Employee Involvement and Participation
At work in China

A thesis submitted to The University of Manchester for the degree of
Doctor of Business Administration
in the Alliance Manchester Business School
2016

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Abstract of the Dissertation
“Employee Involvement & Participation at work in China”
submitted to The University of Manchester
for the degree of
Doctor of Business Administration
by
Ellena Yee Kee Au
Alliance Manchester Business School/ PMO Division
Sep 2016

The focus of this research is on advancing understanding of EIP at work in China. It sets out to examine the extent of practice adoption, and inquire the management intention, employee perception and the challenges from the internal and external environment in relation to the practice adoption. It also tries to understand the applicability of EIP practice in innovation and quality enhancement industries.

The research methodology adopted is qualitative case study approach, with 20 respondent organisations including Chinese global enterprises, central state-owned enterprises, listed and small medium enterprises.
DECLARATION

I hereby declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any university or other institute of learning.

Ellena Y K Au
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ACKNOWLEDGEMENT

I wish to extend my sincere gratitude to my supervisors, Dr. Arjan Keizer and Prof. Miguel Martinez-Lucio for their continued encouragement and unrelenting support and advice, without which, the research and dissertation would have never existed.

I wish to also thank my business associates for their assistance in gaining access and all the research participants for their valuable time in allowing themselves and their organisations to be part of the case studies. Each of their input is vital to the contribution to knowledge.
Ellena Y K Au is Chief Executive Officer of KanTec Business Consulting Limited. Her focus is in business consulting to foreign or joint venture companies in China. As she witnessed the significant changes in China since her role as finance director of Chubb China in the middle of 1980s, one common issue all China businesses face has always been HR related. It has been one of her goals to seek a solution to address the critical HR issues in China, and undertaking the DBA programme at Manchester Business School is one of the ways to formalize the investigation.

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Chapter 1  Introduction

This chapter provides an overview of the research study, beginning with an explanation of the research positioning and objectives. This is followed by an explanation of the research questions, identified from gaps in the existing literature, and how the research methodology is designed to address these questions. A summary of the contribution of the research study is then presented, before proceeding to a brief description of the objective and main theme of each of the subsequent chapters.

1.1  Introduction

Researchers agree that employee involvement and participation (EIP) is an important component of the human resource management (HRM) bundle (Marchington & Wilkinson 2005; Wood 2010; Boxall & Purcell 2011). While there are different orientations of EIP for different disciplines, from the HRM perspective (Chartered Institute of Personnel and Development (CIPD), there are two components of EIP, each with a different but related objective. For the involvement component, the objective is to engage employees’ understanding and support of the organization’s goals, and to result in improved commitment and contribution from employees. The participation component aims to provide employees with the mechanism to influence, or even be involved in, decision-making (CIPD). There have been various findings about the positive effects of employee involvement (EI) on innovative businesses (Marchington and Wilkinson 2005; Finegold and Frenkel 2006; Alfes et al. 2010; Grugulis, Dundon and Wilkinson 2000; Marchington and Knighou 2012) and quality-enhancement businesses (Wall and Wood 2005; Cabrera et al. 2003; Park, Appelbaum and Kruse 2010). As EIP is basically economic-efficiency driven (Marchington & Wilkinson 2013), will Chinese companies (especially private firms that
demonstrate enthusiasm and autonomy in exploring new HRM practices) adopt, or have they already adopted, EIP practices (Cooke (2011)? One reservation concerning the relevance of EIP in China is that cost-reduction firms, aiming to provide goods and services through competitive prices, are not interested in employee participation (Marchington & Wilkinson 2005). However, the subject of EIP should be no stranger to Chinese employers. Back in 1960, Chinese workers were declared “masters of the factory” under the Angang Constitution\(^1\) with the aim of motivating workers to contribute ideas for improving productivity (Yu 2011). Of special relevance is the state plan to accelerate the improvement of the country’s manufacturing capabilities through the ‘Made in China 2025’\(^2\) initiatives, where innovation and quality are considered the core focus. Today, when China is striving to transform itself from the world’s sweatshop to a global economic powerhouse through quality enhancement and innovation, where EIP is key to the strategy’s success (Wall & Wood 2005; Marchington & Wilkinson 2005), revisiting the subject is absolutely vital.

Many researchers believe that EIP is mostly management and performance driven (Marchington & Wilkinson 2013), which refers to the involvement component. If it is all about performance, why does the second component, participation, need to be included? Stuart & Martinez-Lucio (2005) argued that the changing social expectations required a new

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\(^1\) Angang xianfa yu boufutezbuyi (Angang Constitution and Fordism), collected in Di Er Ci Si Xiang Jie Feng Yu Zhi Du Chuang Xin (The second round of thoughts liberation and system renewal), ed. Z. Y. Cui (Hong Kong: Oxford University Press, 1997), 143-56. (Translator’s note: The Angang Constitution refers to a 1960 policy decree by Chairman Mao Zedong where he called for various reforms to democratize enterprise management. Two such measures were cadres’ participation in labour and workers’ participation in enterprise management.)

\(^2\) ‘Made in China 2025’ (http://www.chinadaily.com.cn/opinion/2015-03/10/content_19764324.htm): To accelerate the transformation of China from a big manufacturing power to a strong manufacturing power, Premier Li Keqiang advanced the “Made in China 2025” concept in his Government Work Report … There are three stages to the transformation that will take about three decades all together. “Made in China 2025” is the guideline for the first decade…… It focuses on an innovation drive, intellectual property and green development….. Minister of Industry and Information Technology Miao Wei said the “Made in China 2025” strategy is of great significance ……as China lacks enterprises and products that have international competitiveness to…… lift the country into the second tier of the global manufacturing industry by then.
concordat between management and workers, necessitating the provision of space for employee participation, in short, the voice mechanism to enable expression of ideas and opinions and influence decision making. The interpretation of these two statements could be: (1) that management wishes to increase employee contribution in order to improve performance – engaging employees so that they are willing to work outside their normal job responsibilities, but (2) that they recognize one of the ways to achieve this goal is by improving employees’ commitment, (3) that by allowing employees to participate more in decision making, or at least the space to make employees’ voices heard, satisfies employees’ psychological needs and (4) therefore, improving employee commitment improves the economic performance of the enterprise.

In short, gratifying the psychological needs of employees eventually satisfies the economic needs of the employer. Every enterprise needs to improve economic performance. However, whether employers accept power sharing, or at least allow the space for employee voice, is debatable. The point is: do employers in China see the need to improve employee commitment using the same approach? If not, can employers improve employee commitment without gratifying their needs through a supportive voice system? Or do Chinese employees not express the need for a supportive voice? These are important questions to which the current literature offers few answers, therefore providing the justification for the present research.

While there may be EIP in small and medium-sized enterprises (SMEs), small business management practice tends to be fairly informal and hinges on personal relationships. Therefore, it is less encapsulated in explicit practices. The adoption of formal EIP requires substantial administrative effort. Hence, it is assumed that the adoption of formal EIP in
China is affordable mainly to large companies. This research therefore focuses on large enterprises and tries to identify evidence of their EIP practices.

The research covers the following components: EIP; China; large enterprises in particular; commitment and economic efficiency; management intention and employee perception; and voice. In the following sections the research objective; the research questions and research methodology; and the research significance in terms of knowledge contribution are explained in order to give an overview of the study undertaken.

1.2 Objectives of the research

The study sets out to address the following research questions:

Research Questions

The literature review conducted on the subject, as presented in Chapters 2 and 3, has not been able to give an indication as how important EIP is to Chinese employees as there are limited studies on the subject. Therefore, the first Research Question is:

1. **To what extent does Employee involvement & participation and/or financial participation exist in Chinese businesses?**

EIP is growing in importance in the HRM bundle as a management tool to improve corporate performance through the maximization of employee commitment by allowing an employee voice. The first question is intended to understand whether any EIP practices are adopted by Chinese enterprises, and if so, to what extent? In today’s China, employee work motivation is never easily achieved without financial incentive. Given its Marxist ideology, would the
parallel adoption of financial participation (FP) make much sense? Therefore, the second research question is:

2. **WHAT EIP PRACTICES ARE ADOPTED?**

The above research questions inspire the following sub questions, as contextual perspectives are considered to be of equal importance in understanding EIP applications and therefore have to been carefully addressed:

What relevance do the concepts of EIP have on the goals and work attitude of employees and business performance in China? What is the attitude of management, HRM and employees towards EIP in China? Have their features been properly understood by employees? What are their expectations? Is it the case that EIPs are just decorative and do not create value? How do today’s EIP practices differ from those in the past (Angang Constitution) in generating the desired objectives?

The third question is:

3. **Under what conditions can EIP and or FP be an effective HRM tool in China?**

An emerging literature in international HRM and institutional theory has recognized the importance of focusing on the ‘micro foundations’ (Powell and Colyvas 2008) of institutionalization. However, research on EIP has mostly neglected these foundations of practice diffusion. Therefore, in order to understand how and why specific EIP practices transfer across borders, we need to clarify the processes and pathways through which they have been applied in the west and could be replicable elsewhere, such as China. Empirical studies of EIP, especially quantitative studies in different scenarios, are not sufficient to identify the impact of EIP (Marchington & Kynighou, 2012). Referring to one form of EIP, Kaarsemaker and Poutsma
(2006) found that simplicity in the studies and inadequate research methodology lead to: inadequate knowledge on the conditions supporting positive employee ownership outcomes and individual experiences; inadequate scrutiny of the trade-off, if any, between improved productivity and employee well-being; and an imbalanced global focus, as the majority of studies were US-based (Blasi et al, 2003). The question is a challenge and clear answers are unlikely.

1.3 Overview of the research method

As evidenced by the research strategy presented in Chapter 4, the two major issues in the research lie in access and case study selection. The research process confirmed both these challenges and the importance of ‘guanxi’ as the only appropriate strategy in achieving access. The second issue of case study selection is especially critical in that there are limited empirical studies in this research topic. If non-EIP companies were chosen, the case study would be meaningless, compounding the problem of access, as ‘guanxi’ is a scarce resource. To address the problem, the main research work is preceded by quantitative descriptive research in order to shed light on the type of industry best run by EIP companies.

Having resolved the access and case study selection issues, the next step was the design of the research approach. The study focuses on the how and why of EIP, rather than its quantitative importance. A qualitative case-study approach involving primarily semi-structured interviews, as well as a secondary documentary data search, was therefore adopted. The data search involved an examination of corporate website information, annual reports, press releases and news covering the research respondent organisations and was conducted pre and post interview. Non-participant observation was applied as a

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supplementary method, not only to provide triangulation, but also to facilitate focussed discussions in the semi-structured interviews. The transcription of the 37 interviews conducted, covering a total of 20 case studies, was very time-consuming. Therefore, the extent of the data capture is governed by the research questions in as much as possible. With data transcription completed, the next important step was analysis based on the categorisation summarised in the literature review.

All the participants agreed to participate in the interviews on a personal basis and on the understanding that their identity would not be revealed in any official account of the research study. The ethics design of the research was intended to protect the identity of respondent organisations and participants by anonymization and destruction of tape-recordings, with issues of reliability, validity and trustworthiness issues carefully addressed. The researcher considers the overall research method is appropriately designed for the research study.

1.4 Research significance, contribution to knowledge and practical applications

The research advances EIP knowledge by providing an improved understanding of EIP at work, research challenges in the Chinese context, as well as practical suggestions for future research directions. The contribution is expected to be of use to managers in the business community or government departments, and researchers who are involved, or plan to be involved, in EIP applications in China, and to a lesser extent, researchers who are interested in management research in China.

Improved Understanding

This research study contributes to the literature by providing an improved understanding of EIP applications at work in China in the following areas: (1) employee involvement mostly
takes the form of downward communication and teamwork, however, even in the more active enterprises, the extent of employee empowerment is limited. (2) leadership is an important EIP enabler found in some of the active EIP companies, in a way similar to the Macleod Report (2009). (3) While employees understand the true management intent, which is most critical to EIP successes, they often choose silence as the response, in case of dissatisfaction. (4) the issue of constrained political participation is prevalent among Chinese enterprises, whether global, state-owned, public or private. From the findings of the research, the lacking in an effective voice structure do affect employee involvement and commitment, especially among young employees. (5) all EIP practices in Chinese enterprises are management initiated for various reasons. As the legal framework and trade union traditions are not supportive of an employee voice, therefore, most EIP applications are designed for performance or operational improvement purposes, especially in innovation businesses, and in some cases are purely rhetorical. (6) There is poor or mis-understanding of the concept of EIP at both management and employee level and may have been a reason for the less than satisfactory EIP systems in China. (7) employment relations are changing, and the government is apparently choosing to be more open in allowing an employee voice.

Areas for future research

This research provided an exploratory study of EIP at work in China. However, it is considered to be a starting point for EIP study in China, in that more in-depth studies are recommended in three broad areas: (1) comparative studies that cover EIP applications

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4 The MacLeod Report was prepared with the objective of examining how employee engagement could positively impact on competitiveness and performance at a time when the UK government was concerned with the economic recovery after the 2008 Global Financial Crisis. The researcher finds parallel in the background of the study with the drive ‘Made in China 2025’ initiated by the China government, which sought to step up national competitiveness through innovation and quality enhancement. Both seek reliance on strong, innovative companies and confident employees, and employee engagement is key. Therefore, the reference to the ‘enablers of engagement’ in the MacLeod Report serves as a useful guideline in assessing EIP at work in China.
among enterprises in different regions across China in order to identify the relationship between the economic state and need for a voice system. (2) Longitudinal case studies with the researcher conducting the research in the capacity of an ethnographer in order to gain evidence of any fully implemented EIP systems and the actual impact, especially on employee perception, employee attitude and commitment to developing the micro-foundation of EIP applications. (3) Research using propensity score system in order to measure and identify employee groups with a greater need for employee participation.

1.5 Overview of the thesis chapters

The dissertation is broadly split into eight chapters. First it presents the relevant literature, divided into a discussion of EIP in chapter 2 and the Chinese context in chapter 3. After introducing the research methodology in chapter 4, the next four chapters relate to the fieldwork data and preliminary analysis, with chapters 5 and 6 presenting the research findings, chapter 7 dealing with the overall discussion and analysis of the research results, and chapter 8 ending with a proposal and conclusion of the study.

After the current chapter explains the research positioning, objective and methodology, chapter 2 and chapter 3 describe the review of literature on EIP and Chinese HRM respectively. Chapter 2 first explains the wide range of terminology for employee participation in different disciplines. The one employed for the purpose of this research study is the one used by the CIPD, which emphasises the two components of EIP, the involvement component and the participation component. Having clarified what EIP entails, the chapter then proceeds to improve understanding of EIP in terms of the components and the extent of employee empowerment through the fourfold framework, its positioning in the HRM bundle, the historical development and the broader conceptualisation of EIP. The
following sections examine the enabling factors and barriers to EIP as well as comparative studies with Europe, the US and Asia in order to illustrate the contextual factors of EIP, before the discussion of issues of relevance, significance and controversies to conclude the chapter.

Chapter 3 then describes the review of literature on HRM in China, including EIP issues, in order to facilitate discussion of HRM practices in a broad context. The role of the various actors in the labour system, including the government (Ministry of Human Resource and Social Security (MOHRSS), employer association (All-China Federation of Industry and Commerce or ACFIC) and trade union organisation (All-China Federation of Trade Unions or ACFTU) are examined in order to identify the fact that the three separate organisations actually share a single mindset, suggesting that employment relations in China are different to those in the west. As shown in the rest of the dissertation, a political economy perspective (Boxall and Macky 2009) is needed in order to understand dynamics such as the constraints and choices facing enterprises, and in this case, the different role of trade unions and employee voice in China, again in comparison with their role in the west.

Chapter 4 describes and explains the research method and design considerations for the research project. In the prior discussion of the detailed methodology, an explanation regarding three important issues in determining the research strategy, the research approach, access (which was considered by the researcher one of the most difficult and challenging parts of the research study) and the case selection (resulting in 20 respondent organisations, including three Chinese and one foreign global multi-national corporation (MNC), three central state-owned enterprises directly under the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), one national business unit, four
listed companies, five private businesses (four SMEs and one large enterprises) and three foreign Sino joint ventures) is given. The research design details are then presented in the rest of the chapter: case study descriptions; research plan; data collection and analytical process; and ethical considerations.

 Chapters 5 and 6 present the research findings, with the former focussing on the details of EIP practices, and the latter reporting on the behavioural aspects of the actors in the EIP systems, including management intentions and employee perceptions. Chapter 5 reports two groups of data. Part one sets out the findings of a study of the annual reports and corporate websites of 995 companies listed on the Shanghai Stock Exchange. This aims to provide a basic understanding of EIP practices as set out by Corporate China through its published reports and corporate website information. With limited empirical research study in this topic, the findings provide background information on EIP at work in China as claimed by the business community. Part II includes findings derived from 34 interviews in 20 respondent organisations and three interviews with expert and employer groups, mainly covering the four forms of EIP adopted by the respondent organisations: downward communication, upward problem solving, financial participation and representative participation. To exemplify typical Chinese EIP enterprises, further discussion of three cases of active EIP respondent organisations is presented in order to see explicit EIP applications in its entirety, along with research data from the interviews and secondary data on corporate information separately sourced by the researcher.

 While chapter 5 focusses on individual practices in EIP systems, with certain trends and themes emerging, chapter 6 seeks to further explain the dynamics of EIP application in the respondent organisations by examining the following three questions. Each question is
addressed in the subsequent sections, respectively: (1) What are the reasons for adopting EIP? (2) What is the employee perception of the EIP practices introduced? (3) Is EIP part of a bigger HRM design? At the end of the discussion, two representative EIP case studies, one representing large enterprises, and one SMEs, are presented in order to highlight the different views of management and employees, enriched by data extracted from various media, corporate reports, business journals and company blogs and website. The operating data is presented with the purpose of assessing the operational health of the enterprises, a key factor identified by one of the research respondents (from its failed experience of practising EIP in full), rather than using it as a measurement of EIP impact.

Chapter 7 presents the discussion and analysis from four perspectives. It first revisits the EIP applications presented in chapter 5 from an analytical perspective to assess the extent of employee empowerment in the context of the four-fold framework. The next section reports on various EIP contextual issues, such as awareness and understanding of the subject matter, the rationale of the adoption, employee perceptions, and internal and external factors challenging EIP adoption. The third section reveals other relevant related HRM issues such as employee expectation, training and employer brand image. The last section discusses the challenges to EIP systems. The chapter concludes with a summary of the understanding of various EIP issues derived from the research study, not only as a response to the research questions, but also as the basis (key considerations) to inform the proposal on EIP practices for Chinese businesses in the following chapter.

Chapter 8 discusses how an improved understanding of EIP at work may be of benefit to managers in the business community or government departments, and researchers who are involved, or plan to be involved, in EIP applications in China, and to a lesser extent,
researchers who are interested in management research in China. Finally, it provides suggestions for future research before the final conclusions of the research study are presented.
Chapter 2  Understanding Employee Involvement & Participation:
A Review

2.1  Introduction

There is a wide range of terminology for employee involvement and participation (EIP). Different disciplines such as political science, industrial relations, human resource management (HRM) and economics, tend to have different focusses. Some relate EIP to politics and question the real form of that involvement (Pateman, 1970). Others focus on the relationship between participation and satisfaction (Blumberg, 1968), commitment to organisational success (Cotton 1993), or notions of industrial citizenship (Clegg, 1960; Webb and Webb, 1902), as well as ways in which employees play some part in decision making (Hyman & Mason 1995; Wilkinson et al. 2010). There is also the wider definition that includes job redesign, team-working and financial involvement in the form of profit-sharing and employee-share ownership (Marchington & Kynighou 2012).

The objective of this chapter is to better understand EIP including the various forms, the voice and silence context, as well as development. What are the barriers to the implementation of EIP systems? How do you successfully engage employees? How should EIP be evaluated or understood? What is the relationship between EIP and performance? What are the controversies in EIP? The discussion in this literature review is structured to address the above questions and identify the role of EIP.

This chapter begins with an examination of the various components of the EIP system. It is followed by a review of the historic development and broader conceptualization of EIP to identify factors influencing the adoption of EIP systems, including the enablers of and
barriers to EIP. The following sections then compare the different approaches to EIP in Europe, US and Asia; discuss relevant and significant EIP issues in terms of its impact on performance; and debate its controversies.

2.2 What is EIP

The concept of EIP, with its reference to involvement and participation, is in fact two-fold. According to the definition by the Chartered Institute of Personnel and Development (CIPD), employee involvement\(^5\) is defined as ‘a range of processes designed to engage the support, understanding and optimum contribution of all employees in an organisation and their commitment to its objectives’. Participation is defined as ‘a process of employee involvement designed to provide employees with the opportunity to influence and where appropriate, take part in decision making on matters which affect them’. The difference between the two could be viewed in the light of the difference in approach, with employee involvement being more individualistic and unitarist (Resource Guide, 2002), and participation a pluralist/collective approach with a continuum from zero involvement’ to employee being in charge employee control’ (Blyton & Turnbull, 1998 ). In other words, involvement focusses on business results in the main whereas participation\(^6\) is more concerned with employee voice and cooperation in the firm and often, although not always, to be taken to a higher level\(^7\).

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\(^5\) To differentiate involvement from participation, in the rest of the paper, EI has been applied to signify situations where it relates to employee involvement only, while EIP, the concept in its entirety, refers to both involvement and participation.

\(^6\) The original concept of voice is developed by Hirschman (1970) in relation to customers’ response of exit (to withdraw from the relationship) or voice (to change rather than escape from an objectionable state of affairs) (Hirschman, 1970:30), and the positive relationship between voice and loyalty (Hirschman, 1970:77-8). Participation could be interpreted as the positive steps (voice) of employees taken to tackle organisational affairs out of their organisational commitment (loyalty), and the circumstances when they give up and either becoming silent or simply depart from company (exit) (Dundon et al., 2004:1152). Dundon asserted that voice could help reduce exit.

\(^7\) This refers to high level of cooperation between management and employees, in particular through direct form of consultation and/or coordination such as the management-initiated Joint Consultation Committee
While voice is a communication of employees’ dissatisfaction⁸, silence does not necessarily signify satisfaction. As defined by Pinder and Harlos (2001:334), employee silence⁹ is ‘the withholding of any form of genuine expression about the individual’s behavioural, cognitive and or affective evaluations of his or her organisational circumstance to persons who are perceived to be capable of effecting change or redress’. Silence could be quiescent, out of fear of speaking up or acquiescent, because of deeply felt acceptance (Pinder and Harlos, 2001). Even when voice could help reduce exit, it does not necessarily imply satisfaction. When employees choose silence, it could be due to the absence of good exit options (Pinder and Harlos, 2001). It is argued that in the event of good exit options being unavailable, the difference between voice and silence could simply be powerful employee action against the employer as encouraged by the voice system, rather than inaction (Brinsfield 2014). While silence is an important construct in the voice concept, there is still the lack of an integrative framework to relate voice and silence (Brinsfield 2014).

Having differentiated employee involvement from and expanded on participation, there is another related concept that requires clarification. Most companies apparently appreciate the need to engage their employees and develop some sense of corporate identity. So, is whereby management and employees share joint decision making authority on matters of mutual concern in many of the Anglophone countries (Pyman 2014).

⁸ There are four scenarios of employee discontent (Gollan and Wilkinson, 2007): (1) when employees are loyal and voice leads to positive effects on quality and productivity, (2) when employees are loyal, but there is no suitable voice system to allow them to speak out, as well as (3) when there is low or no loyalty, discontented employees remain silent, because there are no good exit options, there is no suitable voice channel, and in both (2) and (3), they are afraid to speak out or they have accepted the norm. (4) when there is low or no employee loyalty and employees do not choose exit simply because there are no good exit options, but voice allows them to take actions against the employer (Dundon et al., 2004; Wilkinson et al., 2004). The question then is what influences employee loyalty?

⁹ Employee silence was developed from an earlier concept ‘organisational silence’ by Morrison & Miliken (2000) which states the existence of a collective phenomenon where employees withhold their observations on organizational problems because of a climate of silence and perceptions that speaking up is futile or dangerous.
engagement equivalent to involvement and participation? Shuck and Wollard (2010:103) define employee engagement as “an individual employee’s cognitive, emotional, and behavioural state directed towards emotional outcomes”. The CIPD (CIPD website) defines employee engagement as “being positively present during the performance of work by willingly contributing intellectual effort, experiencing positive emotions and meaningful connections to others” with three dimensions, intellectual, affective and social. It goes beyond job satisfaction and is not simply motivation (CIPD). Engagement is something the employee has to offer: it cannot be “required” as part of the employment contract’(CIPD). So, engagement is more related to the psychological state, whereas EIP is action oriented, and relates to organisational processes for this purpose. In the following section, the concept of EIP will be examined in greater detail.

2.2.1 A Fourfold Framework

To understand the type of involvement and participation systems, as well as to identify the extent of employee empowerment in any organisation (Wilkinson et al, 2011), the four-fold framework (Marchington et al, 1992; Marchington and Wilkinson, 2005; Wilkinson et al, 2011) is commonly employed. The four factors of the framework include the degree, level, scope and form of involvement and participation. By degree, it refers to the kind of influence employees have over decision making varies, depending on whether the EIP is information, communication, consultation, co-determination and control type (Marchington & Wilkinson, 2005). As for level, it refers to where the EIP takes place (Marchington and Wilkinson 2013). Examples are work group, department or board level. Wilkinson et al (2010) argue that high-level participation might be consequential of simple information passing exercise in that workplace level involvement could lead to control over decisions about work organisation. Scope refers to the topics employees could contribute, ranging from minor to substantive
issues (Marchington and Wilkinson 2013). Finally, form of EIP refers direct, indirect, informal and financial practices (Marchington and Wilkinson 2013). Guided by this framework, EIP in China is thoroughly examined in this research. The various forms of EIP are further illustrated in the following sections.

**Form of EIP**

There is now greater interest in direct over indirect forms of participation (Marchington, 2006). The four main EIP techniques experimented with by many companies are downward communication, upward problem solving, representative participation and financial EIPs. Downward communications include team briefings, employee financial reports, and various media. Information circulation, simple as it may be, may result in high-level participation as workplace level involvement could lead to control over decisions about work organisation (Wilkinson et al 2010). Upward problem solving which encourages employee to offer ideas (Wilkinson et al, 1998) include suggestion schemes (Wilkinson, 2002), quality circles and Total Quality Management’ (TQM) (Marchington et al. (1992), which have become commonplace in the Anglo-American world (Boxall et al. (2007: 215). While suggestion systems may include HR systems that empower front line employees to personalize services at high end establishments such as luxury hotels (Haynes and Fryer, 2000), TQM enterprises which operate with a high level of flexibility and fit (Gomez-Graz and Verdu-Jover 2005) may have a different inspiration and logic from other EIP practices.

As for team-working, researchers have concluded that the team’s access to information is key to the perceived success of team-working; and to a lesser extent, team diversity. Teams with greater diversity evaluated more positively the effectiveness, as well as ease of securing authority for task implementation (Magjuka & Baldwin 1991).
Representative participation includes joint consultation and Japanese-style company councils, and financial EIPs include Employee Share Ownership Plans (ESOP)\textsuperscript{10} and profit sharing/bonus schemes. According to Poutsma et al. (2003), the pattern of financial participation is influenced by government policies as well as the nature of the business. In Europe, broad-based profit-sharing schemes are common among domestically-owned companies in the commercial sector, while broad-based employee share ownership schemes are more common in domestically-owned larger companies with more than 200 highly qualified workers in technical innovation businesses (Poutsma et al. 2003).

In general, companies with some form of financial participation are more dynamic workplaces with participative structures. However, according to the study of Kalmi (2005) and that of Poustma et al. (2003), with the exception of employee share ownership, financial participation such as profit sharing does not necessarily generate the desired improvement in performance. This may be explained by Vroom’s expectancy theory (Vroom, 1995), where the employees’ attitude is very much shaped by their perceived value. As there is no fixed rule on profit sharing, the amount of profit shared could be different from their expectation, generating dissatisfaction rather than motivation to work. Secondly, the perception of equity also comes into play. The distributional effects of financial participation schemes only reinforce pre-existing inequalities in pay and earnings (Welz, 2008). We can therefore appreciate the findings of Poutsma et al. (2003) that the wider the participation in equity plans, the more likely that financial participation will achieve the desired outcomes, while the extent of participation in profit-sharing could have little effect (Poutsma, 2003; Robinson, 2006).

\textsuperscript{10} Further details on ESOP is discussed in the appendix at the end of this Chapter.
There is contrasting evidence of the complementarity of financial participation and other forms of EIP. Some conclude that there is complementarity between financial participation and EIP (Blinder, 1990; Doucouliagos, 1995; Jobes et al., 1997; Kruse and Blasi, 1997; Poutsma, 2001; Perotin & Robinson, 2003). Communication from the European Commission (CEC, 2002) notes that the benefits of financial participation are greatest when schemes are embedded in participative management systems. However, other empirical studies have found a weak relationship between direct participation and financial participation (Festing et al., 1999; Addison & Belfield, 2000; Kalmi et al. (2005). It is unclear whether the contrasting results are due to the different contexts of the studies.

The pattern of increasing use by management of direct forms of employee involvement is repeated in both Anglophone countries (Boxall et al., 2007a) and continental Europe (Poutsma et al., 2006). More formalized forms of direct employee involvement are common in large enterprises (Kersley et al., 2006). However, in small firms, worker satisfaction with their influence on the job and with the quality of management communication is typically higher (Forth et al., 2006; Macky and Boxall, 2007), possibly because there is more personal contact between management and workers.

Indirect participation is achieved through independent but legal structures such as trade unions or works councils, where the actual power and influence of these structures derived from the system varies between countries, depending on the rationale for collection bargaining and the industrial relations intended (Richard et al., 2010). Another form of indirect participation is non-union employee representation. While union influence is in decline in the United Kingdom and France (Kersley et al., 2006; Bryson et al., 2012; van
Wanrooy et al., 2013), the presence of non-union employee representative (NER) arrangements is increasing, especially among larger private sector employers (van Wanrooy et al., 2013). What exactly is NER? Donaghey et al. (2012) defines it as a form of company-specific forum that gives non-union employees the chance to be represented on certain issues. Common forms of NER includes grievance panels, joint health, safety and employee well-being committees, profit-share focus groups, plant production committees, company-wide works committees, and employee reps on the director boards.

2.2.2 EIP in the HRM Bundle

Researchers argue that the extent of management trust in employees and the extent to which they allow their influence in decision making are important factors in evaluating the character of an enterprise’s HRM strategy (Boxall and Purcell, 2014). What this indicates is that EIP shapes an enterprise’s HRM’s strategy and is therefore a significant component of the HRM bundle, and some even consider that it is part of the high-commitment HRM bundle (Marchington & Wilkinson, 2005; Wood 2010; Boxall & Purcell, 2011). Part of the debate in EIP is focused on its importance for performance through its role in certain HRM bundles of practices. So, what exactly is the HRM bundle?

Some researchers mention the idea of the HRM bundle to be a set of HR practices which if adopted in combination, enhance management effectiveness (Marchington and Wilkinson (2013). Some advocate the ‘synergistic’ model with the adoption of all practices (Kepes and Delery 2007), while other research identifies different bundles for combinations of different groups such as professional development or employee contribution (NHS study by Boaden et al 2008). Although there is not an agreed set of components of the bundle, the list compiled by Marchington & Wilkinson (2008) could be illustrative. That it includes (1)
extensive training, learning and development; (2) EIP: worker voice; (3) self-managed teams/team-working and (4) high compensation contingent on high performance, points to the notion that ‘long-term competitive advantage could only be achieved through people’ (Marchington & Wilkinson, 2008). Such as in businesses which stress quality enhancement to differentiate themselves from competition, In EIP, especially direct EIP, employee involvement is considered vital to delivering the quality the company is committed (Wall & Wood, 2005; Cabrera et al., 2003).

It is believed that possession of more information would enable the better use of the discretion of, and greater engagement by, workers in the course of their work (MacLeod & Clarke, 2009; Alfes et al 2010). Supposedly, this should be applicable to all employees in general. However, if an organisation adopts a high commitment HRM strategy with a resource-based view, there could be mixed approaches. According to the resourced-based view of HRM (Boxall 1996; Allen & Wright 2007), there are four categories of employees, the combination of which gives the organisation sustained competitive advantage. They are: (1) those who make a difference to the organisation and add value (Value); (2) those who offer more achievements (Rarity); (3) those who can be copied with some difficulty (Imperfect Inimitability); (4) those who make unique contribution (No substitute). From this group of strategic value contributors, the workforce can be further segmented into four categories according to their strategic importance (Lepak & Snell 2007). They are: knowledge workers (who create strategic value with unique skills), job-based workers (who create strategic value but do not have unique skills), contract workers (who have low strategic value) and alliance workers (who have unique skills but are not core to creating strategic value). Applying the resource-based view and value-contribution segmentation in combination to evaluate the importance of employees, the category that employers should
invest in, in order of priority, could be: (1) those knowledge workers who make a unique contribution (No substitute) and at the same time create strategic value; (2) those knowledge workers who make a difference and add value with unique skills; and so forth. Those at the bottom of the list could be those contract workers whose skills can be copied with some difficulty and at the same time create only low strategic value. Interestingly, it is found that knowledge workers, including managers and professionals, who are of strategic importance to the organisation, are also the group more interested in EIP or have higher levels of engagement (Kinnie et al 2005; Alfes et al. 2010), therefore EIP programmes should be focussed on those employees who are important to the survival and future prosperity of organisations (Marchington & Kynighou, 2012).

As a side issue, while HRM systems have varying degrees of intensity in support of EIP, there is a growing trend in adopting of ‘flexible bureaucracy’ (Boxall and Purcell, 2008) or fragmentation in large organisations (Grimshaw et al., 2005), in that developments in one quarter of the enterprise are participatory and developments in another quarter within the same organisation are disempowering (Boxall and Purcell, 2010). In addition, when employers transfer low-value jobs to external subcontractors, their request to suppliers adopting high commitment HRM practices such as EIP is highly unlikely (Fisher et al 2008). The same applies to agency workers (Grimshaw, 2003), where they are excluded from any EIP practice adopted by their own employer or the site where they are seconded. While there may be support for this type of ‘flexible bureaucracy’ (Boxall and Purcell, 2008) or discrimination policy on grounds of practicality, the situation where different parts of the organisation operate with a different spirit and a different core belief may possibly do a disservice to corporate culture building.
Business commitment to indirect EIP, joint consultation in particular (Holland, Pyman, Cooper & Teicher 2009), is also seen as a key aspect of HRM, as this long-term view of partnership helps the company to overcome operational difficulties and crisis. However, irrespective of the above positive expectation of participation, researchers are concerned that EIP is potentially a form of worker manipulation (see Martinez Lucio, 2010 for a discussion on this line of debate which will be further discussed in section 2.3).

Reflections

EIP is considered as part of the HRM bundle as it defines how management trusts employees and allow their participation in decision making. However, the resource-based view proposes that EIP should not be applied with discretion, depending on the importance of the employee in terms of their skills and value contribution, which is reflected by the growth of flexible bureaucracy. While these considerations are valid in the practical sense, the issue is that these calculating strategies may not be beneficial to corporate culture development, which is also important in improving employee commitment, where in times of difficulty, an enterprise is not relying on a limited number of talented individuals to survive, but on the strength of the whole.

2.2.3 The Outcomes of EIP

The research by Dundon et al. (2004) on employee voice found that it could have a positive impact in three general ways. The first is valuing employee contributions. This might lead to improved employee attitudes and behaviour, loyalty, commitment, and cooperative relations. The second impact relates to improved performance, including productivity and individual performance, lower absenteeism and (in a few cases) new business arising from employee ideas for improvement and efficiency. The final impact relates to improved
managerial systems. This incorporates the managerial benefits from tapping into employee ideas; the informative and educational role of involvement along with improved employee relations. Using the WERS data, Bryson (2004) found that direct participation is associated with better employee perceptions of managerial responsiveness than either non-union representative voice or union participation. However, the combination of direct and non-union representative voice has the strongest effects (Bryson 2004). Union voice is not generally associated with perceptions of managerial responsiveness, but direct voice mechanisms are, and the negative union effects such as decline in union wage premium are strongest where the union representative is part time, and Bryson (2004) suggests that union representation raises expectations that may not be achieved due to time constraints. In short, direct voice tends to be positively associated with perceptions of managerial responsiveness, and part-time union representation shows a negative impact (Bryson 2004).

According to Lewin, Wilkinson, Gollan and Marchington (2010), one of the key objectives of employee participation is ‘achieving successful organisational change’. For that purpose, substantial time and effort may be needed to create and develop an organisational culture for the change initiative to take root (O’Reilly, 2008). However, in many organisations employees are only involved at the later stage of organisational change initiatives after the design and implementation plans are finalized (Gollan, 2007; Millward et al., 2000; Terry, 1999; Tushman and O’Reilly, 1996). The result of this would very much be forcing employees to assume the goals of organisations as their own, which may defeat the whole purpose of EIP in the first place. Therefore, it is argued that participation scheme outcomes of different managerial intentions and contextual factors are reflective of the character of the overall HRM strategy of the enterprise (Marchington & Kynighou, 2012).
There are two major components in the EIP process, namely, information and consultation (Lewin, Wilkinson, Gollan, Marchington (2010). Information could be viewed as the prerequisite for empowering employees in meaningful exchanges and consultation, and this should be the basis for assessing the genuine intention of management in their EIP practices. Analysis of system design issues shows that employees do not simply accept management rhetoric unconditionally; their support is dependent upon trust in management and the systems used (Dietz et al., 2009), in that they may oppose the management initiatives implemented (Roberts and Wilkinson, 1991), and design their own agenda (Wilkinson, 2008). Therefore, both employers and employees should have mutual respect for the other party’s intelligence. Given the free flow of information in this digital age, if one believes their brain could outwit the rest of the world, he or she is probably trading long term gain for some short-term benefit.

2.2.4 Reflections

This section begins with mapping out the general profile of EIP through the CIPD definition, the fourfold framework, the HRM perspective as well as and Outcome expectancy. The CIPD definition brings out the involvement and participation element, which indicates that involvement is about business improvement, while participation relates more to the workers’ voice, their right of expression.

The fourfold framework highlights the significance of an EIP through the assessment of the level, the scope, the form and the degree of influence over decision making. The key focus should be the form, categorised as: downward communication, most commonly newsletters or briefings; upward problem solving, such as team work, suggestion schemes or attitude surveys; financial participation, such as profit sharing and employee share option schemes;
and representative participation such as trade union organisation.

There is consensus that EIP is part of the high commitment HRM bundle, vital to delivering the quality the company is committed to. While corresponding HRM strategies such as training are needed to facilitate EIP applications, there is the concern with a resource-based view that flexible bureaucracy is necessary, and the top priority is to focus on those employees with unique skills (no substitute) to create a high value contribution.

While there are all the positive views of EIP application, such as improved performance, commitment and employee relations, management intention, voice mechanism and trust and respect are also important contextual factors in achieving successful EIP applications.

In the next section, we shall look at how EIP has developed, and the intermittent influence of the various theories, the Neo-Marxist tradition and the Labour Process theory, which includes three waves: (1) cycles of control; (2) control, compliance and consent and (3) human resource management, lean production and partnership.

### 2.3 The Development of EIP

Direct employee participation has experienced a renewed focus since the 1980s and continued through the 1990s. From the 1980s and into the 1990s the context for participation changed significantly in Britain and the United States, with an approach driven from outside the formal institutions of industrial relations. The key agenda was a business focus that stressed direct communications with individual employees which, in turn, marginalized trade union influence. This new wave of involvement was neither interested in, nor allowed, employees to question managerial power as was done in the past (Marchington et al., 1992). In effect, this was a period
of employee involvement on management’s terms in response to a concern with competition, especially Japanese production methods which spawned interest in TQM, Quality Circles and Six Sigma (Wilkinson and Ackers, 1995). In these manufacturing contexts, the need to adopt Japanese-style lean manufacturing principles to survive led to a change towards a high-involvement model incorporating greater decision-making autonomy on the job, as well as of quality circles or other types of problem-solving groups or employee forums (MacDuffe, 1995). Similar developments were noted in the service sector. High-skill, high-involvement systems of managing people are naturally common in professional services because such workers need to exercise high levels of skill and judgement, but they are also becoming important in those service industries which can segment customer needs (Boxall, 2003). For example, similar investments in employees are less common in the budget hotel industry where customers want a cheap bed ‘without frills’, as illustrated in a study of Chinese hotels of different quality ratings (Sun et al. 2007). As for the context and process of EIP, management motives have shifted away from their concerns with industrial relations and labour control to embracing employee involvement as a way of increasing quality and customer care in the face of fierce global competition.

The current business priority is the need to aim for the high-end market with high-value-added operations to avoid shifting low-value-added jobs abroad (Handel and Levine, 2004), Piore and Sabel (1983), achievable by motivated workers in a knowledge economy (Scarborough, 2003). The implications for the management of EIP is that creativity, as opposed to compliance, is the key (Walton 1985). This is the basis of high commitment where employees are supported and encouraged to seek job satisfaction from their contribution in an environment that emphasises employee/employer relations, organisational performance and profitability improvement (Becker and Huselid, 2008; Huselid, 1995; Wright and Gardner, 2003). As Strauss (2006: 778)
observes, it ‘provides a win-win solution to a central organisational problem—how to satisfy workers’ needs while simultaneously achieving organisational objectives’. However, Harley et al (2005) assert that this is quite different in practice.

Apart from the emphasis on employee contribution, which is employee involvement in essence, empowerment in the form of involvement opportunities and employee discretion are also part of the EI system. Nevertheless, Wood and De Menezes (2008) question the usefulness of both if staff do not know how to use them (Wood and De Menezes, 2008). This brings up the issue of training which will be addressed in section 2.4.3.

### 2.3.1 Critical Perspectives: the Neo-Marxist tradition and the role of Labour Process Theory

One thing that the researcher observed during her 30 years of management and consulting experience in the Chinese market, is the unique behaviour of state-owned enterprise employees: honest, selfless, non-materialistic, participative and serious in their work. They seem to fully embrace the Marxist doctrine, which is close to a Stalinist perspective. The second phenomenon the researcher observed is that the success of any state-owned enterprise is dependent on a shrewd chief executive who manages the organisation like a dictator, and the term ‘employee voice’ may be totally absent in his vocabulary. Therefore, the researcher found difficulty in reconciling the two observations with the EIP theory, the Neo-Marxist and Labour Process theory, one which is different in many aspects of the official Marxism and the Chinese context.

One of the core issues of Neo-Marxist theory is the critique of the exploitation of labour in the capitalist context, where the capitalist system is dissected to examine the reliance on market relations and the extension of the market to employment relations and surplus value extracted
from the working class (Marx, 2000: 272-568). Therefore, the work of Karl Marx in the nineteenth century was concerned with explaining the development of capitalism and its internal and inherent contradictions. Marx focused, among other things, on the exploitative dimension of employment relations within a capitalist context.

The Labour Process Theory (LPT) which suggests control is paramount to the management system as workers who sell their labour are not interested in the labour process, examines the employee and employer interest from a critical perspective. It must be emphasised that LPT is not simply a Marxist theory because it focuses on the process of production but not always with a link to the broader issue of social transformation (Thompson 1990). Therefore, LPT should not be taken as a ‘complete sociology of work’ (Thompson and Smith, 2010a:13). It should be viewed as a micro-level approach with a specific focus on work politics (Thompson and Vincent, 2010) but it remains critical of the nature of production relations.

There are three waves of LPT: (1) cycles of control; (2) control, compliance, consent; (3) human resource management, Japanese-style lean manufacturing and partnership. By cycles of control, the ‘first wave’, Ramsay (1977) suggests that every management interest in employee participation is a response to the challenge of management authority at the point of time, therefore it results in defensive participation rather than genuine involvement of employees. However, Friedman (1977:78) believes that skilled workers have the privilege of ‘responsible autonomy’ ‘in a manner beneficial to the firm’, a kind of control strategy segmenting and stratifying the working class (Edwards, 1979). This body of work is referred by Thompson and Newsome (2004) as the ‘second wave’ analysis, where ‘participation in choosing’, ‘generates consent’ (Burawoy, 1979: 27). The ‘third wave’ was prompted by the
influence of Japanisation which promotes group consensus, just-in-time, quality circles, team-working and kaizen; development of HRM under the Harvard Business School model (Beer et al., 1984) where voice is key to corporate strategy; and finally the change in management approach to promote partnership with unions, with the active participation of the union in the issues concerning the company’s productivity, quality and flexibility matters (Guest and Peccei, 2001).

With the decline in trade unionism, there is a new development in LPT as a new form of collectivism, collective identity 11 (Dundon and Gollan, 2007), which is a necessary precondition for the employee voice to exist and be heard (Taylor and Bain, 1998), as employees find reduced personal and professional risk (Krefting and Powers, 1998; Jermier, 1998). Marks and Scholarios (2007) noted that more qualified employees invest in professional identity, while less qualified and low-skilled groups with limited opportunity elsewhere developed a stronger organisational identity.

In summary, LPT highlights actors, interests and context at micro and macro level. While management may allow for different levels of voice, as illustrated by the three waves and the more recent development in collective identity, it is triggered by different motivations under different contexts. The development of participation from the perspective of Marxist and Labour process input portrayed in the light of three vectors (Stuart & Martinez-Lucio, 2005). The first vector is trade union incorporation, where trade unions become part of management through their membership on joint consultation committees or boards of directors. The second vector is corporate-oriented ‘collective’ modes of representation, such as team working, which displaces

11 Collective identity includes alternative sources of collectivity apart from trade unionism. Occupational identity, ‘a potentially potent force in the interplay of factors shaping the pattern and character of non-union forms of employee voice’ (Dundon and Gollan, 2007:1187), is an example.
autonomous and independent collectivist forms. The last vector is the new mode of exploitation through direct participation where the ‘individual involves themselves in their own mutilation’.

While there may be different views of EIP, the key contribution of the Neo-Marxist and LPT accounts is that they offer a gentle reminder of the reality that EIP may not always work and management rhetoric is an important feature in EIP applications ((Martinez-Lucio:120: Wilkinson et al., 2010).

2.3.2 Reflections

Neo-Marxist and LPT accounts offer insights that according to Martinez Lucio (2010:124) ‘reveal the inbuilt tensions within the paradigm of participation and the development of participation in a capitalist context where ownership is not subject to any systematic social or political participation from workers’. Notwithstanding this research is not intended to be anything near political science, as Martinez Lucio (2010:106) says, ‘we must develop an understanding of participation that is aware of the different vectors and dimensions in terms of its formation’ and the Neo-Marxist and LPT input allow us to see participation in its entirety, albeit in a more sober context. EIP is not something that can be easily incorporated as such and developed due to a range of managerial motives not least the desire to intensify work and improve operating results.

2.4 Contextualising EIP

As the saying goes, nothing happens in a vacuum. For an enterprise to adopt EIP practices, there are a few contextual issues critical to the presence of EIP in any enterprise. These are factors which link to the operating environment of the firm, identified by some researchers as cycles or waves, which may affect the stability of EIP applications, depending on the EIP embeddedness; as well as the business model the firm adopts. Administratively, the firm’s strategy on training and reward will have a bearing on the impact of EIP adoption. There is
a discussion of these factors in the following subsection to gain further understanding of EIP from the contextual perspective.

2.4.1 Cycles, Waves, and Embeddedness

According to Ramsay’s Cycle theory (1977), EIPs were created by management in response to the threat of misleading employees by cooperation for mutual gains. Therefore, the resolve for adopting EIPs dissipates when the threats are gone and vice versa. However, it was argued that the Cycle theory fails to explain why the same EIP schemes operate differently in different sections of the same organisation, or between different organisations within the same macro environment (Marchington and Knighou, 2012).

The Waves theory (Marchington et al., 1993) better explained the more dynamic nature of the business environment in reality as it argues that other factors, such as product market pressures, career aspirations and mobility of managers, conflicts between different functions and levels in the organisational hierarchy, were important in explaining how and why EIPs change. The study of Marchington et al. (1993) found that typical wave patterns in large decentralized manufacturing companies and centralized manufacturing and public sector organisations were similar except that the rate and scope of change in the latter two is faster and broader. Large private service sector firms operate in a shorter time frame, and small private sector firms are the most fluid group as they need to be more responsive to perceived pressures. The study showed that some organisations used as many as 10 different schemes, several of which had operated for more than 20 years. Schemes come to prominence at different times, with some revitalized and others just quietly disappeared. When the schemes were of marginal interest to workers and managers, they normally ended up with minimal impact.
While cycles and waves relate to the changing political and strategic factors in EIP systems in relation to transformations of the context over time, a complementary concept, EIP embeddedness, focusses on sustainability, which is a major problem of EIP at work (EPOC Research Group 1998; Marchington and Wilkinson 2005). Some researchers offer ‘type, quality and combinations of EIP’ to determine its impact (Cox et al 2006). Embeddedness is measured by the ‘breadth’ (number of EIP practices) and ‘depth’ (the frequency with which any one EIP practice takes place, the opportunity by employees to raise issues and the relevance and importance of subjects raised) in combination. Others categorise embeddedness as network, temporal and institutional embeddedness (Van Emmerik & Sanders, 2004). Network embeddedness is taken as the use of multiple formal EIP practices to support and enhance each other, while temporal is the regularity, frequency and longevity of an EIP practice to indicate its significance over time. Institutional embeddedness consists of indicators of how seriously managers and employees take EIP by legitimizing EIP practices. Researchers argued that the more embedded EIP systems are, the stronger the effects on positive commitment and satisfaction, especially when it relates to EIP practices of an immediate nature (Cox et al., 2006).

2.4.2 The Link between EIP and business models

Marchington & Kynighou (2012) attempted to examine the influence of three different business models on EIP, namely, the cost reduction model (CE), quality enhancement model (QE) and innovation model (I). They found that because the primary motive of CE companies is driving down cost, even if EIP exists, the investment in this area is minimal. Therefore, crisis situations either drive them totally out of business or push employment costs even higher. There is not much room for EIP application in CE companies.
In the case of QE companies, the business niche is the high-quality goods and services they provide and therefore EIP is routinely seen as a key part of the HRM bundle (Marchington & Kynighou, 2012). Indirect EIP at QE companies are typically well established, with strong trusting relations between managers and trade union representatives (Coupar & Stevens 1998).

I companies are relatively small companies which rely ‘on new ideas, creativity and team working, and are held together by a common commitment to develop new products and services’ (Marchington and Kynighou 2012). While I companies may not be able to invest so much in formal EIP, informal EIP is key to their business. Characteristics of I companies include family bonding, interesting jobs (Finegold & Frenkel 2006) and high employee engagement, where employment is part of life rather than just a job (Alfes et al. 2010).

The national plan of China “Made in China 2025” emphasizes repeatedly the focus on innovation and quality. Therefore, the link between EIPs and these business models may be of relevance to China, a subject to be revisited in subsequent chapters.

2.4.3 Training & Reward and their Contextual Role

Training is to some extent ‘an instructor-led and content-based intervention leading to desired changes in behaviour’ (Sloman, 2005). Learning focuses on the changes in one’s skills, attitude or knowledge (Gibb, 2008). Development is the umbrella term which covers both. While EIP requires employee participation in problem solving, training and employee development programmes are obviously important, not only to ensure employees’ capability, but also the right attitude to participation.
One of the key areas for training is the implementation of empowerment programmes. According to Cunningham and Hyman (1995), although many of their respondents are implementing empowerment, which suggests that managers have developmental roles, the limitations of many empowerment programmes mean that little extra responsibility is passed on to subordinates, thereby limiting the role of middle managers to implement EIP practices.

As noted, researchers in the UK reported, for example, that the agenda of EIP has changed from the 1970s in three respects: it was management initiated, it was more individualistic, and it was driven by economic goals with an emphasis on employee motivation and commitment (Ackers and Wilkinson 2000). Therefore, the other feature in the HRM system critical to the success of EIP is the reward system. High commitment HRM practices generally feature high compensation contingent on performance. However, according to Meyer & Allen (1991), employees who have a strong affective commitment to the organisation, team, or supervisor are likely to share the target’s values and to experience assigned goals as autonomously regulated and, hence, as ideals to be attained. Therefore, an ESOP could be, for example, an effective HRM tool in securing goal commitment if employee owners share the goals of the company.

2.4.4 Reflections

EIP applications, as demonstrated above, exist not as absolute best practice. There are various circumstantial factors that determine its justifiable existence in any organisation. Among them, the type of business model may prompt the need for employee involvement, such as the innovation or quality enhancement model. Secondly, even where EIP exists, the external environment, such as in times of crisis or economic downturn, influences whether the employer needs or does not need the employees’ support, which in effect shows that the
existence of EIP is also influenced by the supply and demand balance in the employer/employee relationship – who needs who more. Finally, when an employer decides that they need EIP systems, there must be appropriate training and reward systems in place to ensure employee capability and motivation for their performance improvement. It is only when there is solid performance improvement that enterprises are keen to support EIP programmes, the basis of EIP embeddedness in any commercial organisation.

2.5 Enablers and Barriers

In addition to the influencing factors in EIP applications, there are studies which identify enablers critical to EIP’s success, and barriers which block EIP systems and their development. As discussed in the following section, there are four key enablers and three key barriers of EIP. Worth noting is the role of ‘managers’ who can be either enablers or barriers, meaning it is probably the most critical factor in any EIP system.

2.5.1 Enabling Factors

Where there are individual differences between different rankings of enabling factors of EIP, researchers generally agree that leadership (some describe this as trust in management) and employee voice (or satisfaction with involvement in decision making) are the most critical factors (Purcell 2010; MacLeod and Clarke 2009; Alfes et al 2010).

As big firms are more impersonal, bureaucratic and rule driven, the social and power distance between the managed and top decision makers is great. Boxall and Purcell (2008) believe that EIP will be successful only if managers at various levels give support and bring them to life. Apart from engaging managers, the MacLeod Report (MacLeod and Clarke 2009) advocates Integrity, “a belief among employees that the organisation lives its values,
and that espoused behaviour norms are adhered to, resulting in trust and a sense of integrity”.

Other significant factors include the employee relations climate, satisfaction with pay, the sense of achievement (Purcell 2010), meaningful work, supportive work environment and person-job fit (Alfes et al., 2010). On the point of satisfaction with pay, as successful engagement is often associated with high levels of performance (Alfes et al, 2010), it has been argued that there is the need for reciprocity (Marchington and Wilkinson, 2013). While employers gain from the extra effort of workers, there should be an appropriate reward structure to better support the EIP system, either as a matter of equity (to be discussed later in the chapter, section 2.7), or motivation to workers to continue their best effort for the long term.

In summary, there is consensus among researchers that the most critical EIP enabling factors are leadership and employee voice. Of lesser importance is engaging managers and integrity. Other less significant factors include employee relations climate, pay and sense of achievement, meaningful work, supportive work environment and person-job fit.

### 2.5.2 Organisational Barriers

While there may be merits to and positive publicity from EIP practices, enterprises may experience barriers to the introduction of an EIP system. The pressure could come from multiple directions. The three most significant barriers: the individual employees themselves; managers; and unions are examined here.

**Individual**

The study by (Ardichvili et al., 2003) found that the barrier to participation by individuals...
stemmed very much from insufficient recognition, self-confidence and fear of criticism. Contrary to the academic belief in strategic HRM, research shows that management often adopt opportunistic and pragmatic approaches in employee management (Bach 2005b; Boxall and Purcell 2008; Morris and Snell 2009; Becker and Huselid 2009), and this blurs management strategy and hence lowers employee recognition. Insufficient recognition may result in disinterest. There is the need to develop trust and improve employees’ understanding of the practice to remove the barriers. As suggested by Purcell (2010), employee trust in management is a significant factor for all occupational groups for building employee engagement. What is needed to build trust? MacLeod and Clarke (2009) note that there are two enablers, namely leadership and integrity. When management provides the strategic narrative which clearly explains the purpose and the broad vision of the organisation, employees have a clear idea of how their jobs relates to the narrative and this instills a strong, transparent and explicit corporate culture. Secondly, when management conducts consistent behavior throughout the organisation with stated values, it builds up a strong sense of integrity which leads to trust building.

As to the issue of self-confidence and fear of criticism, one of the ways of overcoming this could be through appropriate skills training. However, the practical reality of constraints of time, resources, organisational culture, senior and line manager support and poor motivation of the individual are barriers to building a learning and development culture (CIPD 2007d). According to Lewin (2005), the availability of a grievance channel is positively associated with organisational performance, as this provides assurance and confidence to employees about the kind of workplace they are in (Marchington and Wilkinson 2013). When employees believe in consistency and fairness in the management system, this may alleviate their fear of unfair criticism, thus enhancing their commitment to the organisation and
willingness to get involved (Bott 2003).

**Line Managers**

Although employee voice is in part the outcome of the design of top management, outcome is dependent on middle and line managers to bring the policy to life (Kersley et al. 2005; Dundon, Curran & Maloney 2006; Purcell & Hutchinson, 2007). Therefore, the role of line managers is critical as far as EIP is concerned, as they may facilitate or obstruct EIP (Fenton O’Creevy 2001; Whittaker & Marchington 2003; Boaden et al. 2008).

Academics or practitioners often identify line managers as the principal barrier to EIP development (Saporito, 1986; Ashton, 1992; Fenton-O’ Creevy & Nicholson 1994; Marchington et al., 1993). The three contributing reasons suggested include line managers obstructing EIP applications, either by choice or ignorance or because they lack the necessary skills to implement and manage EIP practice (Ackers, et al. 2005).

In the case of obstruction by choice, it could be related to their concern about the zero-sum power and control issue. As suggested by Kanter (1982), effective employee involvement hinges on the development of a power circulation mechanism, where powerful managers empowered by the organisation can create the same condition for their subordinates to perform. Therefore, middle managers who do not have adequate access to the tools (information, resources and support) suggested by Kanter (1982) would feel relatively powerless (Wheatley 1992; Kay, 1974) and treat power as a scarce resource (Breen, 1983; Wood, 1972). This reinforces the vicious cycle of the zero-sum power and control issue, as middle managers may fear that giving discretion to employees would weaken their position.
As for resistance as a result of ignorance and lack of skills, this could relate to the common problems of devolving HRM to line or middle managers, where they have difficulty in reconciling management goals with their own (Thompson and McHugh 2002; Geeson and Knights 2008; Wilkinson and Dundon 2010); they have competing work priorities (Gratton et al. 1999; Maxwell and Watsons 2006; Hutchinson and Purcell 2007); men have disdain for HR work out of a fear of feminization and stigmatization (Lupton 2000); or they simply lack the knowledge, skills or sufficient training to perform effectively (Renwick 2003; Maxwell and Watson 2006; Hutchinson and Purcell 2010; Teague and Roche 2012). All these problems raise the issue of training, learning and development, which is discussed in the following section.

Whichever the case, this points to the fact that the core of line managers’ resistance may simply be an indication of internal problems somewhere at organisational level (Fenton O'Creevy, 1998), rather than purely the problem of the managers themselves. As echoed by the finding of Cunningham and Hyman (1995), insufficient employee relations training for these key players, coupled with unsupportive attitudes and behaviour of line managers and supervisors themselves, hinder attempts to translate the HR vision of senior management into reality.

Marchington et al. (1993) identified in their study that despite the various factors influencing the waves of EIP applications in organisations, internal managerial relations are one of the key factors to explain the wave phenomenon, with success or failure of EIP are mostly attributable to middle managers. Example of the influence of middle managers could be cases where there is expert supporting the role of seeking employee ideas for improvement, the removal of which is taken to be a burden to middle managers and not particularly welcome. (Wilkinson, 2008). Other
situations could be fear of loss of job or authority, resulting in opposition, partly because they were not provided with the resources required, were not sufficiently trained, or were not evaluated on this in terms of performance appraisal and therefore did not see it as being of much importance (Marchington and Wilkinson, 2005). Purcell and Hutchison’s (2007) study of the British retail organisation, Selfridges, is a case to underline the value of senior management making more effort upfront in the selection, development, support, and motivation of front line managers to ensure their responsiveness to employees’ need. Fenton-O’Creevy (2001) did a survey on managers’ attitudes to employee participation with 4,500 members of the Institute of Management. He asked to what extent employees exercised influence over several decision categories. Respondents were asked their views on the level of non-managerial involvement in decision making as shown in the following table:
Table 2.1 Employee Involvement Attitude Factors

<table>
<thead>
<tr>
<th>How much involvement should non-managerial employees have in decisions concerning</th>
<th>Normative</th>
<th>Belief that EI is effective</th>
<th>Belief that EI leads to loss of power</th>
<th>Self-efficacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning and scheduling of work</td>
<td>0.59</td>
<td>0.23</td>
<td>-0.16</td>
<td>0.07</td>
</tr>
<tr>
<td>The way work is done (methods)</td>
<td>0.64</td>
<td>0.22</td>
<td>-0.2</td>
<td>0.08</td>
</tr>
<tr>
<td>Speed of work</td>
<td>0.63</td>
<td>0.16</td>
<td>-0.11</td>
<td>0.09</td>
</tr>
<tr>
<td>Allocation of tasks within workgroup</td>
<td>0.61</td>
<td>0.23</td>
<td>-0.13</td>
<td>-0.01</td>
</tr>
<tr>
<td>Determining quality standards</td>
<td>0.62</td>
<td>0.02</td>
<td>-0.07</td>
<td>0.1</td>
</tr>
<tr>
<td>Determining how quality standards will be achieved</td>
<td>0.63</td>
<td>0.07</td>
<td>-0.12</td>
<td>0.12</td>
</tr>
<tr>
<td>Hiring new recruits</td>
<td>0.54</td>
<td>0.16</td>
<td>-0.08</td>
<td>0.06</td>
</tr>
</tbody>
</table>

**How far do you personally agree with the following statements?**

<table>
<thead>
<tr>
<th></th>
<th>Normative</th>
<th>Belief that EI is effective</th>
<th>Belief that EI leads to loss of power</th>
<th>Self-efficacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problems disappear when all have the chance to participate in decision making</td>
<td>0.21</td>
<td>0.64</td>
<td>-0.14</td>
<td>0.17</td>
</tr>
<tr>
<td>Participative decision making usually results in effective decisions</td>
<td>0.21</td>
<td>0.60</td>
<td>-0.17</td>
<td>0.16</td>
</tr>
<tr>
<td>EI promotes positive relationships at all levels of the organisation</td>
<td>0.2</td>
<td>0.52</td>
<td>-0.21</td>
<td>0.17</td>
</tr>
<tr>
<td>EI gives too much power to subordinates</td>
<td>-0.19</td>
<td>-0.3</td>
<td>0.55</td>
<td>-0.19</td>
</tr>
<tr>
<td>Decision making often requires divulging too much confidential information</td>
<td>-0.12</td>
<td>-0.12</td>
<td>0.73</td>
<td>-0.13</td>
</tr>
<tr>
<td>Subordinates often cannot be trusted</td>
<td>-0.18</td>
<td>-0.12</td>
<td>0.52</td>
<td>-0.11</td>
</tr>
<tr>
<td>I am confident in my ability to manage effectively in an environment of high EI</td>
<td>0.11</td>
<td>0.22</td>
<td>-0.14</td>
<td>0.69</td>
</tr>
<tr>
<td>I would expect to find it quite hard to manage well in a participative style</td>
<td>-0.09</td>
<td>-0.10</td>
<td>0.19</td>
<td>-0.62</td>
</tr>
</tbody>
</table>

*KMO sampling adequacy = 0.87, Bartlett test of sphericity significance = 0.0000*

In addition, management attitude is also assessed from three other aspects: the significance of employment involvement practice in use; career prospects; and managerial empowerment. The study concluded that middle managers may not necessarily be the primary reason for failure in EIP and suggested exploring constraints on management behaviour and managerial relationships.

While the study did not use a random sample and the response rate was low at 25 percent and therefore may render sample bias, the procedure adopted nevertheless presents a framework for analysing respondents’ attitudes regarding employee involvement. As a note, the above
questionnaire has been employed as a reference in the design of the questionnaire for semi-structured interviews to assess the attitude of employees in this research.

**Trade Unions**

According to Gall (2010:363), “… labour unionism’s approach towards participation is neither predicated on conflict nor cooperation per se. Rather, its approach is one that will be contingent upon the interplay of material interests, power resources, and members’ consciousness, which is, in turn, infused and influenced by ideology.”

Union leverage, in a way, is essential. Therefore, ‘many unions started with outright opposition, or agnosticism and indifference, or scepticism and cynicism’ (George and Levie, 1984; Marchington, 1995; Marchington and Wilkinson, 2005; Ramsay, 1991). Where worker–employer interests coincide, to some degree, there is the possibility of coalitions or alliances of varying lengths of time, and vice versa, and this, to a large extent, depends on the trade union intention and the way it frames questions of EIP and how some may be seen as more of a challenge and less advantageous than others (Martinez-Lucio and Weston 1992). Hence, the trade union can be a factor that opposes the development of certain types of EIP – for example in some cases, individualised and direct forms of EIP – or engages with EIP when and where it allows for a dialogue with management on a broader range of issues (ibid).

### 2.5.3 Summary and Reflections

To work out the most effective way of implementing an EIP scheme, it is useful to know what and how the idea works best. Recognising that every organisation has its own set of operating parameters, the above discussion on the enabling factors for EIP success and the
barriers is intended to shed light on the potential merits or problems arising from EIP design in general.

Of the various enabling factors, leadership and voice is widely agreed to be most critical for EIP success. While voice is seen to be largely absent in China (as discussed in the next chapter), it may provide some explanation later in chapter 6 and 7 for the China EIP scenario.

For the three key organisational barriers discussed, individual, line manager and trade union, the different role of China’s trade unions may be paradoxical in the sense that it becomes a merit by not being a barrier in this respect, and it is neither the case of trade union incorporation in that chine trade union as mentioned in it is the case of trade union incorporation as reflected in the three-vector theory (Stuart and Martinez-Lucio 2005).

2.6 Comparative Issues

Apart from participation, employee involvement systems are also influenced by the external environment, as explained by the Varieties of Capitalism (VoC) approach (Hall and Soskice (2001). Coordinated market economy (CME) nations such as Germany and Japan tend to be strong in technologies and the law supports powerful employee participation systems, liberal market economies (LMEs) such as USA and UK, are dominated by financial interests and ‘employment at will’ practices12 (McCann 2014), where EIP and voice is less dependent on legislation and more to do with individual management (Marchington and Wilkinson 2012).

12 McCann (2014) argues that LME nations regard shareholder value as the only legitimate purpose of a firm, therefore there is no long term for investors, managers or employees. As company ownership could be bought and sold, employment is subject to the same disruption and therefore vulnerable.
As far as employee voice is concerned, there is consensus that ‘fundamental institutional differences remain’ (Frege and Godard 2010: 529). According to Gonzalez Menendez and Martinez Lucio (2014), the key factors which explain the difference and similarities across borders are legal regulation, labour power and labour market factors such as employment levels, values and ideologies as well as industrial relations politics. However, the political context is believed to be the most crucial as this sets the starting point for the development of employee voice. As Gonzales Menendez and Martinez Lucio highlight, the democratic context after the war in Western Europe contributed to a framing of indirect and collective representation. Obviously, this means the European scenario is very different from the United States, as explained above. For the purpose of the research, EIP at work in China, specific national barriers and filters of EIP and how these can be important contextual factors should be noted.

Gospel and Pendleton (2010) also suggest four dimensions which shape corporate governance, the combination of which determines the level of openness and the extent of employee voice. These are the nature of ownership, board structure, information disclosure and the role of incentive. Countries with a stronger stakeholder approach may therefore have a bigger commitment to employee involvement and working life factors. These are key factors in determining the character and nature of EIP. Let us now look at the regional variation in EIP traditions which will prepare us for the discussion on China in the next chapter.

2.6.1 The European Model

One of the key components in European industrial relations is the works council (Rogers and Streeck 1995), with varying degree of closeness in relations between it and the trade
union (Muller-Jentsch 1995). The rationale for the more organised and unionised system of industrial relations in western Europe since 1950s is the accrued interests of the various stakeholders where unions expanded influence (social and economic); employers enjoyed higher efficiencies and the state, greater social cohesion (Knudsen, 1995).

However, the development of work councils in the mid-1970s, changes in the unemployment rate and workers’ influence in the 1980s, followed by the technological drive facilitating the growth of direct participation schemes in the 1990s slowly changed the European scenario (Gonzales Menendez and Martinez Lucio, 2014), and this incidentally describes the explanatory variables in employee voice across borders, although there are still signs of a generic European model. The cases below are presented for illustrative purposes only and are intended to highlight different ways in which types of EIP are combined in different contexts.

Germany

It has been argued that the dual system of interest representation in Germany is a classic demonstration of a coordinated market economy (CME) (Hall and Soskice 2001) because it allows enterprises the flexibility to operate either through work councils or through unions for collective bargaining matters, depending on the size of the firm (Wailes and Lansbury, 2010). In large enterprises, where there are councils for codetermination, management and unions cooperate in a similar fashion to that discussed in the first of the three vector theories in section 2.3.1. The mechanism depends on the belief that consensus in decision making should serve the best interests of both employer and employees, with knock-on benefits to

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13As an example of knock on effects, Thelen (1991) reported how improved conditions of work, shorter hours and wage gains that have been won by unions in larger firms generally are similarly adopted by smaller firms
smaller enterprises, the industry and eventually the competitive advantage of the country as a whole. Smaller enterprises would normally deal with the union on a collective bargaining basis, while benefitting at times from deals made at large company level. This dual system is designed to achieve an institutional balance of power between labour and capital to promote economic growth, while adapting to changing circumstances (Baethege and Wolf, 1995; Frege, 2003; Haipeter, 2006). Nevertheless, in reality, social and global developments such as unemployment shifts the balance increasingly in favour of the firm: works councils rather than unions assume the primary role in representing workers’ interests; employers are succeeding in achieving deregulation and increasing flexibility in employment (Raess and Burgoon, 2006); ‘shareholder value management-styles have become more popular in German companies (Aguilera and Jackson, 2003; Fiss and Zajac, 2004); growing numbers of German companies do not adopt work council practices, yet the overall labour relations remain in order.

**United Kingdom**

Contrary to the German system, joint consultative committees introduced by management are more common than works councils in the UK (Wilkinson et al., 2004). The main aim of these collective consultation committees is to increase information and consultation rather than bargaining, with the view to establishing mutual cooperation through consultative structures (Wailes and Lansbury, 2010), with management usually controlling the structure.

The prevalence of direct forms of participation, from involvement of employees in decision making at the workplace to employee shareholding and profit sharing schemes (Bryson, 2000; Cully et al., 1999), is on the rise. The IRS survey of trends in employee involvement found that all organisations claimed to use at least two forms of communication, with team
meetings being reported in 92 percent of cases, suggestion schemes in 42 percent of firms, and quality initiatives in 39 percent of organisations (IRS, 1999). WERS 2004 reported that 82 percent of managers in the private sector held meetings with their entire workforce or team briefings in 1998 compared with 90 percent in 2004. There was little change in the public sector during this period (Kersley et al., 2005). However, following the 1994 European Union (EU) Directive on European Works Councils, there was an increasing trend for large multinational corporations (MNCs) in the UK to adopt European Works Councils. By the late 1990s, European Works Councils (EWCs) had been introduced with at least twenty-nine UK MNCs, representing 27 percent of British firms affected by the new law (Heery, 1997) and many more companies have been engaging with them since.

In summary, recent evidence from the UK reveals a growing diversity of approaches to employee participation compared with the past when employee voice in the workplace was mainly expressed through unions in collective bargaining. The restructuring of the economy away from manufacturing and public sector employment, where unions are stronger, to the service sector, where unions are weaker, provides part of the explanation for the decline of union-led collective bargaining. As reported by Gollan (2006), the United Kingdom is a typical example of a liberal market economy and has a more individualized approach compared to other CME type approaches in terms of EIP, although collective bargaining remains relevant in some cases.

2.6.2 US

Prior to the New Deal in the 1930s, (Hattam, 1993), hence, there is no legal basis for collective voice or representation at work. With the New Deal, workers were provided the right of collective bargaining albeit limited. In the US, the belief that property and wealth
are created by the individual, rather than derived from inherited rights, influences the general attitude of distrust towards union representation (Bok and Dunlop, 1970; Slaughter, 2007).

The US is an economy which demonstrates that ‘high performance’ work practices fail to provide workers with any meaningful say in managerial decision making (Strauss, 2006). Workers do not normally challenge managerial decision-making authority or business directions (Frege and Godard, 2010), as evidenced by the massive transfer of jobs overseas without worker resistance (Schatz, 1993), reflecting the harsh realities of a liberal market economy.

2.6.3 Some Asian contexts

Asia has many traditions but this section will discuss some examples. One of the core bases for the relative viability of participation is power distance, and in South East Asian countries where local cultures feature high power distance associated with autocratic management styles and centralised powers (Habir and Larasti, 1999; Yukongdi, 2001), there is a general lack of participatory management, and great power imbalances between employers and employees exist. However, managers and workers are relatively close and personal, and there are frequent meetings between management and employees, on either formal or informal lines (Webster and Wood, 2005).

Individually, however, the participatory management system varies across Asian economies. Huang (1997) reported the extensive use of some upward problem solving EIPs, such as suggestion schemes and quality circles in the case of Taiwan. Japanese enterprises, well-known for their employee involvement techniques such as quality circles and TQM,
allow much lesser employee involvement, especially in administrative matters such as personnel issues, in their operations abroad (Hatch and Yamamura 1996; Wu and Lee 2001), but there is a strong tradition of business-oriented indirect representation\textsuperscript{14}.

Following the 1949 revolution, China adopted an employment for life policy, the ‘iron rice bowl’ model, illustrating absolute autocracy but compensated for by employment security. However, market-driven reforms in the 1980s and the diffusion of western HR practices eroded the ‘iron bowl model’ (Law et al., 2003; Warner, 2004), and the participatory structures, with China supporting a higher level of representative participation, a development proving more positive than the situation in India where trade unionism remains complex, as far as defense of workers’ right is concerned (Cooke 2013).

\textbf{2.6.4 Commonality and differences}

Employee participation differs in international terms (Lansbury and Wailes, 2008). In European countries, for example, government policy and legislation provide for a statutory right to participation in certain areas, among both union and non-union establishments. In other countries, however, such as America or Australia, there is less emphasis on statutory provision for employee involvement and a greater tendency to rely on the preferences of managers and unions, resulting in a combination of direct and indirect participation in many organisations. Therefore, a union and non-union voice is possible in Europe but not in the US, with employees being generally very positive about contemporary consultative channels (Boxall et al., 2007a: 216).

\textsuperscript{14} While there is relatively weak legislation to cover representation rights in Japan, the traditions of corporate governance systems and norms imply that employees in most medium- and large- sized corporations could exercise voice through consultation councils (Tackney, 2000).
The goals of HRM are not purely economic, they are also socio-political (Boxall, 2007). Firms are embedded in societies, which influence the behaviour of employers. This means that social legitimacy is also a key goal for many employers, at least to the extent of compliance with their responsibilities under employment law (Boxall and Purcell, 2008; Lees, 1997). The larger firms, in particular, are affected by employment regulation and by prevailing social views on what sort of employee voice practices are appropriate. Multinationals are increasingly under scrutiny, not only in their rich country operations but in terms of the way they and their contractors employ labour in the Third World (Boxall and Purcell, 2008) and the use of illegal migrant workers and non-compliance with the minimum wage are practices (Edwards and Ram, 2006). For companies who would like to be the preferred employers should offer better work-life balance and employee support, and social legitimacy consideration all set the scene for the different approach in employee voice among the larger organisations (Boxall and Purcell, 2008). To recap, there are major differences between voice practices in the Anglo-American liberal market economies, where voice regulation is less extensive, and those in the ‘social partnership’ societies of Western Europe where union power is much more institutionalized (Freeman et al., 2007; Marchington, 2007; Paauwe and Boselie, 2003, 2007).

2.6.5 Reflections

In the discussion of the comparative issues in EIP covering regulatory, economic, political and social context of the different economies, it should be noted that the political theme is most crucial as the starting point for employee voice development. The voice systems that operate in the different regimes, Europe, US and Asia are different because of the different political context. The reference to the various economies is intended to illustrate how the different variables inform a certain voice mechanism. Taking Germany and Japan as
examples, both classified as coordinated market economies, there are obviously elements of liberal market economies within the same regime. The key illustration is that the link between the type of voice system and the type of economies.

2.7 Evaluating the role of EIP

In evaluating the merits of EIP systems, management may consider the most important criteria to be the impact on performance. However, it is important to be aware that the assessment is not so straightforward. Following is a discussion of performance evaluation and the controversial issues related to EIP practices.

Freeman and Medoff (1979, 1984) argued that the positive benefits of employee voice for business performance are associated with zero-sum monopoly bargaining as well as positive-sum interaction, in that productivity improvements are achieved through employee representatives sharing information with management, which became even stronger in Levine and Tyson’s (1990) review, despite much debated measurement problems and data limitations.

In the study of Marsden and Canibano (2014), it is found that where independent data is not available, researchers tend to collect perceived indicators from respondents, indicators of performance. In most of their reviewed studies, researchers used subjective performance measures, such as sales, profits and share price, although some objective indicators such as absenteeism, turnover and quality can also be found in other studies. It is argued that the employment of organisational measures are more relevant because participation and other HR practices first impact on areas such as productivity, and therefore because of the shorter time cycle involved, their relationship is less affected by other parameters (Faems et al.,
2005). They concluded that the overall finding remains that quantitative empirical studies showing positive results continue to strongly outnumber those showing negative results. What this shows is that there may be little available theory to link participatory models to performance (Fleetwood and Hesketh, 2006; Cox et al., 2006; Marchington, 2005). The ambiguity and lack of clarity about particular schemes is evident in relation to the impact (Dundon et al., 2004): (1) it is difficult to isolate the cause and effect and demonstrate that participation can lead to better organisational performance given the whole range of other contextual influences. For example, labour turnover is likely to be influenced by the availability of other jobs, by relative pay levels, and by the presence, absence, or depth of particular participation schemes; (2) there is concern regarding benchmarking: assessing the date at which to start making ‘before and after’ comparisons. Should this be the date at which the new participative mechanisms (i.e., a quality circle or consultative committee) is actually introduced into the organisation, or should it be some earlier or later date (3) basis of evaluating the so-called impact. For example, should assessments be made in relation to workers having some say (i.e., the process) or in terms of how things may be changed due to participation (i.e., the outcomes)? If it is the latter, then who gains?

Apart from quantifiable measures, positive economic benefits of participation derive from the participatory structures including ‘knowledge spillovers’ which benefit both the overall economy and individual firm level (Romer, 1994), and has a key role inter and intra organisations. Overall, the ideal advocated by most researchers is that efficiency be achieved while balancing voice and equity (Budd 2004, 2005; Adams 2005; Jonhnstone et al 2011), and that employment relationship is viewed as social partnership (Ferner and Hyman 1998; Gall 2004; Martinez-Lucio and Stuart 2005b; Lewin 2010).
Direct participation and voice may not always be liberating. Research suggests it can restrain autonomy or worker discretion and that opportunities ‘to have voice do not in themselves confer perceptions of effectiveness’ (Harlos, 2001: 335). Handel and Levine (2004: 38) report that it appears that involvement ‘can improve organisational outcomes if the reforms are serious’ but that the evidence on worker welfare is ‘quite mixed’. According to Handel and Levine (2004: 39) the research suggests that when participation ‘is not used as a form of speed-up, it gives workers more autonomy, recognizes the value of their contributions, improves job satisfaction and is often associated with lower quit rates’.

While EIP may be encouraged during stable economic conditions, it might be marginalized or even disused when the economy is not doing well as managers find no manpower pressure and employees give priority to job retention instead of voice freedom (Ramsay 1977; Harley 2005). Therefore, the value of its adoption is very much subject to the product and labour market conditions the employers operate in (Marchington & Kynighou 2012). As illustrated by Marchington & Kynighou (2012), the development of EIP is very much limited by context such as cycles and waves, business models and the value of workers discussed above. At the same time, it is also subject to management choice, especially when the organisations are from liberal market economies. Therefore, in times of economic difficulties, when employees have limited job opportunities, employers may have no pressure to communicate and EIP is disbanded (Ramsay 1977; Harley 2005).

An adverse economic environment does not imply EIP is dispensable or vice versa, as stronger employer-employee bonding may help company survival through concerted efforts (Marchington and Kynighou 2012). The issue can be further illustrated by the gap between rhetoric and reality as disclosed by the EPOG survey data (Gill and Krieger (1999). Many
studies found that the scope and the rights given to employees in relation to direct
colaboration were limited (Gollan, 2007; Millward et al., 2000; Terry, 1999; Tushman and
O’Reilly, 1996). The gap has nothing to do with trade union representation. In fact, trade
unions can act as agents of change for the development of more effective practices of direct
collaboration, rather than a barrier, as discussed in the first vector (Stuart & Martinez-Lucio
2005). The only one factor that is critical in all situations is management intention. If
employees are suspicious of management intent, at best, it would only be half-hearted
collaboration.

A final challenge is methodology. Most quantitative studies analyze the nature and impact
of EIP by differentiating between its absence and presence. However, the real impact may
depend more on how embedded EIP is at work (Cox et al., 2006) There are inadequate
empirical studies of EIP, especially quantitative studies, in different scenarios, such as in
times of crises, to identify the impact of EIP (Marchington & Kynighou, 2012).
Kaarsemaker and Poutsma (2006) find simplicity in the studies and inadequacy of research
methodology leads to inadequate knowledge about the conditions supporting positive
employee ownership outcomes and individual’s experiences, inadequate scrutiny of the
trade-off, if any, between improved productivity and employees’ well-being, as well as
imbalance global focus as majority of studies were US-based (Blasi et al, 2003). Without
such details, we cannot differentiate as to whether the positive outcomes are attributable to
ESOP, or simply capable leadership or appropriate HRM policies (Kakabadse and
Kakabadse, 2008).
Reflections

There are many positive perceptions of EIP, such as improved productivity. The question is: what is the basis of measurement and how is it measured? The difficulty in getting a suitable assessment mechanism is reflected in the employment of perceived indicators which suggests that there is no concrete evidence of any benefits of EIP, not to mention the methodology in evaluation, for example, determination of the commencement date, isolation of the variables. Perhaps a quantitative approach may not be a suitable option. Instead, contextual features such as cycles and waves should be noted. Finally, the issue of efficiency, equity and voice should possibly be considered in combination with the varieties of capitalism to gain a full perspective of the impact of EIP.

2.8 Summary and reflections on existing literature

This chapter describes the review of literature on employee involvement and participation (EIP). The literature informs the EIP concept, from its form, to the contextual issues of EIP adoption. The CIPD definition identifies two components of EIP, the involvement and participation elements, with involvement relating to business improvement, and participation to workers’ voice and their influence in decision making. Examination of EIP through the fourfold framework, a combination of the form, scope, level and degree of EIP, reveals the extent of employee empowerment. The key focus should be the form, where it can be split into: downward communication, upward problem solving, financial participation, and representative participation. The literature also informs the various enabling factors as well as barriers in the implementation of EIP systems.

Comparative country studies of EIP practices are included for a better understanding of the subject from an economic, cultural and political perspective, and providing a basis for an
in-depth review of the subject in the China scenario in the next chapter. EIP applications in the US are different from their European counterparts. In the US, workers have more trust in management and the tendency to follow management practices. Europe, on the other hand, allows a bigger role for indirect participation, as a result of legislation and historical reasons. There are very few empirical studies in the China scenario, and therefore room for investigation is unlimited. The reference to the various economies is intended to illustrate how the different variables inform a certain voice mechanism. To take Germany and Japan as examples, both classified as coordinated market economies, there are obviously elements of liberal market economies within the same regime. The key illustration is that the link between the type of voice system and the type of economies.

The real intent of management is most important. Are managers aiming for true partnership out of socio- and HRM considerations, are they just decorative, or are they purely exploitation for profit maximization? Different goals (causes) result in different outcomes.

A few key areas which warrant special consideration in EIP system design include the form and the embeddedness (breadth and depth) of practices. The role of middle managers and team-working composition are also key issues in designing EIP structures. Education, training & development programmes to bring in the necessary skills, as well as appropriate reward schemes have to be in place. One type of EIP, FP (especially ESOP), has been widely debated as to its complementarity with other EIPs and there is conflicting evidence as to their positive impact.

Although an industrial relations issue, some find the necessity for checks and balances in EIP systems, and this justifies the examination of the issue from a Neo-Marxist and Labour
Process Theory perspective. The ultimate intention of management, as demonstrated by the three-vector theory (Martinez-Lucio 2005) as discussed above, is always concerned with performance improvement. However, to achieve an equilibrium (optimization) as advocated by Budd (2004), indirect participation is needed and can be effective in countering management’s capitalism.

There is consensus that EIP is part of the high commitment HRM bundle, vital to delivering the quality the company is committed to. While corresponding HRM strategy such as training is needed to facilitate EIP applications, there is the concern with a resource-based view that flexible bureaucracy is necessary, and the top priority is to focus on those employees with unique skills (no substitute) to create a high value contribution.

While there are many positive views of EIP application, such as improved performance, commitment and employee relations; management intention, voice mechanism as well as trust and respect are important contextual factors in achieving successful EIP applications.

Neo-Marxist and Labour Process Theory accounts offer insights that according to Martinez Lucio (2010:124) ‘reveal the inbuilt tensions within the paradigm of participation and the development of participation in a capitalist context where ownership is not subject to any systematic social or political participation from workers’. Notwithstanding the fact that this research is not intended to be anything near political science, as Martinez Lucio (2010:106) says, ‘we must develop an understanding of participation that is aware of the different vectors and dimensions in terms of its formation’ and the Neo-Marxist and Labour Process Theory input allow us to see participation in its entirety, albeit in a more sober context. EIP is not something
that can be easily incorporated and developed due to a range of managerial motives, not least the
desire to intensify work and improve operating results.

EIP applications, as demonstrated above, exist not as absolute best practice. There are various circumstantial factors that determine its justifiable existence in any organisation. Among them, the type of business model may prompt the need for employee involvement, such as the innovation or quality enhancement model. Secondly, even where EIP exists, the external environment, such as in times of crisis or economic downturn, influences whether employers need or do not need employee support, which in effect shows EIP existence is also influenced by the supply and demand balance in the employer/employee relationship – who needs who more. Finally, when an employer decides that they need EIP systems, there must be appropriate training and reward systems in place to ensure employee capability and motivation for their performance improvement. It is only when there is solid performance improvement that enterprises are really keen to support EIP programmes, the basis of EIP embeddedness in any commercial organisation.

Recognising that every organisation has its own set of operating parameters, the above discussion on the enabling factors for EIP success, and the barriers, is intended to shed light on the potential merits or problems arising from EIP design in general. Of the various enabling factors, leadership and voice are widely agreed to be most critical for EIP success. While voice is seen to be largely absent in China (as discussed in the next chapter), not all the features discussed in this section would be directly relevant to China EIP. However, the general mapping of EIP provides the reference to what EIP could be in its entirety, and may help in the understanding of what may be absent in the China context. For the three key organisational barriers discussed, individual, line manager and trade union, the different role
of Chinese trade unions may be paradoxical in the sense that it becomes a merit by not being a barrier in this respect. It should also be noted that the development of the role of trade unions in the west where it is no longer only confrontational. In circumstances that permit, trade unions can cooperate with management, as in the case of trade union incorporation described in the three-vector theory (Stuart and Martinez-Lucio 2005).

There are many positive perceptions of EIP such as improved productivity. The question is: what is the basis of measurement and how is it measured? The difficulty in getting a suitable assessment mechanism is reflected in the employment of perceived indicators which suggests there is no concrete evidence of any benefits of EIP, not to mention the methodology in evaluation, for example determination of the commencement date, isolation of the variables. Perhaps a quantitative approach may not be a suitable option, as it is impossible to exclude other mediating factors. Non-financial criteria to assess EIP effectiveness could be an option.

The above literature informs the theoretical foundation on where the research is based. What is needed as a supplement is the contextual factors of China. In the next chapter, relevant literature on China HRM and EIP would be reviewed to complete the review of literatures, the combination of which informs the gap in knowledge and hence the research questions.
Chapter 3  The Question of HRM and EIP in China –
A review of the debate

3.1.  Introduction
This chapter describes the review of literature on Human Resource Management (HRM),
including employee involvement and participation (EIP) issues, in China. The purpose is to
understand employee involvement and participation at work in China and identify gaps in
the research. It describes existing research on Chinese labour relations, as well as the legal
framework, to facilitate a discussion of HRM practices in a broad context (Kim and Wright
2010). The role of the various actors involved in the HRM system, including state and other
external institutions – the Ministry of Human Resource and Social Security (MOHRSS), the
All-China Federation of Industry and Commerce (ACFIC), and the All-China Federation of
Trade Union (ACFTU) – are examined to show that the three separate organisations actually
share a single mindset, suggesting that employment relations in China to be a different one.
As suggested by some researchers, a political economy perspective (Boxall and Macky
2009), rather than a purely strategic one, is needed to understand the dynamics, including
the constraints and choices facing enterprises, and in this case, the different roles of the trade
union and employee voice in China.

Following the study of the external environment, the focus is shifted to the internal
environment to find out how the human resource system can support the application of EIP.
The link between recruitment and training, as well as performance and reward, are examined
in order to evaluate whether these HRM features facilitate EIP applications in China.
Corporate social responsibility (CSR), which is a relatively new HRM theme, is also
included.
While some of the Chinese data may be paradoxical by western economy standards, the comparison to India, which shares a similar historic background, tells a different story. This is followed by an examination of the empirical studies on EIP applications, with a view to gaining an understanding of EIP at work in China, which is unfortunately limited, before the chapter concludes with reflections and a summary.

3.2. Labour Relations

To understand labour relations in China, the two observations of Pye (1990, p62) are noteworthy. First, ‘China is a civilization’ (Pye, 1990:62) highlights the crucial fact that ‘the Chinese state was founded on one of the world's great civilizations that has given inordinate strength and durability to its political culture’ and the ‘Chinese society, on the other hand, was peculiarly passive toward its government, made no claims on state policies and concentrated its energies on the private domain. It has always been a society composed of inward-looking groupings, and thus cellular in its structure’. This explains some of the reasons for the undemocratic nature of aspects of its history. Secondly, people often ‘squeeze civilization into the arbitrary, constraining framework …that came out of the fragmentation of the West’s own civilisation’ (Pye, 1990:62). This is a useful reminder that it is more important to consider HRM in China and rationalise, rather than assessing based purely on the belief that one can simply extend ‘western’ management practices and theories, which are themselves internally differentiated.

There are two concepts often investigated in Chinese HRM studies, namely, Confucian HRM and Paternalistic HRM. Confucian HRM has been identified as a diffusion of new management practices in China, which blends western unitarism with Chinese traditional
values of harmony and loyalty (Warner 2010). Paternalistic HRM, more suitably classified as a part of Confucian HRM, stresses the point of paternalistic leadership. Superiors treat subordinates as part of the extended family, characterized by fatherly benevolent and authoritarian management as well as moral integrity (Farh and Cheng 2000; Dyer 1988), in return for loyalty and deference (Chao 1990) or commitment and obedience (Morris and Smyth 1994; Drummond 1995; Ackers 1998). Therefore, some criticize workplace paternalism as ‘a method of worker control’, ‘obscuring the commodity status of labour (Wray 1996, p.702). It should be noted that “harmony”, “loyalty” and “deference”, which are key factors in Chinese HRM, may have a bearing on employee voice, and participation. Nevertheless, on occasions, paternalism is not just a cultural factor, it is enforced as a pretext with a political context.

In the following section, the various actors in the labour market, the Ministry of Human Resource and Social Security (MHRSS) representing the government, the All-China Federation of Industry and Commerce (ACFIC) representing employers, and the All-China Federation of Trade Union (ACFTU) representing workers, are discussed in turn.

3.2.1 Government – Ministry of Human Resource and Social Security (MOHRSS)

As far as employment relations are concerned, the role of the state is very much shaped by economic globalization and changing ideologies over the last two decades (Martinez Lucio and Stuart 2004; Bamber et al. 2010). The current Chinese regime was founded in 1949, with a highly-centralised personnel management system. According to Cooke (2014), there were two distinct features. The first is personnel policies and practices at organizational level, with the then Ministry of Labour (for ordinary workers) and the Ministry of Personnel (for professional and managerial staff) responsible for the central planning and monitoring
of detailed employment matters, including employee numbers, pay and performance management. Management at enterprise level was responsible for administration and implementation functions (Child 1994; Cooke 2005a). The other feature is life employment, irrespective of work attitude and performance (Warner 1996). Wages and job incentive were low until the adoption of an ‘open door’ policy in the 1980s to attract foreign investment and domestic private funds to revitalize the nation’s economy (Cooke 2014). This was followed by several rounds of radical downsizing in state-owned enterprises (SOEs) and, to a lesser extent, in the public sector and government organizations throughout the 1990s; significant reduction of the state sector; and the rapid growth of businesses in a variety of business ownership forms (Cooke 2014). Despite the tremendous economic growth that has taken place over the last 30 years, there is still a lack of democratic voice and participation. Robins (2010) may have appropriately labelled China as still ‘an economy in transition’. According to Cooke (2014), as China is a one-party state, the state and its extended agencies can intervene at various levels to a greater extent than democratic regimes. The lack of democratic voice and participation is also important in general terms and needs to be seen as an important potential factor in influencing developments in EIP. While China has a trade union organisation, the ACFTU, the union is not a free democratic union as in US, European Union (EU), Japan or Malaysia, but an organ of the state. This is potentially a negative factor in the promotion of EIP practices in China.

However, as China’s economic development switched from being efficiency-driven in the early days of “open door” to harmony-driven in the new Millennium, changes in the role of the Chinese state in the employment sphere, for example from a dominant employer to a regulator, is noticeable (Cooke 2010c). In the early eighties, the majority of enterprises were state-owned and operating inefficiently. The focus of the state was therefore to improve
efficiency. One of the strategies adopted was the privatization of state-owned businesses. As the economy improved, social conflicts became a key state concern and it switched its focus to promoting social harmony. According to Cooke (2014), there have been two main objectives in state intervention in employment relations and HRM practices in China. One is to achieve harmonious labour relations as part of a harmonious society (see Li and Xiang 2007; Warner and Zhu 2010). The other is to resolve acute skill shortages by enhancing national competitiveness through innovation and high value-added production. A number of labour regulations and state-led human resource management (HRM) and human resource development (HRD) initiatives have been launched as a result.

The official body representing the state in employment matters is the Ministry of Human Resource and Social Security (MOHRSS) of the People's Republic of China, established in March 1998 through the merger of the Ministry of Personnel and the Ministry of Labour. It oversees the administration of national labour and social security issues, including labour force management, labour relations readjustment, various aspects of social insurance management and the legal construction of labour and social security.\(^{15}\)

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\(^{15}\) There are 13 functional departments: General Office, Department of Legal Affairs, Department of Planning & Finance, Department of Training & Employment, Department of Labour & Wages, Department of Pension Insurance, Department of Unemployment Insurance, Department of Medical Insurance, Department of Work Injury Insurance, Department of Rural Social Insurance, Department of Social Insurance Fund Supervision, Department of International Cooperation, and Department of Personnel & Education. The Ministry also has various institutions to execute various functions, namely: The Social Insurance Administration Centre, Information Centre, China Labour and Social Security Science Academy, China Employment Training Technical Instruction Centre, China Labour and Social Security News, China Labour and Social Security Publishing House, Education and Training Centre, Publicity Centre, International Exchanges and Services Centre, Social Security Capacity Building Centre. The MOHRSS also has the following affiliated organizations: China Labour Society, China Social Insurance Association, China Occupational Education and Training Association and China Employment Promotion Association. The structure of the MOHRSS was expanded from the original 13 to 26 departments in 2016 (see Appendix I for the new structure and functions of each department). The new departments appear to be assigned specific tasks, such as labour relations, mediation and arbitration, migrant workers, labour inspectorate, HR market, pinpointing the focus of the MOHRSS in improving employment and resolving labour disputes which are certainly on the rise).
The focus of the Ministry tends to suggest that social security, training and employment are their primary concerns. This coincides with research findings that the objective of state intervention in labour relations and HRM practices are two-fold: harmonious employment relations in a harmonious society (Li and Xiang 2007; Warner and Zhu 2010); and skills development to enhance competitiveness through innovation and high value-added production.

As highlighted by Warner (2009), the massive transformations China experienced over the last century, beginning from the collapse of the monarchy, civil war, communist revolution, the Great Leap Forward, and the Cultural Revolution to the economic reforms in the 1980s severely disrupted the lives of Chinese workers. It therefore makes sense that the role of the state is focused more on social stability, harmony and productivity advancement than any other concept, resulting in a lack of political participation in the economic sphere.

3.2.2 Employers – The All-China Federation of Industry and Commerce (ACFIC)

The All-China Federation of Industry and Commerce (ACFIC) is the best represented private employer association. The organisation was established in 1953 under the leadership of the Chinese Communist Party as a channel for the government to liaise with the business community (non-public sector). One of the functions of the ACFIC is its ‘coordinating role in promoting the construction of harmonious labour relations, strengthening and innovating social administration’ (ACFIC). There are more than 3,300 county-level or above Federations of Industry and Commerce (FICs), covering 99.7% of all prefecture-level administrative areas; 2,900 plus county-level FICs, covering 99% of county-level administrative areas; and 33 FICs in municipal districts, administrative zones and economic development zones of non-administrative areas.
As observed by some researchers, employer associations are formed as an unequal partnership with the state to assist the implementation of government policies (Unger and Chan 1995; Unger 2008). The structure of the directorship of the association is illustrative. There are two levels of directorship. Tier one directorship, which is mainly controlled by government appointees, is the ultimate level of authority for the Federation. Tier-two directorship is represented by the business communities. What this indicates is that the ACFIC is actually a government vehicle.

3.2.3 Unions – The All-China Federation of Trade Unions/Local Trade Unions (ACFTU)

According to the website of the All-China Federation of Trade Unions (ACFTU), the organisation was founded on 1 May 1925 in the second national labour congress held in Guangzhou as the leading body to represent the Chinese working class at national level. In 1950, New China rolled out its first trade union law, establishing the status of trade unions in the political and social life of the state. A new trade union law was passed in 1992, further defining the nature, status and role of trade unions. In 1994, the National People’s Congress enacted New China’s first labour law, granting more rights to workers and trade unions and providing a more powerful guarantee for trade unions to protect workers’ rights and interests. The 13th National Congress of Chinese Trade Unions, held in 1998, laid further emphasis on the protective functions of trade unions and the need to exercise their legal rights.

To meet the needs of developing a socialist market economy, China once again revised trade union law in 2001, 2003, 2004 and 2005 to further specify the basic duty and rights of trade unions. The notion of ‘collective bargaining’ was not introduced in China until the early
1990s, after the 1992 trade union law authorized enterprise level unions to conclude collective contracts with the employer. Based on 2010 ACFTU data, the number of union members nationally stood at 239 million, with collective contracts covering 185 million workers, indicating it is not only China’s main national trade union, but also the biggest worldwide (Warner and Zhu 2010). Typical activities organised by trade unions include “Safety and Health at work” emulation campaigns, “Sunshine Employment Action” to help university graduates from low-income families find jobs, financial subsidies to migrant workers to return home safely, and help and support for children from low-income families to attend school. To improve the overall quality of workers, the ACFTU formulated a “Five-year Plan for the Construction of Workers’ Quality (2010—2014)” and set up workers’ field training bases and workers’ libraries. These activities suggest that Chinese trade unions have a very different role to their western counterparts.

The ACFTU seeks to maintain harmonious industrial relations in cases of labour disputes and plays the role of mediator, though often siding with management (O’Leary 1998; Clarke 2005; Howell 2008). For example, in the 2010 Honda plant strike (Watts 2010a), where workers found the mediator role of the ACFTU ineffective, they employed an expert to consult on their tactical plans and eventually succeeded in their collective action. Some researchers have said that industrial action in China is more about fighting for workers’ livelihoods (Lee 2007; Watts 2010b), because the main reason for the strikes are demands for higher wages and better working conditions (Cooke 2012). However, the Honda case reversed this trend. Collective bargaining is not just about winning pay rises but also structural reform (Watts 2010a). The success of the Honda strike, though categorized as “wildcat action” due to official union opposition (Carter 2010a; Zhang 2015), influenced the government’s position. It became more supportive of industrial action for higher wages
to counter income growth disparity, as well as falls in export caused by the 2008 global financial crisis, taking place in a number of foreign-owned plants in 2010 (Milne 2010) (Cooke 2011). Another reason is high inflation. Premier Wen Jiabao was quoted as saying that migrant workers should be taken care of, given their role in contributing to the high GDP growth of the country (Wasserstrom 2010). This possibly set the scene for more active employee participation in the future.

Contrary to the duty of western trade unions to represent workers’ rights, the ACFTU has been more active in training and job placement for redundant state-owned enterprises and migrant workers (Cooke 2014). According to Cooke (2011), Chinese trade unions never had a collective bargaining role until the introduction of the trade union law in 1992, which authorized enterprise level unions to conclude collective contracts with the employer. The reason is that before the reforms, which affected state-owned enterprises, all Chinese enterprises were state-owned and trade unions would never be given the authority to challenge actions of the state. In addition, research findings show that union officials generally lack the resources, power, skills and legal knowledge they need to fulfil their collective bargaining role and defend their members’ rights (e.g. Warner and Ng 1999; Cooke 2010c).

Despite the high level of membership in unionized workplaces, trade unions are widely considered to be ineffective in terms of representing workers’ interests against management power, and at times side with management (O’Leary 1998; Clarke 2005). There is therefore consensus about the ACFTU’s institutionally incapacitated position and operational inefficiency (Taylor et al. 2003; Hishida et al. 2010). The problem stems from its lack of the independence, resources, power, skills and legal knowledge it needs to defend its members’
rights (O’Leary 1998; Warner and Ng 1999; Clarke 2005; Cooke 2010c). According to Cooke (2012), the ACFTU’s lack of independence, politically and financially, restricts its functions. Financially, local branches of the ACFTU are partly funded by the fiscal budget of the local government, which oversees union activities. ACFTU organizations are under the dual leadership of local government at their level and their organizational branch of a higher level, with senior union officials at each level normally appointed by the Chinese Communist Party (CCP) rather than elected (Cooke 2013). This subordination to the CCP/local government means that incentives for union officials to perform well ‘come from the party above rather than from workers below’ and union officials are unwilling to confront their higher authority on the one hand, and powerful employers on the other (Howell 2008: 861). Rather than organizing industrial action, union officials consider their most important function at the grassroots level is to maintain stability in society (Cooke 2011b), by dispersing demonstration crowds as part of their policing function for example (Cooke 2013).

The Chinese trade union organisation (ACFTU) lacks an independent structure and has a long tradition of taking care of basic welfare services for workers to maintain social harmony, and therefore has a different role from its western counterparts. We therefore see a constrained and politically-dominated collectivism with very little independent union and worker activity despite the presence of unions. The right to collective bargaining, without the right to organize independently and the right to strike, does not empower workers to bargain effectively with employers (Chen 2007). It is instead considered merely to provide the government with checks and balances regarding labour regulations and relations (Clarke et al. 2004; Chen 2007). However, this does not mean that there are no labour disputes. Studies show that a rising level of labour disputes accompanying the privatization and
marketization of the economy has made it imperative for the state to improve legal protection and labour standards; and the continuing growth of the economy has made it possible to do so (Chan 2009; Cooke 2009d; Cooney et al. 2007).

Collective actions in defense of workers’ rights are reported to be on the rise, with success in achieving substantial pay rises (Watts 2010a), such as the strike by Taiwanese-invested factory workers in Shenzhen for better wages and improvements in social security benefits (Chan’s 2009), and similar strikes in a number of foreign-invested organisations in the manufacturing and brewery industries, including Honda in Foshan and Zhongshan, Hyundai in Beijing, Toyota in Tianjin, Brother in Xi’an, Panasonic in Shanghai and Carlsberg in Chongqing (Cooke 2013). However, while the change in government stance, from curtailment to support for workers’ demands, was reported (Milne 2010), its response to more recent incidents of Chinese taxi drivers seeking redress for infringement of their rights is indicative that the change may have applied to foreign establishments only. In these more recent instances, not only were the workers’ attempts unsuccessful, some were even reprimanded or apprehended.

However, the negative response to collective action should not be interpreted as meaning that the government is deaf to workers’ demands. Using one of the taxi cases as an illustration, according to a Beijing taxi driver the government has quietly pushed the Beijing Shouqi Taxi Company to run an Uber-like cab hailing service in an attempt to resolve their taxi drivers’ problems internally. This shows a glimpse of the paternalistic culture in China,

16 Various incidents of taxi drivers organizing collective actions in the form of strikes, petitions and marches to protest against rights infringements by taxi companies or unfair competition ended with arrests and sentencing (http://china.caixin.com/2014-08-02/100712230.html; http://business.sohu.com/20151208/n430245508.shtml; http://www.aiweibang.com/vuedu/20685964.html
where the organisation’s effective operation and stability depends on the state and the government leader. Behind the scenes negotiation is a more effective way of influencing decision making than a confrontational approach in the constrained political representation system, at least in the present legislative context.

3.2.4 Legal framework

Some researchers consider that for an economy such as China, ‘effective labour market regulation’ without over-regulation is in the best interests of workers (Cooke 2012: 156). The issue is: what defines effective? Is it efficiency17 (Budd 2004; Adams 2005; Johnstone et al., 2011) as discussed in Chapter 2.7? Or should it just cover efficiency and equity? (Buchanan and Callus 1993; Fudge and Vosko 2001). In the following section, the current legal framework is examined to understand how China fares against this measurement.

There are three laws regulating the labour market, namely the Labour Contract Law, the Employment Promotion Law and the Labour Disputes Mediation and Arbitration Law of the People’s Republic of China (enacted in 2008). The fact that these three laws are interconnected signifies the government’s renewed and stronger determination to raise the level of protection for the workforce and to counterbalance the employer power (Cooke 2011).

The Labour Contract law was passed in 2008 to protect the legitimate rights and interests of employees in order to maintain a harmonious and stable employment relationship (Cooke

17 efficiency be achieved whilst balancing voice and equity (Budd 2004, 2005; Adams 2005; Johnstone et al 2011), and that employment relationship is viewed as social partnership (Ferner and Hyman 1998; Gall 2004; Martinez-Lucio and Stuart 2005b; Lewin 2010).
It covers the specifics of employment, including probationary periods, redundancy, liquidated damages, severance pay, non-competition and labour dispatching (agency work) and employers’ obligations to pay social insurance premiums (Cooke 2012).

The Employment Promotion Law is mainly about employment security, covering areas such as policy support, fair employment, employment services and administration, occupational education and training, employment assistance, monitoring and inspection and legal liability (Cooke: 2012).

The role of the Labour Disputes Mediation and Arbitration Law is mediation. The provision requires mediation prior to arbitration in the labour disputes resolution procedure (Cooke 2012). Researcher argues that ‘the government hopes to resolve labour disputes in an efficient and peaceful manner in line with its ideological objective of building a harmonious society’ (Cooke 2012: 165).

These labour laws and their supplementary regulations provide a legal framework within which the employment relationship is to be governed and the labour market regulated. While these new laws appear to ‘achieve a more efficient and equitable labour market’, it is common knowledge that the courts often rule in favour of employees, especially those in private enterprises, irrespective of the circumstances. The harmony factor could have been taken by the state as the rule of thumb. However, some view it in the light of responsibility shifting from the state to the business sector, because the cost of workers, especially their social security costs do not then have to be footed by the state.
3.2.5 Reflections

It appears that the state, in the form of the MOHRSS among other organisations, and the ACFIC and ACFTU are closely coordinated and could be seen to operate with a single mindset. Given the ownership of all state-owned enterprises and many now-listed enterprises that were state-owned, the tradition of trade unions pursuing collective action has never existed in China. In the event that the rights of workers clash with the interest of the state, unions are not allowed to have an active role in winning workers’ rights. The trade union is there to serve the state, not the workers.

The role of trade unions in Germany, for example, or other western European economies where EIP includes both direct and indirect participation, is mainly concerned with the protection of workers’ rights and the unions and the employer associations are autonomous of the state. However, in China, the indirect element is present, but currently somewhat limited in influence to say the least, and this is an important factor to consider. Given the fact that China declares itself a socialist economy, especially in the 20th century, the state and the employer have overlapping interests. It is understandable that given the various interacting social and political factors, there might not be the need to empower a separate organization to represent and fight for workers in an independent manner. However, as the economy develops, with more state-owned enterprises changing to non-state-owned ownership from the late 20th century, this is no longer the case. Therefore, when workers lost the guarantee of employment for life, workers would have to make their voice, out of their need for subsistence, or their awareness of their right, the state would have to verge to workers’ needs for an effective voice system to maintain social harmony.
The Chinese philosophy of Yin and Yang which explains the continuum nature of the dichotomies is insightful (Chen's (2008: 7–9): “the formation of change relies on the dialectical interaction of yin and yang, the two opposite but complementary forces of the universe, with yin representing the attributes of yieldingness and submissiveness and yang representing unyieldingness and dominance. …This discourse of endless, cyclic, and transforming movement of change continues”. If we apply the Yin and Yang concept to review the employer/worker relationship, it is not difficult to see the parallel in the nature of relationship: both need each other, they have conflicting interests, but the relationship is never a static one. With the state focusing on improving innovation and quality in manufacturing and increasing its competitiveness, the potential need for more employee involvement may provide room for higher levels of employee participation. Therefore, employee voice in China is expected to converge with the western approach, not only through structural changes, but also workers’ awareness of their rights, as well as the state’s acknowledgement of the space they should allow for the workers’ voice.

On the positive side, the state has already acted to improve the legal framework in respect of worker rights, as evidenced by the adoption of new or updated labour-related legislation over recent years. This signifies that the state is serious about improving workers’ rights. In addition, the intention of the state to increase productivity and innovation, as evidenced by the additional resources directed to encourage stronger employee involvement in enterprises, state or private sector, in theory, should mean more space to develop EIP in its more direct form. However, given the fact that indirect and collective EIP is constrained at present, the promotion of EIP, especially employee participation in China, is still a formidable task.
3.3. The HRM context

To understand how the HRM system in China supports the use of and development in EIP applications, the ‘valid set of strategic HRM practices (training, participation, results-oriented appraisals and internal career opportunities) which affect both product/service performance and financial performance’ (Akhtar et al. 2008:15) is examined. Two other components, namely reward and corporate social responsibility, (CSR) are included. Reward, as discussed in chapter 2, section 2.4.3 and 2.5.1 Wilkinson 2008) is an important feature in high commitment HRM and hence EIP applications. As for CSR, as businesses have very often been enlisted by state-owned enterprises to discharge some of their social responsibilities, it is one of the areas that employees voluntarily/involuntarily support to involve, irrespective of the nature of EIP at work.

In the following section, the literature on recruitment and staffing, training, performance management and reward, as well as corporate social responsibility issues, are examined to identify key factors contributing to or blocking EIP practices in China. It is interesting to see how recruitment and staffing relate to training and development, and how performance management is tied in with reward issues.

3.3.1 How is recruitment and staffing affecting training and development?

It has been widely reported that the biggest HRM challenge in China is recruitment and talent retention (Björkman and Lu 1999; Goodall and Warner 1999; Zhu et al. 2005; Malila 2007; Tung 2007; Wang et al. 2007; Dickel and Watkins 2008). Researchers have generally agreed that the shortage in management and professional and skilled workers is severe (Child 1994; Ralston et al. 1997; Zhu et al. 2005; Dickel and Watkins 2008). The problem is multi-faceted. First there is the issue of phenomenal economic growth in the domestic
market, coupled with overseas expansion (Grant and Desvaux 2005). However, this huge surge in demand is not satisfied by adequate supply due to the following factors, namely the brain drain (Pan and Lou 2004), the inadequacy of education system (Cooke 2011), the “one child” policy and the “Gen Y” issue (Cooke 2011c). According to the 2011 White Paper issued by European Chamber of Commerce, China, ‘companies have to invest significantly in training and development to bring their new local hires up to par with their peers in other countries’. In addition to the ‘significant shortfall of skilled and qualified job-seekers and employees in China – at various levels – leadership, professionals, technical engineers and white- and blue-collar labour’, ‘the root of the problem is the imbalance between the education system and the market requirement of modern China’, an opinion being echoed by the American Chamber of Commerce China (Am Cham China, 2011).

Telecom, finance, Internet, energy/electric/chemical, computing and durable goods are among the most popular industries for graduates as employment destinations. SOEs became the top employer of choice in 2009, overtaking wholly foreign-owned firms, because they did not carry out any redundancies during the 2008 global financial crisis, and they are providing improved benefits and more stable employment relations (HR Manager 2009). According to the survey, the top criteria used by university students to assess the ‘best employers’ include, in order of importance, development prospect, compensation, brand (reputation of the firm) and culture (fair and transparent deployment of staffing).

Substantial investment in the training and development of managerial and professional workers is necessary in both the public and private sectors (Wang and Wang 2006; Warner and Goodall 2010). According to a McKinsey Report (2005), less than 10 per cent of Chinese employees were deemed by foreign multinational companies (MNCs) in China as
qualified for nine professional occupations, including engineers. However, in its 2013 Report, it argued that the Chinese talent landscape is changing for several reasons. Firstly, there is a substantial growth in student intake and graduation (from 1.6 million new students in 1999 to 7.5 million in 2012, and from about 1 million graduating students to 6.7 million over the same period). Secondly, Chinese employers such as Lenovo\textsuperscript{18}, hire roughly 70 per cent of their fresh talent straight from Chinese universities. On the contrary, foreign MNCs in China seem focused primarily on hiring experienced Chinese candidates. They do not expect fresh ideas from their local employees to sustain and grow their businesses. However, for those who recruit and empower their young talent in China with training, such as Microsoft, think their Chinese engineers are now on a par with those hired at their corporate headquarters, a big change from the scenario 10 years ago. Yamazaki and Kayes (2010) also reported that Chinese managers are more balanced learners\textsuperscript{19}, based on the combination of integration and specialization in their learning dimension.

Cooke (2011) reported that the state has taken a two-prong approach to easing the shortage of skilled labour by funding management training and education through business development institutions nationwide, as well as job and training centres operated by trade unions, primarily to help laid-off workers regain employment. Zimmerman et al. (2009) observed that younger Chinese employees may value career opportunities, housing benefits and sponsorship of education more than older employees, who may appreciate social security provision and longer-term benefits. According to Cooke (2011), while employees are aware of their skills gaps, and have a strong preference for HRM practices that will

\textsuperscript{18} Lenovo Group Ltd. is a Chinese multinational technology company with headquarters in Beijing, China, and Morrisville, North Carolina, United States.

\textsuperscript{19} balanced learners who have more adaptive flexibility (Mainemelis et al. 2002) in learning are argued to be more flexible and adaptive, as well as better decision makers individually, as compared to their Japanese and Malaysian counterparts.
directly enhance their labour market prospects and enhance their CV for better career prospects, employers prefer to reward employees for their current performance and are unwilling to invest in training for their future performance for fear that these efforts will be undermined by market processes. Out of the four key elements in talent management (Williams 2000), attraction, development, motivation and retention, typical Chinese firms, particularly in the private sector, focus mainly on attraction and motivation (Cooke 2011). Their strategy is to recruit experienced staff through referral (Björkman and Lu 1999; Smith 2003; Han and Han 2009). It is noted that training and development programmes have been emphasised in a lot of annual reports and company websites and it is to be ascertained if the trend has been reversed.

As discussed in Chapter 2, section 2.4.3, employee involvement requires employee in problem solving, skill is a necessary condition for EI to succeed. With the skills shortages reported above being a general problem for firms in China to tackle, especially within non-state-owned enterprises, the role of line managers (Purcell 2010; MacLeod and Clarke 2009; Alfes et al 2010) in supporting their employees, as well as relevant training and development (Sloman 2005; Gibb 2008) mentioned in Chapter 2, should be especially important for EIP applications in China. However, while participation and empowerment are key elements of a learning organization in theory, Chinese management style and culture may not be conducive to ‘ownership’ or ‘empowerment’ (Elsey and Leung 2004). According to Cooke (2011), despite the existence of taskforces and problem-solving teams in SOEs to tackle specific technological and production problems and to undertake workplace innovations, these are largely elite teams that consist of a small number of highly-motivated and skilled people. There is no evidence that widespread employee involvement is a commonly adopted practice at workplaces.
Despite the various reported problems of talent shortages, supply and demand issues, education mismatch, recruitment of experienced employees, management style and culture, as every cloud has a silver lining there are signs that the situation is improving. The size of educated workforce has dramatically increased, with some global MNCs reporting that their Chinese employees are satisfactorily capable. The fact that Chinese global enterprises with more sophisticated HRM systems have become major employers of fresh graduates, allowing the accumulation of experience among young workers, is again a positive trend in increasing employee capability, in addition to the increasing investment in training by the state and enterprises. While these changes are encouraging, the remaining feature of management style and culture are not conducive to employee participation and remain an area of concern for EIP promotion.

3.3.2 Performance management and Reward

One of the HRM discussions in Chapter 2, section 2.7, is evaluating how the role of EIP relates to the efficiency, equity and employee voice (Budd 2004, 2005; Adams 2005, Johnstone et al 2011). The HRM features that are related to equity are performance management and reward. Let us first examine the performance management system in China.

Since the 1990s, performance appraisal systems have been more widely and systematically adopted by Chinese organizations. (Björkman and Lu 1999; Ding et al. 1997; Taormina and Gao 2009), including the civil service (Cooke 2003). According to Cooke (2011), companies vary in the design of the performance indicators and the process of conducting performance appraisals. Several key factors influence performance management systems in China, such as differences in organizational size, ownership form and the business nature of the firm. In principle, performance appraisal for all employees focuses on two aspects:
behaviour measurement and outcome measurement. These include the employee’s moral and ideological behaviour, competence, skill level and ability to apply skills and knowledge to work, work attitude, work performance and achievement, personal attributes, physical health and so forth. Cultural norms such as modesty and self-discipline (Bailey et al. 1997) also affect performance appraisal. On the face of the key indicators normally used, such as moral and ideological, moral behaviour, personal attributes and physical health may not be of direct relevance to the assessment of employee involvement in terms of going the extra mile.

As discussed in Chapter 2, the EIP agenda has changed to become more individualist, emphasizing employee motivation and commitment (Ackers and Wilkinson 2000). Cooke (2011) explored the extent to which performance-related pay and stock options may be effective as motivational and retention mechanisms and concluded that pay level remains an important factor. Therefore, given the importance of financial reward as the key motivator for employees within a constrained political participation environment, aligning performance management and reward systems in Chinese enterprises becomes even more critical to facilitating EI applications. Nevertheless, Chinese culture respects seniority and hierarchy, values social harmony and adopts an egalitarian approach to distribution (Hofstede 1991; Takahara 1992; Yu 1998). To a certain extent, it may be enforced due to the political context of the rule of the state, ‘where obedience to authoritarian instructions has been a more familiar story’ (Cooke, 2013). These factors are the major determinants of rewards (Yu 1998). Therefore, performance appraisal in China is often unrelated to financial reward and promotion. Secondly, while the basic wage level is low, this is heavily subsidized by all sorts of benefits, including canteens, housing, transport, medical care, education, paid maternity leave, sick pay, pensions and so forth (Warner 1997; Cooke
Therefore, employee costs, as a whole, are not significantly tied to corporate productivity. This again may not be conducive to EI promotion.

While financial participation is a relatively new development in Chinese HRM, it may be too early to draw conclusions as to its effectiveness as part of the HRM bundle, because the Chinese reward system is very much influenced by socialist ideology (Cooke 2012), so that pay composition has both productivity as well as non-productivity components such as seniority, effort, morality and egalitarianism\(^{20}\) (Yu 1998). This conflicts with the general desire of workers, as reflected in the 2014 online survey of 2,100 Chinese employees by Michael Page China\(^{21}\), where financial rewards based on performance continues to be the preferred retention strategy. The concern is how close reward is linked to performance in reality. It was reported that in the private sector, financial rewards that include profit-related bonuses and stock options are also the most widely used and effective HR tools (Cooke 2009). The difference could be that while private businesses have to survive on their own, any cost must be well spent and monitored to ensure the link with performance, unlike SOEs where the reward system is more dependent on socialist ideology. As observed by researchers (Warner et al 2005), paradoxes are common in transitional economies around the world.

As a side note, one type of reward introduced in China in the early nineties with the primary purpose of offloading the burden of SOEs from the state, as a lot of SOEs were loss making,

\(^{20}\) Chinese employees are sensitive and have low tolerance towards income gaps between people. Income gap is taken as potentially disruptive in the collective social systems as it jeopardizes social harmony and cohesion, a top priority of the country (Yu, 1998).

\(^{21}\) Michael Page is a leading professional recruitment consultancy specialising in the recruitment of permanent, contract and temporary positions on behalf of the world’s top employers. The Group operates through 150 offices in 35 countries worldwide. First established in London in 1976, we’ve been bringing job seekers and employers together for more than 40 years.
was employee share ownership programmes (ESOP). The development of ESOPs in the 21st century, however, was driven by the need to enhance organizational commitment, performance and outcome. The granting of employee stock options and shares as a form of remuneration is an increasing trend, especially among information technology enterprises in China. This comes as no surprise, considering that the retention of talented employees is critical for any corporation to expand in the Chinese market – a market most companies can ill afford to ignore.

### 3.3.3 Corporate social responsibility

Corporate social responsibility (CSR) is of relevance to the study of EIP in that it helps to shape or contextualize HRM and EIP. While human rights and environmental issues, employer branding, identification of national and local culture, and community projects may all be part of western firms’ CSR concerns, Chinese companies tend to focus on employment creation, charitable actions, and the influence in local communities as the key indicators of their CSR achievements. Hill and Knowlton’s (2004) survey study shows that western chief executive officers (CEOs) adopt a broader and more complex approach to CSR than do Chinese CEOs. There appears to be a trend among especially major Chinese enterprises to adopt some degree of CSR activities, as evidenced by the inclusion of the subject in the published accounts of listed companies, but CSR can be very uneven. It is reported that a large proportion of CSR practices in China are implemented under the pressure of MNCs which impose supplier codes of conduct to their Chinese partners (Lai 2006, Towers and Peng 2006).

According to Cooke (2014), there is a unique form of CSR in China, the superannuation fund. Individual firms are given autonomy to design their own plan based on the
characteristics of the workforce, and the needs and financial situation of the business, with the objective of countering the shrinking social security provision under the 2004 ‘Trial Regulation on Enterprise Superannuation’ and the 2005 ‘Provisional Regulation on Enterprise Superannuation Fund Management Agency Qualification Accreditation’. This, the state argues, is part of CSR that business organizations need to cope with.

There is little evidence of strategic involvement of employees in delivering the firm’s CSR activities. In most cases, it is an area where the company seeks the active involvement of employees to discharge their social responsibilities. Financial incentive, rather than moral education, appears to be a more effective motivator for employees to help the company achieve its environmental protection target, for example (Cooke & Qiaoling 2010). Chinese CSR, whether it is all ceremonial or just lip service, is an effort of the company to foster some degree of employee engagement. However, it is very much disconnected from constrained political participation.

**Reflections**

EIP application has to be supported by appropriate HRM strategies. First, there should be an appropriate recruitment strategy to bring in employees of the right calibre, supplemented by adequate training and development to ensure employees are capable of involvement. Nevertheless, as discussed earlier, recruitment, staffing and training in China are reported to be soles than satisfactory for EIP practices, although there are signs that employees’ capabilities, such as in problem solving, are improving.

What is of concern is management style and culture which not considered to be conducive to employee participation. These are naturally not just structural issues that could be dealt
Finally, Chinese CSR, which is run with different intentions or forms compared to the western world, and is seen as services to workers, is still progressing to take shape. As mentioned before, ‘paradoxes are common in transitional economies around the world’ and the current barriers are not causes for absolute pessimism regarding the future of EIP development in China.

3.4. Comparing China – the case of India

In the examination of the various Chinese contexts, there appears to be paradoxes, in labour systems, legal frameworks, and HRM designs. This raises the question: Why is China so different, if not from the rest of the world, at least from the western economies? The answer is apparent. China has a very different and unique developmental trajectory – the closest resemblance is India.

As China and India contributed nearly half of the world’s income in the early eighteenth century, some researchers believe that the current economic growth in both China and India represents no more than a back-pedaling to their glorious past (Kelly, Rajan and Goh 2006; Mahbubani 2008). While both countries are making their best efforts to improve their economic prowess, their initial similarities and differences are summarized by Gerhaeusser et al. (2010) as follows: their similarities include ‘the advantage of backwardness’ (based on their initial low per capita incomes), large domestic markets, the ‘demographic dividend’ (although India is the greater beneficiary here), ICT networks, the early roles of state
governments, the move towards ‘an outward-looking strategy based on international division of labour, and a gradual approach to reform (2010: 2– 9); while their differences include the roles of local governments, India’s ‘culture of entrepreneurhip’ compared with China’s lack of such, China’s manufacturing versus India’s services focus, and China’s earlier growth (2010: 9– 12).

The Indian industrial relations (IR) system is more complex partly because of its ‘persistent institutional heterogeneity’ (Hammer 2010: 169), and partly due to various other factors such as caste identity, regional political orientation and the nature of trade unionism. In China, the formal ‘representative function’ of the unions and the Workers Congress, ineffective though it may be (Benson and Zhu 2000; Cooke 2005) is more straightforward and state controlled, unlike India. This is possibly a situation where unitarism offers the unique advantage of efficiency, with the three actors (state, ACFIC and ACFTU) having the same mindset as discussed earlier in section 3.2.5.

India’s tradition of workers’ participation in management dates back to 1918 (Mankidy 1995), however it has not made serious inroads because enterprises are not supportive. Enterprises in India are in a strong IR position, with the state taking a non-interventionist role. In China, as mentioned in previous sections, the state is gradually allowing trade unions to take on a supportive stance in some workers’ strikes and to participate in collective bargaining and labour dispute resolutions. Secondly, direct election of union leaders occurs at the workplace, and their more active roles in collective bargaining have been associated with lower levels of inequality and disputes (Lee 2009). All these issues, together with the recognition of research and education on labour management relations in the light of growing conflicts between management and labour in some sectors, suggest that the
democratization and the institutionalization process of labour relations is moving at a faster pace than in other developing countries in the region (Hayter et al. 2011).

As for EIs, quality management schemes have been adopted by Chinese firms since the 1980s for productivity enhancement, similar to their Indian counterparts. Cooke (2008a) acknowledges that problem-solving teams, suggestion schemes and innovation task forces have long been deployed at plant level by SOEs during the state-planned economy period in China (Cooke 2008a), while quality management initiatives, such as quality circles (QCs), total quality management (TQM) and suggestion schemes that require employee involvement (EI) without a trade union role have been widely adopted by Indian firms since the 1980s (Mankidy 1995). Productivity and competitive enhancement remain the primary motives of these schemes and serve employers’ vested interests. The above demonstrates the transition of both China and India from an unitarist to a more pluralistic approach informed by an improving legislative framework that is underpinned by a political ideology of building a harmonious society, especially in China. These, together with the difference in literacy levels – China is ahead of India (70 per cent versus 52 per cent) (Kucukakin and Thant 2006: 11), are some of the reasons China is making much better progress economically and generally in terms of improvements in livelihood.

As far as the HRM system is concerned, both China and India are described as transitioning from paternalistic HRM to paternalistic-based and market-driven HRM (Warner 2011a), with moral motivation as a key feature of paternalistic HRM (Farh and Cheng 2000). However, the role of the state in each country is different. As the Chinese government continues to be heavily involved in businesses, with the largest and best performing firms still state owned/invested, whereas entrepreneurship in India is driven mostly by the private
sector (Khanna (2007). Some researchers identify ever-present state intervention to be the major obstacle to building up a strong private sector in China (e.g. Nolan 2001; Y. Huang 2008).

The conclusions drawn from the above comparison is that the two major developing economies share some similarities in cultural values. However, as China and India face different sets of dynamics, such as the role of the state and social structures, the path of the transition is different. EIP applications, as evidenced in both countries, are very much shaped by the relative strength of employers over workers. EIP is therefore likely to be more management and state-controlled in China, relatively speaking, and less independent, given the constrained political participation. While some researchers consider China to be progressing faster in democratizing IR, this is just evidence of the improved bargaining power of workers, resulting from the shortage of skilled workers caused by the continuous growth of the economy and hence the need for manpower.

3.5. EIP in China

There have been very limited studies in EIP in China. This could be attributable to the fact that China has been a low-cost manufacturing powerhouse. As Cooke (2004) illustrates, ‘much of the apparel and toy manufacturing being conducted in China, for example, works very cost effectively on classical management principles of labour specialization without much worker empowerment and in a context of much less demanding labour regulation.’

Despite the ineffectiveness of the trade union system in China, other forms of industrial action, such as “wildcat strikes”, street protests and collective resignations, have somewhat
improved the protection of workers’ rights (Chen 2003a, 2006; Lee 2007; Chan and Pun 2009), such as securing pay rises (Watts 2010a). In addition, these other unofficial or informal channels, apart from voicing grievances, also help in resolving disputes with employers, sharing labour market information as well as social bonding (Cooke 2008c).

While the survey conducted by Xiao and Tsang (2004) on 3,475 employees in 76 firms in Shenzhen may not be totally relevant, as the subject is participation in education and training, the fact that they received consent to conduct a survey with the 72 companies merely as a result of telephone calls could be an indication that Chinese companies are more forthcoming with regard to research studies. Or could there be other influencing factors?

Another study conducted by Wei (2012) with four coal-mining and automobile companies on the embeddedness of EIP practices were done in two parts. The first part examined the legislative framework of EIP practice, while the second part was the field study to identify the structures in place and carry out an employee attitude survey. The fact that this study relied only on literature to qualify embeddedness suggests the difficulty of gaining access.

With acute shortage in skills and management expertise in current Chinese HRM, government and enterprises are more open than ever to embracing western or new HRM techniques for solutions. In contrast to their US or European counterparts, Chinese enterprises have a relative ‘short development history’, as most businesses commenced only after the “open door” policy of the 1980s. According to Cooke (2011) Chinese companies, especially private firms, demonstrated enthusiasm and autonomy in exploring new HRM practices such as performance management systems and performance appraisal techniques, but less so EIP, justifying further research in the Chinese context.
The limited literature reveals that EI already existed in Chinese HRM, but not participation. EI may only be effective if the employee has the capacity to participate. Though the capability of Chinese employees is not yet fully satisfactory to employers, improvements in terms of education and training are signs that the situation is improving. Financial participation, especially employee share ownership, appears to be gaining ground in China. ESOPs provide the extrinsic motivation in terms of potential massive wealth accumulation, as well as intrinsic motivation through status as business owner. The question is whether financial participation is complementary to EIP practices in Chinese businesses, as claimed by some researchers in the west.

Although some researchers have found that HRM practices are converging towards the western model (Wei and Lau, 2005; Wang et al., 2007), others are not confident that there is room for mass adoption of EIP practices in China. The Chinese management style and culture may not be conducive to ownership or empowerment in EIP applications (Elsey and Leung 2004, Cooke 2011). Chinese culture respects seniority and hierarchy, values social harmony and adopts an egalitarian approach to distribution (Hofstede 1991; Takahara 1992; Yu 1998), resulting in financial reward and promotion having little or no relation to performance appraisal in China. Therefore, the effectiveness of EIP application under such a scenario is in doubt.
3.6. **Summary and reflections**

From the literature, it is obvious that the role of the state, as far as labour issues are concerned, is split by the three actors, the MOHRSS, the ACFIC and the ACFTU, with each of them closely coordinated but operating with a single mindset. The role of the trade unions is very different from their role in other developed economies. It is not independent and therefore their role in representative participation is constrained. The constrained political participation context is also different in many aspects as is the role of the state. Therefore, the nature and effectiveness of EIP application under such a scenario is challenging. These are naturally not just structural issues that can be dealt with at organizational level, as the issue is affecting the economy as a whole.

There are similar problems with performance review and reward. Even though some researchers have found that HRM practices are converging towards the western model, others are not confident that there is room for the mass adoption of EIP practices in China. The Chinese management style and culture may not be conducive to EIP applications. Chinese culture respects seniority, values social harmony and adopts an egalitarian approach to distribution, often resulting in financial reward and promotion having little or no relation to performance appraisal in China. As this could be reflected in some of the case studies such as Co HCN, the central SOE, where employees enjoy above market average salaries, perks and incentives, the vice president still laments at employee dissatisfaction. While they do have performance review and incentive tied to performance, the paternalistic culture, which prevent the pay systems from fully recognizing the performance differentials (so that all employees are guaranteed a satisfactory pay check irrespective of performance) is in fact creating a disincentive for high performer. Therefore, Chinese management culture poses a second challenge to EIP applications in this respect.
While talent recruitment and retention in China is potentially a third challenge, as knowledge workers’ commitment is key to EI adoption. Nevertheless, there are already signs of improvement as better terms of employment are beginning to help to contain the problem of “brain drain”. At the same time, huge investment in training and education reported by government and enterprises should further alleviate skills shortages in the course of time. The realities that exist among most of the 20 respondent organizations, as reflected in Chapters 5 and 6, are obviously a departure from what the literature shows.

As the economy develops, with more SEOs changing to non-state-owned from the late 20th century, the economic structure of the country is changing. As evidenced by the adoption of new labour laws which allow collective action, theoretically, there is the presence of a democratic structure in China, though practically still lacking in serious support for labour rights and employee voice. The voice system in China is already in the process of development. Eventually, it is expected that the state will have to verge to workers’ needs to maintain the equilibrium, evidenced by the ongoing changes, including the recent restructuring of the MOHRSS. While the government has not been supportive of collective actions by workers on grounds of social stability in the past, relevant legislation to facilitate worker’s rights protection had been in place since 2008, indicating the changing face of industrial actions in China.

‘Paradoxes are common in transitional economies around the world’ (Warner et al., 2005) and the current barriers are not causes for absolute pessimism regarding the future of EIP development in China. The comparisons with India highlight the difficult task developing countries are facing. The progress in China, politically and economically, appears to be relatively faster than in India, given the fact that literacy is improving at a faster pace. The
presence of more knowledge workers will change the picture described by Pye (1990) regarding China’s passive society. The Chinese philosophy of Yin and Yang which explains the continuum nature of the dichotomies is insightful (Chen's (2008: 7–9) “the formation of change relies on the dialectical interaction of yin and yang, the two opposite but complementary forces of the universe, with yin representing the attributes of yieldingness and submissiveness and yang representing unyieldingness and dominance. …This discourse of endless, cyclic, and transforming movement of change continues” as to what may transpire in any employer/worker relationship.

Another paradox in the Chinese HRM system is CSR, which should be considered as a corporate responsibility, is viewed by Chinese enterprises as a way of engaging employees. While it must be admitted that Chinese HRM development is still in progress, the CSR viewpoint again reflects the misunderstanding of the theoretical framework of EIP in general.

To recap, in addition to the lack of representative structures, other obstacles to EIP development include the general lack of a strong private sector, resulting in the general lack of an entrepreneurial culture in China (Gerhaeusser et al., 2010). A strong private sector may be more outward looking as compared to SOEs and more open to new management tools such as EIP. Other obstacles, as mentioned before, include talent recruitment and training and the alignment issue that arises from performance review and reward. These all pose certain difficulties to EIP promotion in China in the short to medium term. It is without doubt that management power is very different, as is the state, when compared to western Europe for example. Finally, apart from the obstacles to EIP application outlined above, the lack of empirical studies as discussed in section 3.5 adds to the future research difficulties.
Chapter 4 Research Methods

4.1 Introduction

Along with the literature review in chapters 2 and 3, this chapter aims to describe and explain the research method and design considerations for the research project. In determining the research strategy, the most important issues to consider are the research approach, access and the case selection.

Existing research gaps identified in the literature review have been taken into account in the process of research design and methods selection. In particular, one of the gaps, limited empirical studies of employee involvement and participation (EIP) applications in China, influenced the research approach adopted.

Prior to describing the details as to how the research was structured, the research concept and research strategy were qualified. Apart from the research approach, the issues of access and case study selection were considered critical in the research strategy adopted. Details included in the research design were: case study descriptions, research plan, data collection and analytical process, as well as ethical considerations. With the various details of the research methods evaluated and explained as follows, the most appropriate method is considered to have been applied in addressing the research questions.

4.2 Research Concept

As mentioned in the literature review in Chapter 2, there has been a wide range of terminology for employee involvement and participation (EIP). The concept employed in the research refers to the definition given by Chartered Institute of Personnel and
Development (CIPD), where involvement and participation refers to two different contexts. The difference between the two could be viewed in the light of the difference in the approach, with employee involvement being more individualistic and unitarist (Resource Guide, 2002), and participation a pluralist/collective approach with a continuum from ‘no involvement’ to ‘employee control’ (Blyton & Turnbull, 1998).

It is recognized that the involvement and participation concepts have been used interchangeably in some previous studies. However, as the application of the two different concepts highlights different perspectives of the research topic, the researcher has opted to keep the two concepts separate in the conduct of the research, while using the abbreviation EIP when referring to both forms together.

### 4.3 Research Strategy

In considering the research approach, the three options open to the researcher, quantitative, qualitative and mixed methods were evaluated, with the mixed method approach considered to best meet the requirements of the research project. First, it is the researcher’s personal interest to study behavioural issues and seek answers to the ‘how’ and ‘why’, rather than just ‘how much’ phenomenon, and that is qualitative. As demonstrated by the research questions\(^\text{22}\), what is pursued essentially asks for an in-depth insight into the application of EIP in China. This naturally pinpoints to the option of qualitative approach. However, it has been argued that in research design in topics where empirical studies are limited, as in the case of the current research project, there is always the possibility of common-methods variance and other demand characteristics (Orne, 1969). To alleviate the problem, reference

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\(^{22}\) In the first research question, while it asks “to what extent EIP exists in Chinese businesses”, it is not the intention of the researcher to seek a statistically representative sample of firms in China to quantify by survey or other quantitative approach, rather in general terms to reflect in a broad sense whether EIP exists in Chinese businesses.
is made to the empirical study of Magjuka & Baldwin (1991) where fieldwork knowledge is enriched in two steps. First is the data collection for design variables in the study from secondary sources, followed by pilot interviews with administrators to determine the relevant research variables. The preliminary quantitative approach enriches the fieldwork setting and helps where empirical research is underdeveloped, before proceeding to the qualitative research part of the project.

The research strategy is therefore adapted from qualitative to a mixed method approach in that part one, fieldwork preparation, is quantitative and part two, case study, qualitative. Apart from the research approach, two other critical issues to be considered in the research strategy are access and selection of the case study. These are described as follows.

4.3.1 Access

Based on current experiences, access is considered by the researcher to be the biggest hurdle in research projects, especially in China. The problem was twofold. First there was the question of initial access, where the researcher tried without success to contact the government organisations, Ministry of Human Resource and Social Security (MOHRSS) and All-China Federation of Trade Union (ACFTU), which state on their websites that they accept public enquiry, but are blocked by tight security.

The second problem of access related to agreement by corporations to participate in the case study. In the preliminary research design, the researcher contacted four companies as a pilot. Out of the four targeted respondents, two were the researcher’s own business contacts, one was introduced by business associates, and the last one had no prior relationship with the researcher. The result was that all four respondents agreed to participate. The point to note
is that the agreed participation of the company requiring introduction was only achieved after going through three separate parties, where in the first instance, through an insider contacting their corporate head office, in the second approach, through a business associate offering another insider contact, and finally, through a business associate who directly set up the interview with the respondent on an informal basis. This illustrates that access is not an issue in China as long as you have a relationship (guanxi) with the targeted respondents. However, to be effective, it has to be really within a close “guanxi”.

With the objective of obtaining a bigger sample, the researcher sent standard invitation letters\(^\text{23}\) to a further 102 Shanghai stock exchange listed companies, addressed to the secretary of the board of directors and followed up by telephone where appropriate contact details were available from the Shanghai Stock Exchange register. Forty-five percent of the contact numbers (secretary of the board) published were either incorrect or no one was assigned to handle the enquiry; 15% rejected participation; 17% responded that the responsible person was away on business and the remaining 23% responded that the request would be processed, yet a decision was never made. This exercise has almost been a total failure. Initial interest was only expressed when the organisations mistakenly believed the enquiry to be one of investor relations in nature. Academics behaved similarly. Without introduction, approaching an academic to seek his expert opinion on the subject was just as difficult. One academic, identified as an appropriate person with expert knowledge in the topic, never responded despite repeated requests. However, the situation totally changed through an indirect introduction.

\(^{23}\) Standard letter with brief description of the project and a request for an interview
To rectify the situation, the researcher used the “guanxi” approach, falling back on direct business contacts as well as introductions through business associates with direct contacts. The switch in strategy resulted in fundamental change to the fieldwork scenario. Although extra time is often required in cases involving introduction through a third party, with the back and forth coordination in clarifying interview details as well as interview scheduling, the progress was solid. The success rate on targeted respondents normally would be 50% plus. In the end, a total of 20 organisations participated in the case study, and three more offered expert opinion, generating a total of 37 interviews. It is noteworthy that only one of the 20 organisations participated through a request from cold call. In one of the interviews where the respondent was positive with the research and offered to seek an interview with one of the government units through his subordinate, the snowballing strategy did not work. What this may reconfirm is that even if it is “guanxi” introduction, the “guanxi” has to be direct and very close.

Another feature associated with the issue of access is the attitude of the respondents during participation and the ease with which they release information. The respondents’ attitude is generally very supportive, candid as well as enthusiastic in the discussion of the subject. It is not known if this is also the influence of “guanxi”.

4.3.2 Case study selection

In considering the case study selection, the primary criterion is evidence or indications of adopting EIP practices. The first criterion adopted therefore was size of operations. While small and medium sized enterprises (SMEs) may also practice EIP, it would be virtually impossible to obtain secondary data from this category of enterprises. For large Chinese enterprises, some are listed on local stock exchanges and company data is more accessible.
Therefore, listed companies would be more plausible targets for research purposes. There are two Stock Exchanges in China, the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZE). SSE listed companies are more established enterprises, especially the old state-owned enterprises. One of the inspirations of the researcher is the Angang Declaration (1960) where the workers were declared owner of the factory, which appeared to be an attempt to seek worker participation. Whether this is political propaganda is outside of the scope of the research to consider. What is interesting is that in the websites of a number of state-owned enterprises established before the “Open Door” policy\textsuperscript{24}, the enterprises claim on their websites that there is active worker participation. In this investigation, evidence or indications of EIP was more readily available from SSE listed companies.

Both the annual reports and websites of all 990 plus SSE listed companies were studied to extract data on their EIP practices. It was not assumed that those companies who do not disclose EIP practices are non-EIP companies. Those enterprises who make claims or disclosures either in their website or annual report merely provide some indications of EIP practices in China. The search resulted in the identification of 32 enterprises with some EIP practices, which could be grouped under Steel, Textile, Petrochemical, Food, Beverage, Manufacturing – Electrical/ Mechanical group I and II, Hi-Technical Service, Finance and IT in accordance with the SSE classification. Assuming these industries may have higher disposition towards EIP practices, the competitors (other listed companies classified under the same industry) of the industry have been included as targeted respondents, bringing the

\textsuperscript{24} In 1979, China decided to open up to the outside world. Since then, a few important steps have been taken in this effort: (1) The government has decentralized decision making regarding exports and imports to local governments or regional foreign trade corporations. (2) A series of special economic zones and coastal open cities have been designated for the purpose of stimulating exports and attracting foreign investment. (3) Administrative restrictions on exports and imports have been replaced by tariffs, quotas, and licensing. (4) Controls on foreign exchange have been loosened over the years, particularly for foreign-invested managed firms’ (Wei, S.J., 1995. The open door policy and China's rapid growth: evidence from city-level data. In Growth Theories in Light of the East Asian Experience, NBER-EASE Volume 4 (pp. 73-104). University of Chicago Press)
total targeted respondents to a total of 102 SSE listed companies. As mentioned above, email and numerous telephone follow ups to the request for participation in the research case study to the 102 companies was made by the researcher but without success.

To overcome the access problem, instead of making cold contact, the researcher re-established the case selection criteria. Firstly, the researcher or her business associates must have direct relationship (guanxi) with the enterprise. Secondly, the “guanxi” must be close enough to allow participation in the researcher’s project, i.e., the enterprise is open to research at least because of the “guanxi”. Thirdly, the enterprise is preferably operating within one of the 10 industries (which may have a higher disposition towards EIP practices) identified in the previous search. Finally, the enterprise is preferably an industry leader (which may be an indication of business efficacy).

Based on this selection criteria, including the previous two companies which participated in the pilot stage, a total of 20 respondent organisations have been successfully contacted and participated in the case study. Of the 20 respondents, seven are in the IT industry, three are in food (hospitality), four are in finance, one is a Hi-technical service and four are in other industries. Secondly, most of the companies were successful enterprises in that four are global businesses (one foreign and three Chinese global businesses), three are central state-owned enterprises. The rest are either industry leaders or well-known businesses, except for one, which although is an import-export business, was an offshoot of the Ministry of Commerce privatized in the 1990s. In short, purposive sampling methodology was applied with the objective of selecting meaningful cases (Morse, 1998) to illustrate typical application of EIP at work in China, while at the same time, enabling the researcher to make cross-company comparison.
4.4 Research design

The researcher considered the five research design options: quasi-experimental; longitudinal; cross-sectional; case study; and comparative research, were in terms of validity, reliability and replicability (Bryman and Bell, 2007) before deciding on the case study option. The major reason was that a ‘case study allows investigators to focus on a “case” and retain a holistic and real-world perspective—such as in studying individual life cycles, small group behaviour, organizational and managerial processes, neighbourhood change, school performance, international relations, and the maturation of industries’ (Yin 2013, p.4). The case study approach adopted satisfies not only the researcher’s personal interest and the research question, but also validity and reliability issues. Secondly, the fact that most of the participants are established organisations enhances data reliability in that the internal control system is relatively more rigorous. External validity is the extent to which the results of the study can reflect similar outcomes elsewhere, and can be generalized to other populations or situations. In this research project, the fact that the participants are mostly established enterprises, especially those listed, state-owned or central state-owned enterprises, and subject to a more standard corporate governance, assures a certain degree of generalisability, and hence, external validity. In addition, they offer the possibility of data triangulation, as listed companies’ operating and other information is more accessible.

The other options were not considered to be appropriate, again because of the limited empirical studies in Chine EIP, hence validity and reliability would be an issue in quasi-experimental, cross-sectional and comparative research in this topic. For longitudinal design, seeking appropriate participant(s) within the research timeframe (Bryman and Bell, 2007), and agreeing to data accessibility may have low research feasibility.
Apart from case study selection and interview schedules, other designs included in this stage are interview questionnaire, non-participant observation and documentary data, with an awareness of limitation in the design.

4.4.1 Interview, questionnaire, audio-recording and documentary data

The key instrument used in the case study is the interview. While little is known about the subject empirically, the researcher considered it was more effective and reliable to adopt a semi-structured approach based on a questionnaire (see Appendix I) which aims to understand some background information of the participant and the organisation, the EIP practices they adopted and the outcome, such as employee perception and the impact on performance. In developing the questionnaire, there was an attempt to capture formal and informal processes, types of Human Resource Management (HRM) and to cast the net as wide as possible. In addition, the questionnaire helped to develop a more 'critical' attitude as the thesis unfolded.

Before the start of each interview, permission was sought from the participant to use audio-recording to smooth the conduct of the interview, as well as facilitate interview transcription. Secondly, the researcher gave undertakings to every participant that they would destroy the audio tape after data transcription process.

To strengthen the validity of the data, documentary data such as company websites for statements of corporate philosophy and HR strategy and employee development, annual reports, company blogs, literature and news clippings were gathered before each interview as part of the approach of multiple triangulation (Denzin 1970). Secondly, whenever
possible, interviews were conducted with a cross section of key actors, such as senior management, HR managers and employees. Not only did this allow different perspectives on the EIP systems, it also served the purpose of data triangulation (Denzin, 1970).

4.4.2 Non-participant Observation

As most of the interviews were scheduled on participants’ work sites, the researcher adopted non-participation observation as a ‘complete observer’ (Gold, 1958). This helps to ‘increase the expressiveness of the data gathered’ (Flick 2010, p225) as part of the triangulation of the case study data, but maintaining distance from the observed events in order to avoid influencing them (Flick 2010, p223).

Observation pre- and post-, as well as during, interviews are integrated and form part of the transcription. Observations would normally begin when the researcher contacted the respondent enterprise or the participant, or when the researcher arrived the participant’s work site and ended when the interview started. The types of covert observation ranged from informal conversation among other employees which may reflect their working relationship, or the interview venue. While the observation is practiced in open spaces where consent could not be obtained, the researcher considered the covert observation did not pose ethical problems because the researcher would discuss the observation with the participant and seek his or her opinion.

The observed events were recorded as part of the transcription. One of the limitations arises because the observation is made as events happen naturally (Adler and Adler 1998). There are therefore no consistencies in the type of data in each case study.
4.4.3 Unit of Analysis

Although the research has not adopted a quantitative approach, setting the boundary of the case study helps to determine data collection and subsequent analysis by distinguishing ‘data about the subject of your case study (the “phenomenon”) from data external to the case (the “context”)’ (Yin 2013, p.33). One important component in bounding the case is the unit of analysis. Applying Yin’s (2013) definition in that unit of analysis is related to the way the research question(s) is defined. The unit of analysis to be employed in this research is an enterprise which operates in China and participates in the case study. Therefore, an example applying in this study is that an employee’s perception is also part of the phenomenon, while the external actors, say government policies affecting EIP, become the context.

After data collection was the data analysis stage. As the design was to use audio-recording to capture interview data, transcription was the next step in preparing for data analysis. All the interviews were to be conducted in Chinese. The researcher considered the most effective way to complete the transcription in three steps. First would be listening to the playback of the recording to pick up the overall idea of the contents. The next step would be actual transcribing, listening and transcribing one statement at a time in Chinese. The rule is to transcribe only as much as is required by the research questions (Strauss 1987). The final step would be to play back the recording a third time to check whether the salient facts were captured. Owing to time resource limitations, only the active EIP cases were translated into English.

With the transcription, the researcher considered various options of linking data to propositions: pattern matching, explanation building, time-series analysis, logic models, and cross-case (Yin 2013). However, for research design to be simple and straightforward, the
researcher considered it adequate to rely on qualitative content analysis, based on the categories picked up from the literature review as presented in chapters 2 and 3. One key example of categories to be employed was the EIPs as described by the four-fold framework (Marchington and Wilkinson, 2005).

4.5  The data collection process

With the research design illustrated above, the next stage was the actual field work. Although tremendous time and effort was spent, part one of the process, a data search of Shanghai Stock Exchange listed companies, was all within the researcher’s control. The original part two, which involved seeking access by directly approaching the 102 targeted SSE companies, was also conducted, but to no avail. The revised part two secured access through “guanxi” (as explained above) and the majority of the participants responded positively. The following is a summary of the research plan, the research timetable, the problems encountered and the anonymised list of respondent organisations and participants.

4.5.1  The research plan and timetable

The research comprised four key phases, namely, refinement of research design, data collection or the field work, data analysis and conclusion and, finally the write up. The research began at the end of the second quarter of 2014 and was completed by the end of the third quarter of 2016 as planned.

The first phase was to refine the research design after failure to seek agreement from targeted respondent organisations identified through a quantitative approach as mentioned in the research strategy above. Failure to secure access through cold contact prompted an
adjustment of the research strategy and research design, including case selection and data collection protocols.


The second phase was to collect data by searching for company data about the respondent organisations, company websites, annual reports, if available, news clippings, statements of corporate philosophy and HR strategy, before conducting 20 case studies.


The third phase was to analyse the data collected and make case conclusions. Cross-case comparisons and reference to literature was made.


The final phase was to write up the thesis, submit a draft thesis for review, and refine and finalise the thesis for review.


4.5.2 Anticipated and actual problems

Despite the introduction of the respondent organisations through “guanxi” and the establishment of the first point of contact, there was not always a guarantee that interviews
could be set up with the various actors within the organisations so as to get a complete case study. As demonstrated by table 4.5.3, not every case had at least two participants. There were three respondent organisations which were more supportive, notably, a central state-owned enterprise, a Chinese global IT corporation and a listed SME, where interviews with various actors, management, HRM, employees and focus groups were organised.

The experience of seeking interviews through cold contact showed that support for social research was mostly negative among the 102 listed companies. The researcher even had experience of being scolded over the phone for wasting time. The impression is that interviewees do not wish to use their time for something outside their normal scope of duties. However, in the conduct of the 37 interviews, participants were mostly forthcoming with their opinions and the company information requested. Perhaps this indicates once again the importance of “guanxi” in China.

The other issue was the timing. Previous experience shows that for large organisations, there is always the month end, quarter end or year-end peak period that executives, in particular, can afford very little time to spend on less critical issues. When case study requests were coordinated through third parties, interview scheduling could become out of control. Eventually, some of the cases were delayed by the Chinese New Year break, disrupting field work progress by almost one month.

4.5.3 Secondary data – published annual reports of participants (if available), publications of participants

The collection of secondary data not only served the purpose of triangulation, it also better prepared the researcher in terms of implicit and explicit assumptions when asking
Interviewees open questions in the semi-structured interviews. Except for the private SME in ‘other’ industries and the IT start-up, all the other respondent organisations have websites which provide company information, ranging from statements of corporate philosophy to HR strategy. Secondly, annual reports of listed companies mostly contained information about any financial participation schemes, as well as employee development programmes. Company blogs were also another good source of company information. The availability of on-line information offers a lot of convenience for secondary data research.

One of the advantages of working on the set of respondent organisations, especially the global companies, large enterprises and generally the household names, is that there are more chances of finding related news clippings and help with the secondary data research.

4.5.4 The participants

There were three groups of participants in the research study, management, HRM controllers or managers, and employees. Management participants were mostly top management, from senior managers of foreign and Chinese global organisations through to vice-presidents of central state-owned enterprises. Employee participants were mostly participating on an individual basis, except for one focus group of employees, where 12 in total attended one of the interviews.
Table 4.1 List of respondent organisations and participants

<table>
<thead>
<tr>
<th>Industry</th>
<th>Ownership</th>
<th>Respondent (Code Name)</th>
<th>Participant Type</th>
<th>Duration (mins)</th>
<th>Data collection</th>
<th>Interview Format</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food (Hospitality)</td>
<td>Private SME</td>
<td>Co HHC</td>
<td>Management</td>
<td>approx. 45</td>
<td>Untaped</td>
<td>Telephone</td>
<td>-</td>
</tr>
<tr>
<td>IT</td>
<td>Private SME</td>
<td>Co HHC</td>
<td>Employee</td>
<td>20</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
<td>Finance</td>
<td>Chinese Global</td>
<td>Co IHU</td>
<td>Management</td>
<td>approx. 50</td>
<td>Untaped</td>
<td>Telephone</td>
<td>-</td>
</tr>
<tr>
<td>Finance</td>
<td>Listed</td>
<td>Co FBO</td>
<td>Management</td>
<td>approx. 40</td>
<td>Untaped</td>
<td>Telephone</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>Listed</td>
<td>Co FCM</td>
<td>Employee</td>
<td>approx. 30</td>
<td>Untaped</td>
<td>Telephone</td>
<td>on site</td>
</tr>
<tr>
<td>IT</td>
<td>Chinese Global</td>
<td>Co OCI</td>
<td>Management</td>
<td>approx. 90</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
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<td>Chinese Global</td>
<td>Co IXI</td>
<td>Management</td>
<td>90</td>
<td>Taped</td>
<td>Face to face</td>
<td>off site</td>
</tr>
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<td>IT</td>
<td>Chinese Global</td>
<td>Co IXI</td>
<td>HRM</td>
<td>60</td>
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<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
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<td>Chinese Global</td>
<td>Co IXI</td>
<td>Employee</td>
<td>30</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
<td>Others</td>
<td>Private SME listed</td>
<td>Co OER</td>
<td>Management</td>
<td>30</td>
<td>Taped</td>
<td>Face to face</td>
<td>off site</td>
</tr>
<tr>
<td>Hi-technical</td>
<td>Central SOE</td>
<td>Co HCN</td>
<td>Management</td>
<td>60</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
<td>Hi-technical</td>
<td>Central SOE</td>
<td>Co HCN</td>
<td>Employee</td>
<td>30</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
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<td>Co HCN</td>
<td>Employee</td>
<td>75</td>
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<td>Face to face</td>
<td>on site</td>
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<td>Others</td>
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<td>Co OCA</td>
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<td>Co ICU</td>
<td>Management</td>
<td>90</td>
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<td>off site</td>
</tr>
<tr>
<td>Expert</td>
<td>SOE</td>
<td>REM</td>
<td>Expert</td>
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<tr>
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<td>BUC</td>
<td>Expert</td>
<td>76</td>
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<td>Face to face</td>
<td>off site</td>
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<tr>
<td>Expert</td>
<td>SOE</td>
<td>ACF</td>
<td>Representative</td>
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<td>Taped</td>
<td>Face to face</td>
<td>off site</td>
</tr>
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<td>Private SME listed</td>
<td>Co OBC</td>
<td>Shareholder</td>
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<td>Face to face</td>
<td>on site</td>
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<td>Management</td>
<td>35</td>
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<td>Face to face</td>
<td>on site</td>
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<td>Co OBC</td>
<td>Management</td>
<td>55</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
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<tr>
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<td>Private SME listed</td>
<td>Co OBC</td>
<td>Employee</td>
<td>23</td>
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<td>Face to face</td>
<td>on site</td>
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<td>Co OCN</td>
<td>Management</td>
<td>37</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
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<tr>
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<td>JV</td>
<td>Co HCW</td>
<td>Employee</td>
<td>53</td>
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<td>Face to face</td>
<td>on site</td>
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<td>Co HCW</td>
<td>Employee</td>
<td>81</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
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<td>Food (Hospitality)</td>
<td>JV</td>
<td>Co HCW</td>
<td>Employee</td>
<td>31</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
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<td>Chinese Global</td>
<td>Co IHA</td>
<td>Management</td>
<td>50</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
<td>IT</td>
<td>Chinese Global</td>
<td>Co IHA</td>
<td>HRM</td>
<td>120 (40 untaped)</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
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<td>IT</td>
<td>Listed</td>
<td>Co I0H</td>
<td>HRM</td>
<td>40</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
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<td>Private SME</td>
<td>Co IDF</td>
<td>Management</td>
<td>60</td>
<td>Taped</td>
<td>Face to face</td>
<td>off site</td>
</tr>
<tr>
<td>IT</td>
<td>Chinese Global</td>
<td>Co ILE</td>
<td>Management</td>
<td>50</td>
<td>Taped</td>
<td>Telephone</td>
<td>-</td>
</tr>
<tr>
<td>IT</td>
<td>Chinese Global</td>
<td>Co ILE</td>
<td>Employee</td>
<td>30</td>
<td>Taped</td>
<td>Telephone</td>
<td>-</td>
</tr>
<tr>
<td>Finance</td>
<td>Foreign Global</td>
<td>Co FHS</td>
<td>Management</td>
<td>25</td>
<td>Taped</td>
<td>Face to face</td>
<td>on site</td>
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<td>Co FHS</td>
<td>Employee</td>
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<td>on site</td>
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<tr>
<td>Finance</td>
<td>Listed</td>
<td>Co FCI</td>
<td>Employee</td>
<td>25</td>
<td>Untaped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
<tr>
<td>Food (Hospitality)</td>
<td>JV</td>
<td>Co HBG</td>
<td>Union</td>
<td>25</td>
<td>Untaped</td>
<td>Face to face</td>
<td>on site</td>
</tr>
</tbody>
</table>

Most of the interviews were conducted on-site, i.e. at the participant’s work venue. The researcher had a much better perception in cases where the interviews were performed on-site, as non-participation observation provided a rich source of data, about work atmosphere, general relationship between colleagues through formal and informal dialogue, management
and employee relationship through human interface, and management office settings for example. Secondly, it would be easier for participants to retrieve or relate data or information he or she thought relevant to the conversation. At the same time, participants appeared to be more relaxed in the environment they were familiar in, as compared to case studies conducted off-site. The only drawback is the ad-hoc interruption by colleagues in the course of the interview.

Contrary to the belief that audio-recording may discourage participants to speak out, in the 37 interviews conducted, except for one face-to-face interview and the two telephone interviews, none of the participants had any objection to audio-recording, on the undertaking by the researcher that the tapes would be destroyed and the case study anonymised. In addition, in a number of interviews with the HR controllers and top management, the participants were very keen in the discussion so that the interviews lasted more than the schedule time of 30 minutes. This could be interpreted as an indication of the relevance of the subject to their business once prompted as I have done.

4.5.5 The interviews – discussion of EIP

The researcher became aware of the fact that EIP may not be a familiar concept in China from the experience of the first two interviews conducted. Co IHU, a Chinese global firm running one of the biggest Employee Share Ownership Plans (ESOPs) would be expected to be well versed in EIP systems. However, on question 5 (see Appendix A), regarding EIP strategy, the participant (a training manager who had more than 15 years of working experience with the company) responded,

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25 Most of the senior executives promised not more than 30 minutes interview time because of their tight schedules
‘Do you mean training programme?’ Ms. L, Training Manager, Co IHU

In the interview with the investment consultant of Co FCM, the young woman initially appeared to be happy to do the interview, but only up to the point when the questions on EIP started to arise. Instead of continuing to answer the researcher’s questions, she preferred to grab the researcher’s copy and filled in the answers herself. She did not respond to every question. Two observations: (1) the participant was irritated by a subject she was not familiar with and by switching to the survey format, she took charge of her responses (2) young employees may be less patient.

In the interview with the Vice President of Co OCA, another central SOE, Mr. C confirmed that he understood EIP. However, bulk of the 60-minute dialogue, what Mr. C was mainly their talent selection and management system.

Mr. S, Vice President of Co HCN, a top 50 central SOE, excitedly explained all the EIPs they are practising, such as weekly sit-down meeting with CEO, suggestion systems, 360-degree feedback of employees, Workers’ Congress, yet he could not explain why their employees were in reality not involving as management would like to see. The obvious reason could be the rhetoric that the employees, especially young employees who see the need for voice, do not buy in. The mechanism of how EIP really works is not quite understood.

One of the most interesting findings is the limited understanding among interviewees and their tendency to move the discussion away from EIP. As illustrated in the transcripts, there
are earlier examples where participants requested clarification of the meaning of EIP. The researcher’s question on EIP was responded to by the participant with a request for clarification of the terminology and discussion on issues that were related but different. For those who did not expressly ask for clarifications, their facial expression also alerted the researcher to their misunderstanding or confusion about the subject matter. In these circumstances, the researcher briefly explained the definition, and quoted some practical examples as illustration.

Except in the case of Co IXI and Co OCN, as most participants appeared to feel more comfortable talking about areas they knew best, they had a tendency to switch back to these subjects even in the middle of an EIP discussion. To facilitate a smooth dialogue on the subject matter in subsequent interviews, the researcher always began the interview conversation by explaining the importance of EIP in western enterprises and the possible relevance of the subject in China.

4.6 Approaches to data analysis

The data analysis was completed in accordance with the research design approach. The first step was transcription, where the audio tape was played back three times before the salient facts of the interviews were properly transcribed.

The next step to follow was categorisation in accordance with themes highlighted in the literature review. The common themes adopted include forms of EIP, top down communication, upward problem solving, financial participation and representative participation, management intention, employee perception and external context – types of economies, the role of trade unions.
The next step involved conducting an analysis of the qualitative data and performing inter-company and intra-industry comparison. Secondary data from the literature review also facilitated analysis in an external environment context before the case study was brought to conclusion.

4.6.1 Ethical Considerations

The researcher recognises potential ethical issues that may arise in the conduct of the research. Ethical concerns could arise in planning, conducting and in the evaluation stage of the research, and relate to matters of informed consent and harm to participants (Bryman and Bell, 2007). To make sure the study presents a minimum risk to participants and respondent organisations, the researcher explained the purpose and scope of the study in approaching each of the respondent organisations for their consent to the role in the case study. Secondly, all details disclosed in the course of the interviews and information presented were treated in strict confidence and applied purely for research purposes. The same information was also reiterated to participants before the start of every interview. In addition, the request for permission to use a recording device for convenience was also made to each participant before the conduct of the interview. All respondent organisations had requested and confirmed by the researcher that the interviews be conducted as informal exchanges and the views of the participants reflect only the participants’ personal opinion.

In short, as a response to the challenges of ethical consideration and informed consent issues, all respondent organisations and participants were assured by the researcher of strict confidentiality and anonymity through anonymity coding in describing the participants and
the respondent organisations. Secondly, all documents or data collected in the process were kept secure by the researcher.

4.6.2 Reliability, Validity & Trustworthiness

The researcher recognises the importance of reliability, validity and replicability in qualitative case study research (Bryman and Bell, 2007). Developments in the 1980s made adjustments in the assessing criteria of trustworthiness, credibility and dependability (Lincoln and Guba, 1985). The researcher addressed the issues of reliability and external validity as mentioned research design (Section 4.4). The other issue remaining is trustworthiness. According to Bryman and Bell (2007), there are four components of trustworthiness, which include credibility (parallel of internal validity), transferability (parallel of external validity), dependability (parallel of reliability) and confirmability. Therefore, the issue that has not yet been addressed is confirmability (parallel of objectivity). The researcher tried to maintain the objectivity of the study as best she could. Particularly in the case studies where she had a direct relationship, she was careful not to allow the familiarity with the respondent organisations to affect the conduct of the research by requesting participants with whom she did not have a direct working relationship.

4.7 Summary

This chapter describes the selection and design considerations for the most appropriate method, including research concept, research strategy, design and plan to address the research question, “to what extent Employee Involvement and Participation (EIP) exists in Chinese businesses?” With thorough consideration of the various options, the researcher selected a qualitative approach, case study research method.
As evidenced by the research strategy, the two major issues in the research lie in access and case study selection. The problem of access as displayed in the earlier trials indicated the lack of support to academic research in the business community, and the only solution is through ‘guanxi’. One may not get a sense of (a) how difficult it is to research the topic in China, and (b) how the meanings of EIP are always not clear and that it is not daily parlance amongst HRM and management professionals.

The issue of case study selection is especially critical because of the limited empirical studies in this research topic. Therefore, the biggest issue is selecting a case study with EIP practices. Because of the personal interest of the researcher to seek how and why and not how many, if non-EIP companies were chosen, the case study would be meaningless, as far as the researcher is concerned. The refined mixed method approach adopted, where quantitative descriptive research sheds light on the type of industry with the possibility of EIP companies helped solved part of the case selection problem.

In the conduct of the interviews, the researcher identified and employed secondary documentary data and non-participant observation as an effective method to not only provide triangulation, but also facilitate semi-structured interviews. The transcription of 37 interviews covering a total of 20 case studies was time-consuming and therefore the extent of data capture is governed by the research questions in as much as possible. With data transcription completed, the next important step was analysis based on the categorisation summarised in the literature review.

In addition to the ethics design which protects the identity of respondent organisations and participants by anonymization and destruction of tape-recording, reliability, validity and
trustworthiness issues were carefully addressed. The researcher considers the overall research method is appropriately designed for the research study.

The next chapter discusses in detail key research findings which address the research questions and gaps in the literature.
Chapter 5  The current state of EIP in China

5.1. Introduction

With the background information on the subject of employee involvement and participation (EIP) presented in the literature review and research methodology chapters, this chapter focusses on analysing the research data from 34 interviews with the various respondents in 20 respondent organisations. This chapter presents two sets of findings. Part I comprises findings from a study of annual reports and corporate websites of 995 companies listed on the Shanghai Stock Exchange (SSE). The objective, as mentioned in the Methodology chapter, is to gain a basic understanding of EIP practices as confirmed by Corporate China through published reports and corporate website information. Part II includes findings derived from interviews in 20 respondent organisations, as well as further online data searches on some of these companies.

The 20 respondent organisations include three Chinese and one foreign global multinational company (MNC), three central state-owned enterprises (SEOs), one national business unit, four listed companies, five private businesses (four small and medium sized enterprises (SMEs) and one large enterprise) and three foreign-Sino joint ventures. In effect, this represents EIP applications among large and SME enterprises, global and domestic enterprises, state-owned and civilian enterprises, public and private businesses as well as the different industries such as innovative and quality businesses in China. By making appropriate comparison, this chapter offers some insight into the various factors, such as size of business, culture, nature of ownership and industry that may influence the practice. In as much as possible, two or more interviews in each respondent organization have been
requested to capture different perspectives. A total of 34 interviews were conducted with the 20 respondent organisations, averaging 1.7 interviews per organization.

To describe as well as understand the extent that the respondent organisations empower employees (Wilkinson et al 2011), the form of EIP practices adopted by the 20 respondent organizations is presented in accordance to the fourfold framework set out by Marchington & Wilkinson (2006) as discussed in Chapter 2, namely, downward communication, upward problem solving, representative participation and financial participation. The detailed practices under each of the four categories are examined to explain the pertinent programmes implemented by the respondents. The last section of the chapter presents in-depth coverage of three of the respondent organisations which demonstrate more active EIP applications.

In the rest of the chapter, every attempt is made to present a full description of EIP practices in China, from initial profile data extracted from 995 SSE-listed companies, through to the 20 case studies, and finally the more in-depth analysis of the three active EIP respondent organisations, which have driven by distinct factors. While this chapter focusses on the EIP practices adopted, putting EIP in perspective, the following chapter will analyse contextual factors such as the purpose and the impact of EIP adoption. The data on these two chapters will inform the discussion and reflection in Chapter 7.

5.2. Prevalence of EIP in China
A search of annual reports and corporate websites of 995 SSE-listed companies found various EIP practices mentioned by 32 companies. Twenty-two are SOEs, more than half of which were established before or around the early 1980s. The common EIP practices
identified include all fourfold types of EIP. For downward communication, there are town hall briefings, morning briefings and newsletter. For upward problem solving type, there is teamwork, direct complaint mailboxes, suggestion and innovation awards, employee surveys and employee happiness indexes. For representative participation, there are trade unions and workers’ congresses. Finally, for financial participation, there is profit sharing and employee share option programmes (ESOPs) (See Table 5.1). Financial participation, the most popular form of EIP, was mentioned in the annual report of 15 companies, but is generally restricted to senior executives in the form of stock options. While this may hint that such programmes could be rhetoric rather than reality, it shows at least some tendencies in EIP development.

Table 5.1 EIP adopted by companies listed on the Shanghai Stock Exchange, 2013
Table 5.2 Objective of EIP programmes of adopting companies

No of companies

EIP Objective

Creativity
Commitment
Org Democracy
Capability
Cooperative Team Spirit
Incentive
Operational Performance
Financial Performance

Creativity – companies would like to see more creativity in their employees’ work
Commitment – companies would like to foster employees’ commitment to the organization
Org Democracy – companies would like to deliver organization democracy
Capability – companies would like to increase the work capabilities of their employees
Cooperative Team Spirit – companies would like to see more harmonious employee cooperation
Incentive – companies would like to see employees financially motivated
Operational performance – companies would like to increase their operation performance
Financial performance – companies would like to increase their financial performance

The majority of EIP-active companies state that their objective of pursuing active employee involvement is to stimulate employee input, encourage creativity and use financial participation as an incentive (See Table 5.2). Recognizing the importance of EIP, some companies go to great lengths to pursue it. For example, ERDOS (http://www.Chinaerdos.com) reported in its 2012 Annual Report that it has had to tap into an undistributed fund accumulated since 1994 to establish an investment vehicle to improve workers’ social benefits, as well as an incentive fund to encourage employee involvement in the form of innovation or invention. Similarly, Zhengzhou Yutong Bus
Yutong (http://www.yutong.com) claims on its corporate website that it has a corporate culture of encouraging active communication and cooperation among employees. In its 2007 Annual Report, Yutong attributed the company’s continuous tremendous growth to the innovative efforts of employees. Commitment is not a key objective among the 32 EIP companies, possibly because the majority of these companies are SOEs, which as mentioned before, are viewed as preferred employers by Chinese employees.

As for the forms of EIP, upward problem solving types of practice are often identified in the active EIP companies. In its 2012 Annual Report, Neusoft (http://www.neusoft.com), China’s largest software house, confirmed that it has set up a chief executive officer (CEO) mailbox for employees and provides opportunities for regular dialogue between its employees and the CEO every year. Through this, it also enables employees’ views to gain direct access to senior management, combined with a feedback mechanism. Furthermore, it also conducts employee opinion surveys annually. Bao Steel (http://www.baosteel.com), the largest steel manufacturer in China and Yili Dairies (http://www.yili.com) have similar corporate statements on their respective websites. Bao Steel says it has established a comprehensive monitoring system to ensure the interface between managers and employees at all levels and the opportunity for managers to listen to employees’ opinions. Yili Dairies on the other hand emphasized the effectiveness of its trade union in promoting dialogue between junior employees and senior management by setting up an information platform, staff complaints mailbox and telephone hotlines. Bao Steel went further, stating that all new initiatives have to be subject to employee approval, in addition to suggestion systems for employees to express their opinion. ERDOS’ workers enjoy voting rights on their colleagues’ performance, where any managers securing less than a 50% confidence vote is subject to internal investigation (http://www.Chinaerdos.com). Ultimately, the business objective for these individualized EIP measures is, in their terms, to achieve high-quality production vital
to the survival of the company and employees, despite weak support for performance objectives.

Some of the companies emphasized teamwork and team leadership. Sailun Tyre says that out of the need for professional software and engineering technical development, it has devised a system of "voluntary teamwork" to attract talent and achieve human resources sharing (http://www.sailuntyre.com.cn). In collaboration with external consultants, the work teams conduct research projects to solve technical and technological barriers and other issues, providing solid support for the company's development. The significance of team leaders is emphasized by Shaanxi Baoguang Electronics in that production team leaders play multiple roles as organizers, participants and performers in the enterprise and therefore are central to the company's operating plan (http://www.baoguang.com.cn). Irrespective of whether it is weekdays or weekends, group leaders are expected to be involved at all times, because their dedication influences all the group members. Not surprisingly, China Oilfield (http://www.cosl.com.cn) also attaches great importance to the selection of excellent team leaders.

5.2.1. Reflection

The data abstracted from the annual reports and websites of the listed companies shows that a small group of Chinese firms explicitly state that they engage with EIP and identify employee input, creativity, incentive and capability as some of the underlying goals of EIP in China, at least, in so far as the company claims. The study allows for two conclusions. Firstly, it does confirm the existence of EIP in China. Secondly, the three most common forms of EIP found are downward communication, such as briefing sessions and other various forms of communication, upward problem solving, such as teamwork, and financial
participation such as profit sharing and ESOPs. The 32 companies identified from the search as EIP practitioners represent a mere three percent of the population. As such, we cannot conclude that this is the extent of EIP application in China, because non-disclosure does not necessarily reflect non-existent EIP practice, and the rhetoric is not necessarily the same as reality. Further research work is necessary to confirm these findings.

5.3. Forms of Employee Involvement and Participation

The various forms of EIP practice adopted by the 20 respondent organizations is summarized in Table 5.3 and each component of Marchington & Wilkinson’s fourfold framework: downward communication; upward problem solving; representative participation; and financial participation is vetted in the following sections. While the table is intended to give a quick reference as to the type of EIPs at work at each respondent organisation, it may not fully reflect the actual position, because of possible omission by respondents.
From the above table, it is obvious that most of the respondent organisations have some EIP practices, especially downward communication in the form of newsletter and briefing system, as well as upward problem solving EIPs in the form of suggestion schemes.

Secondly, indirect representation also exists in most respondent organisations, but the role of trade union in employee welfare is probably quite a unique feature of Chinese participation.
Before proceeding to the discussion of the forms of EIP, one phenomenon is noteworthy. Participants from the 34 interviews were generally not familiar with EIP terminology, even though they may be practising it in some form. Majority of the respondents did not recognize the terminology of EIP. Some showed hesitation when the subject of EIP was brought up; some did not recognize such a feature in their management system, and some even mistook EIP as some form of training programme. The respondents who had a good idea of at least employee involvement are those from Co IXI, and surprisingly the general manager of Co OBC, a listed SME, who believed that although it was not representative, it had a hard lesson on the subject to share.

“There are two components of employee involvement. The first one is that the company offers an opportunity, and the second is that employees take the initiative. When you’re creative, the company allows you a lot flexibility. Employees work as if they are playing a game. This inspires employees to produce a great deal of creative products.” – Mr. G, General Manager, Co OBC.

5.3.1. Downward communications

Periodic newsletters are a prevalent form of briefing tool adopted by the majority of the respondents. They range from monthly to quarterly, and are mostly in the form of e-

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26 The confusion of the subject is further compounded by the fact that the term “involvement” and “participation” in Chinese carry the same literal meaning “参与”, complicating the differentiation of the two concepts. If we use Google Translate to translate involvement and participation individually, it produces the same Chinese literal meaning. However, if we combine ‘involvement and participation’ as one phrase, Google Translate gives a different context to involvement and participation “介入和参与”. In this case, the Chinese for Involvement, “介入” is taken as an act of interfering in matters between two parties, which sounds like Participation in the English terminology; where the Chinese for Participation “参与” remains the same as in the individual translation and is taken as joining in certain groups or actions, which is closer to the English term of Involvement.

27 plus an HRM professor, Prof. S from R University
newsletters to inform employees about key company activities, including employee social events. Three of the four respondents who do not publish newsletters are private SMEs, and one joint venture business maintains something similar by posting company activity updates on notice boards in the staff canteen. Although newsletters are a regular feature in most of the respondent organisations, not one respondent could recall a highlight of any particular issue. The efficacy of newsletters is thus questionable.

Apart from newsletters, there is a range of other briefing systems adopted by respondents, including interactive group chats (e-platform), daily morning briefings, town hall meetings, quarterly, biannual and annual workers’ congresses (which are also a kind of representative participation explained in section 5.3.3). The popularity of interactive electronic group-chat platforms in China has enabled businesses to devise similar in-house systems to facilitate both top down and upward problem solving communication among several respondents. At Co IXI, as explained by Ms. L, the HR Controller of the Group, management spent a significant amount of time in different WeChat (the Chinese version of Twitter) groups. Management’s objectives are twofold: first, to understand the thinking and dialogue of their employees; and second, to express management viewpoints. Interactive electronic group-chats offers management a quick and effective communication channel with employees. The only drawback, as Ms. L expressed, is the difficulty in maintaining work life balance, as the Wechat dialogues can run around the clock, 24 hours a day, seven days a week. The discussions can range from where a dustbin should be located to a serious proposal dreamed up by a young newcomer. Ms. L says she would normally wait and only respond when a quorum is reached, indicating that the issue is of common interest. Then, she would respond and attend to the subject matter irrespective of whether the issue at stake makes sense or not. However, she needs to stay on the alert and respond in a timely manner in order not to cool
off employees’ enthusiasm and hence their involvement. Although Co IHA also adopts similar systems, its approach is slightly different. The WeChat groups are hierarchical and chat group members are either intra-departmental, or inter-departmental, in which case, members are of the same managerial level; and the subject is more traditional inter-, intra-departmental or operational issues, which would previously have been carried out via memos or face-to-face meetings. Co IHA finds dispatching any downward communication through this e-approach a lot easier than traditional channels such as internal memos, because e-platform communication is real-time and interactive.

As for daily briefing systems, respondents in the banking and hospitality (catering) industries, Co FCM, Co FCI and Co FHS, Co FBO Co HBG and Co HCW confirm that they all have morning sessions before the start of business. At Co FBO, according to Mr. M deputy general manager of the Beijing Branch, they do not have town hall briefings because of the lack of proper venue to hold a large number of employees, the headcount of all Co FBO branches in Beijing alone exceeds several thousand. Therefore, the daily briefing session sometimes doubles as an off-site town hall briefing. These briefing sessions, which are generally led by first-line managers such as a Co FBO branch manager or restaurant manager, are mostly simple reminders of the dos and don’ts, or a small morale booster.

Co IDF is a small firm of approximately 20 employees. The mission of Co IDF is to develop raw eye 3D technology. Despite the small number of employees, most are top-level research and development (R&D) engineers. In managing this elite team, the CEO has adopted a strategy to address the needs of high calibre employees. As explained by the CEO, apart from offering them high compensation, he frequently makes use of ad-hoc downward communication to challenge engineers as to whether they need to work overtime. Despite
the fact that the project in hand is an ambitious national project and the time pressures are obvious, the CEO finds his critical approach stimulating and his capable engineers are able to maintain a good work life balance in that they deliver product development targets per plan, while retaining a healthy degree of personal time. Firstly, the CEO believes his business and the project team can only survive in the long term if work life balance is achievable. Secondly, he thinks the most important communication he needs to channel down are ‘success stories’. The motive behind this is seeking employee commitment rather than active employee involvement. What he seeks from the employees is their compliance in abiding by company policy via personal choice.

“You success depends on policy. It does not come directly from employees’. ‘As the company does not have a stable fixed income, the use of incentive schemes common in the IT industry companies is not suitable. Before, I particularly wished to win a major battle to boost staff morale, now I realize it is more important to get more regular small successes to keep the momentum going’ – Mr. W, CEO, Co IDF.

The leadership at Co IDF broadly supports MacLeod and Clarke’s assertion that leadership and engaging managers are important enablers of EIP.

In between daily briefing sessions and semi-annual or annual town hall meetings, some companies host weekly sessions, where senior management spends an hour with different employees from different divisions to foster mutual understanding and discuss business strategies or plans. During the interview, Mr. S, Vice-President of Co HCN, produced a photograph of the President with about 10 frontline employees from four business units at a 2014 session as evidence of the company policy of seeking employee input in achieving
democratic corporate life. According to Mr. S, the president’s message encouraged employees to strengthen training, adjust their way of thinking and utilize all possible resources to develop an innovative and different business model.

At the other end of the extreme, there are two respondents who do not feature any formal briefing system. They are both SMEs. One SME explains it only has informal briefings, where the CEO (who is also the owner) often explains her plan during lunch or dinner sessions with her manager, her long-serving and trusted colleague. The other SME is a market leader in animation (media) business. Its general manager explained the great importance its particular industry attaches to employee involvement in delivering innovative products. In 2014, the company experimented with offering employees total flexibility on the condition that they deliver satisfactory products. There was no top management downward communication except through immediate supervisors, and employees were free to decide as to how they produced, and with what resources. Sadly, this case of EIP ended unhappily. At the only instance of downward communication before the end of the year, despite higher morale and successful products, senior management announced the cancellation of all EIP initiatives because shareholders, on reviewing the financial results for the first three quarters, rejected the high costs. The reason for these higher costs was that when employees enjoyed autonomy in producing animation programmes, they spent longer on research, design and development because their goal was to make better products.

Some companies dispatch special task forces to offer a direct channel for understanding their employees. According to Mr. D, divisional general manager of Co ILE Global Customer Service, a global grievance team travels around its worldwide offices in order to understand and investigate serious complaints emailed by employees wishing to seek
redress. Similarly, at CO FHS, a strategic task force visits every branch and gathers opinions from employees. While these task forces have a specific mission, the fact that they represent top management attempting to communicate with employees, may create a favourable atmosphere supportive of EIs application. They offer a better perception compared to traditional employee opinion surveys because of the personal touch, which lets employees think that their opinion really matters. Secondly, they open up a channel for employee voice on matters of a serious nature, likened to whistleblowing.

**Reflections**

The research above shows that downward communication is a common form of EIP used to promote employee involvement. Downward communication takes the form of daily briefings, weekly forums with the CEO, monthly or quarterly newsletters, and quarterly, biennial or annual town hall meetings. Today, with the availability of new IT technologies, real time interface through e-chat platforms has become a commonplace business tool in China. While the majority of downward communications are hierarchical and top down, weekly forums as in the case of Co HCN, e-chat platforms as in Co IHA and Co IXI and to a lesser extent, town hall meetings facilitate a relatively open exchange.

A difference is noted between large enterprise respondents, that have relatively ingrained and regular EIP programmes, and SMEs like Co IDF that prefer an ad-hoc approach. Furthermore, when comparison is made between the two SMEs in innovation businesses, Co OBC and Co IDF Fusion, in their EIP experience, some of the difference can be explained by the age of the organization. Co OBC was set up 10 years ago and today’s operation is not dependent on the founding members’ input. It could therefore possibly do without downward communication.
In general, these are well-managed communications that involve individuals working within a constrained setting, neither groups nor collectives are allowed. In some cases, management’s message has a distinct impact on employee attitude, performance and psychological well-being. This is especially the case in young companies such as Co IXI and Co IDF Fusion, where the values and approach of the CEO are important factors in shaping the corporate culture. Their downward communication, regular or ad-hoc, is essential in building the company, as argued by MacLeod and Clarke (2009), as the narrative provided by the leadership explains to employees the purpose of the organisation and allows them to understand how their role fits into the broader picture. It is therefore one of the four key EIP enablers.

5.3.2. Upward problem solving

Upward problem solving EIPs, which encourage employees to offer ideas (Wilkinson et al., 1998), could be in the form of focus groups, quality circles, workforce attitude surveys or employee suggestions schemes (Wilkinson, 2002). As shown by the research data, the kind of upward problem solving EI practices among the respondents include both traditional instruments, such as suggestion systems, opinion surveys and teamwork, as well as the more vigorous approach of in-house angel investor28 and strategic business unit, which certainly brings employee involvement to a new dimension.

Among the various practices, suggestion schemes are the most prevalent upward problem solving system adopted by the respondents. With suggestion systems, the empowerment of employees to perform at their own discretion, within a certain limit, has also been included

28 “Angel investors are wealthy individuals cited by many researchers as the most important source of capital for start-up firms” (Morrissette, 2007: 52). According to Li et al (2016), the Chinese government policies help to shape the new venture market in China and guide angel investors in making more efficient investments.
in this category. As luxury hotel operators can improve revenue and customer retention through HR systems that empower front-line employees to personalize services (Haynes and Fryer, 2000), it is believed that they therefore have an interest in investing in employee development and employee voice practices that will support a high-quality, competitive strategy in this industry. However, at the low-price end of the hotel industry, where customers want a “no-frills” cheap bed, the situation is quite the contrary (Sun et al., 2007). Our two research respondents in the hotel sector, Co HHC and China Co HCW Hotel, offer a slight variation to the scenario.

Co HHC is not a high-end establishment, and yet supports an ‘employee empowerment’ programme to attend to customers’ needs. As explained by a service waitress in the interview, staff have the discretion to spend within a monthly budget to make sure customers are well served. For example, when a customer wishes to have a special brand of beer not available at the restaurant, she would go and buy the beer for the customer without the need to seek supervisory approval, if this is what she thinks is necessary to gain customer satisfaction.

However, the case of the five-star Co HCW Hotel is different. According to Ms. J, the restaurant supervisor of Co HCW, hotel frontline service personnel normally receive only vocational education and she would not rely on them too much as far as EI is concerned. In order to ensure consistency and quality in the level of service, Co HCW Hotel requires all frontline employees to strictly adhere to its standard operating procedures and follow these step-by-step as to how they should deal with different situations, ranging from table-setting to dealing with customer complaints. Therefore, Ms. J believed the hotel industry is becoming less and less popular among young employees who find their role too restrictive.
Conversely, employees at the supervisory grade would have a lot more space to exercise their discretion in order to satisfy customers, which is in line with the finding of Haynes and Fryer (2000) mentioned above.

The experience of Co HCW frontline employees is shared by respondents in the banking industry, but for different reasons. According to Mr. M, a deputy general manager of Co FBO, Beijing branch, banking is a ‘regulated business’, and therefore there is not much room for individual employees to make suggestions. Although there is a suggestion box system, to take his department as an example, where the major activities involve extending loans to SMEs, there is neither a suggestion scheme nor team work, as every individual’s job is very much governed by detailed job descriptions and codes of conduct in accordance with Co FBO regulation. Unlike the banking sector in Europe, and to an extent the USA, which has in many cases the support of unions, and/or EIP schemes, and/or highly elaborate social dialogue processes (Arrigo and Casale, 2010), the choice of upward problem solving EIP in China is limited within the confines of its political system. The investment consultant at Co FCM, Co FBO and Co FCI provided similar responses. Although employees have various channels such as suggestion boxes, forums, and even annual attitude surveys for them to express opinion or offer ideas, they rarely get any feedback and therefore find such systems rather useless. They believe they are there to take orders and have no role in suggesting how to get things done. Employees at Co FHS, however, have a more positive attitude about their role:

“Co FHS\textsuperscript{29} is here to provide the tools and platform. They would not tell me how to offer investment advice to my clients. We play the most important role in linking the

\textsuperscript{29} It is important to understand CO FHS in Europe operates very differently, with a strong emphasis on social dialogue at various points. In the UK, CO FHS workforce is unionized, and the union participates in collective bargaining with CO FHS.
customers with the Co FHS. They are our helper” – Mr. L, senior relationship manager, CO FHS

The central SOE CO HCN recognizes the importance of employee involvement. However, it thinks that because it is not a manufacturing company, it is not so important for employees to generate ideas. At most, it would only expect employees to make minor suggestions. As explained by Mr. S, Co HCN is much more relaxed than manufacturing companies. It does not want to put employees under too much pressure. The pressure always falls on the senior management who are accountable for everything. As for the staff below them, each year they sign a performance contract with the company and that is what they have to focus on, the company will take care of the rest. This is a typical illustration of the paternalistic management style of Chinese enterprises discussed in Chapter 3.

However, another central SOE, Co OCA believes that although it also has suggestion systems, the key is to allow employees some freedom to act in accordance with what they think is best, that is to say, allowing employees the necessary discretion is most important. Mr. C, Deputy General Manager, says that top management study and evaluate employee proposals that are of strategic importance, for example something that involve changes to the business platform, but they do not waste time in reviewing simple suggestions relating to operational issues. Similarly, the training manager, Ms. L of global IT giant, Co IHU, explains what it calls its ‘wolf culture’. Its employees are very good at “sniffing out” opportunities and excel in job execution. The pressure for individual employees or the teamwork groups to achieve their targets is huge, as they risk dismissal if the targets are not met. Therefore, Co IHU is not only soliciting employees’ ideas for management consideration, it goes beyond that. Ideas must also come with execution and results. Hence,
EIP is very much constrained by a performance management culture in the sectors that value results more than social issues and feedback.

As for attitude surveys, these are frequently conducted in conjunction with other performance review practices such as 360-degree feedback of employees, as part of HRM programmes. Once again, this shows how EIP in such cases is constrained and shaped by the processes of performance management and control. It is not surprising therefore that SMEs are not conducting attitude surveys out of resource considerations, while respondents who run more sophisticated HRM systems, such as all the banking respondents, central SOEs such as Co HCN, global giants Co IHA as well as Co HCW Hotel, run these programmes. There is evidence that employee voices are heard to a certain extent, such as in Co HCW Hotel. Although it requires its employees to strictly follow standard operating procedures, it does seek input from employees through an annual opinion survey conducted every September. All employees have to respond to 100 questions relating to various administrative and operating issues. Young employees are said to be fairly honest in pinpointing the problems they see. In the case of Co IXI, apart from employee input, customers are invited to participate in 360-degree feedback as part of their employee assessment. Co HCN uses 360-degree feedback data as the basis for evaluating promotion or transfer. As for Co FCM, employees also use the 360-degree feedback programme to complain about ‘bad managers’. All this points to the fact that large enterprises have accepted the need to seek employee opinion (or voice) and attitude surveys and 360-degree feedback is a common vehicle to achieve this purpose. Whether they value the opinions so collected and how they put them to use would have to be evaluated in future research.

While the term ‘quality circle’ has not been mentioned by the respondents, they are emphatic about teamwork. For example, the informal mentor system at Co HHC where senior
colleagues (in terms of length of service) coach or mentor the newcomers, constitutes informal work teams. Similarly, at Co IXI, design engineers and customer support constantly interface with customers to deliver improvements to their products. This also constitutes teamwork effort. At Co OCN, teamwork is the basis for getting new playwrights through its review process, which involves discussion and input from various divisions as well as external consulting members. Instead of autonomy and authority of work teams, the CEO of Co IDF believes that it is most important to have trust in the team leader.

“Our business is completely based on teamwork. Inside the team, you have to respect the team leader’s capabilities. Whether they are originally from Co IHU, UT Starcom or wherever, everyone’s working methodology is different. Ultimately, their goal is the same. The key is to look at the results. We give them the work pressure, but with the space to balance their work and life” – Mr. W, CEO, Co IDF

As for the four banking respondents, Co IQY and Co ICU do not have formal teamwork, as the employees’ responsibilities are clearly defined by work procedures or very much individualized. Co FHS confirmed the availability of an informal teamwork system to seek support such as clarification or information from other colleagues, similar to Co HHC mentioned above.

Apart from these traditional upward problem solving EIs, both domestic and international companies are experimenting with more innovative EI design through programmes similar to the Angel Investor or Employee Owner concepts as illustrated by the following two examples, Co ILE and Co IHA.
According to Mr. D, Divisional General Manager of Co ILE, After Sales Support (Overseas), Co ILE excels in management, and the majority of change design comes from the top (the core management team), rather than through upward problem solving effort. Employees mostly submit small proposals, which if accepted can receive corporate funding for implementation. Successful projects can become case studies for further investigation or implemented on larger scale. However, recent growth in e-businesses has boosted the demand for IT personnel. Despite the fact that Co ILE always maintains an HR reserve, the pressure on Co ILE’s IT headcount makes it necessary to rethink the corporate strategy on employee retention. Therefore, Co ILE is prepared to take new approaches either by offering venture capital or innovation systems to encourage employee innovation, an important step to employee retention.

At Co IHA, the initiatives are even more aggressive. According to Ms. T, HR Controller of Co IHA Strategic Business Unit, the formation of a micro business unit within the company’s ecosystem is intended to push employee involvement to the extreme, i.e. every employee is an entrepreneur of the micro business unit they are in, responsible for all wages and expenses. The management philosophy is that as an employee accumulates operational experience, he should know how to operate and be profitable. However, the biggest challenge is the determination of a reasonable space for profit. What is the right transfer price? Not every employee likes to expose themselves to such entrepreneurial risk, even though there are some who are excited about the prospect of making extra profits under the arrangement.
Reflections

The responses of the research participants show that there are varying degrees of upward problem solving initiatives being adopted within their respective organisations. The situation is common among the banking and 5-star hotel respondents as there is an emphasis on standardization and control, and this does not always work with EIP. While suggestion schemes are the most common, not everyone agrees that they are effective, especially when they stop short of following-up and implementation. As already mentioned, this is highly individualized. As for the more sophisticated HRM systems, most of the interview participants value at least some employee voice, as evidenced by the way the results of opinion surveys and/or 360-degree feedback have been put to use. Teamwork application is not as popular as the previous two EI practices, one reason being the regulated work procedures in the banking sector, with basically pre-empted suggestion systems or teamwork. Finally, some global businesses are adopting a more aggressive approach towards upward problem solving by promoting employee entrepreneurship through angel investor schemes or ESOPs.

In this category of EIP, while there are some employee voice features, as reflected in suggestion systems and attitude surveys, they are in a fairly passive form. The role of middle managers in some of the respondent organisations, such as Co IDF and Co HHC, is considered to be critical by their management, with some resemblance to one of the four key enablers (MacLeod and Clarke 2009).

5.3.3. Representative participation – the different roles of Chinese trade unions

According to Marchington and Wilkinson (2005), representative participation centers on the role that employee or trade union representatives play in relation to subjects relating
managers and the workforce, through certain vehicles such as joint consultation, worker representatives on company boards, or even collective bargaining. To understand the status of trade union in China, all 37 respondents were presented with the same standard questions:

“If a trade union exists, how is it structured and what is its core mission?”

“How does management consider the union?”

Most firms had a trade union presence\(^\text{30}\). However, the role of these trade unions in participation was often argued to be absent or minimal, a legacy of the earlier “individual rights-based” regulatory framework (Chan and Hui, 2013). First of all, there are the firms that do not have unions, mainly SMEs and foreign establishments such as Beijing Co OBC, Co IDF Fusion and Ever Reliable, Co IXI and CO FHS. The rationale for not having a western type of trade union, as explained by Ms. L, HR Controller of Co IXI, is that, as in its case, if an employee has any complaints, they would go to her HR department. She is of the opinion that:

“‘In today’s labour market, there is no role for trade unions. When an employee has a grievance or complaint that the company cannot address, they would choose to leave as there are a lot of other opportunities elsewhere’” – Ms. L, HR Controller, Co IXL.

Some organisations confirmed that they have a trade union, but with a limited role in participation. Mr. S of Co HCN explains that its trade union has nothing to do with the

\(^{30}\) Eighty percent of the 20 respondent organizations have trade unions. Enterprises in China are not bound by law to set up trade unions. The law states that any enterprise which has more than 25 members wishing to form a trade union must support its formation. The few respondents who do not have trade unions are SMEs.
industry. He thinks that in China, they have a lot of business associations, but not so many industry associations. He believes that the government may not wish to see a strong link between companies of a certain trade to avoid them developing into a strong voice in society. While industry associations involving a much smaller number are discouraged, the case of trade union associations involving a much bigger number, and possibly a much louder voice, may possibly be even more unwelcomed by the state. Therefore, by western standards, the role of trade unions in relation to employee participation is absent in China.

“Our union is not the same as those in the West. A trade union is under the leadership of the party, so it is not confrontational, and always takes the side of the owner. In our case, our union is responsible for employee benefits, such as organizing some outings, trips, movies and laundry tickets. So, the union is always working in accordance with the company’s direction” — Mr. S, Vice-President, Co HCN.

Ms. Y of Co HBG uses its case to explain why China’s trade unions are never confrontational. Ms. Y, serving as union vice-chair and the hotel’s deputy general manager, is appointed by the Hotel and has to comply with Hotel guidelines.

Co HHC is the only respondent that reported a strong union role to represent workers’ complaints against company management. According to the company’s spokesperson, in cases where employees believe there is unfair treatment, they can seek help from the company’s trade union, which is the most powerful unit to handle complaints because the trade union head is the restaurant’s chairman. Nevertheless, complaints from employees all revolve around minor injustices at the hands of the restaurant manager, and are individual rather collective in nature. The fact that the trade union is presided over by the group’s
chairman suggests that workers are only protected against injustice up to middle management level, but not company level, and therefore this cannot be considered as a case study illustrative of representative participation.

In other cases, when a trade union was present, it often played a very specific role. In the case of Co HBG Hotel, the trade union considered its function to be very similar to the HR department, but more focused on the social welfare of employees, while HR is responsible for personnel and work performance. As Co HBG Hotel is a joint venture subsidiary of the Beijing Tourism Bureau, the union fee collected from the Co HBG Hotel Trade Union is later allocated to the Trade Union of the Beijing Tourism Bureau, which then submits it to the All-China Federation of Trade Unions (ACFTU). There is then a redistribution from central union funds to all affiliated unions for financing day-to-day operations and making special grants. As Co HBG has lots of low-income employees, including single parents with huge financial burdens, an employee can apply for a grant from the trade union (the Beijing Tourism Bureau), who in turn process something similar for submission to the ACFTU. Employees who are a long way from retirement age, but are made redundant as a result of a change in the nature of the business, are eligible for job retraining to equip them with new employment skills. There are other social duties, for example promoting general employee welfare by organizing holiday trips, or providing gift packs to employees before major national holidays such as Chinese New Year, Labour Day and National Day.

Another role of the union is monitoring employees. In the case of Co FBO, according to Mr. M, the trade union extends membership to all levels of employee, from the general manager of Co FBO head office, to branches and sub-branches, and from management teams to rank and file workers. One very important mission of the trade union is to monitor the
psychological state of employees. As the Co FBO’s business undergoes strategic transformation, the scope of trade union responsibilities expands. To sustain its influence, trade union staff are required to maintain close contact with Co FBO employees in order to understand more about their social life and influence their acceptance of and dependence on the trade union. At the same time, the trade union arranges training to familiarise employees with new labour and banking regulations and ensure strict compliance with ethical codes. The trade union is therefore responsible for assessing the integrity of banking employees, especially managerial staff. Chinese banks view this as an extremely important function, because violation of ethical codes could have huge consequences for the banks. In China, the banking sector is reported to be one of the areas where such violations are most severe (Pei 2006).

Ms. N, Financial Controller of China Co ICU’s Shanxi Branch offers a slightly different description of the role of trade unions. China Co ICU is the country’s second largest X operator. She reports that the trade union arranges regular technical training as well as inter-company competition to promote technical competencies of mobile network personnel. The core management issue for China Co ICU over many years has been headcount reduction. It has dropped from a peak of over a million to the current 200,000 plus level. Although the massive reduction has taken place over the course of ten years, if this had taken place in the west, the trade unions would have had a busy period negotiating the terms and targets with management. However, none of this has happened in this case. This again highlights the different focus of Chinese trade unions as compared to that of their western counterparts. They do not have an extensive negotiating role and are fairly constrained.

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31 Trade unions serve as a secret service to enable Co FBO to monitor the personal life of their employees.
Apart from trade unions, another employee voice feature in China is the workers’ congress. Its role is monitoring the four key issues which Co HCN refers to as the “three important and one material transactions” – (1) significant investment, (2) major business activities, (3) major appointments and dismissals and (4) material payments. Subjects that fall in one of these areas have to be submitted to the congress for vetting. The authority of the congress is protected by law. For example, all senior management expenses have to be submitted to the congress for approval. Workers can make themselves heard in annual voting conventions, which could result in the dismissal of senior management.

“We think we are even more democratic than private companies. Private company bosses have the final say on hire and fire, but in our case, workers do.” – Mr. S, Vice President, Co HCN

Reflections

This research shows that there are “representative participative structures” in Chinese enterprises, especially within large enterprises, which does not perform representative participative roles as seen in western economies. The various roles of Chinese trade unions include assisting individual workers who have personal difficulties, fostering their general employability and improving general social welfare benefits. In certain industries, trade unions have a bigger role in business operations. For example, in the banking sector, the trade union has an important role in monitoring employees’ psychological well-being and

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32 Any enterprise with more than 100 employees can set up a workers’ congress when 30 or more employees wish to participate. There is no statutory requirement for enforcement, and the directives are referenced in Labour Law. Senior management are not necessarily Congress members, but trade union officials must join. The major functions of the Workers’ Congress include promoting democratic decision-making, democratic management and democratic supervision of the enterprise on behalf of employees or any other form of organized workers. It has the power to consider major decisions of enterprises, supervise administrative leadership, and safeguard the legitimate rights and interests of workers. Therefore, the workers’ congress can exercise a certain level of authority, although not at the highest level of corporate management.
work ethic, whereas in the telecom sector, the trade union has the active role of enhancing technical competence as well as having a role in general social welfare benefits. Apart from trade unions, there is also the workers’ congress, a typical feature of SOEs.

The fact that the collective role of trade unions is less extensive than imagined may have more to do with the political system, which may not accommodate an effective voice system. One of the four enablers ((MacLeod and Clarke 2009), voice, is basically absent from the Chinese scenario. There is a softer and more social approach to HRM generally in China and this is an important contextual factor.

5.3.4. Financial Participation

Financial participation can be profit sharing or stock ownership. Some researchers find financial rewards, which include profit-related bonus and stock options, are the most used and most effective HR tools in China, especially in the private sector (Cooke 2009). In this research, the majority of the respondent organizations, with the exception of the banking sector and Co ICU, have either one of these two schemes.

Co HHC considers profit-sharing schemes to be the key driver for shop managers to devote their maximum effort in the operation, where the full responsibilities of running the shop is compensated with a basic pay of renminbi 10K together with profit sharing (2.8%), according to the CEO Mr. Z (HBR 2016). However, to avoid short-term profit generation at the expense of long-term return for the company, the shop manager is subject to two most important KPIs, customer and employee satisfaction. Some SOEs and SMEs also have similar schemes, but differ in that payout is not directly linked to individual effort. This is
due to the large number of participating employees in the case of SOEs, and concern about the concern about the unpredictability of the scheme in the case of SMEs.

Turning to global companies, Co IHU runs one of the most extensive ESOPs, while Co IXI has a share option programme that covers mostly the founding members and a large group of members who have been with the companies for at least two years. Co IXI’s ESOP appears to be one of the main reasons that the young company has progressed at lightning speed. Both Co ILE and especially Co IHA have a fairly limited stock option programme as an incentive to key employees only.

**Reflections**

Obviously financial participation can be an important motivating factor in driving up employee involvement and is distinct from programmes that purely increase an employee’s pay check. However, the 20 case studies show that the link with motivation is not so clear. In addition, the extent of financial participation is limited throughout the cases. In the case of Co ILE, for example, the employee interviewee complained that he was not included in the share option scheme, despite his long service. In the case of Co HCN, the VP complained that its high profit sharing was not satisfactory to employees. Co IXI worries that when the company finally becomes listed, and the massive profiteering from share options is realized, what will be in place to maintain momentum.

There are therefore two questions regarding financial participation in China. One is how broad-based the scheme should be. When it is too broad-based, the amount of incentive may not be big enough to motivate workers. Alternatively, it may to fall into the trap it has fallen into at Co IXU, where employees are subjected to tremendous work pressures, as showcased
by its “mattress culture”. The second question is how to maintain momentum when employees become used to the incentive, as in the case of Co HCN, or when the super-profiteering is realized, as in the case of Co IXI. Further research is necessary in order to investigate these issues and identify the optimum measures.

5.4. Cases with explicit forms of EIPs

The discussion so far has focused on specific EIP practices. Ideally, as discussed in Chapter 2, different EIP practices should complement each other. As we have seen, the presence of EIP practices in China can generally be considered as somewhat limited. However, some companies have introduced a relatively broader set of practices. The remainder of the chapter will discuss three case studies, examining their EIP practices, as well as the rationale for the introduction, and the perception of those involved, to illustrate the important role of EIP in China. All four forms of EIPs – downward communication, upward problem solving, limited representative participation and financial participation – are present in each case.

In identifying three active EIP case studies for in-depth discussion, the concept of embeddedness is intended to be applied in the selection. Embeddedness can be categorized as network, temporal or institutional, as in a study of the effects of social embeddedness on job performance by Van Emmerik & Sanders (2004). Network embeddedness is the use of multiple formal EIP practices to support and enhance each other. Temporal embeddedness is the regularity, frequency and longevity of an EIP practice to indicate its significance over time. Institutional embeddedness consists of indicators of how seriously managers and employees take EIP. However, there was not one case that reported full EIP features in the fourfold framework (Wilkinson and Marchington 2005), nor formal records to show regularity or longevity. Therefore, the following three cases are selected on the basis that
they are illustrative of the diversity in EIP in firms with specific approaches to employee relations to SOEs with an “old school” ‘socialist’ approach. We do not argue that these cases are representative of the wider population, but instead that they are representative of the types of EIP that have been found. The three companies selected are active EI companies because there are relatively more and regular EI practices (depth and breadth), the system has been in place for an extended period (longevity), and EIP is embraced as their corporate culture (institutional embeddedness).

5.4.1. Co HHC

At-a-Glance

*Business:* National hotpot chain, expanding to Singapore and the United States

*In Business since 1994*

*EIP Enablers: leadership, managers, voice system*

+ clear business goal,
+ clear work focus,
+ effective mentorship
+ strong culture of self-motivation and team-work
+ generous and fair compensation

There is a softer and more social approach to HRM. This is an important contextual factor in some EIP cases. Co HHC is a well-known hotpot chain, where business success is built upon a multitude of creative ideas from employees, ranging from the standard offer of wipers for customers’ eye-glasses, hair band for long hair, signature dishes to ad-hoc purchases to satisfy customer needs.
According to the external affairs department manager, Co HHC’s business practices are determined by a very simple business goal, “maximization of customer and employee satisfaction”. It believes that when you treat your employees well, they share the company goal of satisfying the customer, and when you empower your employees and let them feel respected to do whatever necessary to satisfy the customer, they will be willing to get involved. In Co HHC’s words, all that the employees do in Co HHC is never a company instruction. It is self-induced. There is no formal design of employee involvement, as the EI practices are inspired by the successful experiences of individual employees. To his end, the company recognizes that this is only achievable by satisfying the needs of employees, because when they are satisfied, they are motivated to share the goal of the company, and do whatever it takes to achieve the goal. As a result, EIP plays a significant part in achieving Co HHC’s business goal.

Apart from empowering frontline employees to take the initiative in satisfying customer need within a certain authority limit, Co HHC also runs a suggestion system, where an employee receives reward for offering a valuable suggestion. According to the Public Relations Manager, management encourages the contribution of ideas from employees by financially rewarding successful entries and providing “ego gratification”. For example, when a chef from one of the chain outlets successfully submitted a new recipe, the new dish was named after them, and at the same time made available in all the other outlets. Therefore, the person rewarded feels very proud of the reputation they have gained. For employees, who are mostly from smaller cities or even the countryside and have minimal education, this type of recognition exceeds their normal expectations and therefore motivates them to work even better.
While it is suggested that self-motivation is the reason for “going the extra mile”, an ad-hoc interview with a new frontline employee revealed that a lot of careful design has gone into the management system to facilitate the promotion of EIP practices. Unlike other restaurants she has worked for, Co HHC is much more organized. The restaurant operation is simplified by a central food supply system. Basically, the employees only task is to serve customers. All their time is devoted to serving customers based on their own routine, plus any other initiatives they can apply within the monthly discretionary budget mentioned above. Secondly, there is an informal mentor system at Co HHC where senior colleagues (in terms of length of service) coach or mentor the newcomers. They explain the ‘dos and don’ts’ and in case of trouble or confusion, the newcomers have somebody to turn to, in addition to the restaurant manager. This kind of ‘family’ bonding boosts self-confidence and is a kind of teamwork, especially in EI situations, experimenting with new ways to satisfy customers. Peer pressure has an enormous impact on new employees in terms of compliance with group norms (see Garrahan and Stewart, 1992), which is to devote every bit of energy to giving customers a pleasant dining experience.

Apart from the discretion offered to employees, the company spokesperson attributed the excellent salary and housing benefits enjoyed by employees to be other key success factors of Co HHC. It offers an above industry average compensation package, and at the same time, provides a profit-sharing scheme based on the profit generated by the particular restaurant. Employees have to respect and help each other irrespective of their ranking and this has resulted in a working environment with a family atmosphere. In cases where employees believe that there is unfair treatment, they can seek help from the company’s trade union, which is the most powerful unit in terms of dealing with complaints because the trade union
head is also the restaurant’s chairman. There is also a company newsletter and an annual workers’ congress for downward communication and representative participation purposes. There are four noteworthy key points in the case of Co HHC. EIP is about employee involvement and not participation, therefore not EIP in general. Secondly, they are highly individual and team-based employee involvement programmes, which are operationally based. Thirdly, they are not standalone schemes: restaurant employees’ performance is obviously driven and made possible by a combination of a generous HR package, an efficient operation support system, an informal yet effective team environment, as well as a trade union to bring workers justice on an individual basis. Co HHC could be summarised as a case of a particular locally-based approach without a strong collective voice.

5.4.2. Co OCN

At-a-Glance

*Business:* national X art troupe

*In Business since 1956*

*EIP Enablers: leadership, managers, voice system*

+ *common organizational goal*
+ *strong culture of collaboration*
+ *sufficient funding (national support)*

There are EIP cases which are more about the ambience and working environment, which create a climate of more informal engagement and it is therefore important to note these factors for being more creative in the understanding of EIP in a national context.
While one may expect that a town hall meeting would normally involve a one-direction briefing from top management, Co OCN runs participative bi-directional convention meetings (a type of town hall meeting) twice a year, where employees are free to speak out on anything. Other EI programmes include open mailbox and monthly reporting systems. Employees are encouraged to make recommendations or express their opinion on the operation of the Institute in the open mailbox. Sometimes, even personal opinions of senior management can be found. The management team carries out in-depth reviews of their recommendations, identifies constructive, meaningful and valuable proposals and considers feasibility and adoption methodology. Then a summary of probable action programmes is presented to the Institute’s top management for discussion and finalization. As for the monthly report, branch offices submit recommendations or comments on their monthly activities, operating principles, policies, as well as advice for the Party. Finally, active EI is demonstrated throughout the screenplay creation process, involving teamwork cooperation and coordination with many different departments and external advisors. Mr. S says Co OCN also promotes informal employee involvement. For example, when it stages performances outside of Beijing, its director often has to stay with the crew and this provides ample opportunities for exchanging opinions. Crucially, the leader must be able to listen, in order for employees (who it terms as the mass) to be willing to express their ideas. In addition, Mr. S considers its leader a good listener, and able to promote a common goal for the Institute,

“Our mission is to serve the People, the Party and the Country” – Mr. S, Business Director (external affairs), Co OCN
Despite the statement sounding communistic, according to Mr. S, staff morale is very high and the organization has become better and more successful. He gave a few reasons, one being the significant improvement in general income over the last ten years, and another the active pursuit of more cooperation and performance overseas. However, if there is not been the common goal and enthusiasm it now has, the organization could suffer the same bureaucracies any public office suffers. Worse still, the problem could be compounded by artistic temperament, and the coordination between administration, logistics, director, choreography, composer, choreographer, actor, costumes, props, lighting, sound, photography, information and publicity personnel required before a draft script can be finalized as a screenplay. In contentious situations, Mr. S says that any differences are ironed-out easily by asking one simple question: Would it improve the quality of performance art and be good and enjoyable for the children?

Co OCN may be a typical illustration of the positive results from EI application with Chinese socialist characteristics, where one of the four EIP enablers (MacLeod and Clarke 2009), strong leadership, changes the corporate scenario. The elaborate downward communications and actionable upward problem solving mechanisms amplify the effect of EIs in a powerful voice system. Nevertheless, the circumstantial factors, where China was at one of its recent peaks of economic development and government support, behind the initiatives should not be overlooked. While employees have a long-held belief in Co OCN’s public mission, successes from the input of the past president breathed life into the empty beliefs and invigorated employee involvement. Overall, Co OCN is still exercising very individualized, fragmented and in some instances, informal EIP systems, which suggest that EIP is not really ingrained in the organization.
5.4.3. Co IXI

At-a-Glance

Business:  X Product maker, ranked 4th largest X product maker in 2015

In Business since 2010

EIP Enablers: leadership, managers, voice system

  + common goal
  + strong culture of teamwork and employee/customer involvement
  + agile team structure and team
  + attractive ESOP

In understanding how EIP works, the cultural and organizational factors and principles are just as key in a context where EIP is not so straightforward. The case of Co IXI is illustrative. A private company established for six years and supported by a global equity fund, Co IXI gained a position in the top five global X product manufacturers. This growth is remarkable, considering it has made its presence felt in Asia Pacific, and primarily in China. Global company though it is, the HR Controller, Ms. L, occupied only a small desk behind a pillar with heavy traffic (employees seeking authorization, exchanging opinion and the like) in a mini office. According to Ms. L, because of its high growth, it never has enough office space to cope with the operation’s need. Everyone in the company tries different ways of helping to save space, one of its many EIs.

Mr. L, founding member of Co IXI and responsible for product research and development, mentioned in his book, ‘Sense of involvement’, that Co IXI adopted a teamwork fragmentation approach to promote team autonomy, i.e., the scope of the work is broken
down into parts and each part is the responsibility of one team, which enjoys autonomy in executing the task. In the early days, when the company had no budget for advertising and publicity, management founded this type of small and independent teamwork, where each teamwork group comprised only two or three engineers, and customers who were willing to join as a team and offer ideas and feedback on the functional needs of the product, a cost-free but effective channels for product publicity. The rationale for allowing teamwork group autonomy and authority is that even if a serious mistake is made, it only affects a small part, and because products are updated every week, the impact is also short-lived. The plus side is that this approach speeds up product development, and for its type of innovation business, the pace of innovation is of utmost importance. As for team members’ performance review, their contribution is determined by customers rather than superiors and peers, and Co IXI considers this offers fairness in performance evaluation.

As mentioned by Co IXI’s HR Controller, Ms. L, with a lower level of professionalism in China, the company has to rely a lot more on employees compared to their overseas competitors. However, Co IXI believes that the corporation’s explicit strategy of involving employees builds a very high level of job enthusiasm which makes up for their lower productivity.

In Co IXI ‘Sense of Involvement’, Mr. L attributed the success of the company to the involvement of employees as well as customers, in addition to the perfect timing of their market entry. According to Ms. L, they did not intend to promote the concept of involvement in the first place. In the early years, they accidentally found out that when employees and customers get involved, they become the best free-of-charge publicity media for the company. This sense of involvement has been gradually infused into its corporate culture
ever since. During employee recruitment, in addition to a candidate’s technical capability, Co IXI evaluates a candidate based on his/her ability to embrace this involvement culture, enthusiasm and their acceptance of a lower salary in return for potential future gains on company listing.

“We are all crystal clear from day one about the development path of the company, and so we understand what it takes from each one of us to get the company to where it is” – Ms. L, Group HR Controller, Co IXI Inc.

Prior to the formation of the company, the founder held a meeting with the various founding members, the majority of who are still with the company, and presented the Co HBG Plan to them. Members trusted the core competency of the team as all of the members have at least eight to nine years of relevant work experience. Given the market opportunity, financial support (investor fund) and team competency, everyone is confident that project will succeed from day one. To illustrate the extent its financial participation programme (ESOP) has induced employee commitment, Ms. L told of an incident where she overheard two engineers having a heated debate over the use of some resources, during which one remarked that the proposed cost increase would harm Co IXL’s share valuation. She asserted that when employee involvement is driven by a common goal – in this case the eventual listing of the company – every member will take a longer term view of the consequence of his or others’ actions which may affect the future valuation of the company and ultimately their own wealth potential.

“We do not work for the company. We work for ourselves.” Ms. L, Group HR Controller, Co IXI Inc.
According to Ms. L, teamwork group has been a key feature of Co IXI in respect of product design and product maintenance. Co IXI management places a lot of emphasis in team leader selection. Once the leader is decided, the team works in accordance to the rules set by them, unless there are grounds for team members to file a complaint directly to the HR Department. However, Co IXI’s HRM system works in such a way that, despite the position of the team leader, the teamworking mode tends not to be hierarchical. Team members are relatively equal and they interact and operate with a certain degree of autonomy. The scenario is similar to the situation with German team workers (Frobel and Marchington 2007) in that the team is less hierarchical because they are more technically qualified and their work is more customer-facing. Customer ratings of their performance carry more weight than the team leader or peer assessment in performance appraisal.

Another feature at Co IXI is freedom of speech. According to Ms. L, it is Co IXI’s policy to allow everyone, employees or customers total freedom in expressing their opinion about the company or the products, be it good or bad. Co IXI provides all sorts of platform to facilitate the freedom of expression, and there must be a response to each serious allegation by other employees or customers. This sets Co IXI apart from other domestic competitors, especially from the perspective of experienced employees, who can tell that there is a big difference.33

Co IXI appears to be a natural EI company as it started practicing EI from almost day one. The proliferation of EI is an inevitable by-product of the agile team structure. Consistent with Cooke’s (2009) findings, financial participation in the form of an ESOP has also proved

33 Confirmed at an ad-hoc meeting by the researcher with one of the focus group on after sales service.
to be a key and effective driver of EI. Based on the observation, the interviews and the information disclosed in its publications, without doubt every member of the company is totally committed to contributing directly to a common goal – the eventual listing of the company and indirectly to the success of EIP at Co IXI. Co IXI is still not a true EIP company, but instead displays more idiosyncratic approaches and the role of informal processes driven by general features of the firm and its culture.

5.4.4. Reflections

It is evident to note that the preceding three cases are more about the ambience and creating a climate favourable for more informal engagement. It is therefore pertinent to vet each factor thoroughly in order to understand EIP in a national context. A common thread through these cases are the three EIP enablers identified by MacLeod and Clarke (2009): (1) leadership responsible for a clear narrative about the mission and vision of the organisation, (2) engaging middle managers, and (3) an effective and empowered voice system, resulting in strong organizational culture. A strong culture of family bonding that drives Co HHC’s employees to go the extra mile; a selfless communist culture of collaboration encourages Co OCN employees into resolving workplace conflicts/differences promptly; a “boundaryless” culture of employee and customer involvement at Co IXI forges a new frontier for product development and customer loyalty.

5.5 Summary

The outcome of the EIP research on the 20 respondent organisations is broadly in line with the data abstracted from the annual reports and websites of the 900-plus SSE listed companies, with the exception of representative participation. The EIPs adopted by the respondent organisations are mostly upward and downward communication, with few other
forms of EIP. Downward communication, in the form of newsletter and briefing systems including daily briefings, weekly forums with the CEO, monthly or quarterly newsletters, and quarterly, biannual or annual town hall meetings, are the most common categories of EIs promoted among the respondents. While there are several examples of upward problem solving, the majority of the programmes are suggestion systems, and employees held the view that management may not act upon these or take them seriously.

The nature of employee involvement identified in the research case studies seems to be mostly actual involvement through personal freedom and initiative. This is illustrated in the case of Co IHA requiring employees to be owners of strategic business units; Co ILE offering employees the chance of venture capital in the capacity of angel investor; or Co OBC, where the respondent organization considered allowing employees freedom in decision making. These are all equivalent to EIP. In western literature, EIP is a concept of employees taking part in influencing decision making. Employees are a part of the whole. It emphasizes joint effort, joint consultation committees and work councils. However, the situation in China appears to be developing in a direction that, even in cases of extensive EIP, the whole is being split up, leaving the spin-off part to be under employee control, but the high level core or strategic decision making still untouchable by employees. Therefore, real types of EI practices identified in the research case studies are still fairly limited in scope or actual degree of influence over decision-making, in a similar way to the last vector of the three-vector theory (Stuart and Martinez-Lucio, 2005), where workers are being exploited ‘at their own mutilation’. This could possibly be linked to the assessment that at (some/many) Chinese firms, the role ascribed to involvement is less (there is not as much of a link between involvement and motivation as suggested in Western literature). That could eventually inform the conclusion that the employment relationship is a different one.
At the same time, and very interestingly, there are Chinese firms that do engage with EIP initiatives. So, the Chinese situation is not uniform or stable, but diverse and dynamic.

On a close examination of representative participation, it is evident that trade unions in China take on a different role compared to their western counterparts, with their primary functions revolving around employee welfare and monitoring. While some cases may have identified structural change of authority or governance, not a single case shows any trace of industrial democracy. None of the companies have embraced the scale of employee voice reflected in statements by Bao Steel or ERDOS Cashmere. The reason could be the absence of long-established state-owned manufacturing enterprises in the research case studies, where worker voice could be more common, or that what the listed companies describe is pure rhetoric. In as much as what has been identified, the collective role of the respondent organisations is less than imagined.

Financial participation, in the form of profit sharing and/or stock ownership, can be yet another potentially effective form of EIP. With the exception of the banking sector and Co ICU, each respondent organization has either one of these schemes, and Co ILE has both. As shown in the 20 case studies, the link to motivation is not clear, and what is more, the extent of financial participation is limited throughout the cases.

Finally, the three explicit cases of EIs demonstrate some unique contexts of broader EI application. The first case, Co HHC, was brought about by a special design to achieve customer satisfaction. The second case, Co OCN, is more one of informal EIs driven by idiosyncratic cause and the final case, Co IXI, is one of high growth requiring extra employee as well as customer input.
Chapter 6    The perception and impact of EIP

6.1. Introduction

The forms of employment involvement and participation (EIP) practiced by the various respondent organisations, as discussed in the previous chapter, fall within the broad categorization of Marchington & Wilkinson (2005). Downward communication, mostly in the form of newsletters and briefing systems, and incidences of upward problem-solving programmes, in the form of suggestion systems, are employee involvement practices commonly found in most respondent organisations. As for employee participation, the trade unions in respondent organisations are more focused on individual welfare-oriented issues, in contrast to the role of their western counterparts (Freeman & Medoff 1984). In addition, there is an absence of any alternative non-union employee representation (NER) (Hyman 1997), joint consultation (Marchington and Cox 2007) or works councils (Dobbins and Gunnigle 2009). By and large, indirect participation is almost non-existent in China. Individually, the extent of these EIP practices varies among the 20 respondents where different causal effects and contextual factors come into play. While the previous chapter focusses on individual practices in EIP systems, with certain trends and themes emerging, this chapter seeks to further explain the dynamics of EIP application in the respondent organisations with reference to the following three questions. Each question is addressed in the following sections.

1. What are the reasons for adopting EIP?

2. What is the employee perception of the EIP practices introduced?

3. Is EIP part of a bigger Human Resource Management (HRM) strategy (as promoted by the literature discussed in Chapter 3)?
For the first question, to understand the rationale behind EIP adoption, the background including the particular external and internal circumstances such as the general state of the economy; the individual organisation’s competitive position, goals and culture; and the management ambitions and objectives in introducing EIP is discussed in the following section.

The second question is in fact a measure of success for EIP programmes. For EIP programmes to be effective, one of the overriding factors is whether employees buy in to the EIP initiatives at all. Do employees consider the EIPs effective in delivering the set objectives? Or do they find the programmes purely rhetorical? While assessing the full impact of EIP programmes is beyond the scope of this study, understanding employee perception may, to some extent, unravel the prospect of EIP programmes under study.

As for the third question, it is useful to learn where EIP fits in terms of HRM development and its approach. What is the HRM strategy about? How is EIP are the different HRM programmes interrelated? Issues such as performance appraisal, reward, training and development programmes of the respondent organisations are examined.

Next, two case studies are presented in order to further illustrate the various interacting factors identified and evaluate the performance relationship of EIP. Two respondent organisations, a global Chinese manufacturer and a small and medium sized enterprise (SME) well known for its successful EI promotion, are chosen for case study. In these case studies, comparisons are made with the various underlying theories and issues, the labour process theory, cycle and wave theory, business models, barriers and success factors discussed in previous chapters.
6.2. Management Perspective on the introduction of EIP

In this section, the issue of how EIP came into existence in the respondent organisations is examined. Despite the fact that EIP terminology is not commonly used in most of the respondent organisations, nearly all large enterprises studied confirm having monthly newsletters and briefing sessions, indicative of a top-down approach. When EIP is top down, it means the practice is driven by management, and therefore, understanding management intention is important, as mentioned in Chapter 5. So far EIP implementation in China has mostly centered around employee involvement, devoid of any employee participation. While China is catching up, it is noted that the situation in Chinese organisations is fundamentally no different to their western counterparts. As an illustration, the agenda of EIP in the UK has changed since the 1970s in three respects: it was also management initiated, it was more individualistic, and it was driven by economic goals with an emphasis on employee motivation and commitment (Ackers and Wilkinson 2000).

6.2.1. Why does EIP exist in some Chinese enterprises?

From the research data, we have identified three main categories of research respondent: those who acknowledge EIP; those who do not explicitly acknowledge EIP but have EIP practices; and finally, those who don’t engage to any great extent. Let us attempt to examine the underlying causes and circumstances for the variation in the extent of EIP.

Group One

Businesses that acknowledge EIP have been driven by very clear business goals and “teamwork” dominates the nature of employee involvement. Apart from gains in work efficiency, team members see the benefit of increased innovation with shared ideas, improved morale and a greater sense of belonging. Without exception, employees in this
group take pride in their work and their company. For example, in the case of Co IXI, teamwork existed in the early stages of the formation of the company, where promotion of employee involvement was driven by the need for low cost yet effective advertising and promotion media\textsuperscript{34}. In addition, Co IXI management considered the employees’ teamwork system instrumental in building up the organisations’ core strength (Li 2014). In Co IHU’s 2014 Annual Report, it acknowledged that its phenomenal growth since inception in 1987 was partly due to ‘the tireless efforts of its staff’, and that Co IHU ‘had to have a wolf spirit, a keen nose, a strong competitive instinct and a spirit of cooperation and sacrifice’ (Co IHU 2011: 3). For Co IDF, a technology start-up company, the chief executive officer (CEO) made clear from day one the central role of teamwork, and especially the team leader, to accomplish key technology development,

‘Our business completely relies on teamwork to foster key technology development. With regard to the management of each team, you have to respect the team leaders’ capabilities. Whether they are originally from Co IHU, UT Starcom or wherever, everyone’s working methodology is different, but their goal is the same. So, the key is to look at the results. We give them the work pressure, but with the space to balance’ – Mr. W, CEO, Co IDF.

Co HHC and Co OCN have a slightly different perspective. According to the external affairs department manager of Co HHC, its business practices are determined by a very simple business goal, “maximization of customer and employee satisfaction”. It believes that when you treat your employees well, they share the company goal of satisfying the customer, and when you empower your employees and let feel respected, employees will do whatever

\textsuperscript{34} Refer chapter 5 section 5.4.3
necessary to satisfy the customers. At Co OCN, the employees are said to share an ideological ideal, and they try their best to contribute:

“Our mission is to serve the People, the Party and the Country” – Mr. S, Business Director (external affairs), Co OCN

In addition to those who acknowledge EIP from day one, employee involvement to be more precise, the remaining firms within this group include those who claim to do so in the face of mounting market competition, such as Co OBC, Co IHA and Co HCN. Co HCN which has previously enjoyed total monopoly and protection by the State, argued that it needs additional employee contribution to improve its competitiveness. As the vice-president of Co HCN explains,

“This organisation needs improvement. Foreign companies need to improve; we all need to improve. We are all aware of it. Today China faces the daunting challenge of declining competitiveness because of rising labour costs. This has become a great burden on enterprises. – Mr. S, Vice President, Co HCN

Overall, according to its top management, EI practices, especially teamwork in this group of respondent organisations, have been prompted by the need to develop core strength or improvement in business operations and not social or broader rights-based concerns. However, the driver for employee participation (the collective bargaining role of the trade unions and NER) is largely non-existent. This group of companies’ core existence is dependent on employee involvement, in a limited way. They illustrate: network embeddedness with the use of multiple formal EIP practices to support and enhance each
other, with some practicing EIP almost from incorporation (Co HHC, Co IXA, Co OCN); temporal embeddedness, demonstrating the strength of EIP applications through the regularity, frequency and longevity of EIP promotion over time; and institutional embeddedness, through the entrenchment of formal and informal organisation structures as most evident in Co HHC (Van Emmerik & Sanders 2004).

**Group Two**

This group of respondents does not appear to be truly conversant with EIP, and yet they are practicing at least form of employee involvement to a certain extent, or adopting a mixed approach in EI applications. In the case of Co HCW, management seeks compliance from the lower-grade employees to ensure consistency in service standards, and promotes EI among more senior employees. Co ILE, which is reputed for its sophisticated management system, and operates with HR reserve, disclosed in its interview that it is also adjusting its HR strategy by allowing talented employees to submit project proposals. If these are accepted, they are placed in charge of the new project. In addition, if there are positive outcomes in subsequent stages, Co ILE will inject capital and become the “angel investor” in the new venture. This is somewhat similar to Co IHA. The only difference is that Co IHA requires everyone to become a shareholder of the operation, while Co ILE only works with what it calls ‘talented individuals’. Similarly, Co OCA is an example of an organisation using selective EI promotion. It does not normally promote EIP, but does so where it identifies outstanding individuals. Co OCA adopts a freehand approach, leaving the employees to decide and prove to the company whether they are the one to be trusted to ‘go the extra mile’. It is up to employees to decide which way offers the best return for themselves. The corporation only engages with employees with strong potential to fill key positions.
Another subsection of this group appears to have some form of EI practice although again it appears to be top down and individualised. The interviews show that employees do not seem to be familiar with their company’s EI philosophies, and some do not understand the term EIP, the rationales of newsletters, or even whether a trade union exists. This group includes Co FCM, Co FCI and Co FHS. Could it be inadequate publicity from the top or does EI exist just for the sake of conforming to international business norms? Does the EI exist without strong commitment from management, such as in the case of the banking respondents, or are there only some employee participation practices inherited as state-owned business traditions?

What is unique within this group is that there are state-owned businesses such as Co FBO and Co FCM that have some formal employee participation practices, like the workers’ congress to monitor management efforts, skill promotion programmes and employees’ social welfare issues as demonstrated by the role of their trade union explained in the previous chapter, and yet the employees interviewed are not aware of EIP practices. In addition, in the case of the joint venture hotel, Co HCW, the various respondents expressed their enthusiasm for involvement because of personal factors, in addition to their organisation’s EIP design.

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35 With the improvement in the economy, a lot of China businesses, including even state-owned enterprises have adequate funding to seek assistance from professionals to help them design sophisticated management systems similar to their western counterparts, according to Prof. S of R University. He believes enterprises could not do without EIP in the internet age, and professionals like him have indirectly influenced the adoption of EIPs in the respondent organisations. When external HRM consulting services are employed in developing operating systems, if end users do not have a full understanding of the system design, especially the rationale behind and objective of the various features, it is possible to have situations where users are not familiar with EIP concepts even though they are practicing them.
Group Three

Not every respondent in the research study is interested in promoting EI. Among our respondent organisations four companies do not have any trace of employee involvement. One is a SME import/exporter, which is understandable. As demonstrated by Co OBC in the first group, SMEs are constantly running against time and resource constraints, and their EIP trials are more prone to failure.

The other three members do not find EIP relevant to their businesses. As explained by Ms. N, X Regional Financial Controller and former Regional CEO, Co ICU, the number two telecoms giant and Chinese central state-owned enterprise (SOE), “previously our primary goal is headcount reduction and hence the cost burden of the one million workforces. Now our focus is to increase productivity”. According to Co ICU its productivity enhancement programme is dependent totally on automation and has nothing to do with employee productivity. Therefore, EIP will not find its way into China Unicom in the foreseeable future.

Co IQY’s core business is software programming and employees work according to instructions. It acknowledges that at best, the company organizes some social functions to enhance employees’ mental and physical health. As for Co OCI, its director of operations explained that it is a typical conglomerate in China\(^{36}\) that does not face market competition because of its special position, and attainment of business goals is dependent on the more

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\(^{36}\) Although listed companies are public companies, majority of the Shanghai stock exchange listed companies are effectively still state-owned and enjoy exclusive influence because of their background. An operation director of one of the subsidiary networks of a major conglomerate in China (Co OCI Group) explains why their kind of company setting is not able to promote employee involvement: “The company enjoys its special position and business is very often cross referenced. Business exchange is not made due to a company’s core competence, rather, it is because of who you are” – Mr. Z, Operation Director, Co OCI
senior and middle management and filled by members with ‘guanxi’\textsuperscript{37}. The rank and file workers are well-educated graduates from overseas universities who are eager to take up employment positions within a well-known conglomerate as a stepping stone, either to gain their hukou (residence permit) in Beijing or a job reference, before moving on to other job opportunities.

“We need to have a base group of employees who are here to do the donkey work. Why do we need EI?” – Mr. Z, Director of Operation, Co OCI

Group three respondents identified situations where they think EIP programmes are not applicable. In the case of the SME, because of resource constraints, there is no basis for formal EIP applications. In the case of the other three, especially Co ICU and Co FCI, there are higher company priorities and EIP is deemed not to be able to bring any benefits to company operations.

6.2.2. Reflections

The response provided by the respondent organisations point to the fact that management sees the need for employee involvement for operational excellence or enhancement in most cases. However, whether they find it possible to achieve the objective is influenced by the nature of their business, corporate culture and management philosophies. Lacking in understanding and resources to adopt EIP, as seen in a few of the respondent organisations, may also affect EIP systems. A few of the respondent organisations lack the understanding and resources to adopt EIP. To sum up, the main observation is that there is not generally a cohesive and high commitment approach by firms to EIP.

6.3. Employee perception

This section examines the perceptions of employees. Do they subscribe to EIP’s goal of achieving social partnership? Do they approve of the firms’ policies and what more do they demand? There appear to be a few typical responses from the participants in the 34 interviews. There is a group which reflects high satisfaction with their level of involvement, management attitudes and the system that motivates them. Then there is another group that feels generally satisfied with their work in the organisation for a variety of reasons, not specifically because they have strong employee involvement. Finally, there is the group which is not satisfied in that they take orders, or do not have enough say or influence in the operation, despite above average terms of employment. It has to be noted that the researcher does not have extensive data on employees, and had to consolidate information from various sources in the interviews.

6.3.1. Positive responses for strong EIP system

Co HHC claims its top priority is customer satisfaction, which is achieved by first satisfying employees. To satisfy employees, Co HHC promotes the kind of operating environment that fosters care and respect among employees and also between managers and employees. An ad-hoc interview with a Co HHC employee, a young waiter, provided the following feedback. The responses highlighted an important ingredient in Co HHC’s EIP strategy.

“We are very much influenced by our older colleagues. They give us a lot of coaching and we help each other. Slowly, we pick up the mentality”. “Everyone has a very strong sense of responsibility”. “When we are serving our customers, we do not feel as if we are working. We seem to be like helping out in our family” – A waiter at Co HHC
While this approach lacks a more general or systematic EIP, the employees naturally find more freedom to speak out or try to resolve any issues customers raise. In addition, the employee’s positive response suggests a positive employee relations climate, essential in EIP success (Purcell 2010).

Those respondents who speak positively of their EIP at work appear to enjoy a sense of achievement from their input and company recognition of their contribution. But even the more positive views seem to couch it social terms and less in systematic influence of policy. Supposedly, EIP should be about helping employees to go the extra mile and not actually be involved. However, as in the case of Co IXI, young employees say the corporate policy of encouraging employees to speak out is very motivating. With the strong growth of the operation, Co IXI’s HR Controller says that the heavy work load has wavered even her own commitment. However, whenever she realizes her boss is working late at night, in addition to the recognition she receives, her passion for the job is reignited.

“Every time CEO L speaks at the town hall event, I can feel some part of the speech is directed at me, and I am overwhelmed that the boss is so appreciative of my effort”
– Ms. L, HR Controller, Co IXI.

While Ms. L explained that this is her perception of EIP, it is not EIP, showing that her understanding of EIP is vague and incomplete. Apart from the interview with Ms. L, the focus group (customer service) at Co IXI expressed similar appreciation of the company, ranging from trust in their leader and team members, autonomy in customer support, to the openness in company culture that allows total freedom of expression and respect for opinion. They say they are there to do something they enjoy, rather than for working for working’s
sake. However, their team leader raised the issue that the biggest challenge remains finding the right team member, not necessarily to be the best, but to be the best match for people who have the required skill and at the same time fit the culture and enjoy working in this environment. This is particularly important for a company experiencing such a high growth rate that every member has to work at least 12 hours every day. The responses at Co IXI support four of the key common factors (trust in management, work satisfaction, employee relations climate and sense of achievement) linking work experience to organisational commitment and engagement (Purcell 2010).

6.3.2. Positive response not entirely due to EIP

The situation at foreign enterprises is a bit different in that the personal feelings and emotional factors are less obvious. EI systems are more dependent on various common factors such as the employee relations climate, job challenge and job satisfaction (Purcell 2010) in addition to other HR features as mentioned in the following section on HRM design.

“I feel it is a great honour to work at the Group”. “My colleagues have to maintain high working spirits\textsuperscript{38}, like I do. The morale that drives us is exceptional. You see, my manager, he works even longer hours than I do, and maybe it is how we keep the momentum going” – Ms. J, X Restaurant Supervisor, Co HCW

In the case of Co FHS, employees emphasized the freedom to develop their career as the key driver for their engagement, an indication of the positive link between work satisfaction and the sense of job achievement to commitment and engagement (Purcell, 2010). As

\textsuperscript{38} Ms. J mentioned that high performers would be given additional training to improve their skills and self-confidence at the organisation’s university
explained by Mr. L, senior relationship manager of Co FHS, career progress at the Bank is what makes him so committed to working for Co FHS.

"I’m very grateful for Co FHS. I did not have any opportunity for development at my last employer. Co FHS saw my potential. I was promoted to senior relationship manager a year after joining Co FHS. I like the freedom”. – Mr. L, Senior Relationship Manager, Co FHS

The illustrations above clearly demonstrate that what appears to be a more informal and generally cultural approach did not result in building systematic, visible and clear EIP. There is no real structured commitment in the EIP systems, and therefore EIP is not explicit. Secondly, positive employee perception of EI is often built upon due recognition of the individual employee as well as the organisation’s brand image, training as well as commensurate employee benefits and rewards. There is not a positive case in the research study without a combination of the above factors. Even in the case of Co OCN, cited in the previous chapter, despite employees sharing a high social ideal of serving the Party and the People, their high working morale and employee involvement is coupled with pay growth in proportion to the growth of the organization’s activities.

It must be acknowledged that this is not about EIP at all. There is often the tendency for participants to drift away from EIP discussions, equating EIP with job satisfaction. Nevertheless, all these perceptions at least confirm the presence of certain factors that encourage EIP adoption.
6.3.3. Negative response in relation to inadequate voice

Let’s take a look at the cases where EI application appears not to be so successful or even to fail. While most of the respondents do have at least some indicators of EI, such as company newsletters, periodic briefing sessions or suggestion boxes, some of the respondents consider that in reality, these standard practices may have become empty procedures that employees follow without believing in their value. As suggested by Professor S of R University, one of the expert interviewees participating in the research study, Chinese SOEs spend a lot on seeking the assistance of consultants in designing sophisticated HR systems. However, while these systems exist in name, they are void of the spirit necessary to promote a certain practice. In a number of cases, such as Co FCM and Co HCN, the employees interviewed do not have positive views of their internal EI system. They either believe the EIs are just rhetoric, or they become disillusioned and end up in ‘acquiescent silence’ (Pinder and Harlos, 2001; Van Dyne et al., 2003). Therefore, decorative EIs are not only useless, they could have a negative impact on employee motivation.

“We have daily briefing sessions, monthly newsletters as well as a suggestion box system. However, we know there is no use in expressing our opinion”. “Except when our manager is really bad, and at the end of the year if he fails to achieve the minimum scores (employees’ rating), will he be transferred. That’s the only chance we get to have our voice heard” – Investment Advisor, Co FCM.

Co FCM is a case where employees do not believe their voice will get heard in the suggestion box system and influence management decisions, except in extreme situations. For Co HCN, despite the excellent employee benefits and working conditions, and even
management intentions to promote employee involvement, the perception of employees is quite the contrary. One of the young employees interviewed explained the change in his work behaviour, from actively making suggestions because he believed he had a role, to quietly taking orders because of disillusionment.

“When I started working, I had a lot of ideals. I wish I could have a place to contribute my ideas”. “Slowly, I realised that my suggestions are only suggestions. There is no chance for any of my ideas to be adopted. Now I have become more practical. In any case, I have a lot of issues, personal and family matters that I need to deal with.” – Mr. M, Operation Support Manager, Co

M’s colleague, our other respondent at Co HCN, gave a slightly different view, which echoes management thinking. As stated above, Co HCN management believes it is the one who should shoulder the bulk of the responsibilities and allow employees to enjoy a work life balance.

“The most important is the leader. Everything evolves from the leader. We are only here to execute his order” – Mr. Z, Business Manager, Co HCN

Employees like Mr. M and Mr. Z, according to their manager Mr. S, must be outstanding graduates from prestigious universities to be able to meet the minimum recruitment criteria of central SOEs like Co HCN, not to mention other various conditions such as “guanxi”. It is natural for high calibre graduates to aim high. Mr. Z, who is only a few years Mr. M’s senior, may also have undergone the mental change from being keen to involve and contribute to. Perhaps, the silence could have migrated from individual ‘acquiescent silence’
(Pinder and Harlos, 2001; Van Dyne et al., 2003) to collective ‘organisational silence’ (Morrison and Milliken, 2000).

These cases seem to illustrate two options: EIP with voices being heard (although no guarantee that actions are taken) and voices not even being heard!

6.3.4. Reflections

What is the objective pursued by the respondent organisations in promoting EIP systems? Some declare the purpose of fostering employer/employee partnership on a level playing field, as in the case study of Co HHC, while others focus on the best interests of the employer alone, as shown in the case of Co OBC, which discontinued the EIP programmes after failing to see an improvement in the bottom-line. The general manager believes employees understand the company's strategy perfectly well, and when they consider the policies unfair and hurt their interests, they choose to leave the company rather than remain silent. Therefore, while Co HHC and Co OBC are both SMEs and may face similar resource constraints, the difference may be management intention, whether it is seeking social partnership in terms of ‘cooperation for mutual gain’, ‘reciprocity’ (Martinez-Lucio and Stuart 2005b) and ‘mutualism’ (Gall 2004; Lewin 2010) to take a longer-term view, or just focussing on short-term profits.

The other feature of employee perception identified in the case studies is that contrary to conventional wisdom, material reward and hence financial participation, may not necessarily be the most important driver for enabling employee involvement. Appreciation, recognition, respect, autonomy and individual ideals can be effective in promoting employee commitment.
With respect to what has been discussed so far, voice has not become a central feature in the EIP systems of the respondent organisations. The phenomenon of the general absence of an effective voice system in the case studies does not signify a lack of need. In China, employees are often not as vocal as they are in the west (Barmé, 1999), and silence may be an expression of dissatisfaction in management’s failure to allow true employee involvement, as with Mr. M of Co HCN. In this case, the absence apparently defeats the purpose of any management effort to promote EIP within the organisation, which is seeking active employee input for improvement. Even where the nature of trade union representation is limited, there should be consideration of non-union employee representative voice structure (Donaghey et al., 2012) as part of the HRM design in order to at least facilitate operation efficacy, one of the primary intentions of management, as identified from the research study so far.

The following section is focussed on examining HRM design in order to assess its support of EIP adoption among the respondent organisations.

6.4. HRM Design

(Full-fledged high benefits systems vs. a differentiated system)

Despite the fact that employee participation has been in place since the 1970s, EIP systems have been reported to be ad-hoc and fragile (Cox et al, 2009; Pyman et al, 2006). One of the reasons, as noted by a number of studies, is the lack of appropriate structure and scope, such as job security, recruitment, compensation, training and information sharing with employees to support the initiatives (Gollan, 2007; Gollan and Markey, 2001; Kessler et al., 2000). In
the 20 cases of EIP under examination, similar situations exist. For example, according to Co HCN management, despite the generous HR system offerings: above average remuneration package; life employment; supportive rather punitive management style; generous training programmes; and 360 feedback as the basis for evaluating promotion or transfer; they have not reported a successful EIP system. Senior management laments the failure to get involved,

“young people are still not satisfied” – Mr. S, Vice President, Co HCN

Is it totally the fault of the employees, who are considered unresponsive to the EI programmes? Could it be the fault of an EI design that fails to enlist employees’ support or garner real meaningful voice? Or could the fault lie with management, as speculated by Mr. S in one of his remarks that management may not be open enough to employees’ voice, rendering EI programmes purely rhetorical? In other words, the misalignment of EIP programmes with the rest of the HRM system?

By contrast, another central SOE Co OCA adopts a freehand approach, allowing employees to decide the way they consider offering the best returns for themselves. The corporation focusses only on grooming employees with strong potential to fill key positions. The deputy general manager of Co OCA explains the management philosophy:

“Minimal management is the best way to deploy an individual’s talents”; “The key is in the system design. If an employee has the enthusiasm to really get involved, he will find the best way to work it out, and he gains considerable satisfaction if the project is successful, in addition to bigger financial rewards”. “However, training is
very important. In this regard, I have a say. The government (the enterprise) trained me up, from high school to work, during which I got my undergraduate, master and doctorate degree”. “Training is targeted at conscientious colleagues, supporting particularly good students” – Mr. C\(^{39}\), Deputy General Manager, Co OCA.

Co OCA demonstrated a case of differentiated HR systems where different work and employment practices are customized for different groups of employees (Boxall and Purcell, 2008). It offers appropriate empowerment, as well as training and development to employees who display the enthusiasm to be involved and perform as determined by management through organisational hierarchy.

Both Co HCN and Co OCA are key state enterprises with different management philosophies and approach. Operating in different industries, as SOEs, both firms have ‘two masters’, the company board as well as the State (as noted by Mr. S, VP of HCN). Promoting EIP across the company may not be easy as employee initiatives could easily be affected by political and state decisions. Nonetheless Co OCA acknowledges that it depends on exceptional individuals to sparkle and believes that these exceptional employees, who have already demonstrated extra effort, may be better motivated to be involved than ordinary employees. Therefore, in terms of cost effectiveness, Co OCA may have adopted a better aligned HRM strategy in support of employee involvement.

Similarly, Co HCW has also adopted a differentiated HRM system. Its junior employees are required to conform to detailed rules and regulations that govern their attitude and behaviour.

\(^{39}\) Mr. C is definitely a showcase of Co OCA’s management philosophy, displaying an exceptional level of employee involvement. Apart from being the senior management and chief technologist of Co OCA, Mr. C is a renowned master of X? art in China, a distinguished research fellow at Tsinghua University and a visiting professor at Beijing X School. His works are collected by the British and various Chinese Museums.
with more senior employees encouraged to try their very best to satisfy their customers. The two supervisors from two different departments of the hotel speak of numerous examples of going the extra mile (working long hours, doing extra work, providing better services) to satisfy customers, which is in line with other findings in the hotel industry, where luxury hotel operators improve revenue and customer loyalty through their HR systems (Haynes and Fryer, 2000) in that frontline employees are empowered to offer personalized services. At Co HCW, the pay and reward system apparently is supportive of EIP programmes,

“When we work at the Group, we do not have to bear the low efficiency of state-owned companies, and yet we enjoy the kind of employment stability of state-owned companies. What’s more is that when we are awarded ‘Outstanding Employees’, the hotel not only rewards the employees, it also rewards their family, and this gives us a lot of face. In addition, irrespective of their grading, all employees get the highest social security benefits (as measured by the National standards)” – Ms. J, restaurant supervisor, Co HCW

**Significance of Financial Participation**

In terms of positive HRM strategy alignment, the other more notable cases are Co IHU, Co HHC and Co IXI. Among the global companies, Co IHU has one of the most extensive employee share ownership programmes (ESOPs), making it the biggest private global company. According to the training manager of Co IHU, Ms. L, its ESOP programme is the biggest carrot. In addition, the stick is its mattress culture⁴⁰, as well as employee responsibility for their own training expenses. In addition, Co HHC’s profit sharing schemes

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⁴⁰ “mattress culture” means the corporate culture of extremely long working hours where employees are assumed to work and rest within the same office environment
is considered by management to be the key driver for shop managers to devote their maximum effort in the operation (HBR 2016). According to Mr. Z, CEO and Chairman of Co HHC, in order to avoid short-term profit generation at the expense of long-term return for the company, the shop manager is subject to two most important key performance indicators (KPIs), customer and employee satisfaction. Secondly, the excellent salary, housing benefits and financial participation in the form of profit sharing enjoyed by employees, which is above industry average, is evidence of the wider embeddedness within the HRM system aligned to the EIP programmes. Co IXI runs a share option programme which covers mostly the founding members and a large group of members who have been with the companies for at least two years. The HR Controller, Ms. L believes the ESOP is one of the main reasons for the young company progressing at lightning speed. Financial participation is likely to be an important motivating factor. The way these ESOPs are structured, which is a more straightforward alignment of rewards with performance indicators, be it profit sharing or share option schemes, sets them apart from systems where performance indicators are just one of the determinants. In these cases, financial participation is a key driver for employee involvement to matter and is not coincidental. This finding is in line with other research studies which conclude that financial reward is the most popular and effective HR tool in attracting and retaining talent in China (Cooke 2009).

In summary, the amount of pay received is significantly linked to a positive commitment for the majority of businesses (Macleod Report 2009), and China obviously is not an exception. While the generous HRM package at Co HCN has not generated the desired

41 According to Mr. S of OCN, the financial rewards to employees are computed based on a basket of factors such as central government’s indications, the overall group performance, and individual performance
results, the strategic positioning of EIP as part of a high commitment HRM bundle seems to have shown success at Co HCW, Co IHU, Co HHC, Co IXI, and on a differentiated basis at Co OCA. The Macleod Report also noted a number of other soft complementary factors to facilitate employee commitment, for example, trust in management, satisfaction in the job itself and engaging managers that should not be ignored. These are reflected in some of the respondents’ responses, such as in Co IXI where the leader’s appreciation of employees’ effort is intrinsically motivating, in Co FHS where the performance review allows career progress independent of length of service, and Co HHC’s employee relations climate.

6.5. How EIP may flourish in Chinese SMEs and MNCs

The following is an attempt to illustrate in greater details the EIP application of two of the research respondents. The first case is regarded as representative of Chinese MNCs, ‘flagships of best practice’ in China (Warner and Nankervis 2013), where corporate achievements are attributable to entrepreneurial individuals who succeeded in turning around an ailing state-owned business (Warner 2009a). The other is an SME whose founder and CEO has always claimed its simple philosophy of customer and employee satisfaction is nothing out of the extraordinary and went on to become a popular Harvard case study. The two companies are totally different in business scale and management philosophies, including different approaches in designing their EIP systems, and yet both have achieved a great business. As mentioned above, the success of these two companies has much to do with their top management, past and present. Therefore, management intention is a key factor in shaping the companies’ strategic development and idiosyncratic background is the key driver for their EIP systems.
6.5.1. Co IHA

According to disclosures on Co IHA’s company website, Chairman Z stepped in and took over Q Factory which was already insolvent and on the verge of collapse. Over the past 30 years, Co IHA Group’s global turnover reached 188.7 billion yuan and profits of 180 million yuan, an increase of 20%, and online turnover reached 157.7 billion yuan, an increase of 188% for the same period in 2015. According to the world market research firm Euromonitor International 2015 survey data, Co IHA is the world's largest X appliances manufacturer, and the Co IHA brand enters the global TOP 100, ranked the world's first brand of X goods industry.

Management Intention

As explained by Chairman Z (Co IHA 2015), the enterprise has made another significant structural change in response to intense market competition in the internet age. He says Co IHA has to depend on each and every individual employee’s initiative to connect with the customers. Therefore, Co IHA rationalizes that when their employees become employee owners, they are motivated to make every effort to improve business results. Chairman Z argues that the very reason for introducing this extreme approach is the importance of nurturing entrepreneurial spirit and therefore he says he is prepared to seek continuous improvement and take risks through innovative methods.

EIP Design

From the disclosure of Mr. Z, general manager of Co IHA China Operation, it appears to be the case that the company has a long history of EIP adoption, although it may not be the same terminology as that applied in its organisation. As a note, Mr. Z explained that the company has already undertaken three strategic changes since its formation. These changes
are said to have stemmed from changing market conditions as well as employee capability. Incidentally, Mr. Z associated different emphasis of EIP applications in the different phase of their strategic transformation.

According to Mr. Z, in the early days, because of the limited experience and skills of employees, compliance to detailed job specification was of the utmost importance. He estimated that employee involvement at that point in time could be classified at best at the lowest level, only providing employees with some company information (in terms of the degree of EIP by Marchington et al., 1992).

In the second stage, with the improvement of employee capabilities, the level and scope of employee involvement advanced with delegation of authority coupled with rigorous reporting communication. Managerial employees were entrusted with decision making authority and accountability at different levels. The idea of individual profitability was introduced where there was a notional yet meticulous valuation of each individual’s work performance to determine his or her net contribution.

In the latest round of strategic change, the idea of employee ownership is the central theme. However, this is a much more novel concept compared to the one envisaged in the third wave of the labour process theory which promotes union participation in productivity-related issues (Guest & Peccei 2001). According to Chairman Z, all management powers such as human resources, finance and other operations are surrendered to the employees. The role of Co IHA is just as one of the shareholders.
**Employee Perception**

Chairman Z admits that there has been quite a lot of resistance from employees and he understands that in reality, some employees are born entrepreneurs, some people excel at performing under pressure, while others are not. However, Co IHA is prepared to accept the departure of some of its 10,000 management staff, even long-service employees, who do not or are not able to take on this new challenge, it has no other alternative. This is a clear illustration of the top down approach. More importantly, the current EIP design is unlikely to evoke positive commitment because of the absence of two factors, namely, employee trust and satisfaction with the work itself (Purcell 2010). Even long-service employees face the possibility of losing their job if they cannot adapt to the new employment structure, and this may have a spill over effect on employee trust in the company.

Apart from management intention, another issue which affects employee perception is insufficient resources to facilitate EI and inadequate consultation and briefing of the EI programmes. Co IHA’s financial controller is not too pleased with the new EI system because (1) consultation with employees is insufficient and everyone is still trying to figure out the operational details, (2), there are not enough resources to support it. She believes that the more Co IHA decentralizes, the fewer resources middle management are able to control, and she has difficulty in balancing the expectation of her colleagues and management. A remark from the HR Controller explains her true perception of the EI initiative:

“The company does not have enough trust in the employees. What it is doing today is actually forced on it by the market situation. It does not try to retain employees. People like me, my colleagues with similar qualifications and experience, have
basically left the company. There are a lot of head office colleagues who gather around top management, and produce some sort of data and report what the CEO asks for without consulting people in the operation. There is no truth in the report. We are not motivated by announced strategies or new initiatives” – Ms. T, HR Controller, Co IHA.

This echoes with other findings on insufficient employee involvement and consultation in designing organisational change, including implementation, before a management decision is made (Gollan, 2007; Millward et al., 2000; Terry, 1999; Tushman and O’Reilly, 1996). Therefore, EIP development in China is not so different from the rest of the world, in that it lacks a coherent and sustainable strategy that balances short-term needs with long-term goals.

**Impact of EIP**

There is mixed response to Co IHA’s management, where some regard Co IHA’s HRM architecture as ‘a holistic system, aligning every HR activity from recruitment to performance management to the company’s business strategy – a relentless focus on growth, quality and innovation’ (Xin and Pucik 2006: 2), while others suggest that it is a revised form of ‘scientific management’ that overworks its workers, with an ‘Elimination Quota’ system that is extremely inequitable (Anonymous 2011b).

**Reflections**

According to the MacLeod Report (MacLeod & Clarke 2009), there are four critical enablers of engagement: leadership, voice, engaging managers and integrity. While no research data has been collected on the latter two, there are conflicting results on the first two enablers.
On the one hand, Co IHA leadership makes use of every opportunity, through internal and external media, to announce and clearly explain its broad vision and strategy, designing and implementing the EIP system through a top-down approach, and definition of partnership in a narrow sense. On the other hand, the lack of consultation in the change process, as explained by the financial controller, Ms. T, clearly indicates the absence of an effective and empowered employee voice.

EIP is a means to an end. If EIPs were created by management in response to the threat and mislead employees about cooperation for mutual gain, EIPs could dissipate when the threats were gone and vice versa as explained by the cycle theory (Ramsay 1977). Just as in this case despite employees being made owners, Co IHA could easily reverse control when the market situation changes. After all, the employees are only tiny shareholders in control of miniscule resources and have no real bargaining power with Co IHA. The design appears to fit well with the last vector of the three-vector theory (Stuart & Martinez-Lucio 2005) where employees are involved ‘in their own mutilation’.

6.5.2. Co HHC

Co HHC, the restaurant chain, was established by Mr. Z in 1994 with a "service-oriented, customer first" philosophy and a simple goal of “maximization of customer and employee satisfaction”. The restaurant chain has a unique approach to EIP and its various forms of EIP are examined in Chapter 5.

Management Intention

Mr. Z explained his most important EIP design centers around his two most important business indicators, customer satisfaction, which is obvious, and employees, because they
are the ones who will ensure customer satisfaction. The CEO, Mr. Z, says he is doing nothing out of the ordinary, aiming for employee satisfaction is his unwavering duty. What has changed is the method as to how this is achieved. His next target is to find a way of helping his employees to buy property in the location where he or she works.

**EIP Design**

As discussed in Chapter 5, section 5.4.1, the business strategy of Co HHC is achieving high customer satisfaction by satisfying employees’ needs and empowering them to go the extra mile, the core employee involvement practice. Mr. Z explained how the rationale behind the HRM system design enables the EIP practices vital to its business goal (Interview by Harvard Business Review http://www.hbrchina.org/2016-01-05/3733.html). First and foremost is compensation. His employees are mostly grassroots from the countryside, generally have higher emotional disposition. The excellent living conditions and paternalistic setting are designed to satisfy the needs of migrant employees, especially when they are working away from home. Then, by empowering his frontline employees to offer extras to customers based on their own judgement, Co HHC’s business goal is fulfilled. With employee and customer satisfaction, Mr. Z argues that Co HHC achieve much higher returns compared to the industry average.

On the management side, Mr. Z says that Co HHC allows every shop manager to perform the role of business owner. The CEO never makes any recommendation on the detailed operation. He is only concerned with business strategies. Recommendations or opinions on the operational details are made by the shop manager, with the CEO making the final decision, if necessary. In this way, conflict is avoided. Mr. Z believes that when the shop manager acts like the owner, he or she naturally has to seek support from his or her
employees, and listen to their opinion. This facilitates downward communication as well as upward problem solving, giving further support to the corporate goal of employee and customer satisfaction.

Therefore, Co HHC’s EIP’s system is crafted as part of the strategic HRM design as discussed in the previous section.

**Employee Perception**

As one of the employees commented during interview, the informal teamwork, where the longer service employees act as mentors for the newly-joined staff gives her the comfort of serving in a family-orientated environment, and she says she does not see it as a job anymore, in a way similar to the findings of Finegold and Frenkel (2006).

**Impact of EIP**

Even without formal assessment, the continuous growth trajectory and employee commitment determines the impact of employee involvement at Co HHC. Co HHC was nominated as "China Top 100 Catering Enterprises" from 2008-2014. According to the corporate web information, 135 restaurant outlets have been set up all over China and 16 others in Asia and the USA. With seven large-scale modern logistics bases set up with large-scale procurement, production, warehouse and distribution systems, the restaurants can even focus more on customer service.

**Summary**

Co HHC is a case of simple yet effective EIP in the sense that satisfied and empowered employees involve naturally as they see fit. The carefully planned setting (central catering
to simplify work and better customer focus, above average employee benefits; family-orientated employee relations, general employee empowerment features, performance recognition and justice) delivers a Chinese version of the equilibrium of the Budd triangle (Budd 2004, 2005; Adams 2005; Johnstone et al. 2011) where efficiency and equity stand out more than voice.

6.5.3. Reflections

The strategy at Co IHA may be considered by some to be an extreme case of employee involvement, where employees are made entrepreneurs. The case of Co IHA is similar to the shop manager of Co HHC, where they function and are remunerated as an entrepreneur. Entrepreneurship is gaining traction and likely to become a trend in China. Given the ever increasing competition in the global environment, Chinese companies need top talent to survive. Entrepreneurial-driven employee involvement could potentially be part of the solution.

6.6. Summary and reflections

Although academics believe the economic goal of employers is mainly related to cost-effectiveness (Boxall 2007; Godard and Delaney 2000; Osterman 1987), the issue of management attitudes to employee involvement should be considered based on both economic, as well as socio-political, reasoning (Boxall 2007), covering at the minimum, compliance with employment law (Boxall and Purcell 2008; Lees 1997). As evidenced by multinational firms favouring investment in countries with less demanding labour market regulation (Cooke 2001, 2007), such as in apparel and toy manufacturing in China, the management strategy in these circumstances is labour specialization devoid of worker empowerment (Cooke 2004).
Research data so far points to the fact that management has been primarily driven by economic goals out of concern for operational improvement, rather than employee benefits. In this study, it is shown that the general driver for promoting EI is the need for improvement in business operations, while drivers for employee participation are non-existent. Therefore, while many respondents claim the need for business improvement through EI practices, the reality of business improvement dictates the best management strategy to pursue, and EI is not necessarily the only choice, as evidenced by the respondents in Group 2 and 3. The same applies for employees. They may feel satisfaction or dissatisfaction with their employment because of EIP, or it could be unrelated to EIP as is demonstrated in section 6.3.2.

The current situation as revealed by this research study does not suggest that China is applying EIP satisfactorily, at least if assessment is based on the Budd Triangle with efficiency, equity and voice in equilibrium, as the voice mechanism is largely absent. Nevertheless, it may make sense that current firms in China have limited applications of EIP for various reasons, such as competition, labour market supply and demand balance, ingrained culture such as paternalism, etc. However, given the positive results of certain respondents whose business successes are dependent on EI, such as Co IXI, Co IHU, Co IHA, Co HHC, Co IDF. EIP is appropriate for innovation and quality service-businesses. Especially when real EIP is present, as evidenced by some of the positive perceptions of employees such as in the case of Co IXI and Co HHC, it is argued that more EIP could be good for the further growth of the economy and society, given the national priority for the next decade, ‘Made in China 2025’, emphasizing the strategic importance of innovation and manufacturing quality. It is interesting to note that the extreme EI strategy of Co IHA, in forcing employees to become entrepreneurs surviving on their own, is a Chinese creation.
which the CEO considers necessary. He sees no other way of improving except to for them to find their own way, instead of continuing to learn from their western counterparts. While there may not be universal agreement that this is the best strategy, it does reflect the pressure to change, and the dependence on employees is the obvious way.

From an employee perspective, some find motivation from the company’s EIP which is promoted as part of the overall HRM structure. Reward, appreciation and recognition, training as well as care for the ‘family members’ are the necessary components for facilitating employee involvement. Others appreciate the due recognition for their contribution. Otherwise, without the genuine intention of promoting EIs, the programmes could exist only in name, devoid of actual value creation for the company. The fundamental purpose of EIP is to ‘engage the support, understanding and optimum contribution of all employees in an organisation and their commitment to its objectives’ (CIPD). However, as the saying goes, EIP does not happen in a vacuum. When the company needs business improvement, management must accept the trade off in gaining the extra employee involvement at a cost, in a manner similar to the ‘responsible autonomy’ of skilled workers (Friedman, 1977:78).
Chapter 7 Discussions and Reflections

7.1 Introduction

The literature review as discussed in Chapters 2 and 3 identified two gaps. The first one, the limited number of research publications on employee involvement and participation (EIP) at work in China, informs the first research question, ‘To what extent does EIP exist in Chinese businesses?’, and the second research question, ‘What EIP practices are adopted?’. The second gap, the inadequacy of empirical studies identifying the impact of EIP, informs the third research question, ‘Under what conditions can EIP be an effective human resource management (HRM) tool in China?’. This chapter discusses the extent to which the key research findings reported in Chapters 5 and 6 address these gaps. From the EIP practices discussed in Chapters 5 and 6, it is acknowledged that EIP exists in some Chinese enterprises, therefore addressing the first gap. However, given the inherent problems in assessing the impact of individual management practices and the doctoral research timeframe, addressing the second gap remains a challenge and the assessment will mainly draw on the perceptions of employees and managers.

Following this introduction, the findings of this research are organized and reported in four sections. The first section reports on EIP at work in the context of the four-fold framework and the extent of adoption. The following section reports on various EIP contextual issues, such as awareness and understanding of the subject matter, the rationale of adoption,  

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42 In addition to the two main research questions, sub-questions this research seeks to answer include: What relevance do the concepts of EIP have on the goals and work attitude of employees and business performance in China? What is the attitude of management, HRM and employees towards EIP in China? Have their features been properly understood by employees? In addition, what are their expectations? Is it the case that EIPs are merely decorative rather than resulting in value creation? How do today’s EIP practices differ from those in the past (under the “Angang” Constitution) in generating the desired objectives?
employee perception, and internal and external factors challenging the adoption of EIP. The third section reveals other relevant non-EIP HRM issues such as employee expectation, training and employer brand image. The last section discusses the challenges to EIP systems. The chapter concludes with a summary of the understanding of various EIP issues derived from the research study. As a response to: (1) Research Question One, it can be concluded that there are some EIP practices among state-owned as well as commercial enterprises in China. (2) Research Question Two, the EIPs adopted are not uniform. The role ascribed to EI is less and the two most common forms of EIP are downward communication, such as briefing systems and newsletters, and upward problem solving, such as team work, attitude surveys and suggestion systems. There is some financial participation, but from the schemes examined are mostly executive incentive schemes, and are not broad based. Representative participation is minimal and the role of trade union is different. The discussions and analysis of the chapter also the basis (key considerations) to inform the proposals for how Chinese businesses can adopt EIP practices in the next chapter.

7.2 Discussion of Key Findings on EIP at work

To what extent have the research findings addressed the first key research gap? This research focusses on addressing the first and second key research gaps through the experiences of the 20 respondent organisations. As the majority of the respondents are, to a certain extent, successful enterprises in their respective industries, global, listed or private, and others are key state-owned businesses directly under the control of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), as discussed in Chapter 4 on methodology, the findings shed light on EIP at work in China. It provides an understanding of the form i.e. downward communication, upward problem solving, representative and financial participation, of EIP practices and the extent of employee
empowerment. Such cases allow us to see the “high end” of EIP and given that one associates more proactive HRM strategies with such cases, they are therefore a good set of reference points for any discussion on the extent and nature of EIP.

7.2.1 Understanding of EIP systems in the context of four-fold framework

The review of EIP practices in the light of the four-fold framework (Marchington et al 1992; Marchington & Wilkinson 2005; Wilkinson et al 2011) discussed in Chapter 2 provides a description of the extent to which EIP schemes empower employees (Wilkinson et al 2011). The degree of say employees have over decision making varies, depending on whether the EIP is information, communication, consultation, co-determination or control type (Marchington & Wilkinson, 2005). Nevertheless, “low-level” EIP practices should not be dismissed. A simple information passing exercise can result in high-level participation if workplace-level involvement leads to control over decisions about work organization Wilkinson et al (2010).

The understanding so derived from theory is that the ‘degree’ of employee influence in decision making, exerted by any ‘form’ of EIP, is dependent on the ‘level’ at which the EIP takes place and the ‘scope’ of the subject involved. As such, the form of EIP reported in Chapter 5 is evaluated in the light of degree, level and scope of participation as set out above.

The various forms of EIP discussed in Chapter 5 indicate that downward communication, in the form of briefing systems and monthly newsletters, is the most common form of EIP practice, adopted by 90 per cent of respondent organisations. The majority of briefing systems involve either morning briefing sessions to remind employees of “do’s and don’ts”, or biannual or annual town hall meetings to update them on company progress. These appear
to be simple, low-level downward communications. But while simple information may not be unimportant, the question is whether there are suitable supportive empowerment mechanisms in place to enable high-level participation by informed employees exercising influence over organizational decision-making. Otherwise, even high-level communication may not necessarily result in high-level participation, as argued by researchers (Wilkinson et al 2010).

Take the case of Co HCN as an example. On the surface, regular sit-down meetings with the chief executive officer (CEO) represent an excellent channel not only for downward communication, also providing the opportunity for employees to voice suggestions or dissatisfaction. Why is it then that employees expressed disappointment about their inability to involve and influence organizational change? There are two possibilities. First, it may be due to personal reasons, such as the employee’s capabilities or time constraints. The second possibility is that there is no proper support structure to facilitate eventual high-level participation, as argued by researchers (Wilkinson et al 2010). Even in the case of Co IXI and Co IDF, which reported a boost in morale as a result of the CEO’s downward communication, this may not affect employee involvement at operational level. Unlike their European counterparts, Chinese enterprises lack institutional bodies such as work councils or joint consultative committees. At best, the causal effect of downward communication among the respondent organisations relates to employee motivation, therefore resulting in a low level of employee influence in decision making.

Next, upward problem-solving communication was reported by 85 per cent of respondent organizations. Popular practices include suggestion systems and teamwork. Respondent organizations like Co IXI, Co IHU, and Co HHC often partly attribute their business success
to their dedicated teamwork. Though suggestion systems are commonplace, their effectiveness in upward problem solving is questionable as they frequently stop short of following-up and implementing ideas. In general, the responses of the interviewees reveal that the EIPs adopted are often operational in nature, although not necessarily trivial. Strategic EIP is basically absent. The degree of influence is therefore medium at best. Among the respondent organizations Co IXI, with various platforms set up to facilitate communications with employee and customers as discussed in Section 5.4.3, is the only exception to this.

Financial participation is reported by 65 per cent of respondent organizations. Since it is generally restricted to senior executives in the form of stock options, the degree of employee influence is generally low. Even in cases where respondent organisations achieve extensive employee empowerment by releasing strategic control of ownership, such as in Co IHA, EIP still revolves around operational issues, with strategic responsibilities restricted to headquarters. On the other hand, the employee share ownership programme (ESOP) at Co IXI, which seems extremely effective in securing employee commitment, is an exception rather than the norm. As discussed in Chapter 5, the link of financial participation to employee motivation and commitment is not clear as reflected by the impact on employee attitude is not clear.

Representative participation in the form of a workers’ congress is the least popular form of EIP, reported by 50 per cent of respondent organizations, and the traditional role of trade union organisation in the west is non-existent among Chinese trade unions. Unlike their western counterparts, the primary functions of trade unions in China revolve around employee welfare and monitoring, with little focus on employee participation. This could
possibly be linked to the non-independent nature of trade unions in China. The role of the workers’ congress, as in Co HCN for example, is also monitoring. The degree of influence of representative participation in China is therefore extremely low, and has more to do with the political system. The absence of an effective voice, which is one of the four enablers, not only suggests a softer and more social approach to HRM, also raises the question of the overall effectiveness in EIP systems in China, a point to be further discussed in section 7.5.1.

Table 7.1 Overall assessment of research results in the context of the four-fold framework

<table>
<thead>
<tr>
<th>Form</th>
<th>Degree</th>
<th>Level</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downward Communication</td>
<td>low</td>
<td>high/medium</td>
<td>high/medium</td>
</tr>
<tr>
<td>Upward Problem Solving</td>
<td>low/medium</td>
<td>low/medium</td>
<td>low/medium</td>
</tr>
<tr>
<td>Representative Participation</td>
<td>low</td>
<td>low</td>
<td>low</td>
</tr>
<tr>
<td>Financial Participation</td>
<td>low</td>
<td>high</td>
<td>low</td>
</tr>
</tbody>
</table>

The above table (7.1) sums up the overall assessment of the research results based on the four-fold framework. It is obvious that there are Chinese firms that do engage with EIP initiatives. One thing they have in common is that in the majority of the cases, from those with medium level involvement to the more active EIP companies, the level of involvement is limited to operational issues far below strategic level. The overall degree of employee empowerment is therefore low to medium in intensity. The absence of representative participation, is the biggest issue in the overall Chinese EIP systems. However, it should be noted that the Chinese situation is not uniform or stable, but diverse and variable.

43 The research results are based on online research into 995 companies listed on the Shanghai Stock Exchange and 34 interviews in the 20 respondent organizations.
7.2.2 Understanding of the extent of EIP adoption

As discussed above, EIP adoption varies among the 20 respondent organisations. However, on regrouping the respondents according to their EIP intensity, as discussed in Chapter 6 and shown in table 7.2 below, it becomes obvious that the general EIP profile of the respondents falls into one of three groups: firms that acknowledge EIP and the business is driven by clear business goals and teamwork; firms that are not conversant in EIP but adopt EIP in a mixed approach; and firms that are totally disinterested in EIP.

The majority of the active EIP Group 1 companies are global Chinese organisations. Apart from being global companies, this group is differentiated from the rest in that they run a financial participation scheme, either profit sharing or an ESOP or a combination of both, in addition to downward communication and upward problem solving practices. Companies in Group 2 are mostly banks, which are normally considered as quality enhancement-type according to western literature, and therefore most likely to be serious EIP practitioners. It is interesting to note that the global bank which states in its corporate statement that it promotes a global voice network to encourage dialogue between management and employees appears to function differently in China, based on the views employees expressed in the interviews. Companies in Group 3 are those, such as SMEs, who do not see the need for EIP.
Table 7.2 Group I – III respondent organisations

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<th>Financial Participation</th>
<th>Representative Participation</th>
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The two major differences between Group 1 and 2 respondents are found to be: (1) the presence of teamworking promotion, and (2) a limited profit-sharing scheme that may be conducive to high commitment HRM as discussed in Chapter 2, with high rewards for high achievers in Group 1, but not Group 2, companies. Those in Group 3 adopt only limited downward communication practices.
A rather unusual finding among all the respondents is the absence of collective bargaining. Although most of the larger companies have a workers’ congress, these structures have not undertaken any collective bargaining for the workers. The respondents confirmed that industrial action has never taken place within these enterprises.

Given that they are all Chinese organisations, although some are subsidiaries of foreign corporations or joint ventures, what is the explanation for the difference in EIP intensity? Does the nationality of ownership matter? Co FHS, the only foreign business, has not adopted an active EIP system in China as it has in Europe. In this case, banks with foreign ownership or affiliation do not appear to be any different from domestic banks. Therefore, no conclusion regarding the impact of foreign ownership or affiliation can be drawn.

Does ownership matter as far as EIP is concerned? In the list of Group 1 companies, there are listed (or private fund) companies, private and state-owned businesses. The same mix appears in Group 2 and 3 companies. Therefore, ownership does not appear to have a noticeable bearing on EIP applications. Using state-owned enterprise (SOE) respondents (Co HCN, Co OCA, Co OCN, Co ICU) to illustrate this, two are in Group 1, one is in Group 2 and one is in Group 3. The difference may have more to do with the economic state of the businesses. As disclosed by the financial controller, Co ICU is still struggling in economic terms. The business operations of Co OCA are not much better, because market demand is decreasing. In contrast, in the two SOEs in Group 1, especially Co OCN according to its business director Mr. S, ‘business is going from strength to strength’. Co HCN is one of the top 50 central SOEs directly under the control of the SASAC, signifying that it is one of the
“pillar” industries of state importance in terms of the nature of the business, operation and profit size. Therefore, it shows ownership does not restrict enterprises from practising EIPs.

Does business health matter? It so happened that Co OBC, a listed SME, was not able to sustain EIP programmes despite a marked improvement in quality, whereas Co HHC’s so-called employee empowerment programme became its company signature. It could be argued that the financial soundness of the business is important in the development of certain forms of EIP.

Does business size matter? There are three SMEs in Group 1 with different EIP applications, as well as three global market leaders (Co IHA, Co IHU, Co ILE, and Co IXI). This shows that business size is not of great relevance in considering EIP applications.

What role does the nature of a company’s business play? Does this have any impact on EIP adoption? Apart from those organisations in Group 1 (Co IHA, Co IHU, Co ILE, Co IXI, Co IDF, Co OBC), there are no Innovation companies in Group 2 and 3. Are innovation businesses most dependent on EIP in order to support the creative skills of employees? The other type of business included in Group 1 is quality service (Co HHC, Co HCN and Co OCN). However, there are also operators with a quality service reputation (Co HCW, Co FCM, Co FHS) in Group 2, and they are not active EIP operators.

As reported in Chapter 2, quality enhancement companies are typically well established, with strong trusting relationships between managers and trade union representatives.

44 According to Business Dictionary online, “Innovation is synonymous with risk-taking and organizations that create revolutionary products or technologies take on the greatest risk because they create new markets.”

45 Co IQY’s and Co ICU’s operation, though classified within the IT industry, are not of an innovative nature.
(Coupar & Stevens 1998), whereas innovation companies are relatively small companies which rely on new ideas, creativity and teamwork. While innovation companies may not be able to invest so much in formal EIP, informal EIP is crucial to their business. Characteristics of innovation companies include family bonding, interesting jobs (Finegold & Frenkel 2006) and high employee engagement in order to see employment as part of life rather than a job (Alfes et al. 2010). Researchers (Marchington & Kynighou 2012) argue that as innovation business models depend on new ideas, teamwork and creativity to commit to new product development, and quality enhancement models rely on superior products and service quality to stand out from their competition, there is a bigger need for EIP adoption. Does the China scenario echo this innovation (I) and quality enhancement (QE) business model theory as discussed in Chapter 2?

The description of I and QE business models resembles the research data in China if they were to swap position. In the case of Co HHC – small, informal EIP practices like family bonding, interesting jobs, employee engagement so high that an interviewee says she feels she is not working, just helping out in the family – fits the description of an I company. It does not mean that the business model theory is not applicable in China. It is important to be aware of the contextual differences. For example, in the western economies IT start-ups have access to various sources of venture capital from the public and private sector, therefore I companies can be small businesses where informal forms of EIP are common. However, in China, getting funding for private businesses is difficult, and an IT start-up is almost impossible. In most cases, I companies in China are offshoots of, or supported by, a major business. It is therefore important to understand the rationale for EIP under the respective business model, rather than the characteristics of the business.
7.2.3 Summary

From this research, we have found evidence that supports the following:

Chinese firms do engage with EIP initiatives. Adoption is diverse and variable with downward communication reported as the most popular form of EIP, followed by upward problem solving, financial participation and representative participation. Among our respondent organizations, the level of involvement is limited to operational issues without strategic direction. Therefore, the overall degree of employee empowerment is low to medium in intensity. As far as downward communication is concerned, it is found in some of the more active EIP respondent organisations, the role of leadership did confirm the positive enabling effect as discussed in the literature. As for upward problem solving, innovation businesses apparently are more dependent on teamwork to achieve the company goals, except some of the respondent organisations adopted more aggressive form such as angel investor or employee ownership scheme, a derivative of employee share ownership programme (ESOP) in that employees are forced to become owner of the unit they operate, rather than the total organization. Finally, there is limited representative participation in that the role of union is different, which focus on more trivial employee benefits, and the voice system is not supported properly by the legal framework, even though the government’s attitude towards employee rights is beginning to change.

The group of respondent organisations represent three types of Chinese businesses with different EIP orientations: firms, mostly global Chinese companies, that acknowledge EIP and where business is driven by clear business goals and teamwork is most common; firms that adopt some EIIs which appear to be rhetoric only; and firms that are totally disinterested in EIP. On the whole, most respondent organisations are not conversant in EIP, and some even assume EIP to be some other management systems.
Ownership and business size do not have a bearing on the adoption or the extent of EIP, but business health and the nature of the business do. When business returns are not satisfactory, management is less likely to make the investments that EIP requires. As for nature of the business, the wider adoption of EIP by Group I companies indicates that innovation and quality enhancement models do have a more obvious need for employee involvement, and the rationale for EIP adoption has more to do with efficiency improvement, rather than voice or equity issues.

Even in Group I companies, which have more breadth of EIP practices, it is mostly operational with the purpose of maximizing employee contribution, without allowing space for employee influence on strategic decision-making. Furthermore, as there is no effective voice structure in place, as reflected in the forms of EIP, the EIP systems are mostly top down, constrained and framed by management control and operational issues which dominate proceedings. There is little real engagement with broad EIP and the focus is set by management. With the EIP initiative coming from the top, EIP practices are often linked to non-EIP inspiration such as idiosyncratic leadership styles. The merit to this is that when the enterprise’s leaders are committed and capable, the EIP systems, even when top down, create efficiency and momentum for impressive corporate growth, as evidenced in the case of Co IHA and Co IHU.

In the exceptional cases that have some degree of worker autonomy and competence, it is mainly team-based and does not qualify as extensive EIP. There are very few proactive trade union strategies, and even if there is a trade union, its role is rather limited. The research provides evidence of the absence of consultative EIP. Overall, EIP tends to be top down,
with little real engagement with broad EIP. EIP is uneven and there is little evidence of strong consultative or participative collective EIP.

7.3 Discussion of Key Findings on the Inception of EIP

How far has the research addressed the second key research question? How important is the practice considered to be by management and employees who have practical experience of EIP applications? To understand and respond to these questions, we start by analysing respondent organizations from the point of inception of EIP systems, beginning with awareness and understanding of the concept of EIP, then examining the rationale for the adoption and employee perceptions and ending with an examination of the design approach.

7.3.1 Understanding of the concept of EIP in general

As reported in Chapter 5, many of the respondents do not appear to be familiar with the terminology of employee involvement and participation, given the word ‘involvement’ and ‘participation’ carry the same literal meaning in Chinese. Some even mistook it as a training concept. On the surface, one may think firms in China have little awareness of EIP. However, as a result of further exchanges with respondents, it became clear that there are practices which could qualify as EIP, although they are usually framed by a different inspiration such as total quality management (TQM), where TQM enterprises operate with a high level of flexibility and fit (Gomez-Graz and Verdu-Jover 2005). For example, Co HHC has promoted employee empowerment in order to turn enterprise quality service into a competitive advantage which echoes the finding of Upton (1995) and Sanchez & Mahoney (1996).
Secondly, many discussions about EIP drifted from wider HRM practices and do not qualify as EIP as defined in western HRM terminology\(^{46}\), such as in the cases of Co HCN and Co FCM, where briefing systems and suggestion systems are considered by employees as mere rhetoric that do not actually allow them the space to influence decisions. Especially in Group 2 companies, where there are some EI practices such as briefing systems, employees are not aware of the EIP systems in place.

Although half of the 20 participants (management) agreed that employee involvement in their operation is important and conducive to innovation and quality improvement, as mentioned above and in Chapter 5, most do not have a clear or extensive idea of what EIP entails. Given the particular circumstances in China, where EIP practices are mostly top down, if the operating mechanism of EIP is not clearly understood by management, it is argued that the actual significance of EIP is low among most Chinese enterprises.

### 7.3.2 Understanding the rationale of the EIP practices adoption

As discussed above, there is a different understanding of EIP among Chinese firms as compared to among their western counterparts\(^{47}\). As reported in Chapter 6, most of the active EIP respondent organisations focus on performance related issues as the key objective. Like firms in western economies, the ultimate objective of EIP systems is performance driven. The difference lies in the issue of influence on decision making, which is effectively power sharing. Even in the more extreme case of Co IHA, where employees are forced to take on an owner role, it is not genuine power sharing. It more resembles the situation as explained

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\(^{46}\) Chartered Institute of Personnel and Development (CIPD): employee involvement is defined as ‘a range of processes designed to engage the support, understanding and optimum contribution of all employees in an organisation and their commitment to its objectives’ and may emerge from other interests

\(^{47}\) Judged primarily on the absence of collective influence on decisions, such as through a trade union
by the three-vector theory where employees are fooled by the concept and made to work harder (Martinez-Lucio 2005). The only other case demonstrating more of the spirit of EIP is possibly the theatre group Co OCN, which embraces employee voice via formal and informal channels, with members sharing a common ideal – to serve the country and the children.

7.3.3 Understanding employee perceptions

Without experience in open labour movement, workers in China may not demand a voice as strongly as their western counterparts. This is shown in several of the research cases, including Co FCM for example, where an employee says they do not complain even when they know their opinion is useless. In Co HCN, a young executive disillusioned because there is no opportunity to contribute ideas, managed to readjust himself by switching to personal issues. Employees in China may therefore choose silence to reflect their dissatisfaction, a response similar to that found among western employees (Gonzalez Menendez & Martinez-Lucio 2014, Cullinane & Donaghey 2014).

However, in cases where employee voice is allowed or supported, positive alignment is reflected, as in the case of Co IXI and Co FHH. Employees find themselves enjoying their work, their company, or both. Even in the less successful case of Co OBC, which discontinued its EIP programmes after failing to see results, within the limited time during which employees were able to influence decision, they achieved exceptional production quality and customer recognition according to their general manager.

Therefore, it can be concluded that employees in China can adapt to an environment of varying voice intensity, from strong to no voice at all. However, they do respond positively
to any voice system. There may be various reasons as to why this may be the case. As illustrated by the response from the young employees of Co HCN and Co FCM as reported in Chapter 6, the lack of voice structure, though disappointing, is not totally unacceptable, because this is a top priority. In other words, Chinese employees do not see voice as absolutely essential. However, silence does not equate to unconditional acceptance. It is therefore questionable that EIP systems in China that are void of the voice structure achieve the purpose of EIP, i.e., improving the employee commitment and hence their involvement to achieve the company goal. While one may argue that financial participation provides the motivation for employees to involve, the point is: if the involvement can be bought, this is no commitment, as this type of employees’ commitment could one day be bought by competitors.

7.3.4 Understanding the approach to EIP design

Part of the interview questionnaire has been designed to understand how EIP is conceived among the respondents. However, there is not any one case that can explain the development of EIP alone. Among the Group 2 and 3 respondent organisations, none of the participants knew how their EIP programmes were designed. They could only make educated guesses that it is part of their HRM system. For the Group 1 respondents, with the exception of Co IHU’s “mattress culture” and Co IHA, which explicitly achieves the objective of critical performance improvement through ‘total empowerment of employees’, by forcing them to be owners of the company. Co IXI, an example of serendipitous EIP, discovered employee involvement programmes can create inexpensive market promotion opportunities. On the other hand, Co ILE created an angel investor programme in response to market competition.

48 “mattress culture” means the corporate culture of extremely long working hours where employees are assumed to work and rest within the same office environment
Therefore, it is argued that there are no clear strategies of EIP, and that EIP is constrained and framed by management control and operational issues, with no link to strategic goals and objectives.

Secondly, EIP programmes in China are mostly short on design and rarely set up properly. They are implemented for various reasons which are often linked to non-EIP inspiration such as idiosyncratic leadership style. Furthermore, our respondent organisations echo a number of western empirical EIP studies which find that many new employee participation initiatives lack sufficient structure and scope (Gollan, 2007; Gollan and Markey, 2001; Kessler et al., 2000).

7.3.5 Summary

The above discussion highlights circumstances surrounding EIP in China that are not shared by western economies. One of the underlying reasons is that there is a lot of misconception about EIP applications, and therefore management may not fully appreciate the conditions, such as the need for balancing efficiency, equity and voice (Budd 2004) to make it a success. The scenario is one of developing economies versus developed economies, where there are signs of EIP application, but where the concept, design, rationale for inception and supporting mechanisms must be much better integrated before the full benefits achieved in western economies, such as innovation and quality, can be fully realized.

7.4. Discussion of the findings on related HRM issues

In the course of the research, there are a few HRM issues which are not directly related to EIP, but which are relevant to the understanding of EIP and Chinese HRM and its future potential.
Employee expectations (especially among young employees)

In the various interviews with young employees and management, as reflected in Co IXI, Co FCM, Co FCI, Co FHS, Co HCN, Co OBC and Co HHC, most young employees expressed their desire to pursue ideals, and discontent with getting a job that only pays their living. As summarised by the general manager of Co OBC,

‘The young employees’ emotional quotient (EQ) is like a child. When things are smooth, they get excited easily. However, when there is an adjustment, employee morale goes down immediately. When employees are not happy, their creativity is weak, and there is a lot of complaint. Is there a solution?’ – Mr. G, General Manager, Co OBC

The older employees at Co FCW, Co IHA, Co ILE, Co IQH are more practical and generally less demanding. They are more concerned with the reputation of the organization and more easily satisfied by adequate salaries and recognition. Paradoxically, the more demanding young employees may adapt better in EIP environments than their senior colleagues. Nevertheless, the researcher acknowledges that this is speculative and should be confirmed by further research studies in the future.

The role of training

The second issue that arises is training. As mentioned in Chapter 5, the annual reports of the 900+ listed companies show varying degrees of investment in training. Be it big or small, training appears to be a “must-have” HR programme among the listed companies. However, the research found that training has often been inadequate. Most employees recalled receiving induction training and not much else. While Co IHU has required employees to
invest in their own training, Co IHA’s policy is to hire “job-ready” candidates without the need for training. Even for Co FHS,

“I think there is not enough training. There is no time for it. At the most, a manager can facilitate a handover session and induction training whenever there is employee turnover. I think in-class training would be a lot better. Because Co FHS relationship managers are usually home-grown, we know how to adjust around the system to make up for that” – Mr. L, Senior Investment Manager, Co FHS. His comment is echoed by his colleague, suggesting this is not only the opinion of one individual at Co FHS.

Is Co FHS adopting a similar management philosophy to Co IHA, where ‘instant food’ is better than ‘cooked meal’? There can only be two situations where management may consider the adoption of such an HR strategy. Either a company focuses only on short-term return and/or the business prospect is extremely unpromising. In either case, adopting this strategy would be detrimental to EIP, because employee involvement would only be useful in value creation. If employees are not properly trained and do not possess the necessary skills to be able to be involved, EIP programmes will do more harm than good to the organisation.

**Employer brand image**

Brand image is important not only in an enterprise’s marketing function, but also in its HR recruitment. The only respondent organization that is not a well-known name in its industry is Co OER. According to the general manager (owner), she relies on long-serving employees who work as partners, and she does not therefore face recruitment issues. However, for the
other employee participants, whether they are happy (satisfied) or not, one thing they all have in common is their admiration for their company’s prestige in the industry and they feel proud to be a member of the organisation. It is one of the more practical examples of bonding between employees and the enterprise, which is one of the incentives for ‘commitment’, one of the goals of EIP (CIPD).

**Reflections**

Among the three factors, training is a necessity because no EIP can be successful without training, but it is not a guarantee for success. Training is more closely related to EIP, because employees with relevant knowledge are in better position to influence decision making. Some Chinese HR scholars are concerned about the amount of money that enterprises claimed to have spent on training, which may be better off being allocated elsewhere. They think the most critical area of skill shortages is the shop floor, and if China is really serious about the *Made in China 2025* project, highly-skilled employees at shop floor level are needed in order to facilitate effective team working and lean production.

Management needs to consider young employees seriously, at least for the future. While the trade unions are not in a position to counter management at the moment, the fact that young employees are more demanding than their older colleagues, and that the trend in China is that the state is increasingly supportive of industrial action, indicate that enterprises should be prepared to face more collective action in the future. One solution is to align young employees’ ambitions with that of the corporation by consultation and various other EIP practices.
Finally, corporate brand image should be the concern of every organization. As reported in Chapter 5, Chinese employers are increasingly focused on corporate social responsibility (CSR). CSR not only improves employee engagement, but also positively impacts on corporate image, enhancing market position and employee recruitment, justifying more serious planning and effort.

7.5. The challenges to EIP systems

While the merits of EIP systems are acknowledged by western researchers and our China respondents alike, the context in which Chinese enterprises operate are not so supportive of the systematic adoption of EIP. The challenges are both internal and external.

7.5.1 The internal environment (cf. Macleod Report 2009)

Employee involvement does not happen in a vacuum and there are certain drivers that enable successful engagement. As discussed in Chapter 2, where there are individual differences, researchers generally agree that leadership (some describe this as trust in management) and voice (or satisfaction with involvement in decision making) are critical factors (Purcell 2010; MacLeod and Clarke 2009; Alfes et al 2010). Leadership is essential in coalescing EIP objectives around organizational goals and achieving efficiency, with balancing voice and equity (Budd 2004, 2005; Adams 2005; Jonhnstone et al 2011), and ensuring that the employment relationship is viewed as a social partnership (Ferner and Hyman 1998; Gall 2004; Martinez-Lucio and Stuart 2005b; Lewin 2010).

According to respondents, as set out in Chapter 5, Chinese trade unions play a different role from their western counterparts, with little focus on participation. In the three groups of respondent organisations, few enterprises in Group 1 are empowered with a relatively
effective voice system, according to the employees interviewed. This informs the conclusion that the employment relationship in China is different to that in the West. As reported in Chapter 3, although the Chinese HRM system appears to be in the process of changing from unitarist to pluralist, it is still paternalistic in general. The paternalistic management style in China may not result in frequent meetings between management and employees, along either formal or informal lines (Webster and Wood, 2005). It is mainly a top-down approach with limited employee feedback, individualised two-way dialogue, being more concerned the employees’ livelihood and as a way of cementing the close and personal nature of the relationship (Fleming, 2004; Warren, 1999; Webster and Wood, 2005). It is argued that in paternalistic HRM, ‘the unitarist approach typical of the Chinese management style carries a strong element of coerciveness and simplicity in which commitment, compliance and malleability of employee behaviour are taken for granted’ (Cooke, 2013: p. 54). Therefore, while paternalistic management may have benevolent concerns about the welfare and well-being of employees and their families (Chen and Kao’s, 2009: 2534), the circumstances that they may be coercive and seek compliance, would more likely constrain voice. The case of Co HCN is most illustrative. The fact that management tries to shoulder all corporate responsibility is typical of paternalistic leadership. The failure to establish effective EIP systems underlines the controversy of adhering tightly to a paternalistic management style. While applying rhetorical practices such as weekly sit-down meetings with employees, the CEO has difficulty in understanding the crux of the problem and instead blames the insatiable appetite of young executives. The case of Co HCN therefore summarises the internal challenges to EIP adoption, paternalistic leadership and the lack of voice structure.

49 Effective in the sense that management allows employees to express their opinions and/or influence decision making, while employees interviewed express their satisfaction at having this freedom and their opinion being taken seriously, and in some cases with recognition.
Table 7.3 Evaluation of EIP application in terms of 4 Key Enablers

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Table 7.3 illustrates the presence of the four key enablers of EIP within the 20 respondent organizations, based on 35 interviews with different employees in the 20 organizations. Interestingly, the three major enabling factors are present in the Chinese respondent organizations engaged with EIP initiatives even if they are not consistently engaging in them. First and foremost, leadership or respect for management appears to be a factor. The respondent organisations are mostly successful industry leaders, with business success mostly achieved by idiosyncratic leadership style, as reported in Chapter 6. Secondly, most

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50 Most of these are well-known businesses where the employees interviewed feel proud to be a member
of the Group 1 respondents agree that they have engaging managers or team leaders. Integrity\(^{51}\) (in terms of organisational justice) is not an issue, especially for SOEs. Voice is the only factor that is not prevalent among the Group 1 respondents. So, the Chinese situation is neither uniform nor stable, but diverse and dynamic. There is a pattern of individualism\(^{52}\) mixed with collectivism (with a varying degree of paternalism-related subjects) which echoes the Purcell framework (1987). This is the impression the researcher has gained from the interviews, but further research is needed to confirm and explain the position.

7.5.2 The external institutional environment

Researchers argue that EIP not only affects the workplace, but also the health of families, social cohesion and even the country’s democracy (Budd and Zagelmeyer 2010; Wilkinson et al 2010a). One of the reasons is that participation, identified as voice, is shaped by factors that go beyond the corporate boundary. In China, as reported in Chapter 3, the All-China Federation of Trade Unions (ACFTU) lacks the independence, resources, power, skills and legal knowledge necessary to defend its members’ rights (O’Leary 1998; Warner and Ng 1999; Clarke 2005; Cooke 2010c) because it is institutionally incapacitated and operationally inefficient (Taylor et al. 2003; Hishida et al. 2010). The other relevant legislative authority - the Ministry of Human Resource and Social Security of the People's Republic of China (MHRSS) focusses only on national labour and social security issues. This demonstrates that the country has not yet developed the public machinery to support a

\(^{51}\) Group 1 companies are mostly state-owned enterprises. Therefore, integrity is not an issue in most cases because SOE displays abundant paternalistic management style.

\(^{52}\) Individualism is defined as 'the extent to which personnel policies are focused on the rights and capabilities of individual workers' (1987: 533). The scale ranges from control of workers (low individualism) to paternalism and employee development (high individualism). Collectivism is defined as 'the extent to which management policy is directed towards inhibiting or encouraging the development of collective representation by employees and allowing employees a collective voice in management decision-making' (p. 533). This ranges from unitary at the low end of the spectrum to adversarial and then co-operative at the high end.
workers’ voice. The issue is not only shaped by the legislative context in terms of the state, employer associations, trade unions and legal framework as discussed in Chapter 3, but also the economic and social front.

Apart from participation, the employee involvement system is also influenced by the external environment, as explained by the Varieties of Capitalism (VoC) approach (Hall and Soskice 2001) as reported in Chapter 2. As mentioned, CME nations such as Germany and Japan tend to be strong in technologies and the legal framework supports powerful employee participation systems, while LMEs such as the USA and UK, dominated by financial interests and ‘employment at will’ practices (Leo McCann 2014), where EIP and voice is less dependent on legislation and more to do with individual management (Marchington and Wilkinson 2012). So where does China stand?

The case studies of the 20 respondent organisations echo the argument of researchers (Zhang and Peck, 2013) who consider China a variegated capitalism system, interpreted as a hybrid form of CMEs and LMEs, while adding in the dynamism. SOEs like Co HCN and Co OCN are similar to the CMEs, as they offer ‘jobs-for-life’ and generous employment terms and conditions, in return for work dedication and loyalty. However, there is one major difference in that the Chinese case study of ‘CME’, Co HCN, is not yet successfully promoting EIP, according to feedback from employees. One of the major stumbling blocks to EIP promotion is, according to Mr. S, the intermittent directions, in the form of red-headed documents, from the state. Such contexts are exposed to particular political contingencies, making planning and evolving HRM systems difficult (Almond and Ferner 2006).
LMEs, being of a ‘dynamic and fast moving nature’ with ‘their willingness to shift into new economic sectors and undertake radical innovations’ (Leo McCann 2014) aptly apply to the market environment non-state-owned enterprises are faced with (Co IHA, Co IHU, Co IXI, Co IDF, and lately, Co ILE which appears to be in the process of catching up). The economic improvements, both at national and corporate level, over the last 30 years are substantial (Nankervis 2013), with rapid speed of development at both levels. The reduction of state-owned assets to a little over 100 central state-owned businesses (http://www.sasac.gov.cn/n86114/n86137/index.html) shows the state’s resolve in development by only allowing the fittest to survive. When China is compared to India in Chapter 3, the more complex Indian industrial relations (IR) system is found to be less efficient than the more straightforward labour system in China, with the three actors (state, ACFIC and ACFTU) wearing the same hat. However, the present IR landscape is changing, with collective action on the rise, along with changes in state-ownership. If developments follow this trajectory, workers’ rights may have a chance of gaining better support for two reasons. First, when the state is no longer the direct owner, it will be more impartial in handling IR issues. Second, the increasing collective action is likely to provide the necessary experience for workers to fight for their statutory rights and the prospect of a better voice mechanism.

China is still truly a developing economy, which implies fighting for the livelihood should still be the priority of the State. It is normal to consider voice having a low priority in the order of social needs, or even, should give way to economic efficiency. From what is shown in the study, the more active EIP companies, such as Co IHU, Co IXI, Co IHA, they are

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53 The changing rules in labour market and the fall in market share prompted Co ILE to be more flexible and employ more creatively
54 The State is retreating to a lesser role as evidenced by the on-going and gradual reduction of central state-owned enterprises under SASAC, though it remains an indirect owner in many cases and a major player
more focusing on operation improvement, teamwork, ie., employee involvement rather than participation. The employees’ commitment and the ‘mattress culture’ are mostly powered by financial motivation, Co IHU’s employees in particular, as disclosed by their training manager, and to a lesser extent, forced employee ownership at Co IHA, employee share option at Co IXI as well as the angel investor scheme at Co ILE. In a sense, they all demonstrate that the critical factor in EIP success, or at least active EIPs in these respondent organisations, all relate to financial participation, but not necessarily representative participation. Despite the fact that employee voice was also appreciated at Co OCN and Co IXI, they are not the only motivating factor for employee commitment nor employee involvement. The researcher’s interpretation of EIP as explained in chapter 1 is that the participation component is in fact a means to gain employee satisfaction. In that case, it could be any means and not necessary participation to make the involvement component happen. If one considers EIP from this perspective, the China scenario is not too different. Firstly, it is management driven as a response to their need for higher employee involvement through higher employee commitment. What differs is that western economies see the higher commitment is brought about by satisfying employees’ need for voice, while in China, employees’ financial needs as displayed by this group of respondent organisations who are mostly in innovation businesses. Perhaps, this is the Chinese form of EI system appropriate for the current state of economic development among innovation businesses. Is this the right direction for the development of the country?

The current strategies adopted by some of the respondent organisations may have been too obsessed with short term operational results, neglecting the long-term development of the enterprises. Any measures which are highly geared towards financial orientation would be self-inflicting, in that any skills or commitment which is bought by money is undependable
as it would be bought away one day. The whole point of EIP is the cultivation of the sense of commitment, the dedication of the employees, so that it is their home they never wish to depart, and their home to leave all their treasures behind. To do that, the provision of an effective voice structure is to allow employees feel they are a part of the system, they are a part of the family, a setting that has been aptly built up at Co HHC.

7.6. Summary and Reflections

The discussions in this chapter indicate that the main research findings contribute to the literature in answering the research questions in two ways: they either support or propose additional dimensions to EIP theories in that they help enhance and bridge theory and practice as follows:

First research question:

To what extent does Employee Involvement & Participation exist in China businesses?

It was identified from the research study that three out of the four key forms of EIP are being adopted by the 20 respondent organisations, but there is no obvious representative participation, as the role of trade unions in China is different to the one they play in western economies. Therefore, it can be concluded that there are some EIP practices among state-owned as well as commercial enterprises in China. While there are different degrees of applications, the more active EIP respondent organisations are global Chinese enterprises and SOEs that have stable operations. Paradoxically, business scale is not a limiting factor in EIP applications in China, as three of the active EIP companies in Group 1 are SMEs. What appears to be important is that the business ‘return’ of the potential EIP companies is
sufficient to sustain the application. For the less active EIP companies, while they have adopted some EIP practices for various reasons, it shows that EIP is gaining awareness and/or recognition in China, albeit in an uneven manner. Finally, certain EIP applications are more commonly applied among innovation companies, suggesting that innovation is dependent on employees going the extra mile.

**Second set of research questions:**

- What EIP practices are adopted?
- What relevance do the concepts of EIP have on the goals and work attitude of employees and business performance in China? What is the attitude of management, HRM and employees towards EIP in China? Have their features been properly understood by employees? In addition, what are their expectations? Is it the case that EIPs are only decorative and do not result in value creation? In addition, how do today’s EIP practices differ from those in the past (“Angang” Constitution) in generating the desired objectives.

As categorized according to the fourfold framework, the two most common forms of EIP are downward communication, such as briefing systems and newsletters, and upward problem solving, such as teamwork, attitude surveys and suggestion systems. There is some financial participation, but the schemes examined are mostly forms of executive incentive schemes, and are not broad based. Both profit sharing and employee share option schemes are common. From the feedback of the participants, it appears the share option schemes for the innovation companies, which are broad-based share options, appear to be more equitable and more attractive to both employees and management in terms of aligning the goals of the corporation with those of individual employees.
For management, EIP is considered a strategy to improve employee contribution and commitment, without placing much emphasis on the voice issue. However, for employees, especially young employees, the chance to express ideas and opinion is especially important. Without this, employee engagement could be negatively affected. On the whole, because EIP in China is top down, the input from management is of overriding importance in shaping EIP systems. As such, management intention is very important because (1) EIP is not widely recognized and therefore needs to be explicitly pushed by management and (2) the limited embeddedness or informality means that intention is also important in shaping responses, as it remains at the discretion of management as to whether they respond. Back in 1960, Chinese workers were declared to be “masters of the factory” under the Angang Constitution\textsuperscript{56} with the aim of motivating them to contribute ideas for improving productivity (Yu 2011). While the idea of the Angang Constitution is broadly in line with concepts of employee involvement, it did not deliver the expected improvement in productivity. On the other hand, limited success in generating the desired improvement was reported by some respondent organisations. Further research may help to analyse and explain the differences in operating results.

As discussed previously, there appears to be gaps in the understanding of EIP applications among employees, HRM managers and management, with non-EIP taken to be EIP and vice versa. This suggests that there is no formal design of employee involvement and instead EI practices are basically inspired by the successful experiences of individual employees. Co HHC, Co IXI and Co OCN all demonstrate this, with the CEO or senior management

\textsuperscript{56}Angang xianfa yu bountezebuyi (Angang Constitution and Fordism), collected in Di Er Ci Si Xiang Jie Feng Yu Zhi Du Chuang Xin (The second round of thoughts liberation and system renewal), ed. Z. Y. Cui (Hong Kong: Oxford University Press, 1997), 143-56. (Translator’s note: The Angang Constitution refers to a 1960 policy decree by Chairman Mao Zedong where he called for various reforms to democratize enterprise management. Two such measures were managers’ participation in labour and workers’ participation in enterprise management.)
devising EIP applications without recognising them as EIP. It is therefore argued that EIP in China is driven by quite distinct factors and rarely a social or strong regulatory context.

Apart from their input into the research questions, other findings relate to issues of paternalism, young employees, training, corporate brand image and the application of a variety of capitalist theories that impact on EIP application in China. Paternalistic leadership can be benevolent to employees, but the way it requires compliance from employees defeats the spirit of EIP, as evidenced by Co HCN discussed earlier.

To conclude from the findings of the research, while there are signs that some EIP applications in China are merely decorative, there are several more active EIP systems, even though these are not full-fledged EIP or EIP in general, and several participative elements are missing. These cases show positive impacts, delivering quality service and innovative products, and achieving remarkable growth targets set by management. While these approaches generally lack adequate training to equip employees to really get involved, they do not look like high involvement management\(^57\) (Wood 2010). As shown in a number of positive cases\(^58\), EIP is linked into the belief that it enhances employee commitment, performance and satisfaction. As evident in the case of Co IXI, young employees felt the respect they have been shown, the freedom of expression, plus the presence of all the other EIP enablers in the system, resulting in exceptional growth from a start-up to where it is five years later.

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\(^{57}\) which refers to practices offering workers opportunities for organizational involvement, either directly or indirectly, through the use of information dissemination and training specifically to aid involvement (Wood 2010).

\(^{58}\) Co IXI, Co HHC, Co HCO, Co OCN
The research confirms that employment relations in China are different from their western counterparts, in that the channel for representative participation is not well developed. Even though no interviewee has expressed that this is a cause for concern, the taxi drivers’ collective action, as discussed in Chapter 3, reflected a different situation. For a developed economy, the presence of an individual’s rights protection mechanism is a structure to ensure stability, rather than instability. As China is still a developing economy, the relative effectiveness of representative voice is a practical issue not to be ignored (Wood 2010). Researchers have noted that the more complex organisations become, the higher is alienation, where employees are less interested in participative mechanisms (Geyer, 1994: 17). However, the need for representative participation is not universal. As the state is relaxing its constraint on voice, by providing more support for collective action, and the need for voice is growing among young employees, the future voice scenario in China looks promising.

This chapter summarises the key research findings in response to the first two research questions and gaps in the literature. The future of Chinese EIP, development and contribution would be presented in the following chapter, where the researcher presents recommendations and reflections of a broader nature.
Chapter 8 Conclusions

8.1 Introduction

This final chapter summarises the dissertation and presents the conclusions before proceeding to make proposals about how employment involvement and participation (EIP) can be promoted in China. The proposals are followed by a discussion on the contribution the dissertation makes to current knowledge, the limitations of the research and future research directions.

8.2 Summary and Conclusion of the research

The dissertation begins with an introductory chapter 1 describing the research positioning, objective and methodology in response to the three research questions: (1) To what extent does EIP and/or financial participation exist in Chinese businesses? (2) What EIP practices are adopted? It then presents a broad outline of each of the subsequent chapters. (3) Under what conditions can EIP and or FP be an effective HRM tool in China?

Chapter 2 informs the theoretical base of the research: (1) the EIP conceptual framework and terminology of EIP, with the two components, involvement (relating to business improvement) and participation (workers’ voice and influence in decision making); the fourfold framework, which reveals the extent of employee empowerment as well as the various enabling factors and barriers. (2) the contextual issues as stated in the varieties of capitalism and the comparisons which provide economic, political and cultural perspectives; the cycle and wave theory; business models; and training and reward – which are of particular relevance in China, as seen later in the discussion and analysis of the findings in Chapter 7. Of the various discussions highlighted, the real intention of management is most
important. Is the aim true partnership, out of socio and human resource management (HRM) considerations? Or is it just decorative or exploitation for profit maximization? Different goals (causes) result in different outcomes, but the ultimate intention of management, as demonstrated by the three-vector theory (Martinez-Lucio 2005) is always concerned with performance improvement. However, in order to achieve equilibrium (optimization) as advocated by Budd (2004), indirect participation is needed and could be effective in countering management’s capitalism.

Chapter 3 presents the HRM system in China as contextual information. The important finding from the literature is the distinct role of the state in labour issues. The three actors, MOHRSS, ACFIC and ACFTU, have closely coordinated roles yet operate with a single mindset. The result is that the role of the trade unions is very different from their role in other developed economies. The other issue worth noting is that the paternalistic style and culture of Chinese management, which respects seniority and values social harmony and an egalitarian approach to distribution, is not conducive to EIP applications, as evidenced by the findings in chapters 5 and 6. Despite the fact that a number of researchers have found that HRM practices are converging towards the western model, the prospect of the mass adoption of EIP practices in China is questionable. ‘Paradoxes are common in transitional economies around the world’ (Warner et al., 2005), the comparisons with India highlight the difficult task developing countries are facing, and progress in China, politically and economically, appears to be faring much better.

Chapter 4 describes the selection and design considerations for the most appropriate method, including the research concept, research strategy, design and plan to address the first two research questions. After thorough consideration of the various options, the researcher
selected a qualitative approach, the case study research method. As evidenced by the research strategy, the two major issues in the research lie in access and case study selection. The problem of access displayed in the earlier trials indicated a lack of support for academic research in the business community, with the only solution using ‘guanxi’.

Chapters 5 and 6 describe the research findings. Chapter 5 focusses on actual EIP practices and Chapter 6 focusses more on intentions and perceptions. While conducting the interviews, the researcher identified and used secondary documentary data and non-participant observation as an effective method to provide triangulation and facilitate the semi-structured interviews. The EIP research outcome of the 20 respondent organisations is broadly in line with the data abstracted from the annual reports and websites of the 900 plus listed companies, with the exception of the politically-constrained representative participation, which obviously would not be stated on corporate websites or in annual reports. The EIP practices adopted by the respondent organisations are mostly upward and downward communication, with little evidence of other forms of EIP. Downward communication, in the form of newsletters and briefing systems, including daily briefings, weekly forums with the chief executive officer (CEO), monthly or quarterly newsletters, and quarterly, biannual or annual town hall meetings, is the most common category of EIs promoted among the respondents. While there are several references to upward problem solving forms of EIP, the majority of programmes are suggestion systems and employees held the view that management may not act upon these or take them seriously. The nature of employee involvement identified in the research case studies seems to be mostly: actual involvement through freedom of speech and initiative, as illustrated in the case of Co IXI; requiring employees to be the owner of strategic business units, as illustrated in the case of Co IHA;
offering employees venture capital opportunities as “angel investors”\(^{59}\); or where the respondent organisation considered allowing employees freedom in decision making, which is equivalent to EIP, as in the case of Co OBC In western economies, EIP is a concept of employees taking part in and influencing decision making. Employees are a part of the whole, with the emphasis on joint effort, joint consultation committees and works councils. However, the situation in China appears to be developing in a different direction. Even in extreme cases of EIP, the whole is being split, leaving a spin-off section under employee control, while the high core or strategic decision-making level is still untouchable by employees. Therefore, actual types of employee involvement practices identified in the research case studies are still fairly limited in scope and degree of influence over decision-making, similar to the last vector of the three-vector theory (Stuart and Martinez-Lucio, 2005), where workers are being exploited ‘at their own mutilation’. This may be linked to the assessment that at a number of Chinese firms, there is less of a role ascribed for involvement. There is not so much of a link between involvement and motivation as suggested in the Western literature. That may eventually inform the conclusion that the employment relationship is a different one. At the same time, and very interestingly, there are Chinese firms that do engage with EIP initiatives. So, the Chinese situation is not uniform or stable, but diverse and dynamic. On closer examination of representative participation, it is evident that trade unions in China play a different role to that played by their western counterparts, with their primary functions revolving around employee welfare and monitoring. While some cases may have identified structural changes in authority or governance, not a single case shows any trace of industrial democracy. None of the

\(^{59}\) An angel investor or angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors invest online through equity crowdfunding or organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies (https://en.wikipedia.org/wiki/Angel_investor)
companies have embraced the scale of employee voice claimed by Bao Steel or ERDOS Cashmere. The reason could be due to the absence of long established, state-owned manufacturing enterprises in the research case studies, where employee voice may be more common. Or it could be that these listed companies are paying lip service to the issue of employee voice. In so far as has been identified, the collective role of the respondent organisations is less than envisaged.

Chapter 6 points to the fact that the current scenario, as revealed by this research study, does not suggest that China is applying EIP satisfactorily, at least if the assessment is based on the Budd Triangle with efficiency, equity and voice in equilibrium, as the voice mechanism is largely absent. It may be the case that Chinese firms currently have limited applications of EIP for various reasons, such as competition, the balance between labour market supply and demand, an ingrained culture such as paternalism, and so on. However, the positive results of certain respondents whose business successes were dependent on employee involvement, such as Co IXI, Co IHU, Co IHA, Co HHC, Co IDF, demonstrate the benefits of EIP in innovation and quality service related businesses. Especially when real EIP is present, employees’ perceptions were especially positive, such as in the case of Co IXI and Co HHC. It is argued that more EIP may be good for the further growth of the economy and society, given the national priority for the next decade, ‘Made in China 2025’, emphasises the strategic importance of innovation and manufacturing quality. It is interesting to note that the extreme employee involvement strategy of Co IHA, which forces employees to become entrepreneurs surviving on their own, is a Chinese creation which the CEO considers is the only way to improve. His view is that they must find their own way instead of continuing to learn from their western counterparts. While there may not be universal
agreement that this is the best strategy, it does reflect the pressure to change, and dependence on employees is an obvious strategy.

From the employees’ point of view, some are motivated by the company’s employment involvement programmes which are promoted as part of the overall HRM structure. Reward, appreciation and recognition, training and care for the ‘family members’ are the necessary components in facilitating employee involvement. Without a genuine intention of promoting employee involvement practices, the programmes exist only in name, void of actual value creation for the company. As for what EIP stands for, the fundamental purpose is to ‘engage the support, understanding and optimum contribution of all employees in an organization and their commitment to its objectives’ (CIPD). However, as the saying goes, EIP does not happen in a vacuum. When the company needs business improvement, management must accept the trade-off: gaining extra employee involvement but at a cost, similar to the ‘responsible autonomy’ of skilled workers (Friedman, 1977:78).

Chapter 7 concludes from the findings of the research that while there are signs that some EIP applications in China are merely window dressing, there are a number of more active EIP systems, even though these are not fully-fledged EIP and some participative elements are still missing. These cases report positive impacts as a result of delivering quality service and innovative products, as well as achieving remarkable growth targets set by management. Nevertheless, with these approaches generally lacking the adequate training needed to equip employees to really get involved, they do not appear to be examples of high-involvement management (Wood 2010). As shown in a number of positive cases, EIP is linked to a belief that it enhances employee commitment, performance and satisfaction. As evident in the case of Co IXI, young employees appreciated the respect they are shown, freedom of expression,
plus the presence of all the other EIP enablers in the system, resulting in the exceptional growth from a start-up to where it is now, five years later.

The research confirms that employment relations in China are different from those in the west, in that the channel for representative participation is not well developed. For a developed economy, the presence of an individual rights protection mechanism is a structure to ensure stability, rather than instability. As China is still a developing economy, the relative effectiveness of representative voice is a practical issue not to be ignored (Wood 2010). There are several other factors which may explain why there is no effective voice structure in China, including the belief a lot of employers may have, that financial participation is all that matters to Chinese workers, and that leading western economies like the US and UK, typical of LME, are also not promoting an employee voice. Other contributory factors that researchers have noted include the fact that the more complex organisations become, the higher the alienation becomes, and the less employees are interested in participative mechanisms (Geyer, 1994: 17). The need for representative participation is not universal. Europe, with Germany as the lead representative CME country, focusses heavily on maintaining an effective voice structure, whereas the UK and US, representatives of LMEs, do not. Therefore, the availability of an effective voice structure is not an issue of best practice, but rather a reflection of the political ideology of a certain locality. This is one of the arguments.

However, if China is considering increasing its long-term competitiveness, a real voice structure is absolutely necessary. Why? The researcher reflects on the positive response of Co HHC’s, Co OCN’s and Co IXI’s employees. Although employment package is important, the enthusiasm and commitment the employees claim is a result of the integrity of the
working environment far exceed the influence of any financial impact. The point is that when employees are really committed, they produce satisfactory results for the company, and eventually for themselves, if the leadership is built upon social partnership. Secondly, according to the findings of researchers (Marchington and Kynighou 2012), real employee commitment helps corporations to weather the storms in turbulent times, a long-term advantage for Corporate China.

8.3 Proposed EIP Practices for Chinese businesses

One of the conclusions of the study is that there is a constrained political voice system which cripples the participation component of EIP in China, and this makes China very different from many western economies, such as those in Europe. Secondly, few firms properly understand what EIP is about and how they should be adopting the practice. As mentioned in 8.2, there are many reasons as to why China cannot afford to promote real, rather than rhetorical, EIP.

However, if any business or country like China is promoting serious improvement plans, such as the ‘Made in China 2025’ strategy mentioned in chapter 1, they should seriously consider the need for EIP systems. Take ‘Made in China 2015’ as an example. It has two key targets, innovation and quality enhancement. Enterprises that focus on the latter target, unless they are operating in niche businesses, have to admit that they may not have the resources to compensate employees with massive profit sharing and employee perks to make up for a lack of voice, as in the case of some of the respondent organisations. One can even question whether this is ever sufficient. Part of the EIP argument is that pay in itself is not sufficient to achieve strong commitment and engagement. Especially for profit-making operations in many industries, which can expect only incremental improvements in income,
relying purely on a high compensation strategy is not feasible. Secondly, employee commitment that is only bought, rather than being dependent on a series of other factors in a high commitment package, is not solid employee commitment. Therefore, EIP is the only solution to improve employee commitment, and consequently business returns. However, in these cases, management may have to contend with the need for power sharing with employees.

There are two groups of companies who may have to continue with their current methodology, namely, cost reduction businesses where efficiencies dictate the firm’s survival, and state-owned enterprises (SOEs). For SOEs, unless the government’s management approach changes, the way bureaucracy is in charge basically allows no practical room for EIP, as reflected by Co HCN.

Finally, to promote EIP applications more actively, more policies to increasing EIP training and legislation to encourage enterprises to adopt a practical voice structure, possibly in the form of non-union employee representation, could perhaps improve the current landscape of employee involvement and lack of voice.

8.4 Contribution to knowledge

This research study advances EIP knowledge. It provides an improved understanding of EIP applications in China in terms of the extent to which EIP exists in Chinese businesses and the forms of EIP practices, as well as important contextual knowledge about EIP systems in China. Secondly, it identifies practical fieldwork challenges in conducting research, especially qualitative research, in China.
The dissertation has provided several important insights in EIP in China. First of all, the limited extent of EIP adoption coupled with the limited scope of employee empowerment, based on the data search of 990+ Shanghai Stock Exchange (SSE) companies (which resulted in the identification of 30+ active EIP companies based on information published in their annual reports, corporate websites and corporate news. There are nine ‘Group One companies’ (active EIP respondent organisations) out of the total of 20 respondents. This could broadly be taken as 3% of the population and 45% of the sample size. The sample companies may be somewhat biased towards ‘active EIP applications’ because there are seven innovation and three quality-enhancement businesses, and these industries have a higher incidence of EIP application. Secondly, there is poor or misunderstanding of the concept of EIP at both management and employee level, which may explain the less than satisfactory EIP systems in China. Employee involvement mostly takes the form of downward communication and teamwork, but even in the more active enterprises, the extent of employee empowerment is limited. Effectively, there is no representative participation, as constrained political participation is prevalent among Chinese enterprises, whether global, state-owned, public or private. The lack of an effective voice structure affects employee involvement and commitment, especially among young employees. In short, the fact that companies are not giving EIP the focus it deserves, either wilfully or out of ignorance, in addition to the constrained political representative participation, is a key reason why current EIP practices are not being properly adopted in China.

There are various contextual factors, which includes: (1) leadership and engaging middle managers were found to be important EIP enablers in some of the active EIP companies, somewhat echoing the Macleod Report (2009). (2) the few active EIP companies have shown that management intention is most critical to EIP success: one case demonstrates that
an effective voice structure promotes organisational democracy; another the success of idiosyncratic approaches; and the third demonstrates social partnership, where employee and employer relations resemble that of a family. While employees understand the true management intention, and in case of dissatisfaction, they often choose silence rather than confrontation as the response. (3) all EIP practices in Chinese enterprises are management initiated for various reasons. As the legal framework and trade union traditions are not supportive of an employee voice, most EIP applications are designed for performance or operational improvement purposes, especially in innovation businesses, and in some cases, they are purely rhetorical. An issue of concern is the extreme case of employee involvement, where employees are forced to be owners of their own operating units, unlike the usual employee share ownership programmes (ESOPs). These very much parallel the third vector as a new form of exploitation (Stuart & Martinez-Lucio 2005). (4) Employment relations are changing, and the government is apparently choosing to be more open in allowing an employee voice.

8.5 Limitations

There are two key limiting factors in the research, which are both linked to the degree of success in gaining access to organisations: (1) triangulation and (2) representativeness of the research sample. With regard to triangulation, the extent of cross referencing statements made by participants was limited. Except for where there was relevant information on the corporation’s website or in reports, the researcher was not able to obtain secondary documents to cross reference the statements of participants. This was because the case studies were carried out on unofficial basis. There was a trade-off between not getting any interviews because of access problems, and relying on ‘guanxi’ to carry out the interviews on an unofficial basis. Using “guanxi” resolved access issues and allowed fairly open
exchanges, as reflected by the researcher, but triangulating data was difficult. The researcher tried to alleviate this limitation by: (1) using non-participant observation to confirm the general company working atmosphere as stated by the participant, probably the only other source of secondary information collected on the respondents’ sites. (2) requesting at least two interviews with at least two participants from the same respondent organization whenever possible.

The other limitation was the representativeness of the research sample. This was suspected to be the reason the researcher was not able to identify representative participation as claimed by a number of SSE companies in the data search of 900+ SSE listed companies. There were no manufacturing enterprises, or at least the manufacturing sections of these enterprises were not included in the case studies. While this was known before the research study began, there was little the researcher could do, because as mentioned above, “guanxi” is a scarce resource and it was not possible to secure the right “guanxi” to cover all intended case studies. Nevertheless, other than the lack of manufacturing respondent organisations, the sample adopted for the research should represent a good range of cases, as it includes SOEs, listed and private companies; different size and scales of business, including global, large and SME enterprises; and different industries: innovation and quality enhancement.

8.6 Future research directions
This research provided an exploratory study of EIP at work in China. However, it is considered to be a starting point for this area of study and more in-depth studies are recommended in three broad areas: (1) comparative studies that cover EIP applications among enterprises in different regions across China in order to identify the relationship between the economic state of the organisation and the need for a voice system. As
mentioned above in section 8.2, the researcher suspects that there is a relationship between voice and the economic state of the organisation, which should be verified by further research. (2) longitudinal case studies with the researcher conducting the research in the capacity of an ethnographer in order to gain evidence of fully-fledged EIP systems and their actual impact, especially on employee perception, employee attitude and commitment to developing the micro-foundations of EIP application. (3) analysis based on propensity score to identify employee groups having a higher need for employee participation. In chapter 7, section 7.4, there is a group of participants who have a more positive attitude, in that they tend to be more concerned with the presence and absence of voice mechanism, and the future success of the state is very much dependent on this young group of employees.

The researcher considers that there is some truth in the cost reduction model theory as discussed in Chapter 2.4.2 in that the need for voice differs regionally. For example, the needs of employees in municipal cities such as Beijing, Shanghai or Guangzhou are very different compared to those in tier one cities such as Chengdu, Suzhou or Shenyang, or those in tier two cities such as Hefei or Harbin. Therefore, in places where the priority is economic performance and local enterprises are still engaging in cost reduction, there may not be scope for promoting EIP systems. One should not lose sight of the purpose of any commercial enterprise, the purpose of HRM, and the purpose of the employee in his or her capacity as an employee. The ultimate goal of all three parties is satisfaction. If an employee is satisfied without having a voice, and at the same time, committed and spares no effort in being involved in business improvement, so be it. The purpose of EIP is to motivate commitment and involvement. Is this China’s EIP or employee involvement to be exact, involvement without participation within a certain context? Using Co IHU, which runs one of the biggest ESOPs, as an example, the interview participant, Ms L, considers that employees are totally
committed and involved in order to achieve organizational goals, and are motivated totally by financial participation. Voice is not sought after by employees. Therefore, the first two suggestions for future research direction are the relationship between the economic state of the business and need for a voice system, and an in-depth case study carried out by a researcher acting in the capacity of an ethnographer.

During the conduct of case studies, it was observed that young participants are more sensitive to the presence or absence of voice systems, in Co IXI, Co OCR, Co HHC and Co FCM for example. As mentioned in Chapter 7, section 7.4, out of all the case study participants, the ‘young employee’ group is the group that is most sensitive to the voice issue, despite the fact that it also displays a high degree of adaptability to the enterprise’s corporate culture, especially if keen to stay in the job. Adaptability may not sound like a non-issue. The responses from this group of participants show that the lack of an effective voice system renders their silence and hence dis-involvement, a negative potential to the economic goal of enterprise. The third suggestion for future research direction is therefore to identify the group characteristics with a higher propensity for employee participation (for example age and the need for a voice system).

8.7 Concluding thoughts

The researcher has progressed from identifying the research questions to overcoming the biggest challenge in the research project (access), conducting interviews, analysing the results and discussing them. Insights were obtained from 20 case studies as well as expert opinion, with one of the key findings being the constrained political representative participation. Given the relevance of the research topic to at least part of the strategic development of the state for the next 35 years – ‘Made in China 2025’ is the first phase of
the 35-year project and should require much improvement in commitment and positive involvement from employees – the researcher finds satisfaction and meaning in the study. It makes a contribution not only for academic purposes, but also has practical application for the economy.

Researchers find that the fundamental mission of the discipline of HRM is not to promote ‘best practice’ in ‘excellent companies’ (Boxall et., 2007b). Instead, understanding contextual variables such as culture, employment laws and managerial mindset is key (Legge, 1978; Jackson & Schuler, 1995; Marchington and Gruulis, 2000; Aycan, 2005). Similarly, the purpose of this research study is not intended to promote EIP or any other recognized methodology for business improvement in China; but rather, it sets out to examine its applicability in the Chinese context. There must be a reason for every phenomenon, such as the constrained voice system in China. The crux of the issue is that one should first understand the rationale for its presence, such as historical development, the various EIP and non-EIP factors influencing the state at work, in addition to the political, social and cultural environment, and the internal environment unique to any business. As mentioned in the introduction chapter, it was in 1960 that China first announced the formal adoption of its own version of EIP in the Angang Declaration. That employee involvement and participation may now make a return almost 60 years later as part of the ambition, ‘Made in China 2025’ project, to strive for more innovation and quality enhancement is an interesting development to be expected.
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APPENDIX A: HRM Administrator’s Questionnaire

Before I proceed with the discussion on the subject of employee involvement and participation, I would ask the administrator to provide some demographic data.

Some researchers believe the application of Employee Involvement & Participation practices results in higher employee commitment and ‘a larger cake to be shared among workers and employers’.

1. Does your organization have (explicitly recognized) participation and involvement practices?
   1.1 What is the primary purpose of employee involvement and participation programmes in your organisation?
   1.2 What initiated the programmes?
      1.2.1 Are there any corporate or overseas points of reference for such developments?
   1.3 Does your company have a strategy for the programmes?
   1.4 What is the corporate philosophy behind employee participation?
   1.5 When was it implemented?
   1.6 How was it introduced?
      1.6.1 What are the major changes at that time?
      1.6.2 Are there other previously established practices that involve participation and involvement?

EIP application – the current situation

In the next few questions, I would like to understand your employee involvement and participation practices

2. Would you tell me the key involvement and participation programmes in place?
   Now I would like to have more specific details of each of the above practices:
   2.1 Is it mainly team based?
      2.1.1 How many employees attend a particular involvement and participation function?

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60 headcount by age group, sex, education level, income level, marital status, occupation (managerial vs. non-managerial)
61 organizational change, voice, governance, competition, continuous improvement or others
62 industrial democracy, socio-economic equality?
63 Research Question One: “To what extent EIP can/does extend to larger group of employees in China?
64 Direct, indirect and or financial participation
65 Examples of direct EIPs: team briefing, problem solving group, opinion survey, JCG, info on internal investment plans, local unit and corporate financial health as well as staffing plan. The breadth of EIP and network embeddedness could be evaluated by the number of EIPs in place (Cox et al. 2006). Need to ask, if not mentioned, if there are involvement in strategic issues
   Examples of indirect EIPs: NER(non-employee union representation) joint safety committee, JIC, EMAC, social-welfare committee
66 Level - Work-group, department, corporate headquarter or board level
2.1.2 What is the proportion of employees participating in problem-solving groups?\textsuperscript{67}

2.2 What is the frequency and regularity with which this programme takes place?\textsuperscript{68,69}

2.2.1 What is the degree of permanence of problem-solving groups?\textsuperscript{70}

2.3 Who\textsuperscript{71} attends what functions?\textsuperscript{72}

2.3.1 What kind of meetings does the chief executive (or head of operations) attend?

2.3.2 How often would the chief executive (head of operations) have face to face meetings with employees at large?

2.4 And how do employees voice their issues with managers in these sessions?

2.4.1 What is the allocated time to employees during team briefings?\textsuperscript{73}

2.4.2 Do employees voice through representativeness?

2.4.3 Do they choose their own representative?\textsuperscript{74}

2.4.4 What is the selection method of employee representatives?\textsuperscript{75}

2.4.5 What is the degree that employees could influence management decisions?\textsuperscript{76}

2.4.6 What topics of are discussed at work level?\textsuperscript{77}

3 Is there financial participation programme?

3.1 What is the type of financial participation being practiced?\textsuperscript{78}

3.2 What is the purpose of this particular employee involvement?

3.2.1 What initiated the FP programmes?\textsuperscript{79}

3.2.2 When was it implemented?

3.2.3 How was it introduced?\textsuperscript{80}

3.2.4 Which groups of employees are entitled to join?

3.2.4.1 How many have actually joined?

3.2.5 What is the value of the financial plan as a percentage of employee remuneration?

EIP Design

4 Would you please describe the specific design and administrative practices?

4.1 Who is responsible for designing employee involvement and participation programmes? Would you please give a few illustrations?

\textsuperscript{67} Question 1 on depth evaluation (per Cox et al. 2009)

\textsuperscript{68} Temporal embeddedness; Question 4 (problem solving group) on depth evaluation (per Cox et al. 2009);

\textsuperscript{69} Question 5 on depth evaluation (per Cox et al. 2009)

\textsuperscript{69} Institutional embeddedness

\textsuperscript{70} Question 6 on depth evaluation (per Cox et al. 2009)

\textsuperscript{71} For example, chief executive’s briefing at townhall meeting, annual dinner

\textsuperscript{72} Institutional embeddedness

\textsuperscript{73} Question 2 on depth evaluation (per Cox et al. 2009)

\textsuperscript{74} Management willingness to allow fairness and democracy is indicative of their effort to build trust

\textsuperscript{75} Question 3 on depth evaluation (per Cox et al. 2009)

\textsuperscript{76} Escalator concept (Marchington & Wilkinson 2005) – from very little info (dissemination by managers) to a considerable amount (co-determination), with two-way communication and consultation in between

\textsuperscript{77} Short-term issues such as technical problem solving in quality circle or work group

\textsuperscript{78} Profit sharing or employee share ownership

\textsuperscript{79} organizational change, voice, governance, competition, continuous improvement or others

\textsuperscript{80} Example, annual dinner, board meeting
4.2 Who participate in the design process?  
4.2.1 Board of directors, trade union, senior management, workgroup members?

4.3 You mentioned various types of employee participation such as ………..What features do you think is critical to the effectiveness of each of these practices. Would you please illustrate with a few examples?

4.4 And what would contribute to the ineffectiveness of each of these practices?

Issues arising during implementation

While employee participation is a strategic design, very often middle and line managers are considered the ones responsible to bring employee participation policy to life. Therefore the role of middle managers is critical as far as employee participation is concerned. And some believe middle managers could play the role either facilitating or obstructing employee participation.

5. What is your experience of the role middle managers in employee participation practices?
   a) Under what circumstances do you find middle managers facilitating employee participation practices?
   b) Do you know the reason for their obstructing roles, if any?
      i) Is it for personal reasons?
      ii) Is it because they misunderstand?
      iii) Is it because of the difference in opinion as to the viability or value of the employee participation practice based on their knowledge or experience?

2) Apart from middle managers, what other barriers, if any, the company struggled when implementing the employee participation programmes?
   a) What is the attitude of employees towards these programmes?
   b) Has it been a barrier?
   c) What is the kind of participation from unions?
   d) Has it become one of the barriers, if any?

3) What are the pressures for employee participation?
   7.1 What have to be done to cope with the pressures?

While employee participation requires employees’ capability in problem solving, training, learning and development would obviously be a prerequisite in its HRM systems.

4) Does your organization have a formal training programme for employee development?
   i) Do you find your employees capable?
   ii) Do they receive training?
   iii) Which types of training are organized and what is the focus of each of the training programme?
   iv) How does it relate to the goals of the organization?

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81 Example, employees participation in ESOP design
82 Example: access to information, the team composition as well as their authority to implement, goal-setting process, financial rewards (variables identified by Magjuka & Baldwin 1991)
83 Administrative? Manpower, cost, efficiencies in decision making? Challenge to management authority in the redistribution of power?
84 skills, attitude or knowledge
5) How often would EIP programmes be reviewed and redesigned? 
   a) What are the specific circumstances when a particular EIP practice be changed?
   b) What is the procedure for updating a particular EIP practice? What is the line of authority?

Outcomes

6) What are the components of your HRM bundle?

7) Is employee participation practice within wider HRM practices?

8) What are your views on the contribution of employee participation to the HRM bundle?
   a) How does it affect employees’ satisfaction and commitment?
   b) Has it generally been accepted by employees?
   c) Do you find employee participation achieve the objectives originally intended?
   d) How do you assess the effectiveness of an employee participation programme?
   e) What indices are employed?

There are contrasting evidences of the complementarity of financial participation and other forms of employee participation. Some conclude that the benefits of financial participation are greatest when schemes are embedded in participative management systems. However, others found weak relation between direct participation and financial participation.

9) How do you assess the impact/contribution of financial rewards to employee participation programme?
   a) Do you find financial participation strengthen other forms of employee participation?
   b) Would your organisation broaden and or deepen your employee participation and financial participation practices in the future?

I would like to end the meeting requesting for assistance to my part II interview with teamwork group and management, before I thank the administrator for his or her kind support to my research:

Which teamwork group(s) do you find representative of employee participation practices of your organization? Can I have an interview with the group members?

I would also like to have an interview with your chief executive, or head of operations to seek his/ her views on the organization’s strategic human resource management and the importance of employee participation within the total HRM bundle.

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85 Wave phenomenon

86 Research Question Three: “What relevance do the concepts of EIP and or FP have on the goals and work attitude of employees as well as business performance in China? What is the attitude of Management, HRM and employees towards EIP and or FP in China? Have their features been properly understood by employees? And what is their expectation? Would it be the case that EIPs and or FPs, are just decorative and do not result in value creation?”

87 Research Question Two: “What is the relation of EIP with FP concepts at work in China? Are they complementary”
APPENDIX B: Structure and function of the Ministry of Human Resource & Social Security

Ministry: in charge of the administration of national labor and social security undertakings, mainly including labor force management, labor relationship readjustment, various items of social insurance management and legal construction of labor and social security.

Functions of departments and supporting units

1. General office –
   documents and telegrams, meetings, confidential, file, finance, government affairs, security and petition work

2. Department of Policy Research  **NEW** –
   - responsible for human resources and social security policy research.
   - undertaking research and the overall organization and coordination of human resources and social security comprehensive reform.
   - organizing and coordinating the implementation of major reform programs and the annual focus of reform tasks.
   - Organizing human resources and social security experts and other relevant expert advisory committee to provide recommendations.
   - Coordination of public opinion (x) work to develop public opinion management measures and their implementation.
   - responsible for subordinate newspaper publishing management.

3. Department of Regulation  **NEW** -
   - drafting of relevant laws and regulations;
   - undertake legality audit of documents; undertake relevant administrative appeals and response

4. Department of planning and Finance –
   - elaboration of human resources and social security development plans and annual plans;
   - responsibility for the preparation of the draft final accounts of the National Social Insurance Fund's work;
   - participate in the formulation of social security funds (Fund) financial management system;
   - undertake subordinate units of state-owned assets management and auditing;
   - undertake planning information and statistical management;
   - undertake projects related to international aid and loans project management

5. Department of Employment Promotion Division –
   - Elaboration of employment plans and annual plans
elaboration of equal employment opportunities, rural labor employment and orderly flow of regional policy,
• improve the public employment service system;
• to guide and regulate public employment service information management;
• participate in the development of special employment funds management approach;
• Lead preparation of college graduate employment policy;
• formulation of employment assistance and special groups employment policies;
• elaboration of the country (territory) outside the staff (excluding experts) immigration employment management policies.

6. Department of Human Resources Market  **NEW –**
Elaboration of the human resources market development policy and planning; formulation of the country (territory) outside the human resources services market access management systems; vocational guidance and supervision of the agency; preparation of deployment of personnel policy, the deployment of the national contractor personnel with special needs; press require contractors to the central state organs and their reception of college graduates in Beijing relevant units, deployment of personnel matters from outside Beijing.

7. Department of civilian job transfers  **NEW –**
Preparation of military cadres placement, training policies and resettlement programs to improve the training and placement system, transferring and training; organize the formulation of some enterprises; undertake specific work group resettlement of demobilized officers of the State Council.

8. Department Vocational Capacity Building  **UPGRADE –**
Elaboration of urban and rural workers vocational training policy; guidance to education policy at the national policy guidance, technical schools and vocational training institutions, guidance to teachers with teaching materials organizations; formulate occupational classification, professional skills of national standards and industry standards; improve the vocational qualification system.

9. Department of professional and technical personnel management  **NEW –**
Preparation of professional and technical personnel management and continuing education policy; undertake deepening of title system reform issues; assume high-level professional and technical personnel planning and training work; formulate policy for special country (territory) and foreign expert pool, overseas students in China (return) policy; formulation of recruitment strategy of in-country of professional and technical core personnel management.
10. Department of Institutions’ Personnel Management  **NEW** –
Guidance on personnel system reform and personnel management of government institutions; formulate public institution recruitment country (territory) (excluding experts) policy

11. Department of work of migrant workers  **NEW** –
Elaboration of migrant workers integrated policy and planning, maintenance of legitimate rights and interests of migrant workers; coordinate and solve key issues and difficulties; coordinate in the handling of major incidents involving migrant workers; guide and coordinate the work of migrant workers in information building

12. Department of labour Relations  **NEW** –
Formulation of labor relations policy; formulation of labor contracts and collective contract system implementation specifications; elaboration of enterprise workers wage income distribution of macro-control policies, guidance and supervision of SOE payroll management and business executives wage and income distribution; guidance on labor standards development work; formulation of policies against illegal use of child labor and workers

13. Secretariat for wages and benefits –
Elaboration of employment plans and annual plans; elaboration of equal employment opportunities, rural labor employment and orderly flow of regional policy; improve public employment service system; guide and regulate public employment service information management; participate in the development of special employment funds management approach; Lead preparation of college graduates employment policy; formulation of employment assistance and special groups employment policies; elaboration of the country (territory) outside the staff (excluding experts) immigration employment management policies.

14. Department of Pension –
co-ordinate on the preparation of basic pension insurance and supplementary pension insurance policies; retired workers of enterprises policy; formulation of pension fund management strategy and forecast

15. Department of unemployment Insurance -
Unemployment insurance policy formulation, planning and standards; elaboration of unemployment insurance fund management strategy; establishment of an early warning
system of large-scale unemployment and control policies; formulation of economic restructuring policies relating to workers rights and interests protection

16. Department of Medical Insurance –
Co-ordinate the preparation of medical insurance, maternity insurance policy, planning and standards; formulate health insurance, maternity insurance fund management approach; organize the formulation of designated medical institutions, pharmacies, health insurance and maternity insurance service management, billing practices and pay range; elaboration of sickness, maternity allowances suspension period; formulate supplementary medical insurance policies and management practices

17. Department of Injury Insurance –
Formulation of injury insurance policy, planning and standards; improve injury prevention, identification and rehabilitation policy; develop injury level of disability identification standards; develop qualification standards regarding designated medical institutions, pharmacies, rehabilitation agencies, disability aids mounting mechanism

18. Department of Rural Social Insurance –
Preparation of rural endowment insurance policy and landless farmers social security, planning and standards; formulate rural social insurance fund management approach; formulation of programs relating to land landless farmers social security measures audit approach

19. Department of social Insurance Fund –
Elaboration of social insurance funds and supplementary insurance fund regulatory system, operational policies and eligibility criteria for operators, the accreditation of operators and supervision of its implementation; the establishment of social insurance funds and supplementary insurance fund supervision information and reporting systems, the admissibility of complaints; supervision of social insurance Fund and the supplementary insurance fund revenue and expenditure, management and investment operations, organization investigate major cases; developing complementary insurance fund management approach; in Beijing, responsible for the central state organs and institutions of occupational pension fund management contracts, the central business enterprise annuity fund management contracts and pension products for the record work; to participate in development of a national social security fund investment policy, fund investment supervision operations; responsible for the supervision of the implementation of pension management institutions; responsible for management of social insurance fund supervision and inspection certificate and supplementary insurance fund qualified management personnel; responsible for social insurance funds
and supplementary insurance funds investment operations report, investment operational information statistics and information disclosure

20. Department of Mediation and Arbitration NEW –

Co-ordinate on the formulation of labor dispute mediation and arbitration system, guidance on labor dispute mediation work; deal with major labor organization, personnel disputes according to law.

21. Department of Labour Inspectorate NEW –

Elaboration of labor inspection system; organize the implementation of labor inspection, supervision and prosecute major cases; Guidance to local labor inspection; coordinating labor rights work, organize the dealing with emergencies

22. Department of International Cooperation –

National Civil Service Bureau and the Department undertake international exchanges and cooperation work; contractors Department and National Civil Service Bureau and Hong Kong, Macao and Taiwan exchanges and cooperation issues; organizations in activities relating to international organizations; undertake human resources and social security agreements of multilateral negotiations; elaboration of staff assigned to international organizations Management System.

23. Department of Personnel –

Responsible for the administrative procedures for the appointment and removal of some of the leading contractors, central management personnel; undertake personnel work and the preparation of the national civil service agency headquarters and offices

24. Department of party organs NEW –

responsible for party work, and units directly under the State Civil Service Bureau in Beijing

25. Department of Retired Cadre NEW –

Responsible for the State Civil Service Bureau of retired cadres, units directly under the guidance of retired cadres

26. Supervision Bureau in the Ministry of Discipline Inspection Group
According to the "Central Commission for Discipline Inspection, the Central Organization Department, Central Office, Ministry of Supervision Opinions on the Central Commission for Discipline Inspection Department representative offices unified management", in Human Resources and Social Security Discipline Inspection Group, Supervision Bureau's responsibilities are:

- supervision and inspection of the system in the sector and belongs to implementing the party's line, principles, policies and resolutions, compliance with national laws and regulations, the implementation of the decisions of the State Council;
- supervision and inspection of leading Party and administrative leadership and its members to maintain the Party's political discipline, the implementation of democratic centralism, selection and appointment of leading cadres to implement the Clean and Honest diligent and honest situations;
- approval and verification of problems in administrative leadership and members of violation of disciplinary rules; participation in the investigation of cases in the administrative department of leading Party and its leadership team members in violation of the disciplinary rules; Investigation Bureau stationed in Sector Division level cadres disciplinary rules violation cases and other major cases;
- assist in the coordination in government and anti-corruption work in the administrative department of leading Party leadership and organization departments and work style belongs to the system.
APPENDIX C: Financial Participation – ESOP in China

According to the China Capital Markets Development Report 2008 by China Securities Regulatory Commission (CSRC), with the amendments to Company Law and Securities Law and the implementation of non-tradable share reform running at full steam, the legal foundation and market environment for providing share incentive structure for listed companies were very much improved. While the promulgation of Administrative Measures on Stock Incentive by Listed Companies in January 2006 applied only to domestic listed companies, subsequent legislative changes in China, however, change this situation. On 20 February 2012, the State Administration of Foreign Exchange (SAFE) issued the Circular on the Foreign Exchange Administration of Domestic Individuals Participating in Foreign Listed Companies’ Employee Share Incentive Plans [2012] No. 7 (Circular 7), with the key changes being the expanded scope of application, meaning more foreign companies would be able to apply for ESOP. This is welcome news, since it will allow more foreign multinationals to implement their global ESOPs in China, where they face a challenging hiring environment. Procter & Gamble and ABB were among two of the first batch of MNCs who have navigated the SAFE process and received full approval to implement their employee stock ownership plans in the PRC. Nevertheless, it must be noted that the common problem faced by many of the applicants under Circular 78 was that a lot of time and resources were spent explaining to the authorities the terms of the ESOPs. Therefore, unless the company adopts a longer term view of their business presence in China, and they have a certain employee size, otherwise it may not justify the voluminous work involved.

As of 31 Dec 2012, there were 456 companies (A shares) listed in the Shenzhen Stock Exchange (SZSE) and 941 in Shanghai Stock Exchange (SSE), according to their respective web information. Companies listed in SZSE are mostly subsidiaries of
companies with government funding or shareholding, while those on the SSE are mostly state-owned enterprises, and therefore much bigger in scale. Out of these listed companies, there are quite a number of the more well-known household names, such as Air China (China’s largest airline) and Suning Appliance (China’s top appliance retailer), who runs broad based ESOP. As shown in the 2009 and 2011 Annual Report of Haier, the world’s largest black and white appliance manufacturer provides incentive stock options to 43 employees in their first allotment in 2009, and in the second allotment in 2011, the employees participated had increased to 83, showing the company’s intention to broaden the incentive base gradually. Haier’s key domestic competitor, Hisense, have also implemented an ESOP incentive scheme for the directors and senior management, but on a limited base, covering only three directors and three senior managers as disclosed in its 2011 Annual Report.

It is interesting to note that the Bank of China approved of the plan to implement an employee stock ownership incentive in the Board and Shareholders’ meeting in Nov 2005; nevertheless, as mentioned in their 2011 Annual Report, the plan has so far not yet been implemented. Is it because they recognize the need to run an ESOP but lack the expertise to create a suitable plan? Or is it because no other banks in China has implemented or suggested any ESOP incentive plan and they are hesitant to make the precedent? Neusoft, China’s largest IT solutions and service provider announced in its 2011 Annual Report that the company would implement an ESOP incentive scheme to align the objectives of shareholders and employees as and when necessary. These incidents reconfirm the point that the corporate world in China is beginning to appreciate the concept of ESOP and has the intention to employ ESOP in the HRM system.
As reported by Normura, Procter and Gamble, with more than 7000 employee owners was the first foreign company to set up a broad based ESOP in 2008. Having established in China since 1988, P&G has all the necessary experience to understand what would be needed to motivate its employee for better performance. Based on ChinaHR annual survey, P&G has been the top ten most popular employers in China from 2002 - 2007. Despite all the complexities, P&G took all the trouble, spent five years to negotiate, and finally got approval for registering the scheme. This should indicate management confidence in the value of ESOP as part of its HRM portfolio.

According to the 2011 Annual Report of Huawei, the world’s leading ICT provider as well as employee owned business, ‘Huawei Investment & Holding Co., Ltd. (the "company" or "Huawei") is a private company wholly owned by its employees. Through the Union, the company implements an Employee Shareholding Scheme (the "Scheme"), which involves 65,596 employees as of December 31, 2011. They are represented by and exercise their rights through the elected representatives (the "Representatives"). The Scheme effectively aligns employee contributions with the company's long-term development, fostering Huawei's continued success.’

Majority of the China ESOP studies adopt quantitative approach. To start with, they conduct an In-depth interview with company management for background information, followed by Survey through questionnaires with employees. Private and public state-owned enterprises of specific industry were the key samples employed. So far, studies with multinationals in China have not yet been reported.
Majority of the studies center around ESOP effects in the early stage of ESOP introduction in China, i.e., the ownership restructuring of Chinese state-owned enterprises, launched in 1992, which has been one of the most radical and far-reaching market-oriented reforms in the Chinese economy. Some examine employee commitment (Chiu, 2002). Others investigate the effects of ownership reform and individuals’ collectivist values on rewards-allocation preferences of employees in Chinese state-owned enterprises (Dong, 2002; He et al., 2004). Chiu subsequently studied employee’s characteristic and the link between composition of the board of governance and job satisfaction (Chiu et al., 2007). These research studies obviously relate to the very first generation of ESOPs in China, where state-owned enterprises were transformed to non-state owned businesses and their senior management was turned into stakeholders on behalf of the State. As the NCEO research indicated, the success of ESOPs would need to be run under participative management system. These businesses, even when they become employee owned (partially), still retain the state-owned management disciplines, which is top down, instead of participative and may still be de facto state-owned. In China, ESOP may not be appropriate across the board. As far as motivation is concerned, the effect of ESOP may be irrelevant to de facto state-owned businesses, where operating performance is more affected by the monopolistic nature of their business, rather than employee input. These businesses could well afford to offer excellent terms of employment, and hence there is no staff retention nor motivation issue at stake.

Obviously, ESOP has some application in China, with government rolling out supportive legislation, and this type of incentive being embraced by some big enter