A systematic review guanxi HRM practices, formal HRM practices to improve creative performance in collectivism organization culture

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ABSTRACT

This systematic review study argues that guanxi HRM practices, as opposed to formal HRM practices, may improve the employee’s performance in organizations with a collective business culture. To substantiate this claim, three decade published articles; literature from the Sage, Asia Pacific, Taylor & Francis Group, and Emerald journals are reviewed. NVivo software was used for content, coding, and analysis. The results of this systematic review study reveal that informal term of guanxi HRM practices identifies positive and productive outcomes of employees in the collectivism business culture organizations in contrast to formal HRM practices. This study is useful because it also proposes that in the future, academics and HR managers can explore the guanxi HRM practices that adhere to collectivist culture in their organizational culture, particularly in growing nations like Pakistan, both theoretically and practically to enhance employee performance to meet global challenges.

Keywords: Guanxi (Informal HRM Practices); Western (Formal HRM Practices); Creative Performance; Collectivism Organization Culture

1. INTRODUCTION

In today’s dynamic era, organizations’ primary concern is the creative performance of employees to grow economically and sustainably, particularly in developing nations, such as Pakistan. Researchers emphasized that creative performance of employees plays a vital part in any organization economy growth (Biswas, 2009) (Irene Hau-Siu, 2012) because employees are the foundation of any organization. They also contribute to manufacturing, sales, production, and marketing. Creative performance of employees provides a competitive edge in the business world, and they are considered as the backbone of any organization (Bakker et al., 2020). In order to increase employee creativity and support global economic growth effective management system is required.

Several books and existing research has revealed that Western human resource management systems, strategies, and practices have positive influences on the creative performance of employees in any developed and developing countries' organizational culture (Budhwar et al., 2019; Cooke & Kim, 2018; Rowley & Oh, 2020; Farndale et al., 2017). On the other hand, Empirical studies in prestigious management journals, however, "continue to be presented generally, with little consideration of country-specific settings.”
As a result, management research has a propensity to favor Western ideologies and methods (Hemmet, Does Korean-style management have a future?, 2020). Thus, it is suggested to meet the requirements of the new global market, it is essential that more work need to be done on human resource management strategies and its practices, according to organization business culture to increase creative performance of employees.

According to Biswas and Varma, 2007 and Rao, (2008 & 2010) although Western human resource management and its practices & strategies have the capacity to fit any nation organizational culture to enhance employees’ creative performance but it is argued that HRM practices must be divergent according to national organizational culture (Brewster et al, 2016; Farndale et al, 2017). According to Hostede et al. (2011), cultural dimension’s organizational business culture of East and West are different from each other, West followed individualism culture, in their business environment, while the existence of collectivism culture in organizations of East developed and developing countries like Pakistan, China, Japan and Korea have found. As a result of this, scholars have argued that Western HRM practices have limited utility for East collectivism organizational culture to raise creative performance (Kamoche et al., 2012; Zheng, 2013).

Khan et al. (2019), claimed that Western HRM policies and Practices need to be formalized to fit East organization collectivism culture because fitness of HRM practices according to culture may help to increase creative performance. Thus, China’s informal "guanxi HRM practices model" was theoretically and practically adopted in their collectivist organizational culture for the benefit of employee creativity. The Chinese informal guanxi HRM practices model may be fit in other Asian’s developing countries collectivism organizational culture for their sustainability, economic benefits, and to resolve creative performance issues of employees (Bastas & Liyanage, 2019; Ortiz-de-Mandojana et al., 2019), as suggested by (Rowley et al., 2004), They did so in response to China’s strong economic growth and global investments.

According to Doellgast and Marsden (2019), this argument is based on the idea that it is important to consider whether to adopt or reject Western-style HRM practices, particularly for those who adhere to collectivism as their corporate culture to resolve creative performance issues especially in Asian developing countries like Pakistan.

Unfortunately, in East Asian developing countries such as Pakistan, employees still face creative performance issues such as poor motivation, poor morality, inefficient operation, high cost, and low productivity in twenty-first century (Atif & Malik, 2020). According to Zeyneb (1999), Mangi (2012), and Gupta (2021), formal HRM practices implemented by human resource management do not effectively improve employee performance in Pakistan’s collectivist organizational culture environment, and they are becoming less productive. Previous research argues that human resource management must seek to establish and implement HRM practices according to organizational culture in order to preserve employees’ creative performance. HRM managers are not only responsible for hiring the right person for the right job, but also responsible for maintaining constant improvement in the creative performance of employees to meet organizational goals on
time (Soumendu, 2009). According to Mendonca and Kanunga (1994), Shaista and Khilji (2004), Khan (2010), and Bajwa (2022), study, that there is a need to examine by the researchers which human resource management practices, in light of the organizational culture of a developing nation like Pakistan, may actually boost employee performance.

1.1. **Research Gap**

So, the current study finds gap in literature. As a result, the main goal of this study is to comprehensively review the literature to determine whether Chinese guanxi HRM practices or Western HRM practices—such as those from Brewster, (1995)Brewster, the American HRM model Pfeffer, (1994); Schuler and Jackson, (1987), and others—need to be implemented in Asian nations such as Pakistan, which has a collectivism-based business culture to address creative performance issues, which may fill the gap that Western HRM practices are appropriate for creative performance in every nation's organizational culture, or there is a need to formally establish HRM practices in accordance with culture.

1.2. **Main Objectives**

1. Does guanxi HRM practices link with organizational business collectivism culture to affect creative performance?
2. Does formalization in HRM practices, according to organization business culture effect on creative performance?

2. **Literature Review**

2.1. **Formal HRM Practices**

Over the past three decades, formal resource management practices have been widely acknowledged to provoke employees' creative performance in developed and developing countries' organizational cultures in the 1990s, and human resource management has begun to apply these formal HRM practices, training, performance appraisal, and compensation to polish employee ability and increase motivational levels to meet organizational job requirements (Jianmin, 2000). This formal HRM practices system was introduced by Western developed countries, such as America, according to their individualistic culture. Western countries in the UK and USA follow formal harm practices in their individualistic culture to gain employees' creative performance edge (Mangi, 2012). Organizations of other countries belonging to a different culture have also obliged and explored formal HRM practices to increase employees' creative performance. Since then, however, the situation has changed because of globalization and competitive challenges in the business environment. Researchers have identified the values of organizational culture and have realized that formal HRM practices may not be reflected in every country's culture (Harris et al, 2003).
2.2. Cross-Culture Diversity

This systematic review study also found cross-cultural diversity in social sciences and business discipline organizations globally (Honget, 2001; Ofta, 1998). According to Hostede et al. (2011), the organizational business cultures of the East and West are different from each other. He explained in his dimensionalizing organizational culture model that West and developed countries' organizations followed individualism culture in their business environment, while collectivism culture existed in organizations of East Asian developed and developing countries like Pakistan and China. He also prevails because of the cultural diversity in which East and West managers and employees have different behaviors and attitudes.

Table 1. Culture comparison West and East countries

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<tr>
<td>5</td>
<td>Peru</td>
<td>Switzerland</td>
</tr>
</tbody>
</table>

*Sources: Hofstede (2001); Kundu (2008); Albrecht (2001); and Wang et al., (1999)*

2.3. Guanxi HRM practices

In an East Asian developed country, China introduced the informal term “guanxi.” Word “Guanxi” is term of China, which referred to mutually and reciprocal interpersonal connection (Bell, 2000). According to Hwang (1987), Yang et al. (1993), Chen et al. (2004), that for the last centuries, it has been widely examined in China and Chinese-language/areas of Taiwan and Singapore (Guan, 2017). Guanxi relationships can be a means of achieving practical objectives while also reflecting a person's sense of warmth, safety, and attachment. According to Chen, Chen, and Huang, (2013) that Guanxi describes social links or dyadic relationships between individuals that are implicitly based on their shared interests and advantages. It is a primary method of social interchange in China and has long been strategically employed (Liu, 2001). According to Wei, Liu, Chen, , and Wu, (2010), There are three types of guanxi: Jiaren guanxi (family members), Shouren guanxi (familiar people, such as supervisors, coworkers, and friends), and Shengren guanxi (ordinary acquaintances or strangers). These three types of guanxi are based on various social interactions and therapeutic theories, leading to various levels of relationship interdependence.

This study focuses on guanxi between supervisors and subordinates. This type of shouren guanxi between a supervisor and subordinate encourages the development of conditional reliance through the exchange of favors and affection (Yang, 1993). Based on a particularistic premise, shouren guanxi is mostly developed through social contact outside the job area (Chen et al., 2009). For instance, an employee might contact or visit his or her boss during a holiday or outside business hours, or the supervisor would occasionally extend an invitation to eat with the employee (Hwang, 1987). Guanxi HRM practices promote a third type of guanxi “Shouren” and its practices are recruiting,
promotion, salary, task allocation, and performance appraisal, which depends all personal relationships. These practices have the capability to increase employees’ and employers’ personal relationships, which affects employees’ creative performance in achieving the organization's task.

2.4. Guanxi HRM practices and Creative Performance

Guanxi HRM practices, which are based on guanxi’s third-type Shouren, according to Guan and Frenkel (2018), diverge from formal HRM practices and encourage informal interactions with employees and employers rather than formal links. Wei et al. (2010), also claimed that informal relationship with employee and employers have a positive effect on employee creative performance. Employees’ career development has also been affected by these methods. These informal Guanxi HRM practices are supported by the theoretically interdependent self-theory as a means of enhancing employees’ creative performance. These practices emphasize personal relationships rather than rules and regulations (Barbalet, 2018; Zhang et al., 2015). They also refer to the social connection between supervisors and subordinates, which is implemented in the Chinese collectivist organization's culture to gain employee creative performance and provide them with a competitive edge globally (Guan, 2017). The Chinese construction of guanxi HRM Practices is different from that of formal Western HRM practices.

Researchers have claimed that formal HRM practices can impact employees’ abilities and motivation. They assist in shopping for more effective performance of employees at work (Appelbaum et al., 2000). In addition, it is recognized as a formal link between employees and employers, and this link tends to affect employees’ creative performance (Paauwe et al., 2013). Western relationships build formal relationships that avoid gifts, favors, and banquets. No friends were involved. Employees also prefer performance-based promotions (Joo Hun Kathryn M et al., 2015).

On the other hand, some researchers argue that the implementation of informal term guanxi HRM Practices in collectivist cultures negatively affects employees’ creative performance and damages their trust in employers. These practices are highly depraved, and people get a promotion through the buttering of employers instead of effective performance. Employees engage less in work (Chao C Xiao-Ping, & Shengsheng, 2013). Earlier studies have called for the formalization of HRM practices that can foster relationships between employees and employers to enhance employee creativity for the sake of economic development, particularly in developing nations that adhere to collectivist cultures (Mangi, 2012; Soumendu, 2009).

2.5. Guanxi HRM practices Link with Collectivism Organization Culture

According to Chen and Fu (2019), there is a need to explore “black box” of guanxi HRM practices to improve employee creative performance, as opposed to formal HRM practices who followed collectivism culture in their organizations. Some recent studies have explored the effects of guanxi HRM practices, but little is recognizing the role of guanxi HRM practices that may affect employees’ creative performance in other
developed and developing countries that have followed a collectivist culture in their business culture environment (Fu & Chen, 2020). Thus, there is a need to investigate and contribute to the literature that guanxi HRM practices may work more effectively to improve employees’ creative performance than formal HRM practices that follow a collectivist organizational culture.

Therefore, the main purpose of this systematic review study is to fill gaps in the literature that guanxi HRM practices that present a shouren third type of gunaxi can more effectively work to improve employees’ creative performance than formal HRM practices in collectivist organizations’ culture. Additionally, HR managers may implement guanxi HRM practices in collectivist organizational culture as an alternative to formal HRM practices to improve employees’ creative performance. In particular, it is necessary to explore theoretical and practical aspects of Asian developing countries like Pakistan collectivism organization’s culture to gain employees’ creative performance (Bajwa, 2022).

3. METHODOLOGY

The current review adopts a systematic literature review to help literature in a transparent and clear way. According to Thorpe et al. (2006), that this method is characterized by transparency, clearness, fairness and accessibility, united and focused. The current systematic study has limited literature to prove this claim that adaptation of guanxi HRM practices in collectivist organizational culture can work better than formal HRM practices to improve employee creative performance (Liu & Wang, 2013). Although a large body of literature is available, Formal HRM practices are working to improve employee performance in all types of organizations, business cultures, and environments. Therefore, it was impossible to comprehensively review the literature. Moreover, it is costly and practical to review all research papers. To write the literature review base, we can adopt a narrative review, but it may involve disadvantages and has been subjected to many criticisms. A systematic review combines data from different studies to gather evidence for a predefined research question.

This systematic review study analyzed three decade published articles; limited literature from the Sage, Asia Pacific, Taylor & Francis Group, and Emerald articles from different journals, who supported that guanxi HRM practices are effectively working in Chines organization collectivism culture for improving creative performance of employee, according to Chen and Fu (2020), there is little recognition about guanxi HRM practices effect on employee creative performance, so to create meaning and making sense to build an new argument that guanxi HRM practices can more better work rather than formal HRM practices to improve creative performance of employee’s in others countries too who followed collectivism business culture in their organizations. Limited literature data were explored using NVivo software (Pittaway & Cope, 2007). According to Creswell (2007), there are three methods of data analysis: coding and presenting the data in the form of text, tables, and figures. This review adopted a coding method and found an association between codes to justify the concept and observations.
4. RESULT AND ANALYSIS

The findings systematic review study identified six main codes (see tables 2)

Table 2. Generated through Nvivo.

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<tr>
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<td>Employee Performance</td>
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</tbody>
</table>

Codes association between collectivism organization, business culture, guanxi HRM practices and creative performance shows that formalization of human resource management practices may help to improve creative performance of employees in developing countries like Pakistan.

4.1. MODEL OF ASSOCIATION BETWEEN MAIN CODES

4.1.1. Association between Guanxi HRM practices and Creative performance

This model suggests that there is a link between guanxi HRM practices and employee creative performance because the review-based study's main hypothesis was that guanxi HRM practices might boost employees' creative performance better than Western HRM practices. There is evidence that Guanxi HRM practices are related to creative performance.
4.1.2. Association between collectivism organization business culture and guanxi HRM Practices

The main purpose was to review the literature on how guanxi HRM practices (in the Chinese context) effectively work in collectivist organizations, business cultures, and the environment? The review base paper results suggest that guanxi HRM practices successfully run in a collectivist Chinese business culture environment to improve employees’ creative performance. Thus, the current review base study suggests that these practices should also be explored theoretically and practically in a collectivist organizational business culture environment, especially in developing countries such as Pakistan.
4.3.3. Association between formalization of HRM practices and Organization Culture

This model results show that due to the fact that cultures vary greatly around the world, formalizing HRM in accordance with culture can boost employees' creative performance. Because of cultural variety, both employees and employers behave differently. The business cultures of almost all countries follow only one cultural context (Western/formal
HRM practices) in order to enhance employee performance. Consequently, it is necessary to formalize HRM practices in accordance with organizational culture.

![Diagram showing association between formalization of HRM practices and Organization Culture](image)

**Fig. 3.** Association between formalization of HRM practices and Organization Culture

4.3.4. **Creative performance association between formalization in HRM practices according to culture**

This paradigm assumed that if HRM practices were formalized in accordance with organizational culture, creative performance would increase.
Following (Fig. 1, Fig. 2, Fig. 3 and Fig. 4) of the model shows links between different main codes, it is interpreted that “Organization business culture associated with “HRM practices”. A formalization in HRM practices, according to “Organization business culture” linked with “employee performance “. Similarly, “Guanxi HRM practices” associated with “Collectivism culture” and “Creative performance” of employees.

It is evident from the results of the review-based study that each organization has its own and unique culture (Western HRM practices), the culture of the organization has an effect on the performance of employees in terms of creative thinking, and there is a need to formalize HRM practices according to the culture of the organization. To overcome creative performance issues of employees in developing countries like Pakistan, HR managers need to focus on informal guanxi HRM practices and implement them in organizations with collectivism business cultures instead of one culture (Western HRM practices).

**5. CONCLUSION AND DISCUSSION**

In the fastest-growing academic area of management, over the past three decades, researchers have argued that formal HRM practices (in the context of Western HRM
Practices) are not suitable in collectivist cultures and business environments to overcome creative performance issues of employees (Khan et al., 2019), especially in developing Asian countries like Pakistan (Shaista & Khilji, 2004; Khan, 2010; Mangi, 2012; Gupta, 2021). Thus, the main objective of this systematic review base study to substantiate this claim that guanxi HRM practices (in Chinese context) are associated with collectivism organization (Liu & Wang, 2013). Moreover, it may help to improve creative performance of employees especially where who followed collectivism culture in their business environment (Chao C Xiao-Ping, & Shengsheng, 2013). To find the association between guanxi HRM practices, collectivist business culture, and creative performance. The study used Nivo software. Articles’ literature data were statistically analyzed through coding (Creswell, 2007). Codes’ association showed that there is an association between collectivist organizational business culture and guanxi HRM practices. There is an association between creative performances, formalization in HRM practices, according to organizational culture. Further, there is an association between guanxi HRM practices, organization collectivism culture and creative performance.

The systematic review of (Sage, Asia Pacific, Taylor, emerald) articles, literature results contributed and suggested in extant literature that guanxi HRM practices which are taken from “Chinese context” needs to explore in other countries who followed collectivism culture in their business environment (Chen & Fu, 2020). This study also suggests that there is a need to carry out views and feedback from HR managers and management to implement guanxi HRM practices in a collectivist business environment for creative performance (Bajwa, 2021). In addition, it is also suggested that there is a need to investigate these Chinese contexts’ guanxi HRM, which could theoretically and practically enhance workers’ creative performance issues to gain a competitive edge, particularly in developing Asian nations like Pakistan, where the collectivism business culture exists. It could also help to resolve problems with economic growth.

### 6. LIMITATION AND RECOMMENDATION

This systematic review base study has also limitation because it is used Nvivo (software) as a tool for the description of Journals in extant literature and limited only Pakistan as developing country of South Asia. Although, Previous researchers suggested that a formalization in HRM practices is required according to culture in other continents (like Latin America and Africa) developing countries who followed collectivism culture (Pawan et al., 2001; Subhash & Kundu, 2008). Therefore, this review base study suggests that in future this study can be longitudinal. Methodological approaches are required to enhance the scope of guanxi HRM practices in collectivism business culture environment, especially in Asian developing country like Pakistan for creative performance of employees. These practices which are taken from Chine’s context need to be implementing in other Asian developing countries like Pakistan due to collectivism culture in a business environment to gain creative performance (Chen & Fu, 2020). These practices have ability to raise creative performance of employees to achieve organizational goals.
The future researcher may explore these practices others continent (Latin America and Africa) developing countries because according to Hostafde (2011), in his cross culture study they also followed collectivism culture business environment because the organization's culture and environment affect employee behavior, and there is a correlation between organization and employee performance. If employees are satisfied with the organization's business culture and environment, they will be more creative.

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In systematic review base study, I did not use humans and animals.

**Informed Consent Statement:**
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**Reference:**


