The Human Resources Managerial Problems of Medium and Small Private Companies in China

--Case study on Unique Clothing Company

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The Human Resources Managerial Problems of Medium and Small Private Companies in China

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Abstract

Title: The Human Resources Managerial Problems of Medium and Small Private Companies in China--Case study on Unique Clothing Company

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Aim: The purpose of this study is to find out the human resource managerial problems in medium and small companies. Finally, some suggestions will be given.

Method: The case of Unique Clothing Company will be studied to analyse what are the problems in the medium and small companies. The information of Unique Clothing was collected by telephone interview.

Results & Conclusion: Lacking of vocational training, low qualified employees and discretionary decision making are considered as the three main human resource managerial problems in medium and small companies. Only efforts made by both companies and employees can solve the problems.

Suggestions for future research: In this paper, we mainly discuss the human resource managerial problems in medium and small companies. So the specific reasons for the problems in the medium and small companies can be studied by future researchers.
**Contribution of the thesis:** The paper states what are the problems exist in the medium and small companies via the case study of Unique, and some creative suggestions have been delivered.

**Key words:** medium and small companies, vocational training, low qualified employees, decision making, Guanxi

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1. **Introduction**

1.1 **Introduction to the Topic**

The past few years have seen the growth of Chinese economy. China’s economic growth has averaged almost 10 percent per annum for the past 25 years (Jiang et al., 2007, P.662). The People Republic of China’s (PRC) economy poses a challenge to any theorist or practitioner in the social sciences, given its unparalleled sustained growth over the past three decades, making it presently the fourth largest economy in the world and projected to become the second largest by 2030 (Alan Kai Ming Au et al., 2007, p.22). Its main growth engine has been the private sector, which runs on market capitalist principles of profits driven private equity and ownership, alongside the state sector, predicated on socialist centralized command economy principles (Alan Kai Ming Au et al., 2007, p.22). As an essential part of the economic system in China, private companies gained the support and investment from government gradually. Since Micro enterprises, notably those operating in the informal sector, constitute the vast majority of businesses in most developing countries. What is more, MSMEs (Micro, Small, and Medium sized enterprises), which account for over 90% of enterprises in all countries, are an important source of output and Employment (Vandenberg, 2009, p.22). The definition of "private companies" here is from Wikipedia: a privately held company or close corporation is a business company owned either by non-governmental organizations or by a relatively small number of holders who do not trade the stock publicly on the stock market (Wikipedia, 27 March 2021).
According to Economic Observer, an authoritative magazine, in recent years, private businesses have contributed up to 65% of China's GDP, created more than 80% of new jobs, filed 65% of all patents for new inventions, and produced more than 80% of new products (Liu et al., 16, 2009). As mentioned above, MSMEs (Micro, Small, and Medium sized enterprises), account for over 90% of enterprises in all countries (Vandenberg, 2009, p.7). That is to say, they are the majority of private companies in China, we will mainly discuss them in this paper.

The increasing importance of private companies arose the attention of Chinese government. On a meeting of the State Council, Premier Wen Jiabao points out, "Not only does encouraging, supporting and guiding the development of the non-state-owned economy help promote the economic prosperity in urban and rural areas and increase fiscal revenue, it is also beneficial in creating new jobs, bettering the lives of the people, improving the economic structure and accelerating economic growth. It also has important strategic significance in realizing an all-round well-off society and in pushing forward the process of socialist modernization" (Research Institution of Economy et al., Jan 12, 2005). The chief of enterprise sector in financial department of China Jia Jie says, "our government will take care of the development of middle and small companies further, will perfect the financial system to support the development of middle and small companies, will support the establishment of public service platform, will promote the health development of starting career fund, will help the establishment of middle and small companies in their early development, and will expedite the establishment of credit guarantee system" (China Finance Net, April 10, 2009).

Furthermore, the private companies gained strong supports from state-owned listing banks. Especially middle and small companies, which are the majority of private companies in China. According to the annals of Industry and Commercial Bank (ICB), one of the biggest commercial banks in China, as a huge commercial bank, they always treat private companies as their strategic emphases. In 2009, the increased
financing to middle and small private companies was 521.71 billions. Till 2010, ICB established more than 1000 specialized agencies for middle and small companies (Zhang, 2010). ICB is not the only one who interest in middle and small private companies. Bank of China Limited (BCL), the bank which ranking third in the list of "the five biggest Chinese commercial banks", also enhanced their supportive strength to middle and small private companies. In the 2009 annual performance report meeting, the president of BCL Li Hui said, "in 2009, BCL gave more support to middle and small companies, the number of small credit customers increased more than 50%, credit balance increased by 100 billions, with an increased rate of 130% (Zhang, 2010).

China is on the way to a market-oriented economy, there is no surprise that the businesses of private companies are expanding quickly. As mentioned above, the expanding of private companies was encouraged by the government in China, since it will solve some of the social problems, e.g. unemployment. Most importantly, the blooming of private companies is creating value, which pushes the economic growth in China. That is to say, the process of being "well off society" is accelerated.

But the government is not the only one who optimistic about the middle and small private companies, so do the Chinese entrepreneurs. "The 21st century is not belongs to the big enterprises and big scale production, it belongs to small companies with dreams. I use all the energy in my life to support the development of the middle and small companies. Every time I take part in the small companies forum, I can see the enthusiasm and passion, I can see the willing of changing themselves, changing others, and changing their families." says Ma Yun, the CEO of Alibaba.com corporation (Ma Yun, March 31, 2010). Alibaba.com corporation is the biggest Internet company in China, and the second in the world. Ma Yun established the company by himself in 1999 (Bai Du, 2010).

However, the private companies in China are not without their problems. E.g. The lack of vocational training. In China, for example, funds are being used to train unemployed and migrant workers. As explained by Mr. Zheng, Vice-Minister of
Human Resources and Social Security, "The unemployment insurance fund has topped 100 billion yuan [$14.5 billion], and it's high time it is used" (Vandenberg, 2009, P. 33). The most obvious ones exist in human resources management, such as lacking of vocational training, low qualities employees, and discretionary decision making. This is an often neglected side (training policies) of the human capital approach of firms and organizations, yet a critical one given human capital contribution to productivity (Alan Kai Ming Au et al., 2007, p.27). With their businesses are getting bigger and bigger with time, they have to come out some solutions to their problems, or they may probably lose their competitive edges.

Given above, we believe studying the human resource managerial problems in private companies is both valuable and practical. Furthermore, finding out how to solve the problems is our goal. In this paper, the human resources problems and their possible solutions will be given, and the concept of medium and small companies (SMEs) will be adopted to refer the concept of medium and small private companies in China.

We prefer a deep study rather than merely presenting the situation. So we chose one of the most typical private companies in China, which is Unique Clothing Company (Unique). The reasons why we chose it will be given in Methodology Information Search. In this chapter, we are going to figure out the human resources managerial problems in private companies through the study of Unique and deliver some advices.

To get a better view of the problems of private companies, we interviewed Wang Yibing (Wang) by web conference, who worked as human resource manager in Unique until a few months ago. Wang told us about his experience and feeling when he worked in Unique, which makes us realize that the urgency of understanding the problems and changing the situation. The reason why we choose Wang are as following.

First, the Wang worked in Unique as administration human resources manager since 2006. Furthermore, he had worked for another two medium and small private companies before he worked for Unique. In the previous two companies, he took the
positions of vice-manufacturing chief from May 2002 to June 2005, and working as manufacturing manager from July 2005 to August 2006. We believe both his working experience and the positions he took enable him to give us enough information that needed in this thesis. We believe Wang's opinion can represent the opinions from a group of entrepreneurs of medium and small companies. However, we will discuss this more in the chapter of Methodology Information Search.

Second, the companies Wang worked for fit the characteristics of the medium and small companies in China. E.g, according to Standard of Medium and Small enterprises distributed by State Economic and Trade Commission, the State Development Planning Commission, the Ministry of Finance and the State Statistics Bureau, in manufacturing, the total asset of small companies should below 400 millions RMB (LawinfoChina, February 19, 2003), The registered capital of Unique is $100000(F.S QINCAI.NET, April 16, 2010, CopyRight 2006-2010, available onhttp://fs.qincai.net/corp-125511.html), nearly equal to 0.7 million RMB. That is to say, in the aspect of total asset, Unique is qualified to be a subject of this paper. Further information will be mentioned in Literature Review and Theoretical Framework.

1.2 Research Objective and Questions

There is no doubt that the private companies made a huge contribution to the economic development in China. And because of the existence of those companies, economic prosperity in both urban and rural was boosted. Meanwhile, in the process of the private companies expanding, new job vacancies were created, which eased the unemployment situation. Thus, the live standard of people can be enhanced. Since the private companies are going on an up trend, the government began to pay attention to them. Therefore, we believe the private companies have huge potential.

Though as promising as they are, some problems still in the way of their development. In this paper, we will investigate what are the problems exist in the medium and small private companies via the case study of Unique. In the case study, human resources
managerial problems will be focused. We hope that with a throughout study of Unique, a better understanding of private companies can be reached. A further objective of the research is to come out some solutions to the problems those exist in Unique, then give some advises to Unique or a group of companies that have similar human resources managerial methods.

In this thesis, the following questions will be answered:

1. What are the human resources managerial problems exist in Unique and other medium and small companies?

2. How to solve the problems of Unique and a group of companies that have similar human resources managerial methods?

1.3 Limitation

The problems of private companies and their solutions will be mainly discussed in this thesis. Although many authoritative references were adopted and an deep interview was conducted, our work still has some space to improve. E.g. only one person in Unique has been interviewed (Wang, the former human resources manager). That is to say, all of our information is from Wang, it is possible that his ideas or stereotypes may influence the accuracy of our study. Our objective of this paper is to study the problems in Unique to understand the human resources managerial problems in the private companies in China, and then give some suggestions. However, studying only one company is another limitation for a throughout for all the private companies.
2. Literature Review and Theoretical Framework

In this chapter, we are going to deliver the literature review and theoretical framework. Initially, some definitions of the important concepts will be given. After that, different perspectives about human resource managerial problems will be discussed. Furthermore, we will show the problems which considered as the most serious ones. At the end of this chapter, the reasons why this chapter is important will be given.

2.1 The Definitions of Concepts

To illustrate the literature properly, several important concepts token in this paper were explained below.

2.1.1 Medium and Small Companies

The concept of medium and small companies, can be understood in different ways. In this article however, we defined the concept of medium and small companies base on the number of employees they have. Most recently in China, SMEs were defined using the average numbers of employees calculated according to the China’s Third National Industrial Census conducted in 1995, which are 15, 893, and 3,755 respectively (Wang and Yao, 2000, cited by Zheng et al., 2008, p. 176). In this definition, small-medium enterprise are those with fewer than 100 employees (Zheng et al., 2008, p. 176).

2.1.2 Human Resource

Human resource can be defined in several factors. The implications of this are that effective HRM depends on the skills, attitudes and experience of one individual. Training and development both for themselves and their employees will also be dependent on these factors (MacMahon et al., 1999, pp. 25-35). Lee (1996, cited by MacMahon et al., 1999, pp. 25-35) argues that a “pay back” approach to training and development is the best method for HRD specialists for firms at this stage of maturity. That is to say, training, as a part of human resource, is viewed as one of the most important factors of human resource.
2.1.3 Human Resource Management

The scientific human resource management should be a strategic one. Strategic HRM provides firms with the internal capacity to adapt and adjust to their competitive environments by aligning HRM policies and practices, for example, recruitment and selection, training and development and reward systems with business strategies (see for example Delery and Doty, 1996; Lengnick-Hall and Lengnick-Hall, 1988; Wright et al., 2001; Wright and Snell, 1998) (Baron, 2003; Chaganti et al., 2002; Heneman et al., 2000; Katz et al., 2000; Morris, 2001; Williamson, 2000)(Barrett et al., 2007, p.309).

2.1.4 Vocational Training

Vocational education or *vocational education ana training* (VET), also called *career ana technicau education* (CTE), prepares trainees for jobs that are based on manual or practical activities, traditionally non-academic, and totally related to a specific trade, occupation, or *vocation*. It is sometimes referred to as *technicau education* as the trainee directly develops expertise in a particular group of techniques or technology (Wikipedia, last modified on 1 May 2010 at 16:04).

2.2 Different Perspectives about the Problems of Human Resource Management

Although medium and small companies are doing well in China, some problems exist. The Ministry of Industry and Information Technology (MIIT) Wang Jianxiang at the “press conference on bringing in strategic investment and the symposium on scientific development of medium and small enterprises” points out, most of the staff of medium and small enterprises is low in their qualities, weak in innovation ability and lacking in means of exploring market, which is the important reason for the above-mentioned situation, and worse still, the sudden international financial crisis embodied the in-depth contradiction of medium and small enterprises highly relying on import and export and investment. He deemed that medium and small enterprises shall currently raise their own qualities and innovate the new enterprise governance mode, for there is no way to realize the transformation of Chinese economic growth
mode without the transformation of the growth mode of medium and small enterprises (Ministry of Commerce of the People' Republic of China, 2010 Posted: 05:33).

The situation of low qualified employees indicates that a good human resource management is something what medium and small companies lack of, although many researchers have argued that human resource management is vital in order for an organization to achieve organizational success (Pfeffer,1994; Jackson and Schuler, 2000; Barney,1991; cited by Stavrou-Costea, 2002, p.261) Therefore, the better skilled owner-managers are at human resource management, the better potential they will have to contribute to the success of their business (Walker et al., 2007, p.295). In human resource, typical problems include over weighing experience at the expense of new thinking, giving followers little no influence in choosing their leaders, perpetuating disparities in powers that can't be justified by differences in competence, creating incentives for managers to hoard authority when it should be distributed, and undermining the self-worth of individuals who has little formal power (Hamel, 2009, p.93).

However, for the sake of further development, talent is indispensable for medium and small companies. The longer the talent is needed, the easier it is to make investments in internal development pay off (Cappelli, 2008, p.79). Unfortunately, literature shows that despite the importance of small businesses to the economy, little attention has been given to the effectiveness of training programs for these businesses (Huang, 2001; cited by Walker et al., 2007, p.296). Lacking of sufficient or necessary training partly result in the low qualified employees. E.g. HR people are promoted from within and they do not have formal HR training. Most of the HR people are the previous engineers. They are moved from one department to another based on the assumption that, with the knowledge of production and engineering, one would be able to perform an administrative job such as HR (Khatri et al., 2000, p.177). Furthermore, Low qualified employee is one of the reasons of discrentional decision making. Unlike doctors and lawyers, managers don't need a formal education, let alone a license, to practice. Nor do they adhere to a universal and enforceable code to

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conduct (Khurana et al., 2008, p.72). And there is no obligation for them to know anything about investing in innovative new financial derivates or special purpose vehicle, for example, even if they serve on boards required to approve such potentially risky transactions (Khurana et al., 2008, p.73). Meanwhile, the concept of "GuanXi" is another factor for discretionary decision making. Today, multi-national firms agree that the concept of "Guanxi" has been extended to include relationship building with both local and national officials. It is no longer something which can be left to lower-level managers but instead requires the negotiating skills of the most senior executives (Emerald Group Publishing Limited, 2007, p.6).

2.2.1 Lacking of Vocational Training

Vocational training is ignored by medium and small companies. Although training is identified as an important HRM issue for many small firms, research shows formal training is less likely to be provided in these firms (Storey, 2004; cited by Barrett et al., 2007, p.310). This situation is more severe in small companies. According to Tim Mazzarol (2003), the fact that small firms are reluctant to invest in HRD training, resulting in ignorance of benefits, time issues, and fears of increasing an employee’s mobility (Saru, E, 2007, pp. 36-51).

There are various of reasons for lacking of vocational training. Initially, the awkward human resource system or policies result in the ignorance of vocational training. Prior centralized staffing policies contributed to persistently low levels of technical skill and management experience in the labor market, training and professional development for staff (especially low-level) has been a key challenge for Chinese enterprises (Zheng et al., 2008, p.179). (Mazzarol 2003, cited by Walker et al., 2007, p.298) warns that as a firm grows and the number of employees increases, so the complexity of human resource policies and practices becomes of greater importance to the long term success of the small enterprise. Further, research has shown that the informal nature of human resource management in small businesses contributes to difficulties in recruiting and retaining employees (Walker et al., 2007, p.298).
The loyalty of the trained employees was worried by those companies. But the same
dynamics that are making today’s talent pool less loyal are presenting opportunities
for companies to lower the costs of training employees and thereby improve the return
on their investment of development dollars, as they might form any R&D effort
(Cappelli, 2008, p.80).

Ideally, learning to “step-back and let-go” requires the owner to identify clearly where
he/she wishes the business to move over the longer term, and then develop a blueprint
for their business accompanied by staff training and development (Mazzarol, 2003,
p.29). But some companies themselves just unsure about if they really need the
loyalty of the talents, since the uncertainty about future. The less certainty about the
forecast, the greater the risk and cost of internal development- and the greater the
appeal of outside hires (Cappelli, 2008, p.79).

The optimistic side is that more and more companies realize the importance of
vocational training. Several studies have demonstrated that internal learning activities
at team level has positive effects (e.g., Burdenson and Sutcliffe 2003, Gibson and
vocational training is an essential part of human resource management. The ability to
manage human resources in a consistent and effective manner helps small firms attract
and retain high quality and competent employees who are in turn able to create added
value, enable firms to better develop and maintain competitive advantage and thereby
sustain superior performance in the longer term (Hornsby and Kuratko, 2003; Kotey

However, due to limited resource available in medium and small companies,
sufficient vocational training is still a dream far away. Small firms, in particular those
family-owned businesses may also be rather time and cost-conscious. They are more
likely to take opportunistic behaviour in strategically choosing more or less HR
practices that could best utilize their limited resources in order to achieve maximum
performance outcomes (Kerr and McDougall, 1999; King et al., 2001; McCann et al.,
2001; Dickson et al., 2006; cited by Zheng et al., 2008, p.176).
In fact, Billett (2001) has found that the real price of training is higher in small firms than large businesses. This is then compounded by the fact that most businesses, but especially small businesses, are time poor (Beresford and Saunders, 2005; Billett, 2001; Gibb, 1997; Webster et al., 2005; cited by Walker and et al., 2007, p.296) which leads to the widespread misconception that small business is too busy to train (Walker et al., 2007, p.296). The “market” explanation where the cost of training is too high for small firms (Storey, 2004; Storey and Westhead, 1997; cited by Barrett et al.,2007, p.310). Companies worry that even though they invest on the vocational training, they can't benefit from it. They may even have right to consider their expensive development programs as an unavoidable cost of doing business. But at the same dynamics that are making today's talent pool less loyal are presenting opportunities for companies to lower the costs of training employees and thereby improve the return on their investment of development dollars, as they might from any R&D effort (Cappelli, 2008, p.80).

And the time which the training process consumes is another reason why medium and small companies are reluctant to conduct training. the manager, especially in "expert" businesses, may not have the time or HR competencies to recruit, manage or train employees (Saru, E. 2007, pp. 36-51). Worse, studies by consulting firm Waston Wyatt show that people who have recently received training are most likely to decamp, as they leave for better opportunities to make better use of those new skills (Cappelli, 2008, p.78). Because of that, many medium and small companies turn to focus on the short time benefits, instead of vocational training which can bring long term effects. They tend to overemphasize the achievement of some goals, like hitting short term profit targets, while undervaluing other important objectives, like building new growth platforms (Hamel, 2009, pp.91-102).
2.2.2 Low Qualified Employees

With the continued growth and expansion of SMEs, owners must increase the number of workers, with the rising demands that owners should strengthen human resources management and human resources operation, so that can keep enterprises running. Enterprises growth faster the more people, human resource management issues will be more prominent (Mazzarol, 2003, p.27). (Hornsby and Kuratko, 2003, cited by Barrett et al., 2007, p. 311) argue that without sufficient capacity to manage the company's human resources is a major source of failure of a company. Human capital is a significant resource in a company. It’s can increase competitive advantage and makes enterprise success, but it is also the biggest problem faced by the enterprise.

1) Difficult to find and retain talent

Although some owner-managers of small businesses consider their human resource practices and problems as a high priority (Hornsby and Kuratko, 1990, cited by Walker and Redmond et al., 2007, p.296) and acknowledge that they can play a significant role in developing competitive advantage, one of biggest difficulties faced by them is “gaining competitive edge form the improved capability of people” (Ulrich and Lake, 1990, p.40, cited by Waldker and Redmond et al., 2007, p.296). It is difficult to gain and preserve high quality employees in SMEs in China. For many fast growing small and medium enterprises, human resource management have also encountered many problems, the main problem is difficult to finding and retaining high quality employees (Mazzarol, 2003, p.27). Low-level employees may be easily to find and the cost always cheap, but it is difficult to find qualified employees for businesses in the labor market. According to (Cappelli, 2008, p.79) lower-level jobs may be easily and cheaply filled by outsiders because the required competencies are readily available, making the costs of undershooting demand relatively modest. For more highly skilled jobs, the costs of undershooting are much higher.

As qualified and highly qualified human resources supply in the labor market is limited, training and professional development of enterprises for staff (especially
low-level), has become a key challenge for Chinese enterprises development (Zheng et al., 2008, p.179). Besides, most of firms recruit the new employees are on the simple way, just go to the labor market and choice the employees by interview. (McEvoy’s, 1984, cited by Barrett et al., 2007, p.309) study of 84 small businesses with an average of 75 employees, showed that while employers identified finding competent workers a major problem, their recruitment practices were “unimaginative” (newspaper ads, and walk-ins, cited by Barrett et al., 2007, p.309) and their selection techniques were confined to application blanks and face to face interviews. From this way, firms can not find suitable staff for their business. Employee’s knowledge and information can not catch up with market changes. With the growing and changing in competitive markets in China, their discovered there is a gap and mismatches of staff on relevant knowledge and information (Li et al, 2006, p.256).

(Fan et al., 1996, cited by Li et al., 2006, pp.255-256) noted that entrepreneurs of peasant background had originated from one of the following types:

*leaders of former local governments, either at the township or village level;

*craftsmen, who possessed specialised skills;

*a “specialised household” business, which evolved into a small family enterprise;

*ex-servicemen, who gained valuable or desirable training and/or built up key connections within the armed forces; and

*“home returning” youths, with secondary school education.

So the outdated knowledge and thinking is hard to make firms successes.

However, if firms have gained the quality staff and training them, when they grasped the skill and if the conditions were ripe, then they will job-hop. So the SMEs is so difficult to retaining high-quality employees. Studies by the consulting firm Watson Wyatt show that people who have recently received training are the most likely to decamp, as they leave for opportunities to make better use of those new skills (Cappelli, 2008, p.78).
(2) Backward talent management system

SMEs are lagging in talent management system. Business owners lack of vision, and they do not consider their own capabilities and human resources development and the owner-managers often lack the managerial skills required to implement practices outside of their technical expertise (Redmond et al., 2007, p.277). According to (Walker and Redmond et al., 2007, p.295) “the majority of small firms are led by owner-managers who are strategically myopic” and “lack the long term vision that is required for owner managers to identify the future direction of their business”. Therefore important to know why many small business owner-managers do not embrace lifelong learning for their business and personal development.

On the other hand, companies do not allow to give full play to employee's professional knowledge or skill in their job, staff usually ranked unsuitable position, so that staff do not fully utilized in enterprise. The downside of talent portability, of course, is that it makes the fruits of management development perishable in a way they never were in the heyday of the internal development model (Cappelli, 2008, p.81). Similarly, a senior manager of operations from another company felt that there was a gap between the role performed by his company’s HR manager and the expected role of a professional HR manager. The HR department in his company was more reactive (for example, doing only what other managers told them to do). It was found that CEOs and line managers took over important HR decisions themselves, as HR managers lacked requisite competencies and had a “personnel” mindset (Khatri et al., 2001, p.177). As the backward talent management system, enterprises need to change the management system of human resources. According to (Cappelli, 2008, p.76), it’s time for a fundamentally new approach to talent management that takes into account the great uncertainty businesses face today. Talent management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it (Cappelli, 2008, p.74).
(3) Education may not work

Staff lack of knowledge will lead to surplus low-level employees and cross-sector cooperation. It is difficult to timely and effective manner to accomplish the work across functions (Pickett, 2005, p.303). However, formal education does not necessarily improve the quality of staff in effective. The softer skills of management (interpersonal effectiveness, communication, leadership) are hard to learn through formal education and harder yet to test for in a standardized exam (Khurana et al., 2008, p.73). On the other hand, because of practical ability of the leadership are associated with difficulties in motivating employees and problems in retaining top performing employees (Pickett, 2005, p299). The owner managers are quite important to learn knowledge and grasp work experience. But, that’s not to ignore or underestimate the importance of experience or skills that can’t be easily taught such as exercising good judgment and becoming a more effective manager (Khurana et al., 2008, p.74).

Owners frequently realize that they lack the skills to manage their HR function effectively and look to build a management team to assist them (Mazzarol, 2003, p.30). While, to build a management team is essential, they can share they knowledge and idea from each other, but the bigger challenge is gaining acceptance of the idea that educational standards will improve the practice of management. Many management scholars and practitioners believe that management is as much art or craft as science, better mastered through experience than through formal education (Khurana et al., 2008, p.73).
2.2.3 Discretionary Decision Making

Every day we make decisions. Some are small domestic, and innocuous. Others are more important, affecting people’s lives, livelihoods, and well-being. Decision making is an important part in our personal and professional lives. The daunting reality is that enormously important decisions made by intelligent, responsible people with best information and intentions are sometimes hopelessly flawed (Campbell et al., 2009, p. 60). Leaders make decisions largely through unconscious processes that neuroscientists call pattern recognition and emotional tagging. These processes usually make for quick, but they can be distorted by self-interest, emotional attachment, or misleading memories. Guanxi is used extensively in the business world in China, some authors have questioned whether guanxi is ethical (Dunfee and Warren, 2001; Su et al., 2003, cited by Hussain et al., 2009, p.141). However, if guanxi refers to interpersonal relationships only, then western firms may wish to avoid guanxi, as many researchers have pointed out the risks of conducting business by relying on personal relationships. (Nootenboom et al., 1997, cited by Li et al., 2000, p.370), for example, have suggested that problems may arise concerning the exigencies of the organizational role. Personal relationships may deviate from organizational interest and may even lead to corruption or embezzlement.

The most obvious reason is that much of the mental work we do is unconscious. This makes it hard to check the data and logic we use when we make a decision. Most of the time, the process works well, but is also can make serious problems (Campbell et al., 2009, pp. 62-63).

(1) Unsuitable HR system

In China, HR system is unsuitable for small and medium firms and the situations have not change and develop at present. According to (Mazzarol 2003, p.28) firms that do not develop suitable HR policy systematically as they grow can find themselves facing higher than average personnel-related problems.
In fact, owner-managers make efforts to alter this situation lately, but there are several issues are often considered including, like training relevance, small business sector focus, cost timing and training environment. Each of these will have the greatest impact on the final decision and the outcome of the training (Walker and Redmond et al., 2007, p.297). This problem is still existed in SMEs now. The owner manager is usually burdened with a variety of HR functions for which he/she is generally poorly equipped to make a proper decision making without a good HR system (Mazzarol 2003, p.27).

With the antiquated HR system and poorly employees. (Benson and Zhu 1999, p.70, cited by Zheng et al., 2008, p.180) Observed that more firms have been adopting team-based decision making and information sharing to encouraging employee take part in management decision making to increase performance in firms. Culturally, collective decision making and shared responsibility are widely used and have encouraged in China (Wang, 1990, cited by Zheng et al., 2008, p.180). But in Chinese SMEs the way which encourage employee participation in decision making to impact organization has not been well documented (Zheng et al., 2008, p.180). In SMEs, the owner-managers are always use informal management practices and most of critical decision make by high-ranking managers. In other words, the top-level decision making is affected by owner- manager’s personal prejudice, insufficient information and incomplete data (Hamel, 2009, p.96). That is to say decision-making by this way will lead to some risks, like the owners did not have time to plan their development tasks and it is hard to deal with business issues accurate (Mazzarol 2003, p.28).

(2) Management style, personality and informal management practices

Discretionial decision making not only because of the old enterprise human resource management system and low quality of the staff, management style and personality are equally important factors influence decisions. Chinese smaller firms, the business owners in a dominant position to making important decisions, they have the centralized decision-making powers to allocate resources and management (Zheng et al., 2008, p.176). According to (Redmond et al., 2007, p.277) the fact that if a
company is very small, the company's main tasks and decision-making responsibilities will fall on the company's owners. Heneman et al. (2000) argue that in growing small firms there is a pressure on the small business owner/manager to delegate responsibility for HRM although Matlay (1999) and Mazzarol (2003) suggests this will depend on the owner/manager’s management style and personality (Barrett et al., 2007, p.310). To make clear, in small businesses, the owner's leadership style and personality is very important for the company's decision-making. Mazzarol (2003) also mentioned, when the owners make decisions, much will depend on the individual personality and management style of the owner-manager, particularly in micro-businesses (Mazzarol 2003, p.29).

In addition many small businesses are characterised by informality, poor information systems, being operational rather than strategic in their decision making and being time poor (Redmond et al., 2007, p.277). That is to say the owner in small business make decisions are more use the informal methods. “This appears to be strongly influenced by the personal competence of the owner-managers and the type, uncertainty and complexity of the business.” Small business owner-managers are known to implement informal rather than formal management practices and to think operationally rather than strategically (Redmond et al., 2007, p.277). In other words, the leadership style, personality and informal management led to the owners make decisions depend on personal preferences and biases, as a result the owner-managers make decision in discretion. These characteristics all contribute to the difficulties of implementing good environmental management practices in small businesses, even if the owner-manager attitude is positive (Redmond et al., 2007, p.277). For important decisions, we need a deliberate, structured way to identify likely sources of bias-those red flag conditions- and we need to strengthen the group decision-making process (Campbell et al., 2009, p. 64).
Guanxi can be defined as networks or connections or, as (Chen and Chen, 2004, p. 308, cited by Hussain et al., 2009, p.141) define guanxi as, “personal connections between two or more people”. "Guanxi" is one part of the familial collectivism ideology in Chinese society. It has very high position and plays an important role on social communications and business relationships. In effect, guanxi is “an extension of family norms to business settings” (Chua et al., 2009, p. 502, cited by Hussain et al., November 2009, p.141). Guanxi is an important tool which enables firms and other owners to create their business and keep survival by building social capital, it also can use legitimate means to find a tentative socio-economic status for the private entrepreneurs (Carlisle and Flynn, 2005, cited by Li et al., 2006, p.255). Observers have indicated that Chinese familial collectivism culture, based on the conception of guanxi (or personal network relationships) is the key to the successful entrepreneurship and small business development (Yeung and Tung, 1996; Pun et al., 2000, Gibb and Li, 2003).

Today, multi-national firms agree that the concept of ‘‘Guanxi’’ has been extended to include relationship building with both local and national officials. It is no longer something which can be left to lower-level managers but instead requires the negotiating skills of the most senior executives (2007, p.7). In other words, "guanxi" have an important influence for the government and senior managers in decision-making. Chinese managers actually have more kin (family members) in their professional networks (Li et al., 2006, p.255). That is to say, guanxi is not just an extension of familial collectivism to business settings, it is also based on interaction with family member (Hussain et al., 2009, p.142). Even today the way things are organized still relies heavily on personal relations and connections (Yeung and Tung, 1996; Hui and Graen, 1997, cited by Cunningham et al., 2005, p.427). As (Warner, 1995, cited by Cunningham et al., 2005, p.427) asserts, “who knows who” is still very useful in Chinese working life and careers.
2.3 The Remark on Literature and Theoretical Framework

Chinese SMEs have played an important role in stimulating economic growth, increasing employment, expanding exports and promoting science and technology innovations (Chen 2006, p.141). To make it clear, China's SMEs has an irreplaceable role in the development of Chinese economic growth. In addition, Chinese small and medium enterprises full use of local human and material resources to make effective management of national resource allocation and distribution (ILO Report, 2003, cited by Cunningham et al., 2005, p.415). According to Stavrou-Costea (2002) the development of enterprises can benefit the country and the local people, and effective human resource management can make a steady and healthy development of enterprises, and improve market competitiveness. Firms that manage higher levels of profitability, higher productivity and higher market value, thus meeting the needs of the organization (Stavrou-Costea, 2002, p.261).

Therefore, HRM may provide a vehicle for SME development. SMEs would be able to see the benefits of devoting greater attention to HR practices that can help them to achieve desired organizational outcomes (Zheng et al., 2008, p.178). That is to say, human resources as key resources in a firm for maintain the sustainable development and competitiveness of enterprises and its role can not be replaced in the development of enterprises (Wright et al., 1994; Wright and Barney, 1998, cited by Cunningham et al., December 2005, p.416).

However, human resource management is very complex, it needs a strategic vision, not simply a document, focused in the long term. Human resource management need to be integral to organizational strategies; they need to pay attention to multiple levers for strategy implementation, including organization, development, recruiting and staffing, rewards, performance and employee relations; they should provide for innovative ways to differentiate organizations in competitive markets; and they must establish and achievable implementation plan (Walker, 1999, cited by Stavrou-Costea, 2002, p.261).
The theories used in this chapter will be adopted in the design of the questionnaire. That is to say, the questions we are going to ask in the interview will be based on the theories given in this chapter. In Methodology, we will explain more about how we will use the theories.
3. Methodology

3.1 Aim

The aim of this research was to get a better understanding of the problems of human resource management of medium and small companies in China, knowing the characteristics about them is as important as knowing about their current situation. Because in China, the medium and small companies have their own characteristics. Unique is a typical medium and small company in China. In Empirical Study, we will give answers to why Unique is so typical, and why our study is reliable and practical.

3.2 Sampling and Data Collection

In order to found the most accurate and useful data, we find Wang Yibin, who is the former personnel manager worked in Unique had a telephone interview. The increasing popularity of the telephone interview as a research method may be a reflection of broader social change and technological advances, with increased use and acceptability of telecommunications to support all industries in general. Studies which directly compare telephone and face-to-face interviewing tend to conclude that telephone interviewing produces data which are at least comparable in quality to those attained by the face-to-face method (Carr et al., 2001, p.511). While it has been used for large survey studies, in human resource research the telephone interview is used predominantly in smaller-scale qualitative studies, where contact has already been made with the participants. That is to say, telephone interview is available method of data collection in human resource management.

Telephone interview as being largely the preserve of political pollsters and market researchers. For the company, telephone interview is suitable for them, they don’t need to arrange a meeting place, it’s can save they time. For us, we can reduce interview costs and also can decrease the amount of time, we don’t have to come back to China to have an interview with Unique. In this research, we had two interviews, each interview took us about thirty minutes. From the two interviews, we got a lot of useful information of our research topic, they provide a great help for our study.
The choice of sampling method for this study was influenced by the difficulties associated with sample collection among small enterprises in China (Zheng et al., 2009, p.181). Unique Clothing Company was founded in 2006, established only for four years. There are about 200 employees in the company, but only 5 to 6 people with bachelor degree or above, accounting for 2.5 per cent. However, Unique does not pay attention to staff training, and does not give employees career planning. General Manager in decision-making is a major position, and there is the behavior of ultra-right. All of those data show that Unique is a typical Chinese SMEs. Thus we collected data in Unique in line with our subject, the material and information they provides is valuable for our study.

To make our study more representative and convincing, we visited the company's former personnel manager Wang Yibin, who is a senior human resources manager, with eight years of full production and administrative personnel and security management experience. We found his profile and phone number on the Unique’s website, then we called him, he said that he does not work in Unique now, but he can help us complete the thesis. He worked in Unique company in four years, and he know the company's human resources issues and the problems of human resources management in SMEs in China are very clear. Hence, we can got the accurate data of Unique from Wang Yibin. And now, Wang is a senior human resources management consultant in Ceduoduo company. The data collection of the study from Wang Yibin was reliable and valid.

In order to make the research methods suitable for our study, we designed a questionnaire before we visited. Questionnaire is very cost effective when compared to face-to-face interviews. It’s easy to analyze and familiar to most people. The most important is that questionnaires can reduce bias. There is uniform question presentation and no middle-man bias. The researcher's own opinions will not influence the respondent to answer questions in a certain manner. There are no verbal or visual clues to influence the respondent (Walonick, 2004, p.6).

A questionnaire should not be too long, use plain English and the question shouldn't
be difficult to answer (Infopoll, 1998). After careful consideration, when we were designing the questionnaire, we used six steps (Figure 1) to complete our design, which gives us access to data our research questions more relevant.

**Figure 1** Questionnaire design steps

![Diagram of questionnaire design steps](image)

Finally, we designed a questionnaire of our study within nine questions. All of them are aimed at human resources management of Chinese small and medium firms. And the questionnaire is designed in accordance with our theory party. The structure of the survey questions are follow a logical order, the questions form a thread from beginning to end. This questionnaire is feasible and reliable and it’s can developed to directly address the aims of our research.
In the theory, we use totally 25 articles from fifteen kinds of magazines. The detail of the magazines is as following:

<table>
<thead>
<tr>
<th>Name of the Journal</th>
<th>Number of Articles used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Journal of European Industrial Training</td>
<td>3</td>
</tr>
<tr>
<td>Journal of Small Business and Enterprise Development</td>
<td>4</td>
</tr>
<tr>
<td>Organization Science</td>
<td>1</td>
</tr>
<tr>
<td>Harvard Business Review</td>
<td>4</td>
</tr>
<tr>
<td>Personnel Review</td>
<td>3</td>
</tr>
<tr>
<td>Strategic Decision</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Operation and Production Management</td>
<td>1</td>
</tr>
<tr>
<td>Gender In Management: An International Journal</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Chinese Entrepreneurship</td>
<td>1</td>
</tr>
<tr>
<td>Career Development International</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Entrepreneurial Behavior Research</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Technology Management in China</td>
<td>1</td>
</tr>
<tr>
<td>Industrial and Commercial Training</td>
<td>1</td>
</tr>
<tr>
<td>International Labour Organization</td>
<td>1</td>
</tr>
<tr>
<td>Nursing Times Research</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
</tr>
</tbody>
</table>

### 3.3 Data Analysis

A key concern of this study is to obtain richer and deeper insights into human resource management issues using a qualitative research method. The qualitative method is able to provide a deeper understanding and fuller contextual information of the phenomena studied, in addition to enabling the foundation for more complete theory development (Berg, 1988; Elisenhardt, 1989; Tashakkori and Teddlie, 1998; Yin, 1994, cited by Khatri et al.2002, p.169). Human resource management problems research is required a qualitative approach, which provides many ideas for further research as well as deeper understanding of the phenomenon already studied using quantitative methodology (Purcell, 1999; Hunt and Boxall, 1998; Becker and Gerhart, 1996; Guest, 1997; Lundy, 1994 cited by Khatri et al. 2002, pp.169-170). Qualitative data was collected to find out the human resource managerial problems in medium and small companies and finally some suggestions will be given.
3.4 Deficiencies of Approach

The approach we used on this study is reliable and valid, but the deficiencies with our methods are still existed. Firstly, We only investigate a company, compare with investigating more companies, the data we collected is incomplete and inaccurate. And in this company, we only interviewed two people, the data we collected is less, so we can not provided more in-depth analysis. Next time, we will investigate more companies and more people, in order to collect more comprehensive data. Secondly, Telephone interview is the only way we collect data, which increased inconvenience for our survey. In a telephone interview, the interviewees sometimes spoke too fast, or the sound does not clear, because of the signal problems, this has led to us a lot of trouble for taking notes. Hence, we need respondents to repeat again and again. we should apply other methods, such as face to face interview, email and so on. Finally, the questionnaire we designed is only have subjective questions, not multiple choice. This result in interviewees spent more time to answer questions. And in the beginning of the questionnaire, we should include a cover letter or introduction with the survey. Let the recipient know what you're trying to accomplish with the survey and how valued his or her response is.
4. Empirical Findings

In the beginning of Empirical Findings, a brief presentation of our case study company—Unique will be given. The results of Empirical Findings will be shown after the presentation of Unique. To make our paper logical and easy to follow, we divide the part of result into five points, they are The Most Important Factors and Most Serious Problems, The Training Situation in Unique, The educational background of employees in Unique, The Recruitment and Talent Retention in Unique, and management and decision making process in Unique respectively.

4.1 Presentation of Unique Clothing Company

Unique Clothing Company is a manufacturing company with 100,000USD registered capital in Zhuhai city, South China. It is a company totally invested by a British clothing company named Balfour with 100 years history. Unique is a young company, it was founded in 2006, until 2010, it has only four years history. As a manufacturing company, the major business of Unique is manufacturing high class hats, headwears, capes and gloves, and exports them to North America, South America, West Europe and East Europe.

There are about 160 to 210 employees work for Unique, this number already includes the thirteen middle-level managers and senior managers. The number of employees in Unique depends on the "production period". In the busy months, more front-line employees will be recruited. However, the number of people in managerial level will not change a lot.

4.2 Results

The presentation of Unique will be used to explain the answers of the questionnaire in the following paragraph, and it offers a better way to understand Wang's opinion about the human resource management in Unique. In this paper, we collected the information by conducting telephone interview with the former human resource manager: Wang. In other words, the information was gathered by qualitative analysis
approach. Finally, we contacted Wang for three times to get more accurate information.

To keep the paper consistent, we design the questionnaire based on the theories we used, and all of the questions connect to the objectives of the paper, that is: what are the human resource managerial problems in medium and small companies and giving suggestions.

The important findings of this article are: the vocational training in medium and small companies is insufficient; the quality of most of the employees in those companies is low and the decision making process is done discretionary.

4.2.1 The Most Important Factors and Most Serious problems

When asked about what are the most important factors in human resource management, Wang pointed out there are so many factors that matters, e.g. the skills and the working experience of the employees, and their attitudes to the positions. But there is always a dilemma here. Since Unique is small company, the resource for it to recruit better employees is limited. In most cases, good educated and well trained people prefer to work in a big company with high salary.

However, he believed the most serious problems are insufficient vocational training, and the low individual qualities of employees, and the discretionary decision making process in Unique is not standardized.

4.2.2 The Training Situation in Unique

The training situation in Unique is far from satisfied. The vocational train for managerial level employees is only once a month, and there is almost no vocational training for front-line employees. When the new front-line employees recruited, nothing more than the company rules brochure will be offered. That is to say, regulations in Unique is the only thing of the front-line employees in Unique have to know.
Even the once-a-month vocational training for managerial in Unique is far from enough. The most common "training" way is holding a conference, people work for managerial positions sit down and discuss some topics about management. Finally, general manager will draw a conclusion. They never invited any experts or professors to advise them in the meeting, nor did they ever asked the front-line employees to present their ideas.

Wang said there are so many reasons why the vocational training is insufficient. First, the cost on vocational training is comparably high for young and small company like Unique. Even worse, the expenditure on vocational training sometimes can not be paid sometimes. Since the some of the managerial employees will probably quit their jobs for better salary in other companies after a period of training. That is to say, Unique may lose money if the trained employees keep leaving.

Second, Wang considered that employees themselves are reluctant to receive vocational training, since clothing manufacturing is one of the labour-intense industries, people are capable without good education. This situation will damage the competitive edges of Unique in the long run yet, not many employees even the managerial staff view it as a problem. However, Wang did not think it is hard to explain why people ignore vocational training, because "Many medium and small companies in China, e.g. Unique, only focusing on the short term benefits".

4.2.3 The Education Background of Employee in Unique.

The interview data reveal that the staff quality of small and medium enterprises is very low, which has negative impact on the survival and development of enterprises. According to Wang, human being is the root for the existence and development of enterprises, while quality is the key of human factors, hence, training and bringing up good staff to adapt to market competition is the top priority of enterprises. The quality of staff determines the survival and development of enterprises. Staff with high quality, the working efficiency will be high and the capacity of the task decomposition will be stronger, then the development of enterprise will be faster. Therefore, the
company's brand awareness will be high than before. In fact, enterprise competition is the competition for talent.

There are 210 employees work in Unique clothing company, including thirteen middle-level managers and senior managers. In the company, the number of employees in general labor is 187, which is the highest. Compare with general labor, the number of middle-level managers and senior managers are much less, with a number of 13 and 10 respectively. However, the educational level of general labor is the lowest, most of them are in junior high school level. That is to say, people who account for 89 per cent of the company are poor educated. The educational level of middle level managers is not very high, most of them are in high school level. The only group who have good education is the group of senior managers. Although they merely take 5 per cent in the company, most of them have associate degrees and above.

<table>
<thead>
<tr>
<th>Job Title</th>
<th>Number of People</th>
<th>Education Background</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Labor</td>
<td>187</td>
<td>Junior Middle School</td>
<td>89%</td>
</tr>
<tr>
<td>Middle-level Managers</td>
<td>13</td>
<td>High School</td>
<td>6%</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>10</td>
<td>Associate Degree and above</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>----</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the interview, we can see the quality and skill of employees are generally low. This is the serious factor that Restrain the development of Unique company.
4.2.4 The Recruitment and Talent Retention in Unique.

Form this visit, we know that Socio-economic development of SMEs play a significant role in China and its occupies an important position that large enterprises is difficult to replace. But, finding the right people and the talent outflow is hampering the development of SMEs.

Wang stressed, due to social, historical and personal, and many other reasons, so their status, environment, conditions and strength of the competition, SMEs are in a weak position. Therefore, small and medium enterprises are having difficulties to find talent that suitable their own development in the labor market. Wang said that sometimes they recruit people in the labor market, but things turned out that they did not hire a suitable person even three months passed. Even though they have found suitable talents, they did not work in Unique for long. The average years for those people in Unique are generally short, among two to three years. Furthermore, the shortest working period was 50 days and the longest one is only 5 years. The outflow of talents is quite serious, this situation has brought an immeasurable loss to the enterprise.

Most of people left Unique went to foreign funded enterprises and joint venture enterprises. The largest proportion of the outflow talent are managers and professional technical personnel. Since they have management experience and especial expertise, which is the backbone in Unique company. The departure of key personnel taking away is not only the loss of technical, market and other resources, but also can increased the entire workforce loss. Even worse, the departure of key personnel leading to rapid loss of senior management and affecting the normal production and operation of the company.

The unreasonable management systems, and the weak human resources strategic planning are reason why enterprises are difficult to finding and retaining talent. Most SMEs in China do not set specific human resources management agency, and its functions execute largely by the general manager or the department of administration
hold a concurrent post. In a sense, human resource management system has certain mandatory and one-sidedness on implementation of the current enterprise.

Finally Wang noted that the enterprise is difficult to find and retain talent have four important reasons: (1) Unreasonable incentive system, rewards and punishments in not clear. Some of the employees left the company because of the dissatisfied incentive system. (2) Enterprise management system has drawbacks, led to management in company is turmoil, therefore, the staff can not see the long-term business objectives and strategic intent. (3) Lack of education, training and career development opportunities. (4) Staff are not fully respected, trusted and recognized.

4.2.5 The Management and Decision Making Process in Unique.

Wang indicated, the management of Chinese small and medium enterprises more or less impacted by the traditional Confucian culture, Hong Kong and Taiwan business management methods and Western management theory and practice. Those management approach can fit with the current enterprise development, however, the drawbacks still existing in the business development. Because of its scale is smaller, therefore the personnel management is more flexible, so that the staff arrangement and issue implementation is more timely. However, most SMEs in China have family-owned management mode. This feature also determine the management of human resources of SMEs have many problems, there are many places not suitable for the company in the modern economic environment and long-term development. The owner-manager exist old conception of human resource management and they do not pay attention to human resource management as a professional role. They think that employees are the accessory in a company. Hence, all the decision making in the company are befell the core manager or owner managers by personality and informal management practice.

In Unique company, the staff work in human resource department are inadequate and most of them have low quality. The company was not equipped with full-time human resources management and even sometimes they still follow the traditional practices.
The company do not have a suitable human resource management system to allow the employees have opportunities to involved in decision making and provided a platform to express their views.

During the visit, Wang mentioned a business approach with Chinese characteristics, that is “Guanxi”. Guanxi plays an important role on decision making. Wang cited an example, product quality inspection of raw materials need 95 per cent pass rate, but if you have “guanxi” in the company, only if 75 per cent the raw materials can be qualified. Enterprises are under the rules with the dynamic by “guanxi” in SMEs in China. It’s depends on who the management object is. Wang said:’’Guanxi’ is better than the rule of law.”

In the Empirical Findings, we deliver a brief presentation of Unique and state the results based on the interview with Wang. The results will be analysed with theories in the following chapter *Analysis and Suggestions.*
5. Analysis

In Analysis, we will compare the empirical findings with literature review and theoretical framework. The similarities and differences between the realistic situation and theories will be discussed. To answer the research question "How to solve the problems of Unique and a group of companies that have similar human resources managerial methods".

Generally, the situation of vocational training in Unique accordant with the theories that most medium and small companies are reluctant to conduct the training (Storey et al., 2004). First, according to Saru.E (2007), lacking of vocational training is one of the most serious problems in medium and small companies, while Wang claimed that vocational training in Unique is far from perfect. E.g. Even the training of managerial employees is only once a month, and the training way is no more than a conference held by general manger.

Second, loyalty is concerned by the companies when making the vocational training decision (Cappelli, 2008, p.79). This is identical with what Wang claimed. It is possible for the trained managerial employees quit their jobs for better salary in other companies.

Since the loyalty is important to companies, we believe the contract of guaranty can be signed before conducting the vocational training. In other words, employees who receive the training can not transfer to another companies within a period after they receive the training. And companies can benefit from their training. Furthermore, companies can give more promotion opportunities to the loyal employees. Since many talents leave for better career development, it is wise for Unique, or other medium and small companies like Unique create the career future for worthwhile people.

As the theories stated (Kerr and McDougall, 1999; King et al., 2001; McCann et al., 2001; Dickson et al., 2006; Zheng et al., 2008), lacking of vocational training is partly
result from the limited resources in medium and small companies. This is identical with what Wang mentioned in the interview.

The poor human resource management system is one of the reasons for lacking of vocational training (Zheng et al., 2008, p.179). However, Wang did not indicate the human resource management system in Unique is hampering the development of the company.

There are three reasons cause low qualified employees. First reason is difficult to find and retain talent. According to Mazzarol (2003) many fast growing small and medium enterprises, human resource management have also encountered many problems, the main problem is difficult to finding and retaining high quality employees. (Zheng et al., 2008) pointed out that qualified and highly qualified human resources supply in the labor market is limited. Moreover, Cappelli (2008) indicated that people who have recently received training are the most likely to decamp when they have opportunities to make better use of those new skills. During the interview, Wang claimed that small and medium enterprises are having difficulties to find talent that suitable their own development in the labor market. E.g. sometimes they recruit people in the labor market, but things turned out that they did not hire a suitable person even three months passed. This makes SMEs hard to keep their high qualified staff. In addition, even though they have found suitable talents, they did not work in Unique for long, the outflow of talents is quite serious in Unique.

Second, backward talent management system. According to Redmond et al. (2007) Business owners lack of vision, and they often lack the managerial skills and do not consider their own capabilities and human resources development. Furthermore, Cappelli (2008) pointed out that staff do not fully utilized in SMEs. Enterprises do not pay attention to employee’s individual abilities and did not give employees a long-term planning. Staff in the company are always arranged to inappropriate position. Wang claimed, most SMEs in China do not set specific human resources
management agency, and drawbacks of the system led to disordered management, so the staff can not see the long-term business objective and strategic intent. Besides, unreasonable encouragement, rewards and punishments system and staff do not respected, trusted and recognized are the other reason that why SMEs have low qualified employees.

The data are consistent with theoretical, but one. In the theory part, the third reason is that education may not work for the low qualified employees. (Khurana et al., 2008) mentioned that softer skills of management are hard to learn through formal education and the importance of experience or skills that can not be easily taught. But the data revealed that Wang did not deny the role of education. According to Wang, lack of education, training and career development opportunities is also the important reason that why SMEs have low qualified employees.

Unsuitable HR system, management style, personality, informal management and “Guanxi” are led to discretionary decision making.

Mazzarol (2003) pointed out that owner manager is usually burdened with a variety of HR functions for which he/ she is generally poorly equipped to make a proper decision making without a good HR system. In addition, HamelIn (2009) indicated owner-managers are always use informal management practices and most of critical decision make by high-ranking managers in SMEs. (Zheng et al., 2008) mentioned that more firms have been adopting team-based decision making and information sharing to encouraging employee take part in management decision making, but in Chinese SMEs this situation has not been well documented. Analogously, Wang noted the owner manager think that employees are the accessory in a company. The company do not have a suitable human resource management system to allow the employees have opportunities to involved in decision making and provided a platform to express their views.
The other reason that influence decision making is management style, personality and informal management. According to Zheng et al. (2008), the business owners in a dominant position to making important decisions in Chinese SMEs, they have the centralized decision making power to allocate resources and management. Mazzarol (2003) also mentioned, when the owners make decisions, much will depend on the individual personality and management style of the owner-manager, particularly in micro-businesses. In addition, Redmond et al. (2007) pointed out that small business owner-managers are known to implement informal rather than formal management. There are identical with what Wang mentioned in the interview. Since most SMEs in China have family- owned management mode. The owner manager still exist old conception of human resource management and they did not pay attention to human resource management as a professional role. Hence, most of the decision making in the company are bechance the owner managers by personality and informal management practice.

Besides, Carlisle and Flynn (2005) indicated that “guanxi” is an important tool which enables firms and other owners to create their business and keep survival by building social capital for the private entrepreneurs. (Cunningham et al.,2005) also mentioned, even today firms are still relies heavily on personal relations and connections, “who knows who” is very useful in Chinese working life and careers. There are identical with what Wang mentioned in the interview. Wang mentioned that “guanxi” plays an important role on decision making. In a sense, enterprises are under the rules with the dynamic by “guanxi” in SMEs in China. Wang emphasized, “guanxi” is better than the rule of law in China.

All the Facts and theories are matched, except one. In the theory, it mentioned low quality of the staff is one of the reason that influence decision making, but Wang did not said that.
6. Suggestions

we suggest the trained employees share part of the fees of training, e.g. half of the training fees or even less. (reformulate and discuss) Paying some fees of the training cost is both good to the employers and employees. On one hand, the pressure on employers from limited resources can be reduced; on the other hand, the quality of employees will be improved.

The poor human resource management system is one of the reasons for lacking of vocational training (Zheng et al., 2008, p.179). However, Wang did not indicate the human resource management system in Unique is hampering the development of the company.

To solve the problem that talents in SMEs are difficult to find and retain, and promoting they skill and experience, we have two suggestions. Firstly, companies need a variety of ways to recruit suitable employees, not use the single way to recruit the talent in the labor market. Secondly, companies should establish a suitable enterprise talent management system and give employees with career planning. Finally, enterprises should pay attention to the role of education and training staff regularly.

Suggestions for decision making are as follows. Firstly, enterprises should establish a rigorous decision-making process. Secondly, use of the collective decision making, to avoid management style, personality and informal management practices influence the final decision. Thirdly, correct understanding of the role of “guanxi”, “guanxi” can make business success, but also allows bankruptcy.
7. Conclusion

There is no doubt that the medium and small companies contribute a lot to the economic growth in China, such as many job vacancies have been created and the economic market in China has been structured. Those problems exist in the development of medium and small companies can not be ignored. Although the problems can be described in different aspects, in this paper, we chose the human resource managerial problems to research. To make our research specific, we contacted one of the most typical medium and small companies in China--Unique Clothing Company to do the case study. Thus, our two research questions are as following:

1. What are the human resources managerial problems exist in Unique and other medium and small companies?

2. How to solve the problems of Unique and a group of companies that have similar human resources managerial methods?

To find the answers of the questions above, we designed a questionnaire based on the theories we used in Literature Review and Theoretical Framework. Our results of the first questions are lacking of vocational training, low qualified employees, and discretionary decision making process. The answers given by the interviewee (Wang) are pretty close to the theories. In the view of those companies, there are two main reasons for lacking of vocational training, the limited resources, the loyalty concern. Lacking of training partly result in low qualified employees. Even though, some medium and small companies prefer to over look at this phenomenon for pursuing short term benefits, which makes the talent retention even harder. Furthermore, most of the workers in Unique are poor educated. Finally, Wang claimed that the decision making process in Unique is subjective and depends on "Guanxi" (relationship) sometimes.

Given above, we came out some solutions for the second research question. Since the resources is limited, we believe it is fair to suggest the trained employees share the
training fees with the company. And to keep the loyalty of the employees, companies can consider to give the promotional priority to the loyal employees. In turns of the solutions for the problem of low qualified employees, a suitable enterprise talent management system, employees' career planning and education are dispensable elements. Besides, more recruitment ways should be suggested. Last but not least, making use of the collective decision making and reducing the influence of "Guanxi" is important for business success.

The contribution of this paper is to find out the problems exist in the medium and small companies via the case study of Unique. We refered the relevant theories and analysed the clooected information, finally, some advises have been given.

For the future study, we advise that the specific reasons for the problems in the medium and small companies can be explored, such as why "Guanxi" is important and so on. Meanwhile, the suggestions we given can be analysed in the view of people in different levels of the companies. E.g. "the shared training cost in the eyes of front-line employees" can be a topic for the future study.
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Appendix:

Questionnaire to Unique Company

1. What are the most important factors in human resource management?

2. What are the biggest problems faced by the human resource management in the medium and small companies?

3. Could you please talk about the vocational training situation in your company? How often will your company conduct the training? Would it matter if the training in your company was not sufficient?

4. What is the educational background of both the managerial employees and frontline employees in your company?

5. How will Unique recruit new employees? What are the difficulties in the recruitment process of medium and small companies?

6. Do you think it is hard to retain the talents?

7. Do you think the regulations and rules help a lot in the human resource management of medium and small companies?

8. Do you think the management style and personality matters the human resource management of the medium and small companies?

9. In which level do you think "Guan Xi"(network) affects the human resource management of the medium and small companies?