

## Human Resource Management in Asia-Pacific

By Dr. Paul Aldrich

### Introduction

A recent report by the UK's Chartered Institute of Personnel and Development (CIPD), *New Generation HR: The growth option: turbo-charging HR's impact in Asia*,<sup>1</sup> suggests that in some organizations human resource management in Asia-Pacific is becoming more 'agile and business-centered'. It draws on the results of interviews conducted with representatives of 27 companies operating in Singapore, Hong Kong, South Korea, China and India. The sample population is a mixture of Western and Asian headquartered firms across industry sectors.

The report starts by noting that international and multi-national firms often put in place 'best practice' from Western human resource management orthodoxy such as 'business partners,' 'specialists' and 'service centres,' but suggests that simply by doing this, and nothing more, organizations may lack the opportunity to gain a competitive edge.

The report promotes the concept of 'New Generation HR' in which human resource functions see themselves as 'business functions' first with a people and cultural brief to support the business agenda. They are actively involved in leadership and avoid becoming internally focused. Critical capabilities to support this positioning are said to include 'HR and people skills' but also: 'a rich understanding of the business; a deep appreciation of the wider context outside the organization allied to a feel for the issues of people and culture.'

In addition, while the report acknowledges the merit of 'Ulrich-inspired logic' it states that human resource functions can be divorced from business reality, giving the example of banks in the recent financial crises<sup>2</sup>, and this can be exacerbated 'by the tendency, especially where the Ulrich model has been implemented without a truly compelling overriding purpose, for the function to become ever more specialized and fragmented.'

The authors' research in the UK/European context asks whether human resource management should simply build various areas of expertise around a core of human resource priorities, or whether it should also build a capability to 'generate rule-breaking insight and act as guardians of the long-term commercial success of our organizations'. They then suggest that some 'HR Asian leaders' appear to avoid these issues.

This whitepaper critically examines the findings of the CIPD report; argues that the pressures and challenges in Asia are not unique; suggests that the emerging market context may be the primary driver behind the nature of human resource management in the region; and therefore suggests that some of the report's findings may have broader application.

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<sup>1</sup> Connor, J. and McCartney, C. (2011) *Next Generation HR: The growth option: turbo charging HR's impact in Asia*, CIPD

<sup>2</sup> research on the capital markets and investment banking sector<sup>3</sup> found that all institutions in this sector suffered despite the relative professionalism and insight of their human resource leaders and structure of their functions. Deeper market issues lay behind the global financial crises and, while senior human resource leaders should have an opinion and a voice on issues of governance, the first lines of defence in this highly technical business are the business management and independent risk functions, not the human resource function.

<sup>3</sup> Aldrich, P (2008) *The role and influence of human resource management in the capital markets and investment banking sector*, DBA thesis, Durham University Business School

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### Human resource management as a catalyst for growth: The Asian context

The 'New Generation HR' report rightfully observes that the war for talent in Asia is undertaken in a fast-moving, dynamic environment marked by limited supply and significant demand. It then goes on to discuss the application of 'Insights thinking.'

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**Insights thinking** The report describes the ‘Insights thinking’ that the authors believe creates a vision for human resource management in Asia that can ‘leapfrog the development of the profession in the West’ by focusing on specific Asian issues.

They define the ‘four corners of growth-based HR’ as:

- Insight: Leveraging insights thinking;
- Community: Building the open family;
- Purpose: Caretaking dreams; and
- Performance: Competition, coaching and capability.

Somewhat confusingly these four concepts appear to be shown as quadrants, or ‘corners of next practice,’ against two axes: the vertical, ‘Winning today’s battles vs. Building a future fit organisation,’ and horizontal ‘Growing the business vs. Winning the war for talent in Asia,’ Figure 1:

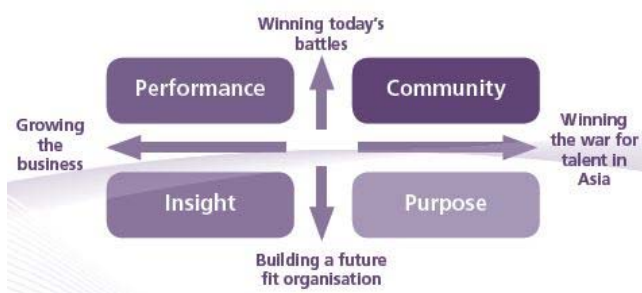


Figure 1: Four corners of growth-based HR (Connor & McCartney, 2011)<sup>1</sup>

While the exact relationships between the quadrants and axes are not explained, maybe these four concepts are simply being held out as cornerstones, or foundations, of human resource management that will allow organizations to meet their business objectives in the short and long term through winning the war for talent.

**The growth option** The authors believe that the nature of the human resource function in Asia is still ‘developing and emerging’ and that while it would be ‘easy for HR in Asia to follow the Western path and adopt many of the ‘best practice’ models,’ they believe there is perhaps an exciting alternative, their ‘growth option,’ which is ‘built around the four corners of growth-based HR’ described above.

This is depicted as a binary choice between ‘implementing international best practice’ or the ‘growth option’; however, as the authors themselves state that in many ways there is nothing wrong with the Western approach, it may be more useful to conceptualise their recommendations in a manner that draws on Western experience and adapts it in a way that is appropriate for the Asian context.

### **What does this mean for the human resource function?**

The authors warn human resource professionals in Asia that they should seize the opportunity to define and shape their unique role in the Asian story, and not be limited by the human resource function’s positioning and miss the opportunity to act as a key catalyst for growth in the region. They believe this means ensuring excellence in the human resource function’s ‘core role’ but also stepping beyond transactional activity by delivering insightful leadership in their businesses and by finding new and creative solutions to the growth challenges faced by their organizations. It is recommended that to do this the human resource function ‘will need to be positioned as a core component of business and strategic leadership.’

The report recommends that the human resource function should be ‘savvy’ around: the broader environment, ‘contextual savvy’; commercial acumen, ‘business savvy’; and, how to leverage culture and performance in their own organizations, that is, ‘organisational savvy.’ There should also be processes

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for capturing data to enable analysis that feeds insightful decision-making.

All this makes sense but is not new thinking. The need for the human resource function to deliver on both process responsibilities and more complex problem solving in both tactical and strategic time-frames has been well documented in the Western context and the prerequisites for this to occur have also been widely discussed<sup>4</sup>. Maybe the authors have just identified similar challenges for the Asian markets?

**What does this mean for human resource function leaders?** The authors draw on their interviews with human resource function leaders in Asia and define four characteristics that they believe may help human resource leaders in Asia to fulfill the 'growth option' noted above, and that may also have wider application:

- **Purpose:** Have a big and ambitious agenda that flows from their personal values, vision and the legacy they wish to leave. (They believe they are architects of the organisation's future not simply implementers of strategy.);
- **Humble authority:** Influence the business through others in a humble, gentle and subtle way. (They cannot 'set direction' in the same way as a CEO.);
- **Insight creator:** Identify new, insightful ways of solving business problems and gain competitive advantage through the firm's human resource strategy; and
- **Willingness to be different:** Being challenging and provocative at times, taking risks in what they do and challenging themselves to behave differently.

Importantly, it is recognized by the authors that to fulfill business objectives the human resource function should be positioned at the heart of decision-making. The extent to which this is possible is said to depend on the relationship between the CEO and the senior human resource manager.

Again all this makes sense but is not new thinking. With regard to the competencies required by human resource professionals to influence decision-making and have strategic organisational impact, extant research has also identified the same challenges in a Western context<sup>5</sup>. Maybe the authors are trying to identify specific competencies that are most needed by human resource leaders in Asia at this time?

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<sup>4</sup> Aldrich, P (2008) *The role and influence of human resource management in the capital markets and investment banking sector*, DBA thesis, Durham University Business School, 37-46

<sup>5</sup> Aldrich, P (2008) *The role and influence of human resource management in the capital markets and investment banking sector*, DBA thesis, Durham University Business School, 150-184

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### The 'Four Corners of growth-based HR' examined

The 'Four Corners' of growth-based human resource management noted above are examined below.

**Insight – 'Leveraging insights thinking'** The human resource leaders interviewed for the CIPD report were assessed to determine their sphere of influence at each of four ascending levels: *core and people processes* – leaders who define their roles by the human resource processes they support, i.e. recruitment; *culture and people* – leaders who define their role as seeking competitive advantage through shaping the culture and capabilities of people in the organization; *delivering strategy* – leaders who define their role as seeking to ensure the business is able to deliver its business strategy; and, *shaping the future* – leaders who operate as strategic architects of the future, actively seeking out

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future growth opportunities. The report states that those leaders who operate at the top of this pyramid are able to use their business, contextual and organizational savvy together to enable the human resource function to maximize its impact on organizational success and make the most difference to their organisations.

Unfortunately the report does not define how 'difference' is defined, measured or compared within their research sample. In addition, it does not specify why these four levels were selected as benchmarks or whether the best human resource leaders should operate at all levels including the top level or just at the top level. However, given later comments acknowledging the importance of delivering on core human resource function responsibilities, it may be assumed that the authors believe that the most effective human resource leaders ensure delivery at all levels of the pyramid.

The authors identified a possible paradox between the need for insightful thinking and the 'tell culture,' where the education system in Asia expects pupils to learn what they are told and not challenge conventional wisdom, and while it would be instructive to know the extent to which this was raised by Asian or Western respondents, it is an important point.

The illustrative case studies, while interesting, do not describe the detailed dynamics in each case. For instance, did the human resource leader or some other member of the human resource function identify a business problem and identify a solution? Did the CEO/senior business management come to the human resource leader with a problem and ask for help with solutions? Or, did the human resource function simply execute a solution that was formulated by the

CEO/senior business management?

Unfortunately, the case studies do not describe the location of the human resource leaders in the structure of the respective organizations, and there is no discussion regarding the unique relationships between them and their CEOs. It would also be instructive to understand their length of service, previous career experience and cultural affiliation.

### ***Community – 'Building the open family'***

A number of the human resource leaders interviewed for the CIPD report compared their organisations favourably against American companies. It would appear for many respondents that American organisations are synonymous with individualism and internal competition that '*can appear at odds with core values such as 'community' and with the traditions in many cultures of family businesses that look after and show high degrees of loyalty to their employees*'. However, the authors of the report encountered many cases in Asia where these traditional values are under pressure and while the competitive environment is one factor, they cited the biggest cause of tension as a change in thinking between generations.

The younger generation wants an open culture of honesty and the ability to face challenges with the freedom to be trusted to make decisions. One respondent noted that the younger generation has different working expectations with individual values and ambitions to fulfill. They are seen as more technology orientated, media savvy, preferring less hierarchical structures, and are less patient, wanting to move faster.

The report's authors found that the most impressive human resource leaders try to help their organizations grow in a way that respects the past

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by maintaining a sense of family, but that also acknowledges the pressure for *'autonomy and openness.'* The illustrative case studies lack detail relating to the actual impact of human resource leaders and the human resource function as a whole, however, these findings are worthy of further research. For instance, it would be interesting to reflect on the extent to which these cultural pressures are typical for all firms, whatever their nationality, that are family owned and are moving from being primarily focused on local or regional markets to a more global context. It would also be interesting to compare the balance of economic expediency, employee loyalty and community service between Western and Asian firms.

**Purpose – 'Caretaking dreams'** In a fast-moving environment where family businesses are becoming regional, or even global, and Asian countries are starting to play a more important role in the world's economy, the CIPD report quotes respondents as describing the market for talent as *'ferocious,' 'intense'* and *'highly-competitive.'* It then notes that organisations are trying to differentiate themselves to capture and benefit from these trends.

The authors state that the best kinds of differentiation are *'whole-business solutions'* and the *'next generation'* human resource leaders have *'taken the idea of aligning employer brand and market brand to a new level, one that creates a whole-business personality that is appealing to customers and staff alike.'* Where this occurs, the authors believe that *'the alliance between marketing and HR becomes the backbone of the business's identity'* and they state that this is being achieved through using two levers, *'authenticity and purpose.'*

While the report acknowledges that employee engagement and brand alignment address employee behaviour and the employee/customer experience, it

suggests that authenticity and purpose tap deeper meanings. Authenticity is described as the ability of an organization to be open, confident and consistent with its corporate values, while providing a safe environment for individuals to explore their own aspirations. Purpose is described as motivating individuals through a sense of community and national pride.

Again, the case studies lack detail relating to the role of human resource leaders, and the differentiation between employee engagement and branding found in Western vs. Asian organisations is less than clear.

**Performance – "Competition, coaching and capability"** The CIPD report's final corner of growth-based human resource management is *'Performance,'* and the way in which organizations focus on performance is noted as a common frustration of human resource leaders.

Three main problem areas are identified as:

- a reluctance to deal with poor performance;
- development being more about qualifications than competence; and
- an emphasis on seniority and length of service

The report notes that culturally it is difficult to challenge underperformance, that greater merit is often put on qualifications rather than job competence and that seniority and length of service may prevent growth for high-performing, high potential but younger employees.

What isn't mentioned, maybe because it did not come up in the interviews, is the potential drag on growth caused by employing people in key positions due to the patronage of family and/or government.



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It is stated that building a performance culture should be a key area of focus in the short term for human resource leaders, and the report notes that human resource leaders are addressing this through: *competition* – rigorous performance evaluations are comparable with the competitive education system and this is a culturally acceptable way of highlighting both good and bad performance; *coaching* – a number of organizations across Asia are investing heavily to enable their leaders to coach their employees; and, *capability* – ensuring that methods of driving individual performance are sensitive to their feelings of self-respect, or face, and are not utilised at the expense of teamwork.

The case studies that illustrate this section of the report are consistent with the others in not describing in any detail the exact role of the human resource leader and human resource function. However, important challenges are raised that should be researched further.

### Summary

As the authors do not describe how their interview transcripts were analysed it is difficult to know whether the ‘four corners’ of Insight, Community, Purpose and Performance are the only important human resource management drivers of growth for companies operating in Asia.

With regard to ‘Insight,’ the report does not specify how the four levels of ‘core and people processes,’ ‘culture and people,’ ‘delivering strategy,’ and ‘shaping the future’ are derived; how differences between respondent organisations are defined, measured or compared; and, whether the best human resource leaders should operate at all levels including the top level or just at the top level. It would also be useful to understand the extent to which the ‘tell culture’ has an impact on insightful thinking. After all, significant family-owned Asian businesses have already competed effectively,

changed with the times, and grown into major regional and global concerns over a number of years. Maybe this has become more of a concern as the competitive landscape has changed and the need for faster decision making has increased?

In terms of ‘Community’ the report’s findings may exemplify the challenges of all firms, whatever the nationality and market context, which are transitioning from a family owned and managed, and primarily local or regional, market orientation, to a more global context. Also, it would be interesting to compare how financial objectives, employee loyalty and community service of organizations are balanced and enacted between Western and Asian firms.

A comparison between Western and Asian firms would be useful in the area of ‘Purpose’ with regard to employee engagement and branding. Indeed, it would be interesting to see the extent to which the findings noted in this report for Western vs. Asian firms are the same, and also whether there are any sectoral differences.

Finally, the findings with regard to ‘Performance’ are instructive and further research would be valuable; however, issues of family and/or government patronage should also be considered.

### Conclusion

The findings of this CIPD report confirm that some human resource management challenges are similar to those found in a Western context; for instance, the role and influence of the human resource function and the competencies required of human resource professionals. The output of research in a Western context and lessons learned from Western firms operating in Western markets, which is described as ‘*Western HR orthodoxy*,’ should therefore be built upon, and the conclusions adapted for every operating

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environment including Asia. The benefit of the learning-curve should help human resource management in Asia accelerate its ability to adapt Western experience for their context. Indeed, Young et al (2008)<sup>6</sup> discuss the debate on whether Human Resource Management (HRM) systems for companies located in Asian countries will *'converge, diverge or move towards a 'hybrid' Asian model,'* and note that a middle way can demonstrate similarities but at the same time display distinctive national characteristics. They call this *'bounded' or 'soft convergence'* (Warner, 2002)<sup>7</sup>.

In addition, some of the findings of this report may have relevance for aspects of human resource management in a Western context and for other emerging markets exemplified by the BRIC countries (Brazil, Russia, India and China), or BRICS countries if South Africa is included. For instance, the issues raised above with regard to recruiting and retaining talent and performance management have also been identified in another CIPD report, *'Talent Development in the BRIC Countries'*<sup>8</sup>. This report looks at the human resource management issues in each BRIC country and usefully draws on the work of a number of authors who focus on the cultural challenges of managing organizations with international offices<sup>9, 10</sup>.

With regard to the recruitment and retention of talent, which is seen as one of the most significant issues for India and China, an article published in the Harvard Business Review, *'Winning the Race for Talent in Emerging Markets'*<sup>11</sup>, is particularly instructive.

Their *'Talent Compact'* paradigm provides a framework for attracting and retaining talent which is built around *'Opportunity,' 'Purpose,' 'Culture,'* and *'Brand,'* Figure 2:

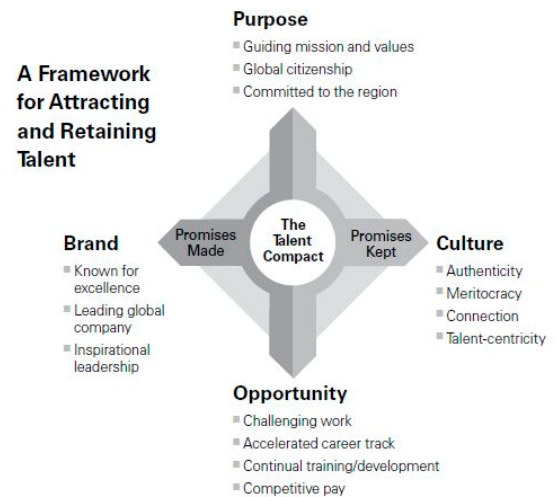


Figure 2: A framework for attracting and attaining talent (Ready et al., 2008)<sup>11</sup>

- **Opportunity:** is defined as challenging work, accelerated career track, continual training/development, and competitive pay;
- **Purpose:** is defined as guiding mission and values, global citizenship, and commitment to the region;
- **Culture:** is defined as authenticity, meritocracy, connection and talent-centricity; and
- **Brand:** known for excellence, leading global company and inspirational leadership

The *'Community,' 'Purpose'* and *'Performance'* corners of *'growth based HR'* noted by the CIPD report on human resource management in Asia are captured in this talent management orientated model across opportunity, purpose, culture and brand, while the fourth corner *'Insight'* is not specifically represented. This is not surprising as Insight is less related to undertaking human resource management specifically in an emerging market context and has broader relevance.

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Finally, research by de Guzman et al. (2011)<sup>12</sup> adds another dimension to the 'Insight thinking' noted above by highlighting one area of human resource management where Asian companies appear to be ahead of their Western counterparts. They believe establishing network connections appears to be a critical component for the development of human resource management, and refer to a study by Tung and Verner (2001)<sup>13</sup> which found that Western multinationals operating in China which did not fully utilise the *guanxi* (connections) philosophy were less successful because of this.

Despite the questions raised regarding method, methodology, case study presentation and some of the conclusions raised above, this CIPD report on human resource management in Asia should be welcomed as adding further to the accumulating body of knowledge on the challenges of human resource management in Asia, and presenting emergent themes which point to areas of future research.

The results of future research on bounded convergence, whilst no doubt insightful, will only be valuable where it is timely. As Yeung et al. (2008)<sup>6</sup> so aptly put it, in Asia 'the demands and expectations of the HR function to take on strategic roles (versus administrative roles) and address critical HR issues like attracting and retaining key talent, building talent pipelines, and creating high-performing cultures are greater than ever'.

CTPartners consultants have has significant experience advising our clients in reviewing their talent portfolio through both internal and external benchmarking, talent planning, and the execution of talent acquisition. If you would like to discuss the practical implications of this paper further, please contact a member of our Global Human Resource Practice.

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<sup>6</sup> Yeung, A., Warner, M. and Rowley, C. (2008) Growth and globalization: evolution of human resource management practices in Asia. *Human Resource Management*, 47, 4, April. 22-26

<sup>7</sup> Warner, M. (2002) Globalization, labor markets and human resources in Asia-Pacific economies: An Overview. *International Journal of Human Resource Management*, 13, 384-398

<sup>8</sup> CIPD (2010) *Talent Development in the BRIC Countries*, CIPD, London

<sup>9</sup> Hofstede, G. and Hofstede, GJ. (2004) *Cultures and organizations: software of the mind*. 2nd ed. Thousand Oaks, CA: Sage

<sup>10</sup> Sinclair, A, Robertson-Smith, G. and McCartney, C. (2008) *Managing teams across cultures: how to manage across borders, time zones and cultures*. Research report. Horsham: Roffey Park Institute

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<sup>12</sup> de Guzman, GM., Neelankavil, JP. and Sengupta, K. (2011) Human resources roles: ideal versus practiced: a cross country comparison among organizations in Asia, *International Journal of Human Resources Management*. 22, March, 1-18, iFirst.

<sup>13</sup> Tung, LRL and Verner, W. (2001) Network Capitalism: the Role of HR in Penetrating the China Market. *International Journal of Human Resource Management*, 12, 4, 517-534

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