

Workforce Differentiation and Human Resource Management Practices: An Exploratory Research in China

Liu Xiaolang, Liu Shanshi and Wang Hongli*

*Business Administration school, South China University of Technology,
Guangzhou City, 510640, China*

**E-mail: liuxiaolang0507@163.com*

KEYWORDS Human Resource Management Practice. Guan Xi. Value. Workforce Differentiation

ABSTRACT Guangzhou Z Hotel differentiates its staffs into three groups, namely, the core groups, close groups and loose groups, using different incentive practices with different employees, which raise the researchers' interest. The research sets Z Hotel as an example to study workforce differentiation and its implication on human resource management practices in China. The researchers used a grounded theory methodology and the validity of the research was enhanced by data triangulation. The research was based upon an organization, which is within the substantive setting of the hotel industry. Based on grounded theory, the researchers explored the characteristics of the staff classifications and differential human resource management practices in China's context. The main conclusions are: (1) employees are grouped by their "guan xi" and "capital value" to the organization, and (2) based on the employee classification, human resources management practices present differential modes embodied in their ability, motivation and opportunity.

INTRODUCTION

Currently, workforce differentiation has become a hot topic in strategic human resource management, which has caused a lot of scholars and practitioners to be interested in it. Many recent researches and practitioners have focused on workforce differentiation, taking it as a key successful strategy towards firm performance (Becker and Huselid 1998, 2006; Becker et al. 2009; Cappelli and Keller 2014). They cherish the idea that some employees or jobs are more strategic (valuable) than others, and hence, they should be regulated accordingly. Miles and Snow (1984) pointed out that although some HR practices may be standardized or centralized for all employees, others might be customized to meet the specific requirements of particular employee groups in one of their earliest papers on strategic human resource management. These differences are equally important and are key aspects of a firm's strategic HR practice. Building on this argument, Lepak and Snell (1999) noted, "it may be inappropriate to simplify the nature of human capital investments and suggest that there exists a single optimal HR architecture for managing all employees" (p.32). Since different employee groups possess capability and skills that vary in contribution to a firm's performance and competitiveness, the HR practices used to regulate them are subject to being different as well (Jackson et al. 1989). For both scholars and practitioners, the research

on workforce differentiation raises potentially interesting and new questions. Specifically: *How do we identify strategic jobs or people? What are the implications of workforce differentiation on HR elements such as job design, recruitment, selection, performance management, promotions and exits, and so forth? What are the differences in workforce differentiation and its implication on HR practices between companies in China and western world?*

The researchers know that different HR practices and employment modes exist, but at the employment group level of analysis on HR systems or subsystems, it remains limited, especially for a Chinese company. Hence, the aim of this study is to focus on HR practices used for different groups of employees to address these issues in China. Firms in China implement differentiated workforce strategies that are not yet well understood, and hence exploring the fact and essence of workforce differentiation of Chinese firms may require quantitative data collection and analyses. Case studies may contribute to the HR strategy literature (Becker et al. 2009) and have become increasingly important, as a scholar said that illustrative case studies methods are a benefit to the HR strategy research (Siggelkow 2007).

Thus, the paper used a grounded theory methodology. Based on grounded theory, the research explored staff classification and differentiation of human resource management practices under the Chinese context. The aims of the

research focus on, (1) basis of workforce differentiation, and (2) differential characteristics of human resource management practices based on the workforce differentiation. Embedded in the China-specific cultural background, going through an exploratory case study on human resource management practices of local company, the article not only indicated the difference in workforce differentiation between the Western and eastern countries, but also responded to the requirements that strategic human resource management should have a dialogue in a macro-cultural context.

Literature Review

There is no specific definition of workforce differentiation, but it has had a great influence on the strategic human resource management, such as talent management and differential HRM Configurations (Toh et al. 2008; Becker and Huselid 2010; Cappelli and Keller 2014). Without a doubt, the workforce differentiation has positive impacts on a firm's performance and competitiveness through focus on important employees in strategic roles, which is an employer-centric model clearly. Today, in the field of strategic human resource management, a new aspect of workforce differentiation research turns to focus on levels of employee trust and engagement, as well as the conventional levels of employee discretionary effort, capabilities and skills, employee trust and engagement, perhaps to exhibit significant differences by the level of employee performance. Therefore, when firms increasingly adopt the workforce differentiation model, the impact of workforce differentiation on individuals, groups, and teams in a company is likely to provide rich opportunities for human resource research (Becker et al. 2009). Many researches have focused on workforce differentiation recently, taking it as a key component of successful strategy, and ultimately as a contribution to the firm's performance (Huselid et al. 2005a; Huselid et al. 2005b). There are particularly salient two streams of research here. In the research field of internal and external employment, many scholars have found that companies use different employment modes and management practices for strategic reasons (Matusik and Hill 1998; Becker and Huselid 2010). Similarly, Rousseau (1995) and Tsui et al. (1995) have shown that depending on their expected contribution of spe-

cific employee groups to the firm, they would establish different employment relationships with them, and modify the scope of HR investments. The harsh reality faced by most organizations is that they simply do not have enough time or resources to do everything for all organizational position and roles, and hence some people or some jobs are more strategic (valuable) than others, and they should be managed accordingly, which is the essence of workforce differentiation. Thus, a management decision about where and how to invest in employees must be made, and hence many researchers and practitioners should focus on strategic jobs predominately. This means in order to ensure that the organization places a person with high ability or top talent in these positions the disproportionate investments or most exactly high investment must be made in strategic roles. Since it is faced by most organizations, attracting, developing, selecting, and retaining talent is a very significant investment strategy.

While, the researchers would question what masks potentially important aspects of how different group of employees are regulated strategically, they only focus on the key and strategic jobs. Miles and Snow (1984) pointed out that while certain HR practices might be standardized or centralized for all employee groups, others might be customized to meet the particular employee groups' specific requirements in one of their earliest strategic HR papers. These differences are no less important, and they are in fact, crucial aspects of a firm's strategic approach to HR. The researchers are all interested in the existence of the different HR practice and employment modes, but an examination of these HR systems and subsystems at the employment group level is limited. As different employee groups possess capacity and skills that contribute to a firm's performance and competitiveness differently, the HR practices to regulate them are likely to be different as well (Becker et al. 2009; Cappelli and Keller 2014). The studies conducted by Lepak and Snel (1999, 2002) are prominent in this area. Based on the agency theory, the resource-based view of the firm and human capital theory, Lepak and Snel (1999, 2002) differentiate employee groups in terms of employment modes by distinguishing the uniqueness and strategic value of human capital.

Another scholar in Taiwan also made a great contribution to such research, especially for the

local Chinese company management. Through clinical observation of company leaders in Taiwan, Zheng (1995) proposed the Chinese model of workforce differentiation by organization leaders should apply the illustration of the social structure of “the pattern of difference sequence” (Fei 1984) to business organizations, the employees are classified into the core groups and assistant groups et al, according to the criterion of “*qin*”, “*loyalty*” and “*ability*”. “*Qin*” is about relationship or *guan xi*, which refers to blood kinship or relationships between individuals (employees and the boss); “*loyalty*” means emotional loyalty and obedience of employees to the organization; and “*ability*” is the competence of the concerned employees. Moreover, these three dimensions are not equal. The most important is “*qin*”, which is a prerequisite for employee classification. According to the relationship with an organization leader, staff are classified into the “intimate” and “alienation” categories. Then is the “loyalty” dimension, and finally is “ability.” Based on the classification of employees, the human resource management practices are different between employee groups, including organizational structure, job design, employment relations and resource allocation. In a formal organizational design, employees in-group are often at the core of the organizational structure, they have more flexible work duties in work design, and their employment relationship with the organization is more relational (Chen et al. 2011; Tao et al. 2014).

Research shows that in the Chinese context, as is the same in the organizations in Western countries, there is a possibility to differentiate management practices based on the workforce differentiation (Chen et al. 2013; Pan 2014; Liu et al. 2015). However, only a few studies have researched on it, that too from the leadership perspective (Zheng 1995; Jiang 2010), lacking support from the systematic human resources management practice. Therefore, the study intends to explore the “what” and “how” of the differential human resources management practices in a Chinese organization.

RESEARCH METHODS

Methods

The research topic is to explore the organizational behaviors in the complex sociocultural

context in China; hence the researchers conducted research on the grounded theory using a single-case. The greatest strength of a single-case study method is that the researchers can conduct more analysis in-depth on the comprehensive events and capture a variety of new phenomena and problems (Eisenhardt and Graebner 2007; Liu et al. 2013). Compared to the theory-testing nature of most extant SHRP research methods, the grounded theory by its phenomenological and inductive nature enabled the researchers to synthesize the macro and micro aspects of SHRP in the present study. Based on the grounded theory method (Strauss and Corbin 1998; Yin 2014), the research incorporates a reflexive approach to data collection and analysis. This reflexive approach assists with the interpretation of situational dynamics through reflecting on behavior in an iterative way as it is observed. In turn, as the key relationships and phenomena emerge, this research activity process focuses on them. This approach facilitates the researchers’ understanding about a situation specific to the social cultural processes in the SHRP being studied.

Case Background

In the choice of case, the researchers followed the principles of theoretical sampling, taking into account typical cases and the availability of research data. The case enterprise of Z Hotel is an impressive hotel in Guangzhou, which was a state-owned enterprise formerly and experienced privatization. After the restructuring, more than 300 employees left the company, and about 50 employees continued working at the hotel. Under the process of development, the CEO clearly proposed the management idea of using different management approaches for different employees. The company divided the staff into three groups, namely, the core group, close group and loose group. Currently, the ratios of employees in the three groups are as follows. The core group accounted for about ten percent of all employees, the close group of about twenty-five percent to thirty percent, and the loose group of about sixty percent to sixty-five percent. Through the differential management, the enterprise is in a good operating position and the profitability is at the top level in the hotel industry, currently.

The workforce differentiation management model of the case enterprise achieved success. As innovative human resource management practices are in use at the local company, conducting a research on it may help the researchers understand the human resource management practice in the Confucian culture, and these innovative human resource management practices might hold significance in improving the management efficiency of local enterprises.

Data Collection and Analysis

In order to ensure the reliability of the study, researchers collected data using a variety of channels, including in-depth interviews, field observations and file information in the company. The data analysis contains decoding, content analysis, pattern matching and discussions in an MBA class, also by experts, emphasizing the variety of data sources and the consistency in conclusions by researchers. Triangle-verification of data sources and multi-analysts ensure the reliability and validity of the study. In particular, the iterative nature of the specific data collection and analysis process is followed.

Data Collection

In the data collection process, the researchers were compliant with the principles of grounded theory strictly, using nonlinear data collection for recording and analysis (Yin 2014; Wang et al. 2014). During preliminary data collation, the researchers compared the data repeatedly, to guide further data collection. When no new information was to emerge it indicated that the data collected had reached its theoretical saturation and the data collection could temporarily stop. Data sources are as follows.

1. In-depth Interviews

To ensure that interviews closely related to the research purpose and topics, the researchers used semi-structured interviews. The interviewees included corporate executives, six senior managers and employees in different groups, including managers in charge of finance, marketing, human resource and other departments. There were two employees from the close group and two from the loose group. The interviewing time was more than 450 minutes in total, recorded about 4.5 million words of text data in Chinese.

2. On-site Observation

During research, the researchers rooted deep in the enterprises several times during the investigation, and observed organizational behaviors of managers and employees. The data has been organized in the form of observation memos, and interviews complementary to ensure accuracy of data.

3. File Information

The researchers gained access to all the files on HR management pertinent to the research theme. Other files and text included the “study notes” for employees to exchange information and ideas, a book on “speech in the meeting of the main backbone employees” and some other internal documents. Through integration and comparison of data from three sources, the researchers found a high degree of consistency inside the data. For conflicting data and information, going back to the source of the data ensured its credibility.

Data Analysis and Coding

After the data collected was collected, the researchers used the grounded theory approach to code data in three steps, followed by open coding, axial coding and selective coding. The process of data analysis and coding is as follows. First, open coding helped with analyzing the conceptualization, which is to extract the main concepts and categories. The purpose of open coding is to give the analyst and researchers new insights by breaking through standard ways of interpreting or thinking about phenomena reflected in the data. Open coding is an interpretive process where data is broken down analytically. In open coding, following the process of actions/events/interactions compared to others for differences and similarities is the process of giving conceptual labels to them. In this way, categories and sub-categories are formed by conceptually similar events/actions/interactions grouped together. This phase of the code is coded reality, and uses verbatim transcripts’ draft text. The check method, based on triangulation with other data sources, is then used to obtain the correction. A total of 68 concepts and 7 categories are produced after the open coding phase.

Then, the researchers conducted the axial coding process. In axial coding, similar sub-categories are grouped together, and the relationships are tested using open coding of data. Also, the researchers should make further development of categories and look for the deep indications ongoing between them. The researchers can build the relationship between sub-categories and their category through the “coding paradigm” of context, strategies (action/interaction), conditions, and consequences. Based on the results of the open coding stage, the researchers explored the intrinsic link between the initial categories, and arrived at five main categories (see Table 1). Finally, the selective coding process is carried out, which is likely to occur in the later phases of a study. In the selective coding process, all categories are unified around a “core” category, and the researches should make further explication on all the categories with descrip-

tive detail. The core category is the purpose and central phenomenon of the study. It is that the researchers should find the logical relationship between the main areas for further refining and induction, to reach the prototype theory in this phase. Around the core areas of the research concept, the scope of consolidation can be understood as a storyline, including four typical relational structures (see Table 2). Around the core areas, the storyline is as follows. By influence of traditional culture and the nature of the enterprise, the company classified employees into four groups based on their guan xi and value, which are, the core group, the emotional close group, the instrumental close group and the loose group. On the basis of the classification of employees, the enterprise adopted differential human resource management practices.

The theoretical model is summarized as a differential human resource management practices

Table 1: Open coding and the main concepts extraction

Core category	Sub-categories	Connotation
<i>Guan xi</i>	Emotional exchange	Familiar with each other; Close tie; Work in the enterprise for a long time; Trust in each other
<i>Values</i>	Instrumental exchange	Fair exchange; contractual employment relationship
	Contribution	Provide sources; High ability; Contribute to corporate
	Scarce capacity	Professional talent; Difficult to retain good sales staff
	Ability	Training and learning together with leaders; Training based on workers' needs; Career ethics training; External recruitment; Internal promotion
<i>Differential HR Practices</i>	Motivation	Material incentives; Mental stimulation; pay based on the market price; Salary above the average; Basic and Developmental welfare; Family benefit; Promotion based on guan xi; Rigorous/ loose assessment
	Opportunities	Fixed job content; Flexible working time; Independent decision-making; Authority within professional range; Management just in command

Table 2: Selective coding and representative quotations

Structure	Connotation of structure	Representative quotations
Classification based on guan xi	Based on guan xi, workers are separated into high and low guan xi groups.	1. Some staff are loyalty, deserving trust. 2. Some senior employees have been working for a long time and are reliable.
Classification based on value	Based on the capital value, employees are separated into high and low value groups.	1. Employees are different, some with high-capacity, some with low-capacity. 2. Core staff, with me a long time, have ability to do work excellently.
Differential HR practices across groups		On the basis of category, employees of different groups implement different HR practices. 1. Key position must be with high loyalty and competence employees. For these people, we will give fully authorized and high rewards. 2. Should pay more attention to those staff with high capabilities, but low loyalty.

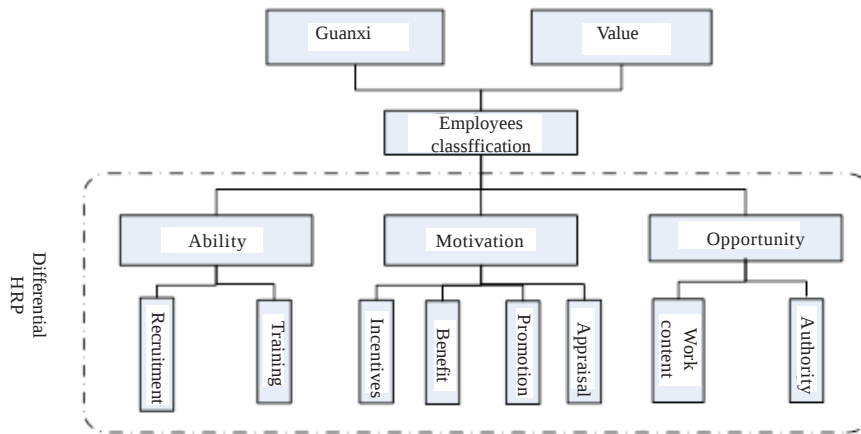


Fig. 1. Differential human resource management practices model

Source: Author

model. In this theoretical framework, the researchers summarized two points: first, the employee classification is depended on “*guan xi*” and “*capital value*” in case of this enterprise. Second, based on the classified employees, human resource management practices are different across groups.

RESULTS

The researchers encoded the three original data, formed a rational story, and refined the differential human resource management practices model (see Fig.1) at last. Model shows the formation and the differential pattern of human resource management practices.

Employees Classification Model

Based on “*guan xi*” and “*value*”, the company separates employees into different groups and takes different management practices on different types of employees, which achieved success in the managerial field.

Employees Category

Through the analysis of data, the researchers found the actual categories of employees whom the manager did not mention before (core group, close group and loose group), but the close group can be further sub-divided into an affective close group and instrumental close group (see Table 3). The four categories of em-

Table 3: Z Hotel staff classification and characteristics

Category	Composition	Characteristics	Representative quotations
Core Group	CEO, managers	Work within a long time Working partner/friends; High ability	Some core staff work in the company for more than 10 years, and development of company relies on them.
Close Group	Senior employees, backbone employees of company	1. Affective close group Serve company for a long time; Loyal, trustworthy; Low capacity 2. Instrumental close group Into the company a short time; Low loyalty; High ability	1. Some senior employees have close effective ties with us, who are reliable. They worked till retirement, some even continue work for company after retirement 2. They are new comers with ability and resources, valuable to the company, belong to close group too.
Loose Group	Employees in non-critical positions	To the company a short time; high mobility; Low value, high substitutability	Employees in loose group are with low sense of belonging and high mobility. They undertake the periphery jobs.

employees have been fully recognized after discussions with business leaders.

The core group consists of several executives and department managers. They are working closely with the CEO, and have built trust in each other. Also, they have the ability to work perfectly. Before the company restructuring they were in the high-level positions, and belonged to the company's core members. Employees in the affective close group have been working in the company for a long time, and they have a very high-level of identification with the corporation and the operators, hence, they do not want to leave. However, due to limitations in their knowledge, qualifications and skills, their value and contribution to the enterprise is lower than the core employees. The instrumental close employees came to work at the company for a short term, without any emotional tie to the managers and company. The employment relationship between the two sides is economical and contract-based, but they have a direct and important impact on the performance of the company. For the high value employees to the company, they are classified as the instrumental close group. In general, employees in this group are on an economic exchange with the organization, and both sides try to seek equality exchange and self-benefit. Meanwhile, due to lack of trust, the company will take some precautionary measures to prevent the disclosure of trade secrets. The loose group employees mainly refer to the new employees engaging in the periphery work at the company. They do not have any deep affective tie with the company and their pursuit of fair treatment and exchange is purely on the basis of an exchange relationship.

Basis of Employee Classification

Through the analysis of different categories of employees, the research fixed that “*guan xi*” and “*capital value*” are the two basic dimensions for the employee classification in the case enterprise, and built an employee classified model (see Fig. 2).

“*Guan xi*” is defined as the employees’ and organization’s relationships at a certain time, reflecting trust and expected obligations between the organization and staff. The specific form in a Chinese company is that of a family member relationship or classmate relationship. On the point of “*guan xi*”, the organization will trust employees more and give them rights in order to call

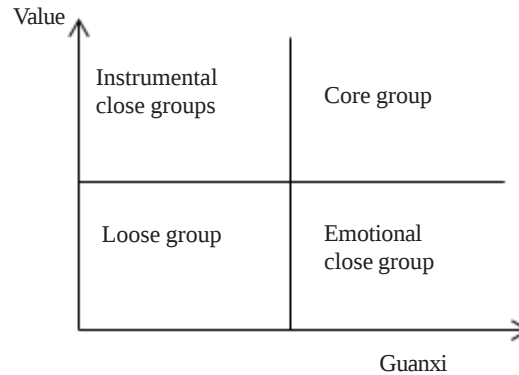


Fig. 2. Basis of employee classification

back to consciously devote more energy to complete tasks, or even take the initiative to undertake work beyond their own job role responsibilities, reflected feelings of “*bao*” in Chinese. A low “*guan xi*” means an economic contractual relationship between staff and organization, wherein the working motivation tends to be instrumental, and organizational expected behaviors depend on the incentives.

In the Z Hotel, “*guan xi*” stands for cooperation for a long time between the organization and employees, establishing an emotional and trust foundation. As a member of the core groups, they are familiar and trust in each other. They are highly conscious about the work, and some constantly have been working till the middle of the night. They work so hard because they truly consider themselves as the owners of the company and the boss as their loved family member. The relationship between organizations and these employees is emotional oriented, classified in the high “*guan xi*” category. The emotional close group employees were selected from the former company, working for the company for long and are in the high “*guan xi*” category too. This staff works hard and conscientiously. The instrumental close group and loose group are in low *guan xi* category. Workers in the instrumental close group have certain skills and resources before entering the company, but due to the short time contact, the employer and employees express half of their own interests. The employment relationship between loose group employees and the organization is purely transactional based on fair exchange of material, and there is no emotional connection between the two sides.

In this study, “value” is defined as contributions of employees, who have the skills or resources to build the competitive advantage or core competence for the company. As in the hotel industry, value means the ability to get customer resource. The more customers you hold, the higher value you have.

In Guangzhou Z Hotel, “value” means contributions to enterprise performance and the future potential growth. Employees can get a high level position in the enterprise, not just by “guan xi”, but also because of their value as well. The core group employees were in high-level management positions before the corporate restructuring, and made a great contribution towards the enterprise, and they are in a high-value category. Instrumental close staffs are new “talents” from outside, with skills or resources for the enterprise, such as sales and chefs. Sales staff have customer resources and sales skills, which can make a great contribution to the enterprise. Emotional close employees are the senior staff who have been working hard for company for a long time. They are in the operational positions, hold low value in the company, and the jobs focus on electrical, or cleaning belong the low value category. Loose group staff are totally fresh in the company, and do the low-value work, in the low value category.

By the two dimensions of “guan xi” and “value”, employees are classified into four types, namely, the high “guan xi” and high value is the core group; high “guan xi” and low “value” is emotional close group; low “guan xi” and high “value” is instrumental close group, and both dimensions being low is the loose group.

Differential Human Resource Management Practices

Based on the *guan xi* and *capital value* dimensions, differential human resource management practices were adopted by enterprises. Human resource management practices about ability sources, incentives and opportunities for opportunity to participate are differential, embodied in the recruitment channel, training system, compensation and incentives, benefits, promotion, performance appraisal, job content and organization authorization. The researchers exclude the same human resource management practices across various groups of employees, and choose to focus on differences between the different categories of employees. Table 4 summarizes the different human resource management practices for the four groups.

Human resource management practices are affected by the existing employment relationships

Table 4: Human resource management practices of the different groups employees

Dimensions	Core group	Emotional close group	Instrumental close group	Loose group
<i>Guan xi</i>	High		Low	
<i>Capital Value</i>	High	Low	High	Low
<i>Ability</i>	Internal promotion Training with Leaders; Training based on needs	External recruitment Skills training beyond job content	Ethics training	Training on the content of work
<i>Motivation</i>	Profits sharing; Developmental rewards; Personal concerns	Salary above average; Material/ mental reward	Market average Salary; Material incentives	Market average fee
	Developmental welfare; Benefits to family member	Better than basic social welfare; Family member Assistance	Basic welfare; welfare based on the performance	Basic welfare
	- - Process/attitude evaluation; Loose appraisal system	Limited promotion Result/attitude evaluation; loose appraisal system	Promotion on guan xi Behavior and performance evaluation	No promotion Performance evaluation
<i>Opportunity</i>	Key positions; no fixed job responsibilities	Specific job content; Flexible work time	Fixed job content; Information prevention	Fixed job content
	Independent decision-making	High level authority;	limited Authorize	Command

(for example, *guan xi*), but also by the capital value of staff. It is exemplified by this case, which adopted different human resources practices for different types of employees embodied in ability, motivation and opportunity.

For the ability, staff in high *guan xi* have more training opportunities, while the staff with low *guan xi* will receive less chances to be trained. The company provides training to meet their individual needs to high value and high *guan xi* employees. Employees of low value and high *guan xi* will also get training beyond their work content, which helps with their career development. For low *guan xi* staff, training is entirely based the interests of the organization, as with job skills training and basic job ethics training.

In terms of motivation, there is a large gap between different groups of employees, more obviously reflected in the salary and benefits. High *guan xi* staff enjoy higher material rewards, also some spiritual incentives, and have a high emotional attachment with the organization, while low *guan xi* staff's material rewards are according to their contributions. Regarding welfare measures, high *guan xi* staff not only enjoy sound welfare and job security, but their family members also benefit from family travel, assistance information and resources. Low *guan xi* staffs only have basic social welfare as per legal requirements. For high-value employees, benefits and rewards are contingent based on their contribution to the company. In addition, due to the high mutual trust relationship between employees and the company, their assessment and monitor systems are not so strict. The control for the employees in low *guan xi* is by a rigorous process and results monitoring. The compensation system is characteristic with paying on performance. Meanwhile, in this case in the stable development stage, career development opportunities offered are limited. For promotion of high-value employees, whether they will be incorporated into the core of trusted members of the organization, depends on their loyalty to the company.

In terms of participation, staff of different groups are also very different. Usually, some positions with critical and important information and resources assign to the employees who must have high *guan xi* with the company. High *guan xi* employees can be more fully authorized to decide and handle related matters on their own for the high trust with the company. On the con-

trary, low *guan xi* staff can only be authorized within the professional scope, and company's critical and important information are guarded against them, especially to the high value but low *guan xi* employees.

DISCUSSION

The study examined the foundation and basis of the classification employee model, and summed up the characteristics of differential human resource management practices. The main conclusions are, (1) the employees classified based on the "guan xi" and "capital value", namely, high *guan xi*, high-value employees are included in the core group and are the eyes of management; high *guan xi* and low value employees are in the affective close group; low *guan xi* and high-value employees are in the instrumental close group, and low *guan xi*, low value employees are in the loose group. (2) Based on the differential groups of employees, human resources management practices present the differential modes embodied in ability, motivation and opportunity. In addition, compared to employees with different levels of value, there are more differences in human management practices between high *guan xi* employees and low *guan xi* employees. Human resource practices for high *guan xi* staffs include better integration of bilateral interests (organization and employee), and reflect a high degree of social exchange relationship with the organization. Incentive practices for the low *guan xi* staffs are more based on the interests of the organization, reflecting a low level of social exchange with it.

A lot of former research on the Chinese enterprise organizational management confirmed the important influence of the "guan xi" (Cheng et al. 2002; Chen et al. 2004; Pan 2014). However, it is not enough to understand the nature of the management of a Chinese company only with the perspective of the *guan xi*, the economic rationality is also reflected in the classification of employees (Weber and Mayer 2014). As is known, human resource is a critical resource for organizations to gain competitive advantage, but not all employees are equally important to the organization. Researches in the West focus on establishing differentiated employment relations and human resource management configurations system based on job characteristics and human capital (Lepak and Snell 1999, 2002). While in the

traditional Chinese society, *guan xi* is deeply rooted in the corporate governance, and the organization not only considers the value of employees, but also relies on the relationship base (*guan xi*) to determine and implement differential patterns of human resource management practices (Chen et al. 2013; Liu et al. 2015).

CONCLUSION

The purpose of this study sought to examine how different human resource practices are used for different employees. The research has proved that different HR practices tend to be used to control and manage workers in different employment modes. Moreover, the differential HR practices in the study depend on both the human capital of employees, and the characteristic of *guan xi* between the employees and organization. Clearly, the findings of this study give prominence to the importance of employee group level of analysis, which means to understand how companies take charge of different groups of employees strategically.

RECOMMENDATIONS

For SHRM researchers and practitioners, the direct implication of this paper is that the researchers cannot assume simplistically that there is an optimal set of human resource practices befitting in any situation. Rather, it seems that the most probably HR investment form or practice differs for different types of employees. More research is needed in the future to explore whether and how firms could benefit from the differentiation HR practices towards different employees.

ACKNOWLEDGEMENTS

Support from the National Natural Science Foundation project (71172073; 71402057), the Guangdong Natural Science Foundation project (2014A030313255), the Guangzhou philosophy and social sciences planning project (15Q05), Jiangsu university philosophy social sciences research project (2014sjb818), the central university funds (2015ZDXM) and the Guangdong college humanities and social sciences major research projects (2012ZGXM-0003) is gratefully acknowledged.

REFERENCES

- Becker BE, Huselid MA 2006. Strategic human resources management: Where do we go from here? *Journal of Management*, 32(6): 898-925.
- Becker BE, Huselid MA 2010. SHRM and job design: Narrowing the divide. *Journal of Organizational Behavior*, 31: 379-388.
- Becker BE, Huselid MA, Beatty RW 2009. *The Differentiated Workforce: Transforming Talent into Strategic Impact*. Boston: Harvard Business Press.
- Cappelli P, Keller JR 2014. Talent management: Conceptual approaches and practical challenges. *Annu Rev Organ Psychol Organ Behav*, 1(1): 305-331.
- Chen CC, Chen X, Huang S 2013. Chinese *guanxi*: An integrative review and new directions for future research. *Management and Organization Review*, 9(1): 167 - 207.
- Chen CC, Chen YR, Xin K 2004. *Guan xi* practices and trust in management: A procedural justice perspective. *Organization Science*, 15(2): 200-209.
- Chen Y, Friedman R, Yu E et al. 2011. Examining the positive and negative effects of *guanxi* practices: A multi-level analysis of *guanxi* practices and procedural justice perceptions. *Asia Pacific Journal of Management*, 28(4): 715-735.
- Cheng BS, Farh J, Chang H, Hsu W 2002. *Guan xi*, *zhong cheng*, competence and managerial behavior in the Chinese context. *Journal of Chinese Psychology*, 44(2): 151-162.
- Eisenhardt KM, Graebner ME 2007. Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1): 25-32.
- Fei 1998. *Rural China*. Beijing: Peking University Press.
- Hu, GD 2014. Research on the family metaphor of Chinese local organization and its network governance mechanism: Based on the perspective of the enlarged familism. *China Industrial Economy*, (10): 97-109.
- Huselid MA, Beatty RW, Becker BE 2005a. "A players" or "A positions?" The strategic logic of workforce management. *Harvard Business Review*, 12: 110-117.
- Huselid MA, Becker BE, Beatty RW 2005b. *The Workforce Scorecard: Managing Human Capital to Execute Strategy*. Boston: Harvard Business Press.
- Jackson SE, Schuler RS 1995. Understanding human resource management in the context of organizations and their environments. *Strategic Human Resource Management*, 46: 237-264.
- Jiang D, Zhang W 2010. Differential leaders and its efficacy on subordinates. *Psychology Research*, (33): 109-177.
- Lepak DP, Snell SA 1999. The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 24(1): 31-48.
- Lepak DP, Snell SA 2002. Examining the human resource architecture: The relationships among human capital, employment and human resource configurations. *Journal of Management*, 28(4): 517-543.
- Liu S, Liu L, Chen F 2015. HRM practices of differential mode of association: A research on Guangzhou Z company [J]. *Journal of Management (in China)*, 12(1): 11-20.

- Liu S, Peng J, Zhang G, Zhou Y 2013. The evolution of the human resources management practices based on integrated product development model. *Journal of Management (in China)*, 10(7): 960-966.
- Matusik SF, Hill CWL 1998. The utilization of contingent work, knowledge creation and competitive advantage. *Academy of Management Review*, 23(4): 680-697.
- McMahan GC, Virick M, Wright PM 1999. Alternative theoretical perspectives for strategic human resource management revisited: Progress, problems, and prospects. *Research in Personnel and Human Resource Management*, 4: 99-122.
- Miles R, Snow CC 1984. Designing strategic human resource systems. *Organizational Dynamics*, 13(1): 36-52.
- Osterman P 1994. How common is workplace transformation and who adopts it? *Industrial and Labor Relations Review*, 47(2): 173-188.
- Pan HX 2014. A review of guan xi studies in organizational management field. *Human Resources Development of China*, 32-38.
- Rousseau D 1995. *Psychological Contracts in Organizations: Understanding Written and Unwritten Agreements*. Los Angeles. Sage Publications.
- Siggelkow N 2007. Persuasion with case studies. *Academy of Management Journal*, 50(1): 20-24.
- Strauss A, Corbin J 1998. *Basics of Qualitative Research: Procedures and Techniques for Developing Grounded Theory*. Thousand Oaks, CA: Sage.
- Tao HY, Li W, Chen JA, Li L 2014. Research on the interaction of leadership-followership: A dual psychological positioning perspective. *China Industrial Economy*, (12): 104-117.
- Toh SM, Morgeson FP, Campion MA 2008. Human resource configurations: Investigating fit with the organizational context. *Journal of Applied Psychology*, 93(4): 864-882.
- Tsui AS, Pearce JL, Porter LW, Tripoli AM 1995. Choice of employee-organization relationship: Influence of external and internal organizational factors. *Research in Personnel and Human Resources Management*, 13(1): 117-151.
- Wang S, Tu Y, Liu S 2014. The evolution of state-owned enterprises in South China: The choice of property right system perspective. *Anthropologist*, 18(1): 103-111.
- Weber L, Mayer K 2014. Transaction cost economics and the cognitive perspective: Investigating the sources and governance of interpretive uncertainty. *Academy of Management Review*, 39(3): 344-363.
- Yin R 2014. *Case Study Research: Design and Methods*. Beverly Hills, CA: Sage Publishing.
- Zheng B 1995. Differential pattern and organizational behavior in Chinese organization. *Psychology Research*, (3): 142-219.