generated by the largest 60 enterprises. Xian Janssen's place in this environment is such that by the late 1990s, it was among the 10 most admired Sino-foreign JVs (Capie, 2003; Lehman, 2001).

However, despite this profile, the Chinese pharmaceutical industry faces several problems because of China's entry into the global economy. China has agreed to reduce tariffs across the sector by between 4% and 10% and fully implement the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). China has also consented to relax its tight control over the industry through the government approval processes and after a period, allow foreign companies to directly import and distribute their own products. In addition, entry into WTO will see the requirement to transfer technology by way of patents for drug technology significantly reduced (Nolan, 2001). At another level, the pharmaceutical industry faces several problems, including rising revenues with falling profits. For example, in the first eight months of 2002, sales rose by 12.7% yet profits fell by 25% (CPCA, 2003). Contributing factors to this trend might include (i) the tightening of regulations and enforcement of intellectual property rights (IPR), (ii) duplication among organizations, and (iii) inefficiency within organizations. It is in this environment that Xian Janssen is now positioned.

Aspects of the revitalization of the HR manager's position in the context of Chinese organizations might occur in the following four areas, which are considered to form the backbone of the new HRM functions. These areas are (i) managerial roles, (ii) managerial relationships, (iii) an organization's strategic focus, and (iv) an organization's learning focus. The notion of context is also important in developing new functions for HR managers in Chinese organizations. This development requires a cadre of managers cognizant of how context affects all HRM functions. Specifically, managers must appreciate how environmental and organizational contexts as well as team and individual contexts underpin an organization's approach to managing its human resources. Understanding these contextual considerations is fundamental because the wholesale transfer of Western management theories and practices pertaining to HRM in Chinese organizations has shown to be inappropriate (Hofstede, 1982). The 'one size fits all' approach to HRM is now outmoded.

We have argued elsewhere that the particularities of not only of Chinese culture but also the structure of Chinese organizations need to be understood if Chinese organizations are reap the benefits of enhanced HRM practices in a knowledge economy (Berrell, Gloet, & Wright, 2002). In this light, culturally aligned HRM practices must extend beyond their conventional functions, which normally include staffing, HRD, remuneration, and performance management. While such functions are now largely devolved in Western organizations, many Chinese HR managers are yet to fully embrace these conventional functions, let alone move to considering knowledge management or managing human capital as within their sphere of influence or competence. Against this background, we argue that Chinese HR managers can extend their activities beyond conventional functions by strategically directing, developing, and sustaining organizational capabilities through activities that overlap with business functions. These functions include finance, marketing, strategy, and non-traditional activities such as managing knowledge and human capital. Since Xian Janssen is operating in a global economy, we present below a model based on current HRM literature, which encapsulates the changing role of HRM and the implications of this change for the HR manager in this new environment.

## **The Changing Nature of the HRM Function in a Knowledge Economy**

Today, competitive advantage is based on the successful application of knowledge. The intangible aspects of knowledge are fast becoming a defining characteristic of economic activities. The rise of the knowledge economy, coupled with greater organizational complexity and the growth of virtual organizations, requires drastic change within HRM. With a traditional HRM approach, narrow operational boundaries are the norm whereas in the knowledge economy, this role must expand to embrace functions that are external to the organization. Managing people as a HRM function has broadened to include managing organizational capabilities, relationships, learning, and knowledge (cf. Ulrich, 1997; Saint-Onge, 2001; Lengnick-Hall, 2003). HRM practices are also expanding to include a focus on developing and creating environments conducive to learning. Moreover, knowledge management (KM), defined as the acquisition, sharing, and dissemination of knowledge within organizations, now becomes part of the portfolio of a HR manager.

This revitalization of HRM in response to the demands of the knowledge economy requires major changes across four generic areas. The following areas of (i) roles, (ii) relationships, (iii) strategic focus, and (iv) learning focus represent the main areas in which changes are required if HRM is to be relevant to the knowledge economy. These areas are displayed below in a matrix that demonstrates changes across a historical continuum (see table 1 below). The transition period below, as represented in the middle band in the table, generally represents the current state of HRM practices in most organizations. It is our contention that very few, if any, organizations operate at the cutting edge of the knowledge economy.

### **Roles for HR Managers**

In the traditional economy, a narrow functional perspective limits the contributions of HRM to organizations. By focusing on processes rather than larger strategic initiatives, HRM limits its potential to contribute to competitive advantage and value-added activities. Given that traditional HRM activities including recruitment and selection, performance management, and training and development have been

devolved to line managers, HRM is now a shared responsibility. David Ulrich (1997) signalled this need for change by defining the role of the HRM professional as a strategic partner, administrative expert, employee champion, and change agent.

The strategic partner facilitates business decisions leading to competitive advantage while the administrative expert applies technology, quality measures, and continuous improvement to enhance business outcomes. Whereas the employee champion assists in meeting the needs of employees, the change agent is a catalyst for organizational improvement and effectiveness.

The knowledge economy also requires HR managers who can generate sustained organizational capabilities (Lengnick-Hall, 2003). Such people are human capital stewards, knowledge facilitators, relationship builders, and rapid deployment specialists. The human capital steward values intellectual capital and constantly explores ways to broker this resource to knowledge workers within the organization.

**Table 1: The Changing Nature of the HRM Function in the Knowledge Economy**

	Traditional economy	Transitional period	Knowledge economy
<b>ROLES</b>	Administrative focus Personnel Manager Operating within narrow discrete function	Ulrich (1997) Strategic partner Administrative expert Employee champion Change agent	Lengnick-Hall (2003) Human capital steward Knowledge facilitator Relationship builder Rapid deployment specialist
<b>RELATIONSHIPS</b>	Limited relationships across organization Focus on employee	Expanding relationships across the organization Increased focus on relationships with line managers	Building and sustaining relationships with employees, managers, customers, suppliers, & distributors Linking more directly to the organization's value creating processes
<b>STRATEGIC FOCUS</b>	HRM practices not tied to business strategy No involvement of HRM managers in formulation of business strategy.	Development of strategic HRM tied to overall business strategy Long term strategic focus 5-10 years Discrete HRM function Outsourcing	Management of strategic capabilities; developing and sustaining organizational capabilities Emphasis on short term as well as long term strategic focus Sustainability and renewal
<b>LEARNING FOCUS</b>	Focus on training Training activities not linked to strategy Skills-based rather than knowledge based Training for immediate job requirements	Training beyond immediate job requirements Development of systematic approaches to training and development Learning organizations	Managing intellectual capital Developing human capital Creating learning environments To encourage knowledge creation, sharing and dissemination Emphasis on constant renewal, revitalization of the organization Developing communities of practice



The knowledge facilitator uses learning and development programs to disseminate knowledge and create environments conducive to knowledge creation, sharing, and dissemination. The relationship builder focuses on creating and sustaining networks and communities of practice. In this task, relationship builders establish innovative ways of bringing people together from diverse locations along the supply chain. Rapid deployment specialists respond to changing market conditions by using and tapping into information, business processes, and organizational design. Clearly, KM has the capacity to significantly broaden the role of the HRM professional.

### **Relationships for HR Managers**

Previously, HRM was viewed as an internal business function. However, the dynamics of the knowledge economy has forced HRM to expand the boundaries of its operation to include suppliers, distributors, and customers. Rather than focussing on the organizational stakeholders in the value chain, broader ranges of client groups are now important stakeholders for the HR manager. For decades, HRM has been characterised neither by sharing information, knowledge, or expertise within the organization nor with others in the supply chain. In order to add value in the knowledge economy, HR managers need to engage in sharing knowledge and collaborating with others outside their immediate environment. This requires a new breed of HR managers who move beyond the conventional functions to embrace responsibilities that include developing and sustaining organizational capabilities. This may entail engaging in activities that overlap with business functions such as strategy formulation, strategy implementation, finance, and marketing. To achieve these ends, new relationships that reflect a shared responsibility among managers, employees, customers, and suppliers must be cultivated as part of the HR manager's position (Soliman & Spooner, 2000; Yahya & Goh, 2002; Saint-Onge, 2001; Lengnick-Hall, 2003). A new role in KM, for example, offers the HR manager the opportunity to forge and cement these new relationships.

## **Strategic Focus and the HR Manager**

HRM was concerned with matching job skills to selected strategies in the traditional economy. In contrast, HR managers in the knowledge economy should concern themselves with developing human capital and managing knowledge. Long-term strategic development and planning in HRM must be complemented by short-term strategic initiatives. This approach is more suited to the unpredictable, dynamic, and fluid nature of the knowledge economy. In conjunction with a short-term approach that complements a longer-term strategic focus, organizations should utilise sustainability as well as renewal and revitalization as business strategies. As Lengnick-Hall (2003) suggests, rapid deployment specialists have the capacity to respond quickly to business needs. Teams can also be rapidly deployed or reconfigured to suit the particularities of a situation. The knowledge economy requires a cadre of rapid deployment specialists to meet an ever-changing environment.

Once organizations have identified their core competencies and integrated knowledge sets, which distinguish them from their competitors, significant competitive advantage can be derived from KM (Bohlander, Snell, & Sherman, 2001). Knowledge sets are the matrix of organizational capabilities. In this process, HR managers can be effective in creating and developing an organization's key capabilities in the knowledge economy (Ulrich, 1997, 1999). Saint-Onge (2001) also points to changing HR functions within organizations, especially in the area of KM. This change requires HR managers to assume a strategic capabilities approach, in which resources are structured to account for individual capabilities, organizational capabilities, and the knowledge architecture of an organization.

In this environment, the role of the HR professional becomes an integrated one, focusing on synthesising the performance of individuals and teams through a program for organizational learning that will benefit customers and increase shareholder value. HR managers can play an important role in creating and developing these organizational capabilities. Moreover, contemporary KM strategies, geared to creating wealth from intellectual capital, provide HR managers with a new area to tap in the knowledge economy.

## **HR Mangers and the Learning Focus**

A pivotal aspect of organizational life in the knowledge economy is the need to acquire knowledge. HR managers are now involved in creating environments conducive to learning. In addition, these managers are also concerned with KM within organizations. Managing and sustaining learning environments and nurturing communities of practice increasingly engage HR managers with intellectual capital within their organizations. Consequently, a strong need emerges for constant renewal and revitalization of an organization's intellectual resources. Fitz-enz (in Chatzkel, 2002) suggests that human capital the only active asset within any organization. In referring to the four human capital domains of acquiring, maintaining, developing, and retaining, Fitz-enz views the development aspect as unique. This domain holds the key to achieving organizational change, growing individuals, improving team capabilities, and creating wealth.

Garavan, Gunnigle, and Morley (2000) view the task of human resource development (HRD) as one of building an organization that will assist employees to create and use knowledge, establish appropriate networks, and engage in double-loop learning. Soliman and Spooner (2000) view the collective knowledge of employees as a distinct source of competitive advantage. They suggest that the HRM function be well positioned to ensure the success of KM programs, which capture, use, and recycle the knowledge of employees. Moreover, HRD can assist in the development of employees by building quality, creativity, leadership, and problem solving skills within an organization (Yahya & Goh, 2002). HR managers also have a role in encouraging best practice behaviours, promoting continuous learning, and mediating knowledge sharing among employees in an organization (cf. Lengnick-Hall, 2003; Martin, 2000).

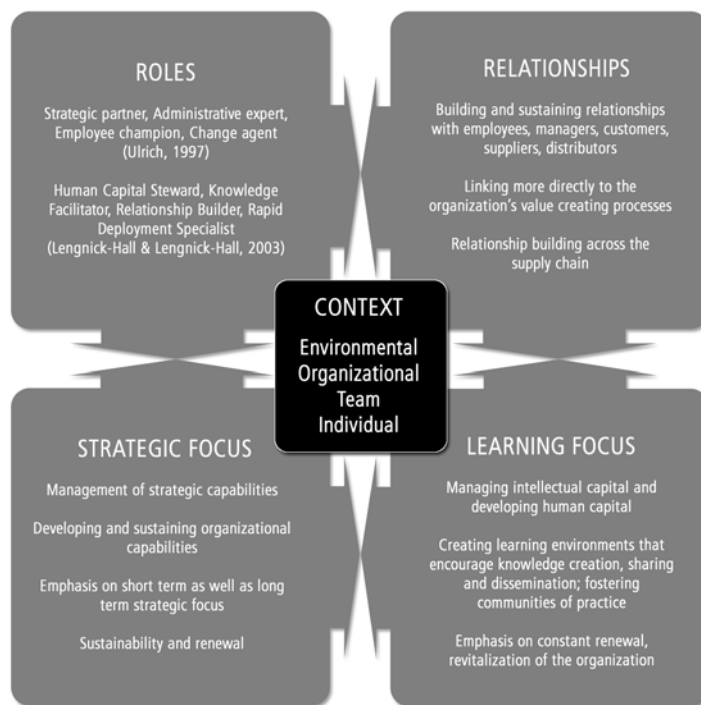
## **Context**

The issue of context is paramount. Effective HRM will only evolve if managers understand the contexts underpinning their organization. Knowledge per se has no intrinsic value to an organization; in order to add value to knowledge, the contextual aspects of knowledge must be clearly understood. Much of the tacit and explicit

knowledge in an organization remains largely untapped. Context determines the quality systems, best practice measures, KM approaches, and HRM practices to be applied in particular environments.

In terms of best practice behaviours, these are very difficult to transfer successfully between organizations (Martin, 2000). Therefore, understanding the contextual factors affecting each organization and subsequently developing appropriate quality systems and best practice approaches serves to position that organization in a competitive niche. KM can contribute to this process if it is developed appropriately and sustained with suitable resources. The relationships between context and HRM roles, responsibilities, strategic focus, and learning focus are portrayed below in Figure 1.

**Figure 1: HRM in the Knowledge Economy**



(Source: Gloet, 2003)

## **Xian Janssen in a Knowledge Economy**

The remainder of the paper focuses on providing examples from Xian Janssen that highlight the new roles for HR managers in the knowledge economy as well as an estimate of the strength of the links between the four generic areas identified above.

### **Methodology**

In order to discuss these changing roles of HRM in the Chinese context, both authors conducted interviews with bi-lingual Chinese informants who possessed significant knowledge of the organization. Anecdotal data about the company's HR operations were gathered during a one-hour semi-structured interview in which open-ended questions were used to solicit responses from the informants about aspects of the HRM function in Xian Janssen. This method followed a process suited to qualitative research of this type (Bogden & Biklen, 1992). Notes taken during the interviews were reviewed immediately following each session by the authors.

The data were analysed using a method common in semiology (Fiske & Hartley, 1979) and structural anthropology (Kronenfeld & Decker, 1979) where key words and phrases provide insights to the deeper meaning of the responses in the context of HR practices. These words and phrases are placed in the context of structural oppositions that allow meaning to be determined in the context of the specific organizational setting (cf. Berrell & Gloet, 2001; Berrell, Gloet, & Wright, 2002). The stem questions used to guide the informants were as follows:

- What roles do people in the HR Division perform in your organization?
- What relationships do people in your HR Division seek to develop, foster, and maintain in your organization?
- Does the HR Division play a strategic role in your organization?
- To what extent is there a learning and development focus in your organization?
- What are the contextual issues (eg. environmental, organizational, team, and individual) that affect the general operations of your organization?

### **Roles in Xian Janssen**

The controlling function of the HRM Division is located in the Head Office in Beijing. Authority is subsequently devolved in the main regional offices throughout China. At Head Office, HRM staff work closely with the President of the organization, who takes a hands-on approach to key HRM matters. For example, remuneration is ultimately determined at this level. The President also assumes a strategic role in interviewing short listed candidates for major positions in the organization. The role of the HRM Division at Head Office is considered largely an administrative function. This view is affirmed with the move of training and development from the HRM Division to a discrete function within the organization.

### **Relationships in Xian Janssen**

Although HRM is largely devolved in regional offices, HRM has established relationships ranging from the President through all levels of the organization. However, these relationships can best be characterized as administrative in nature. The HRM Division confines its relationships primarily to Head Office operations, with some indirect linkages to local or regional offices. Relationships with customers, vendors, suppliers, and other groups across the supply chain do not appear as a feature of HRM in this organization.

### **Strategic Focus in Xian Janssen**

HRM activities in two particular areas are very strategically focused. This includes training and development (or HRD activities), which is now considered a major component of HRM in the organization. The other strategically focused HRM function is staffing. The President oversees the staffing process and views this function as the most important aspect of HRM in the organization. All new staff are required to possess a minimum of a Bachelor's level degree.

Following interviews for a position with local and regional managers, the candidates are sent to Head Office in Beijing to be interviewed by the President before an appointment is approved. Other than staffing and HRD activities, a strategic thrust underpinning HRM activities is not readily apparent. There is, however, some evidence to suggest that there is an attempt to identify and develop strategic

capabilities within the organization, and that some aspects of HRM strategy ties in with the overall business strategy.

### **Learning Focus in Xian Janssen**

There is a significant emphasis placed on learning and development within the organization. This focus is evident in the orientation and induction procedures used for new employees. Beyond orientation and induction activities, across the board, generic skills training is also a feature of the organization. Moreover, cross-skilling within and across teams is encouraged. From a developmental perspective, career planning is strongly emphasised. There is also a program with an international focus to develop management skills through the acquisition of higher degrees including foreign MBAs. Overseas training and development programs and tailor made courses help promote training as an integral component of the organization's mission. Monash University in Australia and the National Singapore University in Singapore have conducted such courses.

### **Contextual Factors**

In terms of environmental factors, there are a number of issues facing the organization. The pressures of globalisation and meeting the benchmarks of the WTO are among the pressures to which the company has responded positively. New technology, processes that are more complex, rapidly changing markets and the pressures of both internal and international competition have created a dynamic and challenging environment for Xian Janssen.

Organizational issues are also on the agenda. For example, the organization is very large even by Chinese standards and its operations are spread across China. Sales are the most important focus of the organization in a highly competitive and changing industry sector. Xian Janssen's reputation nationally is highly acclaimed although the pay scales are less competitive compared to similar organizations in China. Turnover is high because of the relatively low remuneration scale and this has been flagged as an issue of concern. On a positive note, there is always a constant supply of new applicants for any position within the organization. The huge reputation of Xian Janssen means that most people are willing to work for less remuneration because

having worked for this organization significantly enhances their future career opportunities outside Xian Janssen. There is also a very strong sense within the organization of the strength of its reputation as well as the belief that the organization is contributing significantly to the greater Chinese economy.

The context of 'the team' plays a significant role in the organization at all levels. Employees are identified as part of a team structure such as a sales team, a product team, or a hospital team. Team leaders are largely accountable for meeting specific sales targets and a significant portion of compensation and rewards given by the organization is team based. There has been a considerable effort within the organization to build team spirit through various activities coordinated by HRM at Head Office in Beijing. Individual employees are encouraged to see their role as part of a larger team or organizational entity. Recently, Xian Janssen tapped the history and spirit of the Long March as an organizing theme for a team based activity. However, despite the focus on teams and team building within the organization, a recently introduced 360-degree performance management system was conducted at the level of the individual. To some extent, the cultural architecture of Xian Janssen influences this Western management practice and the type of reviews generated by the process are affected by the relationship networks that operate within Chinese organizations.

There are a number of challenges facing the pharmaceutical industry in China, including intense market competition, rapid change, globalization, and the impact of technology. As such, Xian Janssen could benefit from a stronger knowledge based approach in its HRM functions. Xian Janssen combines administrative and strategic approaches to managing the organization. Arguably, the major roles and relationships of HRM are largely administrative and bureaucratic in nature. Following Ulrich's (1997) model, HRM in Xian Janssen leans heavily toward the role of administrative experts, with lesser emphasis on the roles of strategic partner and change agent. HRM does not demonstrate an active involvement in the role of employee champion, although this reduced involvement may be the result of the strong collective orientation that binds the social architecture of Xian Janssen. Nevertheless, while plenty of people are interested in joining the organization, the reasons for the high



turnover rate might be explored in the context of Ulrich's notion of HR managers as employee champions.

In terms of responding to the needs of the knowledge economy, it can be argued that HRM in Xian Janssen has yet to develop a strong presence or role in this regard. Following Lengnick-Hall's (2003) description of HR managers as human capital steward, knowledge facilitator, relationship builder, and rapid deployment specialist, at this time, there is little evidence to suggest that HRM in Xian Janssen engage in these activities. Therefore, HRM limits its capacity and potential to respond much beyond a superficial level. In order to become more influential, HRM would need to expand its roles, particularly in the regional offices. At best, the roles of HRM in Xian Janssen can be characterised as being in a period of transition between the traditional and knowledge economy.

While relationships at Head Office are direct and apparent, the relationship of HRM with employees and managers in regional offices seem separated and devolved. For example, efforts toward building and strengthening relationships with line managers are restrained. These line managers, however, are very active in many HRM activities, including staffing and performance appraisal. Relationships with customers, suppliers, vendors, and other groups in the supply chain remain to be fully exploited by HRM activity, reducing the potential for HRM to be a value creating process. In terms of relationships generally, HRM in Xian Janssen is conservatively configured and this fits the profile of an organization operating closer to the traditional economy.

A strategic focus on HRM is most apparent in the emphasis placed on HRD activities and on the organization's approach to staffing. There is a structured and coordinated attempt to identify specific knowledge, skills, and abilities (KSAs) among employees that will ensure they make the maximum contribution to the strategic goals of the organization. In this sense, HRM strategy is to some extent tied to organizational strategy. While HRM work closely with the President, it must also be acknowledged that most HRM decisions are also made at this level. Thus, the level of autonomy accorded to HRM is problematic. Again, the cultural architecture of Chinese

organizations comes into play here. As a result, it is exceedingly difficult to judge level of autonomy and influence of HRM in the wider organization.

At Xian Janssen, the breadth, depth, and longer-term focus of HRD activities is the area in which the organization demonstrates its commitment to knowledge and learning. A substantial budget is made available for these activities, which are extensive and range from orientation, induction, generic skills training, cross skilling, management development, and international training and development programs. The focus on longer term development is a more sophisticated approach than just-in-time (JIT) training, which is often typical of both Western and Asian companies. JIT training seeks to fill only immediate and short-term needs, whereas the approach taken by Xian Janssen has a much more long-term development focus, and is therefore strategic. The fact that Xian Janssen recognises the significance of HRD to such an extent indicates it has the capacity to respond to the needs of the knowledge economy by becoming more actively engaged in managing knowledge within the organization. The organization has laid the groundwork to make significant inroads in this area.

If HRM takes a broader role by becoming engaged in KM within the organization and also makes a sustained effort to understand the contextual issues underpinning the organization's operations, then Xian Janssen will be much better positioned to identify and respond to internal organizational inefficiencies and the challenges of the current external environment. In addition, by developing stronger relationships with stakeholders across the supply chain, HRM has greater potential to add value to the organization.

### **Conclusion: Quality KM as part of a revitalised HRM**

A number of frameworks and approaches attempt to articulate the relationship between HRM, quality, and knowledge management. In the knowledge economy, HRM should go beyond conventional functions especially given the fact that these functions are now largely devolved. In a similar way, the administrative 'personnel management' approach of early HRM has been made redundant by technology. The traditional functions of HRM now need to be strategically directed toward developing

and sustaining organizational capabilities through activities that overlap with traditional business functions such as finance, marketing, strategy, and non-traditional activities, such as KM. In addition, staffing should be geared toward attracting those people who possess the capabilities that allow an organization to flourish. Performance management and remuneration systems should become geared to identifying, encouraging, and rewarding desirable behaviours to promote KM.

KM can create a new role for HRM that can provide the means by which to forge new relationships both within and outside the organization. This will involve the development and sustenance of learning environments where knowledge creation, sharing, and dissemination processes are valued. HRM can expand its relationships through KM, which should be a shared responsibility for HR managers, employees, shareholders, customers, suppliers, and distributors. Effective KM means more than simply creating or discovering knowledge – it must be mobilised. Knowledge per se is of marginal value to an organization without context. Understanding the environmental, organizational, team, and individual context can certainly expand the scope of the HRM function. Unfortunately, many organizations use systems and structures that actually work against the capacity they possess to effectively manage the knowledge they control. Again, this could become the domain of the new HRM.

Choosing a KM approach will have a direct impact on the HRM function as well as on several processes and strategies within an organization, including Total Quality Management. KM is a long-term strategy, so serious consideration should be given to choosing approaches that are compatible with the organization's goals, strategies, products, and services. If the approaches are well considered and aligned with organizational strategy, then KM can act as a strong enabling mechanism for quality HRM practices. On the other hand, a poorly aligned approach can affect quality HRM practices through the conflict that arises from fundamental differences in values and assumptions. It is also suggested that best practice indicators for HRM are a good springboard for developing a sound approach to KM (Gloet, Lovett, & Nunez, 2003; Martin, 2000).

Fundamental differences exist between various approaches to KM. The key to maximising the contribution of KM to an established management practice such as

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HRM is to promote awareness and understanding concerning the implications of these essential, deep-seated and often obscure differences in approaches to KM. This requires an understanding of deeper underlying values and assumptions, coupled with an appropriate alignment between overall strategy, KM, and HRM. This succinct study has emphasised that in term of HRM practice, there is no ‘one size fits all’ approach and that Western HRM practices cannot necessarily be easily transferred to the Chinese environment, even when an organization is globally oriented. Significant further research is required to determine the best way for HRM professionals in China to respond to the challenges of the knowledge economy.

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