CRMS: Defining Factors in the Design of a Relationship Management System to Overcome Cultural Norms in Chinese Businesses

ABSTRACT

This research analyzes relationship strongholds that exist in Chinese cultures that can enhance or limit the ability of Chinese companies to collaborate across socio-economic boundaries. An empirical approach is used to gather responses to a survey of Chinese workers to establish criteria to guide the development of a cultural relationship management system (CRMS) that can be used by human resource departments to identify cultural barriers in decision making and possibly minimize the effect of cultural norms on business outcomes. Six factors were identified as significant in this study that can be considered for future development: leader modeling, caring subordinates, external encouragement, reason and norm, behavior consistency, and lack awareness of brand power and resistance to change.

Keywords: traditional Chinese culture, relationship management, Confucianism, human resource development, Adaptive Structuration Theory (AST)

INTRODUCTION

China has a long history and an incredible traditional culture. Although the largest following of the traditional culture in China is based on Confucianism, the traditional culture also includes views based on Taoism, Legalism and another 100 other philosophers' thoughts, making the nation a diverse and colorful society. In the traditional culture, social and family factors strongly influence management processes that impact both intra-company and intercompany relationships. These factors impact employee behavior and business processes in Chinese companies, particularly management processes in human resource (HR) operations.

There are many factors that challenge the effective of Chinese businesses that

operate both globally and within the Chinese culture.   Factors such as the need to understand and reduce costs, maintaining compliance, and ensuring data integrity are common for businesses in China and elsewhere (Beaman and Eastman, 2006). When facing these challenges, some companies view outsourcing as a viable solution to obtain the proper number and type of human capital needed to operate an enterprise. In so doing, human resource (i.e., HR) departments are tasked with identifying qualified personnel, while at the same time managing departmental expenditures and reducing costs and even staff.

However, due to cultural expectations, many HR departments in China, particularly in large corporations and government operations, often forego the search to identify the best candidates and instead hire family members, relatives, or others who are known by an existing employee in the company. This could be considered a typical LinkedIn approach where individuals who are networked within the fabric of society are chosen because network effects reduce search costs (Autor, 2001). Although the practice of using leads or hiring related persons is not uncommon in identifying qualified job candidates (Boles, 2011), opportunities are missed to add diversity in collaboration and innovation in team building and decision making processes.

Adding diversity is especially a problem in more uniform cultures such as the Chinese culture.   Prior research has documented the fact that better solutions and innovative problem solving develops through synergy and diversity (   ). Because the need is great for China to grow through diversity and proper alignment of the

people resource to business needs, bringing in views outside the standard culture in China is needed. However, determining who to hire and what views should be added to strategically move the organization forward is not easy to determine. To address this problem, we attempt to define factors needed to construct a relationship management system to enhance human capital management for Chinese businesses.

Results from data gathered by the CFO Human-Capital survey indicate that most of the nearly 300 respondents ranked human capital strategy as the most important factor for Chinese businesses (44%) and an estimated 16% believe that outsourcing some aspect of the HR function is important. [1]   According to the survey, it is easy to see that companies might think that outsourcing can be beneficial for them, but they ignore some problems outsourcing can bring in, such as a lack of understanding how to manage and complement cultural issues that exist in government entities and in most Chinese businesses. Although outsourcing does occur today, most outsourcing companies may not totally understand the organizational culture that exists in China, which is a big issue. Having a good understanding of cultural factors and crossing or overcoming the cultural difference is a significant accomplishment for Chinese companies. Moreover, it is not easy to overcome cultural differences, as culture comes with complexity and risk; as a result, HR managers must learn diverse methods and skills or assist current methods with technology to help them hire strategically to build effective teams.

Developing systems to support human capital management by HR departments in

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[1] HRFOCUS/ MARCH 2006: 11

building synergistic teams through outsourcing will circumvent cultural issues that hinder the growth and competitiveness of Chinese businesses.   As a result, less time will be spent time in making outsourcing decisions and additional savings will occur through efficient HR management processes.   This research therefore aims to address the cultural issue by defining a relationship management system that will analyze cultural factors in detail, and thus seek to enhance the HR department's management of human capital.

LITERATURE REVIEW

William R. Tracey, in *The Human Resources Glossary,* defines Human Resources as, 'The people that staff and operate an organization, as contrasted with the financial and material resources of an organization. Human Resources is also the organizational function that deals with the people and issues related to people such as compensation, hiring, performance management, and training. A Human Resource is a single person or employee within your organization."[2]

Human resource management (HRM) as a business process is an important function of the company. However, today, many companies choose to outsource the HR requirement.   Although outsourcing has both benefits and limitations, the outcome depends on the resourcefulness of the company (OCF, 2003). Some people may think HR is not important, because HR department always spends companies' money that because HR is a department that offers right people to the department who need the people, and it also does some training, organization and management to

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[2] http://humanresources.about.com/od/glossaryh/f/human_resource.htm

control the staff, in order to make the employees work better and more effective. But it is not easy to see the benefit that HR gain for the company or may see in a few years. When the company becomes bigger, it will costs a lot in HR, because there will be more employees. Although some people do not pay much attention to it now, it will be taken seriously in the future. In china, HR is identified as the first resource in the company. (Man Li, 2006), HR in Chinese company has a high position; managers put much effort on it and want to highlight it in management.

HR will be more relative with different departments in the future, because HR needs to know the needs of the different departments'. HR has a high position in the company. Moreover, the people are the key factors in HR department. It is necessary to put more attention on the employee. They have right to participate company's activities and have a good performance, they can do a big impact on the company. (Ellig, 1997)

From above, it is easy to see the importance of HR. there is another significant factor that will affect HR most is culture. Culture influence is so crucial for every company. Some companies want to build their culture in the company in order to solve the culture problem and enhance the competition. (Bannister, 2007)

2 Culture Influence in Human Resources

1) Behaviors

China has a very long history, and the dominant culture, like Confucianism has had a very important position for a long time, so people remember what the culture said very firmly and it is not easy to ignore it even in today. The Chinese traditional culture

decides Chinese's behavior and affects the economic too (Wei Feng, 2001). It is crucial for the company to learn about that, because it also influences the people's behaviors in business too. Here are some typical examples, which both are the advantages and disadvantages.

①Caring subordinates. "Mean" is the core of Confucianism (Jieying Zeng, 2009); it includes proper, entirety, contingency and harmony. The entirety and harmony are the essence of the mean. Harmony means to pay much attention to building relationships with others, which means the leader should care subordinates. It needs the manager to obey the natural rules and put those regulations into the managing progress. It is a way to strengthen the relationship between the managers and employees, in order to enhance the company's competitiveness and cohesion (Man Li, 2006). It is also a spirit of team work. Furthermore, it also takes all possible factors into consideration. It focuses on the whole company, not the individual. It makes benefits cover the whole firm. In addition, in order to achieve this harmony, the company should care more about reducing frictions (Jing Huang, 2006). It also means the leader is supposed to put every one together, how to achieve this goal, caring subordinates is the answer.

If caring subordinates work well, it will definitely enhance the management in the company. However, in some specific areas, it will have significant influences. For example, in the accounting department, if the leader cares too much about what subordinates are thinking about, then subordinates will have too much pressure and they will want to achieve a big harmony. According to that, the employees who work

in the accounting department do auditing for another company, the first thing in their mind is to not create a serious situation for everyone, and if the results of the audit are bad, they will not want to get their superiors in trouble, because they want to maintain the harmony. As a result, they just report the good part of the results and keep everyone happy, which is a kind of cheating and very bad for the whole society. (Yan Xiao & Xiaofen Mao, 2009)

②Reason and norm, which means letting employees understand companies' policies, moral rules such as "honesty" and "integrity." The Chinese traditional culture teaches people to keep honesty and integrity in their minds at all times, and it becomes a rule that every one must obey, if someone breaks the rule, he or she will be punished by the whole society (Xiaowu Liu, 2002).

Reason and norm are vital for every company, and can lead to success for the company in the future. For example, Peiwu Zhang is the manager of Beiren Printing Machinery Co., Ltd. He is a successful man; his company has an excellent reputation in the printing industry. He pays much attention to the reason and norm, especially "honesty" and "integrity", he never boasts about his company, because he believes if the company has good reason and norm, tries hard to do jobs, then the company will be successful. (Jinping Xue, 2009).

③ Leader modeling is coming from 《Xunzi》, a famous book that emerged in Chinese older times. In this book, Xunzi mentioned that the leader should first achieve the requirement that they require of others. In 《Feng Xian Advices》, a famous person Yanghao Zhang also mentioned that it was critical to achieve leader

modeling. It is essential and is still suitable in nowadays.

If the leaders do not first achieve what they ask employees to do, how can they require that others obey the rules? For example, a manager whose name is Yong Wang manages a poor profits company. He wants to change the situation, so if he develops plans for his employees to follow, he will first obey the rules and never go against them. He never received money that was sent to him, he never brought his relatives into the company, even if they are suitable for the job. Finally, the company began to earn profits and became better. All of the above shows the importance of leader modeling. (Lvfu Huang, 2006)

④Behavior consistency refers to how employees work in a similar way and have common behaviors. The negative examples of behavior consistency are "too afraid to disagree with leaders' opinions" and "do not want to hurt everyone's feeling", because everyone wants to maintain consistency and does not want to be the special one. Chinese always have that problem, especially in the company, when leaders have made a decision; normally the employee will follow and not dare to say no, which is a serious problem that will inhibit the development of the company. Leaders always have a good decision and a broad picture of the company, but everyone will make mistakes (Yanni Qu, 2008).

Moreover, it will bring big losses. For example, in 2003, when Dujiangyan management wanted to decide whether to build the large dam, they invited many kinds of experts who were good at water, relics, construction environment protection, planning, heritage management and other aspects. They let the experts come to learn

about the situation and then organized a meeting to debate. Many experts did not

agree with the program the first time, but after a month they held another meeting,

which also invited many experts except the ones who objected first time. As a result,

it brought huge losses to the country. (Zhihui Wang, 2009)

⑤Eternal encouragement, which means everyone wants to receive others' agreement.

A good example is "face". It is a core factor in the company, especially in Chinese

companies. Face equals esteem and respect. Everyone should give other people face

and avoid causing loss of face. However, it may lead to corruption and bureaucracy,

because no employee wants to put himself or herself on the opposite side of his or her

manager (Jieying Zeng, 2009). In a summary, "face" shows the significance of eternal

encouragement.

It is bad to care too much about external encouragement. For example, in China,

many small companies are just starting their businesses now, but they choose to rent

their offices in a luxury building and spend a large amount of money on it. However,

it just wastes money, because the companies are just at the beginning phase and do not

have enough money to pay. They do this just for the "face", because they want their

customers to think they have "face" and receive their encouragement. It is not worth it.

They should pay more attention on how to develop their companies. (Yu Ji, 2009)

⑥"Lacking awareness of brand power" and "not wanting to change". Most Chinese

companies lack awareness of brand power, because China has not noticed the

importance of business for a very long time especially in ancient times. Furthermore,

most employees do not want to change; they like a fixed model that they have been

using for a long time and no one likes to break the model. In other words, they lack creativity (Yanni Qu, 2008).

In addition, the situation is very serious in area of Zhusanjiao of China, which has many companies that are working for OEM. They have the advanced technology, skilled people and precious experiences, but they do not want to build their own brand, they just want to work for the famous companies and get money quickly. They lack awareness of the importance of building a strong brand, and they are short sighted. Furthermore, they even do not want to change the current situation. It leads to the dependency on foreign companies and it is not good for the companies' development. (Guo chuan Yang, 2009)

3Customer Relationship Management (CRM)

"CRM is a customer-centric philosophy". CRM's primary goal is to offer outstanding customers' experiences according to analyze various raw materials. Moreover, CRM can have a maximize using of the organizational capital after the process. CRM also impacts management style; therefore, managers should consider the need to adapt their management style to coincide with the operation of the CRM (Kale, 2005). According to Kale, CRM is a method to analyze what customers want most and what their habits are; in this way, the company can develop a relative strategy to adapt to the customer's changing situation.

The Human Resource Cycle
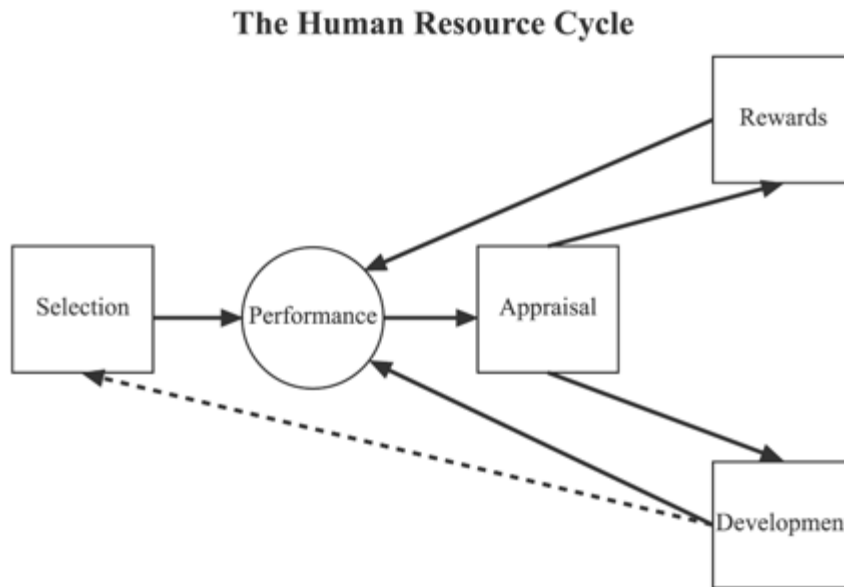
According to the human resource cycle, a company can position a CRM system before the selection phase. CRM can help companies make better personnel selection decisions through the ability to analyze people's behaviors, which is an important requirement of the human resources department.

However, reports indicate that the implementation of a CRM system carries with it a high incident failure probability due to factors such as "lack of top management support, difficulties in data integration, and fuzzy objectives and metrics" (Kale, 2005). It is also easy to find that CRM does not take culture influence into consideration, why a customer can have various behaviors; culture is a big factor as this research mentioned about culture influence above. The culture influence plays a big role, so how to put culture influence into the company system is critical and necessary.

4 Theories of Human Resources

1) Models

There are so many models in deal with problems in HR.

The first one is the Harvard model (Beer, Spector, Lawrence, Quin Mills and Walton, 1984). This model put employees in head; paid much attention to the employees' effective. The map consisted all the aspects of the HR's functions. It also embraced the flexible and available. There was an argument that Harvard model may conflict with business focus of the organisation (Armstrong 1987, Legge, 1995) and also distort cost minimization and profit maximization. In addition it was not just a balance among the work system, human resources flow and rewards. It did not mention the cultures influence either.

The second one is the guest comparative model. It fails to highlight the level of alignment of HRM policies to organizational goal referred to as vertical integration (Schuler and Jackson, 1999). Sometimes these two are in conflict (Legge, 1995).

The third one is the Michigan model, which is very useful for this research.

Strategic Management and Environmental Pressures
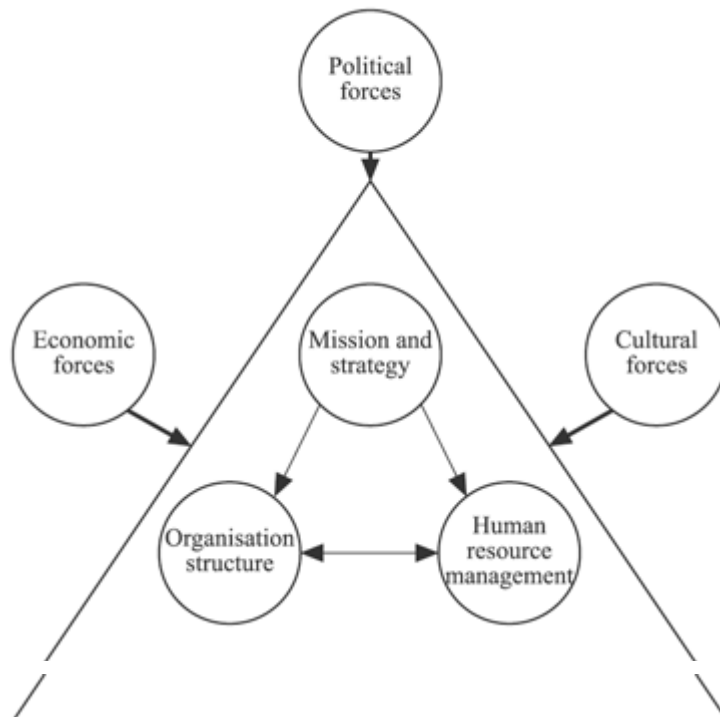
The Michigan model, source; Fombrun, Tichy & Devanna, 1984. HRM cycle; selection, appraisal, rewards & development increase organisational performance

According to this chart, it told us that in the internal the HR management is very important in a company now; it can affect the Organization structure and influence the whole company. In the external, there are three factors, political forces, economic forces and cultural forces, so it began to notice the culture's influence. How the cultural affect the HR and lead to affect the whole company is our goal in this research. However, this model did not tell clearly about how the culture forces influences the HR, what this research will solve.

2) System used in the Human Resources

There are six models in HR, such as human resource planning, recruitment and deployment, the development and implementation in training, performance evaluation and implementation, payment and welfare, employee relationship management.

The very common information system is Enterprise Resource Planning (ERP), it is built on information technology; it has a systematic idea about management; it is also a tools for company and employee to solve problems. ERP put information technology and advanced ideas about management together, it is a perfect link. So many companies choose to use it now.

ERP has three key points: an advanced management model, a world wide information system, and commercial software.

ERP has a wide use in HR. ERP make the resources in HR more effective and timely

and get the most use of these resources. In addition, with the high speed development of information technology, ERP becomes more important for the company, because it can solve many problems that a company can not deal with by managers. For example, ERP helps different departments of the company to have a communication and make managers know more, not only the situation in his or her department. It is big change for the company.

But ERP do not pay much attention to the culture differences in different countries, ERP wants to set a system that can suitable for every company wherever it is; or it just make a little change about ERP component and then call it is a different one, but it is not. The culture is a vital thing for a company, because people are the most important resource in the company, and the culture affects people most.

5 The Challenge of Human Resources Management

Solution using new technology

The information technology develops so fast and plays a more important role than before. It even affects the organization too. This research will first introduce a theory: Adaptive Structuration Theory (AST). (DeSanctis and Poole, 1994) This theory talks about how the Advanced Information Technology (AIT) and organization influence each other. There are several propositions of AST, which is very useful to improve how IT and organization influence each other; it also can help this research.

First one: "New social structures emerge in group interaction as the rules and resources of an AIT are appropriated in a given context and then reproduced in group interaction over time." When new technology is brought into an organization it is sure

to bring new change. People will react to the change, and it also needs to take time to adapt the change. But it did not mention how people will react to the change, in other words, it did not put culture factor in. It is very necessary to notice the differences among the cultures. The people come from the same country will have various opinions, no matter the people come from different counties.

Second one: "The nature of AIT appropriations will vary depending on the group's internal system." It also puts up four factors that influence the appropriations: "Members' style of interaction", "Members' degree of knowledge and experience with the structures embedded in the technology.", "The degree to which members believe that other members know and accept the use of the structures.", "the degree to which members agree on which structures should be appropriated." These factors are more closely to the culture influence. How do the people have such actions, it is a critical question. This research's aim is to solve this question and more deeply to how people will response to the AIT, especially in Chinese firms, because China has a very complicated culture as we mentioned above. AST will be the foundation theory when Chinese firms build RMS.

Research Method

This research proposed in this paper explores the information perceived channels of organizational identification with the context of Chinese traditional culture. The survey covers Shandong, Henan, Beijing, Guangzhou, Gansu, Jiangsu and Taiwan province. The results of a factor analysis will be used to determine the significance of the following five factors: leader modeling, caring subordinates, external encouragement, reason and norm, behavior consistency. The expected resultfrom the regression model is that all the five factors have significant effects on organizational identification. (Wei, Zhang and Yang, 2008).

In this research, there are six factors here, but five of them have been improved, so this research will focus much on the sixth factor: "lack awareness of brand power" and "do not want to change". Pilot will be used here to help to collect data and get a meaningful conclusion.

First, the survey will be faced with all companies' employees including both males and females. Moreover, they will be managers, owners, and workers or maybe visitors and guests. Second, the survey will choose diverse sizes of companies. All of the above wants to make the result more accurate and believable.

In addition, to develop the survey will concerns a lot of factors, this will bring big impacts on the result. For example, questions can not be too long and too complex, the number of questions can not be too much, because employees are busy and they do not have enough time to spend on answering questions. Moreover, it is necessary to consider about how to analyze the questions, which method will be chosen, and the

way results can make reader to believe, and so on.

According to the above concerns, following is a sample of survey; it might be

modified little in accordance with the concrete situation and requirements of

companies.

Analysis and Findings

According to the thirty valid surveys taken in Chinese companies, it is easy to see that the six factors as mentioned in this paper before have big influences on Chinese companies. Managers are noticing some factors but the others are ignored by some reasons.

Conclusion

Chinese companies become bigger and bigger, many of them have business abroad, which makes Chinese companies have a strong position in the world. It is significant to enhance the development, which is the purpose of this research. Moreover, China is different from other countries; it has its unique and amazing culture, which is critical for every Chinese companies. In accordance with the result, it is clear to see that the six factors have big influence for the companies. Especially, in this research author identified the sixth factors, this factor "lack awareness of brand power" and "do not want to change" which is also a very important factor, it comes out as the high speed development of economic. It is essential for managers to notice it and handle it.

In addition, as we all know, CRM is popular be used in many companies, but it focuses on the customer part, do not pay much attention on the culture factor, and it is most used in the Marketing department as well, so it has limitations to deal with the human resource problems. That is the reason of requiring relationship management system (RMS) to address human resource problems; RMS can be used in the human resource department to help human resource managers to deal with the culture issues. When building a RMS in Chinese companies, it is necessary to understand what

factors will bring big impacts, which can be seen clearly in the research. The

designers should take the six factors into consideration and build an adaptive system

to adapt Chinese companies. Moreover, AST will be the foundation theory of

constructing a RMS. It offers theory support that how technology will affect people's

behaviors and what relationship between organization and system is. In a summary,

this research offers the method and details for designing the RMS. RMS will

definitely bring bright future for Chinese companies.

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