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## **How to inspire Chinese employees to become more innovative?**

- A study of HRM practices in Swedish companies operating in China

### **Authors**

Kristoffer Pantzar

Jimmie Podgorniak

### **Supervisor**

Elin Smith

### **Examiner**

Christer Ekelund

## **Abstract**

Since China opened up to the outside world in 1978, a tremendous economic development took place. China is today still a fast growing economy. With a huge population that makes up for an enormous market along with relatively low labor costs, China is very attractive for foreign companies. When foreign companies expand and establish in China, many aspects must be taken into consideration. Aspects like cultural differences must be considered by the foreign managers as well as how to manage the Chinese employees in human relations. Having innovative employees are beneficial to any company. However, the way to influence employees to be innovative can differ from one culture to another. There is little research done on Swedish companies operating in China and how they influence their Chinese employees to be innovative. The aim of this thesis is to provide some insight into this matter.

The thesis takes a deductive approach, and the investigation is performed quantitatively by a survey. The survey is answered by the Chinese employees that are currently working in Swedish companies where they are to rank the presence of several Strategic Human Resource Management practices. Also, their perceptions on Chinese cultural aspects are investigated.

The results from this thesis will point out the most successful practices in influencing the Chinese employees' innovativeness, but also the cultural factors that can obstruct innovativeness. This research may be of value for Swedish companies, as well for Swedish managers hoping to establish themselves in China.

**Keywords:** China, Cross-cultural management, Swedish companies, HRM, SHRM, cultural differences, innovation

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Jimmie Podgorniak

# Table of Contents

1. Introduction .....	8
1.1 Background.....	8
1.2 Problem.....	9
1.3 Research question .....	11
1.4 Purpose.....	11
1.5 Theoretical limitations .....	11
1.6 Outline .....	12
2. Method.....	13
2.1 Research process.....	13
2.2 Research philosophy .....	14
2.3 Research approach .....	14
2.4 Research design .....	15
2.5 Choice of methodology.....	15
3. Theoretical Framework.....	16
3.1 Introduction.....	16
3.2 Innovation .....	16
3.3 Human Resources Management .....	18
3.3.1 Strategic Human Resources Management.....	18
3.4 Culture .....	21
3.4.1 Hofstede’s Culture dimensions .....	22
3.4.2 Face .....	24
3.5 Summary of literature review – Creating a model.....	25
4. Empirical method .....	27
4.1 Data collection method .....	27
4.2 Time horizon.....	27
4.3 Sample selection .....	28
4.3.1 Research strategy for sample collection.....	28
4.3.2 Population.....	29
4.4 Operationalization.....	29
4.4.1 Background questions .....	30

4.4.2 Control variables .....	30
4.4.3 Dependent variables .....	30
4.4.4 Independent variables.....	31
4.4.5 Statements of Strategic Human Resource Management .....	32
4.4.6 Statements of cultural differences .....	33
4.5 Reliability.....	34
4.6 Validity .....	36
5. Analysis .....	37
5.1 Statistical Analysis.....	37
5.2 Response rate .....	37
5.3 Respondents .....	38
5.4 Dependent, independent and control variables .....	38
5.5 Correlation test.....	40
5.5.2 Testing culture-hypotheses.....	43
5.6 Regression test .....	44
5.6.1 HR practice regression .....	45
5.6.2 Culture regression .....	46
5.7 Summary of analysis.....	47
6. Thesis Conclusions .....	51
6.1 Summary .....	51
6.2 Practical relevance and theoretical contribution .....	52
6.3 Social reflection .....	54
6.4 Critical review.....	54
6.5 Future Research .....	55
References.....	56
Appendix 1: Questionnaire.....	61
Appendix 2: List of statements.....	64
Appendix 3: Tables.....	66

# Index of Figures

Figure 1: “Onion” model.....	13
Figure 2: Hofstede’s Cultural Dimension.....	22
Figure 3: Employee innovativeness model.....	26
Figure 4: Updated Employee innovativeness model.....	52

# Index of Tables

Table 5.1: Descriptive statistics responders.....	39
Table 5.2: Result from Cronbach’s alpha test.....	41
Table 5.3: Descriptive statistics and Spearman correlations.....	42
Table 5.4: Accepting or rejecting the HR practice hypotheses.....	44
Table 5.5: Accepting or rejecting the culture hypotheses.....	45

# 1. Introduction

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*The first chapter presents the background of this thesis followed by an outline of the problem and will serve as an introduction to the body of this thesis which is culture, HRM and innovation. After that, the purpose and research question will be presented and finally the limitation and outline of this thesis will be reviewed.*

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## 1.1 Background

As students of international business, with Chinese as a minor, we had the opportunity to spend one semester in China at Shanghai University. During our time abroad, we experienced a totally different culture in many aspects. After four months, we could conclude that the food, school system and business culture were remarkably different to what we were used to in Sweden. While in Shanghai, we took the opportunity to arrange meetings with managers of Swedish companies operating in the area. One notable difference that struck us almost immediately was that Chinese employees happily spent their lunch hour sleeping at their desks. This was however not an issue for the managers who easily explained it as a cultural difference and not a sign of laziness. The managers continued to tell us that the Chinese employees were hard workers. Also, almost all of the Chinese employees took a power nap in order to be more productive during the long working hours. As a greater understanding was gained of the Chinese employees, it became evidently clear that Chinese and Swedish employees are very different. One example of the differences is that Chinese workers complete the work that is given to them, but do not engage in the whole process. In contrast, Swedish workers are more engaged in the business process as a whole. This relates to the cultural differences between Sweden and China, and one must understand these differences and adapt to them in order to motivate the Chinese employees. For example, managers that influence motivation among employees could in the end stimulate their employees to be more innovative. Eventually, innovation could lead to an efficiency increase and create further value to the company.

The importance of innovation has been stated in various aspects by several researchers. Zwick (2002) argues that innovation is an essential tool for companies to be competitive in the marketplace. According to Gupta & Singhal (1993), your employees are the most

essential resource for innovation in organizations, and they must be managed in a way that influences them to be more innovative.

The Chinese culture advocates a stricter relationship between managers and employees compared to Swedish culture (Hofstede, 1984). As a result of cultural differences, one can often assume that the Chinese employees are less innovative than Swedish employees. The benefits of having innovative employees can be many, and managers will strive to promote innovation in the workplace.

One way to attempt to raise the innovativeness level among the Chinese employees is in the field of Human Resource Management (HRM). The tools within the field of HRM could prove to be valuable in order to raise innovation. Earlier research has been performed on western employees and has shown correlation to motivation and innovation. However, our research is performed on Chinese employees and perhaps our findings will be slightly different from the western employees. In addition, this research will discover the most important factors when it comes to motivating Chinese employees to be innovative. If these factors can be isolated and applied to real working situations, they will contribute to a more effective workplace.

## **1.2 Problem**

Today, companies operate in a market that is characterized by intense competition (Roh, 2009). Human resources are important resources in the endeavor for competitiveness (Li, Zhao & Liu, 2006). However, as globalization increases, companies operating on a global market need to adapt their HR practices to the culture of the country that they operate in (Dong & Liu, 2010).

Hofstede's culture dimensions are indicators of how different cultures are. For example, power distance (hierarchy in the workplace) and individualism are factors that differ strongly between Sweden and China. China's high level of power distance indicates that there is a deep respect for leaders higher up in the hierarchy (Hofstede, 1984). This respect for leaders with higher authority inhibits employees' potential to contribute new ideas. In the end, this could lead to a less innovative organization (Jakobson, 2007). Furthermore, China has a low score on Hofstede's individualism factor. According to Hofstede (1984): *"China is a highly collectivist culture where people act in the interests of the group and*



*not necessarily of themselves*”. One example is that Chinese companies practice team-based decision making in order to make employees more efficient (Zheng, O’Neill & Morrison, 2009). “Losing face” is another characteristic of the Chinese culture. The concept of *face* means that people do not want to embarrass themselves or even others in public situations. According to Leung and Bond (1984), the concept of face could hurt the emergence of innovation in the workplace. Moreover, modern HR practices in China are influenced by cultural traditions (Satow & Wang, 1994; Tong & Mitra, 2009). These influences of culture need to be taken into consideration. Thus, the culture puts certain demands on how managers interact with their employees. This interaction is the focus of HRM. In order for Swedish companies to be successful in China they need to create HR practices that suit the Chinese employees. An HR practice that works in one country does not necessarily work in another country that has cultural differences (Hofstede, 1998).

HR practices are the informal approaches companies use to manage people (Armstrong, 2006). In today's global, dynamic and complex environment; HR practices are one key issue in order to create competitive advantages in the market (Oltra, 2005). Some examples of HR practices concerns are: the work process, motivation, learning and development. HR practices can, among other things, affect employees’ innovativeness (Armstrong, 2006).

How to create innovation within an organization is a widely studied field (Johnson & Weiss, 2011; Xie & Li-Hua, 2008). Many of these researchers argue the importance of having an innovative organization when it comes to creating a competitive advantage and even surviving in today’s challenging business market (Oltra, 2005; Drucker, 1999). However, those studies are from a domestic perspective and do not focus on how to create innovation in a cross-cultural organization. Studies concerning Western companies need to adapt their HRM practices in order to fit Chinese employees have been carried out but these studies have generally focused on how to motivate for greater performance, rarely in how HRM practices can help employees be more innovative. Therefore, there are two main reasons to why this dissertation is important to investigate further. First, the proven importance of having an innovative organization, in order to create competitive advantages, in today’s globalized, dynamic and complex business environment (Oltra, 2005). Secondly, the unexplored field of how Swedish managers, in a cross-cultural environment, can use HR practices to increase innovation amongst Chinese employees.

This thesis main concern is how HR practices could influence employees' innovativeness. However, the culture aspects on innovativeness will be considered as well, to see whether it affecting the Chinese employees when it comes to being innovative.

In the thesis, we will sometimes refer to the Chinese employee as a male. There is no specific reason for the choice of gender other than to be consistent throughout the thesis.

### **1.3 Research question**

What is the influence of culture and HR practice on the Chinese employees' innovativeness?

### **1.4 Purpose**

The purpose of this dissertation is to explain how Swedish companies can stimulate innovation amongst employees in their companies by using factors from human resources management. If the findings indicate that specific factors from HR practices motivates innovation better than other and if culture have any influence, then this thesis will provide useful information for Swedish companies when managing their Chinese employees.

### **1.5 Theoretical limitations**

The theories in this thesis are limited to theories within the field of HR practices and culture. Chapter three, where the theoretical review is presented, starts with telling more about innovations that have a connection to the two areas mentioned. This is followed by the fields of HR practices and culture. First, a theory concerning HR practice is presented. This is limited to the practices that have been presented before by Delery and Doty (1996). They present seven different practices that this thesis uses in order to create hypotheses regarding practices affect to create innovative employees. Secondly, culture theories are presented. These theories are limited to Hofstede's culture dimension and the Chinese culture concept of *face*. Moreover, Hofstede's culture dimension has been limited to two dimensions: Power distance and Collectivism versus individualism. Hereafter we will refer power distance to hierarchical status and collectivism versus individualism to individualism. The reason for using these two is because of their usefulness of differences in cultures that could affect people in the workplace. Also, these two dimensions are according to Hofstede (1998) significantly different between China and Sweden, which is

the two countries that are represented is this study. Moreover, the Chinese culture concept of *face* will describe Chinese employees' behavior in certain situations.

This thesis is limited to how managers of Swedish companies in a culturally different country can use HR practices in order to stimulate innovativeness among the Chinese employees'. HR practices are a wide field, and practices that could be used to create innovation can in some cases also be used to create other things such as motivation. However, this research will only focusing on how HR practices can be used to create innovation.

## **1.6 Outline**

This thesis is outlined in to six chapters. The first chapter is the introduction which includes background, problem, purpose, research question and the theoretical limitations. The second chapter describes the methods used to fulfill this thesis. In this chapter, the choice of methodology, research philosophy, research approach and the choice of theory is described. In the third chapter the theoretical framework is reviewed and the hypotheses to the research are presented. This is followed by the forth chapter, where the empirical method is described. This chapter clarifies the research strategy, time horizon, data collection method, population, sample selection, operationalization, data analysis, reliability and validity. In the fifth chapter the hypotheses are analyzed, also critique regarding the research is brought forward, and conclusions are presented. The sixth and final chapter discusses our conclusion and how the findings are practically relevant. This is followed by self criticism to the thesis.

## 2. Method

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*The second chapter presents the chosen methodology. First, the “onion” model by Saunders et al. (2006) is presented as a part of the research process. This is followed by a presentation and the choice of research philosophy, research approach and research design. Lastly, a review in the choice of methodology is presented.*

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### 2.1 Research process

This dissertation research process is based on Saunders et al. (2006) “Onion” model.

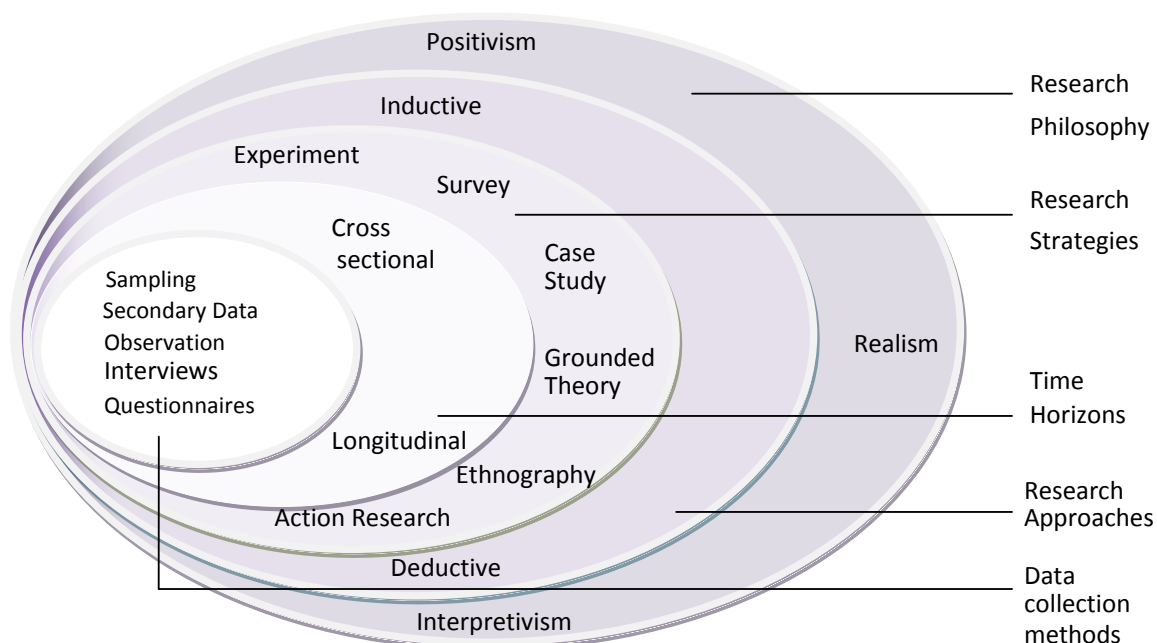


Fig. 1 – The research process “Onion”. Saunders et al. (2006)

The Saunders “Onion” model consists of five different layers. The first layer consists of the research philosophy where the research starts. The second layer is where the research approach is chosen between either an inductive or deductive approach. The research strategy is then chosen in the third layer. In the fourth layer, the time horizon is decided, and finally in the fifth layer the data collection methods are decided. These different layers will be explained in depth in this chapter and later in chapter four. Arguments to why this thesis has chosen this particularly research model will also be presented.

## **2.2 Research philosophy**

According to Saunders et al. (2006), research philosophy is the development of knowledge and the nature of that knowledge. Simply put, this means how to achieve knowledge in a particular field.

Research philosophy could be divided into four main philosophies in the epistemological way of thinking, Positivism, Realism, Interpretivism and Pragmatism. However, this thesis will use the positivistic philosophy. The reason why this philosophy was chosen is that existing theories are used in order to develop hypotheses. Moreover, this research will observe reality by not interfering with the observed objects. Another reason for using this philosophy is that the collected data will be generalized. Because of the generalization, an interpretivist philosophy is of no use in this research since it views human behavior as something unique. Moreover, this research is based on the individual Chinese employees' thoughts. Due to this, a realistic philosophy that uses a society perspective is not useful in this survey.

## **2.3 Research approach**

The research approach can be made in two different ways, through a deductive approach or inductive approach (Saunders, 2006). When using a deductive approach the research is based on theories, and the empirical collected result is interpreted from the used theories. An inductive approach is based on the empirical data collected. A conclusion is then made based on either previous theories, or a new theory is created (Bryman & Bell, 2005). According to Saunders et al. (2006), a deductive approach has several fundamental characteristics. A first characteristic is that the deductive approach explains the causal relationship between variables. Secondly, the deduction approach is characterized by that the concept needs to be operationalized so the measured result could be done quantitatively. The third and final characteristic is generalization. This means that data the collected needs to be in a sufficient numerical size that enables the researcher to make a generalization.

This thesis will use the deductive approach. The reason is that the collected data will be based on existing theories. These theories will work as a basis to how we construct our hypotheses and in the end how the question survey is designed and structured. This

research will measure the causal relationship between variables which characterize a deductive approach. Moreover, data from the survey will be collected in a sufficient numerical size, so a generalization could be made.

#### **2.4 Research design**

According to Saunders et al. (2006), the choice of research design generally decides how the answers to the research questions will be gathered. There are three main classifications of research purpose. These are exploratory, descriptive and explanatory. Also, each of the different research purposes could be combined together in researches with more than one purpose.

The research design that is used in this thesis is an explanatory study. The reason why an explanatory study is preferred is due to this thesis and will try to explain a causal relationship between different variables. The causal relationship will be measured between innovation and the chosen HR practices. Also, the causal relationship between innovation and culture is investigated. This research will not investigate a new kind of phenomena. The reason to this is that earlier studies have already proven that HR practices and culture could affect innovation in a company (Jakobson, 2007; Beugelsdijk, 2008). Therefore, an exploratory study is not workable in this research. Moreover, as mention earlier, the purpose is to collect enough data so a generalization could be made. The purpose of this research is not to describe collected data in a deep detailed view. Due to this, a descriptive study is not convenient in this research.

#### **2.5 Choice of methodology**

The choice of methodology is depending on the research approach and the research philosophy. This thesis aims to explain the relationship between HR practices and the level of innovation among Chinese employees. It uses a positivistic approach with the ambition of generalizing the results. Also, a deductive approach is applied. Because of that, a quantitative method is suitable for collecting data.

## **3. Theoretical Framework**

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*This chapter will review the different theories regarding the three different fields relevant to this study: innovation, HR practices and culture. First the importance of innovation is presented. Secondly, the HR practices will be presented as well as for the usage of Strategic Human Resource practices. Thirdly, the cultural factors are presented. Finally, a review is made together with the created model.*

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### **3.1 Introduction**

This chapter brings forth our theoretical framework and it has been divided into four parts. The first three parts defines and presents related theories regarding culture, human resource management and innovation. In the final part, a model is presented that summarizes the hypotheses.

First, innovation is defined and its value and importance are brought to light through previous research. As innovation can result in various ways, we state that innovation of all forms can be beneficial for companies. The second part describes Human Resource Management (HRM) emphasizing on the practical branch, Strategic Human Resource Management (SHRM). Seven practical managerial tools are presented. These tools are used to stimulate and steer employees to achieve company goals. Thirdly, the factors of culture are explained from different views by several researchers and recognized theories are used to highlight the cultural difference between Sweden and China. In addition, key concepts of losing face and hierarchal status are discussed as obstacles when it comes to increasing innovation amongst Chinese employees. The final part summarizes and analyzes previous parts of this chapter which serve as the base to form and present our model. The model provides an overview of how SHRM and cultural factors affect the Chinese employees to be more innovative.

### **3.2 Innovation**

Innovation can be defined in various ways in the field of business administration. According to Harkema (2003), innovation is a knowledge-process where the purpose is to

create knowledge focusing on commercial development and to create profitable solutions. Moreover, Harkema (2003) claims that innovation can also be development of a new idea or behavior, such as a new product, service or technology that are considered new for the organization. According to Adair (2007), innovation is a process of two stages; the first stage is to have an idea, and second stage is to implement it. Plessis (2007) claims, that innovation is change. These changes could be either radical or incremental. Radical changes refer to big extensive changes, while incremental changes are small changes done over a period of time. Therefore, innovation has several different meanings. For example, innovations of a new product or a new design, or small changes in a workplace that over time leads to a more effective organization.

An innovating organization is crucial to create competitive advantages in today's globalized, dynamic and complex business environment (Oltra, 2005). According to Drucker (1999), innovation is a survival strategy that is obligatory if one company wants to survive in the future. Managers in today's companies often describe innovation as an essential key for the future of their business (Von Stamm, 2009). There are companies that argue about the importance of being innovative. One example is A.G. Lafley, CEO of consumer-product company Procter and Gamble. Lafley argues that a key factor for success for managers in today's business is to be innovative. During the first decade of the 21st century, P&G has seen tremendous growth and increase in sales. According to A.G. Lafley, priority was always placed on innovation and it was the main reason to why the company was successful (Teresko, 2004).

Regardless of the meaning of innovation and the importance of it, it rarely just arises, but needs to be inspired by someone. Individuals are considered key factors for creating innovative organizations (Gupta & Singhal, 1993). Therefore, the ability to manage employees and to be creative is of main concern for companies that want to develop their business to future challenges. However, people are different, and they also have different preferences on how to best solve tasks in their daily work (Chilton & Bloodgood, 2010). Therefore, companies need to find a functional way of managing human resources to influence them to be innovative.



### **3.3 Human Resources Management**

Human Resources Management (HRM) is an approach for managers to manage and handle the human resources within the company. Human resources are hard for other competing companies to imitate and copy and can, therefore, be seen as a competitive advantage. Consequently, HRM can enhance a company's competitive position through improving the human capital which in turn contributes to extra economic value for companies (Richard & Johnson, 2001).

However, HRM is a broad concept, but essentially it is a concept of how to influence and motivate employees to act in line with the company's direction to achieve company goals (Richard & Johnson 2001). According to Caldwell (2004), HRM can be used to accomplish several goals. For example, HRM could encourage team work and co-operation across internal organizational boundaries. Also, empower employees to manage their own self-development and learning. This could result in a greater employee commitment to the company. The effectiveness of HRM is determined by how well HRM functions achieve these goals (Richard & Johnson, 2001). A specific part of HRM is SHRM.

#### *3.3.1 Strategic Human Resources Management*

Human Resource Management (HRM) has branched out and developed into Strategic Human Resources Management (SHRM), in order to emphasize the concept of effective functioning companies. Thus, SHRM is the planned activities that enable companies to archive goals and objectives (Darwish, 2009). Like HRM, SHRM practices increase the employee productivity and effectiveness. By integrating personnel practices into strategic planning, companies can easier achieve their set up goals

As HRM, SHRM is also a broad concept we have used the work of Delery and Doty (1996) to limit this research and narrow down the field of SHRM. They presents seven employment practices: internal career ladders, formal training systems, results- oriented performance appraisal, employment security, employee voice/participation, broadly defined jobs, and performance-based compensation. According to Richard and Johnson (2001), a company that implements these practices is more likely to reach the goals and objectives of that company. Therefore, these seven practices of SHRM will be explained in greater detail and hypotheses regarding innovation are presented after each practice.

The first of the seven practices is the *internal career ladder*. This is the structured sequence of different job positions that an employee can climb in the company. Internal career ladders encourage employees to stay within the company. A long term commitment promotes employees to a higher level of company loyalty and commitment (Daley & Vasu, 2006). Moreover, internal career ladders encourage employees to be more responsible for their own personal development, which creates incentives for being innovative. According to Jiménez-Jiménez and Sanz-Valle (2005), a well-functioning career ladder where promotion is possible could significantly increase the employees' capability of being innovative. This leads to the following hypothesis:

H1: Internal career ladders are positively related with employee innovation.

The second practice, *Formal training systems* is defined as the activities that a company plans to assist the learning that are related to knowledge, skills and behaviors of the employee (Noe et al., 2010). By providing training and development, this practice can improve the quality of current employees. According to Ayanda and Sani (2010), companies that invest in training their employees are more likely to have a beneficial outcome. Moreover, this practice is useful to develop human resources and make them fit to the company needs. Companies often consider training as a costly practice (Ayanda & Sani, 2010). However, the outcome could be positive and practices concerning training are associated with higher innovative performance (Beugelsdijk, 2008). This leads to the following hypothesis:

H2: Formal training systems are positively related with employee innovation.

The third practice is the *Results-oriented performance appraisal*. The practice could be used to observe the development of any desired employee behaviors. Observing behaviors could be used to create changes within the company to a desired behavior. The reason for using this practice is to achieve a higher productivity by delineating to employees how they perform their job specifications (Ayanda & Sani, 2010). This practice can also then be used as a training guide within the company. Therefore, it is useful when it comes to decision making concerning promotion, demotion, retention, transfer and pay (Beugelsdijk, 2008). Moreover, results-oriented performance appraisal is a strategy that could be used to create

innovative employees (Jiménez-Jiménez & Sanz-Valle, 2005). This leads to the following hypothesis:

H3: Results-oriented performance appraisals are positively related with employee innovation.

The fourth practice is Employment security, which is employee rights and how they are enforced. This practice also handles how the employee feels about his working situation. According to Beugelsdijk (2008), there is a correlation between work performance and job security. Employees that feel secure in their jobs are more likely to perform better. The employee can focus all their attention on the job at hand, instead of worrying about their job security. Also, earlier research has found that an innovative employee needs to have an employment that he feels secure with (Jackson et al., 1989). This leads to the following hypothesis:

H4: Employment security is positively related with employee innovation.

Employment voice/participation is the fifth practice and can be seen as a political dimension where employees can speak up as a response to dissatisfaction in the company. A greater influence of employees participation is one of the fundamental basics for companies to be successful nowadays (Ayanda & Sani, 2010). Therefore, employment voice/participation represents an important factor to ensure companies strive to be successful and to survive in today's challenging business environment (Daley & Vasu, 2006). Moreover, if the employee feels free to participate in a discussion regarding work related issues; it could positively affect performance, satisfaction and productivity (Verma, 1995). Also, creation of innovative employees requires that employees feel that they have a high degree of involvement and can participate and affect issues that face the company (Schuler & Jackson, 1987). This leads to the following hypothesis:

H5: Employee voice/participation is positively related with employee innovation.

The sixth practice, broadly defined jobs, suggests that employees will benefit from a challenging and meaningful work assignment together with the possibility of a higher salary. On the other hand, if a company needs to reassign work it might face inflexibility from the employees. The inflexibility is a greater problem if the reassigned work is

associated with a lower working status. It does not matter if the salary is the same but it can be seen as a career setback (Verma, 1995). Therefore, broadly defined jobs are of importance and it has also been proven that it supports innovation amongst employees (Petroni, 1999). This leads to the following hypothesis:

H6: Broadly defined jobs are positively related with employee innovation.

Finally, performance-based compensation practices provide rewards to workers to make them achieve specific goals or objectives the company set up. This practice suggests that compensation is designed in the purpose to motivate, attract and keep employees with the company (Ayanda & Sani, 2010). Earlier research indicates that there is a positive correlation between performance-based compensation and innovation (Beugelsdijk, 2008). This leads to the following hypothesis:

H7: Performance-based compensation is positively related with employee innovation.

### **3.4 Culture**

Culture has been defined in different ways by previous researchers. Mueller and Thomas (2001) define culture as an underlying system that influences a person's behavior and personality. Moreover, Trompenaars (1994) explains culture as the shared ways which people understand and interpret the world. Hofstede (1998) uses a modern way of explaining culture as the "software of the mind".

From Hofstede's (1984) point of view, culture is described to be the same throughout the country. The national culture in Sweden is the same wherever you are in the country, with only minor exceptions for small minority groups. One example is the minority group of the Sami people that lives in north of Sweden. However, when defining the national culture in China, one should keep in mind that China is a country with diversified cultural beliefs. China's population is 1.3 billion living in area of approximately 9.6 million km<sup>2</sup>. Moreover, China has 55 different minorities and most of them speak different languages and have different beliefs (Nationsonline, 2012). Consequently, Chinese culture in this thesis has been generalized.

The last part of this theoretical review will discuss significant cultural beliefs in China. The part on Hofstede's cultural dimension focusing on the parts of Chinese society that are

important for work behavior and that differ from the Swedish values. Moreover, the importance of the Chinese concept of giving and losing face will be described to provide a deeper understanding of why Chinese people react the way they do in certain situations.

### 3.4.1 Hofstede's Culture dimensions

In this thesis, Hofstede's culture dimension model is used to explain differences in culture in the workplace between Sweden and China. According to the model there are few similarities in culture between the two nations (Hofstede, 1984). Consequently, these differences in culture have effect on the interaction on a cross-cultural workplace between Swedish managers and Chinese employees (Hempel, 1999). Therefore, it is essential for Swedish companies that operate in China to be aware of the culture differences and adjust their management to suit their Chinese employees (Dong & Liu, 2010). According to Hofstede (1998), management that is workable in one country, does not necessarily fit in a cultural different country.

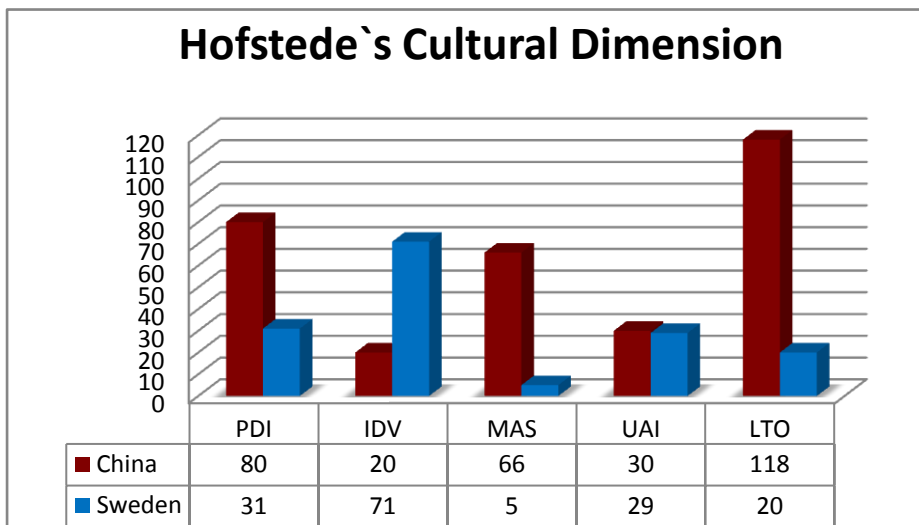


Fig. 2 – Hofstede Cultural Dimension. Based on: Hofstede, 2012

Hofstede's model consists of four different dimensions that describe cultural differences. Those four are power distance, individualism versus collectivism, uncertainty avoidance and masculinity versus femininity. Later, one additional dimension has been added, the long term orientation versus short term orientation dimension. However, this thesis is focusing on two of Hofstede's dimensions that are most relevant to this research. Those

two are power distance and collectivism versus individualism. As mentioned before, these dimensions are referred to hierarchical status and individualism.

The first dimension is power distance that measures how individuals in the society deal with the fact that people are unequal in physical and intellectual capabilities (Hofstede, 1984). Power distance is a dimension where China and Sweden scores differently. China has a high power distance, while Sweden has a low score. The Chinese society is characterized by Communism, which advocates equal value of people. However, Confucian values, with hierarchy levels in the society, have a deeper impact on the Chinese people (Li, 1999). The hierarchical level is also reflected in the workplace. Consequently, open talks regarding work between employees and managers higher up in the hierarchy is rarely seen (*ibid*). This respect for leaders with higher authority inhibits employees' ability to contribute new ideas, which could lead to a less innovating organization (Jakobson, 2007). In comparison to Swedish decentralized organizations, where communication between managers and employees are open. Sweden's low score on this dimension reflect a society with equal rights and hierarchy levels that are only used for convenience (Hofstede, 1984).

The second dimension focus on whether peoples in a society are group-oriented or individually driven. In an individualistic society, individual freedom and achievements are highly valuable. In collectivistic societies, relations between people are very close tied. China is a highly collectivistic society where people act in the interest of the group rather than personal gain (Hofstede, 1984). To compare, Sweden is a highly individualistic country where people strive for individual goals and are loosely connected to groups, with exception for the inner family. In the workplace, Chinese workers are striving for harmony between members of the group. Harmony is considered main priority in the workplace (Li, 1999). In comparison to Western countries like Sweden where goals and good results are often the main concern (*ibid*). Furthermore, Chinas culture of being collectivistic has even more effects on workplace behavior. For example, Chinese managers are less distinguished to take full responsible for decisions made. Instead, they emphasize collectivistic responsible in the decision-making process (*ibid*). Moreover, studies have shown that Chinese workers have higher confidence and make quicker decisions when working in a group (Satow & Wang; Zheng, O'Neill & Morrison, 2009).

### 3.4.2 Face

*Face* is a cultural concept that is practiced daily and partakes in every aspect in the Chinese way of living (Dong & Lee, 1996). According to Jia (1997), face is a Chinese conflict-preventive mechanism that creates harmonious relationship. Many Chinese people consider face as a serious matter that commonly affects their behavior (Dong & Lee, 1996).

Face concerns to give or to lose face. According to Ho (1976), losing face is a serious thing that affects the ability of a person to function effectively in the society. Face-losing is, for instance, when someone starts a conflict, shows anger or criticizes others in public (Dong & Lee, 1996). This could affect behavior in the workplace. For instance, Chinese employees could in an attempt to save face avoid situations that could create a conflict. These could harm the emergence of being innovative if the employee does not feel free to speak freely about his ideas in order to not offend the superior. Another problem concerning the concept of face is that Western managers often meet Chinese employees that avoid saying “no”. Words like “maybe” or “we’ll see” or other similar words are used instead of directly answering no. The reason for this is that the employee does not want to start a conflict with his manager. However, when operating under circumstances that are not clear and specified it might delay the emergence of innovation (ibid).

Giving face is considered an admirable thing, and it is generally considered that one should return face to the giver (Dong & Lee, 1996). In the workplace, giving face can create harmony in the group which is particularly important for the collectivistic Chinese people (Hofstede, 1996). Moreover, giving face or saving someone’s face is strategically useful to develop close cooperation and communication within the company (Dong & Lee, 1996).

Western managers that operate in China must be aware of the influence of face in the workplace. One example is that managers often find Chinese employees to be careful in how they act in the workplace. Employees believe that their bad behavior could not only hurt themselves but could also cause the company to lose face (ibid.).

Face is also affected by the hierarchical position of a person. The amount of face depends largely on the position the person has in the hierarchy. Employees with a lower rank respect and do not argue with people of higher rank in order to give face (ibid.). Therefore, discussion of business related issues are not likely a two-way discussion.

Consequently, in order to be respectful to managers, employees ideas of innovation may be kept and not shared. This leads to the following hypothesis:

H8: The risk of losing face is negatively related with employee innovation.

This first hypothesis in the culture section concerns the Chinese cultural aspect of face. This is followed by two hypotheses are based on Hofstede's cultural dimensions. The first one concerns the hierarchical status relation towards innovation. Previously in this chapter, Chinas high power distance was presented. Also, arguments about its effect on innovation were reviewed, where respect of people of higher hierarchy inhibits employees' ability to contribute new ideas (Jakobson, 2007). This leads to the following hypothesis:

H9: Hierarchical status is negatively related with employee innovation.

The second hypothesis is based on Hofstede's cultural dimension, individualism versus collectivism. China is a country that is highly collectivistic, which effect how employees prefer to work. This leads to the following hypothesis:

H10: Working individually is negatively related with employee innovation.

### **3.5 Summary of literature review – Creating a model**

A model has been created to provide an overview of the structure in this thesis. The model is based on the three different fields of studies that have been presented during this theoretical review. The model provides an overview of how the fields of HRM and culture affecting innovation.

The hypotheses presented in the literature review lays the foundation of our model. First of all, the hypothesis constructed in the HRM part implies that there will be a relationship between the strategic practices of SHRM and employee innovation. The seven practices are illustrated under HR Practices that point to a causal connection from HR practices to innovation. Moreover, as this research aim to show how Swedish managers can influence Chinese employees', the cross cultural aspect must also be taken into consideration. The factors from the cultural field are illustrated to also show a relationship. However, as we expect that practices of SHRM will have a positive relationship to innovation, the cultural differences will instead point to a negative relationship.



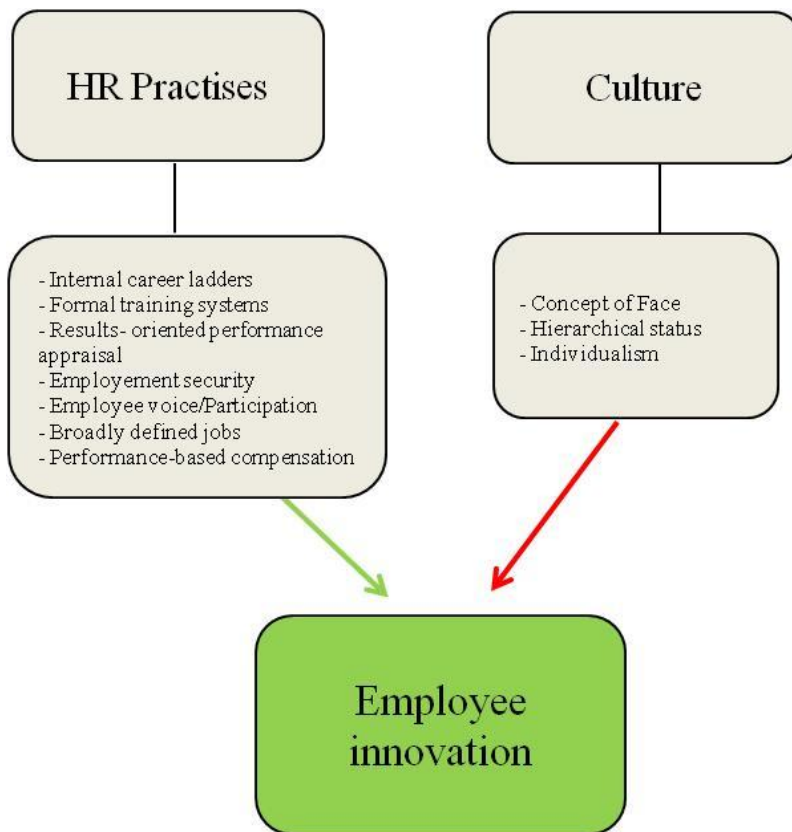


Fig. 3 – Employee innovativeness model

The aim of this model is to show the connection from HR practices to innovation, as well for the connection from cultural factors to innovation. Moreover, the model has two sides, first is the HR practices influence on employee innovation, while the other side indicates restrain from cultural factors. This thesis is testing the model on Chinese employees' currently working in Swedish companies. The model will provide the tools to emphasize the most successful practices to inspire Chinese employees to be innovative and which factors of culture that are restraining innovation.

## 4. Empirical method

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*This chapter describes how the empirical data was collected. First, the data collection method is presented. This will be followed by time horizon, sample collection and operationalization. Finally, in the end of this chapter, reliability and validity will be presented. Reviews of different methods are presented together with the ones chosen for this thesis.*

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### 4.1 Data collection method

One can choose different ways to collect data when doing a research. According to Saunders et al (2006), there are two main categories of data. These are either primary data or secondary data. Primary data are newly collected data, while secondary data are data that has been already collected before. Furthermore, these two different ways of collecting data can be done in various ways. Primary data could be collected by observations, interviews or questionnaires. Secondary data could collect data by documentary, survey-based and multiple based data (ibid).

The collection of data will be, as mentioned earlier, done by a survey. This means that primary data will be collected to investigate innovation among the Chinese employees.

Surveys can use different types of questionnaires to collect primary data. The collection of data in this survey is collected by an internet-mediated questionnaire. These kinds of questionnaires are made electronically by using the Internet (Saunders et al., 2009). This is the most convenient way to conduct a questionnaire in this research because of the long distance to the responders in China. By using the Internet, Chinese employees can fill in the questionnaire where they are located, and their answers could easily and fast be collected to us located in Sweden.

### 4.2 Time horizon

Research can have either a longitudinal or cross-sectional time horizon. The longitudinal time horizon is useful in research that studies a phenomenon over a long period of time. This could be useful when one wants to study a dynamic reality (Christensen et al. 2008).

In contrast, the cross sectional time horizon studies a phenomenon at a single moment (Saunders et al., 2006).

This thesis uses the cross sectional time horizon to collect data. However, there would be cause to investigate the longitudinal time horizon as well, but due to the limited time to perform the study, the cross sectional time is the only alternative.

### **4.3 Sample selection**

According to Bryman and Bell (2005), one can use two different types of samples: a probability sample and non-probability sample. A probability sample is a randomly chosen part of the population where each unit has a chance of being selected. A non-probability sample is the opposite and the population is not chosen randomly. This means that some units of the population are more likely to be selected. In this survey, a non-probability way of collecting samples is used.

#### *4.3.1 Research strategy for sample collection*

After choosing how the samples are defined, a research strategy must be chosen for collecting the empirical data from the decided sample. Research strategy can be divided into seven subcategories. Those are experiment, survey, case study, action research, grounded theory, ethnography and archival research. All these subcategories of research strategy could be used together with any of the three different designs that have been described earlier. None of the strategies to collect data could be said to be better than the other. Instead, choice of strategy depends entirely on what is being investigated (Saunders et al., 2009). The purpose of this thesis is of explanatory character, implying that it is important to collect data that can be divided into variables that could measure correlation in a statistic way. Therefore, the research strategy carried out in this thesis was to conduct a survey. A survey allows collecting a large amount of data in a short time period. Moreover, the quantitative data collected could be analyzed, which enables to measure correlations between variables of innovation, culture and HR practices. Also, the questionnaire will be standardized for the Chinese employees who will allow easy comparison and a high degree of participation makes it possible to make a generalization (Saunders et al., 2009).

### *4.3.2 Population*

A questionnaire was sent out to the population of this thesis, the Chinese employees that work in Swedish companies operating in China. The connections with the targeted group were established by contacting 37 Swedish companies in China and asking for their help to spread the survey to their Chinese employees. Some of the companies that helped us to distribute the questionnaires were companies that we had visited during our studies in Shanghai. Other companies that were contacted was through the Swedish council in China. Most of the companies that we meet in person were willing to help us with our survey. However, those companies that we had no earlier connection with were less inclined to respond to our request. Therefore, an attempt to reach the Chinese employees directly was made by contacting them through Facebook. On this social Internet Media we searched for people living in China who were employed in Swedish companies. The link to the survey was sent out to 200 people. All these employees were able to fill in the questionnaire on the Internet, and the questionnaire was voluntary for all employees. Also, they had the opportunity to not participate if they felt obliged not to. This kind of non-probability sampling technique is known as self-selection sample collection (Saunders et al., 2009).

### **4.4 Operationalization**

The operationalization is the process of describing how the different variables are defined into factors that are measureable. The quality of the results will be of higher quality when each variable has been defined and narrowed down to what we are intending to measure.

The questions are developed by the authors in order to test the model. The total questionnaire consists of forty questions and the complete questionnaire is attached in appendix 1. The first five questions are background questions and after them there are 35 statements based on the factors from the theoretical review. The ten different factors that are tested towards innovation are the seven practices of SHRM and the three factors of cultural differences.

The original questionnaire that was sent out to the Chinese employees consisted of 40 questions and the complete questionnaire is attached in Appendix 1. However, some of the question proved to be more relevant than other in order to capture the phenomena from HRM, Culture and innovation. Therefore, some questions have been excluded to obtain a

more accurate result. Those questions that were most relevant to this research will be further discussed and analyzed in this chapter.

The statements in this research can be found in the original statement list in appendix 2, list of statements. However, those statements that are relevant have been marked in bold.

#### *4.4.1 Background questions*

The first and second question is about gender and age. These questions are of interest to determine the ratio between male and female and also the age range. The following three questions catch the respondent years of working experience and years of school education and finally the experience in their current company. These kinds of data are of value because one can expect people that have been within the organization to be less innovative compared to newcomers that might see things with a new perspective.

#### *4.4.2 Control variables*

A control variable is a variable which is kept constant, or the effects of which are deleted to analyze the relationship between other variables without interference.

#### *4.4.3 Dependent variables*

The innovativeness among the Chinese employees constitutes the dependent variable. The dependent variables measure the degree of how much the respondent agrees with the statement concerning innovation. We use a seven-graded scale where 1 indicates that the respondents do not agree with the statement, and 7 indicate that they completely agree. There is no option for the respondent to not answer a question. For most of the statements, 7 suggest that the employee shows a high degree of innovativeness. Some statements are instead reversed, as 7 will instead suggest that the respondent is not particularly innovative.

The employees' innovativeness is captured through seven statements, where the respondent is asked to agree or disagree on a 7 grade scale level. The following statements intention is to measure the level of innovativeness among the Chinese employees'. The statements concerning innovation are developed based on the theories reviewed in chapter three. Thus, the statements are newly developed by the authors and not from previous research.

*I see myself as a person that contributes with new ideas in the workplace.* This question answers to which degree the employee feels his own contribution to bringing forth new ideas in the workplace. A high agreement suggests the employee to be innovative.

*I bring forth ideas concerning the development of new products in my workplace.* This question answers to which degree the employee feels his own contribution when it comes to bringing forth ideas concerning product development. A high agreement suggests the employee to be innovative.

*I present new ideas that could benefit the organization.* This question answers to which degree the employee feels his own contribution to when it comes to bringing forth ideas that could generally benefit his organization. A high agreement suggests the employee to be innovative.

*I present new ideas that could improve my working condition.* This question answers to which degree the employee feels his own contribution to when it comes to improving his daily working conditions. A high agreement suggests the employee to be innovative.

*I present solutions if my company faces a problem.* This question answers to which degree the employee feels his own contribution to when it comes to problem solving. A high agreement suggests the employee to be innovative.

*I consider changes in the workplace as something negative.* This question answers to which degree the employee feels changes affecting his workplace. A high agreement suggests the employee not to be innovative.

*I prefer to have set up rules to follow in my daily work.* This question answers to which degree the employee prefers to have set up rules in his daily work. A high agreement suggests the employee not to be innovative.

#### *4.4.4 Independent variables*

From the literature review there are ten factors brought to light that will be used to measure the impact of HR practices and cultural differences. These factors are the independent variables that will investigate if there is any influence on the dependent variable, innovativeness.

In order to capture each factor, statements are presented and measured in the same way as the dependent variable, through a scale from 1 to 7.

#### *4.4.5 Statements of Strategic Human Resource Management*

The following statements are made from the hypotheses created in the literature review. The statements will provide information if the following practices are being used at the respondents' workplace. All questions are formed to investigate the presence of the various HR practices

*In my company, I have the possibility to advance to a higher position.* This question answers to which degree the employee feels he is able to advance within the company. If the respondent answers 1, he feels that there is no chance to climb a career ladder and that there is no presence of that specific HR practice. The presence of a career ladder based on merits suggests that employees are more motivated for selected tasks (Daley & Vasu, 1998)

*My company provides me with further education regarding my working tasks.* The question answers if the respondent thinks that he receives enough ongoing education to perform his working tasks. And if there is any perceived ongoing education present.

*I am valued on the basis of my work achievements.* This question answer if the respondent thinks he is being valued based on what he achieves in his daily work. This question can be tough to answer as it is hard to know if poor achievements can result in de-promotion or even to be laid off before they occur. This question is related to the results-oriented-appraisal practice.

*I experience my employment situation as stable.* This question reveals if the respondent considers his employment as stable. An unstable working situation tells of uncertainty of maintaining the job, which can have a negative effect on the work.

*I speak up if/when I feel dissatisfaction at work.* The question tells about the willingness to speak up if there is anything that troubles them. The participation in company related

matter can have a positive effect on performance, satisfaction and productivity at work (Verma, 1995).

*My company clearly defines what work I should do.* This question will capture whether the respondent agrees to that his company clearly defines his daily work. The question is measured by the attitude of the respondent towards this statement.

*When I reach company goals, I receive extra financial compensation.* This question asks the respondent if he receives financial bonuses if set up goals are reached. Questions about financial bonuses presence within the company will reveal to what degree the practice of performance-based compensation is practiced.

These practices have been investigated before on Western employees and some of them have shown correlation to motivation and innovation. However, this research is performed on Chinese employees and perhaps findings will be different comparing with those studies on Western employees'. In addition, this research will discover the most important factors that motivate Chinese employees to be innovative. If these factors can be isolated and applied to real working situations, then those could contribute to a more effective workplace.

#### *4.4.6 Statements of cultural differences*

These statements suggest that there will be a cultural barrier that needs to be penetrated in order to motivate Chinese employees to be innovative. These statements are created out of the hypotheses in the literature review.

The following two questions are related to the hypothesis of losing face and are intended to measure its existence. The attitude towards these questions will reveal the importance of saving face.

*I think it is embarrassing to make a fool out of myself in front of colleagues.* This question reflects the attitude of the respondent towards the risk of being embarrassed in front of colleagues. A high agreement to this statement suggests that the respondent thinks it is important to save face.



*I rather keep my ideas to myself than risk being embarrassed at work.* A high agreement towards this statement suggests that it is important to save face. This statement points out that the risk of being embarrassed at work outweighs the chance to contribute with ideas.

The next two questions are related to the hypothesis of hierarchal status and are intended to measure its existence. The attitude towards these questions will reveal the impact of hierarchical status.

*I do not speak to a person with my ideas if that person is my superior.* This question will investigate the attitude from the respondent, whether he will speak about his ideas to a person of a superior working status. A high agreement to this question would imply that employees of lower working status, would not bring forward their ideas to peoples of superior working status.

*I do not correct a person of superior status even if he is wrong.* This question is not very different from the previous one. However, this question focuses on if the respondent will interfere when a person of superior status is wrong in a matter. A high agreement to this statement suggests that the respondent do not correct a person of superior working status.

The final two statements of the cultural aspects relates to the hypothesis of collectivism. The attitude towards these questions will reveal the impact of collectivism.

*My work is performed individually.* This question asks how the respondents working tasks is being performed. A high agreement of this statement means that the respondents work is performed individually.

*I prefer to work individually.* This question captures the respondents' preference of working individually rather than in a group. A high agreement suggests that the respondent prefers to perform his work individually rather than in a group.

#### **4.5 Reliability**

Reliability refers to how reliable the consistency of the measured data is (Bryman & Bell, 2005). Figures, text and tables should be clear, precise and trustworthy (Hartman, 2008). According to Bryman and Bell (2005), reliability can be seen from three different aspects.

The first aspect is the stability. The meaning of stability refers to how the measurement is stable over time. This means there will be a small or little variation over time when the same measurement is conducted. The second aspect is the internal reliability. This means that the measuring scale or index needs to be consistent. Finally, the last aspect is the inter-observer consistency. This could harm the reliability when there are a high number of subjective judgments that have to be made in the research. This could occur when there is more than one person involved in the process (ibid).

According to Robson (2002), there are four threats to achieve reliability on collected data. The first threat is the subject or participant error. This error could occur when a questionnaire shows a different result depending on the time it is conducted. Feelings of the respondent might be different depending on the weekday and that could result in a different answer if the answer is given on a certain day. Because of this, a neutral time for the questionnaire should be chosen. The second threat to reliability is the subject or participant bias. Respondents to the questionnaires might consider their answers depending on a factor outside the question. For example, an employee might be afraid to answer a question correctly if he is afraid that this will have personally negative effect. For instance, if their manager sees his answers and judges him. Therefore, anonymity of the respondent is important so that he/she feels secure to answer the questions truthfully. The third threat to reliability is the observer error which is similar to the inter-observer consistency. This threatens the reliability if more than one person asks questions and the answers differ depending on how the question is asked. The best way of reducing this kind of threat is to create a structure to follow in the interview. The last threat is the observer bias. This could occur when different ways of interpreting the replies is made.

A Cronbach's alpha test has been done to determine the internal reliability. This test will show how closely related items are in a group, which could be used as evidence of their internal reliability. Furthermore, some questions in the questionnaire could make the Chinese respondents feel uncomfortable to answer if their answer is openly shared. Therefore, the questionnaire clearly states that the question is anonymous. This is in order to receive an as reliable answer as possible. Also, since the questionnaire is an internet-mediated questionnaire, there will be no risk of observer error/inter-observer consistency or observer bias.

## **4.6 Validity**

The validity of a research is dependent on how relevant the research is to the problem that has been proposed. The delimitation should be considered to create relevance. For example, author should have reason to why he used the particular material in order to solve the problem that has arisen. Research that lacks in creating a link between material and the problem is either wrongly formulated or the material has failed in its validity (Hartman, 2008). According to Bryman and Bell (2005), one should be concerned about five different types of validity. First, face validity concerns if the measure made reflects the content in the questions asked. This could be created by testing the contents in the questions by asking other people if they understand the concept of the questions correctly. This should be done, if possible, with people that are experts or have high experience in the area of research. The second type of validity is the concurrent validity. This kind of validity could be created by using well-known criteria to describe the concept of the research. Predictive validity is the third way of creating validity. The predictive validity uses future criteria to describe the concept instead of using current criteria. The fourth validity is the construct validity. Established theories are used in order to create hypotheses that make the concept relevant. The final and fifth way of creating validity is made through convergent validity. This is created when measurement are highly correlated with other measurements within the field.

In this thesis, validity has been created in different ways. Construct validity has been created by establishing a research model through hypotheses created out of existing theories. The created model in this thesis was important when to decide how the survey should be conducted. Moreover, statements in the questionnaire were based on the model. Therefore, it played an important role which statements that were used.

Moreover, face validity has been created by reviewing the question in the questionnaire with our supervisor who has major experience in the area. After discussion and by renewing the questions in two steps, a questionnaire that matches our research could be sent out. Furthermore, the Swedish council was able to provide lists of Swedish companies operating in China, which increased the accuracy of the research.

## 5. Analysis

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*This chapter will analyze the collected data from the survey made on the Chinese employees. First, descriptive data are presented followed by a reliability test of the combined statements. Thereafter, correlation tests between the independent variable and dependent variables are made to test presented hypotheses. This is followed by a regression test. Finally, a summary of the test will be presented.*

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### 5.1 Statistical Analysis

This analysis is using SPSS (Statistical Package for the Social Sciences) for analyzing the collected data. The structure of this analysis will start by presenting descriptive data from the responders. This will concern gender, age, years' of total work experience, education and current employment. Then the construction of the independent and dependent variables are done. Where it is relevant, an alpha test is performed in order to measure the reliability of the combined statements. Moreover, a Kolmogorov-Smirnovs test will be made as well to decide whether the variables are normally distributed or not. Each hypothesis is then tested with correlation tests to find out which hypotheses that could be accepted. Finally, two regression tests are made with the control variable gender.

### 5.2 Response rate

There is no exact number of how big the response rate is. This because, it is impossible to know how many companies that actually spread the survey to their employees. Moreover, employees that were contacted directly via Facebook were answering the same survey as those employees the companies helped us to find. Therefore, one cannot decide how big the response rate might have been. However, the survey was spread to 37 companies and to 200 Chinese workers that were contacted via Facebook. With 86 respondents one can conclude that the response rate was low.

### 5.3 Respondents

Descriptive data for age, gender, years of education and work experience were collected and are described in this section. This helps to create an overview of the respondents to the questionnaire. A descriptive view of the respondents is presented in table 5.1.

	Gender	Age	Years of total work experience	Years of education	Years of work experience in current employment
N	86	86	86	86	86
Mean	1.44	33.47	8.2	15.18	4.29
Median	Man	34	9	15	4
Std. Deviation	0.5	4.91	3.99	1.08	2.27
Range	1	24	19	5	9

*Table 5.1 – Descriptive statistics responders*

The respondents' gender was almost equally divided with the males in slight majority. Totally, 48 of the responders were males and 38 of them were females. The participants' age ranged between 24 and 48 years. The mean age was 33.47 years. All of the respondents had at least 13 years of education behind them. The mean education years are 15.18 years and work experience had a mean of 8.2 years. Furthermore, the current employment has a mean of 4.29 years, with a range from 0 to 9 years.

To sum up the descriptive statistics of the responding Chinese employees, the median person is presented. This person is a male that is 34 years old. He has nine years of total work experience of which four of those are within the current employment. Also, he has a basic education topped up with some kind of higher education.

### 5.4 Dependent, independent and control variables

Stated in previous chapters, the employees' innovativeness is the dependent variable and the variables of HR practice and culture are the independent variables. The employees' innovativeness counts for one variable and the HR practices counts for seven and culture for three. All of these variables were captured by several scale statements from the grade of 1 to 7.

A Cronbach's alpha test has been conducted to test the reliability when there is more than one statement to capture a phenomenon. This test has been made where we have aimed at catching the same phenomena with more than one statement. This is the case for innovation and three of the culture measures. A high correlation indicates that the same statements are capturing the same phenomenon; meanwhile, a low indicates that the statements is capturing different phenomena and are not reliable. The lowest acceptable limit in a Cronbach's alpha test is 0.6 (Hair et al. 2010).

Employees' innovativeness is the dependent variable and it was intended to be captured through seven statements. These statements resulted in an alpha value of .527, which is not accepted. Considering the statements, two of them (S11 and S12) had an unclear relation to innovativeness. The low score on the Cronbach's alpha test indicates that the two questions did not catch the phenomena of employee innovativeness, but instead they caught something else. In order to get a reliable investigation these two questions had to be excluded from the analysis. Due to the removal of the two statements, the remaining five scored 0.846 which are considered to be an acceptable alpha value (Hair et al., 2010). The remaining five statements have been added into one variable that is used to capture degree of innovativeness. This new variable has a mean 5.158 and range of 1.081. All statements can be found in appendix 2.

The seven HR practices were each caught by one statement and they account for seven variables. The cultural factors account for three variables that were intended to capture the impact of culture from three points of views. First, the concept of face is measured with three different statements. Secondly, hierarchy status is measured by five statements. Lastly, the dimension of individualism is measured with three statements. All three groups of statements scored acceptable alpha values. The concept of face was .855 followed by hierarchy status that was .697 and finally individualism had .680. These tested alpha values showed acceptable values and, therefore, the constructed variables are accepted and considered reliable. The Cronbach alpha value together with mean and range can be found in the table below in table 5.2. The list of statements can be found in appendix 2.

Statement	Cronbach's Alpha	Mean	Range
S6+S7+S8+S9+S10 Employee innovativeness	.846	5.158	1.081
S13 Career ladder	Alone	4.650	5.000
S15 Internal training	Alone	5.080	6.000
S17 Result- oriented appraisal	Alone	6.000	2.000
S20 Employment security	Alone	4.860	6.000
S23 Employee voice/participation	Alone	4.560	6.000
S25 Broadly defined jobs	Alone	6.670	2.000
S28 Performance-based compensation	Alone	5.340	5.000
S30+S31+S32 Concept of Face	.855	4.496	0.872
S33+S34+S35+S36+S37 Hierarchical status	.697	3.947	4.000
S38+S39+S40 Individualism	.680	4.651	1.000

Table 5.2 – Result from Cronbach's alpha test

Thus, the analysis includes one dependent variable, 7 HR independent variables and 3 independent culture variables. Before testing the hypotheses, a Kolmogorov-Smirnov test were conducted in order to find out whether the variables are normally distributed or not. Ten of the eleven variables showed significance for being non-normally distributed, all except for the variable of individualism. All these values can be found in appendix 3 in table 3. As it was only the variable of individualism that was normally distributed, further correlation tests for testing the hypotheses uses a non-parametric tests. The main argument for this is that the dependent variable is not normally distributed.

### 5.5 Correlation test

In order to test our hypotheses we have used correlations test. As described above, all except one variable has a non-normal distribution on a 95% significant level. This implies that we will use the Spearman correlation test. The correlation between variables reveals how strong relationships are between them. In this test a 95 % significant level is used. Moreover, the correlation coefficient indicates if the correlation coefficient is positive or negative. A positive correlation coefficient means that when one variable increases the other variable increases as well. A negative correlation coefficient means that when one variable increases the other variable decreases.

Each hypothesis is described and analyzed below. First, the seven hypotheses regarding HR practices correlation to innovativeness test will be reviewed. After that, the three independent variables of culture are analyzed for the same reason. The mean and the range

of each of the variables, as well as an overview of the correlation between the variables, are presented in table 5.3.

	Variables	Mean	Std. Dev.	Range	1	2	3	4	5	6	7	8	9	10
1.	Innovativeness	5.1581	.97697	1.6 - 6.6										
2.	Career ladder	4.65	1.54	2.0 - 7.0	.798**									
3.	Formal training	5.08	1.603	1.0 - 7.0	.638**	.549**								
4.	Result-oriented performance appraisal	6.00	.703	5.0 - 7.0	.231*	.215*	.054							
5.	Employment security	4.86	1.723	1.0 - 7.0	-.105	-.102	.175	-.708**						
6.	Employee voice/participation	6.67	.622	5.0 - 7.0	.098	.186	.104	.559**	-.212*					
7.	Broadly defined jobs	4.56	1.962	1.0 - 7.0	.057	.034	.218*	-.305**	.749**	.004				
8.	Performance-based compensation	5.34	1.591	2.0 - 7.0	.247*	.182	.047	.160	-.367**	-.030	-.336**			
9.	Concept of Face	4.4574	1.815	1.0 - 6.33	.219*	.208	.276*	-.252*	.416**	.089	.470**	.260*		
10.	Hierarchical status	3.9558	1.29011	2.2 - 6.0	-.511**	.463**	-.309**	-.573**	.482**	-.418**	.193	-.348**	-.327**	
11.	Individualism	4.6512	1.39926	2.0 - 7.0	.102	.095	.189	-.009	.522**	.126	.855**	-.208	.170	.193
	* $p < .05$													
	** $p < .01$													

Table 5.3 – Descriptive statistics and Spearman correlations

### 5.5.1 Testing HR-hypotheses

The *first* hypothesis of the HR practices variables were whether internal career ladder is positively related with employee innovation. The correlation test between these variables showed a strong significant relationship (.000). Moreover, the correlation coefficient was positive at a high level of .798. This indicates that the presence of Career ladder is positively related with employees' innovativeness.

The *second* hypothesis claimed formal training system to be positively related with employee innovation. This HR practice has, as well as the career ladder, a strong significant relationship (.000). The correlation coefficient is positive with .638, which means that the presence of formal training systems is positively related with employees' innovativeness.

The *third* hypothesis states that result-oriented performances are positively related with employee innovation. The correlation test showed that there was a significant relationship between these two variables (.033). This practice had a positive correlation coefficient of .231, which means that the presence of result-oriented performance is positively related with employees' innovativeness.



The *fourth* hypothesis claimed that employment security is positively related with employee innovation. However, this practice showed no significant relationship to the variable of employee innovativeness (.336). Moreover, this practice correlation coefficient is negative (-.105). Therefore, the presence of employment security could not be considered positively related with employees' innovativeness.

Employee voice/participation is positively related with employee innovation is stated in the *fifth* hypothesis. However, the correlation had a score of .368, which indicate no significant relationship between the variables. Moreover, the correlation coefficient showed a low positive relation (.098). As a result, the presence of allowing employees to participate and make them self-heard have no significant positive correlation with employees' innovativeness.

The *sixth* hypothesis is how a broadly defined job is positively related with employee innovation. However, there is no significant correlation between these variables (.604). The correlation coefficient indicates a low positive level (.057). This means that the presence of a broadly defined job is positively. Still, this practice did not show a significant correlation to innovation.

The *seventh* and last hypothesis regarding HR practices investigates whether performance-based compensation is positively related with employee innovation. The correlation test showed that there was a significant correlation between the variables (.022). The correlation coefficient was positive (.247). This means that if companies' bases compensation on performance, then employees' innovativeness will increase.

The findings from the Spearman correlation test showed that four out of seven HR practices had a significant correlation with employees' innovativeness. Moreover, two practices scored within 99% certainty level. Those two practices were the internal career ladder and formal training systems. These two practices had the highest correlation coefficient towards innovativeness. The two other practices that showed a significant correlation, results-oriented performance appraisal and performance-based compensation, scored within the 95% certainty level. Those practices that had no significant correlation were the employment security, employee voice/participation and broadly defined jobs.

Consequently, hypotheses regarding these practices were rejected. The results of all seven hypotheses are summarized below in table 5.4.

<b>HR practices hypotheses</b>	<b>Result</b>
<b>H1.</b> Internal career ladders is positively related with employee innovation	Accepted
<b>H2.</b> Internal training systems are positively related with employee innovation	Accepted
<b>H3.</b> Results- oriented performance appraisal are positively related with employee innovation	Accepted
<b>H4.</b> Employment security are positively related with employee innovation	Rejected
<b>H5.</b> Employee voice/participation are positively related with employee innovation	Rejected
<b>H6.</b> Broadly defined jobs are positively related with employee innovation	Rejected
<b>H7.</b> Performance-based compensation is positively related with employee innovation	Accepted

*Table 5.4 – Accepting or rejecting the HR practice hypotheses*

### *5.5.2 Testing culture-hypotheses*

The three hypotheses concerning the relation between culture innovativeness among Chinese employees will now be presented. The correlation test can be found in table 5.2.

The first hypothesis (H8) in the field of culture is whether the concept of face is negatively related with employee innovation. Findings from the correlation test showed that the concept of face had a significant correlation (.042). However, the result from the correlation coefficient is pointing in an opposite way than expected (.219). The hypothesis suggest that the correlation should be negative related toward employees' innovativeness. Instead this coefficient had a positive effect. An explanation of why this occurred could be that Chinese employees try to meet the needs of their company that they are employed at. The employees may still be affected by the concept of face. In Western and Swedish companies it is common to share knowledge and participate in discussions, thus this call

for an adoption from the Chinese employees. This could be one reason to the positive correlation coefficient.

The second hypothesis (H9) in the section of culture is if hierarchical status is negatively related with employee innovation. A strong significant correlation was found (.000). Moreover, the correlation coefficient (-.511) indicates that hierarchal status is negatively related to employees' innovativeness. Therefore, this hypothesis could be accepted.

The third and last hypothesis (H10) regarding culture is whether working individually is negatively related with employee innovation. Despite the fact that China is a highly collectivistic country, this test did not show any significant correlation (.348) between individualism and innovativeness (Hofstede, 1984). As a result, the hypothesis is rejected and do not explain any relationship to employees' innovativeness.

To conclude, Hierarchy status was the only hypothesis in the cultural section that could be accepted. The concept of face was significant correlated to employees' innovativeness. However, the correlation was positive and as a result the hypothesis could not be accepted. A summarize of the hypotheses could be found below in table 5.5.

Culture hypotheses	Result
<b>H8.</b> The risk of losing face is negatively related with employee innovation	Rejected
<b>H9.</b> Hierarchical status is negatively related with employee innovation	Accepted
<b>H10.</b> Working individually is negatively related with employee innovation	Rejected

*Table 5.5- Accepting or rejecting the culture hypotheses*

## 5.6 Regression test

So far we have tested our HR practice and culture factors with bivariate correlation tests. However, it would be interesting to test the influence on innovation when taking all the independent variables into consideration. This could be achieved by a multiple regression test. Before the regression test was conducted, all suggested variables were added into a

correlation. This test, with exception of the control variable gender, was made earlier and the result could be found in table 5.2. This test was made in order to find out how correlated the independent variables were. The intention was to conduct a regression test with all the variables, but the test indicated multicollinearity. However, the multicollinearity could be resolved when the variables of HR practice were separated from culture and two HR practices of result-oriented appraisal and the employment security were excluded. According to Pallant (2005), accepted multicollinearity level lies within the range of 0.3 to 0.9 and this was followed in this test. Therefore, two separate multiple regression models will be presented. The first one includes the HR practices variables and the second one includes the culture variables. In addition to these variables, gender has been added as a control variable to see whether there is any difference between males and females. The model was further tested for multicollinearity with VIF values, where the tolerance values lies between 0.10 and 10 (ibid.). Moreover, a acceptable Durbin-Watson test lies between 0 and 4. A value of 2 indicates no autocorrelation, values pending to 0 indicate a positive correlation and values towards 4 indicates a negative correlation (Andersson, Jorner & Ågren, 2007). In order to discover possible outliers the regression analyzes were tested with Cook's Distance test, where a value above 1 indicates potential problems (Pallant, 2005).

### *5.6.1 HR practice regression*

The first multiple regression model regards the HR practices. It indicated multicollinearity among the seven independent variables. However, when excluding the variables of employment security and result-oriented appraisal the limit of multicollinearity was accepted. The regression analysis can be found in appendix 3, table 1.

The regression analysis was performed within a 95% confident interval. The result of the regression test showed that the model was significant. Moreover, the model has a total exploratory power that accounts to a total of 70.1%. In the model, variables of career ladder and formal training showed a high significant level at 0.1% level. These two variables are making a unique contribution to predict the dependent variable of employees' innovativeness. However, the performance-based compensation was not significant at a 5% level, but was proved to be significant at a 10% level and was dismissed. When the variable is above the significance level of 5%, one cannot claim that it is making a unique

contribution to the dependent variable (Pallant, 2005). The performance-based compensation cannot be proved to make a unique significant contribution to employees' innovativeness. Still, one can say it indicates a relationship and should not be dismissed entirely.

The regression test reveals how much each of the independent variables contributes to the independent variable. The standardized beta coefficients revealed that the largest beta coefficient was career ladder (0.378). This means that career ladder, when the total variances from all other variables are accounted for, makes the strongest unique contribution explaining employees' innovativeness. The variable of career ladder is followed by formal training (0.224) and performance based compensation (0.064). When squaring the beta values, it reveals how much the R squared would drop of if that variable was not in the model (Pallant, 2005). A large beta value indicates a stronger explanation of the variance of employee innovativeness. The standard errors from the model can be found in appendix 3, table 1. These errors tell the difference of the estimated and the true value. The control variable did not show any significance. The model also fulfills the requirements set by VIF-values, Durbin-Watson and Cook's distance. These values could be found in table 1 in appendix 3.

### *5.6.2 Culture regression*

The second multiple regression analysis was also tested on a 95% confident interval and included the variables of culture; the concept of face, hierarchical status and individualism. In this test, gender was used as a control variable. The total exploratory power accosted to a total of 10.4%. The analysis proved hierarchical status to be significant at a 0.1% level, while the concept of face and individualism showed no indication to be significant. As a result, the only interesting beta value is from the hierarchical status (-.281). Hierarchical status is the only culture aspect that is significant negative correlated with employees' innovativeness. The control variable did not show any significance in this model either. This model also fulfills the requirements set by VIF-values, Durbin-Watson, and Cook's distance. These values could be found in table 2 in appendix 3.

The cultural hypotheses implied that the different cultural factors would have a negative impact on employees' innovativeness. However, the regression analysis states that it was only the hierarchal status that could be proved to be statistical significant which in turn

support that statement. In contrast to the other factors that could not be proven by statistics. However, the unexpected positive correlation from the concept of face towards employees' innovativeness in the bivariate correlation test indicated no significant relationship in the regression analyze.

The bivariate correlation test indicated the career ladder, formal training, results-oriented training appraisal, performance-based compensation, concept of face and hierarchical status to be significant correlated towards employee innovativeness. However, this test measures the relationship between two variables. In comparison, the regression analyzes, that indicates that career ladder, formal training and hierarchical status to be significant but it also indicated the performance-based compensation to be significant at a 10% level. The regression analyze includes all the independent variables in the same equation. The result reveals how well the set of independent variables are to explain employees' innovativeness, but also how much variance in the dependent variable from each independent variable (Pallant, 2005). One can conclude that the bivariate correlation test is significant when the variables are measured one by one against employee innovativeness. However, when all variables are tested in the same regression equation, the correlation significance disappears. As the model in chapter 3 is based with all the independent variables at the same time, the result from the regression test is preferred.

### **5.7 Summary of analysis**

This summary will reveal findings from analyzes made. This will start with a summary of the correlation tests followed by the two regression tests. First out is the impact of HR practices and after that culture factors are reviewed.

Four out of the seven HR practices presence in companies were proved to have impact on innovativeness among the employees. Companies that uses career ladder had the most proven effect on innovativeness followed by internal training. These two practices showed a strong significant positive correlation to employees' innovativeness. Also, result-oriented performance appraisal and performance-based compensation were significant correlated to employees' innovativeness. However, these two practices had a less positive correlation to innovativeness compared to career ladder and internal training. The three remaining HR practices that were tested showed no significant correlation. These practices were employment security, employee voice/participation and broadly defined jobs.

Career ladder was that practice in the analysis that was proved to have deepest impact on employees' innovativeness. There is no surprise that this practice has a significant correlation with innovativeness. Previous research has shown that a well-functioning career ladder, where promotion is possible, significantly increases employees' capability to be innovative (Jiménez-Jiménez & Sanz-Valle, 2005). This finding adds further proofs to the importance for companies to use career ladders in order to inspire employees to be innovative.

The usage of internal training was proved to have a high positive correlation to innovativeness. Although training is considered to be a costly practice, previous researchers state its beneficial outcome (Ayanda & Sani, 2010). Findings in this thesis go in line with previous finding, that usage of internal training practice is positively related to employees' innovativeness (Beugelsdijk, 2008).

Result-oriented performance appraisal significant positive correlation to employees' innovativeness goes in line with previous findings (Jiménez-Jiménez & Sanz-Valle, 2005). Compared to career ladder and internal training, result-oriented performance had a less positive correlation. Still, findings indicate that the presence of this practice is positively related with employees' innovativeness.

The last HR practice that had a significant positive correlation to employees' innovativeness was performance-based compensation. This practice showed a small positive correlation. Therefore, presence of compensation with the purpose to motivate, attract and keep employees is positively related to innovative employees. This practice positive effect on innovation has been stated before in previous research (Beugelsdijk, 2008).

Employment security, employee voice/participation and broadly defined jobs were the three practices that showed no significant correlation to innovative employees. According to Jackson et al., (1989), an innovative employee needs to have an employment that he feels secured with. However, this research cannot give further proof to these previous findings. Moreover, Ayanda and Sani (2010) states that a greater influence of employment participation is one of the basics for companies to be successful nowadays. According to Schuler and Jackson (1987), high involvement and ability for employees to participate in

issues facing the company is required to inspire employees to be innovative. Findings in this thesis cannot support these previous findings. A broad defined job with challenging and meaningful work assignments have been proved before to have a positive effect on employees' innovativeness (Petroni, 1999). However, this practice cannot be supported in this research.

The main purpose of this thesis was to explain how Swedish companies can stimulate innovation among employees in their companies by using factors from Human Resource Management. Findings from correlation tests served the purpose by providing four practices whose presence effect employees' innovativeness. However, the first regression test regarding HR practices showed that there were only career ladder and formal training that were proved to be significant and correlated to employees' innovativeness. Performance-based compensation could be accepted within the 10 % level. Result-oriented performance that was significant in the correlation test had in the regression test a too high correlation and was excluded.

In the field of culture, one out of the three presented hypotheses were accepted and proved to have a negative effect on employees' innovativeness. However, findings from the analysis regarding culture showed a result that was not in line with our expectations. In the theoretical review, the chosen culture aspects are presented as factors that restrain the emergence of innovation. This was proved to be truth in one out of the three hypotheses. The Chinese society with a hierarchical status showed to be significant negative related to innovativeness. However, the concept of face showed a significant positive relationship. This was not in line with our theory that face would be negatively related with employees' innovativeness. One can only guess why this result showed a positive relation. A possible reason could be that Western companies demand employees to participate more in daily discussions than domestic Chinese company do. Therefore, employees feel they need to participate differently in the Western company, although the concept of face still has a strong importance for the Chinese employees. One other possible explanation could be that Chinese employees are thinking through their ideas thoroughly before presenting them in order to prevent losing face. Thoughtful ideas could be a reason to why the concept of losing face indicated a positive correlation to employees' innovativeness. Furthermore, Chinas collectivistic society, where people act in the interest of the group and rather work together than individually showed no significant correlation with innovativeness.



The following regression test showed a similar result to what that has been found in the correlation test. Hierarchical status was the only cultural aspect that could be considered to affect innovativeness negatively. This was in line with what has been found in the correlation test. However, the concept of face that showed an unexpected value in the correlation test did not show a significant value in the regression analysis and was excluded. The control variable of gender was used in the two regression tests to decide if it had any effect on the correlation between independent variable innovation and dependent variables of HR practices and culture. However, gender showed no effect to interfere the correlation between these variables.

## 6. Thesis Conclusions

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*This last chapter will discuss the findings from the previous chapter. Moreover, the practical relevance of this thesis and a critical review are presented. Finally, there will be suggestions to future research within the fields of this thesis.*

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### 6.1 Summary

This summary will conclude the findings of this thesis. The purpose of this thesis was to give an answer to the research question, *what is the influence of culture and HR practice on the Chinese employees' innovativeness?*

In Chapter 3, a model was created based on theory. The model provided an overview of the HR practices and cultural aspects that were expected to be correlated to employees' innovativeness. However, after the analyses of the survey, the model has been updated to reveal the actual findings of this thesis.

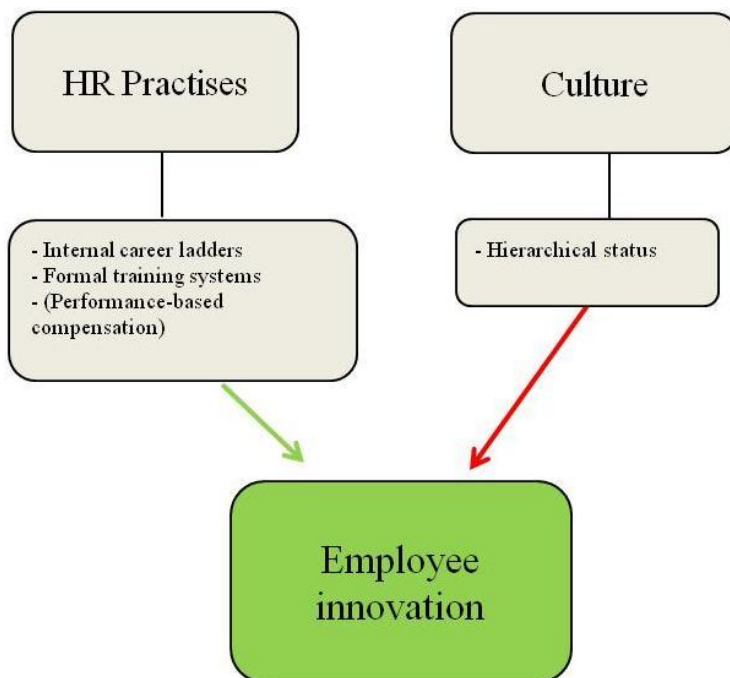


Fig. 4 – Updated Employee innovativeness model

Innovation for companies today is an essential key for long-term survival (Drucker, 1999; Von Stamm, 2009). This thesis has used seven different HR practices to find out if their presence would affect employer innovation. Moreover, culture aspects that are typical for China were tested to see if they affect the innovativeness in the workplace.

After reviewing the findings from the survey that were sent out to the Chinese employees, four out of seven HR practices showed a positive correlation with employees' innovativeness. These four practices were career ladder, internal training, result-oriented performance appraisal and performance-based compensation. Career ladder had the most proven effect on innovativeness followed by internal training. These show significant correlation to innovativeness and the coefficient was positive. In addition, the regression analyses indicated the practice of career ladder to be the main influencer followed by formal training. However, the performance-based compensation indicated to be an influencer but it could only be statistically determined on a 10% level.

The findings from how culture affects employees' innovativeness were not in line with our expectations. We were expecting to find a negative correlation between the cultural variables and innovativeness among employees. However, hierarchical status was the only one that showed a negative correlation. The Concept of face and the Chinese collectivistic society had no significant negative correlation to employees' innovativeness. In the following regression analysis, hierarchical status once again was the only cultural aspect that showed a significant negative correlation.

To conclude, after reviewing the two regression analyses, the model presented in the theoretical review has been modified. The first regression test with HR practices shows that it is the practices of career ladder and formal training that can be proven statistically significant. The regression model concerning the culture factors revealed the factor of hierarchical status to be significant.

## **6.2 Practical relevance and theoretical contribution**

The main aim of this thesis was to point out which practices of Human Resource Management that can be used to influence Chinese employees to be more innovative, but also investigate which cultural factors that could possibly restrain innovation. This research has not been widely investigated before, therefore, this research is considered to be of

academic value. Therefore, this thesis can serve as a complement for future decisions within the field. Besides the academic value, our finding is of use for Swedish managers that deal with Chinese employees. Even if the survey was sent out to Chinese employees working at Swedish companies, the finding might also be of value to managers of other nationalities besides the Swedes.

Findings from this thesis suggest that companies should use the HR practices that showed the greatest correlation towards employee innovation in order to raise the innovation level. The four practices that were proved to have a significant relationship towards innovativeness can inspire companies in which direction they should focus their HR practices. However, this thesis measures only a limited number of HR practices and one can consider other practices that could affect innovativeness as well.

The fact that two of the HR practices had a high significant correlation to innovativeness should be taken into consideration for companies operating in China. The presence of career ladder, where employees feel that they can advance in position, indicates in this thesis to be strongly connected with employee innovation. Moreover, companies should, according to this thesis finding, use formal training systems to improve the skills of their employees. Furthermore, findings suggest that results-oriented performance and performance based compensation could be of use to increase the innovation level within the company. However, when considering all practices of HR and the cultural factors in the same equation, the correlation was not significant from results-oriented performance. Still, performance-based compensation indicated a significant correlation, but not as significant as career ladder nor formal training.

There is a big cultural difference between China and Sweden specifically referring to the hierarchical status, where the power distance is much greater in China than in Sweden. The statistical analysis revealed this to be the factor that restrains employee innovativeness. A manager should try to reduce the power distance to their employees in order to get the Chinese employees more inclined towards innovation. The other cultural factors that we assumed to restrain employee innovativeness could not be proven to be statistically significant enough, and were therefore dismissed as factors restraining innovation.

### **6.3 Social reflection**

This research points out the best practices to use from the Strategic Human Resources Management (SHRM) in order to increase the innovativeness level among Chinese employees. The implication on the society if Swedish managers implement our findings and practice them can only be speculated. However, the importance of innovation has been argued earlier in chapter one and three by several researchers. Also, innovations do not only affect companies positively, society as a whole can gain if innovation leads to a bettering of people's everyday life. We believe that companies that motivate employees in China to be more innovative will have a stronger organization as well for a bigger edge when competing in the market. Moreover, the society can positively be affected as well.

The negative influence of hierarchical status on innovation was not surprising to discover in the research and it gave a concrete angle of attack. If the manager can diminish the power distance to the employee, then he will be more inclined to be innovative and bring forth his own ideas. Perhaps this research can affect the culture within companies.

One thing to keep in mind is that China is a country of long traditions that have formed today's Chinese society. Therefore, one can conclude that changes often take long time. As a result, we do not expect any particular implication on the society more than these findings might affect the business culture within the companies in terms of decreasing power distance between employees and managers.

### **6.4 Critical review**

The main critique to this thesis is the small number of participants in the survey. There were 86 respondents which could not represent the whole population of Chinese employees in Swedish companies operating in China. Therefore, any generalization is made on limited grounds. However, it is possible to see indications on relations, but one cannot be certain about its accuracy.

One other problem is regarding the collection of data from the survey. This critique is that no question in the survey was controlling how many different companies the responding Chinese represent. Therefore, one cannot decide whether these responders represent a few or many companies. Due to this, employees working within the same companies could have a tendency to answer similarly on questions regarding the company. Furthermore, all

the statements in the survey were not used when performing the analysis. After reviewing some of the statements, a decision was made that some of the statement were not relevant to this survey.

Two of the hypotheses are based on Hofstede's cultural dimensions. However, the dimensions have often been criticized in several areas. According to Hill (2011), the data collected by Hofstede are now irrelevant. For example, the four original dimensions that were collected in 1983 have not been updated since. This is a problem because, cultures are constantly changing and the increasing globalization has speeded that process up. Moreover, Hofstede's dimensions conclude that one country has one culture. However, there can be many different cultures within a nation.

### **6.5 Future Research**

There are numerous further researches that could be made within the fields of HR, innovation and culture. For instance, it would be interesting to conduct a similar study on a larger scale generalizations could be drawn. Also, it would be of interest to see if the results would be a close match to that what has been found in this thesis.

It would also be of interest to conduct a study that links HR to other outputs than innovation. Examples of this could be to study how HR practices could encourage team-work or co-operation across internal organizational boundaries.

The mediating effect of culture is another study that could be made. By using culture as a mediating variable between the independent variable HR practice and the dependent variable innovativeness, one can decide whether the mediating variable affects the usage of HR practices to create innovative employees.

Moreover, there are numerous practices that could be used instead of the seven practices that have been used in this thesis. A similar study with other practices could broader the field of which practices can lead to employee innovativeness.

China has in recent years increased the level of investment in business outside its national border. Therefore, it could be of interest to do a similar study on Chinese companies that operate in Western countries.

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# Appendix 1: Questionnaire

## Survey

Thank you for participating in this research. All your answers will be completely anonymous.

\*Obligatorisk

Q1 Gender

- Male  
 Female

Q2 How old are you?

example, 25 years old

Q3 Years of job experience?

Q4 Years of school education?

Q5 Years of employment at your current company?

S6 I see myself as a person that contributes with new ideas in the workplace. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S7 I bring forth ideas concerning the development of new products in my workplace. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S8 I present new ideas that could benefit the organization. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S9 I present new ideas that could improve my working condition. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S10 I present solutions if my company faces a problem. Please rate the following statement from 1-7 . 1= Disagree, 7= Agree

S11 I consider changes in the workplace as something negative. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S12 I prefer to have set up rules to follow in my daily. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S13 In my company, I have the possibility to advance to a higher position. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S14 I think it is important that I have the possibility to advance to a higher. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S15 My company provides me with further education regarding my working tasks. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S16 I think it is important to that I receive further education in my job. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S17 I am valued on the basis of my work achievements. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S18 The chance to get promoted increases when I achieve set up goals. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S19 If I do not meet set up goals I risk receiving less salary. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S20 I experience my employment situation as stabile. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S21 It is important to have an employment that is stable. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S22 I speak up if/when I feel dissatisfaction at work. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S23 I participate in discussions at work that is concerning company related issues. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S24 I think it is important to that I can participate in company related issues. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S25 My company clearly defines what work I should do. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S26 I think it is important that my working issues are clearly. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S27 My company bases my salary on my performance. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S28 When I reach company goals I receive extra financial compensation. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S29 I think it is important that salary is based on performance. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S30 I think it is embarrassing to make a fool out of myself in front of colleagues. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S31 I rather keep my ideas to myself than risk being embarrassed at work. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S32 I think it is important to not be embarrassed in front of other colleagues. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S33 I do not speak to a person with my ideas if that person is my superior. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S34 I do not correct a person of superior working status even if he is wrong. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S35 I do not enter a job related discussion with a person of higher working status. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S36 I feel that I am disrespecting a person of higher working status if I correct him. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S37 It is important to respect people of higher worker status. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S38 My work is performed individually. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S39 I prefer to work individually. Please rate the following statement from 1-7. 1= Disagree, 7= Agree

S40 I prefer to take individually responsibility for decisions I present. Please rate the following statement from 1-7 . 1= Disagree, 7= Agree

## Appendix 2: List of statements

No.	Statement
6	<b>I see myself as a person that contributes with new ideas in the workplace</b>
7	<b>I bring forth ideas concerning the development of new products in my workplace</b>
8	<b>I present new ideas that could benefit the organization</b>
9	<b>I present new ideas that could improve my working condition</b>
10	<b>I present solutions if my company faces a problem</b>
11	I consider changes in the workplace as something negative
12	I prefer to have set up rules to follow in my daily work
13	<b>In my company, I have the possibility to advance to a higher position</b>
14	I think it is important that I have the possibility to advance to a higher position
15	<b>My company provides me with further education regarding my working tasks</b>
16	I think it is important to that I receive further education in my job
17	<b>I am valued on the basis of my work achievements</b>
18	The chance to get promoted increases when I achieve set up goals
19	If I do not meet set up goals I risk receiving less salary
20	<b>I experience my employment situation as stable</b>
21	It is important to have an employment that is stable
22	I speak up if/when I feel dissatisfaction at work
23	<b>I participate in discussions at work that is concerning company related issues</b>
24	I think it is important to that I can participate in company related issues
25	<b>My company clearly defines what work I should do</b>
26	I think it is important that my working issues are clearly defined
27	My company bases my salary on my performance
28	<b>When I reach company goals I receive extra financial compensation</b>
29	I think it is important that salary is based on performance
30	<b>I think it is embarrassing to make a fool out of myself in front of colleagues</b>

<b>31</b>	<b>I rather keep my ideas to myself than risk being embarrassed at work</b>
<b>32</b>	<b>I think it is important to not be embarrassed in front of other colleagues</b>
<b>33</b>	<b>I do not speak to a person with my ideas if that person is my superior</b>
<b>34</b>	<b>I do not correct a person of superior working status even if he is wrong</b>
<b>35</b>	<b>I do not enter a job related discussion with a person of higher working status</b>
<b>36</b>	<b>I feel that I am disrespecting a person of higher working status if I correct him</b>
<b>37</b>	<b>It is important to respect people of higher worker status</b>
<b>38</b>	<b>My work is performed individually</b>
<b>39</b>	<b>I prefer to work individually</b>
<b>40</b>	<b>I prefer to take individually responsibility for decisions I present</b>



## Appendix 3: Tables

**Table 1: Results of Regression Analysis for Employee innovativeness in the HR practices**

Variables	Std. B	Std. Error
1. Career Ladder	.377***	.047
2. Internal training	.224***	.044
3. Employee voice/participation	-.159	.099
4. Broadly defined jobs	-.018	.032
5. Performance-based compensation	.064†	.039
6. Gender	-.195	.120
Constant	3.348***	.692
F-value	34.254***	
Adj. R <sup>2</sup>	.701	
VIF value, highest	1.574	
Cook's distance value, max	0.181	
Durbin-Watson	2.301	

†  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

**Table 2: Results of Regression Analysis for Employee innovativeness in culture**

Variables	Std. B	Std. Error
1. Concept of Face	.024	.059
2. Hierarchical status	-.281***	.084
3. Individualism	.030	.073
4. Gender	-.136	.204
Constant	6.219.***	.592
F-value	3,461.*	
Adj. R <sup>2</sup>	.104	
VIF value, highest	1.177	
Cook's distance value, max	.145	
Durbin-Watson	2.047	

†  $p < .10$ , \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$

**Table 3: Result from Kolmogorow-Smirnov test**

<b>Variables</b>	<b>Asymp. Sig (2-tailed)</b>	<b>Distribution</b>
Innovativeness	.030	Non-normally
Career ladder	.047	Non-normally
Formal training	.014	Non-normally
Results-oriented performance appraisal	.000	Non-normally
Employment security	.000	Non-normally
Employee voice/participation	.000	Non-normally
Broadly defined jobs	.023	Non-normally
Performance-based compensation	.009	Non-normally
Concept of Face	.000	Non-normally
Hierarchical status	.009	Non-normally
Individualism	.188	Normal

