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How Cultural Determinants May Affect HRM: The Case of Italian Companies in China

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ABSTRACT

Human resources (HR) face several dilemmas on the international stage. Often, these dilemmas are related to cultural determinants that may deeply affect HR strategies and practices. The main aim of this study is to address the topic of cultural diversity within organisations operating in highly divergent cultures. In particular, the analysis will be focused on the strategies and practices implemented by Italian companies to manage HR in China, by estimating the growing influence of Chinese cultural values on the dynamics and complexity of intercultural human resource management (HRM) and suggesting that different approaches should characterise companies' strategies when dealing with distinct cultural backgrounds. The study, which was undertaken with 149 executives from Italian companies in Mainland China, demonstrates the degree of knowledge of a cultural environment has a direct correlation with HR strategies and practices. The results show that a better knowledge of cultural values of Chinese individuals may represent a strategic tool to Italian companies in China. The findings of the study have potential to help decision makers of Italian companies to develop strategies able to overcome cultural barriers, to formulate effective HRM policies and to increase company competitive advantage.

INTRODUCTION

Observing an image in a mirror is the common example used by several scholars to represent a business relationship between Western and Chinese counterparts (Hofstede & Bond 1988, Trompenaars & Hampden-Turner 1998). Actually, operating in China could be better represented by the reflection in a pond. Like the image reflected by the water, the edges of the intercultural business relationship may appear not clearly defined. What is considered usual or common in the Western experience may involve distinct and non easily comprehensible meanings in China. This is mainly due to the fact that individuals tend to use their own cultural values to interpret actions and behaviours of other members of different cultures. This often leads to serious miscommunication problems. As a consequence, business relationships between Western and Chinese companies may be affected by different degrees of cultural conflicts and misunderstandings.

The main literature has identified a set of critical determinants that are linked to the economic success of Western companies in China (Hofstede & Bond 1988, Ward, Pearson & Entekin 2002, Fang 2006, Chinta & Capar 2007). The most part of them is related to cultural issues, business etiquette, language skills, Chinese politics and history, negotiation strategies, communication and logistics. In particular, knowledge and comprehension of Chinese culture and etiquette represent a fundamental key to unlock the opportunities offered by the Chinese market. The significance of family and group ties, the concepts of *guanxi*, 'face' and harmony, Confucian ethics and philosophy deeply characterise the Chinese socio cultural framework and influence individuals' and group behaviour as well as interpersonal and business relationships. Therefore, companies interested in penetrating the Chinese market should carefully comprise a proper evaluation of the potential outcomes of cultural aspects when planning their strategies. As stated by Adler (2002), one of the most important challenges of the 21st century is to create multinational organisations able to support an economically vibrant and culturally diverse global society.

In an international context, characterised by tendencies of global integration and local differentiation, several scholars have stressed the need to develop HR strategies and practices as fundamental sources of competitive advantage (De Cieri 2003, Schuler & Jackson 2007). In spite of the significant changes of the international markets, many organisations tend to use traditional tools to manage human capital on global scenarios, based on the mere transfer of HRM solutions from the home country to the international markets. This choice often leads the firm to

face several problems that may affect its economic results in the foreign market. Therefore, in order to trace a long term path on distant and different markets it is necessary to develop strategies to manage human capital able to encompass a particular attention to cultural issues (Dowling, Schuler & Welch 1994).

Cultural determinants still have a deep influence on the Chinese society, and by means of shaping individuals' behaviour and their ways of thinking and acting, they also affect business and organisational relationships (Su Nie 2008). Therefore, the knowledge of these aspects and their correct management within an organisation is a lever that may lead the company towards successful paths in China. Nonetheless, Western firms tend to give negligible importance to the problems that may arise in a cultural different universe. This short sighted position does not consider that these difficulties may generate barriers able to negatively influence the economic and financial management of the firm.

This study aims at suggesting a study model, in order to analyse the relations between the degree of knowledge of the main Chinese cultural values and HRM in China, by providing empirical evidence of the central role that should characterise cultural sensitivity in leading HR strategies and practices. In particular, the analysis will be focused on Italian companies in China. The choice of Italian firms lies in their peculiar socio cultural framework. As suggested by Hofstede (1991), the results calculated for Italy, in terms of power distance, individualism, masculinity and uncertainty avoidance are remarkably different from those computed for China. Indeed, there is widespread understanding the cultural background of a country affects the organisational structure of a company, with particular reference to the strategies, policies and practices followed to manage the human capital. Therefore, more powerful company strategies are likely to integrate cultural sensitivity and adaptation when dealing with different cultural environments. Merely transferring HRM policies to cultural diverse markets often means generating unsolvable problems for the firm. With reference to these issues, the study addresses how Italian firms manage culturally diverse HR in order to reconcile the cultural dilemma and develop successful paths in the Chinese market.

LITERATURE REVIEW AND HYPOTHESES

Cultural differences influence the organisational performance of a firm by a complex interaction between individuals and environment. The environment can be considered as the sum of organisational and group forces (Cox 1993). Group assumptions can affect motivation and satisfaction degrees as well as behaviour and results of individuals. Besides, the individual level can influence the organisational dimension, in terms of quality, productivity, absenteeism, turnover, profitability and market shares. Together with these indirect effects, it is possible to stress a direct impact of cultural divergence on organisational performance. More precisely, the degree of diversity, within formal and informal structures of an organisation, affects creativity levels, problem solving capabilities and intra organisational communication (Gilbert, Stead & Ivancevich 1999).

Several authors have suggested the growing impact of cultural issues on HRM. In particular, Laurent (1986) stated that HRM reflects culturally determined patterns. Newman and Nollen (1996) pointed out that work teams can achieve better results if their management practices are compatible with national cultures. In order to develop human capital results and improve firm performance, companies should adapt their HRM practices to the culture of the host country. Cultural issues deeply affect HRM, especially in international markets (De Cieri 2003, Erez 2006). The determinants of international human resource management (IHRM) are influenced by the tension between global integration and market peculiarities (Hannon, Huang & Jaw 1995). As a result, a standardised approach to HRM can create significant problems for companies, mainly due to the lack attention towards cultural diversity (Adler 1983).

Chinese Cultural Values

Although several scholars have analysed the influence of cultural diversity on managerial issues in China (Hofstede & Bond 1984, Boisot & Child 1999, Martin & Larsen 1999, Jaw, et al. 2007), and most of them have mainly examined the role played by guanxi (Alston 1989, Fan 2002, Luo 2007, Gu, Hung & Tse 2008), only few have focused on other fundamental Chinese cultural determinants: *jiating*, *renqing*, *ganqing*, *lian* and *mianzi*, *li jie* and *ke qi* as well as *feng su xi guan* (Garrott 1995, Leung & Chan 2003, Fang 2006, Qian, Razzaque & Keng 2007).

Guanxi is based on interpersonal ties and can be described as a personal connection, in which an individual is able to persuade another to accomplish a favour or service, or be persuaded. It can also be interpreted as a network of contacts, to which a person can appeal when something is needed and through which he or she can exercise influence on behalf of another. Guanxi obligations can sometimes be described in terms of an extended family and the relationships created through the guanxi medium are personal and not transferable (Boisot & Child 1999, Fan 2002, Gu, et al. 2008). However, guanxi cannot be considered as the only value of the entire Chinese culture. Other fundamental elements should be deeply analysed.

In particular, *jiating* reflects Chinese familiar relations. Boisot and Child (1999) suggested that the family

represents the foundation of the Chinese society. Faure and Fang (2008) considered that family and group links deeply influence individual behaviour in China. Rénqǐng represents the moral obligation to maintain the relationship and deals with the exchange of favours, in respect of social norms and behavioural codes. Wang (2007) defined rénqǐng in terms of empathy between two people. Ganqǐng reflects the depth of feeling within an interpersonal relationship. Adler, Campbell and Laurent (1989), and Haley and Haley (2006a) pointed out its importance within working groups: ganqǐng plays a central role in maintaining and developing the relations based on guanxi, changing impersonal business relationships into more personal links. Lian and miànzi are concepts related to the idea of 'face'. Lian can be described as the confidence of a society in the moral character of a person, while miànzi represents the social perceptions of the prestige of a person. 'Face' is important within Chinese social relations because it affects goodwill and is related to power and influence. The loss of lian would result in a loss of trust within a social network, while the loss of miànzi would result in a loss of authority (Ho 1976, Fang 2006, Faure & Fang 2008). Li jí and kè qì refer to customs and etiquette. Leung and Chan (2003), and Faure and Fang (2008) identified the strict relationship between these values and the concept of harmony: group harmony should always be protected; personal emotions are hidden under a surface of harmony. Feng sù xí guàn reflects tradition and past orientation of the Chinese society. Garrott (1995), and Qian, et al. (2007) considered that tradition and past orientation may impact on the behaviour of Chinese individuals. Even though it is particularly difficult to reduce the complexity of a cultural universe to a finite number of determinants, it is believed that these seven Chinese cultural dimensions are able to provide an adequate representation of the main Chinese cultural values, beliefs and principles.

Knowledge of Chinese Culture and HR Training and Development

Several scholars have stressed the relationship between a better comprehension of local cultural traits and HR training and development schemes. In particular, it is believed that Italian companies should improve their cultural training and motivational programmes as well as the international experience of expatriate managers, in order to increase workforce performance levels in China. Black and Mendenhall (1990) suggested that cultural training strategies and policies promote higher levels of interaction within multicultural working groups. Cushner and Brislin (1997) showed that cultural training leads working teams towards better results. Along with training policies, Reuber and Fischer (1997) considered the international experience gained by expatriate managers as a crucial factor to foster integration within group functioning. And Adler, et al. (1989) stressed that international experience allows expatriate managers to better understand the emotional and cultural aspects of local staff, fostering a better relationship with them and the hierarchy as well as a better job commitment. In addition, Schwartz and Bilsky (2008) suggested that motivation policies of local staff can promote better results within working groups.

The relationship between the knowledge of the main Chinese cultural values (CC) and HR training and development policies and practices in China (TD) has not been empirically tested. However, following the studies by Triandis, Brislin and Hui (1988), Black and Mendenhall (1990), and Cushner and Brislin (1997), it is believed that a better comprehension of local culture, as well as cultural training strategies and programmes, should be considered as crucial factors in order to support the interaction between individuals from different cultures as well as the relationship with the sociocultural environment of the host country and to improve the potential results for multicultural working groups. As a result, a positive relationship is likely to exist between CC and TD.

H1: CC has a positive influence on TD

Knowledge of Chinese Culture and HR Appraisal and Control

Recent evidence has pointed out that cultural differences may influence work team management and functioning (Gibson & Zellmer-Bruhn 2001). A number of links can be observed with regard to potential conflicts (Cox, Lobel & McLeod 1991, Oetzel 1998), leadership issues (Ayman & Chemers 1983, Pillai & Meindl 1998), goal definition (Earley & Erez 1987), group performance (Gibson 1999, Miah & Bird 2007), and team organisation (Kirkman & Shapiro 2001). A better knowledge of local culture can be considered as a fundamental factor in order to develop proper HR appraisal and control techniques in the host country. This conclusion is believed to be correct also in the Chinese market, where the concepts of 'face' and harmony have a deep impact on individual and group behaviour. It is reasonable to assume that Italian companies should comprise high levels of cultural awareness when planning HR appraisal and control practices in China.

Wilkins and Ouchi (1983), and Adler, et al. (1989) analysed the role of HR control practices within multinational companies. In particular, Gilbert, et al. (1999) suggested that a human capital division in the host country is an important determinant to manage cultural diversity and can lead local HR towards expected results. This could be achieved if multinational companies are able to incorporate a particular attention towards cultural issues when dealing with the dynamics of IHRM.

Schwartz and Bilsky (2008) stressed the central role played by HR managers when leading multicultural teams. In

fact, as stated by Adler, Brahm and Graham (1992), cultural distance between HR manager and local staff can generate significant problems of integration and high power distance, in particular with reference to the Chinese market. As a result, employees' motivation and appraisal as well as organisational and control systems should encompass cultural sensitivity. Consequently, a better comprehension of Chinese cultural values (CC) is believed to have a positive relationship with HR appraisal and control techniques of Italian companies in China (OA). This conclusion is supported by the work of Maznevski, et al. (2002). They showed that a HR manager, who shares cultural values with local workforce, can lead to a better relationship between employees and the hierarchical organisation. These considerations jointly support a potential positive relationship between CC and OA.

H2: CC has a positive influence on OA

Knowledge of Chinese Culture and HR Attitude and Qualifications

Recent studies have emphasised the influence of culture on HRM, both from the motivational as well as the behavioural point of view (Jackson & Bak 1998, Wang & Cowham 2008, Wright, Berrell & Gloet 2008). Several scholars have also stressed how Chinese cultural factors can affect organisational culture (Boisot & Child 1999, Jaw, et al. 2007), group and leadership issues (Satow & Wang 1994, Littrel 2002), job satisfaction and commitment (Wang 2007). In particular, these studies have showed that a better comprehension of the host culture may lead Western companies to develop more suitable HRM strategies and practises, and be able to improve HR attitude and skills. Consequently, it is possible to assume that a stronger understanding of local cultural traits should support Italian companies in enhancing Chinese HR work behaviour.

Nes, Solberg and Silkoset (2007) suggested that cultural distance may affect the degree of job commitment and responsibility of HR, by identifying four items. These items have been listed as (a) importance, (b) attachment, (c) maximum effort to maintain the relationship, and (d) maintain forever the relationship. Wang (2007) studied the attitude and qualifications of employees on the basis of two items: (a) job satisfaction, (b) and organisational commitment. Haley and Haley (2006b) pointed out that the attitude of human capital is influenced by job commitment and communication skills, while Adler, et al. (1989) suggested that hierarchy, attitudes toward authority and rules compliance deeply influence employees' work behaviour and qualifications in China. Alas (2008) focused on job commitment, punctuality and rules compliance. In addition, Selvarajah and Meyer (2008) analysed the employees' behaviour, with reference to communication and language skills, and Dyer and Reeves (1995) analysed the results achieved by employees and the influence of cultural issues on them, by considering workforce attitudes and behaviours, absenteeism and turnover rates. If a better knowledge of the local cultural system enhances HR attitude and qualifications, then it is possible to assume that a better harmony between cultural values and HR behaviour should lead to increased HR performance levels. Furthermore, Chinta and Capar (2007) described the behaviour of Chinese staff and its relationship with authority and power distance perception by suggesting that the comprehension of cultural differences is essential, since culture influences the way HR behave. As a consequence, these facts support a positive relationship between CC and HR attitude and qualifications in China (HO).

H3: CC has a positive influence on HO

HRM and HR Attitude and Qualifications

Several scholars have analysed the relationship between HRM strategies and practises and HR attitude and qualifications. Becker and Huselid (1998) suggested that HRM systems directly influence employees' attitude and qualifications and working groups structures. These factors affect employees' behaviour and performance. Neelankavil, Mathur and Zhang (2000) also suggested that a proper appraisal of local HR is a fundamental solution in order to ensure higher levels of job commitment. Additionally, Huselid (1995), and Schuler and Jackson (2007) considered that training, motivation, appraisal and control represent fundamental tools in HRM practices. Moreover, Dickie (2009) stressed that organisational systems of training and development, social support, job involvement and job rotation are designed to influence job satisfaction and organisational commitment.

With reference to the Chinese market, many scholars have emphasised the impact of HRM on HR attitude and qualifications (Zhu & Warner 2004, Wang 2007, Selvarajah & Meyer 2008, Wright, et al. 2008). In particular, these studies have stressed some issues related to HRM in China that deeply affect HR performance levels: training and motivation, degree of employees' commitment, turnover and job hopping rates as well as multicultural working groups management. It is reasonable to assume that HRM policies and practices of Italian companies in the Chinese marketplace should impact on the degree of attitude and qualifications of local HR. In particular, it is believed that HR training and development policies (TD) as well as HR appraisal and control practices in China could affect employees' behaviour, attitude and qualifications. This will imply that TD and OA may be positively related to HO.

H4: TD has a positive influence on HO

H5: OA has a positive influence on HO

The predicted hypotheses are presented in Figure 1.

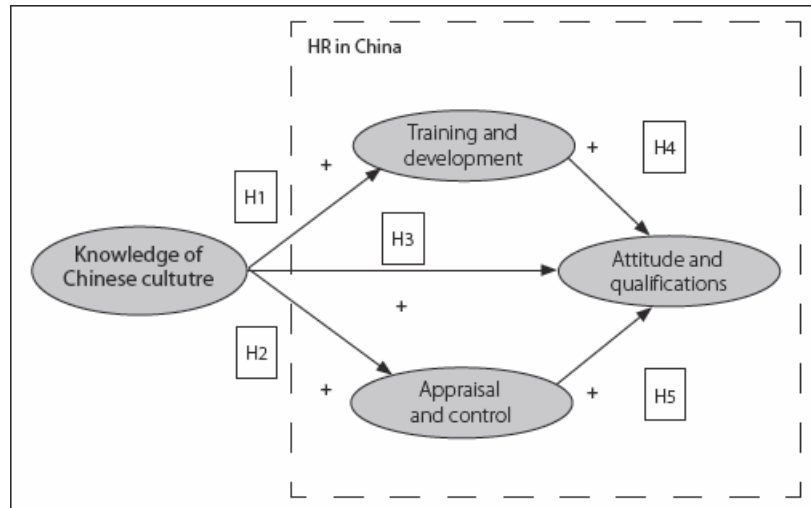


Figure 1 Study model

METHODOLOGY

Sample and Site

Data were collected from a population of 1,464 Italian companies operating in China, analysed by Prodi and Ronzoni in 2007. After deleting firms with only representative offices (368), a total of 1,096 companies were identified. A total of 67 per cent of them was located in three main economic areas: the Beijing Hub (BJH), the Yangtze River Delta (YRD) and the Pearl River Delta (PRD). The BJH consists of the municipalities of Beijing and Tianjin, YRD comprises the municipality of Shanghai and part of the provinces of Jiangsu and Zhèjiang, and PRD consists of Hong Kong and the province of Guangdong. The study focused on Italian companies located in these three main areas (734). The reason for this choice lies in the fact that these areas represent the main economic hubs of China, where most Western companies have their headquarters. Data were obtained from 149 respondents, who represented a convenience sample of Italian business executives of the top five senior managerial levels of Italian business organisations in Mainland China. A profile of the sample is provided in Table 1.

Table 1 Profile of the sample % (N = 149)

Managerial Level	Organisational size (number)	Industrial fields	Organisational location
Senior	20.1	Manufacturing 85.2	< 50 53.9 Beijing Hub (BJH) 24.8
Middle	75.2	Service 14.8	50 to 250 31.1 Yangtze River Delta (YRD) 50.4
Supervisor	4.7		> 250 15.0 Pearl River Delta (PRD) 24.8

Procedure

The study was undertaken during the period April to June 2008 and involved the submission of questionnaires by email and fax to the business executives of the identified Italian companies in Mainland China. An explanatory letter highlighting the aim of the survey and the time frame for data collection accompanied all the questionnaires. 'Follow up' emails and calls were made to the respondents in order to confirm the receipt of the questionnaires, to obtain suggestions about the study and to remind them of the time frame involved. A total of 734 questionnaires were distributed and 173 replies were initially collected. However, due to incomplete information, 24 questionnaires were rejected. Therefore, 149 replies were finally surveyed, with a net response rate of 20.3 per cent.

Measures

The questionnaire showed 21 items adapted from the main literature that collectively provided responses for the four study variables. These variables were: (a) knowledge of Chinese culture, (b) HR training and development in China, (c) HR appraisal and control in China, and (d) HR attitude and qualifications in China.

Knowledge of Chinese Culture (CC)

The knowledge of Chinese culture construct measures the degree of knowledge that every Italian company has with reference to the suggested cultural elements: *guanxi*, *jiating*, *renqing*, *ganqing*, *lian* and *mianzi*, *li jie* and *ke qi* as well as *feng su xi guan*. The seven items in the scale refer to perceptual phenomena and are rated on a four point interval scale from a very low level of knowledge of the item (scored as one) to a high level of knowledge of the item (scored as four). The Cronbachalpha of the construct was 0.94.

HR Training and Development in China (TD)

The HR training and development in China construct measures the extent to which Italian companies develop cultural training and HR motivation schemes as important levers to mitigate negative cultural effects within multicultural working groups. The construct was scored with a four item scale adapted from the studies by Schwartz and Bilsky (2008), Cushner and Brislin (1997), and Reuber and Fischer (1997): Chinese workforce training, Chinese workforce motivation, Italian expatriates training and international experience of Italian expatriates. The four items in the scale are measured as dummy variables (1 = yes, 0 = no). The Cronbach alpha of the construct was 0.80.

HR Appraisal and Control in China (OA)

The HR appraisal and control in China construct studies the role of Italian companies' appraisal and control practices in leading local HR towards expected results. It was evaluated with a three item measure adapted from the work of Gilbert, et al. (1999), Maznevski, et al. (2002), and Neelankavil, et al. (2000): existence of a HR division in China, HR manager country of origin and appraisal of local workforce to firm performance. Items one and three are measured as dummy variables (1 = yes, 0 = no), item two is measured by defining different scales for different countries of origin. The Cronbach alpha of the construct was 0.81.

HR Attitude and Qualifications in China (HO)

HR attitude and qualifications in China was assessed with a seven item scale adapted from the studies by Haley and Haley (2006b), Alas (2008), Selvarajah and Meyer (2008), and Dyer and Reeves (1995): job commitment, attitude toward authority, punctuality, absenteeism, rules compliance, language skills and degree of satisfaction of workforce qualifications in China. The construct measures attitude levels and qualifications of HR in China as seen by Italian companies' executives. Items one to six are rated on a four point interval scale from a negative value (scored as one) to a significant positive value (scored as four).

Factor analysis, incorporating the varimax rotation, was implemented to reduce the set of items. Two dimensions were identified: work behaviour and language skills. The reliability of each dimension was tested with the Cronbach alpha coefficient. Table 2 provides the results of factor and reliability analyses. Item 7 is measured as a dummy variable. The Cronbach alpha of the complete construct was 0.85.

Table 2 Eigenvalues, factor and reliability analyses of the variable HR attitude and behaviour in China

Items	Work behaviour	Language skills
Eigenvalues	3.503	1.170
Percentage of variance explained	58.391	22.497
Cumulative percentage of variance explained	58.391	80.888
Cronbach α	0.883	—
Job commitment (1)	0.707	-0.281

Items	Work behaviour	Language skills
Attitude toward authority (2)	0.855	-0.002
Punctuality (3)	0.890	-0.110
Absenteeism (4)	0.746	0.413
Rules compliance (5)	0.958	0.120
Language skills (6)	-0.042	0.947

Note: Principal components analysis; varimax rotation, Kaiser normalization; KMO = 0.742; Sig. 0.000.

Analysis

Multiple statistical analysis techniques were used in this study. These procedures include exploratory factor analysis and a two level Structural Equation Modelling (SEM).

Prior to testing and estimating causal relationships between observed and latent variables, an exploratory factor analysis was undertaken to determine whether or not earlier research findings on the identified constructs could be confirmed. The factor analysis, incorporating the varimax option, assessed the validity of the measurement. Internal consistency reliability was tested and the Cronbach alpha results of 0.94, 0.80, 0.81; and 0.85 were obtained for the constructs of CC, TD, OA and HO constructs; respectively. The analysis supported the dimensional concepts used and provided fullest evidence of construct validity. Table 3 shows the results of the exploratory factor analysis.

Table 3 Exploratory factor analysis

Items	M	SD	Variables			
			CC	TD	OA	HO
Eigenvalues			5.415	2.320	1.621	1.326
Percentage of variance explained			31.852	23.645	14.537	12.802
Cumulative percentage of variance			31.852	55.498	70.035	82.837
Cronbach α			0.937	0.799	0.813	0.848
Guanxi (1)	1.840	0.596	0.643	0.252	0.071	-0.075
Jiating (2)	1.733	0.383	0.854	0.003	-0.050	-0.044
Renqing (3)	1.739	0.413	0.927	0.056	0.066	0.051
Ganqing (4)	1.726	0.369	0.911	-0.006	0.059	0.055
Lian e mianzi (5)	1.733	0.383	0.952	-0.017	0.021	0.030
Li jie e ke qi (6)	1.726	0.437	0.898	-0.060	0.002	0.006
Feng su xi guan (7)	1.733	0.417	0.924	-0.009	0.063	0.034

Items	M	SD	Variables			
			CC	TD	OA	HO
Chinese HR training (1)	1.570	0.497	0.065	0.557	-0.251	0.019
Chinese HR motivation (2)	1.741	0.348	0.026	0.904	0.033	-0.179
Italian expatriates training (3)	1.529	0.376	0.005	0.807	0.101	0.058
Italian expatriates int. Exp. (4)	1.573	0.367	-0.025	0.791	0.171	-0.038
HR division in China (1)	1.550	0.406	0.148	0.027	0.805	0.104
HR manager country of origin (2)	1.977	0.625	0.000	-0.027	0.838	-0.084
Appraisal of local workforce (3)	1.712	0.457	0.012	0.419	0.551	-0.273
Work behaviour (1)	2.633	0.593	0.083	-0.028	-0.071	0.662
Language skills (2)	2.188	0.938	-0.026	0.026	0.217	0.856
Satisfaction of workforce qual. (3)	1.764	0.389	0.030	0.044	-0.019	0.842

Note: M: Mean; SD: Standard deviation; Principal components analysis; varimax rotation, Kaiser normalization; KMO = 0.754; Sig. 0.000.

The five hypotheses were tested with SEM techniques based on a latent structure model with explicit causal relations. The estimated SEM, developed with LISREL (Linear Structural Relationships) 8.51 (Jöreskog & Sörbom 2001), follows a logic based on two steps. The first one is related to the process of estimating parameters, based on an interactive procedure aimed at minimising the gap between data produced by the model and observed data. The second step is based on a comparison of the theoretical model with the data observed. If the gap between the matrix of the observed covariance and the expected matrix, generated by the programme, is higher than the gap attributable to the stochastic error, the model is rejected. The analysis will then determine if the model is able to represent the examined phenomenon, through four different sets of fit indices. These indices are represented by the χ^2 test, the Overall model fit indices, the Incremental fit indices and the Residuals indices.

Prior to testing the complete model, several scholars have suggested that it should be useful to test each latent variable in order to provide the fullest evidence of measurement efficacy (Segars & Grover 1998, Apigian, et al. 2005). The TD latent variable has been conceptualised as a second order model, explained by four observed variables. The fit statistics for the model are the Root mean square error of approximation (RMSEA) = 0; Confidence Interval for RMSEA (0; 0.098), Normed fit index (NFI) = 0.99, Non normed fit index (NNFI) = 1.08, Goodness of fit index (GFI) = 1 and Adjusted goodness of fit index (AGFI) = 0.99, confirming a very good model data fit. The OA latent variable has been conceptualised as a second order model, explained by three observed variables. The fit statistics for the model show a perfect fit. HO latent variable has been conceptualised as a second order model, explained by three observed variables. The fit statistics for the model show a perfect fit. The CC latent variable has been conceptualised as a second order model, explained by seven observed variables. The fit statistics for the model are RMSEA = 0.24; Confidence Interval for RMSEA (0.20; 0.27), NFI = 0.86, NNFI = 0.80, GFI = 0.80, AGFI = 0.60, confirming a sufficient model data fit. Fit indices for each latent variable are presented in Table 4.

Table 4 Fit indices for latent variables

LV	Observed variables	Fit indices
TD	Chinese workforce training (1) Chinese workforce motivation (2) Italian expatriates training (3) International experience of Italian expatriates (4)	RMSEA = 0.90 % CI RMSEA = (0 ; 0.098) NFI = 0.99 NNFI = 1.08 GFI = 1 AGFI = 0.99
OA	HR division in China (1) HR manager country of origin (2) Appraisal of local workforce to firm performance (3)	Degrees of Freedom = 0 Minimum Fit Function Chi-Square = 0.0 (P = 1.00) Normal Theory Weighted Least Squares Chi-Square = 0.00 (P = 1.00) The Model is Saturated, the

Fit is Perfect !

<p>HO Work behaviour (1) Language skills (2) Satisfaction of workforce qualifications in China (3)</p>	<p>Degrees of Freedom = 0 Minimum Fit Function Chi-Square = 0.0 (P = 1.00) Normal Theory Weighted Least Squares Chi-Square = 0.00 (P = 1.00) The Model is Saturated, the Fit is Perfect !</p>
<p>CC Guanxi (1) Jiating (2) Renqing (3) Ganqing (4) Lian e mianzi (5) Li jie e ke qi (6) Feng su xi guan (7)</p>	<p>RMSEA = 0.24 90 % CI RMSEA = (0.20 ; 0.27) NFI = 0.86 NNFI = 0.80 GFI = 0.80 AGFI = 0.60</p>

RESULTS

The integrated exam of the fit indices confirms whether the model is able to fit the data or not. χ^2 scores 249 with 114 degrees of freedom, p value 0. Overall model fit indices show reasonable fit results. GFI scores 0.83, while AGFI 0.78. CN (Critical N) scores 75.39. Incremental fit indices show even better values, able to support the conceptual model. NFI scores 0.81, NNFI 0.84, while CFI (Comparative fit index) scores 0.87. Residuals indices confirm that the assumed model is able to explain most of the observed data. The RMR (Root mean square residual) index scores 0.016, standardised RMR 0.065, while the RMSEA index 0.089, with 90 per cent confidence interval between 0.074 and 0.1. Figure 2 and Figure 3 provide the main fit indices of the model and the path diagram with their regressors and stochastic errors estimation.

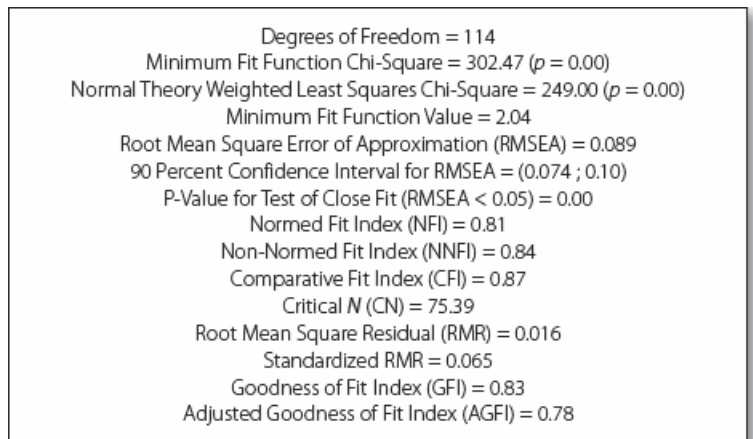
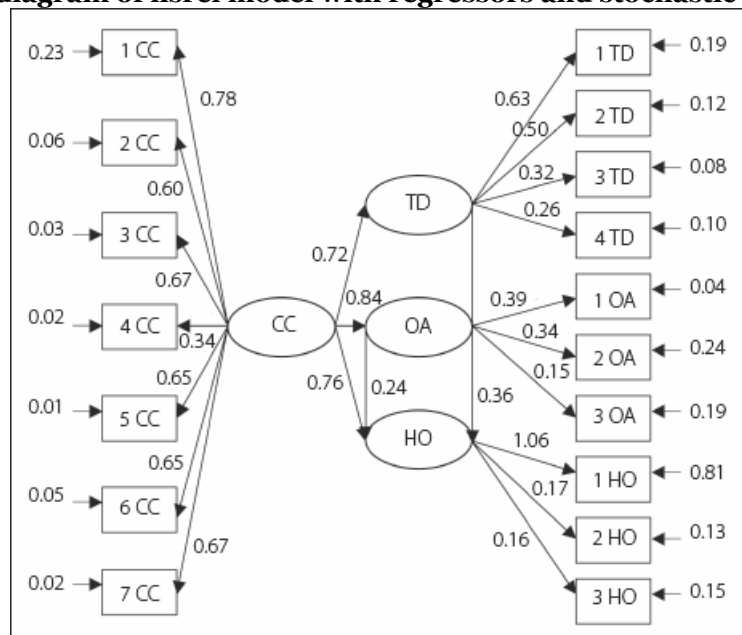


Figure 2 Main fit indices of Lisrel model

Figure 3 Path diagram of lisrel model with regressors and stochastic errors estimation



Hypothesis 1 predicted a positive causal relationship between CC and TD. Statistical tests support this hypothesis ($t = 1.65, p < 0.05$). These data confirm Hypothesis 1. Hypothesis 2 predicted a positive causal effect of CC on OA. Statistical tests support this hypothesis ($t = 1.79, p < 0.05$). Hence, hypothesis 2 is confirmed. Hypothesis 3 predicted a positive causal relationship between CC and HO. Statistical tests support this hypothesis ($t = 1.76, p < 0.05$). Data confirm Hypothesis 3. Hypothesis 4 predicted a positive causal effect of TD on HO. Statistical tests support this hypothesis ($t = 2.79, p < 0.01$). Thus, hypothesis 4 is confirmed. Hypothesis 5 predicted a positive causal relationship between OA and HO. Statistical tests support this hypothesis ($t = 1.69, p < 0.05$) to confirm Hypothesis H5. A summary of these results is presented as Table 5.

Table 5 Estimation, t-values, p-values and confirmation of predicted hypotheses

Hypotheses	Rel.	Estimation	T-value	Confirmation
H1: Knowledge of Chinese culture has a positive causal effect on HR training and development in China	CC → TD	0.72*	1.65	Confirmed
H2: Knowledge of Chinese culture has a positive causal effect on HR appraisal and control in China	CC → OA	0.84*	1.79	Confirmed
H3: Knowledge of Chinese culture has a positive causal effect on HR attitude and qualifications in China	CC → HO	0.76*	1.76	Confirmed
H4: HR training and development in China have a positive causal effect on HR attitude and qualifications in China	TD → HO	0.36**	2.79	Confirmed
H5: HR appraisal and control in China have a positive causal effect on HR attitude and qualifications in China	OA → HO	0.24*	1.69	Confirmed

Notes: a. Rel. = Causal relationship. b. *: p-value < 0.05; **: p-value < 0.01.

DISCUSSION

The study attempted to analyse the role played by Chinese cultural values in influencing Italian companies' HRM in China. Within the paper it is suggested the degree of knowledge of a cultural environment has a direct correlation with HR strategies and practices. In particular, by considering firms that belong to a highly divergent culture, the study tested that a better knowledge of cultural values, key principles and beliefs of Chinese individuals allows a better comprehension of their behaviours and attitudes for guiding a company to achieve better results in terms of HRM. Several scholars suggested that socio cultural features of foreign markets should not be underestimated (Adler 1983, Black & Mendenhall 1990). In order to face these challenges, Italian firms are likely to benefit by implementing cultural training and adaptation within their organisations. This suggestion is a fundamental prerequisite to lead the firm towards adequate levels of awareness and sensitivity dimensions that are able to improve organisational capabilities of understanding culturally divergent markets and individuals. Cultural sensitivity represents a fundamental factor of competitive advantage in the Chinese market and a lack of attention towards cultural diversity is one of the main causes of increasing costs and problems for foreign companies in China.

Previous analyses on Chinese cultural values have mainly focused on the role of *guanxi* in affecting the development paths of Western companies in China. The current study suggested that *guanxi* is just one of the key factors that should be carefully considered by those companies that are planning to operate in the Chinese market with a long term perspective. The cultivation of *guanxi* is fundamental to overcome obstacles and difficulties on the Chinese market, but nonetheless, its importance should not underestimate the significance of other cultural determinants. The correct management of *jiating*, *renqing*, *ganqing*, *lian* and *mianzi*, *li jie* and *ke qi* as well as *feng su xi guan* can avoid the risk of creating misunderstandings within working groups and inability to meet long term individual needs of local employees. Thus, it is reasonable to assume that Italian companies interested in doing business in the Chinese marketplace should gain a comprehensive understanding, not only of the phenomenon of *guanxi*, but also of other main cultural determinants, in order to effectively manage local HR and their business activities in the competitive Chinese market.

To face cultural problems, it is necessary for Italian companies to comprise cultural awareness and training as well as organisational appraisal and control within its HRM strategies and practices. The study investigated the impact of a better understanding of Chinese cultural factors on HRM practises of Italian companies in China. The confirmation of Hypotheses 1, 2, and 3 supports the theoretical assumptions. In particular, Laurent (1986), De Cieri (2003), and Erez (2006) pointed out that cultural issues surely affect HRM. Adler (1983) also suggested that a global standardisation of HRM policies and practices may generate several problems for the company, due to the

lack of attention towards cultural diversity. Therefore, international training programmes should carefully consider cultural issues. Hypothesis 1 suggests that a better comprehension of Chinese culture allows Italian companies to implement training and development techniques able to enhance HR performance. As stated by Triandis, et al. (1988), and Cushner and Brislin (1997), cultural training is a crucial factor in order to improve relationships within multicultural teams and to develop their results. Nonetheless, Italian companies' strategies in the Chinese marketplace are often characterised by a lack of attention towards cross cultural management themes. Due to their scarce knowledge of local cultural backgrounds and to their small scale, that often does not allow them to afford cultural training costs, Italian companies do not adequately evaluate and implement cross cultural policies and practices. In a medium term perspective, this cultural blindness is believed to progressively increase companies' costs and, by this way, to raise higher entry barriers.

Similar attention should be paid to HR control, appraisal and motivation policies. Hypothesis 2 confirms statements by Neelankavil, et al. (2000). In particular, it should be noted that a better knowledge of the main factors of Chinese culture allows Italian companies to develop strategies and practices more oriented towards the local cultural environment, in terms of appraisal and control of the local human capital. It is reasonable to assume that Italian companies should encompass cultural sensitivity when planning appraisal and control techniques in China, in order to increase motivational forces of local HR and reach more satisfactory HR performance levels. A better understanding of local cultural traits is a fundamental prerequisite to strengthen interpersonal relationships within the organisation, and by this way, to improve job commitment and work behaviour of Chinese HR.

Hypothesis 3 confirms that a better knowledge of the local culture allows Italian companies to improve local employees' motivation and performance. In particular, the study supported suggestions by Jackson and Bak (1998), Wright, et al. (2008), and Wang-Cowham (2008) with reference to HR motivations and work behaviour. With regard to the Chinese HR, many scholars pointed out that attitude and qualifications represent two of the main managerial problems in China. Turnover and job hopping, for example, are related to the managerial performance of foreign firms in China. However, Italian companies can address these phenomena with a deeper comprehension of the key cultural elements of the country. An enhanced knowledge of Chinese culture should enable Italian companies to better understand local HR behaviour and skills and to develop more effective HRM policies and practices. Nonetheless, Italian business executives often do not recognise the importance of cultural differences in influencing HR motivation and performance levels and even if they recognise it, field experience is considered the only way to face cultural challenges. The main implications of this poor cultural policy formulation, implementation and evaluation seem foreseeable in the increasing costs and time required to penetrate the market.

The study model also shows that HR training and development as well as appraisal and control are positively related to attitude and qualifications levels of HR in China. Thus, the confirmation of Hypotheses 4 and 5 supports the mediating role played by HR training and development and HR appraisal and control in China. In particular, the structural model, on the one hand, suggests that the knowledge of Chinese cultural values directly affects human capital attitude and qualifications in China. On the other hand, the study findings confirm the existence of an indirect link, mediated by TD and OA. Italian companies are likely to benefit by developing more effective HRM strategies and practices to gain increasing HR performance levels in China. A deeper attention towards cultural traits within their strategic has potential to achieve this condition. Therefore, these assumptions strengthen the crucial role of a better comprehension of Chinese cultural determinants in influencing Italian companies' HRM in China and in improving attitude and qualifications of Chinese employees.

The study has some boundary conditions that should be considered when interpreting the results. The analysis is focused on three specific areas (BJH, YRD and PRD) chosen as the main localisation areas of Italian companies in China. Nonetheless, it should be noted that many sociocultural frameworks characterise People's Republic of China. Xinjiang and Tibet, for example, are very different from the coastal regions, in terms of history, cultural influences, customs and traditions. Similar divergences characterise Guangdong and other coastal provinces as well as urban and rural areas making it problematic to identify a set of cultural values for outlining the entire Chinese cultural universe. Furthermore, some of the proposed principles and values are strictly interrelated and it could be difficult to completely understand their meanings. In particular, *jiating*, *renqing* and *ganqing* are related to the concept of *guanxi*. However, in order to provide the fullest evidence of its impact on the Chinese society, the study separately considered the role of each single factor. To gain a better comprehension of the main reasons that shape Chinese HR behaviour, the range of analysis should be expanded by including specific sub cultural measures. Further inquiries should also be implemented to study the extent to which the introduction of cultural values of specific Western countries may permeate the existing Chinese cultural background. This would expand the body of knowledge about the Chinese work environment and the influence of cultural determinants.

CONCLUSION

This study reports a broad analysis for the development of effective and efficient HR strategies and policies in China. Specifically, the study examined a set of constructs describing Italian companies' HRM in China and their relations with Italian companies' understanding of Chinese cultural values. After a comprehensive review of the main literature, a study model was developed to investigate these relationships.

The implications of this study have been evaluated both from theoretical as well as the empirical point of view. The study may provide an additional perspective to the existing body of knowledge, by highlighting the significance of cross cultural studies in leading HRM in China towards better results. In particular, most parts of previous research has mainly focused on just one cultural factor, namely guanxi, in order to examine Chinese culture and its main implications on business activities of foreign companies in the Chinese marketplace. Even if gaining access to a guanxi network represents a fundamental element for foreign companies, it is reasonable to assume that companies interested in investing in Mainland China with a long term perspective need to consider further cultural determinants able to build profitable relationships within and outside the organisations. The study provides a seven item construct that represents the main features of the Chinese cultural universe, that led findings which offer additional knowledge to the comprehension of those cultural determinants that are worthy of careful consideration by companies when investing in China.

When facing challenges of the Chinese market, Italian companies might carefully consider cultural issues. A better comprehension of cultural differences is necessary to understand stakeholders' behaviour and attitudes in China and, by this way, achieve better results. Cultural differences affect company interpretations and answers to strategic and managerial issues, increasing transactional difficulties that often may lead to unresolved conflicts. As a consequence, in order to reduce these risks, managers are encouraged to gain a comprehensive understanding of local cultural traits. The findings of the study may have important implications for Italian managers to implement more effective HRM policies and practices in the Chinese marketplace. From a narrow point of view, the study supports Italian HR managers in developing HRM strategies able to increase local HR performance. Effective cultural training is likely to increase the motivation of local HR while the awareness of local cultural determinants is a central prerequisite to create strong relationships within work teams. From a wider point of view, it is believed that the current study has great potential for providing Italian companies with a more adequate perspective of cultural issues in the Chinese labour market. In particular, the content of the analysis has potential to be incorporated in the formulation and management of sound strategies and policies in Mainland China. Indeed, a better knowledge and comprehension of Chinese cultural values could provide a competitive strategic tool to Italian companies in China able to overcome cultural barriers, to improve attitude, qualifications and performance levels of local HR and, by this way, to boost companies' competitive advantage.

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