

A comparative study of HR involvement in strategic decision-making in China and Australia

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Abstract

Purpose – The purpose of this paper is to address gaps in the knowledge about human resource (HR) professional involvement in strategic decision-making in China compared with that in Australia.

Design/methodology/approach – First, the authors compare the strategic involvement of Chinese and Australian HR professionals. Second, based on the upper echelon theory, the authors compare the impact of chief executive officer (CEO) and top management team (TMT) between both countries on HR involvement in strategic decision-making. Data were collected from matched pairs of HR and TMT executives in China ($n = 168$) and in Australia ($n = 102$).

Findings – Results indicate a difference, despite of no statistical significance, in HR involvement in strategic decision-making between Chinese and Australian samples. TMT behavioural integration was positively related to HR involvement in strategic decision-making in a collectivistic culture (i.e. in China), but not in an individualistic culture (i.e. in Australia). However, CEO support for HRM was positively related to HR involvement in strategic decision-making in Australia, whereas it is not related in China.

Originality/value – The paper conducts a comparative study and practical, and research implications are discussed at the end.

Keywords China, Australia, Top management team, Strategic HRM, CEO support for HRM, Comparative HRM

Paper type Research paper



Introduction

Human resource (HR) involvement in strategic decision-making can be defined as a series of HR-related activities by which HR professionals utilise their expertise such as the way to attract, retain and develop employees to contribute to an organisation's strategic decision-making (Wright *et al.*, 1998; Siddique, 2004; Marler and Parry, 2016). HR involvement in strategic decision-making is directly related to human resource management (HRM) effectiveness and can also promote the alignment between HR practices and organisational key success factors, improving firm performance (Bae and Lawler, 2000; Fericelli and Sire, 1996; Sheehan *et al.*, 2016a, 2016b). Therefore, HR involvement in strategic decision-making is of great importance in both theoretical exploration and organisation practices (Wright and Boswell, 2002; Carrière, 2014).

Based on the existing literature, scholars have begun to explore the strategic roles of HR professionals in firms based in emerging economies (Thite *et al.*, 2014; Geimer *et al.*, 2017). Galang and Osman (2016) and Sun and Zhao (2017), for example, have compared HR roles in five developed and developing countries. As a representative emerging economy, China attracts the attention from home and abroad. There is a lack of literature, however, in our understanding of the strategic role of HR professionals working in China, a major global economic player. There is increasing recognition of the need for effective HRM systems to manage high-quality talents in the Chinese context (Budhwar *et al.*, 2016). Jackson *et al.* (2014) reinforce the importance of studying strategic HRM within certain context and note the need for future research, specifically in China. They explain that "Insights into the dynamics of strategic HRM in eastern cultures (e.g. China) are just beginning to appear" (Jackson *et al.*, 2014, p. 32). Zheng and Lamond (2009), in their review of the empirical work on HRM in mainland China published in leading international journals from 1978 to 2007, conclude that although some studies have considered the perceptions of line managers for HRM effectiveness in foreign firms operating in China, little is known about the strategic roles of Chinese HR professionals. The lack of research in the area is reinforced by a survey of Chinese HRM research that noted: "strategic HRM attracts some fruitful research in the Western literature but it appears to be a relatively understudied area in China" (Liang *et al.*, 2010, p. 2085). The current research addresses these identified gaps in knowledge by analysing the involvement of Chinese HR professionals in strategic decision-making compared with HR professionals working in Australia.

Australia has been chosen as a point of comparison with China for several reasons. First, the development of the HR role in Australia largely mirrors developments in the USA and the Great Britain. Australia offers an example therefore of the development of the HR function in a western context (Sheehan *et al.*, 2014). Second, Australian cultural values reflect individualism, a characteristic of many western countries that is in contrast to the collectivism in China (Hofstede, 2001). Third, we believe there is a strong case for understanding potential differences in strategic HR roles in Australia and China as China is Australia's sixth-largest source of inward foreign direct investment (DFAT, 2015). Indeed, as Chinese firms increasingly become employers in Australia, the role of HR professionals in Chinese firms and how they conduct HRM has attracted increasing interest of Australian academics (Zheng and Lamond, 2009; Yan *et al.*, 2018; Zhu *et al.*, 2017).

More broadly, our efforts to compare HR professionals in China and Australia respond to the above mentioned call for paying attention to the context in strategic HRM research (Jackson *et al.*, 2014; Wright *et al.*, 2005; Chow *et al.*, 2010). Our focus on the dynamics of strategic HRM at the executive level meets Jackson *et al.*'s (2014, p. 35) expectation that:

Looking ahead, we anticipate increased interest in understanding the dynamics of effective strategic partnerships between HR professionals and managers, for the promise of strategic HRM systems is more likely to be realized when this partnership thrives.

Therefore, the research aims to consider the role of HR professionals in strategic decision-making of Chinese companies as compared to Australian companies.

In addition to providing comparative data about the HR strategic decision-making role, a further purpose of the research is to apply the upper echelon theory (Hambrick, 2007) to explore and compare the differential impacts of the chief executive officer (CEO) and the top management team (TMT) as possible determinants of HR involvement in strategic decision-making in China and Australia. Hambrick and Mason (1984) first presented the upper echelon theory to explain the effect of managerial (for example, CEO and TMT) background characteristics on organisational outcomes. The main premise is that the high-level executives' experiences, values, and personalities greatly affect their understanding for the situations the organisation faces and their choices about organisational strategies. Following the logics, the attitudes from CEO and TMT towards HR professionals have a reasonably important influence on their involvement in strategic decision-making. In addition, Olie *et al.* (2013) argue that the national institutional context, notably informal institutions such as cultural values of individualism/collectivism, will explain the characteristics of the firm's strategic decision-making. Specifically, Olie *et al.*'s (2013) argument is that in individualistic cultures it is more likely that the CEO will dominate the firm's strategic decision-making whereas in collectivist cultures it is the characteristics of the TMT that are more important. The current investigation draws from Olie *et al.*'s (2013) argument and uses Hambrick's (2007) refinements of the upper echelon theory that acknowledges the differential impact of CEOs across national boundaries. Our study addresses Hambrick's (2007) call for more research into the application of the upper echelon theory across macro social contexts. The second purpose of the research is therefore to review the impact of the CEO and the TMT in China as compared to Australia in the determination of HR involvement in strategic decision-making.

The following literature review begins with a discussion of the involvement of HR professionals within strategic decision-making, developed in view of potential country differences between China and Australia. There is then a discussion of possible variations between China and Australia with respect to the importance of the role of the CEO and the TMT in the determination of HR's strategic decision-making involvement. Based on the literature review, three hypotheses are formed to address the research aims. After explaining the method and data collection, empirical evidence is presented and discussed. The paper concludes with a discussion of the practical and theoretical implications of the research.

Human resource involvement in strategic decision-making in China and Australia

Scholars such as Storey (1992), Ulrich (2009) and Ulrich *et al.* (2013) have highlighted the imperative of strategic HR role. An important enactment of the HR strategic role is the involvement of the HR executive within strategic decision-making that can be in either formal or informal settings (Caldwell, 2011; Kelly and Gennard, 2010). Formal decision-making involves the executive committee and includes the CEO and all the main executive directors with operational and strategic responsibility for business performance. Access to these formal committees is necessary acknowledgement of the strategic role of the HR executives (Caldwell, 2011; Kelly and Gennard, 2010; Sheehan *et al.*, 2016a, 2016b). Informal executive communication can also be particularly important, and Buyens and De Vos (2010)

empirically established the need for HR executive involvement in these strategic developmental discussions. To investigate the dynamics of HR partnerships with executives, it is critical to understand the stages of the strategic decision-making process including drawing up proposals, evaluating financial consequences, taking the final decision; and implementation (Purcell, 1995) regardless of whether the conversations occur within formal or informal settings.

HR involvement in strategic decision-making has been identified as important in the enactment of a strategic HR role (Jackson *et al.*, 2014; Kramar, 2014; Sheehan *et al.*, 2016a, 2016b; Zhao, 2016). Yet there has been little comparative empirical research into potential differences between China and western countries such as Australia. In early research in Australia, Sheehan *et al.* (2007) reviewed perceived levels of HR involvement at each stage of strategic decision-making. HR executives, responding to a national survey, reported quite high levels of involvement across each of the strategic decision-making stages, with 58 per cent of senior HR managers reporting involvement in the drawing up of proposals and 83 per cent involvement in the implementation of decisions made. The research also revealed increases in levels of HR representation on boards of directors compared to the 1995 levels reported by Dowling and Fisher (1997). Overall then Australian research indicates that HR professionals have reported evidence of a strategic HR role through increasing levels of strategic involvement in decision-making.

More recently in China, research has examined effective TMT work (Wei and Lau, 2012) and TMT experience (Wang *et al.*, 2011) but the involvement of HR professionals within TMT seems to be a relatively new and under-researched phenomenon. Previously many researchers revealed that Chinese HR managers often worked on mandatory daily activities. For example, Warner (2008) claims that most Chinese top managers prefer to control all decision-making procedures, and leave HR managers to focus on daily activities in HR functions only. Björkman and Lu (1999) pointed out that in international joint ventures in China, local HR managers mainly focussed on daily HRM activities such as hiring new employees and many of them had to follow procedures adopted by foreign partners of the IJV even for these mandatory activities. Recently, a small number of studies report that in Chinese firms HR managers have become a part of the TMT to enhance team functional diversity, which in turn to help their firms improve team effectiveness of the top-level managers (Wei and Lau, 2012); to improve the firm's organisational innovation on new programmes of management, administration and HRs planning (Qian *et al.*, 2012); and to enable the firm's HRM to have positive effects on firms' organisational citizenship behaviour towards the environment (Paillé *et al.*, 2014). Similarly, it has also been noted that in Chinese firms with various ownership structures, an increasing number of HR managers follow western-style HRM practices and actively participate in strategic decision-making (Fan *et al.*, 2013; Zhu *et al.*, 2013). This is consistent with a crossvergence argument that would support a move towards western HRM in China, tempered by the Chinese context (Cai *et al.*, 2011; Gao *et al.*, 2016; Warner, 2013). Traditional HR managers in China have been involved in mandatory daily activities, and although there is an emerging evidence of HR strategic involvement (Paillé *et al.*, 2014; Qian *et al.*, 2012; Wei and Lau, 2012) it is still a relatively new development compared to the trend in Australia. Drawing from the comparative discussion above that confirms existing levels of strategic HR involvement in China and Australia, we suggest the first hypothesis.

H1. HR involvement in strategic decision-making will be lower in China than in Australia.

Chief executive officer support for human resource management and top management team behavioural integration as determinants of HR strategic involvement in China and Australia

CEO support for HRM has been seen as a crucial indicator of the enactment of the strategic HR role (Bowen and Ostroff, 2004). With respect to involvement in strategic decision-making, Kelly and Gennard (2010) have shown empirically that the attitude of the CEO towards HRM is crucial in the determination of whether or not the HR function is able to make a strategic contribution to an organisation. Their research suggests that the inclination of the CEOs to a particular management function, specifically HR, is a crucial factor to decide whether the senior representatives of that function are invited to be involved in CEO group for strategic decision-making discussions. For this reason, in the current research, CEO support is seen to be important in providing HR professionals with an opportunity to be involved in strategic decision-making discussions.

In China, the adoption of Western-style HRM practices has attracted a lot of research attention (Akhtar *et al.*, 2008; Wei and Lau, 2008; Zhu *et al.*, 2013; Warner, 2013, 2014). Importantly, Frear *et al.* (2012) highlights the support of the CEO as a determinant in the successful uptake of strategic HRM initiatives. These scholars explain that CEOs in Chinese companies tend to enjoy increasing control over their companies and are strongly influential in the adoption of preferred structures and practices. Frear *et al.* (2012) established that CEO exposure to HRM ideology would be positively related to firm adoption of western-style strategic HRM practices. Furthermore, in view of the possibility of a crossvergence trend in HRM in China (Cai *et al.*, 2011), there is likely to be an increasing CEO support for HRM. Gaps remain however in our knowledge of HR's role in strategic decision-making in the Chinese context (Gao *et al.*, 2016; Liang *et al.*, 2010).

In Australia, there is some evidence of the impact of the CEO in establishing a strategic decision-making role for HR. Stanton *et al.* (2010) for example, identified the importance of the CEO in HR role legitimacy in Australian organisations. There has also been evidence of an increase in HR representation at the senior management level (Kramar, 2012; Sheehan *et al.*, 2007), but as Kelly and Gennard (2010) point out, such inclusion may be symbolic only and not as powerful as genuine CEO support or organisational acceptance.

As identified above, CEO support for HRM is important in the enactment of a strategic HR role (Kelly and Gennard, 2010; Purcell, 1995). HR executives also have to occupy prominent positions however at the senior decision-making level and have access to processes that allow them to develop the HR strategic role of contributing to the organisation's people as a source of competitive advantage (Brandl and Pohler, 2010). Sheehan *et al.* (2014), for example, have established that an environment of collaborative behaviour within the TMT will increase the likelihood of a strategic HR role. Sheehan *et al.* (2014) drew from Hambrick's (1994) conceptualisation of a TMT's behavioural integration that captured three reinforcing elements of TMT processes. These processes include a team's level of collaborative behaviour, the quantity and quality of information exchanged, and the emphasis on joint decision-making. Hambrick (1994, p. 188) argued that these team features captured "the degree to which the group engages in mutual and collective interaction".

Although there has been research that indicates the importance of CEO support and TMT behavioural integration in the development of a strategic role for HRM (Kelly and Gennard, 2010; Sheehan *et al.*, 2014), there is limited research that addresses their relative importance in the determination of the inclusion of the HR executives in strategic decision-making. Olie *et al.* (2013), building on Hambrick's (1994) discussion of TMT processes, provides some useful insights that cannot only assist the discussion but suggest that the relative importance of the CEO and the TMT may vary with national cultural context. With

reference to Hambrick's (1994, 2007) work, the authors draw from the upper echelon theory to provide a framework for understanding decisions associated with strategic initiatives. The basis of the theory is that the experience, values and personality of executives determine how they interpret situations and the resultant choices that they make (Hambrick, 2007). A subordinate idea is that "the demographic characteristics of executives can be used as valid, albeit incomplete and imprecise proxies of executives' cognitive frames" that assist in understanding the way that decisions are made by the TMT (Hambrick, 2007, p. 335). National culture therefore, as a demographic feature (Bachrach, 2014), is worth considering when investigating strategic decision-making by the TMT.

In Hambrick's (2007) review of the theory, he makes the observation that the upper echelon theory needs to be tested across national boundaries as most of the research into the upper echelon theory has been conducted in American firms. He acknowledges that CEOs in the USA, in line with high levels of individualism (Hofstede, 2001), have more discretion and influence than do CEOs in most other advanced economies and he calls for more research into the application of the upper echelon theory across macro social contexts.

Olie *et al.* (2013), in their analysis of the impact of CEOs and TMT characteristics in the determination of strategic decision-making, similarly make the argument that national-level formal and informal institutions determine variations in the impact of CEO and TMT interaction on strategic decision-making. Formal institutions include the legal system, rules governing and enabling competition, the capital market, and the educational system (Lewin and Kim, 2004). Informal institutional arrangements include the norms and value systems of a society, its culture, and its ideology (Jackson *et al.*, 2014). The implication of such formal and informal difference is that the strategic leadership configurations and levels of TMT interdependence and integration may be different across countries. In other words CEOs and TMT operate differently across institutional contexts.

Of particular relevance to the current research, is the discussion of informal institutional arrangements, when norms and values reflect a collectivistic rather than individualistic orientation. Consistent with Hambrick (2007), Olie *et al.* (2013) point out that much of the extant literature in strategic leadership reflects the individualistic orientation apparent in the USA context. Within this setting the emphasis is put on the dominant role of the CEO and weaker interdependence of top executives in favour of a stronger focus on individual responsibilities (Hambrick, 1994). This CEO-centric strategic leadership style may align with individualism but is not the norm in collectivist countries. Collectivism is associated with harmony, conformity and cooperative behaviour (Hofstede, 2001). Olie *et al.* (2013) argue that as a consequence of this value, the emphasis in collectivist societies is on consensus and integration within the TMT rather than the unilateral decisions of the CEO. They hypothesise, rather than empirically test the idea, that in:

[...] societal contexts in which national value orientations emphasise collectivistic goals and collaborative behaviour, TMT characteristics will have greater predictive power for explaining the firm's strategic decision-making process than CEO characteristics (Olie *et al.*, 2013, p. 97).

In view of the current discussion about the factors that increase the likelihood of HR inclusion in strategic decision-making, a key dimension that potentially differentiates HR inclusion between China and Australia is the cultural dimension of individualism and collectivism (Hofstede, 2001). Ou *et al.* (2014) established that as a legacy of Confucianism and Daoism, CEOs in Chinese companies are taught to be self-deprecating and lead without overtly appearing to lead. Furthermore, in terms of the strategic involvement of HR in decision-making, Chinese place an emphasis on collective goals, harmony and egalitarianism (Gao *et al.*, 2016; Koch and Koch, 2007). The collective value also supports open conflict management within

team processes (Koch and Koch, 2007). It is likely to lead that where HR is represented on the TMT, the view of the HR executives will be incorporated in strategic discussions.

Australia, on the other hand, is characterised as being high in individualism (Hofstede, 2001) and such cultures have weaker interdependence among top executives (Olie *et al.*, 2013) reducing TMT collaborative behaviour, the quantity and quality of information exchanged, and the emphasis on joint decision-making. In terms of the relationship of individual executives with the CEO, in individualist cultures it is the CEO who will be a dominant figure, with a strong personality with centralised power (Olie *et al.*, 2013). Compared to the Chinese approach it is more likely therefore that the CEOs in Australia will have a stronger impact on the levels of HR strategic integration. Drawing from this theoretical discussion that identifies possible differences between China and Australia with respect to the impact of CEO versus TMT behavioural integration on levels of HR involvement in strategic decision-making, we suggest the following second and third hypotheses.

H2. CEO support for HRM will be less important to HR involvement in strategic decision-making in China than in Australia.

H3. TMT behavioural integration will be more important to HR involvement in strategic decision-making in China than in Australia.

Method

Sample and procedure

To answer the research questions, we collected survey data in China and Australia. Two sources of data (senior HR managers and TMT executives) were gathered to minimise the risk of common method variance (Podsakoff *et al.*, 2012). A description of the procedures used to gather data in each country follows.

Chinese sample

The Chinese sample was comprised of senior HR and TMT executives working in medium-to large-sized companies. The questionnaire used in Australia in 2012 was translated into Chinese and then back-translated into English by two independent bilingual researchers to ensure equivalency of meaning (Brislin, 1980). To ensure the survey quality and maximise the response rate, pilot interviews were conducted to test the questionnaire with six Chinese managers including HR and senior executives. The finalised survey was then mailed in 2013 to a random sample of 400 senior HR executives identified by Human Resource Management Associations in two provinces in East China. Since the economic reform, HRM Associations have been established at different levels from the national to provincial to municipal. They are non-profit and government approved institutions to link the government and organisations and professionals and practitioners. Most HR practitioners join the HRM Association for purposes such as to seek professional assistance, to exchange/share work experience, and to learn others' best practices. HRM Associations have thus offered a channel to establish accessibility to and trust of companies, which is critical for the conduct of a survey in China. The data collection process followed the approach used with the Australian sample, that is, while the HR executive was asked to fill out the survey, a request was made that a second separate questionnaire, designed for a TMT member, be forward to a member of the TMT who participates in major strategic decision-making. Assurances were given with respect to confidentiality and voluntariness. The questionnaires of HR managers and TMT executives were mailed directly to a research contact in China.

Australian sample

The Australian sample comprised senior HR managers and TMT executives in medium to large employers in Australia. In 2012, a random sample of 2000 senior HR executives were identified via a national mailing list. The group included HR executives from Australian organisations across the major Australian and New Zealand Standard Industry Classification categories. Each of HR executives was required to pass on a separate questionnaire to a TMT member who had strategic decision-making responsibility. Reply-paid envelopes were supplied to ensure confidentiality. Specifically, responses from TMT executives were sent directly to the researchers and were coded to allow the matching of each organisation's HR manager and TMT executive. To encourage participation, researchers sent a follow-up reminder email in two weeks after the initial mail and made telephone calls one month later.

Profile of respondents

A total of 179 questionnaires were received from HR executives in China, representing a response rate of 45 per cent. Of these 179 respondents, 168 could be matched with a member of the TMT. Likewise, a total of 180 questionnaires were received from HR executives in Australia, yielding a response rate of 9 per cent. Of these 180 respondents, 102 could be matched with a member of the TMT. Despite the use of follow-up procedures, the lower response rate for the Australian sample is consistent with previous studies of senior managers in western countries that highlights difficulties of accessing and motivating senior managers to complete surveys (Cycyota and Harrison, 2015).

Consistent with other studies in the area (Sheehan *et al.*, 2007), the majority of HR executives in the Australian sample were female (64 per cent), whereas those in the Chinese sample were slightly more likely to be male (53 per cent). The mean age of the Chinese HR respondents was 37.63 years (SD = 6.18), and 47.03 years (SD = 9.75) for their Australian counterparts. HR executives in China had been working for an average of 9.71 years (SD = 7.95) in their current organisations; while average organisational tenure was 7.35 years (SD = 6.98) for the Australian HR respondents. The majority of organisations in both samples were private sector (for profit) firms (74 per cent China, 76 per cent Australia). Just over half (52 per cent) of the organisations in the Chinese sample employed 500 or more employees compared to 38 per cent in the Australian sample.

Measures

Human resource involvement in strategic decision-making. Using the four-item scale developed by Purcell (1995), the items were answered by both the HR and TMT executives. To minimise the risk of common method variance and ensure the most knowledgeable information source, following the approach used by Sheehan *et al.* (2016b), we used the responses from HR executive as the dependent measure. Respondents were asked to rate the level of HR involvement on a five-point scale (1 = not at all involved to 5 = highly involved) in each of the four stages of a strategic business decision. The four stages were: drawing up proposals; evaluating financial consequences; taking the final decision; and implementation. Scores on the four items were averaged to form a composite measure (possible range of scores is 1 to 5).

Chief executive officer support for human resource management. A six-item scale of CEO support for HRM was developed based on Sheehan *et al.*'s (2007) single-item measure. The original scale was extended and piloted with subject matter experts (Hinkin, 1995). Although both the HR and TMT executives answered the questions, we used the TMT executive responses to minimise the risk of common method variance. Respondents were

asked to rate, on a five-point scale, from 1 (never) to 5 (always), the extent to which the CEO is supportive of HRM integration within business decision-making. Six items were “the CEO incorporates HRM priorities when establishing the direction the organisation should take”, “the CEO integrates HRM priorities into the decision-making process”, “the CEO works hard to maintain a cooperative partnership with the HR function”, “the CEO recognises the importance of HRM issues”, “the CEO makes positive public statements about HRM priorities”, and “the CEO sees HR as a key strategic function”. Scores on the six items were averaged to form a composite measure (possible range of scores is 1 to 5), and higher scores indicate greater CEO support for HRM.

Top management team behavioural integration. TMT behavioural integration was measured using Simsek *et al.*'s (2005) nine-item scale. Simsek *et al.* (2005) operationalised TMT behavioural integration as a second-order construct comprised three dimensions: TMT collaboration, TMT information sharing, and joint decision-making. Each dimension was comprised of three items, each measured on a five-point scale (1 = strongly disagree to 5 = strongly agree). In their scale development study, Simsek *et al.* (2005) found this scale to have adequate internal consistency reliability ($\alpha = 0.85$), and this reliability has been replicated in subsequent studies (Carmeli, 2008; Carmeli and Schaubroeck, 2006; Lubatkin *et al.*, 2006). The behavioural integration scale was completed by both the HR and TMT executives. We used TMT executive responses in the present study, because these executives are likely to be the most knowledgeable informants on TMT processes and it can also reduce potential common method variance. Scores on the nine items were averaged to form a composite measure (possible range of scores is 1 to 5), with higher scores indicating greater TMT behavioural integration.

Control variables

We controlled for three variables that may influence the relationship. The first is organisational size which affects the strategic role assigned to HRM. Smaller organisations are less likely than larger organisations to have formal HRM practices and a strategically active HR department (Klass *et al.*, 2012). Accordingly, we measured the total number of employees in the organisation recorded on a six-point ordinal scale from (1) 100 or less to (7) 10,000 or more to control organisational size. The second to affect the strategic role of HRM is organisational sector. As private sector (operating for profit) organisations more often include the function in a strategic business partner role (Galang and Osman, 2016), a dummy variable was included to indicate if the organisation was private sector (coded 1) or otherwise (coded 0) to control organisational sector. The third variable we controlled is environmental dynamism by using a five-item scale developed and validated by Jansen, Vera and Crossan (2009). Environmental dynamism is an important variable, particularly in China given the increasingly competitive environment (Zhu *et al.*, 2013). HR executives were asked to respond five items on a five-point scale (1 = strongly disagree to 5 = strongly agree). The scores on the five items were averaged to form a composite measure (possible range of scores is 1 to 5), with higher scores indicating greater rate of change and the instability of the external environment (Cronbach's alpha coefficient = 0.82 in the Australian sample, 0.64 in the Chinese sample).

Method of analysis

Factor analysis and reliability analysis were used to validate the measures. Given the relatively small sample sizes (particularly in the case of the Australian sample), we conducted exploratory principal components analysis (PCA) to examine the dimensionality of the measures rather than multi-group confirmatory factor analyses. The latter requires

very large samples to obtain stable parameter estimates and fit indices (Tabachnick and Fidell, 2013). The hypotheses were tested using a *t*-test for independent samples (*H1*) and moderated multiple regression (*H2* and *H3*).

Results

We first examined the psychometric properties of the key study measures in Chinese and the Australian samples. As shown in Table I, reliability coefficients were acceptable. PCA showed that average factor loadings on all the measures were acceptable, being above the commonly used threshold of 0.50, and it indicates acceptable convergent validity of the scale items onto their respective measures (Hair *et al.*, 2014).

Table II presents the means, standard deviations and inter-correlations of the study variables by country. As shown in Table II, in the Chinese sample, TMT behavioural integration was slightly more strongly correlated with HR involvement in strategic decision-making than was CEO support. In the Australian sample, the correlation between CEO support for HRM and HR involvement in strategic decision-making was nearly twice as strong as the correlation between TMT behavioural integration and HR involvement in strategic decision-making. It is noteworthy that in both samples environmental dynamism was the most strongly correlate with HR involvement in strategic decision-making. The finding confirms the views of scholars (Galang and Osman, 2016; Zagelmeyer and Gollan, 2012) that HRM can make an important contribution when an organisation considers issues associated with sustainability in a dynamic environment.

H1 predicted that HR involvement in strategic decision-making will be higher in Australia than in China. The difference in means for HR involvement in strategic decision-

	Chinese sample (<i>n</i> = 168)			Australian sample (<i>n</i> = 102)		
	α	% Var.	Mean factor loading	α	% Var.	Mean factor loading
CEO support for HRM	0.85	59	0.76	0.93	74	0.86
TMT behavioural integration	0.88	72	0.85	0.87	66	0.81
HR involvement in strategic decision-making	0.81	64	0.80	0.84	68	0.82

Notes: α = Cronbach's alpha coefficient; % Var. = Per cent of common variance explained by single factor solution

Table I. Cronbach's alpha coefficients, percentage of variance explained and mean factor loading for Australian and Chinese samples

	Chinese sample		Australian sample		1	2	3	4	5	6
	M	SD	M	SD						
1 HR involvement in strategic decision-making	3.77	0.76	3.72	0.90		0.21*	0.27*	0.15	-0.08	0.28*
2 CEO support for HRM	3.93	0.66	3.71	0.84	0.37*		0.45*	0.01	-0.05	0.08
3 TMT behavioural integration	3.77	0.58	3.50	0.66	0.21*	0.53*		0.01	0.06	0.16*
4 Organisational size (a)	3.84	1.91	3.32	0.74	0.16	0.32*	-0.07		-0.10	0.23*
5 Private sector	0.74	0.44	0.76	0.43	0.03	-0.18	-0.11	-0.22*		-0.07
6 Environmental dynamism	3.65	0.56	3.72	0.90	0.38*	0.14	0.06	0.02	0.09	

Notes: (a) Coded on a seven-point scale from (1) 50 or less to (7) 10,000 or more employees. Chinese sample on the upper diagonal (*n* = 168); Australian sample on the lower diagonal (*n* = 102); **p* < 0.05

Table II. Means, standard deviations, and correlations of the study variables by country

making in Australia and China (see Table II) was not statistically significant, $t(262) = 0.51$, $p > 0.05$. Hence, *H1* was not supported.

Turning to *H2*, as shown in Table III, CEO support was positively related to HR involvement in strategic decision-making in the Australian sample, but no statistically significant relationship was found in the Chinese sample. An interaction term, comparing the equality of regression slopes, was statistically significant at the 90 per cent level of confidence ($B = 0.19$, two-tailed $p = 0.08$, one-tailed $p = 0.04$). Given the well-documented difficulties in detecting interaction effects (Cohen *et al.*, 2003), even in relatively large samples, we interpreted this evidence as support for *H2*.

With regard to our third hypothesis, TMT behavioural integration was positively related to HR involvement in strategic decision-making in the Chinese sample, but not significantly related in the Australian sample. Although the regression estimate for TMT behavioural integration was close to zero in the Australian sample and nearly four times stronger in the Chinese sample (see Table III), the difference in regression slopes was not statistically significant ($B = 0.18$, $p = 0.24$). The lack of statistical significance is most likely due to the relatively small size of the Australian sample. However, the results are suggestive that in China, a collectivist culture, HR strategic involvement is dependent on levels of TMT integration. Hence, we found partial support for *H3*.

Discussion

The aims of the study

The first aim of the research was to consider the strategic decision-making role of the HR professional in China as compared to Australia. The first hypothesis was drawn from ongoing research that has established existing levels of strategic HR involvement in Australia (Dowling and Fisher, 1997; Sheehan *et al.*, 2007), compared to the relatively little evidence in China of HR strategic involvement. The hypothesis posited therefore that there would be lower levels of HR involvement in strategic decision-making in China than in Australia. Results indicate however that there was no statistically significant difference between the samples. The lack of a statistically significant difference between China and Australia in the levels of HR involvement in strategic decision-making supports the view of scholars such as Akhtar *et al.* (2008) and Zhu *et al.* (2013) who argue that strategic HRM is becoming more widespread in China and increasingly valued by Chinese organisations. These scholars explain that there is an emerging belief within the highly competitive

Table III.
Multiple regression
analyses predicting
HR involvement in
strategic decision-
making by country

	B	Chinese sample ($n = 168$; $R^2 = 0.15$)		Australian sample ($n = 102$; $R^2 = 0.26$)		
		SE	β	B	SE	β
<i>Control variables</i>						
Organisational size	0.03	0.03	0.09	0.05	0.06	0.08
Private sector	-0.11	0.14	-0.06	0.16	0.20	0.08
Environmental dynamism	0.30*	0.11	0.22	0.40*	0.11	0.33
<i>Explanatory variables</i>						
CEO support for HRM	0.12	0.10	0.10	0.31*	0.13	0.29
TMT behavioural integration	0.25*	0.12	0.19	0.07	0.15	0.05

Notes: * $p < 0.05$. B = unstandardised regression coefficient; SE = standard error; β = standardised regression coefficient

Chinese market that a firm's success will rely on the quality of its human capital. Increased levels of foreign-owned firms have resulted in unprecedented changes in HRM practice (Akhtar *et al.*, 2008; Warner, 2013, 2014) and the shift towards HRM approaches has not been restricted to foreign-owned firms but has also been part of the renewal of state-owned enterprises (Zhu *et al.*, 2013). The results of the current study therefore reinforce the value attributed to strategic HR initiatives within Chinese organisations.

The second aim of the research is to review the impact of the CEO and the TMT in China as compared to Australia in the determination of HR involvement in strategic decision-making. The argument for a differential impact of the CEO and TMT on the level of HR involvement within strategic decision-making drew from the upper echelon theory and the premise that the experience, values and personality of TMT executives, including the CEO, determine how they interpret situations and the resultant choices that they make (Hambrick, 2007). The relevant choice in the current study is the decision about how much the HR executive is involved in strategic decision-making. Hambrick's (2007) refinements of the theory calls for more research into the application of the upper echelon theory across macro social contexts and consideration of a differential view of the centrality of the CEO. Olie *et al.* (2013) similarly question the primacy of CEOs across national boundaries and argues that differences in individualist/collectivist cultures would impact on the extent to which characteristics of the CEO versus the TMT would determine strategic decision-making processes.

With respect to *H2*, in Australia, an individualist culture, we found that it is more likely that the CEO will dominate and centralise power and determine the level of HR involvement in strategic decision-making. The results for *H3* are less clear in terms of statistical inference, but suggestive that in China, a collectivist culture, HR strategic involvement is dependent on levels of TMT integration. This finding is consistent with the prediction based on the dynamics of a collectivist culture such as China (Gao *et al.*, 2016; Koch and Koch, 2007) where the emphasis is more likely to be on group goals, harmony and egalitarianism. If there is an HR executive present as part of the TMT therefore it is more likely that their view will be integrated. This difference is also consistent with the inclusive leadership style of Chinese CEOs. As noted previously, Ou *et al.* (2014) claim that Chinese culture values humility, CEOs are often self-deprecating and lead inclusively. These characteristics were positively associated with empowering other leaders and CEOs were seen to be more likely to develop relationships with all of the TMT members. The inclusive approach taken by Chinese CEOs most likely explains the greater impact of levels of TMT behavioural integration in the Chinese sample.

Theoretical implications

The results of the research support the premise of the upper echelon theory that the characteristics of the TMT, including the CEO, drive organisational choices (Hambrick, 2007), in particular, the decision to integrate the HR executive into strategic decision-making. The current research addresses Hambrick's (2007) call for further research to broaden the investigation of the upper echelon theory beyond the application in firms in the USA that are dominated by the CEO. The results also support Olie *et al.*'s (2013) conceptual arguments for the impact of differences in informal institutions, notably individualism and collectivism, on the relative importance of CEOs on strategic decisions made.

The comparison of the involvement of HR professional in the firm's strategic decision-making and the role played by the CEO and the TMT in HR involvement in China and Australia, has added further evidence to the literature on the importance of contextualisation, especially when studying managerial practices in emerging economies (Chen *et al.*, 2016). Previous research has identified some evidence of moves towards

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Western models of HRM with emerging economies (Andreeva *et al.*, 2014). Our results indicate however that researchers should pay special attention to the influence of an array of contextual factors when understanding the impact of strategic HRM practices in different national contexts.

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Practical implications

The present research has shown that Chinese organisations are responding well to HRM initiatives and beginning to offer a higher-level strategic status for HRM. The diminishing difference on the importance of HRM between China and western countries like Australia greatly encourages international firms to enter China. With the increasing quality and quantity of domestic talents, the factors of local culture has no longer limit international firms to adopt a strategic approach to HRM and therefore improve their developing speed in China.

However, our study also indicates the necessity to understand the effect of country context on specific operations when international firms adopt a strategic HRM in China. For example, given that more Chinese firms are entering western countries such as Australia, it would appear that, when setting up foreign direct investment business arrangements that seek to incorporate strategic HRM priorities, some efforts need to be made to ensure CEO's support for HRM strategic initiatives. After all, the role of CEOs in China seems a bit less than TMT in strategic decision-making, which may make Chinese firms underestimate the importance of CEOs in Australia. For Australian firms entering China however, there is some evidence that promotion of strategic HRM initiatives can find support through the behavioural integration of the TMT rather than primarily from the CEO. The mind transition for the importance of CEOs and TMT in strategic decision-making can avoid international firms making excessive and useless efforts.

Limitations and future research directions

Despite this study's theoretical and practical contributions, we acknowledge that our research design has some limitations and offers directions for future research. A strength of the current study was the use of a comparative (cross country) survey design. However, to examine the generalisability of the findings, future research should replicate our study across other national contexts with differing cultural characteristics (Jackson *et al.*, 2014). Given recent research has identified intra-national differences with regard to collectivism in China (Kwon, 2012), future studies could also compare firms in different regions in China. A second strength of the present study is the use of two sources of data (senior HR and TMT executives) to minimise the risk of common method bias impacting the observed relationships (Podsakoff *et al.*, 2012). However, the use of a longitudinal design would help in future research to strengthen causal inferences. Finally, our measure for HR involvement in strategic decision-making provides a solid measure of the third area of competence identified in Ulrich *et al.*'s (2013) strategic positioner role, namely co-crafting the strategic agenda for their organisation. This is an important contribution, particularly in advancing understanding of the strategic role of HR in China; however, as the definition of the HR roles has evolved over time it was not feasible for us to fully address the most recent rendition. Future research could expand our approach to investigate the other areas of competency identified in the strategic positioner role, namely, understanding the global business context, interpreting customer expectations and co-crafting the strategic agenda for their organisation (Ulrich *et al.*, 2013).

Conclusion

Although there has been extensive analysis of the strategic role of the HR professional in western countries, there is a gap in our understanding of the role of HR professionals working in China (Gao *et al.*, 2016; Liang *et al.*, 2010; Zheng and Lamond, 2009). The first contribution of the current study is that while strategic HRM has been practised in Australia for some decades, our research confirms the observations of Akhtar *et al.* (2008) and Zhu *et al.* (2013) that strategic HRM, specifically HR involvement in strategic decision-making, is valued by Chinese organisations. The second contribution of the research is, using the upper echelon theory, to address Hambrick's (2007) call for investigation of the theory across macro social contexts and specifically consider a differential view of the centrality of the CEO. Testing Olie *et al.*'s (2013) conceptual argument that the informal institution of individualism/collectivism cultural values will result in differential impact of the role of the CEO and the TMT, the research has shown that this effect is evident in the determination of HR involvement in strategic decision-making in China and Australia.

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