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# Comparison of Human Resource Management Practices in Czech and Chinese Metallurgical Companies

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Additional information is available at the end of the chapter

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## Abstract

The objective of this chapter is to analyze and compare various aspects of human resource management (HRM) practices in Chinese and Czech metallurgical companies. A questionnaire consisting of 58 questions devoted to specific aspects of HRM such as recruitment, performance evaluation and remuneration, and training and development was designed to acquire necessary data. Data acquired from 42 Chinese and 36 Czech companies were analyzed in order to yield the most beneficial outcomes. This chapter focuses on recruitment and selection of employees, evaluation, remuneration, and motivation of employees and career management. Results show significant differences in various aspects of HRM between both countries. Differences and some similarities are discussed and managerial implications are presented in the chapter.

**Keywords:** human resource management, metallurgical companies, China, Czech Republic, recruitment, selection, remuneration, motivation, career, benefits

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## 1. Introduction

This chapter presents results of the project Support of VŠB-TUO activities with China with financial support from the Moravian-Silesian Region. The field of HRM practices in manufacturing companies in both countries was researched by Li et al. [1], who presented comparison of practices in various aspects of HRM based on data acquired since 2011. Some preliminary results of the project have been published earlier, focusing on different HRM aspects, such as setting of HR department, number of its employees, HR planning, and training and development in Chinese manufacturing companies [2]. This chapter focuses on situation in metallurgical companies of both countries, which were selected from the total sample of surveyed companies.

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As human resource management (HRM) plays an irreplaceable role, HR managers must meet the demands of dynamically changing environment and maintain and motivate human resources in order to increase competitive advantage of organizations [3]. Also in this field of management, planning plays an essential role in overall performance and success as is discussed by Samolejova et al. [4]. In the area of recruitment or selection, it was found so far that particular selection methods are used more or less frequently in different areas in relation to the cultural values of that country, e.g., high uncertainty avoidance culture used more test types, more interviews [5]. Different cultures emphasize different attributes on the selection of employee, people in achievement-oriented country consider skills, knowledge, and talent, in ascription-oriented culture, age, gender, and personal relationship are important [6]. This finding is proved again and is discussed in this chapter. Performance management has developed over the past two decades as a strategic, integrated process which incorporates goal-setting, performance appraisal, and development into a unified and coherent framework with the specific aim of aligning individual performance goals with the organization's wider objectives [7].

In this chapter, the differences originated in above-mentioned culture specifics are discussed. It was suggested that collectivist societies are more likely to use informal, subjective appraisal. The concept of performance appraisal sits uncomfortably with character assessment. Cultural variations in the area encompass both how people should be appraised and by whom [8]. As discussed below, the historical background of Confucius philosophy of China is very relevant in determining the nature of HRM. Our research showed significant differences in HRM practices between both countries, considering the emphasis on different characteristics such as seniority and group achievement in China and personal performance and experience in the Czech Republic.

## 2. Sources and methods

Data for this study was collected using a questionnaire designed by Czech and Chinese co-researchers. The questionnaire has a total number of 58 questions divided into several sections referring to various aspects of HR management. It was designed to reflect both the Chinese and Czech industrial environment that would provide a relevant material to compare both environments in future research. Fifty local metallurgical companies of Hubei province and 41 metallurgical companies in Czech Republic were invited to participate in the research.

The questionnaire was sent via email together with an introduction letter. We received 43 completed questionnaires from China, one per company, which makes a good return rate of 84% and 36 questionnaires from Czech Republic, with a return rate of 87%. The size distribution of the companies is described in **Table 1**. For the purpose of this chapter, we used three size categories of companies. Not all the data acquired were analyzed for the purpose of this chapter, which is focused on analysis and comparison of questions dealing with recruitment, selection, evaluation, remuneration, motivation, and career management among Czech and Chinese metallurgical companies.

Company size	Medium	Big	Very big	
No. of employees	100–250	250–750	more than 750	Total
Czech Republic	21	8	7	36
Czech Republic [%]	58.30%	22.20%	19.50%	x
China	11	16	16	43
China [%]	25.58%	37.21%	37.21%	x

**Table 1.** Size distribution of the companies according to number of employees.

### 3. Results and discussion

#### 3.1. Recruitment

Recruitment is the process of generating a pool of candidates from which the appropriate person is selected to fill a job vacancy. It is composed of recruitment, selection, and employment. Preliminary results of Chinese part of our study were published in our previous article. This chapter presents comparison of practices in Chinese and Czech metallurgical companies in that field.

In this survey, 80% of firms have prepared descriptions of job positions. When asked about the source of recruitment, 66% of Chinese and 100% of Czech companies give priority to internal sources and turn to external sources only when necessary. The situation is reversed when important positions need to be filled—47% of Chinese firms fill important positions exclusively from internal sources, however only 33% of Czech metallurgical companies do the same. This fact also illustrates the general cultural difference and emphasis on loyalty on Chinese side more than on the Czech side, which does not necessarily say which approach is better taking into account the best achievable performance for the company. As regards to the sources of recruitment, a similar portion of about 60% of companies in both countries choose to cooperate with universities and vocational schools. 75% of surveyed Chinese companies cooperated with labor markets and government employment organizations. In the Czech Republic this source of recruitment is slightly more common and was used in 85% of companies surveyed. The situation is very different in the field of use of employment agencies which temporarily lease the workforce. This phenomenon is very common and 81% of Czech companies use it regularly, but only 33% of Chinese companies do so. A similar ratio can be observed in the use of recruitment agencies, only 44% of Chinese companies use them while it is very common in the Czech Republic where nearly 70% use this method of recruitment. Further research in this field should be focused on the ratio of in-house and outsourced recruitment in companies as only yes/no answers were possible in our research so no information on the rate of utilization of this method is available.

Based on the above-mentioned results several recommendations could be considered. Chinese companies could motivate their employees by using them more often as the first choice for positions (and not only the managerial ones) staffing. Czech companies should seek for man-

agers in internal sources more often because a career growth is one of the most powerful tools of qualified and ambitious employees' motivation. As for the most valued personal characteristics, it is difficult to recommend anything to the firms as the differences obviously reflect experiences in both countries and, unfortunately, Czech companies are experienced that skills and knowledge stated in candidate CVs vary from the real ones and so rely more on recommendations.

### 3.2. Selection of employees

Concerning the question on selection, the surveyed manager was required to rank certain characteristics of candidate, based on those significant to the employer, such as educational and professional knowledge and skills, work experience, social abilities and personality, social status, references of previous employers, and recommendation from known persons or existing staff and others. Very interesting differences were showed by results of the above-mentioned question on importance of candidate characteristics. Results again corresponded with the basic values of the societies. In China, the three most valued personal characteristics were professional knowledge and skills, work experience, and social and personal characteristics. Contrary to that, in the Czech Republic suitable candidates to fill the job positions are mostly selected according to recommendations of known person or current staff or reference of the previous employer, while the work experience was at the last position as the position of recommendation of known person or staff and previous employer reference in Chinese companies.

Each company has its own values on account of the corporate culture, the nature of business, size, and other factors, but most frequently used selection methods can be identified. There are many methods to select employees and their use varies between both countries. In the Czech Republic, resume analysis is the most used and adopted by 100% of metallurgical companies. In China, the most used method is interview, adopted by almost 99% companies in the study. Both methods are combined in both countries. As we distinguish between structured and informal interview, we can say that the rate of use of structured interview is the same in both countries, about 65% of companies use it. The situation is different with the use of informal interview. Only 35% of Chinese companies use this form of interview, while more than 76% of Czech companies do the same. Psychological tests, professional tests and test of language skills are performed most frequently in Chinese companies but assessment center is used twice more, in nearly 29% of Czech companies compared to China. In both countries HR managers pay attention to reference, and check and verify those recommendations.

Final decision in employee selection is usually made by head of department, where the requirement originated, this situation is similar in both countries. In China, it is very rare to let this decision to be made by HR department even when it is established, in Czech it is more common and the situation is the same with use of committee appointed by management. The last mentioned methods are supposed to be used more frequently when important position is to be filled that for blue-collar positions.

### 3.3. Evaluation of employees

To manage the company performance it is necessary to have information on how efficiently human capital is working. To provide a feedback to employees the evaluation of their

performance in fulfilling management expectations takes place. Companies were asked about specifics of their evaluation system in order to acquire relevant perspective on how employees are evaluated among surveyed metallurgical companies in both countries. As managers realize the importance of evaluation, an active evaluation system able to fairly diversify the employee performance is somehow implemented in 86% of Czech and 78% of Chinese companies. The period of evaluation varies a lot among the samples in both countries, but there is no significant difference in the period between the Czech Republic and China. In both countries more than 60% of companies evaluate employees once a year, as one year is considered optimal time to check and manage company performance, let employees to progress and observe a trend in performance but of course also the allocated resources are taken into account as the evaluation is not simple and easy and it takes significant amount of time, energy, and other resources. Considering the above mentioned, only 10% of Czech and 20% of Chinese metallurgical companies perform evaluation twice a year. A significant portion of 28% of Czech companies—while only half of that in China—perform evaluation also in different time periods, usually every 3 months. In this case, evaluation is not always the same, according to different fields of evaluation, such as personal development, work performance, and others. The basic characteristics of the evaluation in both countries are similar—mostly the direct supervisor performs the evaluation and feedback of employee is allowed and taken into account. What is quite common in China, where 24% of companies perform evaluation done by HR department, is very rare in the Czech Republic where less than 5% of companies perform employee evaluation using this method.

Top three most commonly used evaluation methods are same for both countries with almost the same proportion. The most frequently used method is comparison with stated objectives in more than 60% of companies, followed by forced distribution into performance groups in about 37% companies, and comparison with other employees in about 25% of companies in both countries.

A significant difference can be seen in the following methods. Comparison with corporate standards is used more than two times in China, compared to only 19% of Czech metallurgical companies. Even more different is the approach to evaluation using critical cases – markedly good and markedly bad performance during the evaluated period. This method is commonly used in more than 44% of Chinese companies, while only 14% of Czech companies perform this kind of evaluation. Considering other researched evaluation methods, evaluation interview is more commonly used in the Czech Republic, where it is performed in more than 47% of cases compared to only 13% penetration of the method in China. The situation is opposite with the method of 360° evaluation which was implemented in more than 30% of Chinese companies but the penetration of the method in the Czech Republic is still less than 20%.

Employee appraisal is an essential part of performance management and a necessary part of efficient employee-motivation systems. Any company should implement employee appraisal and its results should be reflected in wages, usually in the variable component, and should be used when deciding on future education and career growth of employees. It is remarkable that 14% of Czech and 22% of Chinese metallurgical companies do not use this HR tool. This activity should be done primarily by the closest superior and can be only supported by HR department which is not a general rule in Chinese companies. Also we recommend

to implement evaluation interview in all Chinese companies. Without a feedback from the assessed person, the appraisal process cannot be effective. During the interview, the assessed can respond immediately to find out problems, he/she can communicate the causes of the identified deficiencies, which may not always be on his/her side. Moreover his/her personal participation in the formation of the objectives for the next evaluation period is likely to have him align internally with these and fulfill. As for other evaluation methods used, again, they strongly reflect the employee approach and habits in both countries that vary and we take them as given. For example, we see the 20% use of the 360° evaluation method in Czech companies as sufficient as this method is suitable more for managerial and key positions than for blue-collar positions and there is a not higher share of such positions in the Czech metallurgical industry.

### 3.4. Remuneration and motivation

The main objective of this part of the questionnaire and research was to determine the most frequent factors that influence remuneration of employees of metallurgical companies and differences between both countries. Obviously, the most commonly mentioned factors were the job requirements and the actual work performance. In both countries, more than 80% of companies had taken into account this factor when remunerating its employees. As we could assume employee behavior could be another important remuneration factor. Interesting is that, this factor was mentioned in only slightly more than 52% of Czech companies and only 36% of Chinese companies. The size of the company is one of the influencing factors as almost none of the medium companies were emphasizing the importance of employee behavior. We anticipated that all companies would consider the current state of the organization and the ambient conditions when remunerating, but the research has not proved it. In both countries less than 47% of companies did not mention this factor. We assume that the reason is all companies take the factors of labor costs, conditions in labor market, level of competition, and the financial situation into account. However, these factors are incorporated into basic principles of financial management of the company, which means people do not consider it on the lower management level of remunerating although it is definitely one of the determining factors.

Another important issue on remuneration is a method of determining wages. As the time salary is very common in Czech Republic—more than 90% of companies perform this type of wage determination, situation is slightly different in China, where only 48% of companies do the same.

Almost 15% of Chinese companies implement piecework wage, which is used in only 10% of metallurgical companies that participated in research. However, this question should be the subject to further examination as the influence of job description was not taken into account. The method of pay for the expected results has proved to be used more in China—31% of companies to 14% of Czech companies. In both countries about 9% of companies stated that they use some other methods of wage determination such as wage linked to the KPIs and others.

Besides the basic wages, an additional wage occurs in some form in all companies. The situation is different in Czech Republic and China. The most frequently used additional wage methods in Czech Republic are rewards, used in 100% of surveyed metallurgical companies,

followed by supplements and premiums, used in 90 and 85% of companies. In China, there is no method used in all companies and generally the use of additional remuneration is not as common as in the Czech Republic. The most common methods are rewards in 78% of surveyed Chinese companies followed by monthly personal evaluation in 70% of companies and supplements in 63%. Premiums are used in 44% of companies. The size of the company has a significant role in the number of additional wage methods used in both countries—more methods were used in big end very big companies. This field proved to be very interesting and could be assumed to have a significant influence on employee motivation. Further research studies in this field should be focused on the differences in the ratio of basic and supplementary wages in both countries.

Survey has also showed an important finding about rationalization proposals. As this additional remuneration is very common in the Czech Republic where nearly 72% of companies use it, in China it is used in less than 30% of metallurgical companies. The significant difference was also proved in use of shares on profit of company. The method is used in more than 50% of Czech companies, but in China there still remains to be a great potential of this motivating factor as it is used in only 23% of surveyed metallurgical companies. The less used method of remuneration was employee shares, which remains the domain of big and very big joint-stock companies. The situation in the Czech Republic and China is very similar as employee shares were used in 14% of total number of surveyed companies in each country, which is 33% of big and very big companies together in Czech Republic and 18% of them in China.

### **3.5. Employee benefits**

As employee benefits are considered as important motivational factors and competitive advantage, we focused on determination of differences in the set of benefits in both countries. The results are not very surprising in the context of cultural and historical difference. The interesting finding is that Chinese companies are progressive in some aspects of HRM and in some of them they are not and that differs a lot in comparison with the Czech Republic. The situation could be described with an example of employee benefits. In the Czech Republic, almost every employee or potential employee expects a certain set of employee benefits, such as mobile phone, drinking regime on the site, additional education or language courses, some extra days of vacation, company car, and some others. Our survey proved the above benefits are the most commonly used in Czech Companies to fulfill employee expectations. All of the benefits above-mentioned are used in about 80% of companies, no matter what the size is. In China the situation is different. Benefits most commonly provided in China are extra-vacation days, allowance for traveling to work, medical examinations, and contribution to culture followed by sick days, which almost all, except medical examinations and extra vacation days, are the less used benefits in the Czech Republic. Chinese companies rarely provide contribution to vaccination, vouchers, and soft loans but they provide some benefits not so common in the Czech Republic such as contribution to accommodation and transport or gifts for birthday and other anniversaries.

Differences mentioned above could be explained by different perception of life values in China and the Czech Republic. The commonly known difference in time perception –monochronic and polychronic systems –can be used to describe this phenomenon. Western cultures, Czech



Republic included, consciously or unconsciously, emphasize the social status, welfare of the individual, and career. It is quite bold simplification, but it suits the main idea of the difference in employee benefits. Compared to that, eastern and southern cultures, in this case China, are more based on group achievement, seniority, relationship, family, health, and that kind of core values. Companies follow this assumption and provide people benefits they value. This could be very inspirational for the Czech Republic metallurgical companies, especially when the current benefits are getting standardized and people consider them more as a basic part of the wage than a real benefit, based on employee performance and motivation. Further research in this field should be focused on the financial resources allocated to various benefits and benefits at all as this was not covered by this survey and it could provide the different perspective on employee benefits in metallurgical companies.

In the areas of remuneration and benefits we do not dare to recommend changes to any country. This part of HR we consider as very paternalistic and specific for each region and citizens' mentality, something that develops ages to change. We only recommend to learn from findings of research, and take them into account for the possible cooperation between companies from both countries.

### **3.6. Career management**

The field of career and its management was covered by few questions of the questionnaire and has showed some interesting differences in perception of career in both countries. Most of the Czech companies—71%—stated that the length of the employment is not an essential factor in employee evaluation and career growth. It means that also young people, ambitious newcomers have an opportunity to be promoted according to their performance and overall benefit to the company. The fact that the experience and expertise go along with age or employment length is obvious, but it should not be defining precondition. In contrast to the conditions in the Czech Republic, almost the same portion of about 74% of Chinese metallurgical companies stated that they consider length of employment very important and an essential factor to consider promotion of employees and their evaluation. Both approaches offer pros and cons, as the ambitious and extraordinary performing newcomers have an opportunity of fast and steep career growth and as the other approach takes into account the indisputable influence of time—employment length—on trust, loyalty, and experience.

What might be surprising and proving that China as a fast-growing strong economy and progressive country is that more than 44% of surveyed metallurgical companies use career growth plan for their employees. Promoting and career growth is then based on fulfillment of worker's tasks in each successive stage. On comparison, only 19% of Czech companies in the survey and mostly big and very big has the same career management tool implemented. The above-mentioned explains the difference in approach to promotion described in the first paragraph of this chapter. In case all Czech companies had career plan and the promotion was based on fulfillment of successive stages it would be difficult to proceed very quickly, which somehow proves the influence of length of employment.

In this area, Czech companies may learn from the more adaptive Chinese companies. Career growth, as we already mentioned, is a very important part of employee motivation and the 19% share gives Czech managers a huge space for improvement.

## 4. Conclusions

As far as human resource management is recognized as one of the most important managerial aspect in the life of every company, this study contributed to the knowledge of HRM practices in Chinese and Czech metallurgical companies. This paper explored various aspects of HRM in both countries and provided HR managers from both countries some implications and points to get mutually inspired. The presented research proved some well-known and described many not so known differences in approach to various domains of management, HRM included, whose origin could be found in the historical development of both countries. But not only differences have been found. Many similarities of HRM practices were described in this paper, which proved that the world is now much smaller than before and people are willing to learn and experience different cultures, countries, and individuals. During work on the project very strong partnership between of the Hubei University of Technology and the VSB-Technical University of Ostrava has been established and proved to be very promising in various fields of research and authors of the chapter are very grateful to all participants which were willing to share their experiences.

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