

**Human Resource Management in Domestic vs. Multinational
Enterprises: An Investigation in the Country of Brunei**

A thesis submitted for the degree of Doctor of Philosophy

by

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Abstract

Very little past work has focused on the comparative analysis of human resource management (HRM) practices between domestic (DEs) and multinational enterprises (MNEs). The majority of the work in this area has instead concentrated on comparing the HRM practices employed by the subsidiaries of MNEs, and has mostly been conducted in the context of developed countries. This research studies the behavioural differences in the HR practices--recruitment, training, internal career opportunities, appraisals, rewards and incentives, as practiced in DEs and MNEs in the emerging country context of Brunei Darussalam.

A survey of literature yielded nine major testable hypotheses. These included MNEs being more stringent with regard to their recruitment and training and rigorous with their promotion practices. Performance appraisal (PA) processes were hypothesised to be more advanced and better structured in MNEs when compared to DEs. Incentives and reward systems were also observed and following from literature, these were predicted to be more advanced and better structured in MNEs. In addition, we also hypothesised that the role of HR directors has become more strategic in the two genres of enterprises. We also tested the impact of several control variables on HR practices.

In order to put our hypotheses to test, we collected primary data from a cross-section of firms. A count revealed a total of 465 firms in operation; of these, 214 were drawn for study. A total of 151 firms (70%) responded; 88 of these (58%) were DEs and 63 (42%) were MNEs. We applied a mix of parametric and non-parametric tests to analyse the data. On balance, we found support for most hypotheses.

In terms of recruitment and selection practices, MNEs are found to be more rigorous in their recruitment, placing more emphasis on such traits as candidates' willingness to travel, devotion to task, self-motivation, and independent judgment. We also found that MNEs place more emphasis on training; they also emphasise a stronger work culture by relying on 'induction by socialisation', and 'buddy system / mentoring'. Moreover, while the statistical differences on its importance are seen to

be higher in MNEs, the mean score emphasising the importance of training for DEs comes out to be high as well. This shows that both sets of enterprises rank the issue of training of their employees high. In terms of internal career opportunities, the results show that MNEs prefer to avoid competition between internal candidates by preparing one person well in advance. Compared to DEs, MNEs rely on sound individual technical skills for promotion purposes, also displaying their preference for technically sound employees in senior positions. Our analysis also shows that MNEs conduct PAs more frequently than DEs, and their feedback system is also rapid. The HR directors and employees of MNEs are more receptive to PAs than those in DEs whilst; in contrast, HR directors in DEs face less opposition to feedback when compared with those in MNEs. It emerges that PAs are an important part of the HR function in both types of organisations. In terms of incentives and rewards systems, MNEs follow market ethos and principles. They also show that DEs tend to look at the industry standards when setting rewards such as 'basic pay'. There is also higher appeal for social and psychological benefits to employees of MNEs when compared to DEs.

When analysing the role of the HR director, HR directors of MNEs show a tighter fit between HR policy and business strategy compared with DEs. With regard to the subject of HR devolvment, HR directors from both DEs and MNEs indicated that rather than having sole responsibility, routine HR responsibilities were shared with line management. The area in which there is less inclination to devolve to line managers is in strategic HR work. Moreover, these traits were more pronounced in MNEs than in DEs. Further, HR directors of MNEs clearly regarded their tasks as more important than the HR directors of DEs.

Our analysis also showed that MNEs had higher perceived financial performances when compared to DEs. When analyzed by age, older firms were found to place more importance on language and commitment. With regard to size, larger firms place emphasis on employees' willingness to travel and work experience in other countries as the main recruitment criteria. Younger firms are more likely to be following market principles in terms of explaining incentives and reward system to their employees, whilst older firms claim that working for them carries social and psychological benefits for employees.

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List of Abbreviations

ASEAN	Association of South East Asian Nations
BEDB	Brunei Economic Development Board
BIA	Brunei Investment Agency
BND	Brunei National Dollar
BSP	Brunei Shell Petroleum
CPI	Cost Price Index
DE	Domestic Enterprises
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HR	Human Resource
HRD	Human Resource Development
HRM	Human Resource Management
IHRM	International Human Resource Management
IMF	International Monetary Fund
LNG	Liquefied Natural Gas
MCAR	Missing Commonly at Random
Md	Mean Difference
MNE	Multinational Enterprises
PA	Performance Appraisal
SHRM	Strategic Human Resource Management
SPSS	Statistical Package for the Social Sciences
UK	United Kingdom
US	United States

Author's Declaration

I, Abdul Fattaah Mohamed, declare that the ideas, research work, analyses, findings and conclusions reported in my PhD thesis on the HR practices of enterprises in Brunei Darussalam are entirely a product of my own efforts, except where otherwise acknowledged. Also, I certify that this thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Publications associated with this Thesis

Journal Papers Accepted:

Mohamed, A.F., Singh, S., Irani, Z. and Darwish, T. (2012), 'An analysis of Recruitment, Training and Retention Practices in Domestic and Multinational Enterprises in the country of Brunei Darussalam', *International Journal of Human Resource Management*, , 24, 10, 2054- 2081.

Singh, S., Mohamed, A.F. and Darwish, T. (2012), 'A comparative study of performance appraisals, incentives and rewards practices in domestic and multinational enterprises in the country of Brunei Darussalam', *International Journal of Human Resource Management*, (forthcoming).

Darwish, T., Singh, S. and Mohamed, A.F. (2012), 'The role of strategic HR practices in organisational performance: An investigation in the country of Jordan', *International Journal of Human Resource Management*,(forthcoming).

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Darwish, T., Singh, S. and Mohammed, A.F. (2011), ‘Some theoretical and empirical insights on strategic HRM practices and organisational performance’, *Annual International Conference on Human Resource Management and Professional Development for the Digital Age*, HRM&PD, Singapore, 7–8 November.

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CHAPTER ONE: INTRODUCTION

1.1 Research Overview and Background

This research compares the HRM practices in DEs and MNEs in the country context of Brunei Darussalam. The rapid growth of MNEs is a key development in the area of international business (IB). These MNEs are notably acknowledged as one of the key drivers of globalisation. Globalisation has caused the landscape in which these enterprises operate increasingly difficult and challenging. A key factor in the success of any organisation in this now increasingly complex landscape is the way in which the HR resources are recruited, trained and incentivised within these organisations. This relationship, which is the cornerstone of sustaining competitive advantage vis-à-vis rivals, has been studied in great theoretical detail (e.g., Baron, 1988; Milgrom, 1988; Appelbaum and Batt, 1994). The global rise of such enterprises has paved the way to the field of international human resource management (IHRM) which now studies the issues of recruitment, training, incentives and rewards, and other related HRM aspects in an international setting (Ghoshal & Bartlett, 1990; Pucik, 1997; Stahl & Björkman, 2006). Furthermore, IHRM links with the emergence of organisational culture and its importance in corporate identity requires HRM mechanisms to ensure the transference of this culture abroad to adjust the values and HR systems of international subsidiaries. This has also led to changes in the role of HR directors to the extent that they are now seen as key to HR changes in an organisation.

The empirical studies, some of which have been conducted in the context of multinational enterprises (MNEs), have largely concentrated on comparing the HRM practices in the subsidiaries of MNEs in the context of developed economies (see e.g. Guest and Hoque, 1996; Boxall *et al.*, 2007). Furthermore, research conducted on MNEs is often aimed at understanding how MNEs utilise expatriates in subsidiaries as well as the selection, training and management of such employees (Dowling & Welch, 2004); these processes are often susceptible to cultural traits of host nations (Gooderham & Brewster, 2003) and to the presence of societal context inherent in the host countries' social and economic institutions (Morishima, 1995),

which can also notably affect the practices and processes adopted by companies. This research attempts to fill a gap in the literature by conducting a study along similar lines in a non-Western environment and in the context of an emerging economy. The study compares the HR practices of recruitment and selection, training, internal career opportunities, performance appraisals, incentives and rewards, and retention (henceforth HR practices) in the context of domestic enterprises (DEs) and MNEs in the country of Brunei Darussalam.

1.2 The Problem Statement and the Research Question

As stated, MNEs have now become key players in global commerce and are rapidly establishing themselves in developing economies¹. Different scholars have had different views on the challenges facing those operating in the modern-day global business environment. Some scholars such as Deresky (2008) have emphasised the importance of culture, which can play a big part in cross-cultural negotiation and decision-making. Previous research has also highlighted the importance of strategy and how this links with the actions of MNEs while going global. This also contributes to decisions made on organisational structure and design when going global. This directly relates to the importance of HRM on an international scale. There are issues of staffing, training and other identified HR practices to consider as well as the role of the HR function in organisations.

It is important to highlight that most comparative research in HRM has been conducted in Western developed nations. For the growth and development of IHRM, it is essential to examine the relevance of HRM, which can assist in assessing the degree to which HRM has gained strategic importance in different parts of the world. Identifying the main factors and variables determining HRM in different settings will help in analysing the applicability of HRM approaches in different regions, as well

¹ At the last count there were 82053 parent corporations with 807363 foreign affiliates worldwide (440482 in the non-developed world); the value of their outward foreign direct investment stock stood at US \$18.982 trillion (\$2.58 trillion in the non-developed world) (World Investment Report 2009).

The term enterprises, organisations, firm, etc., are sometimes used interchangeably to denote privately owned joint stock companies

as highlighting the context-specific nature of HRM practices (Guthrie and Olian, 1991; Jackson and Schuler, 1995; Budhwar and Debrah, 2001).

As part of this research, an extensive review of the literature (Chapter Three) was conducted on IHRM, exposing some significant gaps in this area of research:

Firstly, a significant amount of research (see, for example, Amante, 1998; Andrews & Chompusri, 2005; Rowley, 1998; Rowley & Benson, 2002; Warner, 1998, 2002) has been conducted examining the convergence-divergence debate in the Asian context. The importance of this debate is highlighted by the need of organisations to establish themselves in other regions, bringing over established policies and practices from their establishments. Although most research conducted in the past decade has found evidence contradicting the convergence view, results obtained from research conducted in Asia (see Warner, 2000, 2002) have shown convergence due to the effects of globalisation. MNEs tend to implement a set of internationally tried and tested HRM practices and policies and this can also be seen to follow trends of convergence. However, considering the unique qualities of each explored context which can come about due to its economy and development phase and local labour markets, as well as the socio-cultural, political and demographical inclinations and context-specific nature of HRM, the presence of significant convergence has yet to be proved. The issue of convergence and divergence is still debatable and, therefore, additional work is needed in this area of research.

Secondly, a review of the literature (Chapter three) showed that, although a number of studies have been conducted on the HRM practices of affiliates of MNEs *per se*, very few studies have been undertaken concerning the comparative analysis of HR practices of MNE affiliates operating in a host environment *vis-à-vis* DEs. These studies have tended to focus on individual aspects of HRM practices and most studies explore the well-defined practices. Some aspects such as internal career opportunities and non-financial incentives and rewards have yet to be investigated deeply in existing literature.

Thirdly, the literature reveals an emerging trend whereby HRM is becoming an increasingly important part of business strategy (Brewster and Larsen, 1992;

Budhwar and Sparrow, 1997; Lengnick-Hall and Lengnick-Hall, 1988; Schuler, 1992; Schuler and Jackson, 1987; Storey, 1992). The increase in research conducted in the field of strategic human resource management (SHRM) is an outcome of such efforts. The core aspects of SHRM include strategic HR involvement and HR devolvement. These aspects have not been investigated deeply as yet in the field of SHRM and even less in the IHRM research. Strategic HR involvement is the inclusion of the HR directors in board meetings and in the decision processes for strategic organisation-wide policies, whilst HR devolvement is the delegation of more routine HR tasks to line managers, allowing HR directors to involve themselves in more strategic longer-term issues (Carroll, 1991; Wright and Boswell, 2002). Moreover, these issues have gained more importance, as several authors have evaluated that a higher level of strategic HR involvement and HR devolvement can contribute positively to the organisation's performance. This issue has not been explored deeply in comparative studies in the field of IHRM and research is required to close this gap.

Finally, it is important to note that many of the emerging economies are located in the Asian region and they are noteworthy for their ability to attract a huge amount of foreign direct investment (FDI). For instance, in 2003 China overtook the U.S. as the top destination for overseas investments, and this trend has continued ever since (Rowley & Warner, 2005; UNCTAD, 2007). Some authors such as Tan (2002) are expecting that a majority of the rising wealthy nations will be located in Asia. The existing literature (Budhwar, 2004) highlights a trend towards focusing on the Asian context; however, most studies have focused on China or Japan, and research conducted in other contexts is scarce. As the region gains economic prosperity, it is increasingly important to conduct research that will be able to highlight the relevant HRM system(s) for this context. Furthermore, although some emerging Asian economies are still quite far from achieving a developed nation status, it is nevertheless essential to understand the HRM system prevalent in these economies as it can contribute greatly to the economic development there (Debrah *et al*, 2000; Tayeb, 1995). The importance of conducting research in our chosen context (Brunei Darussalam) is highlighted in Chapter two.

Based on the highlighted significant issues identified in the field of IHRM, the present research attempts to fill these gaps by conducting a thorough investigation into the HRM systems inherent in domestic and MNEs in Brunei Darussalam. This thesis raises the following specific research question in the studied context:

Are there significant differences in the HR systems of local and multinational organisations? And if so, in what ways?

This research question is further elaborated in the following sections which highlight this research's aims and objectives as well as its significance.

1.3 Research Aims and Objectives

The primary aim of this research is to contribute to the existing body of HRM literature by identifying the strengths, if any, of HR practices implemented by MNEs and to highlight the gap that exists between these enterprises and DEs in a new non-Western context. The research objectives are as follows:

First, this research intends to arrive at a better understanding of HRM practices utilised by subsidiaries of MNEs by exploring the processes inherent in these organisations. The research will look deeply into the practices of recruitment and selection, training, internal career opportunities, retention, performance appraisals, and incentives and rewards. These are practices which have been identified as important facets of HRM. Furthermore, this research aims to investigate these HR practices in DEs to gain insights into the convergence-divergece debates in the HRM literature.

Second, this research intends to expand our understanding of what we know about the impact of host-country and home-country effects on HRM strategies and practices in a new socio-cultural setting. Questions still remain on the generalisability of findings on home- and host-country effects from the studies conducted on Western MNEs. MNEs from emerging economies may want to emulate host-country practices in Western countries rather than implement home-

country practices. Thus, this research is designed to extend an already-documented phenomenon in a new setting.

Thirdly, the role of the HR director has recently received significant attention in HRM literature, as the role has undergone significant changes; it has changed from performing routine and administrative tasks to holding strategic importance within the organisation. In this research, we investigate the role of the HR director to enhance our understanding of their role in MNE subsidiaries and DEs in an emerging economy.

Finally, the research attempts to extend the concepts of strategic HR involvement and HR devolvement into comparative studies in IHRM. The literature has argued that the future theoretical and managerial importance of HRM lies in the degree of involvement that HR personnel will have in their organisations' strategic process. This involvement will also depend on the delegation of routine and administrative tasks to line managers. We explore these core aspects which have not been previously researched in depth in comparative research.

1.4 Statement of Significance

This research explores various aspects of IHRM in the context of an emerging and as yet an oil and gas rich state. The significance of research arises from the fact that it deals with the SHRM practices in the context of both domestic and MNEs operating in the country to elicit insights into the functioning of HR practices to draw lessons, for both theoretical and empirical research, as well as for domestic and MNEs who might have a great deal to learn from each other.

1.5 Proposed Methodology

This research employs a mixture of primary and secondary data to achieve its aims as set out earlier. Primary data for this study are derived from a survey administered to the HR directors of domestic and MNEs operating in the country of Brunei Darussalam. The questionnaire covered areas including the HR practices such as the recruitment and selection process, training, internal career opportunities,

performance appraisals, incentives and rewards, and retention, as well as the role of the HR directors in organisations.

The target population for this research was enterprises operating in Brunei Darussalam. A count reveals a total of 465 domestic and MNEs operating in the country, in different industries including oil and gas, agriculture, forestry, fishing, manufacturing, retail and financial sectors. The unit of analysis chosen was the organisation and the targeted respondents within these organisations were the HR directors. Of these, a sample size of 214 was selected, yielding 151 usable replies amounting to a response rate of 70%. Of these 151 replies, 88 were from DEs (58%) and 63 were from multinational organisations (42%).

This research followed the research design used when conducting comparison studies. This design has been used in studies conducted nationally, cross-nationally and multi-nationally. A number of similar studies comparing HR practices of organisations have used a similar methodology (e.g., Bae *et al.*, 1998; Hsu and Leat, 2000; Budhwar and Boyne, 2004). We followed the design utilised by these studies in the course of conducting this research.

1.6 Organisation of the Thesis

The thesis comprises of six chapters and is structured as follows:

Chapter one acts as an introduction to this thesis. It begins by providing a background to the research, moving on to the problem statement and research questions. This is followed by the research aims and objectives and the rationale for the research conducted.

Chapter two outlines the research context. It presents the country of Brunei Darussalam, starting with a historical, political and geographical overview. The chapter then reports on the economic situation of the country and the significance of the different industries operating there. The development needs and future goals of the country are then outlined. The chapter ends by highlighting the rationale for the context chosen.

Chapter three contains the literature review and hypothesis development. Starting with HRM, it looks at its evolution into strategic and international HRM. The role of the HR director is then outlined, as well as the ongoing convergence and divergence debate. Concepts underlying IHRM are then presented, including the country of origin, method of establishment and organisational culture. The chapter critically discusses previous studies comparing HRM practices in enterprises. The importance of HRM and its relationship with organisational performance is also presented. This is followed by the research design and hypotheses development, looking at the different HR practices which include recruitment and selection, training, internal career opportunities, appraisal systems, incentive and reward processes, and retention. It also looks at the development of hypotheses in the area of the role of the HR director. The choice of control variables used in this research is also presented.

Chapter four outlines the research methodology and design. We look at the various research paradigms and set out the justification for conducting the research in our chosen manner. More importantly, we explain the data collection methods, from the choice of population and sample size to the questionnaire development process which included the questionnaire design, pilot study process and an overview of the questionnaire. The research variables are then presented along with the data analysis strategy. The chapter ends with an overview of the research process and a presentation of ethical issues and considerations that have been taken into account.

Chapter five covers the data analysis process, from the cleaning, screening and testing of the data to the hypothesis-testing phase of this research. The chapter starts by looking at the data preparation which includes data-coding and the treatment of missing data. This is followed by the detection of outliers and the testing of the normality and homoscedasticity. The reliability and validity of the variables are also presented. The chapter continues with the hypotheses-testing, comparing the HR practices in domestic and MNEs. The chapter highlights the results of tests comparing the 6 HR practices DEs and MNEs and the results of tests looking at the role of the HR director in these enterprises.

Chapter six reviews and discusses the results obtained from this research. It also concludes by describing the possible managerial and theoretical implications of the results obtained. Limitations of the work are listed and possible avenues for future research are outlined.

CHAPTER TWO: BRUNEI DARUSSALAM: A COUNTRY PROFILE

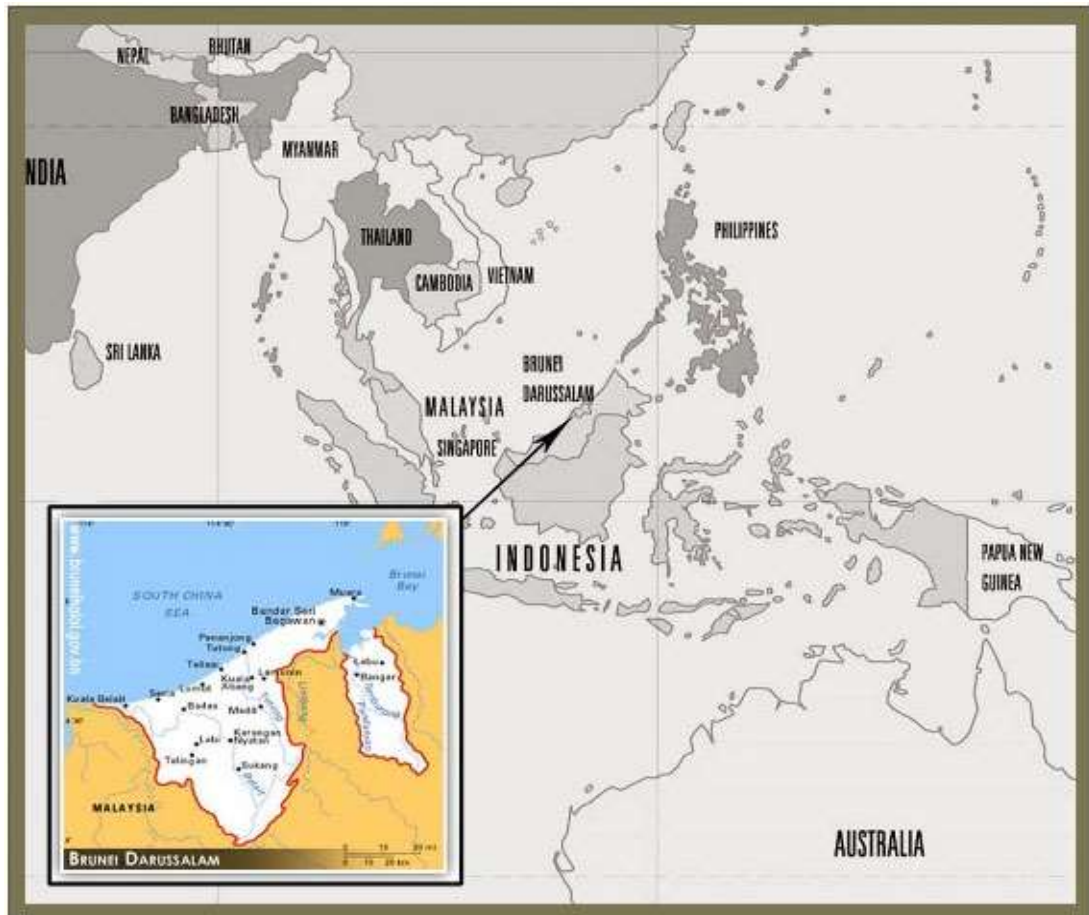
2.1 Introduction

In this chapter, we provide a profile of Brunei Darussalam, the country of our research context. We begin with an overview of the country's geographic and demographic setup, followed by a brief historical and political background. An economic set presently prevailing in the country as well as rationale for choosing the context is presented.

2.2 Geographical and Demographical Report

Brunei Darussalam is a small country located in Southeast Asia on Borneo's north-west border, positioned between the east longitude of $114^{\circ} 23'$ and north latitudes of $4^{\circ} 00'$ and $5^{\circ} 05'$. The area comprises a total of 5,765 sq. km of land and a coastline of approximately 161 km running alongside the South China Sea. The South China Sea is located to the north whilst the Malaysian state of Sarawak is found on all other sides, dividing Brunei Darussalam into two different areas: the eastern part, which is acknowledged as the Temburong area; and the western part, comprising Brunei-Muara, Belait and Tutong regions.

Figure 2.1 Map of Brunei



Source: www.brunei-halal.com

In terms of population, in 2011 it was estimated that Brunei Darussalam was home to 401,890 persons, comprising 212,330 males and 189,560 females. In specific consideration of race, the most prominent group is Malay, totalling 265,100 persons, with this particular group including Brunei Malays Belait, Tutong, Dusuns, Bisayas, Muruts and Kedayans, as recognised by the Brunei Nationality Act (1961). The second largest racial group is Chinese, totalling 43,700 individuals, with ‘Others’ totalling around 90,000. In terms of age, 106,200 individuals are younger than 15, whilst 13,200 are over 65. Importantly, the population growth rate is 2.1% each year. The district of Brunei-Muara has the largest population, comprising 280,600 people, followed by Belait with 66,000, Tutong with 45,300 and Temburong with 10,100. Turning our attention to the capital of Brunei Darussalam, which is Bandar Seri Begawan, as noted above, the region has approximately 100.36 sq. km of land with a

population totalling approximately 100,000. Brunei populations commonly speak Malay, although English is also spoken widely.

Table 2.1 Overview of Brunei Darussalam's Geography and Demography

Total Land Area	5,765 sq. km
Population	401,890
Population Growth Rate	1.712%
Ethnic Groups	Malay 66.3%, Chinese 11.2%, Indigenous 3.4%, other 19.1%
Religions	Muslim 67%, Buddhist 13%, Christian, 10%, Other 10%
Languages	Malay (Official), English is widely used

Source: Adapted from CIA World Factbook, U Census Bureau, International Database

2.3 A Historical Overview

It is generally held by historians that the current Brunei Sultanate had a predecessor, referred to by the Chinese as Po-ni. Historical Hindu and Chinese records mentions during the sixth and seventh century of a country named Poli or Po-ni and the annals of the Sung Dynasty (960- 1280 AD) mention that Po-ni lies 45 days sail from Java. With the decline of the Sung Dynasty, Brunei transferred her allegiance to the Hindu Majapahit Kingom in Java, but only briefly; as it later renewed her friendship with China.

It is recognised that, during the 15th and 16th centuries, the Brunei Empire experienced its Golden Age, at which point its control increased and her territories extended over the whole island of Borneo, including the sultanates of Sambas, Pontianak, Banjarmasin, Pasir Kotai, the Sulu Islands, Palawan, Balabac and even Manila in the Philippines. During this time, great power was held by Brunei under the fifth sultan, Bolkiah (1473–1521), who, at this time, was acknowledged for his maritime activities and for having fleetingly captured Manila. Later, the ninth sultan, Hassan (1605–1619) created a comprehensive Royal Court framework, with some of its individual components still operating today (Hj. Mohd Amin, 1951).

Following the leadership of Hassan, Brunei experienced a period of deterioration owing to a number of conflicts and crusades over royal succession, in addition to the increasing influences of European colonial powers in the arena; these induced a number of issues, including the destruction of Brunei's economic base and the disruption of conventional trading patterns, amongst other things. Subsequently, in 1839, James Brooke, an English explorer, assisted the Sultan in quelling a rebellion upon his arrival in Borneo. Brooke was later rewarded with the position of governor and subsequently became 'Rajah' of Sarawak, Northwest Borneo, with the territory under his supervision expanding with time.

At this time, in Northeast Borneo, territorial control was also being expanded by the British North Borneo Company. In 1888, Brunei became a British Protectorate - governed through British control in terms of external affairs but nevertheless maintaining internal independence. Later, in 1906, an additional degree of British control was accepted by Brunei, involving the transfer of executive power to a British Resident, who subsequently provided help and advice on a number of different issues except any falling under the category of local customs and religion.

Later in the 20th Century, in 1959, Brunei was declared a self-governing state through the provision of a new constitution, whilst its defence, foreign affairs and security continued to fall under the responsibility of Britain. Three years later, in 1962, there was an attempt, subsequently abandoned, to introduce a partially elected legislative body, albeit with limited powers; the plan was discarded because the Partai Rakyat Brunei, the opposing political party, initiated a comprehensive, fully-

equipped uprising, which was subsequently put down with the assistance of UK forces (Bolkiah, 2007). Furthermore, also during this period, particularly during the late 1950s and early 1960s, all calls for the government to become part of the newly-formed Malaysia alongside Sabah and Sarawak were resisted, with the Sultan making the decision that Brunei would continue in its status as an independent state.

In 1967, Hassanal Bolkiah, the eldest son of Sultan Omar Ali Saifuddien III, became the 29th ruler following his father's abdication, although the former Sultan took on the role of Defence Minister and adopted the royal title of Seri Begawan. A mere few years later, in 1970, Brunei Town, the country's capital, was renamed Bandar Seri Begawan in honour of the former Sultan. The Seri Begawan died 19 years after his abdication in 1986.

One of the most notable events when considering the history of Brunei during this time is that of the signing of a new treaty of cooperation and friendship between the country and the UK, which occurred on January 4, 1979. Moreover, as of January 1, 1984, Brunei Darussalam was recognised as an independent country.

2.4 A Political Background

As can be seen when reviewing Brunei's 1959 constitution, full executive authority, comprising emergency powers, is held by the Sultan, who is recognised as the Head of State. This has been the case since 1962 and is a policy reviewed every two years. Furthermore, the Sultan also has the assistance and advice of his five councils, which he himself chooses to appoint.

The Cabinet, otherwise referred to as the Council of Ministers, comprises 14 members and is responsible for managing and directing governmental affairs. Essentially, the Sultan is recognised as the Prime Minister, presiding over the cabinet, and similarly holds the positions of Minister of Finance and Minister of Defence. Moreover, the role of Senior Minister is held by the Crown Prince, who is the Sultan's son.

As mentioned above, Brunei Darussalam recommenced its international duties as a sovereign nation and fully independent country as of January 1, 1984, at which point it implemented a Ministerial-based government system comprising the Ministry of Communications, the Ministry of Culture, Youth and Sports, the Ministry of Defence, the Ministry of Development, the Ministry of Education, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Health, the Ministry of Home Affairs, the Ministry of Industry and Primary Resources, the Ministry of Religious Affairs, and the Prime Minister's Office. Accordingly, the Brunei Government is responsible for providing ongoing public support for the government's current form through the delivery of economic benefits, including free education, food, fuel and housing, free medical care, and low-interest loans for government staff.

Furthermore, following the 2004 constitutional alterations implemented by the Sultan, there was the reintroduction of a Legislative Council comprising appointed seats and minimal powers, which met on September 25, 2004, following a twenty-year absence of such assemblies. Markedly, the Sultan appointed 21 members and passed constitutional amendments requiring that there be 15 elected members across a 45-seat council. Subsequently, on September 1, 2005, the Sultan dissolved the Council and, on September 2, 2005, assigned a new one comprising 29 members. Notably, village leaders are charged with indirectly electing a small number of the Legislative Council seats. In 2011, the number of members was increased to 33 which included 2 women who were chosen after being considered outstanding Bruneians.

2.4.1 The Legal System

Brunei Darussalam's legal system is founded on English common law involving a body of written common law judgements and statutes, an independent judiciary, and Sultan-enacted legislation. There is also a Supreme Court, through which the judges and Chief Justice are sworn in for a three-year term by the monarch. Importantly, the majority of cases are enforced by the magistrates' court, with more serious cases put before the High Court, which operates for approximately two weeks each month. There is an agreement in place between the UK and Brunei whereby UK judges are

appointed to the High Court of Brunei and the Court of Appeal. Moreover, final appeals can also be heard by London's Judicial Committee of the Privy Council, but only in civil, not criminal, matters. Furthermore, Brunei is also known to have a completely distinct system for those cases falling under Sharia law in regard to familial and other Muslim-relevant matters. Markedly, in various arenas, Islamic Sharia law takes precedence over civil laws. It was announced in His Majesty's 'titah' (speech) on his birthday in 2012 that a Syariah Criminal Penal Code Order will be implemented in the country.

2.4.2 International Affairs and Organisations

Brunei Darussalam is recognised by and is a member of a number of international and regional entities, including APEC, ADB, ASEAN, the Commonwealth, GP 77, ILO, IMF, OIC, UNESCAP, UNESCO, UNSD, and WTO. In regard to trade, a number of free trade agreements have been reached between Brunei and other countries, including Japan (Brunei-Japan Economic Partnership Agreement); Brunei is also party to the Trans-Pacific Strategic Economic Agreement (which includes the Republic of Chile, New Zealand and Singapore) and is a member of the ASEAN FTAs with Australia, China, India, Japan, Korea and New Zealand.

2.5 An Economic Profile

For a number of years, Brunei has been recognised as a valuable player within the ASEAN region, with the country further establishing significant relations with the UK, as can be seen when considering its involvement in Britain's affairs, as well as in those of a number of Asian countries, including Singapore, thus creating a notable increase in commercial activity. Importantly, both oil and liquefied natural gas industries have dominated the economy since their initial breakthrough discovery in 1963.

During the mid-2000s, Brunei is known to have experienced growth in terms of its economy, essentially owing to the high gas and oil prices witnessed across the globe. Nevertheless, despite such a surge, recent years show a significant decline. For example, in 2009, the previous figure of US\$15.6 billion GDP fell to US\$12 billion.

However, it is recognised that although Brunei has one of the lowest GDP growth rates amongst the ASEAN regions, its standing in terms of macroeconomic stability is one of the highest in the world and the highest in Asia. Importantly, Brunei has been protected from a great deal of the financial crisis (2008–2009) impacts owing to the government's conservative economic initiatives.

Economic diversification is one of the main objectives of Brunei in acknowledgment of the fact that oil and gas are both finite resources; thus, the government has realised that there might arise a number of problems should it fail to diversify. Still, during the past ten years, there has been little noted success in this regard, with Brunei's main economic activities being centred on the oil and gas sectors.

Taking the above into account, it should be highlighted that there are a number of non-petroleum industries that should receive some degree of attention throughout the process of economic diversification, including agriculture, aquaculture, banking, fishing and forestry. In terms of textiles, however, since the US removed its garment quota framework at the end of 2004, the garment-for-export industry in Brunei has been experiencing a steady decline.

A large number of items need to be imported into Brunei owing to the fact that only a few products, besides petroleum, are produced locally; this is demonstrated by official statistics which show that China, Malaysia, Singapore and the US were, in 2009, amongst the leading suppliers of imports, with the US acknowledged as the third-largest imports supplier to Brunei during 2009. Nevertheless, Brunei has had a notable trade surplus during the last ten years, as was emphasised by the IMF (International Monetary Fund) in 2009, with the institution acknowledging that a combination of prudent policies and high oil prices have added to the country's account surpluses experienced. For instance, during 2009, the fiscal surplus of Brunei was understood to be approximately 30% of GDP, whilst the current account surplus for the previous year was around 51% of GDP. With this in mind, it is pertinent to highlight that the foreign reserves of the country are handled by the Brunei Investment Agency (BIA), which is a part of the Ministry of Finance and which adopts the main principle of enhancing the real value of the country's foreign

reserves whilst simultaneously following a varied investment approach with holdings in ASEAN countries, Japan, the US and Western Europe.

2.5.1 Annual Gross Domestic Product (GDP)

During 2010, there was a surge in GDP at current prices at a rate of 10.5%, with an 8.3% increase recognised the previous year. In reference to such increases, Table 2.2 below provides an overview of GDP in regard to economic activity, spanning an eight-year period ranging from 2003 to 2010. Upon reviewing the figures, it can be seen that the GDP within the country has increased since 2003, with more than 50% of the total GDP achieved through oil and gas sectors, which can be explained by the high worldwide oil prices, which are clearer during the latter half of the 2000s. However, increases have also been witnessed in other sectors, with contributions to the country's GDP also achieved through the private sector and government expenditure.

Table 2.2: Gross Domestic Product by Economic Activity (in millions of Brunei dollars, % in parentheses)

	2003	2004	2005	2006	2007	2008	2009	2010
GDP:	11,424.2	13,305.8	15,864.1	18,225.8	18,458.4	20,397.9	15,611.4	16,867.3
Oil and Gas Sector: of which	6,530.2 (57.16)	8,236.4 (61.90)	10,540.4 (66.44)	12,491.0 (68.53)	12,332.9 (66.81)	14,300.0 (70.11)	9,417.0 (60.32)	10,461.8 (62.02)
Oil and Gas Mining	5,079.5 (44.46)	6,742.3 (50.67)	8,868.0 (55.90)	10,768.4 (59.08)	10,603.7 (57.45)	11,272.0 (55.26)	7,389.7 (47.34)	8,517.7 (50.50)
Manufacture of Liquefied Natural Gas (LNG)	1,450.7 (12.70)	1,494.1 (11.23)	1,672.4 (10.54)	1,722.6 (9.45)	1,729.3 (9.37)	2,628.0 (12.88)	2,027.3 (12.99)	1,890.1 (11.21)
Non-Oil and Gas Sector: of which	4,894.0 (42.84)	5,069.3 (38.10)	5,323.4 (33.56)	5,734.7 (31.46)	6,125.5 (33.19)	6,097.9 (29.89)	6,194.3 (39.68)	6,405.5 (37.98)
Government	1,688.9 (14.78)	1,785.3 (13.42)	1,847.0 (11.64)	2,008.5 (11.02)	2,239.4 (12.13)	2,152.2 (10.55)	2,189.7 (14.03)	2,312.5 (13.71)
Private Sector	3,205.1 (28.06)	3,284.0 (24.68)	3,476.4 (21.91)	3,726.2 (20.44)	3,886.1 (21.05)	3,945.7 (19.34)	4,004.6 (25.65)	4,093.0 (24.27)

Note: 1 BND = 2.01 UKP as of 08/03/2012

Source: Adapted from Department of Economic Planning and Development, Prime Minister's Office (JPKE)

2.5.2 Labour Force

Upon consideration of the figures it can be seen that, during 2010, 198,800 individuals were recognised as part of the labour force - both employed and unemployed - with 115,400 males and 75,400 females. During this year, the unemployment rate was 2.7% (2010 Brunei Darussalam Key Indicators [BDKI]). During this period, it was found that there was a 67.9% labour force participation rate, with almost 55,000 individuals employed in the public sector while just over 91,000 were employed by the private sector. Markedly, the Public Administration and Defence, and Social Security had the largest workforce totalling 38,924, with Private Households and Employed Persons totalling 19,046, whilst Wholesale and Trade, Repair of Motor Vehicles, Motorcycles and Personal and Household Goods amounted to 12,931.

During this same time it is recognised that, of those employed, 53.7% were Brunei citizens whilst 46.3% were temporary residents. Temporary residents are made up of foreigners working in Brunei and locally-born foreigners who cannot achieve citizenship of the country. It has been stated by the Brunei government that, considering the need for a more diverse economy, there needs to be a larger labour force; however, it is acknowledged that there is a pressing need for migrant workers to facilitate diversification plans as the mainstream Bruneian local labour force has a preference for public sector roles owing to the comfort and stability offered by such work (Tasie, 2009). With this in mind, and with concern for the potential disruption of Brunei society, the government ensures the regulation of foreign labour immigration. In this regard, foreigners are only provided with work permits for a maximum of two years, and they need to be regularly renewed. In consideration of such restrictions, it has been estimated that the Brunei work force includes approximately 100,000 foreign temporary residents.

2.5.3 Consumer Price Index (CPI)

In 2010, the CPI - Consumer Price Index - was recognised as having increased slightly from the previous year, changing from 104.4 to 104.8, thus indicating an inflation rate of 0.4% for that year. Such an increase was believed to be a result of noted increases in a number of key group indices of Food and Non-Alcoholic beverages: Tobacco, Housing, Water, Electricity and Maintenance, Services and Operation; Transport; Education; Medical and Health; and Miscellaneous Goods and Services. Moreover, a number of reductions were also recognised in relation to various other indices, namely Clothing and Footwear, Household Goods, and Recreation and Entertainment. It has been found that the key players in this regard include Food and Non-Alcoholic Beverages (55.8%), Tobacco (27.8%), Transport (13.5%) and Restaurants and Hotels (13.2%). With such figures in mind, the table below shows the fundamental statistics of Brunei's CPI during 2009–2010, and further highlights the difference between two key sectors.

Table 2.3: Consumer Price Index 2010

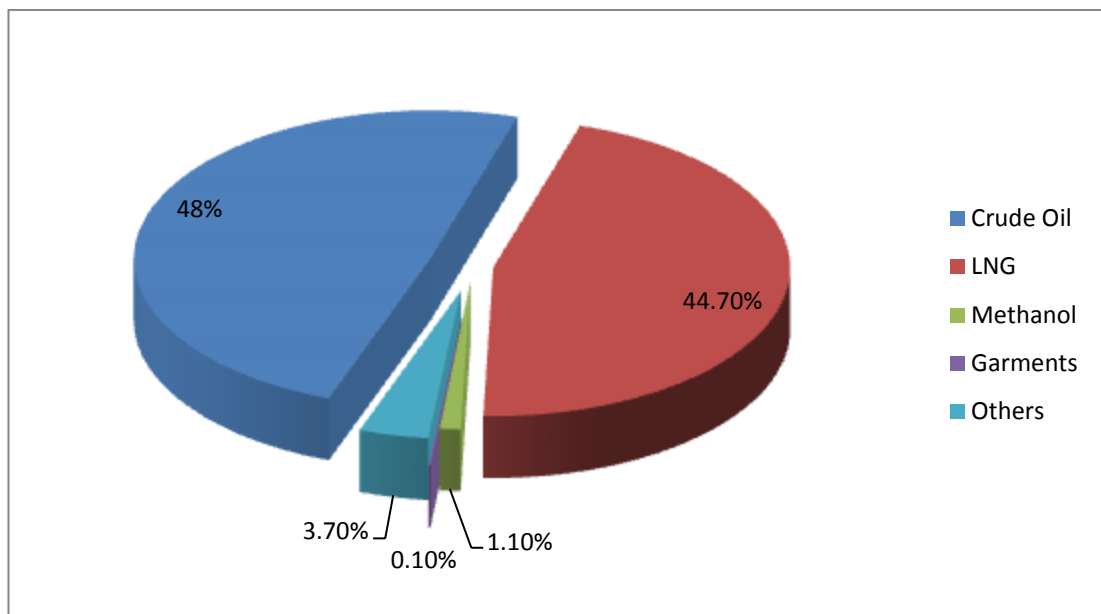
	Weights	Index		Change (%)
		2010	2009	2010/2009
Overall CPI	10,000	104.8	104.4	0.4
Food and Non-Alcoholic Beverages	1,905	110.0	108.9	1.0
Non-Food	8,095	103.5	103.3	0.2

Source: Department of Economic Planning and Development, Prime Minister's Office

2.5.4 External Trade

During 2010, a surplus balance of trade was recorded by Brunei Darussalam totalling BND 8,768.3 million - an increase of 26.3% on the previous year. Furthermore, an increase of 16.1% was found in regard to total exports when comparing figures from 2009 to those of 2010, with liquefied natural gas and crude oil understood to have been the key exports, increasing by 7.3% and 22.9% respectively. Markedly, the main export destination countries were Japan and the Republic of Korea.

Figure 2.2 Percentage Distribution of Exports



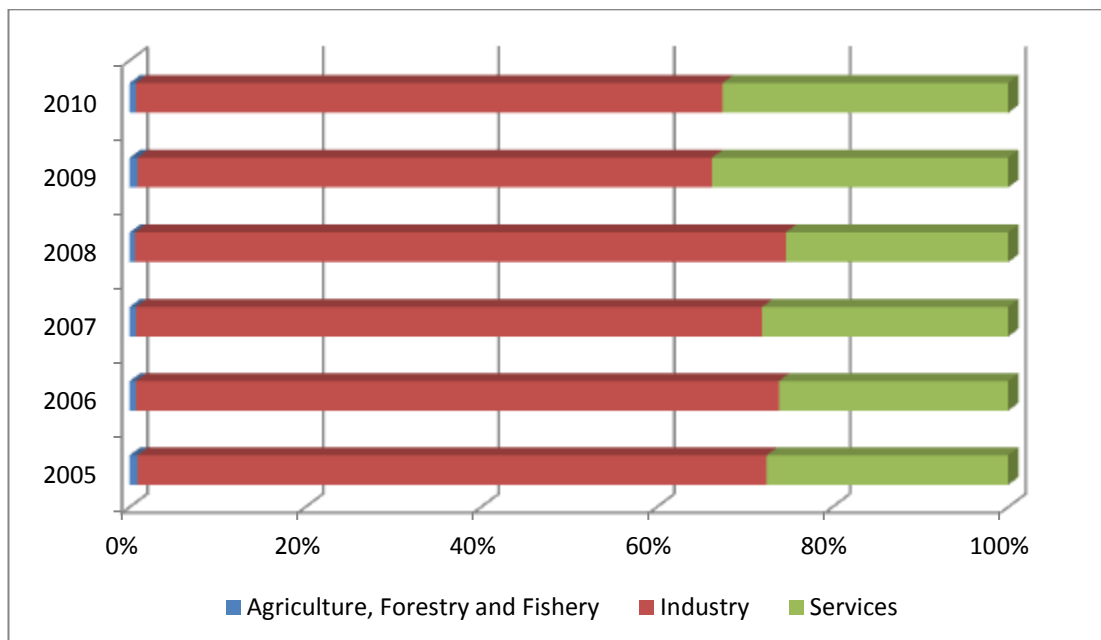
Source: Department of Economic Planning and Development, Prime Minister's Office

During this same period, there was a decrease of 4.1% in total imports to Brunei Darussalam, with the main imports being BND 1,382.6 million for machinery and transport equipment, BND 685.8 million for manufactured goods, and BND 493.7 million for food. Singapore and Malaysia were the main providers of such imports, totalling BND 649.7 million and BND 783.2 million, respectively.

2.6 Industry Importance

The official figures are presented in regard to economic activities and in line with the Standard Industrial Classification of the country (BDSIC, 2001), which is built on the International Standard Industrial Classification (ISIC) version three. Statistics for the three main sectors' activities are highlighted by the Department of Economic Planning and Development, namely agriculture, forestry and fishery, industrial, and services. Importantly, such sectors are fundamental to the country's economic stability and progression, as can be seen by their GDP contributions shown in the figure below.

Figure 2.3 Contributions to GDP by Production Sectors at Current Prices



Source: Department of Economic Planning and Development, Prime Minister's Office

Markedly, the above figure can be further segmented in consideration of the oil and gas sector and its importance within the country, as displayed in Table 2.4, which provides an overview of the GDP composition in regard to each economic activity.

Table 2.4: Composition of GDP by Economic Activity (percentage of total)

	2003	2004	2005	2006	2007	2008	2009	2010
GDP	100	100	100	100	100	100	100	100
Oil and Gas Sector	57.2	61.9	66.4	68.5	66.8	70.1	60.3	62.0
Oil and gas mining	44.5	50.7	55.9	59.1	57.4	57.2	47.3	50.8
Manufacture of Liquefied Natural Gas (LNG)	12.7	11.2	10.5	9.5	9.4	12.9	13.0	11.2
Non-oil and gas sector	42.8	38.1	33.6	31.5	33.2	29.9	39.7	38.0
Government	14.8	13.4	11.6	11.0	12.1	10.6	14.0	13.7
Financial sector	6.6	5.9	5.6	5.3	5.4	5.0	6.5	6.1
Travel and Hospitality	3.1	2.6	2.3	2.3	2.2	2.1	3.0	2.7
Education	0.5	0.5	0.7	0.6	0.6	0.5	0.8	0.8
Retail Sector	4.7	4.0	3.5	3.4	3.8	3.6	4.5	4.3
Wholesale and Distribution	3.6	3.3	2.9	2.7	3.0	2.7	3.8	3.7
Media and Communication	1.5	1.3	1.0	0.8	0.8	0.8	1.1	1.0
Manufacturing Sector	7.1	7.0	5.0	4.7	4.5	4.0	5.1	4.7
Other (including agriculture)	0.9	0.1	1.0	0.7	0.8	0.6	0.9	1.0

Source: Adapted from Department of Economic Planning and Development, Prime Minister's Office

In consideration of the above figure and table, the subsequent sections will outline the oil and gas sector owing to its importance in Brunei Darussalam. Other non-oil and gas sectors will be taken into account as these are known to be important in terms of government initiatives and attempts to diversify.

2.6.1 Oil and Gas

Much like a number of other oil-producing countries, Brunei's economy has experienced both the ups and downs of the global oil market, with a 2.8% average increase in economic growth experienced in the 2000s, marked by a notable reliance on the production of oil and gas. Brunei is recognised as the fourth largest producer of oil in the Southeast Asian region, with the number of barrels produced each day in 2009 amounting to approximately 167,000. The main export destinations include ASEAN countries (42.9%), South Korea (19.2%), Australia (17.5%), New Zealand (7.4%), India (6.6%) and Japan (5.8%). Moreover, in terms of liquefied natural gas exportation, Brunei is known to be the ninth largest exporter, producing approximately 27 million cubic metres each day in 2009 (BEDB), the majority of which was exported to Japan (89%) and South Korea (11%) as liquefied natural gas. Generally, it is known that, during recent years, there has been a decrease in oil and gas production. With this in mind, it is pertinent to highlight that, whilst natural gas reserves are expected to last 40 years, oil is expected to last only another quarter of a century. It is expected that reserve sources increase with the implementation of new technology alongside potential deep sea and onshore fields.

Brunei's main oil and gas production company is a joint venture owned equally by the Royal Dutch/Shell group of companies and the Brunei government, and is known as Brunei Shell Petroleum (BSP). The organisation also operates the country's only refinery. This company is very important in terms of Brunei's economy owing to the fact that, alongside its four sister organisations - including BLNG, a liquefied natural gas-producing company - BSP is the second largest employer in the country, second only to the government. Importantly, although the refinery only has the capacity to distil 10,000 barrels each day, this is nevertheless recognised as being adequate to fulfil petroleum product demand in a domestic context.

During the 1980s, Total (previously known as ELF Aquitaine), a French oil company, became involved in petroleum exploration in Brunei. A joint venture was established, known as Total E&P Borneo BV, which nowadays produces around 35,000 barrels each day, as well as 13% of the country's natural gas. With this in mind, it should also be noted that Total's gas and oil production is set to dramatically increase owing to it being the main operator of the newly resolved Brunei-Malaysia deepwater block CA-1.

Recently, in 2003, Malaysia became involved in a dispute about the Brunei-awarded oil exploration concessions in regard to blocks J (Total) and K (Shell), which subsequently resulted in exploration activities being abandoned by Brunei licensees. A joint production resolution was reached by the two countries in regard to the disagreement. Furthermore, following awards to two groups, two on-shore blocks are currently being investigated, both of which are run through Australian entities.

In terms of oil exportation from Brunei, it is known that Australia, Indonesia, India, and Korea are the main customers, accounting for in excess of 70% of Brunei's total crude exports. Moreover, a further 7% was exported to other countries, including China and New Zealand (Brunei Darussalam, External Trade Statistics, 2009).

Importantly, most of Brunei's natural gas is liquefied at BLNG, which was first established in 1972 and is nowadays one of the major global LNG plants, with approximately 90% of the country's LNG subsequently sold to Japan as a result of a long-standing agreement between the two countries that was further renewed in 1992. Notably, this particular arrangement requires Brunei to deliver in excess of 6 million tons of LNG to three key Japanese utilities - namely TEPCo Tokyo Electric Power Company, the Tokyo Gas Company and the Osaka Gas Company - on an annual basis. Moreover, also in regard to Brunei LNG, Brunei Coldgas and Brunei Shell Tankers, there is a joint venture in place between Shell, the Brunei government and Mitsubishi - the Japanese organisation - to produce LNG and ensure its delivery to Japan. Furthermore, as of 1995, the Korea Gas Corporation has also been supplied with 700,000 tons of LNG each year from Brunei. Notably, only a small portion of natural gas is utilised for domestic power generation. With such figures in mind, it is important to recognise the standing of Japan in terms of natural gas, as it is known to

be the main export market. Furthermore, after Indonesia, Malaysia and Australia, Brunei is the fourth largest LNG exporter globally.

2.6.2 Non-oil and Gas sector industries

Since the beginning of the 21st Century, Brunei's government has made several attempts to ensure economic diversification. Undoubtedly, the country is in a good position to achieve such a goal owing to oil and gas sales and associated revenue and numerous investments made outside of the country. Notably, the financial sector, the industrial sector (beyond gas and oil) and the tourism and hospitality sector have all received attention from the Brunei government.

2.6.2.1 The Financial Sector

Since 2002, there have been numerous changes across the financial sector, particularly following the government's attempts to develop Brunei not only as a centre for Islamic banking but also as a global offshore financial centre. Efforts began in 2000, at which time the country's government introduced a tax-advantaged International Financial Centre (IFC). Beforehand, the area was already recognised as an active commercial centre, and it is now serviced by a large number of banking institutions, as can be seen when considering the present active involvement of a number of entities - namely HSBC, Standard Chartered, Citibank, Overseas Union Bank, RHB and Maybank - within the sector. Presently, only two local banks are operating, namely the Islamic Bank of Brunei Darussalam and Baiduri Bank, the former being an Islamic bank and the latter a private bank. Much like the regulations and statutes implemented in a number of Middle Eastern petrochemical states, such local banking entities are likely to be preferred by foreign investors with large-scale projects.

There has been a surge in the Islamic banking sector within Brunei and surrounding areas, with business incorporation and offshore banking remaining a relatively small sector in the general financial services sector. With this in mind, conservatively but assertively, Brunei declared its aim to utilise its human resources, sovereignty and wealth; thus, Brunei IFC has now implemented a number of international regulations

devised with careful consideration to facilitate cost-effective, flexible capabilities which are modern and innovative. As such, it was communicated that Brunei would adopt a dual jurisdiction, with international legislation delivering not only the usual range of domestic legislations, such as those adopted in England and Wales, but also international legislation aimed at delivering offshore facilities.

On January 1, 2011, the government founded the Brunei Monetary Authority (AMBD), which has the role of the Brunei Darussalam central bank, primarily concerned with the establishment and application of monetary policies, the regulation and supervision of financial entities, and the management of currency.

2.6.2.2 Tourism and Hospitality Sector

Brunei's government has similarly acknowledged the significant potential associated with tourism, as has been noted by Tan & Dk (1998); thus, the improvement of more traditional locations, including museums, mosques and water villages, for example, as well as the promotion of localised activities, such as river cruises and game fishing, has also resulted in a number of ecotourism programmes being implemented with the aim of making the most of the country's untouched tropical rainforest, which occupies more than 70% of the country's land.

Markedly, a number of efforts and attempts have been made to take advantage of the location of the country and to provide tourists with access to a number of other destinations, thus enhancing the hotel industry and further encouraging modernisation. Importantly, such initiatives complement the goal of Brunei to act as a key service hub for both tourism and trade, in addition to being recognised as a communications, trade and logistics centre.

2.6.2.3 Industrial Sector

As the government strives to implement economic diversification within Brunei, industry has gained momentum as the most realistic and viable way of achieving this aim. Accordingly, numerous efforts have been made by the government to emphasise the industrial niche, including capital-intensive industries,

environmentally acceptable industries, and high-value-added industries, as well as export-orientated economic activities. Moreover, although it is acknowledged that Brunei is geared towards achieving small and medium enterprise development and has accordingly developed a technology incubator with the aim of promoting the IT industry and its development, it is nevertheless recognised that the country requires significant government involvement in order to achieve this aim. With this in mind, over the last ten years there has been much investment by the government in a world-class methanol plant, which has been established through a joint venture with a number of Japanese organisations and the Brunei Methanol Company, necessitating the investment of more than US\$ half a billion. Furthermore, during the past year, a project amounting to up to BND 6 billion was announced by the government, which will involve the development of a chemical plant and numerous refineries at the new Pulau Muara Besar (PMB) industrial site to be implemented by a Chinese organisation. It is the hope of the Brunei government that such initiatives will induce downstream industries, which could potentially achieve economic diversification.

2.6.3 Recent Projects and Future Prospects

In 2003, a statutory board was established by the Sultan to act as the leading economic development agency of the country; known as the Brunei Economic Development Board (BEDB), it announced its intention to utilise proven gas reserves to create downstream industrial programmes.

During 2006, a joint venture between Petroleum Brunei, Mitsubishi and Itochu was established, which became known as the Brunei Methanol Company. Subsequently, in 2010, the \$400 million methanol plant, fed by natural gas, was initiated. At the present time, 2,500 metric tons of methanol can be produced by the plant every day. With this in mind, the government has the aim of establishing a further power plant in Sungai Liang so as to power not only various downstream industries but also a gas-based petrochemical plant, which will necessitate FDI.

Furthermore, another project requiring FDI is that of the Pulau Muara Besar (PMB), an island located close to the current main port of Brunei. In July 2011, BEDB

declared its intention to establish a US\$2.5 billion oil refinery and aromatics cracker project on PMB, with a marine supply base, oil and chemical storage, and petrochemical production similarly targeted.

With the above in mind, it is clear that FDI in Brunei is encouraged by the government. A number of advantages are offered in this regard; for example, new organisations fulfilling certain criteria may be eligible to receive pioneer status, meaning that income tax may be waived for as long as five years. Nevertheless, in the context of industries other than oil and gas, FDI remains limited. Considering the government's emphasis on agriculture, aquaculture and fisheries, which are recognised as being amongst the industrial sectors selected for economic diversification, both China and the Philippines are presently involved with large-scale joint projects with the Brunei government with the aim of enhancing agriculture and fisheries production. Furthermore, there is also consultation amongst American organisations in regard to aquaculture projects.

2.7 The Importance of HRM Issues and its Study in the Context of Brunei

Economic diversification and maturity are two key objectives of the country and are believed to be realistic goals in view of the GDP per capita, which is recognised as exceeding that of most Third World countries, in addition to the notable income garnered through overseas investments, which is added to domestic production revenues. However, it is held by several leaders within the country that the continuously increasing integration in the world economy could potentially weaken internal social consistency; this has subsequently resulted in the creation of a model aimed at assisting the country in terms of its long-term development.

2.7.1 Brunei Darussalam's Long-term Development Framework

In 2007, a 30-year development framework was established, comprising the 'Wawasan Brunei 2035', the Outline of Strategies and Policies for Development (OSPD) and the National Development Plan (NDP/RKN). The first of these is considered to be a national vision concerned with facilitating the nation to achieve a reputation for educated and highly skilled professionals according to internationally

recognised standards, delivering quality of life, and ensuring a sustainable and dynamic economy with good levels of income per capita.

In order for the three aforementioned outcomes to be achieved, a number of approaches have been devised so as to facilitate the systematic and effective implementation of all development-related elements. These approaches include: economic strategy, education strategy, the environment strategy, infrastructure development strategy, institutional development strategy, local business development strategy, security strategy, and social security strategy.

The RKN is revised every five years, with the fifth restatement (2007–2012) the first to be devised in regard to the ‘Wawasan Brunei 2035’ objectives. Markedly, the previous four have been essentially concerned with enhancing people’s quality of life, developing non-oil industries, maintaining full employment, maintaining a moderate rate of inflation, encouraging and nurturing the development of ‘Rakyat Melayu’ as commerce and industry leaders, maximising the economic utilisation of natural resources, accelerating human resource development, increasing productivity, fostering a more caring, disciplined and self-reliant society, and ensuring a clean and healthy environment.

Following two decades of development in terms of the previous four RKNs, spanning the period 1986–2005, there were only modest attainments in terms of the economic utilisation of resources, human resource development (HRD), increasing the level of productivity and maintaining full employment. Undoubtedly, there were a number of notable outcomes in terms of enhancing the quality of life, ensuring a clean and healthy environment, and maintaining low inflation rates, although progress in regard to the non-oil industry development, the development of the ‘Rakyat Melayu’ as industry and commerce leaders, and the establishment of a caring, disciplined and self-reliant society was relatively slow.

Furthermore, in regard to the economy, development has been unpredictable and has varied, with weakness and vulnerabilities witnessed in Brunei’s economy following the growth of the early 1990s. With this in mind, at the end of the RKN8 period during 2005, Brunei Darussalam’s nominal Gross Domestic Product (GDP) was

BND 15.9 billion. At around this same time, GDP per capita was approximately BND 43,000, which was 35% larger than the figure for 2000, which was BND 32,000. Furthermore, the contribution to GDP made by the gas and oil sectors was approximately 54.1%, despite it being 57.5% in 2000 at the end of RKN7. Nevertheless, in real terms, GDP growth averaged just 2.1% each year during the period of the RKN8, which is recognised as being lower than the targeted annual growth rate by around 5–6%. As a result, slower economic growth was witnessed by Brunei Darussalam compared with worldwide growth, which was approximately 3.8% annually during 2000–2005, and was even slower compared with the approximate 5% growth achieved by ASEAN during the same period.

In consideration of the notable reliance on fiscal stimulus by the economy of Brunei Darussalam, lower economic growth has been witnessed following various development project delays, which undoubtedly restricts the overall efficiency of the government's adopted fiscal stimulus approach. In this regard, one of the main issues concerned with enhancing the growth rates of the economy during RKN 2007–2012 is the enhancement of national capacity to ensure that development initiatives can be implemented. In this regard, one of the key development objectives during the next five-year period is concerned with strengthening institutions. Furthermore, bureaucratic processes, which are able to establish the effectiveness of government operations, will be simplified in order to enhance the overall efficiency and quality of project implementation.

In regard to the above aim, a number of needs should be taken into account when formulating the development agenda, namely the need to ensure implementation enhancements, consideration of any barriers or obstructions to achieving high economic growth and socio-economic development, and the need to fulfil the goals of the 'Wawasan Brunei 2035'.

Essentially, development is multifaceted and thus necessitates the careful organisation of government policies and initiatives. Importantly, government policies and programmes and their cross-cutting nature must reflect the policy directions detailed within the OSPD; therefore, all projects and programmes should be designed in consideration of four key objectives:

1. To widen the economic base and thereby reinforce and support the underpinning of a knowledge-based economy. This is essential when considering the nation's small natural resources benefaction, as well as its population and geographical size. Creativity, innovation and knowledge are fundamental aspects of a KBE, and so it will be adopted as a driver for enhancing economic diversification.
2. To maintain political stability and enhance social progress.
3. To increase the number of highly skilled and educated professionals in the labour force, considering the main aim of the 2007–2012 RKN, which is centred on HRD.
4. To strengthen institutional capacity in view of the acknowledgment that seamless bureaucratic and competent civil service processes are fundamental to the effective application of the RKN 2007–2012 initiative.

The Privatisation Master Plan will be adopted by the government and will include the vision, policy, strategy and long-term privatisation programme for Brunei, with further consideration to the coordination, implementation, planning and monitoring of the programme. Moreover, the government is also concerned with enhancing its attempts to attract FDI, which will be achieved through various measures, including competitive incentive packages, developing skilled and productive human resources, investment policies and regulations, having more globalised SMEs, providing world-class infrastructure, sufficient legal infrastructure, and transparent procedures.

2.8 Rationale of the Context

Through the numerous research studies carried out on HRM, it has been established that there is a great deal of emphasis placed on the national context in addition to conditional variables that establish HRM policies and practices, as highlighted by Boxall (1995), Brewster *et al.* (1996) and Budhwar & Debrah (2001). With this in mind, a number of national elements, including culture, economic landscape and institutional arrangements, may all have some degree of impact on the HRM

practices and policies adopted by businesses (Brewster, 1995; Sparrow, 1995; Tayeb, 1995). Accordingly, there is a need to carry out further studies in a number of different contexts, as has been highlighted by various scholars in the field (Meyer, 2006; Budhwar & Debrah, 2008). Therefore, this study focuses on Brunei Darussalam, which is recognised as being far removed from a Western context and is thus an entirely new area of study, although it is understood that the UK has nevertheless influenced a number of the country's systems and frameworks. However, to the researcher's knowledge, this will be the first study concerned with ascertaining the role of HRM in direct regard to Brunei, which is believed to be able to highlight HRM needs within the country in regard to cultural aspects.

It is recognised that Brunei's individual characteristics are similar to those of petrochemical states in the Middle East, e. g. Bahrain and Saudi Arabia, but it is advantageous to conduct a study on Brunei because there will be a greater degree of transparency. This notion is further supported by the response rate to the questionnaire administered for this study (151 responses out of a total sample of 214). Moreover, a significant degree of openness and honesty was recognised amongst the HR Directors targeted for interviews during the pilot study stage.

Without question, another advantage of this study lies in the fact that Brunei is currently at the beginning of its efforts to achieve development, which is recognised as an entirely novel circumstance in the context of this country since it gained independence in 1984. In this same vein, in 2009 the IMF established a report which highlighted the long-term obstacles and barriers the country would face, including the need to enhance fiscal management, diversify the economy, and expand gas and oil reserves. Essentially, these problems are the same for all countries with a great dependence on certain finite resources. However, following a number of years of failure in regard to diversification, the government of Brunei has recently implemented a series of efforts to harmonise and coordinate oil and gas sector activities with those of the private sector, with the aim of enhancing downstream industries' activities.

Another reason for carrying out this study is Brunei's geographic proximity to other Asian countries. As has been highlighted, Brunei is part of ASEAN and is active in

terms of trading. Importantly, despite the fact that ASEAN has been operating for a number of years, the rules and regulations associated with the trading block are still undergoing development as are organisational partner relationships, including those with China, Europe and the US. In this respect, studies have been carried out in relation to a number of other ASEAN countries, although Brunei is unique in this regard. For example, Tasie (2009) carried out a study on diversification in Brunei and found that the country is notably protected from globalisation impacts, and is therefore not seen to have shared in the development and growth of neighbouring countries, including Indonesia, Malaysia, Singapore and Thailand.

Furthermore, the majority of studies carried out in relation to HRM in non-industrialised countries have mainly focused on the industrial sector; in contrast, this thesis seeks to consider all industries within the country where HRM is a consideration. It is believed that this will help to garner a more wide-ranging perspective and degree of understanding. Undoubtedly, the country is recognised as an area undergoing rapid economic diversification; thus, owing to Brunei's strategic location and the fact that it is a key member of the ASEAN trading block, it is believed that this study will provide notable contributions to HRM, particularly in the context of Asia (Budhwar & Debrah, 2008).

2.9 Summary

This chapter has delivered an overview and some degree of insight in relation to Brunei. This has been achieved by providing a geographical and demographic set up, a historical background, an outline of the currently adopted legal system. This gives an insight into the inherent systems in the country which closely follow governing systems found in the UK.

We have also strongly emphasised the economic environment, looking closely at the oil and gas sector, as well as the other industries found in the country. We show the country's reliance on the oil and gas sector and the benefits that high oil prices have brought for the GDP and international standing of the country. We have also shown how this reliance has inadvertently caused other sectors to stagnate, with any activities in these sectors needing government projects and public funding to grow. Furthermore, there has been consideration of the needs and plans of the country, with human resource and industrial development plans explained and described. This emphasises the need to develop the human resources in the country to cope with the planned economic diversification away from its reliance on the oil and gas sector.

Subsequently, the value and contribution of carrying out this research were discussed. This thesis attempts to answer the call for more studies in the field of HRM to be conducted in different contexts; as Brunei is far removed from Western norms, this work will add to the studies conducted in developing Eastern economies. The chosen context also shares characteristics with other commodity-reliant economies which add to its distinctiveness. The higher level of transparency and stability in the country means that this study can be conducted at a higher level than those in other similar commodity-reliant economies. This chapter also highlights justifications and the rationale for selecting Brunei as the study context. The country is still developing and has characteristics that have not been explored deeply in the field of HRM. Its close vicinity to the ASEAN economies, which have shown high levels of growth, and the level of diversification already in progress make the context of interest to researchers in the field of HRM.

CHAPTER THREE: LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

3.1 Introduction

This chapter explains and discusses the concepts and theories behind HRM and IHRM, as well as exploring the various concepts that may affect the way HRM is utilised within MNEs. Additionally, we review and critically discuss the theoretical and empirical work that has been carried out to explain the differences in HRM in domestic and MNEs, highlighting the importance of understanding these differences when looking at the relationship between HRM and performance. Finally, after defining the gaps in the literature, a theoretical framework is proposed and hypotheses developed.

3.2 Human Resource Management

Since its inception, the human resources of an organisation are considered valuable assets that need to be handled efficiently and effectively in order to maximise returns from these assets. A number of authors such as Storey (1989, 1992, 1995), Poole (1990), Hendry and Pettigrew (1990), Freedman (1991), Blyton and Turnbull (1992) Sparow and Hiltrop (1994), Beardwell *et al.* (2004), and Legge (1995) have all provided their own interpretation of HRM. However, as HRM is still a very young science, a widely accepted definition of it is as yet to be formed (Guest, 1987; Paauwe and Boselie, 2005), and the definitions of HRM given by the different scholars differ depending on their approach and areas of interest.

Some authors have focused on the effectiveness of HR departments (Teo, 2002) whilst others have concentrated on HRM in relation to skills, knowledge and competences (Hitt *et al.*, 2001). Beer *et al.* (1984) provide a definition of HRM which includes many of its important aspects:

“Human resource management (HRM) involves all management decisions and actions that affect the nature of the relationship between the organisation and

employees - its human resources.”

Other scholars have taken the concept of strategy as the starting point to define HRM, as illustrated by Armstrong’s (1992) definition as follows:

“A strategic and coherent approach to the management of an organisation's most valued assets, the people working there, who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage.”

3.2.1 The Advancement of HRM

The concept of HR as a management science originated in the USA in the 1960s and was further developed in the 1970s and early 1980s by changes in organisational planning and approaches towards employees. The shift towards the utilisation of HRM can be seen to have started in the late 1980s. A study conducted in the UK (Noon, 1989) illustrated how a company has adopted policies that in practice appear to signify a move towards HRM techniques. With the introduction of HRM as a required subject on the MBA programme by the Harvard Business School in 1981, the concept has attained a great level of importance (Poole, 1990; Keenoy, 1990).

However, many organisations continued to use 'personnel' in job titles. Guest (1990) notes that the use of different titles, achieved by changing a job title from Personnel Management (PM) to HRM, may enable enterprises to create a sense of activity and progress. However, strategic support is required, as any changes in titles in name only would render the change null and void, and HRM should be linked to the strategy of the organisation. Decision-makers need to look at the internal workings of the organisation and increase the importance of the human assets when considering strategy.

Owing to the increasing importance of HRM in enterprises and the rapidly changing environment in which they operate, the concept is constantly evolving to keep up with the more complex needs. Two prominent concepts have been developed from the concept of HRM: strategic human resource management (SHRM) and international human resource management (IHRM). The concept of SHRM emerged

from the need to resolve the existing differences in the various HRM approaches.

As with HRM, many different definitions for SHRM have been put forward by authors. A definition offered by Fombrun *et al.* (1984) sees SHRM as the integration of the four key control systems: selection, appraisal, reward and development; meanwhile, Armstrong (1992) defines SHRM as HR strategies that have major and long-term effects expressing the organisation's intentions as to how to manage its human assets as it forms the basis of plans, developments and programmes related to managing change.

As the concept of HRM sees people as valued resources in whom companies should invest in order to improve current performance and ensure future growth, Guest (1989) states that SHRM is the integration of HRM policies into strategic planning, to ensure the coherence of HRM policies applied by line managers in their everyday work. This is echoed in a definition of SHRM offered by Wright & McMahan (1992, p. 298) where SHRM is "the pattern of planned HR deployments and activities intended to enable the organisation to achieve its goals" as well as in definitions by Wright and Snell (1991) and Ulrich and Lake (1991) where the concept is seen as systems designed to ensure that people can be a sustainable source of competitive advantage linking both HR practices and business strategy.

The other increasingly important concept that has evolved from HRM is IHRM which is essentially the spread of HRM across borders due to the effects of the increasing trend of globalisation. These concepts will be discussed in detail in the following sections.

3.3 Globalisation

Globalisation is a phenomenon that has increased in importance throughout the late 20th century and even more so in the 21st century. It is still an ambiguous concept whose impact has been subject to much debate. These debates also include the process through which globalisation occurs and the different outcomes that result from this phenomenon.

There have been many definitions of globalisation, but most are ambiguous or inconsistent, and it is defined by scholars differently depending on their field. Scholars such as Todaro (1997) see it as the process through which the world increasingly functions as a single community rather than as many widely separated communities.

A certain ambiguity arises from the lack of a precise definition and this is highlighted in the way some authors used globalisation interchangeably with other similar concepts such as internationalisation and Westernisation. The situation is not helped by the many aspects of globalisation, which can range from political and economic aspects to sociological perspectives. Scholte (2000) observed a range of 8 different themes that summarise the areas where globalisation can occur:

- Global communications which include transportation and communications;
- Global markets which include products and organisational strategies;
- Global production which includes production chains and collection of resources;
- Global money which includes currencies and credit cards;
- Global finance which includes banking and foreign exchange markets;
- Global organisations which include NGOs and MNEs;
- Global social ecology which includes the atmosphere and geosphere;
- Global consciousness where the world is a single place and communities are closer.

When put into a more economic context, it can be seen as the process through which the consumer markets, production lines, labour, technology and investments can be seen as more globally integrated (O'Neil, 1991; Lall, 1999; Held *et al.*, 1999). As a result of globalisation, many organisations have to compete on a global scale rather than just focusing on regional markets, as was previously favoured (Bartlett and Ghoshal, 1998). It must be noted, however, that some argue that the majority of MNEs should and do compete strategically on a regional or even local basis (Ghemawat, 2005; Greenwald and Kahn, 2005; Rugman, 2003). Furthermore, authors such as Prahalad (1976), Doz (1979) and Bartlett and Ghoshal (1998) have

stressed the importance of national responsiveness which takes into account the fact that customers in different markets do not have identical tastes and it would be strategically advantageous to adapt products tailored to the local demand.

This places new burdens on firms and organisations seeking to improve their competitiveness. As competition in their economic arenas increase, their ability to set prices decreases and this leads to situations where their profitability is increasingly dependent on their ability to cut the costs of inputs as well as enhancing their productivity. MNEs, which operate across national boundaries, are most susceptible to the forces of globalisation and are therefore more likely to implement more dominant global practices to enhance their competitiveness in the foreign markets in which they operate.

Although economic systems are initially region-based, the continuing trend of globalisation means that economies are likely to become more globally integrated. In terms of management science, this results in the rise of more global management structures which can lead to a convergence of management techniques towards a set of identified "best practices" (Sera, 1992).

3.3.1 International HRM

The concept of International Human Resource Management (IHRM) has followed a significant trend during the past quarter of a century, especially in North America (Schuler, 2000; Reynolds, 2001; Briscoe and Schuler, 2004; Schuler and Jackson, 2005; Stahl and Bjorkman, 2006). Clearly, the field of IHRM has become substantially more important in every way because of globalisation as it relates to movement and change. It deals with the movement of goods, information and knowledge, as well as people and services, across borders, facilitated and accelerated by changes in every environment, from the economic and political to the social and cultural, as well as any advances in the technological and legal arenas. It is the characteristics of these conditions that are important for MNEs and IHRM. IHRM has its roots in the research conducted on MNEs and their tendency to utilise expatriates in subsidiaries, as well as the selection, training and managing of these employees (Dowling & Welch, 2004). And although expatriates remain an important

part of MNEs' operations overseas, the scope of research has broadened from long-term expatriation to take into account the increasing portfolio of activities that a MNE could be involved in outside its home country.

Because MNEs operate globally, they confront much stricter competitive environments than domestic enterprises. The threat of competition arises from domestic enterprises, as well as from the affiliates of fellow MNEs, who often follow their rivals overseas to protect their markets (Knickerbocker, 1973). In order to meet the stiffer competition and constant threat of new rivals, MNEs, it is argued, are always looking to excel in their operations to enhance their competitive advantage and to accordingly stay ahead of the competition. As a result, on issues of central importance, such as HRM, MNEs take a much more methodical and structured approach which, *a priori*, can be argued to be more rigorous than those in DEs. DEs are likely to be influenced by local norms, beliefs and values, while the impacts of such traits on MNEs will be minimal, although they cannot be altogether ignored if organisations are to operate in harmony with host nations. Moreover, national responsiveness will also bring cultural differences to the forefront, with differences in values and expectations, behaviours, and negotiation and communication difficulties taken into account in the development of an international strategy. Nevertheless, all MNEs need to be concerned, on an operational basis, with HRM issues on an international or global platform (Sparrow and Brewster, 2006).

3.4 The Role of the HR Director in Organisations

The HR director as head of the HR department plays an important role in the globalisation process of an enterprise. In the literature, the earliest models on the role of the HR director are found in the typologies of Tyson (1987) and Carrol (1991). These models also highlight the shifting nature of HRM as it becomes more strategically oriented.

Tyson's typology (1987) offers three models which differentiate the roles that can be played by an HR director: firstly, the '*clerk of works*' model where the HR director has no role in the strategic and business side of the organisation, having only administrative duties in the areas of the main HR practices (recruitment and

selection, training, performance appraisals, incentives and rewards, retention); secondly, the *'contract manager'* model where the HR director deals mainly with the trade unions, being expert in negotiations between the organisation and these entities, and doing whatever is required to keep issues to a minimum; finally, *'the architect'* model where the HR director maintains a good relationship with top-level management as well as line managers, thus influencing the direction taken by the whole organisation when these managers decide on corporate and business strategies.

Carrol's (1991) typology builds on the work started by Tyson and highlights the shift in the role of the HR director in a more strategic direction. This may be due to organisations seeing the positive outcomes that can arise from good HRM. Carrol's typology adds three additional roles that HR directors can play in organisations: They may be *'Delegators'* who assign the implementation of policies to line managers; there are also *'Technical Experts'* who focus only on their own specialised area such as the HR-specific areas of recruitment and selection, training and development, performance appraisals, incentives and rewards; finally, there are *'Innovators'* who are HR directors capable of contributing to decisions made by organisations to solve major problems, such as a lack of motivation and productivity.

Some additional models detailing the role of the HR director have also come about due to the weakness of the HR profession as a whole, where there is a lack of specificity in the tasks that have to be undertaken. Some of these ambiguities are as follows: the lack of involvement in the decision-making process, especially at the strategic level; the high level of managerial intervention in the HR director's areas of specialist expertise; the lack of contribution to the organisation's goals and outcomes viewed as stemming from the personnel function; and the presence of differing and sometimes opposing interests of the management and the employees (Watson, 1977; Legge, 1978; Tyson and Fell, 1986).

This brought about a need to look at the different roles that can be played by the HR director. HR directors continually saw the need to maintain their importance within their organisations in the rapidly changing economic environment, and the reinvention or reinterpretation of the role they played was undertaken in an outline

proposed by Storey (1992) which differentiated the roles according to two bi-polar dimensions: intervention versus non-intervention and strategy versus tactics. These four roles are as follows: *'Advisors'*, who do not intervene in the part played by line management, only offering advice and expertise (strategic, non-intervention); *'Handmaidens'*, who do not intervene in the part played by line management, only reacting and providing specified services when required (tactical, non-intervention); *'Regulators'* who set up and enforce HR rules and regulations as well as ensuring the observation of employees and trade union relations (tactical, intervention); and *'Changemakers'* who have an active role in both the business- and strategy-related management decisions of the organisation as well as the formulation and promulgation of HR policies to enhance employee commitment and motivation (strategic, intervention). Storey's model provides an empirical benchmark for examining the process of role change but it has been criticised for failing to capture the complexity of the complicated role played by an HR director.

Ulrich (1997a) introduced another model which took into account the multiple and flexible roles played by an HR director. In part, this model arose from the need for HR directors to deliver value to organisations seeking to increase their competitiveness, so as to avoid the trend of outsourcing that was rampant in the perceived 'less useful' parts of the organisations. He identified four roles along the axes of 'strategy versus operations' and 'process versus people'. The four roles include the *'Strategic partner'* where HR directors have to align HR initiatives with the strategic goals of the organisation. They implement these practices taking into account the strengths and weaknesses of the organisation, to add value. Next is the *'Change agent'* where HR directors try to increase the competitiveness of their organisation in an ever-changing work environment and implement HR practices to assess and respond to inevitable changes in the competitive landscape, government regulations, and global economy so as to achieve and maintain competitive advantage. There is also the *'Administrative expert'* where HR directors introduce efficient HR processes, be they in recruitment and selection, or train others to maximize the use of new technologies and improved methods in order to add value. Finally, there is the *'Employee champion'* where HR directors seek to maximise employee productivity and loyalty to the organisation by either listening and responding to employee needs with available resources or increasing an employee's

knowledge, skill and ability. HR practices that can be utilised include career-planning, mentoring, training, and development. Ulrich's (1997a) multiple HRM role model helps describe the important implications of global trends and cultural implications for HR directors who must continue to demonstrate and increase organisational value. As the globalisation trend grows and the number of cultures, languages and perspectives inside organisations increase, HR directors will need to understand cultural sensitivities to add value.

A more recent model examining the role of HR directors is that by Truss *et al.* (2002), who identify two sets of HR directors. The model is built upon the role theory approach by Katz and Kahn (1978), which states that each individual or group has a role that is connected to other roles that other individuals play, and the roles are formed from the perceptions that these individuals and groups have of themselves and one another. Based on this, they identify two types of HR director: Type A managers and Type B directors. Type A HR directors have power within their organisations and see themselves as having much to do with business and strategic decisions while Type B HR directors focus only on their areas of expertise, having more traditional roles and not involving themselves in the bigger decisions in their organisations. Therefore, a strategic role would be expected more of a type A HR director than of a type B, who focuses more on the administrative side. And as was seen in the evolving concept of HRM, the role of HR directors has moved towards one of strategic importance within an organisation in that they also contribute to business decisions and are looked upon as among the main drivers of organisational change.

3.4.1 Strategic HR Involvement and Devolvement

As stated previously, HR directors are increasingly considered the drivers of organisational change as their roles have gradually moved from routine administration to a more strategic function. The concepts of strategic HR involvement and devolvement contribute to the theories on the role of the HR function. The emergence of SHRM as a concept further highlights this trend. Being mainly concerned with 'integration' and 'adaptation', the main purpose of SHRM is to ensure that HRM is integrated with the firm's strategy and strategic needs; HR

policies are consistent across both policy and hierarchies, and line managers and employees should be able to adjust, accept and use HR practices as part of their everyday work (Schuler, 1992). Strategic needs reflect management's overall plan for survival, growth, adaptability and profitability; therefore, HR activities in line with these strategic needs should form the main components of HR strategy. This is helpful in understanding the complex interaction between organisational strategy and SHRM activities. However, the melding of business needs with HR activities is difficult, because links between HR activities and business needs tend to be the exception, even during non-turbulent times (Schuler, 1992).

HR involvement is concerned with the integration of HRM into the overall strategic process in terms of the formulation and implementation of business and corporate strategies (Brewster and Larsen, 1992; Schuler and Jackson, 1999). By ensuring tighter integration between the strategic and HR functions, organisations aim to have a wider range of solutions to potential organisational problems (Lengnick-Hall and Lengnick-Hall, 1988). Furthermore, by aligning HR and organisational strategy, organisations ensure an effective implementation of all strategies as all facets of the organisation are given equal consideration when formulating organisation-wide decisions (Truss *et al.*, 1997). Involving the HR function closely with the organisation's strategic decision-making process also recognises the importance of effective and efficient HRM in obtaining enduring competitive advantage (Budhwar, 2000).

In contrast, HR devolvement concerns the delegation of HR practices to line managers, entrusting them with administering and implementing these tasks due to their close proximity to their subordinates, making it easier to manage, control and motivate them (Budhwar and Khatri, 2001). The devolution of these tasks to line managers helps resolve issues faced by subordinates that are sometimes too complicated for top management to handle independently. Additionally, a number of advantages are observed when HR devolvement takes place such as quicker, more efficient responses to employees' worries, doubts and difficulties, which can lead to happier and more productive employees. It can also free up the HR function to be a more active part of the organisation's strategic process which can bring additional advantages.

Based on the literature reviewed, it is clear that foreign enterprises will try to adhere to a specific set of practices. In accordance with their ownership type, there will be significant differences in the level of importance assigned to the HR function in the organisational strategy process as well as to the contribution of HR professionals in the strategy process. Signs that the HR function in some enterprises is becoming increasingly strategically oriented have been seen by authors such as Hope-Hailey *et al.* (1997). This may be due to the belief that effective and efficient HRM can bring positive contributions to the organisation.

However, the empirical evidence available suggests that most HR functions still play a predominately tactical role; furthermore, many HR professionals still have little importance and authority in many enterprises (Truss *et al.*, 2002; Berglund, 2002). This is supported by findings of various scholars (Child 1994; Cooke 2004), indicating that firms in China generally do not have strategically oriented HR departments. On the other hand, more recent studies on the nature of HRM systems in multinational organisations have found a more strategic role being played by their HR departments (Budhwar *et al.*, 2006). It can therefore be expected that, as foreign subsidiaries experience more institutional pressure from their home country headquarters, their HR departments will play more important strategic roles compared to domestic enterprises.

3.5 The Convergence – Divergence Debate

The convergence–divergence debate has been an ongoing issue in international management (Fenton-O’Creevy and Gooderham, 2003) since Kerr *et al.* (1960) presented a thesis proposing that the patterns of organisational and institutional behaviours within industrial societies were ‘converging’ or becoming more similar. During this period, when researchers began to study the management of organisations in different countries, the belief was that management principles would hold universally (Gooderham and Brewster, 2003). The convergence – divergence debate highlights the arguments that HRM within organisations will become increasingly similar due to firms having structures that are free from cultural influences and are more affected by more tangible influences such as industry, size

and technology (Pugh, 1981), with globalisation freeing MNEs from the influence of national institutions; this has renewed interest in the convergence hypothesis (Chen *et al.*, 2005). On the other hand, scholars supporting the divergence hypothesis argue that organisational structures are not set and that management practices will reflect national differences in regulations, government policies, culture and beliefs as well as national educational systems (Hollingsworth & Streeck, 1994).

The ‘convergence hypothesis’ stated that ‘best management practices’ could be applied everywhere, irrespective of the different political, ideological and cultural environments. This is due to the advances made in science and technology which will lead all industrial societies towards similar configurations. Globalisation and the globally competitive environments stem from easier worldwide communication and travel as well as the increase in partnerships between MNEs and countries which break down the differences between home and host countries (Fenton-O’Creevy and Gooderham, 2003). Therefore, if the differences between countries are lessening, a universalist approach to HRM practices can be expected. However, this theory has been criticised by many leading scholars as overly simplistic and optimistic (Leung *et al.*, 2005)

During the 1970s, there was a growing interest in national differences, stemming from cultural factors, among organisations. Indeed, as Adler and Bartholomew (1996) suggest, ‘the verdict now appears to be cast in favour of divergence’ in a review of all HRM and organisational behaviour articles; that is to say, such distinctiveness is maintained across cultures. Central to the ‘divergence hypothesis’ is the notion that organisations maintain their culturally-based dissimilarities (Adler and Jelinek, 1986). This is supported by Olie (1995) who states that ‘societies/countries’ are different from one another and any unique characteristics will be reflected in the management of organisations. Some researchers relate the types of interactions and behaviours, as well as the relationships among people in organisations, to their individual cultural assumptions and values (Sparrow and Wu, 1998). As pointed out by Hofstede (1980) and Schneider (1989), national culture can impact on organisational culture through the development of organisational values which are influenced by a manager’s basic assumptions that have been developed by their own sets of behaviours and norms. In this way, organisational decision-making

can also be influenced. This means that the differences seen in an organisation's overseas subsidiaries are permanent and that this should be expected. The differences in management practices should also be viewed in the same way, as many scholars attribute this to the 'country of origin effect' which comes about through clashes between organisational factors and local culture (Aycaan, 2005)

3.5.1 Theories of Convergence, Divergence and Duality

Various theories explaining convergence and divergence have been offered by many different scholars looking at the area from different perspectives. These theories cover the convergence or similarities that can be seen, the divergence or localisation, and duality theories that arise when conflicting pressures are present.

There are two main convergence or similarity theories: theories of globalisation and theories of ethnocentricity. As highlighted previously in this chapter, globalisation has many meanings but mainly refers to the process of unification in market trends and consumer tastes due to increasingly mobile investor capital and rapid technological advances. This means that economies are becoming more globally integrated, thus leading to the spread of more global management structures. The role of MNEs in the globalisation process where they promote integrated international standards has to be weighed against pressures faced by these organisations to be locally responsive (Hamal and Prahalad, 1985; Ashkenas *et al.*, 1995; Kim and Gray, 2005). This will lead to the convergence of management techniques around the coveted 'best practice' (Sera, 1992). Theories of ethnocentricity also lead to convergence or similarities as MNEs will tend to mirror the practices implemented in their countries of origin (Zeira and Harari, 1977) and apply them wherever they operate (see, e.g. Ferner, 1997; Bae *et al.*, 1998; Ngo *et al.* 1998)

On the other hand, two dominant theories of divergence or localisation have been identified, namely institutional theories and cultural perspectives. The former suggests that organisations that share the same environment will adopt similar characteristics over time (Kostova and Roth, 2002). The forming of these gradual similarities can develop in three ways: coercively, where enterprises are forced to

adopt specific practices; mimetically, where specific successful practices are adopted to decrease uncertainty; and normatively, by adopting specific practices that are considered appropriate to the environment (Di Maggio and Powell, 1983). Cultural perspectives are more closely associated with the writings of Hofstede (1991), Fukuyama (1995) and Sako (1998) where any differences in practices would be due to the different cultural contexts that exist rather than institutional settings, which occur across national boundaries (Lao and Ngo, 2001). Supporters of these theories and perspectives suggest that the MNEs' search for legitimacy and adaptation of activities in specific contexts will see divergence from the norm and isomorphism towards local practices (Kostova and Roth, 2002).

Another set of theories suggest that MNEs face opposing pressures towards global integration and local isomorphism (Rosenweig and Singh, 1991; Gooderham *et al.*, 1998; Evans *et al.*, 2002; Kostova and Roth 2002). These are known as Duality theories and the speed with which different sets of practices are implemented varies with the context and the practices being implemented (Schuler *et al.*, 1993; Hannon *et al.*, 1995; McGuaghey and De Cieri, 1999). The outcomes of these theories will incorporate both national and global dimensions, with the MNEs positioning in regard to either aspect depending on rational determinants such as local market conditions, ownership structures, behavioural variations and strategic choice, as well as factors such as regulatory institutions.

3.6 Concepts underlying IHRM

There are other critical mechanisms that can be seen to affect coordination and control in MNEs. Organisations may choose many different paths in order to achieve the same results (Hendry & Pettigrew, 1992) as there are many linkages between the 'outer environmental context', which includes the legal, socio-economic, political, technological and competitive environments, and the 'inner organisational culture' which includes organisational culture and structure, leadership styles, technology and business output (Budwar & Debrah, 2001). Therefore, analysing these linkages is essential.

3.6.1 Country of Origin

Research in the area of business systems has suggested that home country institutions heavily influence an MNE's behaviour and structure. For example, the level at which the MNE is embedded in the home country affects the transfer of operational modes, competencies and frameworks, as they are developed there. This is important as the transfer of these developments to subsidiaries in the different host countries will need to take into account the level of organisational structures there as well as the level at which the country of origin needs to be mediated.

Internationalisation strategies are strategies employed by multinationals when headquarters handle subsidiaries and the different markets and situations where they operate. Following Bartlett and Ghoshal (1998), the main dimensions of internationalisation strategies involve 'global integration' which refers to the interdependence of subsidiaries and headquarters and the need to cater to local markets and other situational specificities. Corporate control is a huge concept but basically has two dimensions: the directness and explicitness of control, and the impersonality of control (see March and Simon, 1958; Lawrence and Lorsch, 1967; Child, 1973, 1984; Galbraith, 1973; Ouchi, 1977, 1979, 1980; Mintzberg, 1979, 1983; Merchant, 1985; Kenter, 1985; Bartlett and Ghoshal, 1998; Martinez & Jarillo, 1991; Hennart, 1991).

Considering MNEs' need to be both 'globally integrated' and 'locally responsive', they should be less clearly tied to a single context of origin as they may share ownership and utilise diverse human and capital resources. However, the style of HRM transfer very much depends on the country of origin itself, as can be seen on the basis of the ratio of invested capital and human resources inside the country of origin to those outside. Of the world's top 10 multinationals, only two are North American (not US enterprises), and the rest are European (Dowling and Welch, 2004). This is striking as the largest multinationals in the world are North American and a majority are from the US, but they are fewer in number than others in this case. This is supported by Bartlett & Ghoshal (1998) who found that European MNEs have high local responsiveness and low inter-dependence, while Japanese MNEs were the opposite. American MNEs fell between these two extremes.

3.6.2 Method of Establishment

HRM transfer from the headquarters to a subsidiary can be an important indicator of the level of control held by the headquarters over the subsidiary. However, the MNE's ability to control its subsidiaries can also be affected by the ownership structure of the MNE or the level of ownership held in a particular subsidiary. The level of control exerted by the parent company is reflected in its choice of whether to have 'high control' which occurs in wholly owned subsidiaries or 'low control' establishment which happens in joint ventures in foreign markets (Kogut and Singh, 1988; Agarwal, 1994; Cho and Padmanabhan, 1995). The need for greater control over wholly-owned subsidiaries (WOS) than over joint ventures (JVs) is strongly related to the degree of resources committed to WOS compared to JVs. The greater level of control would mean the subsidiary adhering more closely to the MNE's standard of HRM practices rather following those of domestic enterprises.

3.6.3 Organisational Culture

The issue of culture is not new. It has been explored as early as the 1930s and its prominence has increased due to the works of Hofstede (1980) who argues that culture is the 'collective programming' of a group that shares the same beliefs, assumptions and norms. Values as defined by Hofstede (2001) are "a broad tendency to prefer certain states of affairs over others" and are normally formed by social interactions in the early years of an individual's life. It is because of the importance placed on these values that many scholars have emphasised differences in culture as an increasingly important variable when looking at management, including HRM. These scholars believe that there are no universal solutions when it comes to solving problems that arise in management due to culture. Hofstede (2001) instead proposes distinct 'national economic cultures' which divide countries along an axis of his famous four (later five) cultural dimensions.

Many authors have seen that HRM practices may differ across different countries because of certain tendencies that can be found in their laws, policies and the multiple cultures that may be inherent in them (Hofstede, 1993 Ferner, 1997; Zhang,

2003). Conflicts may occur when the parent and subsidiary face different and sometimes contradictory economic, social and political systems in the countries where they operate. Some parent enterprises will insist on pushing policies that reflect the views of headquarters as well as their own corporate culture (Di Maggio and Powell, 1983; Rosenzweig and Singh, 1991), which may be constrained by the host country environment. This will require these foreign enterprises to conform to local management practices and policies to implement their global strategies.

There are many examples of the wholesale adoption of parent company practices being seen as disadvantageous and inappropriate due to the differences between the cultures of the home and host countries (Trompennars, 1993; Shenkar & Von Glinow, 1994; Cascio & Bailey, 1995). Therefore, subsidiaries of MNEs are faced with dual pressures: whether to be consistent with the rest of the MNE or to conform to the local environment (Hedlund, 1986; Laurent, 1986; Porter, 1986; Bartlett and Ghoshal, 1987, 1998; Prahalad and Doz, 1987; Milliman *et al.*, 1991; Rosenzweig and Singh, 1991). It has also been seen that the inherent cultures in a society may influence how the different HR practices are implemented in those countries.

However, there are many criticisms of the cultural approach. Scholars such as Rowley and Lewis (1996) see national cultures as complex systems that make the separation and comparison of the different cultural attributes difficult and dangerous. The cultural approach also emphasises history and individual perceptions whilst forgetting that these may change over time, as generations pass. Values on their own are also insufficient as it is necessary to look at values within the societal and economic structures of a society (Whitehill, 1991; Evans and Lorange, 1989).

3.7 Previous Studies comparing HRM Practices in Enterprises

Few previous studies have focused on a comparative analysis of HRM practices between foreign-owned and indigenous enterprises. More studies have concentrated solely on comparing the HRM practices utilised by the subsidiaries of MNEs. It is also true that most studies have been conducted in the more developed economies. The results of these comparisons have been varied but more studies have found a

difference in the HRM practices utilised by the different enterprises. This section shows most of the comparison studies in the HRM area in chronological order.

Table 3.1 A Chronological survey of Research on Comparative Studies in HRM

Study	Compared HR variables	Research Design	Findings
Roberts and May (1974)	Industrial relation policies, Headquarter-subsidiary relationship	Cross-national US MNE subsidiaries vs. British MNE headquarters	HQs of British MNEs have little control over subsidiaries' industrial relation policies compared to US MNEs (especially in areas of collective bargaining and strike settlements), Main role of headquarters would be to give the subsidiary advice on company policy
Bomers and Peterson (1977)	Job security, Bargaining power, Industrial relation practices	Cross-national US MNEs vs. EU MNEs in Netherlands and Germany	EU MNEs decentralise industrial relations much more than US MNEs, US MNEs tend to centralise using close direct managerial supervision, profit-plan mechanisms or corporate financial controls
Tung (1982)	Use of Expatriates	Cross-national US MNEs vs. Japanese MNEs	Japanese MNEs are more likely to use expatriates in senior management posts than US MNEs, Japanese MNEs also had longer durations of expatriation as well as stronger back-up and training, US MNEs had higher expatriate failure rates, Japanese MNEs also placed greater importance on the HRM function when compared with the HR function in US MNEs
Hamill (1984)	Labour relations	Local vs. Multinational US MNEs vs. UK DEs	Differences were observed in the HRM practices utilised
Young <i>et al.</i> (1985)	Centralisation of decision-making in finance, operations and personnel	Cross-national US MNEs vs. EU and other MNEs in UK	US MNEs were more likely to establish financial targets, US MNEs were more centralised in the areas of employment and personnel decisions, US MNEs less likely to employ home country nationals at high levels such as the managing director in UK
Negandi (1986)	Organisational structures, Decision-making and control processes	Cross-national German MNEs vs. US MNEs vs. Japanese MNEs	US MNEs require more reporting and rely more on written policies when compared with German and Japanese MNEs
Papalexandris (1987)	HR processes	Local vs. Multinational	Significant differences seen between the local and multinational enterprises, Lower use of systematic HR practices in DE when compared to the MNE

		Greek DEs vs. MNE subsidiaries	subsidaries, MNE subsidiaries also utilise more sophisticated HRM practices and implement guidelines that were given from their company headquarters
Purcel <i>et al.</i> (1987)	HR practices usage, Relation with trade unions and collective bargaining	Local vs. Multinational UK DEs vs. MNE subsidiaries	MNEs were more likely to use HR practices to get a high level of commitment from the local workforce, Practices utilised by MNEs in relation with trade unions and collective bargaining did not differ from the practices utilised by the local enterprises
Evans <i>et al.</i> (1989)	Models of management development, Career progression	International	Many different approaches to career progression depending on the different regions that acts as MNE home country ('Japanese', 'Latin European', 'German' and 'Anglo-Dutch' model).
Beaumont <i>et al.</i> (1990)	Trade union relationship and regulations	Local vs. Multinational German MNEs vs. UK DEs.	MNEs mostly followed local practices when it had to do with union recognition and work councils, abandoning their home country practices
Yuen & Kee (1993)	HRM activities, policies and practices	Local vs. Multinational US MNEs vs. Japanese MNEs vs. Singapore DEs (legal sector)	US MNEs practise more extensive HRM activities (especially in employees communication, welfare, wage structures, training and development, conducting performance appraisals), US MNEs have a more formalised and standardised set of practices when compared with the other multinationals from different countries of origins, Japanese multinationals have fairly similar personnel practices with local enterprises
Johansson and Yip (1994)	Headquarter-subsiary relationship	Cross-national US MNEs vs. Japanese MNEs	Japanese MNEs are more 'global' than those from the US, Japanese MNEs have stronger integration mechanisms (e.g. more use of global group meetings and budgeting for the MNE being done globally)
Kopp (1994)	Internal career opportunities, Training, Headquarter subsidiary relationship	International Japanese MNEs vs. EU MNEs vs. US MNEs	IHRM in Japanese MNEs was more 'ethnocentric' than in US and European MNEs (e.g. preference for expatriates in managerial postings and having limited promotion opportunities for local employees), Japanese MNEs being more likely to experience HRM problems in comparison to European and US MNEs (e.g. skill scarcity and friction between parent and host country managers)
Rosenzweig and Nohria (1994)	Convergence – Divergence, Decision making processes	Cross-national MNE subsidiaries in the	MNEs operating there mostly followed local practices, Differences identified depended on their importance to internal decision-making

		US	
Wong and Birnbaum – Moore (1994)	Centralisation and Formalisation, Culture	Cross-national US MNEs vs. EU MNEs (banking industry)	Authority (centralisation and formalisation) was positively related to placements on Hofstede’s ‘power-distance’ scale, Japanese and Swiss MNEs are more highly formalised than the average, Japanese and Swiss MNEs rely more on expatriates than those originating from the UK, France or Netherlands
Easterby Smith <i>et al.</i> (1995)	Individual practices, cultural impacts,	Cross-national UK MNEs vs. Chinese MNEs	Considerable variations in the form of HRM in the different settings, Some surprising similarities (e.g. manpower planning systems) as these elements not greatly affected by national or cultural differences, Differences seen in pay and reward systems as there are differing attitudes towards rewards between the two countries, Transfer or convergence of HRM ideas in this area are therefore limited
Innes and Morris (1995)	Relationships with workers and trade unions, Training	Cross-national German MNEs vs. Japanese MNEs vs. US MNEs	Japanese MNEs more likely to have single union deals and no strike clauses while placing importance in collective bargaining, Japanese and US MNEs more likely to use job rotation and autonomous work groups while ensuring that their employees were multi-skilled, German firms were the least likely to utilise work councils
Guest and Hoque (1996)	Advantages of HRM	Local vs. Multinational UK DEs vs. MNE subsidiaries	Authors rejected the notion of these multinational enterprises using superior HRM or even different from the indigenous British enterprises based on their results
Wood (1996)	HR policies and practices usage, Convergence – Divergence, ‘Japanisation’	Cross-national Japanese MNEs vs. non-Japanese enterprises (Manufacturing sector)	High-commitment management is more widely practised in Japanese enterprises, no evidence of a "Japanisation" of the British manufacturing industry, Differences found partly reflect the origin of the enterprises
Turner <i>et al.</i> (1997a)	Industrial relations, Convergence – divergence	Local vs. Multinational Irish DEs vs. MNEs	Practices of multinationals are significantly different or that the prevailing practices in multinationals originate in the country of origin, Authors suggest that change in employment practices should not come from the multinational sector but in the competitive nature of the markets which the enterprises operate in as well as the increasingly international mobility of capital which comes about due to globalisation
Ferner and	Convergence –	Case-study	There is evidence of the ‘Anglo-Saxonisation’ of HRM in these enterprises, but

Quintanilla (1998)	Divergence	2 MNEs in Germany (different sectors)	it takes place in a distinctively German manner
Muller (1998)	Convergence – Divergence, Innovation	Local vs. Multinational German DEs vs. UK MNEs vs. US MNEs	UK and US MNEs operating there introduced “Anglo-Saxon” HRM practices, US MNEs operating there innovated more than the DEs and MNEs from other countries
Hilltrop (1999)	Country of Origin, Headquarter-Subsidiary relationship	Local vs. Multinational DEs vs. MNE subsidiaries in Belgium	Country of origin was important when looking at which MNEs export their home country practices and to what extent they were exported, Any similarities found were attributed to the cultural and institutional environment of Belgium where these enterprises operate
Rodwell and Teo (1999)	Convergence – Divergence of HR practices	Local vs. Multinational DEs vs. MNE subsidiaries in Australia	Both similarities and differences were found in the HRM practices utilised by both types of enterprises
Ferner <i>et al.</i> (2001)	Convergence – Divergence, relations Union	Cross-national German MNE subsidiaries operating in UK and Spain	Policies converge in the areas of human resources and industrial relations (HR/IR) (e.g. management development and performance appraisals), There are prevailing German characteristics (e.g. long-term orientation and cooperation), Characteristics are mediated Institutional constraints of the host countries but there was enough flexibility to preserve home country characteristics
Geary and Roche (2001)	Convergence – divergence, relations Union	Local vs. Multinational DEs vs. MNEs in Ireland	Employment relation practices of foreign MNEs, particularly those from the US, are very different to those of Irish workplaces, pointing towards the predominance of ‘country-of-origin effects’ over ‘host country effects’
Walsh (2001)	Industrial relations	Local vs. Multinational DEs vs. MNEs in Australia	Differences were found in the HRM practices which were magnified when the industrial relations system in Australia was being substantially decentralised
Mcgraw (2002)	HR Director role, Union representation	Local vs. Multinational DE vs. MNEs in Australia	MNEs differed from the local enterprises in important ways (e.g. employee representation on company boards), Similarities were found in the formal HR practices

Harzing and Sorge (2003)	Headquarter – subsidiary relationships	Cross-national EU MNEs vs. US MNEs vs. Japanese MNEs	MNEs international organisational control practices appear to be explained by their country of origin, MNEs appear to follow tracks of coordination and control from their country of origin
Khilji (2003)	Cultural sensitivity	Local vs. Multinational DEs vs. MNEs in Pakistan	Similarities exist between DEs and MNEs which suggest that parent company influence is mediated by the national environments, MNE subsidiaries are also influenced by local norms and some policies are different from those found in the parent company
Myloni <i>et al.</i> (2004)	Cultural sensitivity, Convergence - Divergence	Local vs. Multinational DEs vs. MNE subsidiaries in Greece	HRM practices in DEs reflect Greek national culture to a large extent, MNE subsidiaries have changed and adopted practices that are in line with the Greek cultural environment
Chen <i>et al.</i> (2005)	High performance work systems	Local vs. Multinational DEs vs. MNEs in Taiwan	Few differences in the usage of high performance work HR practices in Taiwan between multinational enterprises and local enterprises

Source: Authors analysis of the literature

These studies have shown that comparisons have been made in the field of HRM either cross-culturally or cross-nationally. However, certain methodological issues can crop up, as highlighted by Budhwar and Debrah (2001). Therefore, many frameworks have been proposed to cope with these issues. These frameworks highlight many factors and variables. As shown by previous studies, most comparative studies focus on the effect of culture on HR practices within organisations, the ‘country of origin’ effect which can affect HR adoption, and the ‘convergence’ of HR practices due to globalisation and the increased mobility of technology and human capital. These comparisons have also moved from a focus on unions and industrial relations to a focus on expatriation and the reasons for its success, and to a focus on HRM practices and the impact of culture in different countries.

The studies have also been quite varied in their results with comparisons between domestic and MNEs revealing many differences, but there are also similarities depending on the practice being explored and the nature of the culture and institutional policies inherent in the host country. There has been no concrete answer to the convergence / divergence debate.

These studies have concentrated on Western, more developed regions. They have not analysed the differences in local and multinational enterprises in the developing regions such as Africa and parts of Asia. Studies should be conducted in these regions, as they would help to highlight the management models applicable to these countries. These studies have not highlighted the factors that have contributed to a successful implementation of global or “Anglo-Saxon” HR policies and practices in the Asian context. These might include factors such as the type of ownership of the subsidiaries and the structure of the organisation. Also, the level of HR strategic involvement /devolvement has not been deeply explored in previous comparative studies. The relationship between HRM and organisational performance has also been largely ignored in comparative, cross-national and cross-cultural studies.

3.8 HRM and Organisational Performance

From the previous sections, it is clear that human resources are increasingly being seen as the key resources that can give organisations a competitive advantage over their competitors (Becker & Huselid, 1998; Pfeffer, 1994, 1998). There is an increasing body of empirical evidence (Huselid, 1995; Guthrie, 2001; Datta *et al.*, 2005) to suggest that, by utilising effective HRM practices, an organisation can enhance its performance, particularly its productivity. To emphasise the importance of these linkages, a survey of the literature by Boselie *et al.* (2005) found 104 research papers published on this subject over a ten-year period up to 2003. This focus is understandable as, should an unambiguous causal connection between HRM practices and organisational performance be found, it would give legitimacy and there will be significant and positive implications for the subject of HRM.

Research on the HRM-performance link has been under much scrutiny and researchers have often faced problems in terms of the methods, theories and specification of HR practices that should be looked at when establishing a link with performance outcomes (Singh *et al.*, 2012). This explains why many methods have been used by different authors to explore this subject. For example, the previously-mentioned study by Guest and Hoque in 1994 was conducted on UK greenfield manufacturing enterprises, measuring a large number of HRM practices. They divided the enterprises into two groups: the first had high HRM, while the second had low HRM. They found that high HRM was no better than low HRM and the level of HRM in either group had no significant effect on employees' productivity and absenteeism.

Another example can be found in a cross-national study conducted by Ahmed and Schroeder (2003) on the impact of HRM practices on operations management in the USA, Germany, Italy and Japan. Using Pfeffer's seven HRM practices approach, they looked at whether the efficiency and effectiveness of these practices on operational performance could be generalised across countries and industries. Their results supported Pfeffer's practices and identified an ideal HRM system for the manufacturing industry.

Another study by Guest *et al.* (2003) addressed the impact of HRM on corporate performance in the UK using objective and subjective organisational performance measures. This study measured nine HR practices in 366 UK manufacturing and service enterprises to investigate the effects of HRM in the enterprises' performance. When looking at objective measures of performance, greater use of HRM practices lowered employee turnover and produced a higher profit per employee but not higher productivity. When using subjective performance measures, a strong association between HR practices was found, both in employee productivity and financial performance. Guest *et al.*'s study confirmed a linkage between HRM and performance but failed to show that HRM can deliver higher performance.

However, many authors recognise the need for more empirical work on understanding the impact of HRM on organisational performance. The lack of a consensus on the performance measure, the choice of HR practices, the causal link between the HR practices and outcomes, and the employee's perceptions and receptiveness to HR practices needs to be looked at in order to generalise studies on the HRM-performance link. And although the HRM-performance link has been the subject of much attention over the years, empirical validation from studies across countries and / or industries is nearly non-existent and very limited at best.

Looking at the studies that have been conducted on the HRM-performance link, the available literature has emphasised the need for generalisation in the HRM-performance link. For example, Delery and Doty (1996) raise concerns that the results of their study on the linkage in the banking industry are not applicable to other industries. The same concerns can and should be raised for other contexts such as the country of origin effects, organisational culture and the mode of establishment. These areas have not been explored, especially in comparison studies between domestic and MNEs. Therefore, more exploration in this area is required.

3.9 Research Design and Hypotheses Development

Literature in the area of HRM has shown that an organisation's HRM practices can be affected by many variables. Previous studies show that the internal and external environments where the organisation operates can have an effect on the HRM practices chosen. Although the results of these studies have been quite varied and many differences have emerged from comparisons between domestic and MNEs, similarities are also identified depending on the HRM practice and the inherent institutional policies and culture of the host country. This again opens up the convergence/divergence debate.

3.9.1 Human Resource Management Practices

As mentioned earlier, HRM is made up of a range of practices, some of which have shown convergence whilst others remain divergent. This variety of practices has led to many scholars presenting their own HR systems, from the work of Datta *et al.* (2005) who measured 18 practices utilised by organisations, and Bae (1997) who proposed four broad functional HR systems (HR flow, work structuring, reward systems, employee influence), to the seven practices as proposed by Pfeffer (1998). These systems have their bases in SHRM literature and the utilisation of these practices is expected to give organisations a competitive advantage (Theriou and Chatzoglou, 2008). These systems have been explored to identify specific HR practices which can be utilised by domestic and MNEs to gain an advantage over their competition in their competitive environments. The HR practices which will be explored in this thesis are as follows: recruitment and selection, internal career opportunities, formal training system, formal appraisal system, and incentives and rewards. These practices have been identified by Pfeffer in his 16 effective practices for managing people and have widespread support in the literature (Delery and Doty, 1996). The following sections provide arguments for the exploration of these practices.

3.9.1.1 Recruitment and Selection

The concepts of recruitment and selection tend to overlap although HRM literature has drawn clear distinctions between them. Recruitment is the process carried out before selection: the need for new applicants is acknowledged, a means of identifying these applicants is established, and a shortlist of the most appropriate candidates for the vacant position is drawn up. Selection follows recruitment and is the process in which the applicants on the shortlist are assessed by the organisation using one or more methods, which could include employment tests, interviews, and employee investigations in order to make decisions on the suitability of the applicants to perform the tasks required of them in a certain organisational environment (Cowling, 1990; Lewis, 1992; DeCenzo and Robbins, 2005). This HRM practice can make significant contributions to the organisation, as found by Koch and McGrath (1996) in that investments in careful recruitment and selection were found to be positively related to the productivity of the labour force. This is echoed by the findings of Verburg (1998) who positively relates careful selection with perceived profit, market share and investments.

Recruitment and selection (staffing) is recognised as a major strategic international HRM (IHRM) practice that MNEs use to co-ordinate and control their global operations (Dowling and Schuler, 1990; Hendry, 1994) as well as to place the correct people in charge of these operations (Sparrow *et al.*, 1994). In terms of foreign operations, however, recruitment and selection represent a challenge to MNEs, as international management teams have to combine and balance the knowledge of local market conditions and internal organisational competence. The importance of having the correct people at the right location globally at the correct time could propel the organisation's international growth (Shen and Edwards, 2004).

A key recruitment and selection issue is whether these organisations choose to recruit internally or externally; there are many options open to MNEs, including recruiting people from their home countries, host country nationals, third country nationals, or mixed and ad hoc approaches (Scullion, 1995). International business and HRM Scholars (e.g., Perlmutter, 1969; Dowling *et al.* 1999) have identified four approaches to international staffing: the ethnocentric approach (key positions

filled by home country nationals); the polycentric approach (corporate headquarters run by home country nationals and 'foreign' subsidiaries run by host country nationals); the geocentric approach (best people for the key jobs, nationality not a consideration); and the regiocentric approach (where MNEs divide their operations into geographic sectors and divide staff between these sectors).

Another aspect of recruitment and selection is the issue of long-term employment. This is important to organisations as HRM practices such as training and development will fail if employees are fearful of being dismissed by the organisation. This is therefore an important part of strategic HRM/high-performance work systems. Positive outcomes include a stronger psychological contract between employees and organisations where the employee will even be committed to the same organisation in times of economic downturn. Effectively implementing this from the beginning of the recruitment and selection process can also lead to more efficient use of other HR practices as the workforce becomes more strategically important and a source of competitive advantage. The importance of making the employees feel secure is seen in results obtained by Arthur (1994) where turnover decreases an organisation's productivity. By increasing the commitment of employees to the organisation, an increase in comparative quality, productivity and financial performance can be seen (Guest, 1997). In an international context, however, this can be seen as both a blessing and a curse depending on the context. Some cultures are expected to provide lifelong employment to employees (Japanese traditional organisational culture), and Boselie *et al.* (1998) have found a negative relationship between the length of employment and absenteeism. The effect of cultures can also affect the security of an employee due to the variations in approaches taken by organisations operating in the competitive world and the increased mobility of the labour market (Kopp, 1994)

In terms of cross-national or cross-cultural comparison studies, recruitment and selection has been seen to differ across enterprises with different countries of origin. For instance, British firms utilise external 'recruitment agencies' and 'executive search consultants' when filling managerial occupancies compared to Taiwanese enterprises (Hsu and Leat, 2000). Another study by Wong and Birnbaum-Moore (1994) found that positions in Japanese and Swiss firms were filled by candidates

from the home country to a greater degree than enterprises originating in France, the Netherlands or the UK. Based on the justifications outlined above, we hypothesise the following:

H1: Significant differences in recruitment and selection policies will be seen between DEs and MNEs.

H1₁: Given the international operations of MNEs, it is hypothesised that recruitment criteria will be more stringent in MNEs than in DEs.

H1₂: MNEs rely more on internal recruitment to fill vacancies than DEs.

H1₃: Compared to DEs, the management of senior executive succession applied by MNEs is more strategically organised.

3.9.1.2 Formal Training System

A formal training system is a system that handles both the training and the development of the employees in an organisation. The main distinction between training and development is that training is more specific and more specialised when compared to development. Training is the process through which an organisation's employees are provided with the necessary competences to perform their roles as well as maintaining and motivating these employees to utilise these skills, abilities and behaviours effectively and efficiently in the organisation (Winterton, 2007; Way, 2002). Development is a process within an organisation where the focus is on the longer-term personal growth and career movement of the employees. Some programs of formal training systems include mentoring, job rotation, professional training, simulation exercises and lectures (Zhu *et al.*, 2000, DeCenzo and Robbins, 2005). It has been found that more investments in management development or training can bring about higher profits (Kalleberg and Moody, 1994; Leget, 1997). Harel and Tzafirir (1999) reaffirmed these findings when they found that training practices positively affect an organisation's perceived performance.

Their positive impact on employee motivation and performance has been noted (Way, 2002; Winterton, 2007; Kalleberg and Moody, 1994; Harel and Tzafrir, 1999). The environment within which an organisation operates can affect the formal training systems in organisations. This is illustrated by the different training systems that exist in the UK, which is a market-led system focusing on job-related skills to improve employability, and in Germany where state-led systems focus on developing single skills. This difference is echoed in studies by McGaughey and De Cieri (1999) and de Guzman *et al.* (2011) who reported that organisations are converging in terms of macro-level variables, yet maintaining a divergence in terms of micro-level variables. Scholars such as McPherson and Roche (1997) have also stressed the importance of training to MNEs, not only for their expatriates but also for the host country nationals so as to develop international experience, thus increasing the quality of their international staff. In a separate study conducted in Taiwan, local firms were found to use more on-the-job training programmes than their British counterparts (Cully, 1999; Kersley *et al.*, 2005). Based on the justifications outlined above, we hypothesise the following:

H2: Significant differences in training and development policies will be seen between DEs and MNEs.

H2₁: MNEs place more emphasis on training compared to DEs.

3.9.1.3 Internal Career Opportunities

Providing internal career opportunities is also an important part of the recruitment process. This basically refers to the process undertaken by an organisation when it promotes existing staff to more advanced positions. This HRM practice encourages the development of employees as the chance of promotion within the organisation acts as an incentive to perform well; this is a status-based reward aside from the more obvious monetary rewards (Guest, 1997; Pfeffer 1994). The availability of internal career opportunities can also promote justice and fairness in the organisation and can decrease the chances of estrangement which can occur when new faces fill more advanced positions (Noe *et al.*, 2006). The practice also ensures that those occupying the vacant positions have insight into the organisation and the positions

that they are occupying (Pfeffer, 1994). Aside from these positive effects of internal promotion, it has been discovered by Verburg (1998) that these opportunities are positively related to perceived profits, market share and investments.

With regard to HRM comparison studies, Ferner *et al.* (2001) has discovered that German MNEs operating in Spain and the UK carried over German characteristics including their long-term orientation, which means that these organisations expect their employees to stay with the organisation for a long time, thereby providing increased internal career opportunities among other HR practices. In Asia, Von Glinow *et al.* (1999) point out some obvious cross-cultural differences between Asian and European promotion criteria, stemming from differences in Hofstede's cultural values. For example, there is a high level of collectivism in Taiwan and the authors emphasise the importance of seniority there compared with the emphasis on employee performance and experience in the UK enterprises. Based on the justifications outlined above, we hypothesise the following:

H3: Significant differences with respect to internal career opportunities will be seen between DEs and MNEs.

H3₁: MNEs place more stringent criteria when promoting compared to DEs.

3.9.1.4 Formal Appraisal Systems

Performance appraisals should be looked upon by organisations as a tool to manage their workforce in an objective, rational and systematic way. As part of the process, performance appraisals use aspects of other HR practices such as rewards, communication, feedback, employee reactions, equity and fairness, trust and acceptance, attitudes towards conflict, and taking into account the social context (Fulk *et al.*, 1985; Elenkov, 1998; Erdogan *et al.*, 2001; Lawler, 2003; Levy and Williams, 2004; Brown and Heywood, 2005; Chiang and Birtch, 2010). Being grounded in work motivation theory, a valid appraisal system is required to make distinctions between the performances of employees to allow for equal and efficient distribution of rewards, and communication of organisational needs and requirements, as well as inducing the preferred performance outcomes (Adams,

1963; Porter and Lawler, 1968).

Many scholars have highlighted the possible uses of appraisals, from the documentation, administration, evaluation and development of employees, to their function as a tool for expression, communication and coaching (McEvoy and Cascio, 1990; Hempel, 2001; Milliman *et al.*, 2002). They have also been used to induce a more top-down controlling performance management style with administrative decisions such as compensation and promotion made based on the performance criteria assessed in the appraisal process (Vance *et al.*, 1992, Gomez-Mejia *et al.*, 2004). Of late, appraisals have taken on a new function as a method of communicating development needs, highlighting gaps in an employee's performance and clarifying organisational expectations and job objectives, as well as mapping future training and development designs (Cardy and Dobbins, 1994; DeNisi and Pritchard, 2006).

Performance appraisal systems are vital in organisations as these systems enable the linking of an organisation's performance with that of its employees (Miller, 1992). Managers should therefore provide suitable performance benchmarks in order to utilise performance appraisal systems effectively. The information gathered should then be employed strategically to plan training, pay increases, promotions, and other placement decisions (DeCenzo and Robbins, 2005). This means that, since it can play a strategic, administrative and developmental role, a performance appraisal system is a cornerstone of an effective human resource system (Devanna, 1984). The importance of these systems can be seen in the literature where they are an essential part of the research on HR systems (e.g. Huselid, 1995; Bae, 1997; Wright *et al.*, 2003)

There has been much empirical research on HR practices when looking at inter-cultural and cross-national cases; however, the performance appraisal process has not been deeply explored as part of this (Fletcher and Perry, 2001; Milliman *et al.*, 2002; Chiang and Birtch, 2010). Performance appraisals have been explored in cross-national studies (e.g. Aycan, 2000; Fletcher and Perry, 2001; Milliman *et al.*, 2002), but other studies have tended to focus on isolated aspects of appraisals and are predominantly US-focused (Pucik, 1984; Snape *et al.*, 1998; Amba-Rao *et al.*,

2000; Entekin and Chung, 2001; Groeschl, 2003). In terms of international comparisons, the usage of performance appraisal systems varies across the operational environments. Asian enterprises vary widely when compared with their European counterparts operating in Asia (Wu, 2004). The Asian enterprises are less objective and provide less feedback to their employees in order to retain good relationships (Wakabayashi *et al.*, 2001). Encouragement is also more informal and less control-based in Asian enterprises when compared to European enterprises operating in Asia. Based on the justifications outlined above, we hypothesise the following:

H4: Significant differences in the performance appraisal process will be seen between DEs and MNEs.

H4₁: MNEs have a more structured performance appraisal process when compared to DEs, with differences between MNEs and DEs in the frequency with which the PA is conducted, who conducts the appraisals, and the time gap within which the feedback on PA is given to employees.

H4₂: The HR directors of MNEs will be more receptive to the performance appraisals process than those in DEs.

H4₃: The HR employees of MNEs will be more receptive to the performance appraisals process than those in DEs.

3.9.1.5 Incentives and Rewards

The concept of rewards, which has been formally defined as something provided to recipients and viewed as meaningful and valued in exchange for work (Henderson, 2003), can be financial in nature, such as salary and benefits (Chiang & Birtch, 2007), or non-financial, with the latter having been classified as cognitive or affective (Elizur *et al.*, 1991). The use of incentives and rewards represents the principal means of achieving and emphasising the behaviour required by an organisation from its employees and is looked upon as one of the most effective HR practices for the management and maintenance of high performance levels from

employees (Huselid, 1995; Delery and Doty, 1996; Boyd and Salamin, 2001; Milkovich and Newman, 2002). The effective use of this practice relies on the extent to which the recipient values the rewards and incentives offered (Lowe *et al.*, 2002).

The reward systems have shifted from compensating employees according to non-performance factors, such as seniority and years of service, to compensation according to contribution (Lawler, 2000). This reduces the entitlement mentality and promotes the performance and ability of employees through performance- and skill-based reward systems (Heneman *et al.*, 2000). Employees attaining their performance goals receive a reward for their efforts, a clear connection between pay and performance and, therefore, a potent motivator (Lawler and Jenkins, 1992). Skill-based incentives and reward systems can also motivate employees to acquire additional skills and knowledge which will in turn increase the intellectual capital of the organisation (Beatty *et al.*, 2003; Mak and Akhtar, 2003). Job-based incentive and reward systems are derived from equity theory (Adam, 1963), aiming to achieve organisational fairness and consistency as rewards are based on job worth (Greenberg, 1990).

It has been suggested that external equity factors, such as comparable industry wage levels and labour market conditions, should also be taken into account owing to the fact that the satisfaction of employees through proper incentive and reward designs can enhance internal and external fairness (Chiang & Birtch, 2007). More recent studies looking at rewards and incentives have shifted towards a more strategic orientation and, if utilised correctly, rewards can allow firms to acquire and maintain a competitive advantage (Delery and Doty, 1996; Sparrow, 2000; Boyd and Salamin, 2001; Boxall and Purcell, 2003).

Incentives and rewards encompass pay plans and group-based rewards where a bonus is paid according to the level of profitability of the organisation, which can vary according to terms and conditions that have been set by the organisation (Lazear, 1999; Noe *et al.*, 2006). These include the frequency of the bonuses and the percentage of the profit to be distributed. This is used by organisations to enhance productivity by aligning the interests of the employees with that of the organisations to increase overall organisational performance. Empirical results from a study

conducted by McNabb and Whitfield (1999) show that profit-related pay as well as employee ownership schemes and performance-related pay have a positive relationship with financial performance. Delaney and Huselid (1996) have also found that incentive compensation is positively related to perceived organisational performance. Reward and incentive programs linked to profitability are seen to be culturally sensitive as shown in some studies comparing domestic and MNEs operating in Asia. As countries such as China and Taiwan have a high level of collectivism, enterprises from that region place more emphasis on a more collective pay method such as profit-related pay than on individual achievement, which is more the norm in Western enterprises (Von Glinow *et al.*, 1999). This is supported by the findings of Easterby Smith *et al.* (1995) who identified major differences in the pay and reward systems of British and Chinese enterprises.

Importantly, previous studies have also identified links between incentives and rewards and the influence of culture, with scholars having identified that different HR practices have different levels of sensitivity to culture, with ‘hard’ practices, such as HR planning, being viewed as more sensitive to cultural values, whilst ‘soft’ practices are tied to the employees’ motivational issues (Easterby Smith *et al.*, 1995; Rowley & Benson, 2002). The need to consider incentives and rewards from different cross-cultural perspectives is also a growing concern as the exploration of different contexts can further assist theory development. For instance, motivation theory - which strongly supports the design of rewards and incentives - originates from the West, which induces bias and more Westernised views of employee preferences (Boyacigiller & Adler, 1991).

There have not been many studies focused on a comparative analysis of HRM practices between foreign-owned and indigenous companies; rather, studies have largely concentrated on comparing the HRM practices utilised by the subsidiaries of MNEs, and have also been conducted in the context of developed countries (Guest & Hoque, 1996; Muller, 1998; Geary & Roche, 2001). Markedly, previous studies comparing the HR practices in domestic and MNEs have obtained varying results depending on the focus of the study, as well as the overall context in which they have been conducted. For instance, studies considering labour relations have yielded both convergent (Purcell, 1987) and divergent results (Hamill, 1984). Moreover,

studies in developing or newly-developed countries have found mostly divergent results (Yuen & Kee, 1993; Chen *et al.*, 2005), although there are also examples of convergence.

However, given the importance of incentives and rewards to organisations and the considerable number of cross-national studies comparing the HR practices, incentives and rewards have been largely unexplored (Sparrow, 1999; Lowe *et al.*, 2002). The existing literature on rewards and incentives has focused on the individual facets of this practice such as ‘money versus benefits’, i. e. financial rewards or non-financial incentives on their own, or has focused on specific groups of employees such as the effect of different rewards and incentives for expatriates or executives (e.g. Harpaz, 1990; Bonache and Fernandez, 1997; Hempel, 1998; Fay and Thompson, 2001; Lowe *et al.*, 2002). Previous research has also focused on the perceptions of managers with regard to the incentives and rewards preferences of employees rather than the perceptions of the employees themselves (Bigones and Blakely, 1996; Oliver and Cravens, 1999). Based on the justifications outlined above, we hypothesise the following:

H5: Significant differences in the incentive and reward systems will be seen between DEs and MNEs.

H5₁: MNEs follow market principles and ethos in explaining the incentives and rewards structure to their employees. This approach will be less pronounced in DEs.

H5₂: Social and psychological benefits are more highly valued in MNEs than in DEs

3.9.1.6 Retention

Companies’ retention practices address the problems that arise from employee turnover. An organisation’s propensity to overcome problems stemming from employee turnover has to do with the particular retention incentives that can be utilised within the organisation as well as the organisation’s drive to utilise them (Maertz and Campion, 1998). These incentives are also linked to other practices such

as recruitment and selection, training, and internal opportunities, as retention capacity is embedded within these practices (Reiche, 2008). For instance, Shaw *et al.* (1998) highlight the importance of pay and benefits in encouraging employees to retain their position within the organisation. Coff (1997) adds performance-based rewards to this, as well as a sense of possession in the form of profit-sharing and stock ownership schemes. Magner *et al.* (1996) have also demonstrated that increased involvement in the organisation's decision-making processes can lead to a fall in turnover. In terms of multinational subsidiaries, authors such as Harzing and Sorge (2003) have identified the tendency for these subsidiaries to apply the HR practices utilised by their headquarters. This can produce difficult challenges due to the different environments in which these organisations operate. The home country pressures combined with the host country influences can affect the level of acceptance that the transferred HR practices will receive. Therefore a clash between these two influences can affect the efficiency and effectiveness of the HR practices utilised (Hofstede, 1998; Miller *et al.*, 2001). Given these complexities, it is difficult to state *a priori* the probable effect of MNEs' HR practices on employee turnover rate. The following hypothesis is based on a generally-held belief in emerging transition economies that, given the higher salaries and perks, the rate of employee turnover is lower in MNEs compared to DEs.

H6: MNEs have a lower turnover rate when compared to DEs.

3.9.2 The Role of the HR Director

To cope with changes occurring to the roles of HR directors, scholars and researchers argue that these professionals will have to increase their knowledge and range of skills such as in business expertise to be able to influence their employees' skills and credibility. This is supported by Hiltrop *et al.* (1995) who stated that it would be more advantageous to organisations for their HR directors to be given opportunities to broaden their knowledge by involving themselves in different areas of the organisation so as to improve their business and strategic experience. It is also argued that building up good relationships between line and HR managers will help the latter to understand and realise the problems in different organisational functions much better (Sullivan, 2003).

Strategic HR involvement and devolvement have already received much attention in the literature. For example, Teece *et al.* (1997) have argued that the integration of HRM into organisational strategies has made organisations more effective and efficient as a result of enhanced competences. In support of this, Baker (1999) emphasised that benefits from employees such as higher job productivity, increased cost-effectiveness, more committed employees and higher innovation can be achieved by developing and intensifying an alignment between HRM and organisational strategy. In contrast, some authors have found that HR devolvement can assist organisations in solving many problems at the lower levels, which can lead to improved change management and more dependable line managers (Budhwar, 2000). The issues of strategic HR involvement and devolvement can also allow HR directors and professionals the freedom to play the role of internal consultants within their organisations, beyond the more traditional HRM roles. The same also applies to line managers who should be involved in the HR process to ensure a higher quality of HR throughout the organisation.

The importance of the HR directors in an organisation will also extend to the international activities. Their role will be influenced by the more global nature of organisations. The need to be competitive has driven many organisations to expand internationally, presenting increased challenges for international HR directors (Sparrow and Brewster, 2006). An HR director's expertise will be required when organisations try to enter new markets be it in the form of international acquisitions, mergers, joint ventures or the establishment of new entities. Schuler and Jackson (2001) have found that, with reference to the four roles introduced by Ulrich (1997b), HR directors play different roles in the different stages of the mergers and acquisitions process including joint ventures. However, although they have a role in the international merger and acquisition process, they are not active in the strategic process occurring during these mergers or acquisitions (Clemente and Greenspan, 2000; Jeris *et al.*, 2002). The findings by Bjorkman and Soderberg (2003) support the findings of the two studies and they found that a broader, more strategic role played by the HR director would have helped in managing the transaction, communication and integration processes which are crucial to the success of mergers and acquisitions, including joint ventures.

H7: The Role of the HR Director varies when comparisons are made between DEs and MNEs.

H7₁: The HR director plays a more important role beyond the more routine functions (such as headhunting, training, and job evaluation) to more strategic functions (such as contributing to planning and the implementation of business and corporate strategies and organisational designs). Given their international experience, the role of the HR directors in MNEs will be more strategic than their counterparts in DEs.

H7₂: The role of the HR director of MNEs has shifted over the last 5 to 10 years in the areas of strategic decision-making. This is more apparent in the role of HR directors in MNEs when compared to their counterparts in DEs.

H7₃: The HR directors of MNEs routinely delegate day-to-day HR work to line/junior managers more than the HR directors of DEs to enable them to concentrate on more important strategic functions.

3.9.3 HRM Practices and Perceived Organisational Performance

Most empirical work carried out to explore the HRM-performance link favours the use of subjective performance measures (for example, Delaney and Huselid, 1996; Wright *et al.*, 1999; Fey *et al.*, 2000; Green *et al.*, 2006; Joseph and Dai, 2009; Katou and Budhwar, 2010; Razouk, 2011). The literature shows that most HRM researchers employ subjective measures to assess organisational performance as they deem the validity of these subjective measures to be adequate (Razouk, 2011). In this regard, some researchers have found positive connections between the subjective and objective measures of organisational performance (for example, Dess and Robinson, 1987; Geringer and Hebert, 1991; Powell, 1992). Furthermore, subjective measures of organisational performance enable managers to factor in the companies' objectives when evaluating their performance.

In order to gain a sense of perceived financial performance, respondents were asked to rate or evaluate the main organisational performance indicators in their companies compared to their rivals in the same industry. Based on the justifications outlined above regarding the perceived measures of financial performance, we hypothesise the following:

H8: MNEs with their better HRM systems, will have better perceived financial performances when compared to DEs.

3.9.4 Control Variables in the HRM practices comparison

Most of the empirical studies conducted on HRM comparisons have controlled third factors because these variables could make an association between human resource practices and their impact. Studies that use control variables produce better and more valid results than others. Additionally, the different comparison studies have used different types of control variables, including firm size, firm age, unionisation, industry, R&D, capital intensity, country of ownership, type of ownership, representation of personnel on board, technology, structure of organisation, product line speed and business strategy. As the literature shows, firm size, firm age and industry have been used in most comparison studies. These control variables have caused significant variations in HRM practices. Indeed, according to Datta *et al.* (2005), firm size is a key contingent or control variable as it may be associated with the use of HRM as well as organisational performance. Such a variable should be including in any research design because large organisations, for example, have larger economies of scale than small organisations. The firm age should also be included as it can control for any advantages gained through time by the evolution or adoption of more advanced HRM as well as ‘learning-curve’ advantages in productivity. Previous studies have also controlled for industry as results may vary by sector, as seen in studies conducted by Datta *et al.* (2005) and Delery and Doty (1996). Accordingly, we hypothesise the following:

H9: There are marked differences in HR practices depending on firm age, firm size and industry.

After developing the previous nine hypotheses, the aim of this thesis begins to emerge more clearly. All these hypotheses have been stated to compare the HRM practices of domestic and MNEs in Brunei. Generally speaking, and after looking at the main HR practices in the literature, researchers have proved the critical role that HR practices can play in different organisations. As can be clearly seen from different studies in the HRM area, HR practices have a significant impact on vital issues in organisations such as turnover, productivity, job satisfaction, employee commitment and market share, as well as real and perceived financial performance. Moreover, the majority of researchers have witnessed some differences between national and multinational organisations in applying these practices. These differences are seen in the approaches of domestic and MNEs to the different HR practices and are made more apparent when the characteristics of these multinationals are deeply explored.

It needs to be emphasised that the above hypotheses are largely based on the literature review outlined above; they are also partly based on a general appreciation of MNEs' operations in host nations. For example, it is common knowledge in the international business literature that MNEs have three basic characteristics. First, these enterprises must be responsive to a number of essential environmental forces, including competitors, customers, suppliers, financial institutions, and governments. Second, given their global network, MNEs draw on a common pool of resources, including assets, patents, information, and human resources. And, third, MNEs are linked together by a common strategic vision (Rugman and Collinson, 2009). Their international activities are largely guided by these three principal characteristics. Table 3.1 lists in summary form all the hypotheses.

Table 3.2 A Summary of Research Hypotheses Derived from the Literature

H1	Significant differences in the recruitment and selection policies will be seen between DEs and MNEs.
H1₁	Given the international operations of MNEs, it is hypothesised that recruitment criteria will be more stringent in MNEs when compared to DEs.
H1₂	MNEs rely more on external recruitment to fill vacancies than DEs.
H1₃	Compared to DEs, the management of senior executive succession applied by MNEs is more strategically organised
H2	Significant differences in the training and development policies will be seen between DEs and MNEs.
H2₁	MNEs place more emphasis on training compared to DEs.
H3	Significant differences with respect to internal career opportunities will be seen between DEs and MNEs.
H3₁	MNEs place more stringent criteria when promoting compared to DEs.
H4	Significant differences in the performance appraisal process will be seen between DEs and MNEs.
H4₁	MNEs have a more structured performance appraisal process when compared to DEs, with differences between MNEs and DEs in the frequency with which the PA is conducted, who conducts the appraisals, and the time gap within which the feedback is given to the employees.
H4₂	The HR directors of MNEs will be more receptive to the performance appraisals process than those in DEs.
H4₃	The HR employees of MNEs will be more receptive to the performance appraisals process than those in DEs.
H5	Significant differences in the incentive and reward systems will be seen between DEs and MNEs.
H5₁	MNEs follow market principles and ethos in explaining the incentives and rewards structure to their employees. This approach will be less pronounced in DEs.
H5₂	Social and psychological benefits are more highly valued in MNEs than in DEs
H6	MNEs have a lower turnover rate when compared to DEs.
H7	The Role of the HR Director varies when comparisons are made between DEs and MNEs
H7₁	The HR director plays a more important role beyond the more routine functions (such as headhunting, training, and job evaluation) to more strategic functions (such as contributing to planning and the implementation of business and corporate strategies and organisational designs). Given their international experience, the role of the HR directors in MNEs will be more strategic than their counterparts in DEs.
H7₂	The role of the HR director of MNEs has shifted over the last 5 to 10 years in the areas of strategic decision-making. This is more apparent in the role of HR directors in MNEs when compared to their counterparts in DEs.
H7₃	The HR directors of MNEs routinely delegate day-to-day HR work to line/junior managers more than the HR directors of DEs to enable them to concentrate on more important strategic functions.
H8	MNEs with their better HRM systems, would have better perceived financial performances when compared to DEs
H9	There are marked differences in HR practices depending on firm age and firm size.

Source: Author's review of the Literature

3.10 Summary

This chapter outlined the hypotheses development process for this thesis. We began by explaining the various concepts of HRM including the emergence and increasing importance of IHRM. We looked at the theoretical base of HRM literature which showed that there are many more questions that can be asked than answers that can be provided. With the main focus of this thesis being the comparison of HRM systems utilised in domestic and MNEs, we also reviewed previous comparison studies conducted in this area and the empirical results that they provide. It is evident that many concepts and mechanisms mentioned above have not been explored in depth when associated with HRM, particularly in emerging country contexts.

The HRM systems refer to a combination of significant HR practices that have been identified in the literature. These practices have been proved to impact organisations due to their influence on the attitudes, behaviours and performances of their employees. Strong linkages have also been seen between these practices and different organisational outcomes. The main focus of this thesis is on these HR practices and how they differ in DEs and MNEs. In this work, we consider the following practices: recruitment and selection; formal training system; internal career opportunities; formal appraisal system; and incentives and rewards. In this chapter, during the process of the literature review, we found and listed nine testable hypotheses, a number of which have sub-hypotheses.

In addition to HR practices, additional areas on which we also focus in this thesis including the role of the HR directors. This is an increasingly important aspect of HRM as it is essential to ascertain whether they play a strategic role within their organisations. We also look at the level of strategic involvement and devolvement that takes place with respect to HR directors. Furthermore, we highlighted the relationship between HRM and organisational performance. This is becoming increasingly important as the area of organisational performance is seen as the 'holy grail' of HRM.

CHAPTER FOUR: RESEARCH METHODOLOGY

4.1 Introduction

This chapter explains the research methodology and research design selected for use in this thesis, to test the hypotheses set out in the previous chapter. We begin by highlighting the mainstream research methodologies and designs and move on to discuss the population and sampling issues. Following this, are explained the methods used in data collection, research variables and their measurements, and the various tests employed to analyse the data. Finally, the ethical considerations taken into account in completing this work are stated.

4.2 Scientific Research Paradigms and Justifications of Research Methodology and Design

Research can be defined as a systematic, organised and critical investigation or inquiry into a particular problem with the intention of finding answers or solutions through scientific and objective means (Sekaran, 2003). Therefore, research can be seen as the process of solving identified problems that would need clear definition so the activities that follow, such as the gathering of data and their analysis, can be performed in order to solve or, at the very least, minimise those problems. This section highlights the research paradigms used in conducting research and the logic behind the choices made in this research.

4.2.1 Rationalism vs. Empiricism

Rationalism and empiricism both relate to knowledge, where it is gathered and how it is used. Rationalists take the view that there is innate knowledge (internal sources of knowledge), with an emphasis on the use of reason and logic whilst highlighting the need for conceptual clarity and evidence (Hjorland, 2005). Therefore rationalists prefer deductive methods to inductive ones. Empiricists believe that data acquired through experiences and observations (external sources of knowledge) provide the only correct way of attaining knowledge. Studies based on empiricism can be seen to

follow a bottom-up strategy when processing information compared to top-down analyses performed in studies based on the rationalist approach (Hjorland, 2005)

This research can be considered to follow both rationalism and empiricism, as is the case for a majority of research conducted today, with rationalism being followed in the development of hypotheses from theory, seeking to ensure conceptual clarity using deductive methods, and empiricism followed when collecting and testing the data; in our case, we are taking account of the experiences and observations of HR directors.

4.2.2 Subjectivism vs. Objectivism

Subjectivism and objectivism are related to the manner in which an object is perceived or unperceived by a perceiving subject, and there is normally no connection between object and subject other than the object being perceived by the subject. Subjectivism depicts studies which look at social, observable occurrences and their significance is inferred from notions of the perceiving subject (Bryman and Bell, 2007). This process is widely found in qualitative research where those being researched are free to share their individual views and the researchers are free to construe meanings from data collected. On the other hand, objectivism is seen more as the interpretation of data collected and their analysis without any bias from the perceiving subject. Objective research interprets data analysis results exclusively on the basis of the findings from actual data, independent of the leanings of the researcher (Sekaran, 2003). Therefore, the level of subjectivity or objectivity is associated with the perception of the perceiving subject.

In terms of this research, we have taken an the objectivism approach, as the main outlined hypotheses seek to compare the HR practices of domestic and MNEs and will only be accepted or rejected on the basis of findings from a questionnaire (quantitative), with no account taken of emotional or subjective values.

4.2.3 Positivism vs. Phenomenology

Positivism and phenomenology relate to the researcher and the reality that is being observed, with positivism denoting that the researcher is independent of the world being observed and phenomenology referring to research being performed where the world is subjective and the researcher is part of the observed world (Easterby-Smith *et al.*, 1991). This is supported by Bryman and Bell (2007), who indicate that positivism generates hypotheses for the purpose of objective scientific testing, with no connection between the researcher and that which is being researched. Conversely, they have also noted that the reality of phenomenology is structured around the researcher and that this approach, therefore, is utilised in most qualitative and inductive studies.

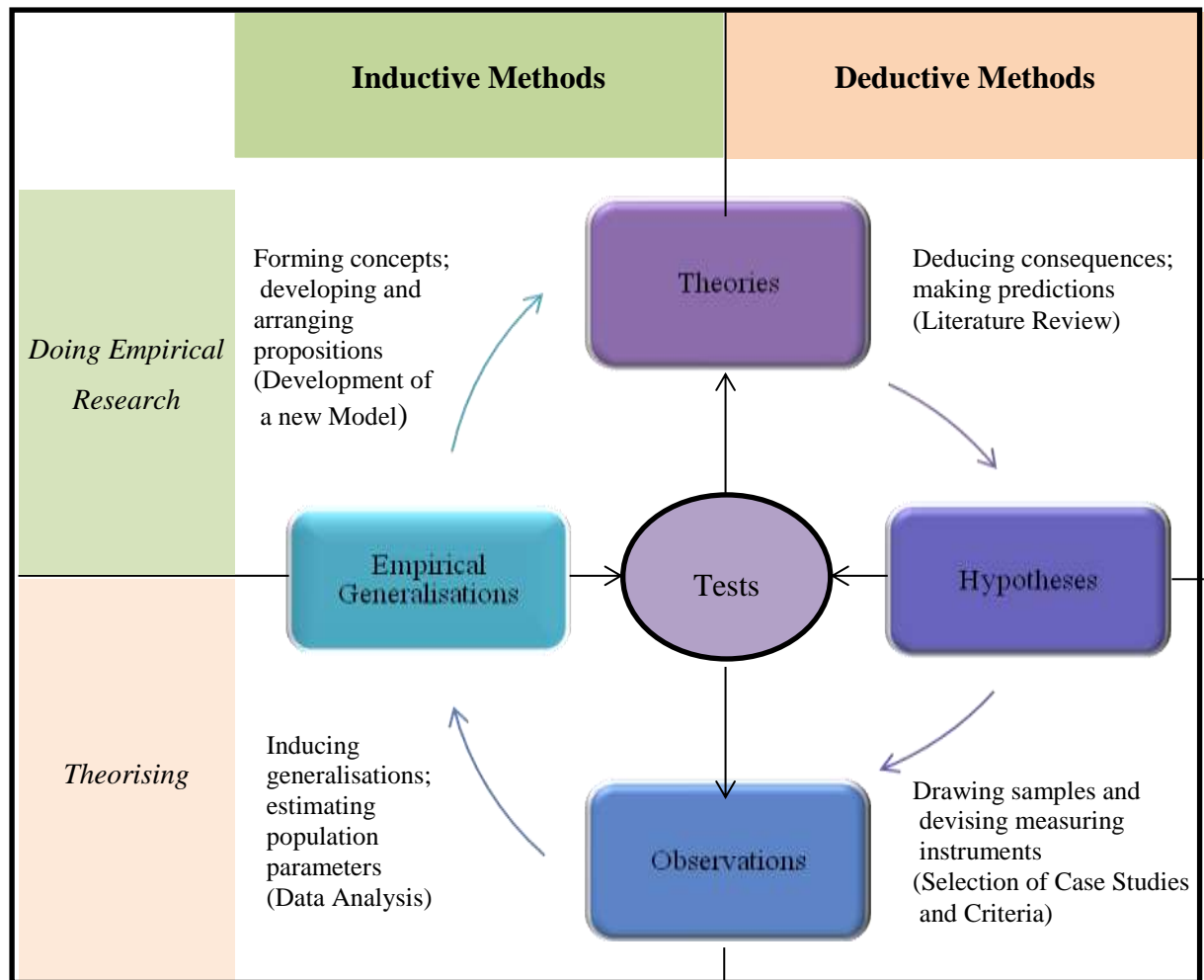
In terms of this research, we follow the positivism approach as we have generated hypotheses for testing by utilising scientific procedures objectively. The aim of this research is to look at the behaviour of enterprises with different criteria, comparing identified variables, in this case, HRM practices, which fits into the positivism approach.

4.2.4 Induction vs. Deduction

Induction is a type of reasoning whereby analysis is inferred from empirical observations, and the observations are used to generate theories. It can be said that, when following the induction approach, data precede theory. This is in contrast to deduction where conclusions are gathered from theory; this is known as hypothesis generation and data are utilised to confirm the acceptance or rejection of the generated hypotheses. The deduction approach is the opposite of induction where theory precedes data. The induction and deduction methods are shown in Figure 4.1.

In terms of this research, the deduction approach is followed in that, after identification of the problem, hypotheses are developed and variables identified to allow their measurements. This is followed by the data collection and their analysis, with the results logically allowing us to deduce whether the hypotheses are accepted or rejected.

Figure 4.1 Induction and Deduction Methods



Source: Deshpande (1983)

4.2.5 Qualitative, Quantitative or Triangulated Research

Three main research approaches are distinguished by various authors (e.g. Creswell, 1994; Sekaran, 2003; Trochim, 2006; Bryman and Bell, 2007) in qualitative and quantitative research. These are qualitative research, quantitative research and triangulated research. Qualitative research approaches are used where the researcher is interested in analysing meaning without regard for numerical values. The collection of qualitative data through interviews and focus groups is generally used to look for patterns and themes that can be identified and explained. Vast quantities of information can be obtained in this way, and what people say is analysed for personal meaning and richness, rather than how much they say. On the contrary, quantitative research approaches focus on numerical values which are ascribed to people's actions, speech and attitudes, following a deductive research process. Scaled

questionnaires and surveys, observations and experimental measurements are examples of quantitative methodology.

Some researchers question the reliability and appropriateness of either one or the other of these methods, and some use the best aspects of both in an attempt to produce more robust methods of enquiry. When two or more methods are used together, this type of research is known as triangulated research. This uses both qualitative and quantitative approaches either at different times and places of the study (mixed-method research), or within or across the same phases of the study (mixed-model research).

In terms of this research, the quantitative approach was taken to answer the main research questions and test the main hypotheses, as we had chosen to collect and analyse quantitative data obtained from a close-ended questionnaire, and to identify the statistical differences between the variables being compared.

4.3 Data Collection Methods

As per our outlined research strategy, this thesis uses primary and secondary data. This section highlights the characteristics of these two types of data as well as the sources which were utilised to obtain these data.

4.3.1 Primary Data

Primary data can be defined as new data collected to achieve the purposes of a research study; they can be obtained through many different methods including questionnaires, interviews and observations (Saunders *et al.*, 2003). For the purposes of this research, a detailed questionnaire was drafted and developed to gather the primary data which was used to study the HRM practices implemented in domestic and MNEs. A questionnaire as a set of questions set out to record the answers of employees, or whoever the target respondents are, to a given set of closely defined alternatives (Sekaran, 2003). Scholars such as Collis and Hussey (2003) have also identified two approaches to questionnaires: the positivist approach which suggests closed questions, and the phenomenological approach which advocates open-ended

questions. When utilised in the correct manner, questionnaires can be an effective and efficient way of collecting data through various distribution channels, either personally, by mail or online.

The primary data collected in this research primarily deals with HRM variables, looking at the HR practices of recruitment and selection, training, internal career opportunities, performance appraisals, and incentives and rewards, as well as areas concerning the role of HR directors and their involvement in organisational decision-making and devolving day-to-day HR tasks. The questionnaire also includes questions relating to the organisations' employee turnover. The primary data collected for this thesis were obtained through a self-completed questionnaire which was distributed by mail to the HR directors of the organisations targeted. Further insight into the development of this questionnaire and its administration will be detailed in the following sections.

4.3.2 Secondary Data

Secondary data consist of information that has been gathered by anyone other than the researcher undertaking the present study and play a crucial part in most organisational research (Sekaran, 2003). These data would normally be obtained from sources referring to previous research undertakings which have probably utilised their own primary data that have been analysed for their own research purposes (Saunders *et al.*, 2003); these might include government sources and publications, commercial sources and publications such as companies' annual reports, the media, regional publications including case-studies, and books and periodicals (Zikmund, 2003). Various scholars have highlighted the advantages of using secondary data, which include time-saving and cost-effectiveness due to their high quality and ease of collection (Bryman and Bell, 2003). There are also disadvantages due to the data being unfamiliar to the ensuing researchers and due to their inherent complexities combined with the lack of control over the quality of the data and possible absences of key variables. For this research, we have used the majority of articles, books and case-studies that are closely related to the topic being researched in order to identify the main research problem, building on existing theories and leading to the formulation of this thesis's research hypotheses.

4.4 Population and Sample

Population refers to the group of items, ranging from people to firms and events, from which the sample is to be selected. The sample refers to the part of the population that is to be investigated. Sampling is the act of selecting the correct sample which, through the researcher's understanding of the characteristics of items in the sample, will be representative of the entire population. Which sample size to use is a major concern for researchers as no definitive answer exists. It is subject to constraints faced by the researcher such as time, cost and the required accuracy. Fortunately, a number of researchers such as Kregcie and Morgan (1970) have provided guidelines on appropriate sample sizes for different population sizes, and this greatly assists researchers in making decisions about this issue.

Data for this study come from a primary survey administered to the HR directors of domestic and MNEs operating in the country of Brunei Darussalam. A count revealed a total population of 465 domestic and MNEs operating in the country. The term MNEs is used in a broad sense to encompass all foreign enterprises including joint ventures (JVs). JVs with varying degrees of foreign equity participation are an essential means of gaining entry, as the country does not always permit 100% equity ownership. However, as is well known, even with minority ownership the degree of control over an enterprise can be exercised via clauses in management contracts and terms of the joint venture. As a result, when conducting an ANOVA test, as expected we found that the two groups had similar characteristics, permitting us to classify them as one group. This will be explained in more detail in the following chapter.

Based on the established formula to determine sample size, $n = \frac{N}{1+N(e)^2}$ where N is the population size and e represents the confidence level, a sample size of 214 was drawn randomly from this population of firms. Postal and face-to-face follow-ups yielded 151 usable replies amounting to a response rate of 70%. Of these 151 replies, 88 were from DEs (58%) and 63 were from multinational organisations (42%).

4.5 Process of Questionnaire Development

This study uses a questionnaire as the primary instrument of data collection. It has been identified as one of the most commonly used data collection methods using standardised measurement tools. A questionnaire to collect the primary data was drafted, with seven sections inquiring into various aspects including the role of the HR director, recruitment, training, retention, appraisals, and incentives and rewards. The questionnaire was then pilot-tested through meetings with a number of HR directors working in domestic and MNEs operating in different industries in Brunei. The questionnaire was then redrafted to take into account comments and suggestions made by these HR directors. It was then distributed by mail to the HR directors of the targeted companies; this yielded 151 usable replies from a sample size of 214 firms, amounting to a response rate of 70%. Of these 151 replies, 88 were from DEs (58%) and 63 were from multinational organisations (42%).

4.5.1 Design of the Questionnaire

The drafting of the questionnaire used for data collection adhered to the extensive literature available on good-quality questionnaire design (e.g. Festinger and Katz, 1966; Dillman, 1978; Moser and Kalton, 1979; Bickman and Rog, 1998), taking into account key issues such as the phrasing of the questions, the form and type of the questions, the arrangement and length of each question, the general clarity of the questionnaire and the presentation of the entire questionnaire package. We took into account all these key issues when drafting the main research instrument used here.

When looking at the issue of phrasing, we took into account the wording used in the questionnaire and its complexity so as to avoid confusing the HR directors of the targeted companies. Due, in part, to a context which has a completely different culture from the contexts where studies of this kind are normally conducted, many words in the questionnaire had to be adapted or replaced with words that were simpler to understand as well as more appropriate to the cultural context. To further fit into the cultural context, both questions and answers were written in short and simple sentences. Being aware of these potential pitfalls and taking them into account with each draft resulted in a questionnaire that was able to accurately record the perceptions and attitudes of the respondents while minimising the possibility that

these responses were affected by bias. Closed questions were used in the questionnaire, as a limited number of alternatives helps both the respondents, who are able to make swift decisions, and the researchers, who are able to use a simpler coding process. Furthermore, we made sure that there were no leading or double-barrelled questions.

Owing to the length and detail of the research questionnaire, the arrangement of the questions was a concern as this can play an important part in ensuring that the responses better reflect the perception and attitudes of the respondents, furthermore, a better flow will motivate the respondents to complete the questionnaire. Therefore, following recommendations by Festinger and Katz (1996), we used the 'funnel approach' in the sequencing of the questionnaire. This meant asking the more general questions earlier on and placing specific questions later. We also started with the easier questions and progressively moved towards the harder ones. Furthermore, the questionnaires were distributed with a covering letter clearly explaining the rationale of the research as well as assuring the respondents of anonymity. Each section of the questionnaire stated its purpose in addition to providing clear instructions for respondents.

4.5.2 Pilot Study

Pilot studies can be seen as a testing ground for research instruments and are considered beneficial as going through the process beforehand can ensure better survey questions. Pilot-testing questionnaires can lead to better data as the questions can be made less ambiguous, leading to better understanding by respondents. Pilot tests of research instruments should be carried out for the following reasons: to ensure that the questions are appropriate and measure what they are supposed to; to ensure that the questions are understood similarly by respondents; and to ensure that there is no bias in the questions (Dillman, 1978).

The pilot study for this research took place between August and November 2009. It was conducted with the assistance of general managers and HR heads. These managers and heads were from both multinational and DEs in Brunei. The survey was distributed to 12 companies from different sectors of the Brunei economy. Three

companies were in the oil and gas sector, three companies were in the financial sector, three companies were in building and construction and two were in retail. The last company was the national airline of Brunei. All companies had more than 25 employees. Of these 12 companies, 10 agreed to grant interviews to discuss the questionnaire and also talk about the general state of HRM in Brunei. The companies that declined to be interviewed were a local bank (financial sector) and a construction company. The interviews took place in the offices of each company and were mainly “one-on-one” meetings.

The professionals interviewed understood most of the questionnaire and all commented that it was very comprehensive. The terms used in the questionnaire were clear and used by the organisations themselves. A number of questions that were found to be confusing were discussed to make them clearer and more easily understandable. There were also a few additions suggested by the directors although these took the form of extra choices to fit in with the cultural traits of the country. After considering the discussions from the meetings, it was felt that the situation inside the country rendered some questions irrelevant and these were deleted from the latest draft. The pilot study confirmed that the questionnaire was ready to be distributed to the sample population following some minor changes and additions.

4.5.3 An Overview of the Questionnaire

Following the pilot study process, the questionnaire has four main sections and a brief overview of the questions in each section can be found below. The questionnaire in full can be seen in Appendix A.

Section A

This section covers the basic information about the HR Directors and surveyed companies. Beginning with personal information of the respondent such as the gender and age group, it moves on to the company’s details such as its name, age and size, level of operations, type of industry, and its main target markets. This section also solicited information on the structure of the company and its ownership pattern. Information on the business objectives and strategies pursued by the company was

also sought as well as the state of the company's leadership and the turnover rate faced each year.

Section B

This section of the questionnaire focused on the role of the HR director and explored the activities of the HR directors within the organisations. The HR directors were asked to specify which of their activities are of the greatest strategic importance to the organisation and to indicate, on a 5-point Likert scale, the level of their activities in nine possible functions. The routine activities include tasks such as headhunting, contributing to succession planning, organising training programmes, planning career paths for management development, job evaluation, and monitoring and assessing employee performance, as well as ensuring compliance with equal opportunity legislation. Strategic activities included contributing to planning and implementing the business and corporate strategies, and advising on organisational design. This section also looked at how the role of the HR Director has changed over the last 5-10 years within their organisation in the areas of strategic decision-making, reviewing training needs, training budget and job rotation. Lastly, the issues of HR devolvement were investigated by looking at the delegation of two HR issues, 'day-to-day HR work' and 'HR strategic decisions', to line/junior managers.

Section C

This section begins with the collection of information on the HR practices in the targeted companies. The recruitment and selection, training, and internal opportunities were dealt with first. Information was first solicited about the recruitment and selection practices, with the HR directors indicating, on a 5-point Likert scale, the importance of qualifications and personal characteristics when it came to appointing a candidate to a middle grade in general management. Following this, the questionnaire asked about the relative importance of internal and external recruitment to various posts in the company, with these posts ranging from Senior Manager reporting to Chief Executive, to Junior Manager supervising operatives, and Professional Specialists (e.g. accountants). Next, the allocation of skilled jobs to local workers inside their organisations was explored and, finally, the HR directors were asked to indicate the percentage of total employees that leave the organisation voluntarily each year. We then asked the HR directors for their views on several

statements regarding the management of senior executive succession (replacement), including the desirability of external appointments, the promotion of internal competition, and the role of non-executive directors and the Board of Directors in selecting executive successors, on a 5-point Likert scale.

The second part of this section focuses on the training and development inside the targeted organisations. The HR directors had to indicate, on a 5-point Likert scale, their view on the most applicable methods of training new employees in junior management. These methods include formal instructions within the company, training provided by a third-party organisation but tailored to company needs, induction into a group by socialisation and imitation, learning by working alone, work replacement with strategic partners, and the buddy system / mentoring.

The final part of this section delves into the internal opportunities available to the employees of the targeted organisations. HR directors were asked to indicate, on a 5-point Likert scale, the main criteria of individual or group performance used in assessing cases for promotion, including contribution to profit, value and quality of output, the ability to keep within budget, effort (independent of final result), overall professionalism, deliverables, and individual competency level (technical).

Section D

This section set out to explore the rest of the HR practices inherent within the targeted organisations and asks the HR directors about the structure of their performance appraisal and incentive and reward systems. The HR directors were asked to provide information about the frequency with which performance appraisals are conducted, who conducts them, and the amount of time that elapses before feedback is given to the employee appraised. Following this, the HR directors were asked about the general perception of their organisations' performance appraisal process. They were given seven options to choose from, including the managers' and employees' dislike of the performance appraisal process, managers distancing themselves from conducting appraisals, the reflection of actual employee performance, the managers enjoying the power afforded by the top-down nature of the appraisal process, the appreciation of feedback, and the level of employee understanding of the appraisal process.

Then, HR directors were asked about the incentive and reward systems of the targeted organisations, firstly looking at the explanations of salary differentials in the organisation given to employees with reference to a 5-point Likert scale. There were five statements covering salary differentials reflecting external market, the firm's evaluation of tasks performed, the company's system of values, the company's interests, and personal perceptions. Then, HR directors were asked to indicate the importance of seven types of incentives and rewards, that included pay above industry level, pay above the local level, valuable fringe benefits, larger bonuses through greater effort, salary increments above inflation, and better career prospects and development compared to other firms in the same industry. We then moved on to look at the social and psychological benefits that might be valued by HR directors in their organisations. This question gathered their views on interesting and challenging work, friendly and supportive colleagues, job security, and the prestige of working in one of the top firms in their industry. The last question of this section asked HR directors to give their views on intra-company competition, and the importance of group solidarity.

Section E

This last section set out to measure the perceived financial performance of the enterprise. HR directors were asked to rate the following performance indicators on a ten-point Likert scale ranging from 'lowest performance' to 'highest performance': HRM practices and policies; holding market share; sales revenue; and profitability (after tax). This section takes into consideration the subjective side of organisational performance.

4.6 Measurement of the Research Variables

Two main variables are compared in this research: the HRM practices which include recruitment and selection, training, internal opportunities, performance appraisals and incentives and rewards; and the role of the HR director. We also consider firm size and firm age as control variables.

4.6.1 Compared Variables

Two variables are measured in the questionnaire: HR practices, which include recruitment and selection, formal training system, internal career opportunities, performance appraisal systems, and incentive and reward systems; and the role of the HR director within their organisation. The choice and development of variables were based on existing literature on HR practices (e.g. Delery and Doty, 1996; Ferner, 1997; Ulrich, 1997; Bae *et al.*, 1998; Hsu and Leat, 2000; Chen *et al.*, 2005; Sparrow and Brewster, 2006; Sparrow, 2007, McDonnell *et al.*, 2011). The five HR practices being explored are part of the seven HR practices that make up SHRM proposed by Delery and Doty (1996) which were themselves based on previous theoretical and empirical research carried out by scholars such as Miles and Snow (1984), Osterman (1987), and Sonnenfeld and Peiperl (1988). These practices were also part of Pfeffer's (1994, 1998) original seven practices and have been measured by researchers, largely in single-country studies (e.g., Guest and Hoque, 1994; Myloni *et al.*, 2004a; Chen *et al.*, 2005; Datta *et al.*, 2005). Scholars such as Theirou and Chatzoglou (2008) have recognised that effective usage of these HR practices can assist organisations to gain competitive advantages over their competitors which cannot be easily replicated. Furthermore, an increasing body of empirical evidence (Huselid, 1995; Guthrie, 2001; Datta *et al.*, 2005) suggests that, by utilising effective HRM practices, an organisation can enhance its performance, in particular, its productivity. Furthermore, the HR practices proposed by Delery and Doty and Pfeffer have been included and supported by a diverse range of literature (Delery and Doty, 1996).

The variables regarding the role of the HR Director were also based on existing literature (e.g. Hiltrop *et al.*, 1995; Budhwar and Sparrow, 1997; Ulrich, 1997a; Budhwar, 2000; Schuler and Jackson 2001; Truss *et al.*, 2002; Chang and Huang, 2005; Anderson *et al.*, 2007). The basis of the role of the HR director comes from one of the main aspects of SHRM in that the level of involvement of HR directors in the strategic side of management and the extent of the devolvement of their day-to-day tasks to line managers will indicate the importance of HRM. As previously mentioned, these variables will be used to compare the importance of HRM and implementation of these HR practices in domestic and MNEs. These variables will

also be used to look at the relationship between the implementation of these HR practices and the role of the HR director with the employee turnover faced by the organisation.

4.6.2 Control Variables

Common control variables used in research conducted in this field are firm size, firm age, level of research and development, intensity and the country of ownership. This research chooses to take firm size and firm age as the control variables. This is because the literature has shown that firm size and age can have an effect on the HR practices that organisations might choose to implement. Studies by various scholars (see Booth, 1993; Lynch and Black, 1995; Zeufack, 1998; Van Smoorenburg and Van der Velden, 2000; Tan, 2001; Tan and Lopez-Acevedo, 2003) all indicate significant differences in the HR practices implemented by organisations due to differences in their size. For instance, Matlay (1997) and Szamosi *et al.* (2004) have indicated that returns on training are unlikely to be captured by smaller firms due to their risk-averse nature which brings about cost-cutting and a lack of future planning. To take into account firm age, we divided firms into two groups, with smaller firms indicating those established for 14 years or fewer and older firms being defined as those established for 15 years or more. The classification of firm size follows definitions set by the European Commission (2003), where large size was defined as firms with more than 50 employees and smaller size was defined as firms having 49 employees or fewer. Due to the absence of a stock exchange or any public sources of information on companies operating in Brunei, information on the age and size of the targeted companies was collected through the questionnaire by asking the HR directors about the total number of employees in the company and the year in which the company was established. In addition to firm age, firm age and industry, a number of control variables were included when conducting the multivariate analysis which included the gender, age and experience of the HR director, the local labour participation and the stability of the organisations leadership measured by the number of CEO served.

4.7 Data Analysis Strategy

Taking into account the nature of this research as well as the use of previous comparison studies as a basis, we utilise various statistical methods to analyse the data obtained to test the hypotheses set out in the earlier chapter. We have mainly used the Statistical Package for Social Sciences (SPSS) to analyse our data as its competence and usefulness in data analysis has been well documented (Tabachnick and Fidell, 2007; Field, 2009). This section gives some insight into the statistical methods that have been utilised in this research and the justifications for why these methods were used.

4.7.1 Preliminary Data Analysis

We screen and clean up the data before the hypotheses-testing process begins. We present an account of the descriptive findings of the data such as means, standard deviations, and variances in order to understand the structure of the data. We then examine the effects of missing data, identify outliers, and test the main assumptions such as normality and homoscedasticity of the variables. The rationale of conducting such tests is to reveal what could not be clearly seen, since the hidden effects are easily ignored. Furthermore, we test the goodness of the data in terms of the variables' reliability and validity.

4.7.2 Levene's test

For groups of data, the homogeneity of variance is tested by conducting Levene's test (Levene, 1960) which tests the null hypothesis that the difference in variances in different groups is zero. The test works on the deviation score, which is the absolute difference between each score and the mean of the group where it came from (Glass, 1966).

The formula for Levene's test can be defined as follows:

$$W = \frac{(N - k)}{(k - 1)} \frac{\sum_{i=1}^k N_i (Z_{i.} - Z_{..})^2}{\sum_{i=1}^k \sum_{j=1}^{N_i} (Z_{ij} - Z_{i.})^2}$$

W is the result of the test and k represents the number of different groups to which the samples belong. N is the total number of samples and N_i is the number of samples in the i th group. Y_{ij} is the value of the j th sample from the i th group.

$$Z_{ij} = \begin{cases} |Y_{ij} - \bar{Y}_i| \\ |Y_{ij} - \tilde{Y}_i| \end{cases} \quad \bar{Y}_i \text{ is a mean of the } i\text{th group whilst } \tilde{Y}_i \text{ is a median of the } i\text{th group.}$$

$Z_{..}$ is the mean of all Z_{ij} (i.e. $Z_{..} = \frac{1}{N} \sum_{i=1}^k \sum_{j=1}^{N_i} Z_{ij}$) and $Z_{i.}$ is the mean of the Z_{ij} for group i (i.e. $Z_{i.} = \frac{1}{N} \sum_{j=1}^{N_i} Z_{ij}$)

If Levene's test is significant at $p \leq 0.05$, we can conclude that the null hypothesis is incorrect and that the variances are significantly different where the assumptions of homogeneity of variances are violated. If the test is insignificant ($p > 0.05$), the variances are roughly equal and the assumption is tenable. The results of Levene's test allow adjustments to be made in subsequent tests when variances in experimental groups are found to be unequal.

4.7.3 *t*-tests

The independent *t*-test is different from the dependent *t*-test, which looks at the mean difference between pairs of scores by the standard error of those differences, looking instead at the differences between groups, so it is divided by the standard deviation of the differences between groups. The formula is as follows:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\left(\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}\right)}}$$

This takes into account the need to obtain the standard deviation of the sampling distribution of differences between sample means by using the variance sum law. The law states that variance in the difference between two independent variables is equal to the sum of their variances.

The variance of sampling distribution of differences is $\frac{s_1^2}{N_1} + \frac{s_2^2}{N_2}$ and the square root of this will give us the standard error of the sampling distribution. In addition to that, the formula can also take into account the unequal number of participants in each group (in our case, local vs multinational) as the variance of each sample can be weighted. In this case, the pooled variance estimate is:

$$s_p^2 = \frac{(n_1-1)s_1^2 + (n_2-1)s_2^2}{n_1+n_2-2}$$

which would be replaced in the previous formula:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\left(\frac{s_p^2}{N_1} + \frac{s_p^2}{N_2}\right)}}$$

4.7.4 Mann-Whitney test

The Mann-Whitney test is the non-parametric equivalent of the independent t-test. This test compares two conditions when different participants take part in each condition. The test works by first ranking the data ignoring the group to which these data belonged. The groups are then divided and the scores ranked. Similar groups would then indicate similar sums of rankings. The test is based on a test statistic U which is calculated using the following equation:

$$U = n_1n_2 + \frac{N_1(N_1 + 1)}{2} - R_1$$

with n_1 and n_2 being the sample size of groups 1 and 2 respectively and R_1 being the sum of ranks for group 1. The values of the ranks indicate the difference in the groups, with groups with higher scores having higher ranks. The significance of the Mann-Whitney test is calculated by statistical packages using the ‘Asymptotic

Method'. When running the program in SPSS, we estimated the significance using the 'Monte Carlo Method' which is better with larger samples.

4.7.5 Multivariate Analysis – Ordinal Regression

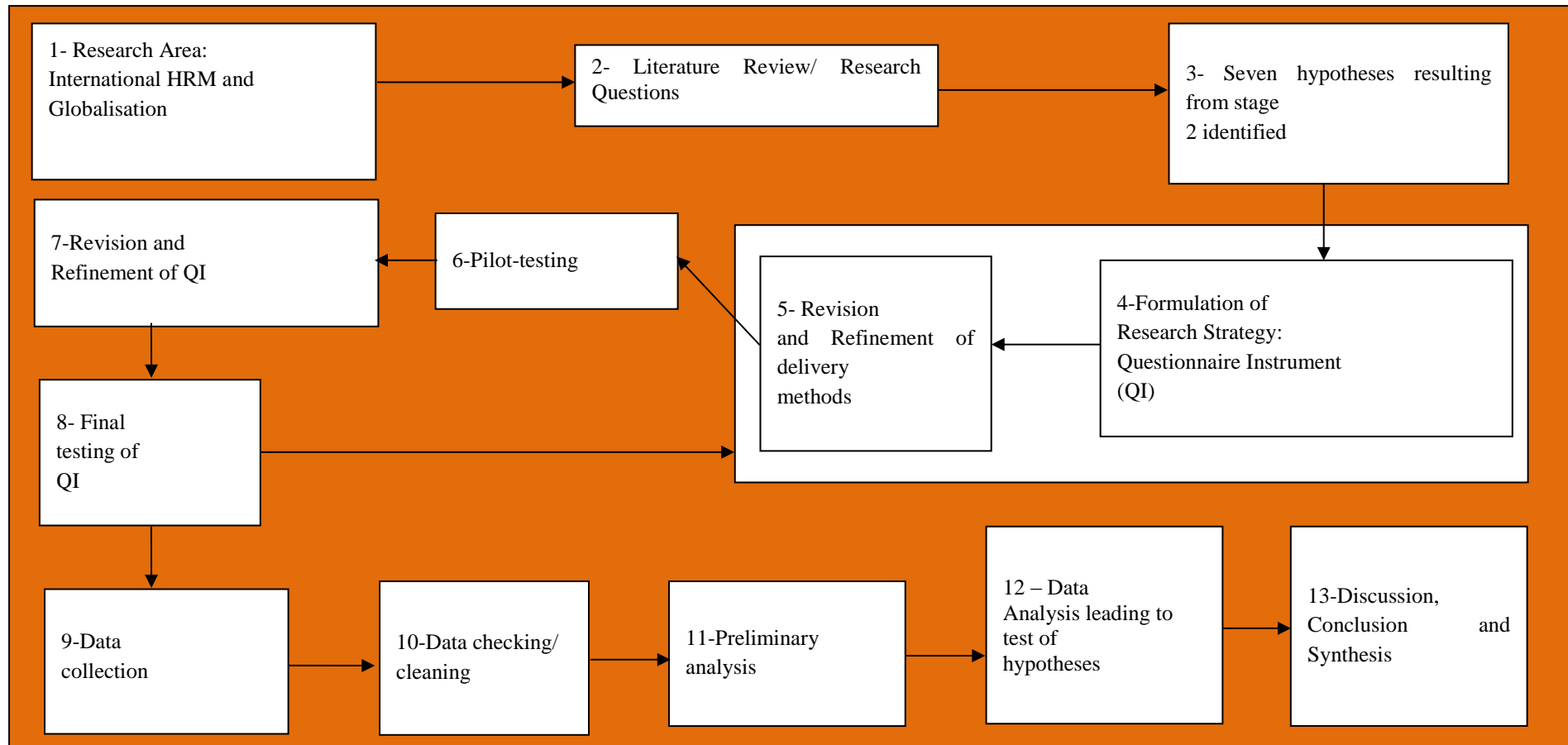
In terms of comparison studies, such methods mentioned above are the most frequently employed statistical techniques to evaluate and compare the differences in means between two groups (Field, 2009). To strengthen the analysis for this thesis, multivariate analysis is used. The statistical analysis is carried out with the help of descriptive statistics, including zero-order correlations. For multivariate analysis, ordinal regression analysis was used.

The ordinal regression used to analyse part of the data may be written in the form as follows if the logit link is applied: $f [g_j (X)] = \log \{ g_j (X) / [1 - g_j (X)] \} = \log \{ [P(Y \leq y_j | X)] / [P(Y > y_j | X)] \} = a_j + \beta X$, $j = 1, 2, \dots, k - 1$, and $g_j (x) = e^{(a_j + \beta X)} / [1 + e^{(a_j + \beta X)}]$, where j indexes the cut-off points for all categories (k) of the outcome variable. If multiple explanatory variables are applied to the ordinal regression model, BX is replaced by the linear combination of $\beta_1 X_1 + \beta_2 X_2 + \dots + \beta_p X_p$. The function $f [g_j (X)]$ is referred to as the link function that connects the systematic components (i.e. $a_j + \beta X$) of the linear model. The alpha a_j represents a separate intercept or threshold for each cumulative probability. The threshold (a_j) and the regression coefficient (β) are unknown parameters to be estimated through means of the maximum likelihood method (Chen & Hughes, 2004).

4.8 Overview of the Research Process

Prior to this chapter, we discussed the issues explored in this research and the development of the hypotheses to be tested. This chapter highlighted the approaches taken when conducting this research as well as the development of the research instrument. The methods used in the data analysis process are also underlined. We summarise the research process applied in this research in Figure 4.2. This summary is a schematic diagram of the core aspects of the current research process.

Figure 4.2 The Applied Research Process



Source: Developed by the author.

4.9 Ethical Issues and Considerations

Undertaking any type of research currently requires the consideration of various ethical issues. These issues are at the heart of the scientific research process. Taking these issues into account, we have ensured our compliance with the standards set by the Brunel Business Ethics Committee, especially in drafting our main research instrument (questionnaire). Ensuring the anonymity of respondents as well as undertaking to maintain complete confidentiality will further motivate these respondents and increase the number of participants. Therefore, we have clearly explained to the HR directors of the targeted companies the type of research being undertaken as well as its purpose, and have assured them that they will remain anonymous and that any data obtained will be confidential.

4.10 Summary

This chapter outlined the research methodology and explained the main elements of the research methods used. We described the data collection methods, including the population and sampling procedures and the questionnaire development process. We have employed a combination of primary and secondary data to achieve the objectives set out in previous chapters. To collect the primary data, a survey method was adopted. The questionnaire included sections to explore the role of the HR director, the HR practices, strategic HR involvement and HR devolvement, employee turnover faced by the organisation and the perceived organisational performance. The secondary data utilised in this research were gathered mainly to develop the hypotheses set out in Chapter Three. The target population from which the sample was drawn is the domestic and MNEs operating in the country of Brunei Darussalam. The unit of analysis is the organisation and the targeted respondents are the HR directors of these organisations. We were able to obtain responses from 151 companies from a targeted sample of 214; this represents a response rate of 70% which is high for a postal survey with 58% of the replies from DEs and 42% from MNEs. Descriptive analysis and proportion tests, t-tests, the Mann-Whitney test and ordinal regression are the main statistical techniques used in this work and they are explained in detail. The complete research process followed was described schematically and the main ethical considerations are stated.

CHAPTER FIVE: DATA PREPARATION

5.1 Introduction

This chapter presents the data preparation process. We screen and clean up the data before the hypotheses-testing process begins. We present an account of the descriptive findings of the data that includes means, standard deviations and variances of the variables. We then assess the effects of missing data, identify outliers and test the assumptions of normality, linearity and homoscedasticity. Finally, we test the goodness of the data in terms of the variables' reliability and validity.

5.2 Data Preparation and Screening

It is always better and more beneficial for researchers to initially screen their data before performing the main analysis. This process assists researchers in cleaning up the data, assessing the impacts of missing data, identifying outliers, and examining the assumptions underlying most multivariate techniques (Hair *et al.*, 2010).

5.2.1 Data Coding and Editing

To ensure the completeness and accuracy of the data, after the data collection process, data-editing took place. In doing so, we first assigned numbers for each single item answered in the questionnaire in an SPSS file. To ensure that the coding of the questionnaire was performed accurately and properly, we conducted the data-editing on the entire data set by proofreading the original questionnaire to check that the values were entered correctly and by examining the descriptive statistics and graphs of the variables (Tabachnick and Fidell, 2007).

5.2.2 Treatment of Missing Data

There are two methods for evaluating missing data when data collection problems, errors, or respondents' refusal or failure to answer one or more questions in the questionnaire occur (Tabachnick and Fidell, 2007). The first method is associated

with the pattern of missing data in which the researcher determines the randomness of missing data. The second method is associated with the amount of missing data. As a result, missing values distributed randomly through a data matrix indicate that there is no bias. On the other hand, should missing values be non-randomly distributed, the generalisability of the study might be affected. In this context, the pattern of missing values is more important than the amount of missing data (Ibid).

With regard to the amount of missing data, data screening revealed less than 5% missing values for each item in the questionnaire. Such a percentage is considered satisfactory (Churchill, 1979). We next conducted the randomness test of missing data to ensure that there is no systematic error (Hair *et al.*, 2010). The test of Missing Value Analysis (MVA) in SPSS revealed that the pattern of missing data occurred based on randomness, which means that missing data should be considered missing completely at random (MCAR), $p > .05$, $p = .598$. These results indicate that there was no problem with the data and we can carry on with further analysis (Tabachnick and Fidell, 2007). The missing values were replaced with the variable means. Such a method is considered one of the best methods to replace missing data since it is based on valid responses (Hair *et al.*, 2010).

5.3 Assessment of Outliers, Normality and Homoscedasticity

5.3.1 Detecting Outliers

An outlier is a case with such an extreme value that it is very different from the rest of the data. An outlier can be on one variable, “a univariate outlier”, or a very strange combination of scores on two or more variables, a “multivariable outlier” (Tabachnick and Fidell, 2007). Researchers have agreed that such extreme values can negatively impact the normality of the data and distort statistical results (Hair *et al.*, 2010). A number of statistical methods have been proposed by scholars to detect outliers, such as standardised scores, histograms, box plots, and normal probability plots. For the present work, we detected univariate outliers for all the variables by converting the data values for each observation into standardised scores, also known as z-scores (Hair *et al.*, 2010).

The accepted rule of thumb in z-scores tests recommends that, within univariate outliers, a case is an outlier if a standard score for a small sample size (80 or fewer) is ± 2.5 , while, for a sample size of more than 80, z-scores can range from ± 3 to ± 4 (Hair *et al.*, 2010). The univariate analysis revealed a few cases with large z-scores (± 3.0), as shown in Table 5.1. As we have a large sample size, a few cases with outliers are accepted since they do not have any significant effects on the results of the study (Tabachnick and Fidell, 2007). As a result, we decided to leave these cases and not to transform any data since the number of cases in our data is considered within the acceptable number of outliers. In addition, to ensure that all the variables are normally distributed, the next section examines the assumption of normality for all variables.

Table 5.1 Univariate outliers

Variable	Case number	Z-scores $> \pm 3.0$
Qualifications: School and universities	54	-3.34235
Qualifications: Command of languages	144	-3.38943
Personal Characteristics:	22	-3.33548
Potential to grow with the job	59	-3.33548
Personal Characteristics: Independent judgment	5	-3.77183
Personal Characteristics: Willingness to learn	144	-4.31545
Training methods: Formal instructions within the company	84	-3.51369
	119	-3.51369
	139	-3.51369
Criteria used in internal promotion: Value of output	116	-3.29605
Criteria used in internal promotion: Deliverables	22	-3.75452
Criteria used in internal promotion: Individual competency level (technical)	57	-3.29465
	110	-3.29465
Rewards type: Basic pay above the local level in the area	26	-3.23242
	65	-3.23242
Reward types: Better career prospects and development opportunities compared to firms in the same industry	116	-3.29368

Source: Author's analysis of data

5.3.2 Normality

Normality is considered a fundamental assumption which indicates the shape of the distribution of the data and its correspondence to the normal distribution. If the variation from the normal distribution is significantly large, this could distort other statistical tests and make them invalid (Hair *et al.*, 2010). The normality assumption can be tested for univariate level (i.e. distribution of scores at an item level) and for multivariate level (i.e. distribution of scores within a combination of two or more items). In the present work, we examine the normality assumption at the univariate level since we are comparing HRM issues between domestic and MNEs at the item level. The assumption of normality can be tested by either graphical or statistical methods. We conducted a Jarque-Bera test (for skewness-kurtosis) as it is one of the key statistical tests for examining the shape of the data distribution. The purpose of this test is to ensure that all the variables are within the acceptable limit of skewness and kurtosis ranges. Skewness is related to the symmetry of the distribution where the distribution is shifted to the left or to the right. A positive skewness indicates that the distribution is shifted or unbalanced to the left, whereas a negative skewness indicates a shift to the right. Kurtosis, on the other hand, reflects the “peakedness” or “flatness” of the distribution compared to the normal distribution (Hair *et al.*, 2010). As a result, a positive kurtosis indicates a peaked distribution, whereas a negative kurtosis reflects a flatter distribution. Scholars have identified the critical values of skewness and kurtosis within the range of ± 2.58 at the 0.01 significance level (Tabachnick and Fidell, 2007; Hair *et al.*, 2010)

The results of the Jarque-Bera (skewness-kurtosis) test revealed that, for all the research variables, the skewness and kurtosis values lie between the acceptable range limits, as shown in Table 5.2. Based on that, the results indicated that the data are normally distributed. In addition, a normal probability plots test has been conducted for the variables and the results also revealed no serious deviation from normality.

Table 5.2 Basic Statistics including results of Normality tests on the Data Set

Variables	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Std. Error			Statistic	Std. Error	Statistic	Std. Error
Recruitment								
Qualifications								
School and universities	4.09	.075	.923	.853	-.739	.197	-.111	.392
Professional qualifications	4.09	.078	.955	.911	-.840	.197	-.028	.392
Experience in similar jobs	4.32	.063	.771	.594	-.810	.197	-.263	.392
Wide range of Experience	3.89	.074	.913	.834	-.466	.197	-.329	.392
Experience in other countries	3.45	.091	1.124	1.263	-.303	.197	-.597	.392
Language	3.99	.072	.883	.780	-.576	.197	-.102	.392
Presentation	4.02	.078	.955	.913	-.784	.197	.342	.392
Personal Characteristics								
Willingness to travel	3.57	.095	1.169	1.367	-.449	.197	-.576	.392
Devotion to task	4.30	.071	.870	.757	-1.113	.197	.456	.392
Self-motivation	4.35	.068	.834	.696	-1.157	.197	.594	.392
Potential to grow with job	4.19	.078	.955	.912	-1.125	.197	.786	.392
Independent judgement	4.19	.069	.846	.716	-.981	.197	.843	.392
Commitment to the company	4.46	.066	.806	.650	-1.484	.197	1.582	.392
Willingness to learn	4.44	.065	.796	.634	-1.436	.197	1.994	.392
Internal/ External Recruitment								
Senior manager reporting to chief executive	2.56	.104	1.284	1.648	.304	.197	-1.028	.392
Junior manager supervising operatives	2.66	.086	1.059	1.121	.113	.197	-.433	.392
Professional specialist	3.46	.104	1.279	1.636	-.523	.197	-.649	.392
Executive Succession Planning								
External appointments are desirable as they bring in new blood	3.36	.091	1.116	1.245	-.278	.197	-.489	.392
External appointments are undesirable because of company's	2.56	.105	1.289	1.662	.290	.197	-.986	.392

complexities								
Competition should be avoided by 'preparing' one in advance	3.02	.100	1.225	1.500	-.038	.197	-.811	.392
Non-executives directors should play a dominant role	2.80	.102	1.249	1.560	.259	.197	-.793	.392
Appointments are made by the Board	3.23	.109	1.334	1.779	-.246	.197	-1.078	.392
Training								
Formal instruction within the company	4.24	.075	.922	.849	-1.374	.197	1.938	.392
Training provided by third party	3.47	.102	1.248	1.557	-.390	.197	-.850	.392
Induction by socialisation	3.44	.099	1.214	1.474	-.259	.197	-.792	.392
Learning by doing	3.25	.095	1.173	1.376	-.202	.197	-.711	.392
Work placement with partners	3.11	.092	1.132	1.282	-.099	.197	-.536	.392
Buddy system / Mentoring	3.40	.095	1.161	1.349	-.346	.197	-.596	.392
Internal Career Opportunities								
Contribution to profit	3.92	.074	.913	.834	-.587	.197	.097	.392
Value of output (independent of profit margin)	3.91	.072	.882	.778	-.526	.197	-.079	.392
Quality of output	4.21	.063	.771	.595	-.739	.197	.120	.392
Keeping within budget	3.74	.071	.877	.769	-.175	.197	-.129	.392
Effort (independent of final result)	4.13	.069	.854	.729	-.649	.197	-.396	.392
Overall Professionalism	4.19	.065	.798	.636	-.760	.197	.085	.392
Deliverables	4.16	.068	.841	.708	-.853	.197	.562	.392
Individual competency level (technical)	4.08	.076	.935	.874	-.904	.197	.483	.392
Incentives and Rewards								
Salary Differentials								
External Market	3.36	.085	1.048	1.098	-.233	.197	-.276	.392

Conditions								
Firms evaluation of Job	3.88	.066	.816	.666	-.299	.197	-.462	.392
Values System	3.91	.067	.819	.671	-.342	.197	-.437	.392
Company Interests	3.54	.094	1.159	1.343	-.601	.197	-.349	.392
Personal Perceptions	2.64	.093	1.140	1.300	.097	.197	-.727	.392
Rewards Types								
Basic Pay according to Industry level	3.67	.078	.957	.916	-.816	.197	.752	.392
Basic Pay according to Local level	3.75	.069	.850	.723	-.744	.197	1.029	.392
Fringe benefits	3.74	.076	.936	.876	-.583	.197	.185	.392
Bonuses for effort	3.81	.078	.962	.925	-.439	.197	-.530	.392
Pay against Inflation level	3.62	.074	.915	.837	-.342	.197	.053	.392
Better Career prospects	4.01	.074	.913	.833	-.653	.197	-.114	.392
Social and Psychological Benefits								
Interesting and Challenging work	4.30	.062	.757	.573	-.854	.197	.184	.392
First-rate Colleagues	4.28	.065	.793	.629	-.948	.197	.434	.392
Job Security	4.14	.072	.880	.774	-.634	.197	-.593	.392
Prestigious work	4.03	.083	1.016	1.032	-.879	.197	.169	.392
HR Directors Approach								
Competition among Peers	3.23	.114	1.406	1.976	-.248	.197	-1.174	.392
Competition among Groups	3.42	.105	1.288	1.658	-.422	.197	-.807	.392
Group Solidarity	3.52	.100	1.232	1.518	-.542	.197	-.550	.392
HR Director Activities:								
Routine Tasks								
Headhunting	3.95	.087	1.073	1.151	-.859	.197	.131	.392
Succession planning	3.90	.082	1.005	1.010	-.517	.197	-.659	.392
Organising training programmes	3.78	.084	1.032	1.065	-.471	.197	-.457	.392
Planning career paths	3.67	.077	.943	.890	-.209	.197	-.413	.392
Job evaluation	3.79	.072	.884	.781	-.450	.197	-.140	.392
Monitoring and assessing employee performance	3.85	.082	1.005	1.010	-.488	.197	-.495	.392
Acting with	3.18	.096	1.178	1.388	-.106	.197	-.816	.392

equal opportunity legislation								
Strategic Tasks								
Contributing to planning and implementing strategy	4.07	.085	1.044	1.089	-.847	.197	-.220	.392
Advising organisation design	3.24	.084	1.031	1.063	-.161	.197	-.518	.392
HR Devolvement								
Routine HR work	3.90	.091	1.124	1.263	-.830	.197	-.077	.392
Strategic HR work	2.44	.113	1.389	1.928	.436	.197	-1.179	.392
Employee Turnover Rate								
	2.46	.153	1.882	3.543	1.135	.197	.038	.392
Control Variables								
Firm Size	.4503	.04062	.49918	.249	.202	.197	-1.986	.392
Firm Age	.6093	.03984	.48954	.240	-.452	.197	-1.820	.392

Source: Author's analysis of data

5.3.3 Homoscedasticity

The assumption of homoscedasticity is defined as the variability in scores for one variable being almost the same as the values of all other variables (Tabachnick and Fidell (2007). The assumption of equal variation between variables is a requirement, especially in multiple regressions analysis (Field, 2000). If the variances are not equivalent across values of the predictors, the relationship is assumed to be a heteroscedastic relationship. Heteroscedastic relationships among the variables can create serious problems (Hair *et al.*, 2010). Heteroscedasticity is caused either by the presence of non-normality or by a higher error of measurement at some level in independent variables (Tabachnick & Fidell, 2007; Hair *et al.*, 2010). The assumptions of normality and homoscedasticity are related to each other. In other words, if the assumption of normality is met, the relationships between variables are said to be homoscedastic (Tabachnick and Fidell, 2007). Based on that, the relationships between the variables in the present work are assumed to be homoscedastic since all the variables have met the assumption of normality as shown in the previous test.

Importantly, as we employ some non-parametric tests in the current work, we conducted Levene's test to examine the assumption of homoscedasticity. This test is considered the most common test to deal with such data (Field, 2009; Hair *et al.*, 2010). For groups of data, the assumption of homogeneity of variance is tested by conducting Levene's test (Levene, 1960) which tests the null hypothesis that the difference in variances in different groups is zero. The test works on the deviation scores, which is the absolute difference between each score and the mean of the group from which it came (Glass, 1966). If Levene's test is significant at $p \leq 0.05$, we can conclude that the null hypothesis is incorrect and that the variances are significantly different where the assumption of homogeneity of variances is violated. If the test is non-significant, $p > 0.05$, the variances are roughly equal and the assumption is tenable. The results of Levene's test allow adjustments to be made in subsequent tests when variances in experimental groups are found to be unequal. The results of Levene's test for this work were higher than the minimum significant value, i.e. $p < 0.05$, which suggests that the variance for all the variables was equal within groups. In other words, the assumption of the homogeneity of variances is met.

5.4 Reliability and Validity of Variables

Reliability reflects the consistency of the measurement tool. It means that the researcher should obtain the same score on the measurement tool employed if it was completed at two different points in time; this is also known as test-retest reliability (Field, 2009). We conduct Cronbach's alpha coefficient test to measure the inter-item consistency of the present research instrument. This test is considered the most common measure of scale reliability developed by Cronbach (1951). The rationale for choosing Cronbach's alpha (inter-item consistency reliability) is that it is easier to calculate and is well and widely accepted within the academic world (Cronbach, 1951; Nunnally, 1978; Tabachnick & Fidell, 2007). Scholars have provided different values of Cronbach's alpha coefficient in order to establish the reliability of the measurement scale. For instance, Nunnally (1978) argued that an alpha coefficient of 0.50 or greater is satisfactory to conclude the existence of internal consistency while

other scholars recommended a value of .70 or greater as an adequate value for alpha coefficient (e.g., Sekaran, 2003). We run the reliability test for each HRM practice with all the items that belong to it. The results of the reliability test as shown in Table 5.3 indicated that all scales satisfy the reliability criterion, with Cronbach's alpha coefficients ranging from .60 to .86.

Table 5.3 Reliability of the variables measured by Cronbach's α

Constructs	Cronbach's Alpha Coefficient
Recruitment	.79
Training	.60
Internal Career Opportunities	.86
Incentives and Rewards	.79
HR Director Activities	.81

Source: Author's analysis of data

The validity of the measurement scale, on the other hand, ensures that findings revealed through the research measurement tool were real representations of the concept of interest (Hair *et al.*, 2010). In other words, it determines whether the constructs truly measure what they were meant to measure or how frank the research findings are (Golafshani, 2003).

There are two common validity tests mostly applied in social science research to measure the goodness of the research instrument: content or face validity and construct validity. Content validity is a qualitative assessment of the relationship between items and their constructs which can be done through rating and evaluation by experts and professionals, and pre-tests with multiple sub-populations (Hair *et al.*, 2010). Construct validity, in contrast, is a quantitative assessment which can be properly conducted through certain statistical techniques such as confirmatory factor analysis. As the main aim of the current research is mainly to compare the HRM issues at the item level, we focused more on the content validity of these items/questions. Content validity should be the first step in establishing the relationship between the research's main constructs and its measuring items. For the current work, the researcher extracted the items from HRM literature and the

theories related to it, such as international HRM and strategic HRM, through a rigorous analysis process (see literature review in Chapter 3 and the questionnaire development process in Chapter 4 section 4.5). Afterwards, the researcher held discussions with other faculty members who are specialists in HRM and asked them to evaluate the measurement items, indicate whether the items appeared to have a logical flow, and evaluate whether they corresponded to the constructs to which they belonged. Their valuable inputs and insights helped to produce more valid measures in the final draft of the questionnaire.

5.5 Summary

This chapter presented the data preparation process. We highlighted the various steps in the data preparation process from the data coding and editing process to the validity and reliability of the variables. We showed that the data are free from the effects of missing data, as the pattern of missing data was random and, therefore, the missing data could be considered missing completely at random. An outliers' analysis was also conducted and it revealed that there were no serious cases that could be considered extreme values. Further tests were conducted and these indicated that all the data are normally distributed. Results from these tests also revealed that the relationships between the research variables were homoscedastic and the independent variables are not highly correlated with one another. Furthermore, our results indicated an acceptable level of discriminant validity of variables.

CHAPTER SIX: DATA ANALYSIS ‘HYPOTHESES-TESTING’

6.1 Introduction

Following the data preparation process presented in the previous chapter, in this chapter, we undertake the process of empirically testing the hypotheses set out in Chapter 3. We begin with the comparison of HR practices in domestic and MNEs’ recruitment and selection process and follow it up with training, internal career opportunities, performance appraisals, incentives and rewards, retention, and the HR director’s activities. We also account the influence of firm age, size and industry on the respective HR practices of DEs and MNEs. In the second half of the chapter, the comparative analysis carried out with the help of parametric and non-parametric tests is supplemented by multivariate analysis.

6.2 Comparison of HR Practices - Recruitment and Selection

The first hypothesis stated for the HR practice of recruitment and selection was as follows.

H1: Significant differences in the recruitment and selection policies will be seen between domestic and MNEs.

The general hypotheses about recruitment and selection in domestic and MNEs are divided into the following three sub-hypotheses:

H1₁: Given the international operations of MNEs, it is hypothesised that recruitment criteria will be more stringent in MNEs when compared to DEs.

H1₂: MNEs rely more on internal recruitment to fill vacancies than DEs.

H1₃: Compared to DEs, the management of senior executive succession applied by MNEs is more strategically organised.

In order to compare the recruitment and selection practices and policies in domestic and MNEs, we conducted independent t -tests to identify the differences between the two groups. This type of analysis allows the researcher to consider the difference between groups, and the formula derived also took into consideration the unequal number of participants in each group (in our case, DEs against MNEs) as the variance of each sample can be weighted.

The t statistic can be stated as: $= (\bar{X}_1 - \bar{X}_2) / \sqrt{s_p^2/N_1 + s_p^2/N_2}$.

Table 6.1 lists the level of importance HR directors placed on qualifications and personal traits in recruiting new employees. The table also lists the importance of internal and external recruitment to various posts in the company. The means column shows that on average, MNEs place higher emphasis on all the attributes of personal qualifications. The higher mean for MNEs is also statistically significant for all the 7 attributes but one - 'wide range of experience'. MNEs seem to place particular emphasis on 'language' (Md = -0.502, $t = -3.574$, $p < 0.000$), followed by 'experience in similar jobs' and 'professional qualifications'. With regard to personal characteristics, the mean differences for all the attributes are markedly higher for MNEs and these higher mean differences are also statistically significant at the .01 level. It seems that MNEs place markedly more emphasis on candidates' 'willingness to travel', 'devotion to task', 'self-motivation', 'potential to grow with the job', 'independent judgement', 'commitment to the company', and 'willingness to learn'. These results support H1₁ which stated that the recruitment criteria will be more stringent in MNEs than in DEs.

The last three rows of Table 6.1 report the relative importance of internal and external recruitment to various kinds of posts in the company. Here the DEs have higher mean scores than MNEs when it comes to 'senior manager (reporting to chief executive)' appointments and 'junior manager (supervising operatives)' appointments. The higher mean for these two attributes tells us that, for such appointments, DEs rely more on external appointments than internal ones, and that this reliance is statistically significantly higher for DEs. No statistically significant difference is seen in the appointment of professional specialists. This indicates

support for H₁₂ which stated that MNEs rely more on internal recruitment when filling vacancies compared with DEs.

Table 6.1 Recruitment and selection criteria and recruitment orientation

Recruitment Criteria	Organization	Mean	Mean Difference (Md)	Std. Deviation	t-test statistic	Significance
Qualifications						
School and university	DEs	3.99	-0.234	0.903	-1.540	0.063*
	MNEs	4.22		0.941		
Professional qualifications	DEs	3.97	-0.304	0.952	-1.947	0.027**
	MNEs	4.27		0.937		
Experience in similar jobs	DEs	4.22	-0.260	0.837	-2.159	0.016**
	MNEs	4.48		0.644		
Wide range of Experience	DEs	3.83	-0.139	0.887	-0.920	0.180
	MNEs	3.97		0.950		
Experience in other countries	DEs	3.31	-0.344	1.054	-1.870	0.032**
	MNEs	3.65		1.194		
Language	DEs	3.78	-0.502	0.915	-3.574	0.000***
	MNEs	4.29		0.750		
Presentation	DEs	3.93	-0.211	0.920	-1.342	0.091*
	MNEs	4.14		0.998		
Personal Characteristics						
Willingness to travel	DEs	3.30	-0.657	1.146	-3.533	0.001***
	MNEs	3.95		1.099		
Devotion to task	DEs	4.16	-0.333	0.981	-2.515	0.007***
	MNEs	4.49		0.644		
Self-motivation	DEs	4.18	-0.405	0.941	-3.255	0.001***
	MNEs	4.59		0.586		
Potential to grow with the job	DEs	4.00	-0.444	1.028	-2.888	0.002***
	MNEs	4.44		0.778		
Independent judgement	DEs	4.01	-0.433	0.941	-3.195	0.001***
	MNEs	4.44		0.616		
Commitment to the company	DEs	4.27	-0.442	0.893	-3.678	0.001***
	MNEs	4.71		0.580		
Willingness to learn	DEs	4.31	-0.312	0.862	-2.522	0.007***
	MNEs	4.62		0.658		
Internal / External Recruitment						
Senior manager reporting to Chief Executive	DEs	2.82	0.628	1.327	3.043	0.002***
	MNEs	2.19		1.134		
Junior Manager supervising operatives	DEs	2.77	0.281	1.111	1.615	0.054*
	MNEs	2.49		0.965		
Professional specialist	DEs	3.35	-0.251	1.260	-1.190	0.118
	MNEs	3.60		1.302		

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.2 presents the succession plans preferred by DEs and MNEs. The striking result in this table is the opposite views held by the two genres of enterprises. MNEs seem to believe in open-market appointments ($Md = 0.886$, $t = 5.216$, $p < 0.00$) and DEs in internal appointments ($Md = -0.429$, $t = -2.148$, $p < 0.01$). Our results also show a significant reliance by DEs on non-executive directors playing a dominant role in selecting executive successors. This result supports $H1_3$.

Table 6.2 Planning for senior positions

Views on managing senior executive succession?	Organisation	Mean	Mean Difference (Md)	Std. Deviation	t-statistic	Significance
'External Appointments are, in general, desirable because they bring in new blood'.	DEs	3.73	0.886	0.979	5.216	0.000***
	MNEs	2.84				
'In our case external appointments are undesirable because our company is so large that outsiders cannot understand its complexities'.	DEs	2.47	-0.217	1.144	-0.978	0.165
	MNEs	2.68				
'Competition between internal candidates should be avoided by 'preparing' one person well in advance.	DEs	2.84	-0.429	1.249	-2.148	0.017**
	MNEs	3.27				
'Non-executives directors should play a dominant role in selecting executive successors'.	DEs	2.68	-0.286	1.228	-1.394	0.083*
	MNEs	2.97				
'Appointments are made by the Board of Directors or an equivalent'.	DEs	3.30	-0.153	1.366	0.692	0.245
	MNEs	3.14				

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.2.1 Recruitment and Selection considering Firm Age, Firm Size and Industry

The results presented thus far do not account for the age and size of the firm. It is probable that the significant results may cease to be significant when the sample firms are divided into groups of different sizes. Similarly, it is possible that older firms have different work cultures and treat their employees differently. It was thus decided to analyse the significant results with sample firms divided into two group sizes and ages. Table 6.3 examines the results with sample sizes divided into two age

groups - one group of firms who have been established within the last 14 years and the second group consisting of firms established for over 15 years. Table 6.4 presents an analysis based on two sample sizes: small (firms with up to 50 employees) and large (firms with more than 50 employees). Table 6.5 presents the results when controlling for industry, where the enterprises were divided into four sectors: the oil and gas; the services sector; wholesale and distribution; and manufacturing. All companies that took part in this study fit into one or another of these sectors.

The results are remarkable in that significant results stay significant for all the young firms and only for selected traits for older firms. For instance, for older firms the importance of 'language' (Md=-0.429, $t=2.32$, $p<.05$) and 'commitment' (Md=-0.484, $t=3.59$, $p<.00$) stands out.

With regard to the size of the firms, the previous results largely seem to hold much more for smaller firms than for larger firms. Larger firms seem to place emphasis on employees' 'willingness to travel' (Md=-0.858, $t=-3.245$, $p<.00$) and 'work experience in other countries' (Md=-0.67, $t=2.80$, $p<.00$) as main recruitment criteria. Large firms also believe in 'external appointments for senior positions' (Md=0.918, $t=3.66$, $p<.00$).

In terms of industry, there are no significant differences between DEs and MNEs in the oil and gas and wholesale and distribution sectors. Few statistically significant differences can be seen in the manufacturing sector in the areas of 'independent judgement' (Md=-0.675, $t=-3.008$, $p<.00$) and in recruiting 'junior managers' (Md=-1.1, $t=-3.769$, $p<.00$). The largest number of differences between DEs and MNEs are seen in the service industry, and the most statistically significant differences are seen in the areas of 'experience in other countries' (Md=-0.709, $t=-2.707$, $p<.00$), 'language' (Md=-0.651, $t=-3.282$, $p<.00$) and 'willingness to travel' (Md=-1.159, $t=-4.138$, $p<.00$).

Table 6.3 Recruitment and Selection process considering firm age

Recruitment and Selection	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Young Firms (0 – 14 yrs)				Older firms (15 yrs and above)			
Qualification									
School and universities	DEs	4.19	-0.183	0.435	-0.786	3.88	-0.236	0.237	-1.190
	MNEs	4.37				4.11			
Professional qualifications	DEs	4.03	-.0265	0.304	-1.036	3.93	-0.321	0.111	-1.611
	MNEs	4.30				4.25			
Experience in similar job	DEs	4.09	-0.499	0.015**	-2.500	4.29	-0.103	0.505	-0.670
	MNEs	4.59				4.39			
Wide range of Experience	DEs	3.69	-0.275	0.291	-1.065	3.91	-0.062	0.740	-0.332
	MNEs	3.96				3.97			
Experience in other countries	DEs	3.03	-0.672	0.033**	-2.191	3.46	-0.147	0.521	-0.644
	MNEs	3.70				3.61			
Language	DEs	3.72	-0.615	0.007***	-2.791	3.82	-0.429	0.022**	-2.326
	MNEs	4.33				4.25			
Presentation	DEs	3.75	-0.509	0.052	-1.981	4.04	-0.020	0.921	-0.100
	MNEs	4.26				4.06			
Personal Characteristics									
Willingness to travel	DEs	3.22	-1.115	0.000***	-3.707	3.34	-0.327	0.162	-1.408
	MNEs	4.33				3.67			
Devotion to task	DEs	3.91	-0.723	0.003***	-3.146	4.30	-0.085	0.615	-0.505
	MNEs	4.63				4.39			
Self motivation	DEs	3.97	-0.550	0.016**	-2.495	4.30	-0.335	0.025**	-2.273
	MNEs	4.52				4.64			
Potential to grow with job	DEs	3.81	-0.669	0.005***	-2.927	4.11	-0.310	0.137	-1.499
	MNEs	4.48				4.42			
Independent judgement	DEs	3.94	-0.507	0.019**	-2.423	4.05	-0.391	0.017**	-2.434
	MNEs	4.44				4.44			
Commitment to the company	DEs	4.19	-0.405	0.074*	-1.819	4.32	-0.484	0.001***	-3.590
	MNEs	4.59				4.81			
Willingness to learn	DEs	4.13	-0.394	0.064	-1.889	4.41	-0.284	0.068	-1.844
	MNEs	4.52				4.69			

Internal / external recruitment									
Senior manager reporting to chief executive	DEs MNEs	2.91 1.93	0.980	0.005***	2.906	2.77 2.39	0.379	0.141	1.484
Junior manager supervising operatives	DEs MNEs	2.78 2.41	0.374	0.208	1.273	2.77 2.56	0.212	0.331	0.978
Professional specialist	DEs MNEs	3.41 3.85	-0.446	0.210	-1.268	3.32 3.42	-0.095	0.719	-0.361
Senior success									
External appointments are desirable as they bring in new blood	DEs MNEs	3.69 2.59	1.095	0.000***	3.744	3.75 3.03	0.722	0.001***	3.511
External appointments are undesirable because of company's complexities	DEs MNEs	2.56 2.81	-0.252	0.497	-0.683	2.41 2.58	-0.173	0.531	-0.629
Competition should be avoided by 'preparing' one in advance	DEs MNEs	2.91 3.37	-0.464	0.170	-1.390	2.80 3.19	-0.391	0.123	-1.556
Non-executives directors should play a dominant role	DEs MNEs	2.84 3.11	-0.267	0.421	-0.810	2.59 2.86	-0.272	0.307	-1.028
Appointments are made by the Board	DEs MNEs	3.13 3.04	0.088	0.803	0.251	3.39 3.22	0.171	0.553	0.596

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.4 Recruitment and selection process considering firm size

Recruitment and Selection	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Firm Size							
Qualification		Small Firms (0 - 50 employees)				Large firms (51 employees and above)			
School and universities	DEs MNEs	3.98 4.06	-0.081	0.713	-0.369	4.00 4.40	-0.400	0.057	-1.937
Professional qualifications	DEs MNEs	3.92 4.18	-0.262	0.251	-1.156	4.03 4.37	-0.340	0.114	-1.602
Experience in similar jobs	DEs MNEs	4.14 4.55	-0.405	0.014**	-2.505	4.32 4.40	-0.084	0.662	-0.440
Wide range of Experience	DEs MNEs	3.88 3.94	-0.059	0.761	-0.305	3.76 4.00	-0.237	0.324	-0.994
Experience in other countries	DEs MNEs	3.32 3.36	-0.044	0.870	-0.164	3.29 3.97	-0.677	0.007***	-2.799
Language	DEs MNEs	3.88 4.33	-0.453	0.009***	-2.664	3.66 4.23	-0.575	0.016**	-2.473
Presentation	DEs MNEs	4.10 4.24	-0.142	0.486	-0.701	3.71 4.03	-0.323	0.187	-1.334
Personal Characteristics	Operation level	Small Firms (0 - 50 employees)				Large firms (51 employees and above)			
Willingness to travel	DEs MNEs	3.26 3.73	-0.467	0.075*	-1.803	3.34 4.20	-0.858	0.002***	-3.245
Devotion to task	DEs MNEs	4.10 4.55	-0.445	0.014**	-2.517	4.24 4.43	-0.196	0.350	-0.941
Self-motivation	DEs MNEs	4.12 4.61	-0.486	0.003***	-3.051	4.26 4.57	-0.304	0.132	-1.524
Potential to grow with job	DEs MNEs	3.88 4.42	-0.544	0.015**	-2.483	4.16 4.47	-0.309	0.132	-1.526
Independent judgement	DEs MNEs	3.90 4.48	-0.585	0.003***	-3.116	4.16 4.40	-0.242	0.195	-1.311
Commitment to the company	DEs MNEs	4.20 4.79	-0.588	0.000***	-3.840	4.37 4.63	-0.265	0.178	-1.363
Willingness to learn	DEs MNEs	4.30 4.70	-0.397	0.019**	-2.396	4.32 4.53	-0.218	0.278	-1.095
Internal external recruitment	Operation level	Small Firms (0 - 50 employees)				Large firms (51 employees and above)			

Senior manager to chief executive	DEs MNEs	2.82 2.24	0.578	0.047**	2.022	2.82 2.13	0.682	0.027**	2.257	
Junior manager supervising operatives	DEs MNEs	2.92 2.52	0.405	0.111	1.609	2.58 2.47	0.112	0.633	0.479	
Professional specialist	DEs MNEs	3.42 3.58	-0.156	0.599	-0.528	3.26 3.63	-0.370	0.228	-1.217	
Senior success	Operation level		Small Firms (0 - 50 employees)				Large firms (51 employees and above)			
External appointments are desirable as they bring in new blood	DEs MNEs	3.76 2.91	0.851	0.000***	3.643	3.68 2.77	0.918	0.001***	3.659	
External appointments are undesirable because of company's complexities	DEs MNEs	2.54 2.67	-0.127	0.635	-0.477	2.37 2.70	-0.332	0.364	-0.917	
Competition should be avoided by 'preparing' one in advance	DEs MNEs	3.02 3.36	-0.344	0.194	-1.311	2.61 3.17	-0.561	0.071	-1.838	
Non-executives directors should play a dominant role	DEs MNEs	2.66 3.00	-0.340	0.230	-1.210	2.71 2.93	-0.223	0.469	-0.728	
Appointments are made by the Board	DEs MNEs	3.14 3.61	-0.466	0.113	-1.604	3.50 2.63	0.867	0.008***	2.718	

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.5 Recruitment and Selection process considering Industry

Recruitment and Selection Criteria	Oil and Gas Industry			Service Industry			Wholesale and Distribution			Manufacturing		
	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic
Qualifications												
School and university	-.167	.768	-.302	-.106	.634	-.479	-.246	.420	-.814	-.300	.426	-.809
Professional qualifications	.167	.823	.229	-.265	.225	-1.225	-.340	.265	-1.128	-.325	.370	-.913
Experience in similar jobs	-.095	.805	-.253	-.296	.123	-1.567	-.169	.477	-.717	-.450	.100*	-1.708
Wide range of Experience	.500	.354	.967	-.363	.079*	-1.789	.138	.675	.422	-.325	.360	-.932
Experience in other countries	.595	.471	.747	-.709	.009***	-2.707	-.272	.478	-.716	-.175	.627	-.492
Language	-.762	.320	-1.041	-.651	.002***	-3.282	-.298	.269	-1.119	-.300	.341	-.970
Presentation	-.405	.587	-.560	-.385	.106	-1.644	.066	.813	.238	-.150	.703	-.385
Personal Characteristics												
Willingness to travel	.214	.795	.267	-1.159	.000***	-4.138	-.393	.276	-1.103	-.525	.161	-1.443
Devotion to task	-.833	.148	-1.616	-.541	.018**	-2.428	-.131	.615	-.507	-.225	.480	-.716
Self-motivation	-.333	.529	-.650	-.659	.003***	-3.188	-.279	.281	-1.091	-.300	.345	-.962
Potential to grow with the job	-.619	.324	-1.033	-.575	.022**	-2.361	-.564	.061*	-1.923	-.050	.867	-.169
Independent judgement	-.476	.433	-.813	-.610	.004***	-2.964	-.200	.424	-.806	-.675	.006***	-3.008
Commitment to the company	-.976	.135	-1.573	-.418	.036**	-2.140	-.425	.063*	-1.902	-.500	.014**	-2.703
Willingness to learn	-1.238	.062*	-2.177	-.387	.053*	-1.974	-.210	.350	-.943	-.075	.783	-.278
Internal / External Recruitment												

Senior manager reporting to Chief Executive	1.190	.143	1.579	.985	.001***	3.407	.500	.197	1.310	-.200	.726	-.355
Junior Manager supervising operatives	.571	.377	.920	.563	.023**	2.340	.550	.123	1.572	-1.100	.001***	-3.769
Professional specialist	.405	.621	.508	-.282	.331	-.980	-.290	.510	-.664	.175	.714	.371
Senior succession												
External appointments are desirable as they bring in new blood	.857	.149	1.551	1.012	.001***	3.567	.649	.057*	1.951	1.025	.003***	3.261
External appointments are undesirable (company's complexities)	.262	.668	.441	-.533	.152	-1.450	.335	.399	.850	-.775	.052*	-2.041
Competition should be avoided by 'preparing' one in advance	-.500	.413	-.863	-.855	.011**	-2.628	.281	.420	.813	-.625	.202	-1.309
Non-executives directors should play a dominant role	.643	.334	1.011	-.269	.442	-.774	-.344	.382	-.882	-.475	.245	-1.190
Appointments are made by the Board	-.524	.479	-.732	.414	.276	1.100	.070	.869	.166	-.025	.951	-.062

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.3 Comparison of HR Practices - Training

The second hypothesis looks at training issues in domestic and MNEs. The hypothesis is as follows:

H2: Significant differences in the training and development policies will be seen between domestic and MNEs.

One sub-hypothesis that stems from this general hypothesis is stated as follows:

H2₁: MNEs place more emphasis on training compared to DEs.

We use t-tests to test this hypothesis as was done for the first hypothesis. We also needed to consider the differences between domestic and MNEs. The results on the most applicable training methods are presented in Table 6.6.

Three methods stand out on which MNEs rely significantly more than DEs. These are: ‘buddy system / mentoring’ (Md = -0.560, t = -3.104, p < 0.00), ‘work placement with partners’ (Md = -0.472, t = -2.572, p < 0.00) and induction by socialisation (Md = -0.448, t = -2.268, p < 0.01). These results show strong support for H2₁ in that MNEs place more emphasis on training as a whole which shows higher mean on all methods. Our results also show that MNEs emphasise a stronger work culture as shown by the significant statistical differences seen in ‘induction by socialisation’, ‘work placement with partners’ and the ‘buddy system / mentoring’.

Table 6.6 Training methods

Training Methods for junior management	Organisation	Mean	Mean Difference (Md)	Std. Deviation	t-statistics	Significance
Formal instruction within the company	DEs	4.20	-0.81	0.912	-0.532	0.298
	MNEs	4.29		0.941		
Training provided by third party	DEs	3.44	-0.065	1.221	-0.313	0.377
	MNEs	3.51		1.294		
Induction by socialisation	DEs	3.25	-0.448	1.196	-2.268	0.013**
	MNEs	3.70		1.200		
Learning by doing	DEs	3.25	-0.004	1.177	-0.020	0.492
	MNEs	3.25		1.177		
Work placement with partners	DEs	2.91	-0.472	1.100	-2.572	0.006***
	MNEs	3.38		1.128		
Buddy system / mentoring	DEs	3.17	-0.560	1.224	-3.104	0.001***
	MNEs	3.73		0.987		

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.3.1 Training considering Firm Age, Firm Size and Industry

As with the first hypothesis, we controlled for firm age, firm size and industry to observe the effects of these controls and whether the significant results seen would cease to be significant when the sample firms were divided into groups of different ages, sizes and industry. The results when controlling using firm size and firm age are shown in Table 6.7. Results from controlling for industry are shown in Table 6.8.

Interestingly, when controlling for firm age, the significant differences seen in the younger companies indicate the importance of teamwork and a strong work culture in MNEs. These differences are significant in the areas of 'induction by socialisation' (Md = -0.906, $t = -2.845$, $p < 0.01$), 'work placement with partners' (Md = -0.667, $t = -2.318$, $p < 0.05$) and 'buddy system / mentoring' (Md = -0.729, $t = -2.273$, $p < 0.05$). In the older firms, the differences were not significant in all but 'buddy system / mentoring' (Md = -0.747, $t = -2.085$, $p < 0.05$). This could be indicative of the improvements made in training practices and policies in DEs to close the gap on MNEs.

When controlling for firm size, the differences between DEs and MNEs are less pronounced. In smaller-sized firms, we see significant differences only in the working placement with partners ($Md = -0.547$, $t = -2.279$, $p < 0.05$) and buddy system / mentoring ($Md = -0.579$, $t = -2.230$, $p < 0.05$). In contrast, larger firms showed differences in the area of induction by socialisation ($Md = -0.611$, $t = -2.026$, $p < 0.05$) and buddy system / mentoring ($Md = -0.567$, $t = -1.972$, $p < 0.05$).

In terms of industry, the differences were as seen in the recruitment and selection process, with only significant results observed in terms of the service industry. Most differences in the means are also higher towards the MNEs even though these results are not significant.

Table 6.7 Training methods considering firm age and size

Training	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Considering Firm Age							
		Young Firms (0 – 14 yrs)				Older firms (15 yrs and above)			
Formal instruction within the company	DEs	4.00	-0.333	0.268	-1.120	4.32	0.71	0.658	0.444
	MNEs	4.33				4.25			
Training provided by third party	DEs	3.34	-0.397	0.292	-1.063	3.50	0.167	0.490	0.693
	MNEs	3.74				3.33			
Induction by socialisation	DEs	3.09	-0.906	0.006***	-2.845	3.34	-0.133	0.597	-0.531
	MNEs	4.00				3.47			
Learning by doing	DEs	3.19	0.113	0.706	0.379	3.29	-0.103	0.689	-0.402
	MNEs	3.07				3.39			
Work placement with partners	DEs	2.66	-0.677	0.024**	-2.318	3.05	-0.363	0.127	-1.540
	MNEs	3.33				3.42			
Buddy system / Mentoring	DEs	2.94	-0.729	0.027**	-2.273	3.30	-0.474	0.040**	-2.085
	MNEs	3.67				3.78			
Training	Operation level	Considering Firm Size							
		Small Firms (0 - 50 employees)				Large firms (51 employees and above)			
		Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
Formal instruction within the company	DEs	4.26	-0.043	0.809	-0.243	4.13	-0.135	0.608	0.650
	MNEs	4.30				4.27			
Training provided by third party	DEs	3.36	0.027	0.921	0.100	3.55	-0.147	-0.515	-0.456
	MNEs	3.33				2.70			
Induction by socialisation	DEs	3.22	-0.295	0.264	-1.125	3.29	-0.611	0.047**	-2.026
	MNEs	3.52				3.90			
Learning by doing	DEs	3.08	-0.253	0.338	-0.965	3.47	0.307	0.290	1.067
	MNEs	3.33				3.17			
Work placement with partners	DEs	3.12	-0.547	0.025**	-2.279	2.63	-0.435	0.112	-1.611
	MNEs	3.67				3.07			
Buddy system / Mentoring	DEs	3.30	-0.579	0.020**	-2.370	3.00	-0.567	0.053*	-1.972
	MNEs	3.88				3.57			

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.8 Training methods considering Industry

Training	Oil and Gas Industry			Service Industry			Wholesale and Distribution			Manufacturing		
	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic
Formal instruction within the company	1.071	.151	1.645	-.434	.047**	-2.034	.022	.935	.082	.050	.907	.117
Training provided by third party	.071	.934	.085	.086	.802	.252	-.186	.632	-.482	-.150	.715	-.369
Induction by socialisation	-.071	.929	-.092	-.561	.070*	-1.843	-.287	.455	-.753	-.375	.392	-.870
Learning by doing	-.667	.385	-.904	-.115	.701	-.386	.215	.568	.574	-.050	.897	-.131
Work placement with partners	-1.262	.141	-1.584	-.554	.046**	-2.040	-.180	.608	-.516	-.675	.106	-1.677
Buddy system / Mentoring	-2.048	.010***	-3.393	-.518	.074*	-1.822	-.432	.225	-1.230	-.325	.459	-.751

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.4 Comparison of HR Practices - Internal Career Opportunities

The third hypothesis deals with the HR practice of internal career opportunities. The hypothesis is as follows:

H3: Significant differences with respect to internal career opportunities will be seen between DEs and MNEs.

From this general hypothesis, we identified one sub-hypothesis which is stated as follows:

H3₁: MNEs place more stringent criteria when promoting compared to DEs.

As with the first and second hypotheses, we used independent t-tests to look at the differences between DEs and MNEs. We looked at each item individually to observe the areas in which these differences lie within the HR practice. Table 6.9 reports these results.

The question posed to the HR directors enquired into the main criteria of individual or group performance used in assessing cases for promotion. Interestingly, looking at the mean responses and those that are statistically significant, there does not seem to be a great deal of difference in responses by MNEs and DEs, save for the marginally greater emphasis that MNEs place on ‘technical skills’ (Md = -0.299, $t = -1.959$, $p < 0.05$) ‘keeping within budget’ (Md = -0.209, $t = -1.452$, $p > 0.05$) and ‘professionalism’ (Md = -0.188, $t = -1.433$, $p > 0.05$). This lends only partial support to H3₁ which stated that MNEs will employ much more stringent criteria for promotion.

Table 6.9 Preferred criteria for internally filling posts

Preferred Criteria	Operation level	Mean	Mean Difference	Std. Deviation	t-statistics	Significance
Contribution to profit	DEs	3.91	-0.027	0.978	-0.181	0.426
	MNEs	3.94		0.821		
Value of output (independent of profit margin)	DEs	3.89	-0.050	0.928	-0.343	0.366
	MNEs	3.94		0.821		
Quality of output	DEs	4.16	-0.127	0.829	-0.995	0.161
	MNEs	4.29		0.682		
Keeping within budget	DEs	3.65	-0.209	0.885	-1.452	0.074*
	MNEs	3.86		0.859		
Effort (independent of final result)	DEs	4.06	-0.181	0.889	-1.289	0.100*
	MNEs	4.24		0.797		
Overall Professionalism	DEs	4.11	-0.188	0.836	-1.433	0.077*
	MNEs	4.30		0.733		
Deliverables	DEs	4.14	-0.054	0.833	-0.389	0.349
	MNEs	4.19		0.859		
Individual competency level (technical)	DEs	3.95	-0.299	1.016	-1.959	0.026**
	MNEs	4.25		0.782		

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.4.1 Internal Career Opportunities considering Firm Age, Firm Size and Industry

We also tested internal career opportunities controlling for firm age and size to identify whether the significant statistical differences can be isolated. Our results when controlling for firm age are shown in Table 6.10. Interestingly, the significant values hold up, with the differences being marginal at best and only young firms showing a significant difference in 'contribution to profit' (Md = -0.512, $t = -1.938$, $p < 0.10$), 'value of output' (Md = -0.443, $t = -1.732$, $p < 0.10$) and 'technical skills' (Md = -0.541, $t = -2.129$, $p < 0.05$), with MNEs placing more emphasis here than DEs. In terms of firm size, our results are shown in Table 6.11. The differences in this case are marginal at best with significant differences only seen in smaller firms in terms of 'overall professionalism' (Md = -0.304, $t = -1.715$, $p < 0.10$).

Table 6.12 shows our results when controlling for industry. The differences in this case are marginal, with statistically significant differences seen only in the service industries in terms of 'individual competency at a technical level' ($Md=-0.588$, $t=2.539$, $p<0.05$)

Table 6.10 Internal career opportunities considering firm age

Internal Opportunities	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Firm Age							
		Young Firms (0 – 14 yrs)				Older firms (15 yrs and above)			
Contribution to profit	DEs	3.56				4.32			
	MNEs	4.07	-0.512	0.058*	-1.938	4.25	0.274	0.109	1.620
Value of output (independent of profit margin)	DEs	3.59				3.50			
	MNEs	4.04	-0.443	0.089*	-1.732	3.33	0.192	0.261	1.131
Quality of Output	DEs	4.16				3.34			
	MNEs	4.37	-0.214	0.266	-1.125	3.47	-0.062	0.715	-0.366
Keeping within budget	DEs	3.53				3.29			
	MNEs	3.85	-0.321	0.184	-1.346	3.39	-0.147	0.423	0.804
Effort (independent of final result)	DEs	4.00				3.05			
	MNEs	4.19	-0.185	0.413	-0.825	3.42	-0.188	0.305	-1.032
Overall Professionalism	DEs	3.94				3.30			
	MNEs	4.26	-0.322	0.142	-1.487	3.78	-0.119	0.471	-0.723
Deliverables	DEs	3.97				4.11			
	MNEs	4.30	-0.328	0.153	-1.450	3.83	0.121	0.495	0.685
Individual competency level (technical)	DEs	3.72				4.09			
	MNEs	4.26	-0.541	0.038**	-2.129	4.25	-0.161	0.387	-0.870

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.11 Internal career opportunities considering firm size

Internal Career Opportunities	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Firm Size							
		Small Firms (0 - 50 employees)				Large firms (51 employees and above)			
Contribution to profit	DEs	3.86	0.012	0.954	0.058	3.97	-0.060	0.799	-0.256
	MNEs	3.85				4.03			
Value of output (independent of profit margin)	DEs	3.84	0.022	0.913	0.110	3.95	-0.119	0.583	-0.552
	MNEs	3.82				4.07			
Quality of Output	DEs	4.10	-0.203	0.286	-1.075	4.24	-0.030	0.852	-0.187
	MNEs	4.30				4.27			
Keeping within budget	DEs	3.66	-0.098	0.618	-0.500	3.63	-0.335	0.116	-1.592
	MNEs	3.76				3.97			
Effort (independent of final result)	DEs	3.98	-0.232	0.235	-1.198	4.16	-0.109	0.586	-0.548
	MNEs	4.21				4.27			
Overall Professionalism	DEs	4.06	-0.304	0.090*	-1.715	4.18	-0.049	0.804	-0.249
	MNEs	4.36				4.23			
Deliverables	DEs	4.12	-0.032	0.876	-0.156	4.16	-0.075	0.694	-0.395
	MNEs	4.15				4.23			
Individual competency level (technical)	DEs	3.98	-0.293	0.175	-1.370	3.92	-0.312	0.163	-1.412
	MNEs	4.27				4.23			

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.12 Internal Career Opportunities considering Industry

Internal Career Opportunities	Oil and Gas Industry			Service Industry			Wholesale and Distribution			Manufacturing		
	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic
Contribution to profit	.357	.557	.606	-.304	.191	-1.326	.294	.335	.975	-.250	.446	-.774
Value of output (independent of profit margin)	.524	.425	.829	-.379	.087*	-1.747	.118	.679	.416	-.150	.620	-.501
Quality of output	-.500	.300	-1.088	-.112	.575	-.564	.070	.767	.298	-.425	.194	-1.334
Keeping within budget	.310	.565	.593	-.261	.222	-1.235	-.347	.230	-1.215	-.175	.629	-.488
Effort (independent of final result)	-.143	.751	-.325	-.288	.215	-1.253	.011	.966	.042	-.525	.118	-1.616
Overall Professionalism	-.190	.590	-.555	-.344	.105	-1.644	-.051	.841	-.202	-.125	.703	-.385
Deliverables	-.214	.637	-.485	-.025	.914	-.109	.035	.894	.134	-.375	.227	-1.238
Individual competency level (technical)	-.786	.145	-1.568	-.588	.014**	-2.539	.035	.914	.109	-.100	.748	-.325

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.5 Comparison of HR Practices - Performance Appraisals

The fourth hypothesis focuses on the performance appraisal programs and is stated as follows:

H4: Significant differences in the performance appraisal process will be seen between DEs and MNEs.

This general hypothesis is divided into three sub-hypotheses as below:

H4₁: MNEs have a more structured performance appraisal process when compared to DEs, with differences between MNEs and DEs in the frequency with which the PA is conducted, who conducts the appraisals, and the time gap within which the feedback on PA is given to employees.

H4₂: The HR directors of MNEs will be more receptive to the performance appraisals process than those in DEs.

H4₃: The HR employees of MNEs will be more receptive to the performance appraisals process than those in DEs.

To test this hypothesis, we compared the HRM practices by looking at the percentages for some variables as well as the Mann-Whitney U test for the non-parametric items. As this test is the non-parametric equivalent of the t-test, it is used to identify differences between DEs and MNEs when looking at the various items involved in performance appraisals in these enterprises. This test compares two conditions when different participants take part in each condition. The test works by firstly ranking the data, ignoring the group to which these data belonged. Subsequently, the groups are divided and the scores ranked. Similar groups will then indicate similar sums of rankings to one another. The test is based on a test statistic U , which is calculated using the following equation:

$$U = n_1n_2 + \frac{N_1(N_1 + 1)}{2} - R_1$$

Our results are presented in Tables 6.13 and 6.14. Table 6.13 indicates the responses of the HR directors when asked about the frequency with which performance appraisals are conducted, who conducts them and the amount of time that elapses before feedback is given to the employee appraised. In terms of the frequency of appraisals, there is no major difference between domestic and MNEs. A majority of enterprises conduct appraisals at least once a year. It is important to note that a much higher percentage of MNEs conduct appraisals twice a year when compared to their domestic counterparts. In terms of who conducts appraisals, there are also no major differences as a majority of both domestic and MNEs have chosen to have performance appraisals conducted by direct line managers. As for the time between appraisal and feedback, it is clear that MNEs give feedback to their employees much more rapidly than DEs. More than 50% of MNEs give feedback to their employees within two weeks, while the majority of DEs give feedback within a month. In this case, we can assume support for H4₁ where multinationals have better-structured performance appraisal systems when compared with their domestic counterparts.

Table 6.13 Performance appraisal structure in DEs and MNEs

Appraisal Structure	Operational Level		Total
	DEs (% , n = 88)	MNEs (% , n = 63)	
<i>Frequency of Appraisals</i>			
4 times yearly	5.6	4.8	8
2 times yearly	18.2	34.9	38
Once a year	63.6	55.6	91
Once every 2 years	6	1.6	7
Never	5.6	3.2	7
<i>Conductor of Appraisal</i>			
Direct line managers	65.9	79.4	108
Subordinates	2.3	0	2
HR director / team	31.8	20.6	41
<i>Appraisal feedback</i>			
Within 1 week	17	44.4	43
Within 2 weeks	13.6	9.5	18
Within 1 month	30.7	27	44
Within 2 months	6.8	4.8	9
Within 3 months	6.8	0	6
After 3 months	8	0	7
Never	15	14.3	24

Source: Author's analysis of data

Note: N = 151

Table 6.14 indicates the responses of HR directors regarding the general perception of their organisations' performance appraisal process. They were given seven options to choose from including the managers' and employees' dislike of the performance appraisal process, managers distancing themselves from conducting appraisals, the reflection of actual employee performance, the managers enjoying the power afforded by the top-down nature of the appraisal process, the appreciation of feedback and, finally, the level of employee understanding of the appraisal process. Looking at the mean ranks of the different responses, significant differences were seen in the areas of 'employees not appreciating being appraised' ($U = 2399.5, z = -2.009, p < 0.05$) and 'employees not understanding the performance appraisal process' ($U = 2304.5, z = -2.213, p < 0.05$) with the mean rank of DEs being higher than MNEs. As for significant differences, with MNEs having higher mean rankings than DEs, this is only seen in 'managers enjoying the performance appraisal process' ($U = 2201.5, z = -2.655, p < 0.05$). No significant statistical difference is seen in the areas of 'managers not enjoying the performance appraisal process' ($U = 2557.5, Z = -1.611, p > 0.05$), 'managers not preferring to conduct appraisals' ($U = 2588.5, Z = -1.076, p > 0.05$), 'appraisals not reflecting actual performance' ($U = 2748.0, Z = -0.135, p > 0.05$), and 'feedback from appraisals not being appreciated' ($U = 2585.0, Z = -0.909, p > 0.05$). These results partially support the $H4_2$ where employees and managers of MNEs are more receptive to the performance appraisal process, as shown by the lower mean rank of MNEs in 'employees and managers appreciating and enjoying the performance appraisal process' when compared to that of DEs. Our results do not support $H4_3$ as, although not significant, MNEs have indicated that their employees do not appreciate feedback more than those of DEs.

Table 6.14 Reaction to Performance Appraisals

Reactions to Performance Appraisals	Operational Level	Mean Rank	Mann-Whitney U	z-statistics	Significance
Employees do not appreciate being appraised	DEs	80.23	2399.5	-2.009	0.032**
	MNEs	70.09			
Managers do not enjoy the appraisal process	DEs	78.44	2557.5	-1.611	0.090*
	MNEs	72.60			
Managers do not prefer conducting appraisals	DEs	78.09	2588.5	-1.076	0.200
	MNEs	73.09			
Appraisals do not reflect actual performance	DEs	75.73	2748.0	-0.135	0.529
	MNEs	76.38			
Managers enjoy conducting appraisals	DEs	69.52	2201.5	-2.655	0.006***
	MNEs	85.06			
Feedback from appraisals not appreciated	DEs	73.88	2585.0	-0.909	0.236
	MNEs	78.97			
Employees do not understand the appraisal process	DEs	81.31	2304.5	-2.213	0.022**
	MNEs	65.58			

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.5.1 Performance Appraisals considering Firm Age and Size

In order to test whether the significant results were any different when the size and the age of the organisation were taken into consideration, the sample was divided into two firm sizes: small (up to 50 employees) and large (more than 50 employees). We defined older firms as those which had been established for more than 15 years, whilst younger firms were those that had been established for less than 15 years. We repeated Table 6.15's results with these demarcations.

Significant results are shown in Table 6.15 and Table 6.16. Row 1 in Table 6.15 shows that, in terms of firm age, there are significant differences between DEs and MNEs. Older firms' employees in DEs do not seem to like being appraised/going through the PA process. ($U = 768.0$, $Z = -2.641$, $p < 0.05$). With regard to younger MNE firms, it seems that managers do enjoy conducting PA ($U = 311.0$, $Z = -2.141$, $p < 0.05$). Importantly, HR directors of DEs reported that their employees do not fully understand the appraisal process ($U = 282.5$, $Z = -2.715$, $p < 0.05$).

In terms of firm size, Table 6.16 shows considerable differences between DEs and MNEs. Results here show that, in larger MNEs, ‘managers enjoy conducting appraisals’ ($U = 386.0$, $Z = -2.745$, $p < 0.05$), but the HR directors of larger DEs reported that their ‘employees do not appreciate being appraised’ ($U = 447.0$, $Z = -2.115$, $p < 0.05$), and that they also do not appreciate the feedback resulting from the appraisals. In younger MNE firms, the perception is that feedback from PA is not always appreciated by employees ($U = 581.5$, $Z = -2.767$, $p < 0.05$). Highly significant results for this question for younger firms show that this result is much more applicable in younger firms than in larger firms.

Table 6.15: Performance appraisals considering firm age

Reactions to Performance Appraisals	Operation level	Mean Rank	Mann Whitney U	Significance	Z-statistic	Mean Rank	Mann Whitney U	Significance	Z-statistic
		<i>Firm Age</i>							
		<i>Young Firms (0 – 14 yrs)</i>				<i>Older firms (15 yrs and above)</i>			
Employees do not appreciate being appraised	DEs MNEs	29.61	419.5	1.0	-0.293	50.79	768.0	0.010***	-2.641
		30.46				39.83			
Managers do not enjoy the appraisal process	DEs MNEs	31.69	378.0	0.116	-1.887	47.25	966.0	0.736	-0.623
		28.00				45.33			
Managers do not prefer conducting appraisals	DEs MNEs	31.80	374.5	0.349	-1.218	47.07	976.0	0.757	-0.439
		27.87				45.61			
Appraisals do not reflect actual performance	DEs MNEs	30.61	412.5	0.715	-0.500	45.54	954.0	0.612	-0.605
		29.28				48.00			
Managers enjoy conducting appraisals	DEs MNEs	26.22	311.0	0.037**	-2.141	44.04	870.0	0.220	-1.472
		34.48				50.33			
Feedback from appraisals not appreciated	DEs MNEs	28.61	387.5	0.356	-0.971	45.46	950.0	0.652	-0.571
		31.65				48.11			
Employees do not understand the appraisal process	DEs MNEs	34.67	282.5	0.009***	-2.715	47.64	944.0	0.630	-0.673
		24.46				44.72			

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.16: Performance appraisals considering firm size

Reactions to Performance Appraisals	Operation level	Mean Rank	Mann Whitney U	Significance	Z-statistic	Mean Rank	Mann Whitney U	Significance	Z-statistic
		Firm Size							
		Small Firms (0 - 50 employees)				Big firms (51 employees and above)			
Employees do not appreciate being appraised	DEs	43.13	768.5	0.569	-0.769	37.74	447.0	0.043**	-2.115
	MNEs	40.29				30.40			
Managers do not enjoy the appraisal process	DEs	43.48	751.0	0.233	-1.430	35.47	533.0	0.456	-0.868
	MNEs	39.76				33.27			
Managers do not prefer conducting appraisals	DEs	42.30	810.0	1.0	-0.204	36.26	503.0	0.280	-1.410
	MNEs	41.55				32.27			
Appraisals do not reflect actual performance	DEs	39.65	707.5	0.112	1.737	36.84	481.0	0.148	-1.530
	MNEs	45.56				31.53			
Managers enjoy conducting appraisals	DEs	40.29	739.5	0.340	-1.001	29.66	386.0	0.010***	-2.745
	MNEs	44.59				40.63			
Feedback from appraisals not appreciated	DEs	37.13	581.5	0.009***	-2.767	37.34	462.0	0.072	-1.904
	MNEs	49.38				30.90			
Employees do not understand the appraisal process	DEs	44.44	703.0	0.221	-1.428	37.42	459.0	0.116	-1.713
	MNEs	38.30				30.80			

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.6 Comparison of HR Practices - Incentives and Rewards

The fifth hypothesis deals with incentive and reward systems in DEs and MNEs. It is as follows:

H5: Significant differences in the incentive and reward systems will be seen between DEs and MNEs.

This general hypothesis is divided into two sub-hypotheses as stated below:

H5₁: MNEs follow market principles and ethos in explaining the incentives and rewards structure to their employees. This approach will be less pronounced in DEs.

H5₂: Social and psychological benefits are more highly valued in MNEs than in DEs.

Similar to the first three hypotheses, t-tests were used for Likert-type variables. These tests will highlight the differences between DEs and MNEs, as was the case previously. Results of these tests are shown in Table 6.17.

Table 6.17 indicates the responses of HR directors to four questions on the issue of incentives and rewards in the questionnaire. The questions asked them to clarify: a) the explanations of salary differentials in the organisation to employees; b) the importance of seven types of incentives and rewards; c) the social and psychological benefits that are valued by managers in their organisations; and d) the HR managers' views on intra-company competition.

Results on salary differentials are very interesting. MNEs seem to explain the salary differentials to their employees by taking a more market-based approach, stating that salary differentials are fair in the context of the 'company's system of values' (Md = -0.350, $t = -2.637$, $p < 0.05$) and that the differentials simply 'reflect external market conditions' (Md = -0.231, $t = -1.34$, $p < 0.09$). These significant results in the case of MNEs are in marked contrast with the results of DEs, who tell their employees that the salary differentials are fair in the context of the 'company's system of values',

and that they are subject to management discretion. This lends support to H5₁ as MNEs are seen to consider external market conditions and their values system when compared to DEs.

These contrasting results are further corroborated by the answers in the area of reward types where MNEs' average response is significantly higher for answers to the question on retaining key staff in that a number of different factors - including 'better career prospects' (Md = -0.506, t = -3.482, p < 0.05), 'annual salary increments above inflation', and the 'opportunity to earn higher bonuses through greater effort' - came to the fore in HR directors' responses on retaining their key staff. Continuing with these results in social and psychological benefits, all answers to questions on these benefits of working for companies were found to be significant for MNEs. These results support H5₂ as the social and psychological benefits are more important to those working in MNEs compared to DEs, as shown by the significant differences in the result in this section, as well as the importance of better career prospects in the second question.

Additionally, in terms of the HR directors' approach to conflict, MNEs scored significantly higher (Md = -0.646, t = -3.127, p < 0.05) for beliefs in team competition and DEs on competing with their peers (Md = 0.332, t = 1.436, p < 0.05).

Table 6.17 Incentives and rewards

Incentives and Rewards	Operation level	Mean	Mean Difference	Std. Deviation	Significance	t-statistics
Salary Differentials						
External Market Conditions	DEs	3.26	-0.231	1.077	0.092*	-1.338
	MNEs	3.49		0.998		
Firm's evaluation of Job	DEs	3.86	-0.041	0.819	0.381	-0.304
	MNEs	3.90		0.817		
Values System	DEs	3.76	-0.350	0.844	0.004***	-2.637
	MNEs	4.11		0.743		
Company Interests	DEs	3.69	0.360	1.087	0.030**	1.898
	MNEs	3.33		1.231		
Personal Perceptions	DEs	2.78	0.356	1.022	0.034**	1.840
	MNEs	2.43		1.266		
Reward Types						
Basic Pay according to Industry level	DEs	3.72	0.113	0.922	0.239	0.712
	MNEs	3.60		1.009		
Basic Pay according to Local level	DEs	3.68	-0.159	0.838	0.129	-1.137
	MNEs	3.84		0.865		
Fringe benefits	DEs	3.66	-0.182	0.945	0.120	-1.181
	MNEs	3.84		0.919		
Bonuses for effort	DEs	3.72	-0.236	0.958	0.069*	-1.496
	MNEs	3.95		0.958		
Pay against Inflation level	DEs	3.49	-0.321	0.884	0.017**	-2.151
	MNEs	3.81		0.931		
Better Career prospects	DEs	3.80	-0.506	0.949	0.000***	-3.482
	MNEs	4.30		0.775		
Social and Psychological Benefits						
Interesting and Challenging work	DEs	4.15	-0.376	0.838	0.000***	-3.295
	MNEs	4.52		0.564		
First-rate Colleagues	DEs	4.16	-0.285	0.856	0.015**	-2.208
	MNEs	4.44		0.667		
Job Security	DEs	3.94	-0.470	0.889	0.000***	-3.342
	MNEs	4.41		0.796		
Prestigious work	DEs	3.82	-0.515	1.089	0.000***	-3.310
	MNEs	4.33		0.823		
HR Directors' Approach						
Competition among Peers	DEs	3.36	0.332	1.383	0.077*	1.436
	MNEs	3.03		1.425		
Competition among Groups	DEs	3.15	-0.646	1.309	0.001***	-3.127
	MNEs	3.79		1.166		
Group Solidarity	DEs	3.55	0.053	1.312	0.397	0.262
	MNEs	3.49		1.120		

Source: Author's analysis of data

Notes: N= 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.6.1 Incentives and Rewards considering Firm Age, Firm Size and Industry

Tables 6.18 and 6.19 provide results from an exercise on incentives and rewards when firm age and size are taken into account. Results are revealing. Compared to DEs, the mean ranks (column 4) of rewards and incentive factors are higher for MNEs, thus displaying their importance for this set of enterprises. Secondly, the higher means (for MNEs) are also statistically significantly higher in the case of younger MNEs than older MNEs; however, one result that stands out as being statistically significantly higher for older firms is their claim that an important perk of working for them is the social and psychological benefit of support from ‘friendly and supportive colleagues’ ($Md = -0.33$; $t = -2.16$; $p < 0.05$). It seems that long-term employees in longer-established firms provide support and mentorship to new employees.

Moreover, in regard to the size of the firm, the incentives and rewards factor, on the whole, seems to be much more important for large MNEs than smaller MNEs. However, smaller MNEs claim that they also offer ‘better career prospects’ ($Md = -0.47$; $t = -2.47$; $p < 0.05$); their work is challenging ($Md = -0.38$; $t = -2.13$; $p < 0.05$); and their salaries are fair ($Md = -0.38$; $t = -2.28$; $p < 0.05$). In total, the results make sense in the context that, in the earlier stages, when a foreign national firm is in the process of settling in a host country, it might have to offer higher incentives (in the form of higher salaries, for example) than when it is settled. With the passage of time, as the firms come to settle and become larger, they might then again have to hold on to their trained staff by offering higher salaries and perks.

Table 6.20 presents our results when controlling for industry. Similar to our findings for the previous HR practices, significant statistical differences are seen only in the service industries. This is especially true in the area of social and psychological benefits.

Table 6.18 Incentives and rewards considering firm age

Items	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic	
		<i>Firm Age</i>								
		<i>Young Firms (0 – 14 years)</i>				<i>Older firms (15 years and above)</i>				
Salary Differentials										
External Market Conditions	DEs	3.22				3.29				
	MNEs	3.70	-0.485	0.093*	-1.710	3.33	-0.048	0.827	-0.219	
Firm's evaluation of Job	DEs	3.72				3.95				
	MNEs	3.93	-0.207	0.420	-0.812	3.89	0.058	0.702	0.384	
Values System	DEs	3.72				3.79				
	MNEs	4.19	-0.466	0.049**	-2.014	4.06	-0.270	0.091	-1.706	
Company Interests	DEs	3.50				3.80				
	MNEs	3.26	0.241	0.443	0.772	3.39	0.415	0.104	1.648	
Personal Perceptions	DEs	2.75				2.80				
	MNEs	2.15	0.602	0.044**	2.072	2.64	0.165	0.505	0.670	
Reward Types										
Basic Pay according to Industry level	DEs	3.94				3.59				
	MNEs	3.70	0.234	0.360	0.923	3.53	0.062	0.762	0.304	
Basic Pay according to Local level	DEs	3.88				3.57				
	MNEs	3.93	-0.051	0.805	-0.247	3.78	-0.206	0.276	-1.096	
Fringe benefits	DEs	3.84				3.55				
	MNEs	4.26	-0.416	0.048**	-2.018	3.53	0.026	0.901	0.124	
Bonuses for effort	DEs	3.47				3.86				
	MNEs	3.93	-0.457	0.088	-1.737	3.97	-0.115	0.559	-0.587	
Pay against Inflation level	DEs	3.44				3.52				
	MNEs	4.00	-0.563	0.028**	-2.256	3.67	-0.149	0.425	-0.802	
Better Career prospects	DEs	3.63				3.89				
	MNEs	4.33	-0.708	0.006***	-2.858	4.28	-0.385	0.031**	-2.196	
Social and Psychological Benefits										
Interesting and Challenging work	DEs	4.09				4.18				
	MNEs	4.52	-0.425	0.044**	-2.061	4.53	-0.349	0.015**	-2.481	
First-rate Colleagues	DEs	4.19	-0.220	0.350	-0.943	4.14	-0.329	0.033**	-2.161	

	MNEs	4.41				4.47			
Job Security	DEs	3.75	-0.694	0.006***	-2.876	4.05	-0.335	0.052*	-1.966
	MNEs	4.44				4.39			
Prestigious work	DEs	3.50	-0.907	0.001***	-3.462	4.00	-0.278	0.169	-1.386
	MNEs	4.41				4.28			
HR Directors Approach									
Competition among Peers	DEs	3.41	0.517	0.228	1.219	3.34	0.200	0.455	0.750
	MNEs	2.89				3.14			
Competition among Groups	DEs	2.97	-0.883	0.016**	-2.474	3.25	-0.500	0.050**	-1.984
	MNEs	3.85				3.75			
Group Solidarity	DEs	3.56	0.192	0.612	0.511	3.54	-0.048	-0.830	-0.216
	MNEs	3.37				3.58			

Source: Author's analysis of data

Notes: N= 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.19 Incentives and rewards considering firm size

Incentives and Rewards	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Firm Size							
		Small Firms (0 - 50 employees)				Big firms (51 employees and above)			
Salary Differentials									
External Market Conditions	DEs	3.12	-0.425	0.056*	-1.940	3.45	0.014	0.959	0.051
	MNEs	3.55				3.43			
Firm's evaluation of Job	DEs	3.74	-0.169	0.342	-0.956	4.03	0.126	0.545	0.609
	MNEs	3.91				3.90			
Values System	DEs	3.74	-0.381	0.025**	-2.277	3.79	-3.11	0.153	-1.446
	MNEs	4.12				4.10			
Company Interests	DEs	3.90	0.294	0.203	1.284	3.42	0.388	0.207	1.276
	MNEs	3.61				3.03			
Personal Perceptions	DEs	3.12	0.453	0.078*	1.798	2.34	0.175	0.535	0.624
	MNEs	2.67				2.17			
Reward Types									
Basic Pay according to Industry level	DEs	3.66	0.054	0.792	0.264	3.79	0.189	0.452	0.756
	MNEs	3.61				3.60			
Basic Pay according to Local level	DEs	3.60	-0.127	0.533	-0.626	3.79	-0.177	0.350	-0.940
	MNEs	3.73				3.97			
Fringe benefits	DEs	3.66	-0.067	0.760	-0.306	3.66	-0.309	0.142	-1.486
	MNEs	3.73				3.97			
Bonuses for effort	DEs	3.74	-0.230	0.269	-1.113	3.68	-0.249	0.319	-1.004
	MNEs	3.97				3.93			
Pay against Inflation level	DEs	3.48	-0.308	0.103	-1.651	3.50	-0.333	0.176	-1.368
	MNEs	3.79				3.83			
Better Career prospects	DEs	3.86	-0.473	0.016**	-2.465	3.71	-0.556	0.016**	-2.479
	MNEs	4.33				4.27			
Social and Psychological Benefits									
Interesting and Challenging work	DEs	4.08	-0.375	0.036**	-2.128	4.24	-0.363	0.031**	-2.203
	MNEs	4.45				4.60			

First-rate Colleagues	DEs	4.14	-0.254	0.153	-1.443	4.18	-0.316	0.107	-1.636
	MNEs	4.39				4.50			
Job Security	DEs	4.08	-0.223	0.254	-1.149	3.76	-0.770	0.000***	-3.981
	MNEs	4.30				4.53			
Prestigious work	DEs	3.90	-0.282	0.178	-1.357	3.71	-0.789	0.002***	-3.228
	MNEs	4.18				4.50			
HR Directors Approach									
Competition among Peers	DEs	3.48	0.480	0.108	1.625	3.21	0.144	0.697	0.390
	MNEs	3.00				3.07			
Competition among Groups	DEs	3.14	-0.466	0.097*	-1.680	3.16	-0.842	0.009***	-2.707
	MNEs	3.61				4.00			
Group Solidarity	DEs	3.42	-0.216	0.448	-0.762	3.71	0.377	0.201	1.291
	MNEs	3.64				3.33			

Source: Author's analysis of data

Notes: N= 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.20 Incentives and Rewards considering Industry

Incentives and Rewards	Oil and Gas Industry			Service Industry			Wholesale and Distribution			Manufacturing		
	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic
Salary Differentials												
External Market Conditions	-.238	.738	-.344	-.127	.625	-.491	-.158	.641	-.470	-.575	.171	-1.407
Firm's evaluation of Job	.214	.677	.428	-.338	.104	-1.652	.051	.845	.196	.350	.253	1.170
Values System	-.333	.460	-.770	-.633	.003***	-3.137	-.188	.472	-.725	.100	.748	.325
Company Interests	.405	.510	.681	.170	.593	.537	.577	.100*	1.675	.100	.820	.230
Personal Perceptions	.452	.368	.938	.412	.172	1.383	.239	.478	.715	.100	.828	.220
Reward Types												
Basic Pay according to Industry level	1.000	.139	1.593	.153	.434	.788	.068	.832	.213	.100	.813	.239
Basic Pay according to Local level	.024	.974	.034	-.176	.322	-.999	.013	.963	.046	-.225	.531	-.635
Fringe benefits	-.643	.241	-1.259	-.047	.847	-.194	-.116	.661	-.442	-.075	.856	-.183
Bonuses for effort	-.500	.491	-.713	-.508	.032**	-2.200	.024	.930	.088	-.025	.952	-.060

Pay against Inflation level	.548	.406	.864	-.652	.003***	-3.096	-.171	.534	-.627	-.100	.801	-.255
Better Career prospects	-.357	.416	-.844	-.585	.013**	-2.570	-.426	.132	-1.531	-.450	.239	-1.206
Social and Psychological Benefits												
Interesting and Challenging work	-.381	.383	-.914	-.490	.010**	-2.664	-.377	.116	-1.600	.000	1.000	.000
First-rate Colleagues	-.214	.677	-.428	-.331	.092*	-1.715	-.346	.154	-1.448	-.050	.889	-.141
Job Security	-1.190	.016**	-2.852	-.603	.004***	-2.985	-.259	.369	-.907	-.200	.553	-.601
Prestigious work	-.738	.188	-1.450	-.482	.039**	-2.112	-.599	.056*	-1.956	-.350	.491	-.699
HR Directors Approach												
Competition among Peers	-.357	.629	-.497	.592	.115	1.600	.053	.901	.125	.200	.729	.350
Competition among Groups	-.024	.979	-.027	-1.041	.002***	-3.207	-.585	.117	-1.599	-.350	.303	-1.051
Group Solidarity	.190	.805	.253	.198	.547	.606	-.112	.753	-.317	-.375	.496	-.690

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.7 Retention / Turnover

The sixth hypothesis looks at the retention practices / turnover of enterprises and is stated as follows:

H6: MNEs have a lower turnover rate when compared to DEs.

A straightforward question on the turnover rate per annum of employees was posed to understand the attrition rate and to ascertain whether it was higher or lower for MNEs or DEs. This was tested by using t-tests to look at the statistical significance of the difference. We took an attrition rate of 1-3% to be on the lower side and compared results for the two genres of enterprises. Results reported in Table 6.21 indicate that attrition rate is significantly lower for MNEs when compared to DEs (Md = 1.084, $t = 3.768$, $p < 0.05$). This result is totally in tune with H6.

Table 6.21 Turnover rate

	Organisation	Mean	Mean Difference (Md)	Std. Deviation	t-statistics	Sig.
Turnover rate	DEs	2.91	1.084	1.969	3.768	.000***
	MNEs	1.83		1.561		

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

-6.8 HR Director's Activities

The seventh hypothesis looks at the role of the HR director and is stated as follows:

H7: The Role of the HR Director varies when comparisons are made between DEs and MNEs

Stemming from this general hypothesis are several sub-hypotheses which have been listed below:

H7₁: The HR director plays a more important role beyond the more routine functions (such as headhunting, training, and job evaluation) to more strategic functions (such as contributing to planning and the implementation of business and corporate strategies and organisational designs). Given their international experience, the role of the HR directors in MNEs will be more strategic than their counterparts in DEs.

H7₂: The role of the HR director of MNEs has shifted over the last 5 to 10 years in the areas of strategic decision-making. This is more apparent in the role of HR directors in MNEs when compared to their counterparts in DEs.

H7₃: The HR directors of MNEs routinely delegate day-to-day HR work to line/junior managers more than the HR directors of domestic organisations to enable them to concentrate on more important strategic functions.

Table 6.22 presents the responses of the HR directors to questions about their activities. The table lists the possible jobs that HR directors are likely to perform and the difference in the importance of these tasks. Before moving on with the results, Levene's test was first conducted to see whether the variances were different for the different groups for each task and the test revealed homoscedastic relationships in the groups. Following this, the t-test was performed.

The tasks were broadly classified into two groups - routine and strategic - although this was not highlighted to the HR directors in the questionnaire. We shall look at those routine tasks first. Our results indicate that, other than 'acting with equal opportunity legislation', the HR directors of the MNEs regard all other routine tasks as more important than their counterparts from DEs. This is interesting as one might expect more developed HR systems in MNEs to place less emphasis on routine tasks so as to concentrate on more strategic tasks. The reasons for this could originate from the still undeveloped laws and policies to which the companies have to adhere as well as the need to be more involved when working with a small pool of labour in the country being explored. On average, the HR directors of MNEs regard all these tasks as more important to their jobs when compared to the HR directors in DEs. The HR directors of MNEs place more emphasis on 'succession planning' (Md= -0.361, t= -2.241, p < 0.05), 'organising training programmes' (Md = -0.566, t = -3.439, p <

0.05), 'planning career paths' (Md = -0.0514, $t = -3.415$, $p < 0.05$), 'job evaluation' (Md = -0.309, $t = -2.144$, $p < 0.05$), and 'monitoring and assessing employee performance' (Md = -0.289, $t = -1.752$, $p < 0.05$) when compared to HR directors of DEs. These statistics tell us that the mean differences for these activities were statistically significant. Two routine tasks which were not statistically significant, 'headhunting' (Md = -0.270, $t = -1.533$, $p > 0.05$) and 'acting with equal opportunity legislation' (Md = -0.020, $t = -0.103$, $p > 0.05$), are still perceived as more important by the HR directors of MNEs than by the HR directors of DEs. In the case of strategic tasks, as expected, due to the more highly developed HR systems, the means of both strategic tasks were significantly higher in MNEs when compared to DEs. Both were statistically significant and showed that HR directors of MNEs regarded both tasks as more important, when compared with HR directors of DEs, in the activities of 'planning and implementing strategy' (Md = -0.431, $t = -2.665$, $p < 0.05$) and 'advising organisational design' (Md = -0.354, $t = -2.101$, $p < 0.05$). Although these results indicate that HR directors of MNEs attribute more importance to all HR tasks when compared to HR directors of DEs, which could be due to DEs having underdeveloped HR systems, the significant differences shown in the strategic tasks show strong support for the H₆₁.

Table 6.22 Routine and strategic activities of HR Directors

HR director Activity	Operation level	Mean	Mean Difference	Std. Deviation	Significance	t-statistics
<i>Routine Tasks</i>						
Headhunting	DEs	3.84	-0.270	1.113	0.064*	-1.533
	MNEs	4.11		1.002		
Succession Planning	DEs	3.75	-0.361	1.031	0.014**	-2.241
	MNEs	4.11		0.935		
Organising Training programmes	DEs	3.55	-0.566	1.038	0.001***	-3.439
	MNEs	4.11		0.935		
Planning career paths	DEs	3.45	-0.514	0.946	0.001***	-3.415
	MNEs	3.97		0.861		
Job evaluation	DEs	3.66	-0.309	0.933	0.017**	-2.144
	MNEs	3.97		0.782		
Monitoring and assessing employee performance	DEs	3.73	-0.289	1.036	0.041**	-1.752
	MNEs	4.02		0.942		
Acting with equal opportunity legislation	DEs	3.17	-0.020	1.243	0.459	-0.103
	MNEs	3.19		1.090		
<i>Strategic Tasks</i>						
Contributing to planning and	DEs	3.89	-0.431	1.129	0.005***	-2.665
	MNEs	4.32		0.858		

implementing strategy						
Advising organisation design	DEs	3.09	-0.354	1.013	0.019**	-2.101
	MNEs	3.44		1.028		

Source: Author's analysis of data

Notes: N= 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

Table 6.23 presents the responses of HR directors when asked about the change in their role within their organisations in the past 5-10 years. More pronounced shifts were seen by HR directors of MNEs in all areas of their role. A significant difference in the views of HR directors of multinational and DEs can be seen in the areas of the 'training budget' ($U = 2358.0$, $z = -2.261$, $p < 0.05$) and 'job rotation' ($U = 2489.500$, $Z = -2.058$, $p < 0.05$). No significant statistical difference is seen in the areas of 'strategic decision-making' ($U = 2461.5$, $Z = -1.417$, $p > 0.05$) and 'human relations' ($U = 2718.0$, $Z = -17.17$, $p > 0.05$) although the HR directors from MNEs indicate more of a shift in these areas compare to local HR directors. These results partially support H6₂ in that the role of HR directors has changed more in MNEs in the areas of the training budget and job rotation, where statistically significant shifts were observed, compared to the role of HR directors in DEs.

Table 6.23 Shifts in HR directors' role

Shift in the HR Directors role	Operational Level	Mean Rank	Mann-Whitney U	z-statistics	Significance
Strategic Decision Making	DEs	72.47	2461.50	-1.417	0.105
	MNEs	80.93			
Human Relations	DEs	75.39	2718.00	-0.239	0.471
	MNEs	76.86			
Training Budget	DEs	71.30	2358.00	-2.261	0.020*
	MNEs	82.57			
Job Rotation	DEs	72.79	2489.50	-2.058	0.038*
	MNEs	80.48			

Source: Author's analysis of data

Notes: N= 151

* Significant at the 0.05 level

Table 6.24 presents the responses of HR directors regarding the importance of delegating routine and strategic HR work to line or junior managers. Levene's tests were again conducted to find whether the variances were different for the different groups, and the tests revealed homoscedastic relationships in the groups. Although

not statistically significant, the results show that HR directors in MNEs delegate routine HR tasks ($Md = -0.225$, $t = -1.214$, $p > 0.05$) to line and junior managers more than the HR directors of DEs. In contrast, the results significantly indicate that HR directors in MNEs do not delegate strategic issues as much as the HR directors of DEs do ($Md = 0.435$, $t = 1.913$, $p < 0.05$). These results support $H6_3$ as HR directors of MNEs devolve the day-to-day HR issues such as recruitment and performance appraisals to line managers in order to focus more on the strategic issues.

Table 6.24 HR devolvement

HR Devolvement	Operations Level	Mean	Mean Difference	Standard Deviation	Sig.	t-statistic
Routine HR work	DEs	3.81	-0.225	1.192	0.113	-1.214
	MNEs	4.03		1.015		
Strategic HR work	DEs	2.63	0.435	1.384	0.029*	1.913
	MNEs	2.19		1.355		

Source: Author's analysis of data

Notes: N= 151

*Significant at the 0.05 level

6.8.1 The Role of the HR Director considering Firm Age, Firm Size and Industry

Tables 6.25 and 6.26 show the significant values found when making comparisons of the role of the HR director in domestic and MNEs when considering the firms' age and size. We can see significant statistical differences in routine tasks in young firms such as 'succession planning', 'organising training programmes', 'job evaluation', and 'assessing and monitoring employee performance' in that the MNEs place higher emphasis on these activities whereas this is not the case in older firms. In addition, significant differences were seen in both young and older firms in the case of the planning of career paths, another routine task which multinationals also consider more important. As for strategic tasks, significant differences were seen in 'contributing to planning', 'implementing strategy' and 'advising on organisational design' in the older firms but no such significance was seen in younger firms. MNEs also perceive these tasks to be more important than DEs perceive them to be.

When looking at firm size, all routine tasks were held in higher regard by MNEs when compared to DEs. Significant statistical differences in the routine tasks of ‘succession planning’ and ‘organising training programmes’ are seen in the larger domestic and MNEs but not in the smaller enterprises. The routine task of ‘planning career paths’ shows significant differences in both small and large enterprises while the routine task of ‘monitoring and assessing employee performance’ sees significant differences in smaller enterprises but not in larger enterprises. In terms of strategic tasks, significant differences are seen in the larger firms in the case of ‘advising on organisational design’ but not in smaller firms and, in this case, DEs consider it more important than MNEs.

When looking at the changes in the role of the HR director, significant differences were only seen in the older firms in terms of the ‘training budget’ and ‘job rotation’ and not between younger domestic and MNEs. In these cases, the HR directors of MNEs have indicated more of a shift compared to the domestic HR directors. In terms of firm size, significant statistical differences were seen between the smaller domestic and MNEs but the differences between larger enterprises were not statistically significant.

In terms of HR devolvement, significant statistical differences were found only between the larger domestic and MNEs and not between smaller enterprises where domestic directors indicate a higher level of devolvement in these tasks. The results show partial support for the fourth hypothesis as firm age and firm size will determine the extent to which enterprises utilise their HR departments.

Table 6.27 shows our results when controlling for industry. Our results show no significant statistical differences when the role of the HR directors is taken into account in individual industries. Although not statistically significant, our results show that the role of the HR director is more active in MNEs than in DEs in most of the areas, in all sectors.

Table 6.25 HR director activity considering firm age

HR Director Activity	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
					Young Firms (0 - 14 yrs)		Older Firms (15 years and above)		
Routine Tasks									
Headhunting	DEs	3.75	-0.435	0.127	-1.547	3.89	-0.163	0.453	-0.754
	MNEs	4.19				4.06			
Succession Planning	DEs	3.66	-0.529	0.044*	-2.055	3.80	-0.252	0.243	-1.175
	MNEs	4.19				4.06			
Organising Training programmes	DEs	3.63	-0.856	0.000**	-3.807	3.50	-0.333	0.140	-1.488
	MNEs	4.48				3.83			
Planning career paths	DEs	3.43	-0.637	0.007**	-2.781	3.46	-0.425	0.037*	-2.115
	MNEs	4.07				3.89			
Job evaluation	DEs	3.43	-0.599	0.014*	-2.531	3.79	-0.131	0.470	-0.726
	MNEs	4.04				3.92			
Monitoring and assessing employee performance	DEs	3.50	-0.648	0.015*	-2.515	3.86	-0.060	0.781	-0.279
	MNEs	4.15				3.92			
Acting with equal opportunity legislation	DEs	3.13	-0.060	0.853	-0.186	3.20	0.002	0.993	0.009
	MNEs	3.19				3.19			
Strategic Tasks									
Contributing to planning and implementing strategy	DEs	3.81	-0.410	0.167	-1.400	3.93	-0.460	0.017*	-2.424
	MNEs	4.22				4.39			
Advising organisation design	DEs	3.06	-0.197	0.454	-0.753	3.11	-0.476	0.034*	-2.157
	MNEs	3.26				3.58			
HR Devolvement									
Routine HR work	DEs	3.53	-0.469	0.116	-1.596	3.96	-0.091	0.702	-0.383
	MNEs	4.00				4.06			
Strategic HR work	DEs	2.25	0.398	0.239	1.190	2.84	0.395	0.190	1.320
	MNEs	1.85				2.44			

Source: Author's analysis of data

Notes: N= 151

*Significant at the 0.05 level, **Significant at the 0.01 level

Table 6.26 HR director activity considering firm size

HR Director Activity	Operation level	Mean	Mean Difference	Significance	t-statistic	Mean	Mean Difference	Significance	t-statistic
		Small Firms (0 – 50 employees)				Large Firms (51 employees and above)			
Routine Tasks									
Headhunting	DEs	3.66	-0.370	0.142	-1.485	4.08	-0.121	0.621	-0.497
	MNEs	4.03				4.20			
Succession Planning	DEs	3.78	-0.190	0.380	-0.883	3.71	-0.556	0.028*	-2.249
	MNEs	3.97				4.27			
Organising Training programmes	DEs	3.58	-0.450	0.054	-1.958	3.50	-0.700	0.004**	-2.950
	MNEs	4.03				4.20			
Planning career paths	DEs	3.44	-0.439	0.033*	-2.170	3.47	-0.593	0.011*	-2.605
	MNEs	3.88				4.07			
Job Evaluation	DEs	3.64	-0.360	0.096	-1.685	3.68	-0.249	0.185	-1.340
	MNEs	4.00				3.93			
Monitoring and assessing employee performance	DEs	3.66	-0.461	0.048*	-2.011	3.82	-0.084	0.724	-0.355
	MNEs	4.12				3.90			
Acting with equal opportunity legislation	DEs	3.16	-0.234	0.383	-0.887	3.18	0.218	0.450	0.760
	MNEs	3.39				2.97			
Strategic Tasks									
Contributing to planning and implementing strategy	DEs	3.84	-0.402	0.086	1.739	3.95	-0.453	0.054	-1.959
	MNEs	4.24				4.40			
Advising organisation design	DEs	3.22	-0.265	0.283	-1.080	2.92	-0.479	0.037*	-2.130
	MNEs	3.48				3.40			
HR Devolvement									
Routine HR work	DEs	3.80	-0.200	0.420	-0.811	3.82	-0.251	0.381	-0.882
	MNEs	4.00				4.07			
Strategic HR work	DEs	2.36	-0.095	0.773	-0.290	2.97	1.074	0.001**	3.614
	MNEs	2.45				1.90			

Source: Author's analysis of data

Notes: N= 151

*Significant at the 0.05 level, **Significant at the 0.01 level

Table 6.27 HR Director Activity when considering Industry

HR Director Activity	Oil and Gas Industry			Service Industry			Wholesale and Distribution			Manufacturing		
	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic	Mean Difference	Significance	t-statistic
Routine Tasks												
Headhunting	-.333	.597	-.544	-.316	.192	-1.319	-.246	.485	-.704	.275	.573	.571
Succession Planning	-1.071	.130	-1.638	-.401	.105	-1.645	-.222	.498	-.683	-.175	.636	-.479
Organising Training programmes	-.762	.251	-1.220	-.480	.060	-1.917	-.645	.028	-2.262	-.575	.239	-1.205
Planning career paths	-1.190	.067	-2.033	-.480	.033	-2.186	-.292	.287	-1.077	-.450	.307	-1.042
Job evaluation	-.452	.473	-.747	-.417	.045	-2.055	-.434	.135	-1.521	.225	.528	.639
Monitoring and assessing employee performance	-1.095	.132	-1.693	-.320	.227	-1.220	-.164	.585	-.550	-.250	.473	-.728
Acting with equal opportunity legislation	-.095	.912	-.113	-.150	.597	-.531	.392	.249	1.170	-.425	.376	-.901
Strategic Tasks												
Contributing to planning and implementing strategy	-.976	.031	-2.578	-.444	.084	-1.756	-.211	.557	-.592	-.325	.427	-.807
Advising organisation design	-.976	.241	-1.250	-.227	.362	-.919	-.114	.684	-.410	-.625	.175	-1.394
HR Devolvement												

Routine HR work	-.714	.377	-.920	-.411	.152	-1.452	-.066	.856	-.183	-.100	.788	-.272
Strategic HR work	-.381	.643	-.476	.217	.512	.659	.930	.027	2.291	.025	.965	.044

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.9 Perceived Financial Performance

The eighth hypothesis looks at the retention practices / turnover of enterprises and is stated as follows:

H8: MNEs with their better HRM systems, will have better perceived financial performances when compared to DEs.

Section E of the questionnaire set out to explore the perceived financial performance of enterprises, to discover whether it was higher or lower for MNEs or DEs. This was tested using t-tests to examine the statistical significance of the difference. As predicted in the hypothesis, results reported in Table 6.28 show that the perceived financial performance is indeed significantly higher for MNEs when compared to their counterparts in DEs. This is true for all four measures of perceived performance measured as listed in Table 6.28. This result is totally in tune with H8.

Table 6.28 Perceived Financial Performance

Perceived Financial Performance	Organization	Mean	Mean Difference (Md)	Std. Deviation	t-test statistic	Significance
HRM Policies	DEs	6.43	-0.949	0.301	-3.157	0.001***
	MNEs	7.38				
Holding Market Share	DEs	6.63	-0.931	0.299	-3.109	0.001***
	MNEs	7.56				
Sales Revenue	DEs	6.78	-0.851	0.282	-3.022	0.001***
	MNEs	7.63				
Profitability (after tax)	DEs	6.50	-0.722	0.310	-2.332	0.021**
	MNEs	7.22				

Source: Author's analysis of data

Note: N = 151

* Significant at the 0.10 level; **Significant at the 0.05 level; ***Significant at the 0.01 level

6.10 Extention of Basic Results: Multivariate Analysis of Data

In order to strengthen our findings and further elaborate on these results, we undertook a detailed multivariate exercise involving a number of control variables. This analysis, in general, investigates the relationships between the HR practices examined earlier in this chapter, and some additional variables such the HR director's age, gender, experience, industries, and operational level.

6.10.1 Role of the HR Director

We defined 14 individual equations involving 8 routine and 2 strategic tasks that lie within the HR director's role-related attributes as functions of 15 control variables grouped in 3 blocks. The footnote in Table 6.29 describes the dependent and independent variables whereas the results themselves are presented in the table. The first block of 8 control variables in the table refers to the gender, age of the HR director, his experience, operational level of the firm (MNE or DE), firm age and size, the extent of local participation in firm's labour force, and years its CEO has been with the firm while the second block refers to 4 industry dummies. As stated in various hypotheses, this detailed multivariate analysis should help us discern any underlying influences that these control variables may be having on the routine and strategic tasks of the HR director.

The model fitting statistics at the bottom of the table suggests that data are good fit to the models. In order to keep the discussion coherent and simpler we will analyse the results in Table 6.29 by starting with the basic controls and then moving to the industry. Looking at the basic controls, we find that the gender of the HR director has no bearing on the routine or strategic functions performed. With regard to the age of the HR director, it seems that older HR directors are less involved in the headhunting process or succession planning. These tasks seem to be delegated to ranks below the HR director. But older directors also seem to become less influential in strategic decision-making. This result is counter-intuitive. It appears as though the board is tilted more towards younger (and perhaps more modern, academically-trained) HR directors when it comes to strategic decision-making processes. However, companies seem to rely more on the experienced (perhaps varied) HR directors for the strategic decision-making process, as the coefficient for this is

positive. Companies also do not seem to waste the talent of experienced HR directors on the organisation of training programmes, which is delegated to junior HR professionals. Firm size and the stability of the CEOs of the firms do not have any bearing on the functions of the HR directors. With regard to firm age, it seems that older firms are less inclined to worry about organising training programs. Perhaps older firms believe more in on-the-job (OJT) training, which is an informal method of training employees, as opposed to formal methods, which are provided by organising specific training programs either in-house or elsewhere. Row 7 describes the results with regard to local labour participation's influence on the HR director's functions. This also has no bearing on the routine or strategic functions performed by the HR director.

Row 4 describes the results for MNEs vs. DEs. Among the routine functions, MNEs seem to pay significantly more attention to all of them except headhunting and ensuring compliance with equal opportunity legislations. It seems that HR directors of MNEs do pay almost equal attention to both routine and strategic functions. These results again support H7₁, with the HR directors of MNEs placing more emphasis on their strategic tasks when compared with their counterparts from DEs.

With regard to the industries, we find a significantly negative relationship in all industries in relation to the HR directors' contribution to the management of career paths (Model 4). As this is seen in all industries, this is most probably due to the nature of employment in the country, where long-term employment and loyalty from the employee is not expected.

Table 6.29 Regression results on the functions of HR Director

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
	Routine Functions							Strategic Functions	
Basic Controls									
1. Gender of HR Director	-.158	-.089	.293	.300	.001	-.029	.110	-0.323	-.079
2. Age of HR Director	-.913**	-.783*	.216	-.160	.030	-.191	.145	-0.265	.105
3. Experience of HR Director	.000	.350	-.709	-.761*	.070	.564	-.219	0.312	.307
4. Operational Level	.271	.635**	1.075***	1.028***	.615*	.518	.110	.625*	.715**
5. Firm Age	.094	.011	-.836**	-.347	.198	.169	-.139	0.338	-.009
6. Firm Size	.655**	.209	.062	.142	-.064	-.002	-.366	0.268	-.418
7. Local Labour participation	-.343	-.171	-.223	-.094	-.125	-.480	-.597*	0.469	.135
8. CEO stability	.443	.252	.355	.220	.260	.068	-.304	0.536	-.082
Industry									
9. Oil and Gas Industry	-.954	17.217	-.496	-4.099**	.460	-.099	1.511	17.296	.408
10. Service Industry	-.668	17.677	-.766	-3.516*	.935	.542	.919	17.881	.492
11. Wholesale and Distribution	-1.314	17.071	-1.193	-3.909*	.452	.091	.900	17.429	.121
12. Manufacturing Industry	-.193	17.206	-1.269	-3.881*	.389	.295	1.103	17.535	-.058
Model Fitting Statistics									
-2 log likelihood	348.533	341.064	345.117	334.156	341.108	358.144	410.069	330.331	378.726
Chi-square	23.484**	16.706	24.246**	23.128**	8.288	10.260	6.644	15.283	10.214
R ² Cox and Snell	.144	.105	.148	.142	.053	.066	.043	0.096	.065
R ² Nagelkerke	.155	.113	.159	.153	.058	.071	.045	0.104	.069

Source: Author's analysis of data, *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level

NOTE: Models 1-14 are responses to the questions: 'What activities of the HR director (HRD) are of greatest significance to the HRD?' (Models 1-9), and 'How has the role of the HRD changed over the last 5-10 years (Models 10-14)?'

The 14 replies read as follows: 1. Headhunting; 2. Contributing to succession planning; 3. Organising training programmes; 4. Planning career paths for management development; 5. Job evaluation; 6. Monitoring and assessing employee performance; 7. Ensuring compliance with equal opportunity legislation; 8. Contributing to planning and implementing the business and corporate strategies; 9. Advising on organisational design.

Variables in column 1 are as follows: 1. Gender of HRD; 2. Age of HRD; 3. Experience of HRD; 4. Company MNE or DE; 5. Firm age; 6. Firm size; 7. Local labour participation; 8. CEO stability; 9-12 are industry dummies: 9. Oil and Gas Industry; 10. Service Industry; 11. Wholesale and Distribution; 12. Manufacturing Industry.

6.10.2 Recruitment and Selection

For multivariate analysis work on recruitment and selection, we defined 17 individual equations; 7 for the importance of qualifications, 7 for the importance of personal characteristics when appointing candidates to middle management and 3 for the importance of internal and external recruitment to different posts in the organisation as functions of 12 control variables grouped in 2 blocks. The footnote in Table 6.30 describes the variables whereas the results themselves are presented in the table. The first block of 8 control variables in the table refers to the gender and age of the HR director, his experience, operational level of the firm (MNE or DE), firm age and size, the extent of local participation in the firm's labour force, and years its CEO has been with the firm while the second block refers to 4 industry dummies. This detailed multivariate analysis would help us discern any underlying influences that these control variables may be having on the recruitment and selection practices of the enterprises.

First result that stands out in Table 6.30 is in row 4 which tells us that compared to DEs, MNEs regard most recruitment criteria as important in the recruitment and selection criteria – these include the importance of qualifications such as the employees' command of languages, and personal characteristics such as their 'Willingness to travel', 'Self-motivation', 'Potential to grow with the job', 'Independent judgement', and 'Commitment to the company'. This strongly supports H₁ in which we hypothesised that MNEs will have more stringent recruitment and selection criteria. H₂ was also supported as MNEs rely more on internal recruitment when compared to DEs, who preferred to recruit externally.

The gender, age and experience of the HR director have no significant bearing on the choice of internal or external recruitment to various posts. Firm age has a bearing on the firms' preference in terms of internal and external recruitment, with older firms stressing the importance of external appointments when looking to fill senior management posts. Firms that have stability in terms of their CEO staying on for longer times seem to prefer recruiting candidates with a wide range of work experience. Further, it seems that larger the share of local labour and greater the stability in terms of CEO serving longer terms, greater seems to be the preference for

external appointments. One surprising result about industries is the negative and significant results for Models 6 and 11. It seems that industry sectors under study do not worry about candidates having command on languages, or their potential to grow with the job. This is counter-intuitive, as firms would normally prefer employees who are capable of improvement. This may be due to the environments in which these firms operate where poaching is common and as a result, and expectations for employees to grow with the job is low.

Table 6.30 Regression results on the Recruitment and Selection Practice

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17
	Recruitment Criteria – Qualifications							Recruitment Criteria – Personal Characteristics					Internal/External				
Control Variables																	
1. Gender of HR Director	.121	.070	.086	-.381	-.368	.014	-.208	-.148	.274	.224	-.188	-.068	-.229	.009	-.259	-.215	-.444
2. Age of HR Director	.163	-.035	-.517	-.235	.503	-.107	-.333	.618	-.647	-.545	-.584	-.562	-.313	-.775*	.007	-.714*	.218
3. Experience of HR Director	-.228	.041	.608	.081	.212	.170	.064	-.523	-.019	-.029	-.182	-.050	.443	.313	-.493	.130	-.116
4. Operational Level	.562*	.691**	.469	.235	.581*	1.062***	.561*	1.097***	.556	.761**	.840**	.915***	1.197***	.758**	-.812**	-.545*	.379
5. Firm Age	-.251	.345	.085	.611	.694*	.075	.524	-.553	.047	.585	.289	.142	.211	.738*	.814**	.737*	-.640*
6. Firm Size	.314	.295	.270	-.033	.452	-.259	-.698**	.418	-.005	.284	.280	.128	.095	-.206	-.142	-.292	-.107
7. Local Labour participation	.412	.557	-.063	.351	.564*	.045	-.146	-.286	-.676*	-.514	-.774**	-.482	-.711*	-.387	-.789**	-.638*	-.134
8. CEO stability	.205	.585*	.602*	.908***	.222	.461	.311	.223	.512	.253	.104	.612*	.371	.303	-.831**	-.063	.218
Industry																	
9. Oil and Gas Industry	-2.289	-1.127	-2.274	-1.425	-1.887	-4.389**	-2.280	-.877	-1.391	-2.674	-4.607**	-2.419	-2.545	-3.179	.395	-18.384	-17.833
10. Service Industry	-1.582	-1.410	-2.787	-1.544	-1.787	-3.565*	-1.812	-.658	-.863	-2.839	-4.736**	-2.809	-2.829	-3.167	-1.517	-19.604	-18.503
11. Wholesale and Distribution	-1.768	-.942	-2.459	-1.302	-1.844	-3.546*	-1.811	-.909	-1.096	-3.023	-4.675**	-2.578	-2.629	-3.103	-.859	-19.105	-18.159
12. Manufacturing Industry	-2.021	-1.402	-2.745	-1.881	-2.204	-3.387	-1.750	-.947	-.495	-2.663	-4.057**	-2.856	-2.832	-2.705	-.803	-18.613	-18.501
Model Fitting Statistics																	
-2 log likelihood	328.66	323.70	277.74	335.67	385.03	316.93	330.14	387.31	290.26	272.48	311.65	295.83	245.84	254.40	387.09	360.41	396.90
Chi-square	10.220	12.758	12.655	13.586	16.677	22.731	13.078	21.963	15.196	16.937	24.074	20.214*	22.000	17.784	37.153	25.658	13.138

R ² Cox and Snell	.065	.081	.080	.086	.105	**	.140	.083	**	.135	.096	.106	**	.147	.125	**	.136	.111	***	.218	**	.156	.083
R ² Nagelkerke	.072	.088	.092	.093	.110		.153	.090		.143	.107	.120		.162	.139		.158	.129		.229		.166	.088

Source: Author's analysis of data, *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level

Note: Models 1-17 are responses to the questions 'In appointing a candidate to a middle grade in General Management, how do you rate the following: qualifications (Models 1-7) and personal characteristics? (Models 8-14), and 'Please indicate the relative importance of internal and external recruitment to various kinds of posts in your company.' (Models 15-17)

The 17 replies (models for the equation) read as follows: 1. School and university qualifications; 2. Professional qualifications other than 1; 3. Previous experience of a similar job; 4. A wide range of work experience; 5. Work experience in other countries; 6. Command of languages; 7. Personal presentation; 8. Willingness to travel; 9. Total devotion to task; 10. Self-motivation; 11. Potential to grow with the job; 12. Independent judgement; 13. Commitment to the company; 14. Willingness to learn; 15. Senior manager reporting to chief executive; 16. Junior manager supervising operatives; 17. Professional specialist.

The 12 control variables in column 1 are as follows: 1. Gender of HRD; 2. Age of HRD; 3. Experience of HRD; 4. Company MNE or DE; 5. Firm age; 6. Firm size; 7. Local labour participation; 8. CEO stability; 9-12 are industry dummies: 9. Oil and Gas Industry; 10. Service Industry; 11. Wholesale and Distribution; 12. Manufacturing Industry.

6.10.3 Training

In order to conduct multivariate analysis for training, we defined 6 individual equations regarding the applicability of different methods of training to new employees. The footnote in Table 6.31 describes the variables whereas the results themselves are presented in the table. The first block of 8 control variables in the table refers to the gender and age of the HR director, his experience, operational level of the firm (MNE or DE), firm age and size, the extent of local participation in the firm's labour force, and the years its CEO has been with the firm while the second block refers to 4 industry dummies. This detailed multivariate analysis should help us discern any underlying influences that these control variables may be having on the training practices of these enterprises. The model fitting statistics reported in the table shows that models are a good fit to the data.

First result that strikes in Table 6.31 is that none of the industries influence in anyway the mode of training practice adopted by firms – in fact coefficients are significant but negative from Model 1 which asked if firms employed formal instruction methods in house. However, firm size, CEO stability, and firms with larger local labour participation do influence the choice of training method under which training is arranged to be provided by a third party but tailored to the company's need. MNEs do emphasise on learning into groups by socialisation and imitation. Male HR directors believe in learning by doing on your own and by work placements with strategic partners and by way of the 'buddy system / mentoring' – but only smaller sized firms do so.

Table 6.31 Regression results on Training Practice

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control Variables						
1. Gender of HR Director	-.368	.400	-.054	.939***	.502	.288
2. Age of HR Director	-.446	-.473	-.417	-.260	-.039	-.528
3. Experience of HR Director	.402	.417	.220	-.263	.724	.215
4. Operational Level	.137	-.033	.565*	-.034	1.023***	1.136***
5. Firm Age	.033	.166	-.244	.385	.230	.011
6. Firm Size	.110	.579*	.433	.239	-.970***	-.772**
7. Local Labour participation	.268	.876***	.320	.263	-.239	-.319
8. CEO stability	.270	.829**	-.045	-.087	.030	-.142
Industry						
9. Oil and Gas Industry	-4.434**	-1.425	-2.508	.193	.463	-1.203
10. Service Industry	-3.427*	-1.074	-1.847	-.403	1.572	-.403
11. Wholesale and Distribution	-3.800**	-1.088	-2.210	-.119	1.079	-.086
12. Manufacturing Industry	-3.510*	-1.492	-1.943	-.315	.890	-.709
Model Fitting Statistics						
-2 log likelihood	301.835	404.944	398.885	404.269	383.849	393.266
Chi-square	12.248	17.312	12.670	12.240	27.944***	18.905*
R ² Cox and Snell	.078	.108	.080	.078	.169	.118
R ² Nagelkerke	.086	.114	.085	.082	.178	.124

Source: Author's analysis of data, *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level

Note: Models 1-6 are responses to the question: 'What are the most applicable methods of training new employees in junior management?' (variables 1-6).

The 6 replies read as follows: 1. Formal instructions within the company; 2. Training provided by a third-party organization but tailored to company needs; 3. Induction into a group by socialization and imitation; 4. Learning by doing on your own; 5. Work placement with strategic partners; 6. Buddy system / mentoring.

The 12 control variables in column 1 are as follows: 1. Gender of HRD; 2. Age of HRD; 3. Experience of HRD; 4. Company MNE or DE; 5. Firm age; 6. Firm size; 7. Local labour participation; 8. CEO stability; 9-12 are industry dummies: 9. Oil and Gas Industry; 10. Service Industry; 11. Wholesale and Distribution; 12. Manufacturing Industry.

6.10.4 Internal Career Opportunities

We now move to the HR practice related to internal career opportunities. For this, we defined 13 individual equations; 8 regarding the criteria for promotions and 5 regarding senior executive succession as functions of 12 control variables grouped in 2 blocks. The footnote to Table 6.32 describes the variables whereas the results themselves are presented in the table. The first block of 8 control variables in the table refers to the gender and age of the HR director, his experience, the operational level of the firm (MNE or DE), firm age and size, the extent of local participation in the firm's labour force, and the years its CEO has been with the firm while the second block refers to 4 industry dummies. The model fitting statistics reported in the table shows that models are good fit to the data. The multivariate analysis should help us discern any underlying influences that these control variables may be having on the internal career opportunities practices of the enterprises.

Our analysis shows that the male HR directors and longer serving CEOs and larger firms do take into account the employee's contribution to profits in their promotion criteria. Larger firms, male and experienced (but not older) HR directors do also take into account employee's contribution to output in deciding promotions. Older HR directors and female HR directors also appreciate the quality of output in promotion criteria. Longer serving CEOs believe in internal appointments and appreciate candidates who have stayed within budget. Older firms also reward technical competency, overall professionalism, and efforts put in by the candidates independent of final results, MNEs reward individual competency level of candidates and believe in avoiding competition between internal candidates by preparing one person well in advance for executive succession. It seems that the larger the ratio of local labour in the organisation, less is the reliance on overall professionalism for promotions. Industry effects do not come out to be important – in fact their coefficients come out to be negative and significant for promotion criteria based on output independent of profits/

To reiterate some essential results, row 4 of Table 6.32 describes the results for MNEs vs. DEs. In terms of promotion criteria, MNEs focus more on all promotion criteria except employees' contribution to profit, the value of their output and the

quality of their output, although these differences are not significant. As five other criteria are supported, we can consider H3₁ partially supported by these results. In terms of senior executive succession, our results show that MNEs do not prefer external appointments and are more inclined to groom internal candidates over a period of time; these results are significant. MNEs also view external appointments as undesirable because of the nature of their organisations and that non-executives should play a part in the process more than Des, although these are not significant differences. DEs tend to rely more on their board of directors compared to MNEs although this too is not statistically significant. This supports H1₃ in which we hypothesise that MNEs have more strategically organised senior executive succession processes.

Table 6.32 Regression results for Internal Career Opportunities

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13
	Promotion Criteria							Senior Executive Succession					
Control Variables													
1. Gender of HR Director	.681*	.923**	-.730***	.659*	.374	.272	.372	.012	.081	-.134	.323	-.167	1.065***
2. Age of HR Director	-.454	-.865**	.100*	-.153	-.666	-.170	-.076	.320	.017	.213	.523	.114	-.064
3. Experience of HR Director	.137	1.174**	.264	-.171	-.222	-.228	-.221	.111	-.449	-.397	-.754*	-.056	-.385
4. Operational Level	-.165	-.156	-.154	.496	.256	.349	.102	.560*	-1.442***	.185	.731**	.480	-.188
5. Firm Age	-.331	-.454	.041	-.046	.655*	.676*	.396	1.012**	.408	.163	.371	-.238	.341
6. Firm Size	.543*	.735**	-.367	.124	.313	.060	.104	-.163	-.332	-.240	-.758**	-.141	-.319
7. Local Labour participation	.212	-.031	.256	.036	-.213	-.610*	-.186	-.256	.104	-.348	-.028	-.094	-.457
8. CEO stability	.740**	.390	-.730	.795**	.328	.160	.087	.225	-.796**	.671**	.675**	.026	-.287
Industry													
9. Oil and Gas Industry	-22.140	-3.698*	-21.793	-1.941	-2.925	-3.260	-2.636	-2.088	.070	-.424	-1.799	.458	.360
10. Service Industry	-21.293	-3.239	-20.870	-1.030	-2.704	-2.873	-2.530	-1.761	-.468	-.277	-.821	.481	-.244
11. Wholesale and Distribution	-21.346	-3.690*	-20.689	-1.236	-2.785	-3.006	-2.536	-1.758	.217	-.593	-.492	.389	-.356
12. Manufacturing Industry	-21.186	-2.842	-20.445	-1.630	-1.954	-2.062	-2.086	-1.931	-.170	-.743	-1.573	-.414	.006
Model Fitting Statistics													
-2 log likelihood	319.771	317.186	271.075	316.061	300.840	288.240	307.832	327.667	371.125	413.313	391.847	413.476	412.608
Chi-square	23.660**	27.338***	21.042*	15.328	16.612	17.371	6.458	15.345	38.741***	9.901	21.738**	6.823	17.901
R ² Cox and Snell	.145	.166	.130	.097	.104	.109	.042	.097	.226	.063	.134	.044	.112
R ² Nagelkerke	.158	.180	.147	.106	.115	.122	.046	.105	.239	.067	.140	.046	.117

Source: Author's analysis of data, *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level

Note: Models 1-13 are responses to the questions: 'Please indicate the main criteria of individual or group performance used in assessing cases for promotion' (Modlss 1-8), and 'Please indicate your views on managing senior executive succession (replacement)' (Models 9-13).

The 13 replies read as follows: 1. Contribution to profit; 2. Value of output (independent of profit margin); 3. Quality of output; 4. Keeping within the budget; 5. Effort (independent of final result); 6. Overall professionalism; 7. Deliverables; 8. Individual competency level (technical); 9. External appointments are, in general, desirable because they bring in new blood; 10. In our case external appointments are undesirable because our company is so large that outsiders cannot understand its complexities; 11. Competition between internal candidates should be avoided by 'preparing' one person well in advance; 12. Non-executive directors should play a dominant role in selecting executive successors; 13. Appointments are made by the board of directors or an equivalent.

Control Variables in column 1 are as follows: 1. Gender of HRD; 2. Age of HRD; 3. Experience of HRD; 4. Company MNE or DE; 5. Firm age; 6. Firm size; 7. Local labour participation; 8. CEO stability; 9-12 are industry dummies: 9. Oil and Gas Industry; 10. Service Industry; 11. Wholesale and Distribution; 12. Manufacturing Industry.

6.10.5 Incentives and Rewards

We now move on to final section of the multivariate analysis of data on the HR practice of incentives and rewards. In order for us to be able to do this, we defined 18 individual equations; 5 for the explanation of salary differentials, 6 for the rewards used for retaining staff, 3 for the importance of social and psychological benefits, and 3 for the HR directors' views on competition among employees as functions of 12 control variables grouped in 2 blocks. The footnote in Table 6.33 describes these variables whereas the results themselves are presented in the table. The first block of 8 control variables in the table refers to the gender and age of the HRD, his experience, the operational level of the firm (MNE or DE), firm age and size, the extent of local participation in the firm's labour force, and the years its CEO has been with the firm while the second block refers to 4 industry dummies. The multivariate analysis should help us discern any underlying influences that these control variables may be having on the incentive and reward practices of the enterprises.

In terms of operational level, MNEs believe that salary differentials for staff are fair in the context of the company's system of values. For retaining key staff, MNEs believe in giving annual salary increments above the rate of inflation, and in providing better career prospects and development opportunities compared to firms in the same industry. MNEs also believe that the most important social and psychological benefits for staff working in their company are better career prospects and interesting and challenging work, friendly and supportive colleagues, and the sense of prestige of working for one of the top companies in the industry. MNEs also believe that competition between individuals is unhealthy but competition between teams is healthy because it stimulates co-operation at the team level. These results partially support H5₁ in which we hypothesise that MNEs explain salary differentials in terms of market principles and the ethos of the enterprise; and H5₂ in which we hypothesise that the employees of MNEs value social and psychological benefits more than the employees of DEs.

Additional results in table 6.33 show that the gender and experience of the HR director has no bearing on the practice of incentives and rewards whilst older HR directors believe that the perceptions of staff in explaining salary differentials do play a role. Firm age has no bearing on incentives and reward systems followed by the firm: larger firms, however, believe that fringe benefits do not play a role in retaining key staff. This seems to be owing to their belief that staff working for them has the 'prestige' value anyway. Larger firms believe that management is not free to reward staff in anyway they like and that personal perceptions of staff would not play a role in explaining and understanding salary differentials. Firms with larger labour participation believe in higher basic pay and fringe benefits for retaining key staff, perhaps because the local staff demands or it is the norm for locals. Interestingly, however, higher percentage of local labour participation does lead to a reduction in the perception that competition between individuals is not healthy and that competition between teams is healthy because it stimulates cooperation. Longer serving CEOs have positive impact on salaries and bonuses used to retain staff in the company and to the perception of congenial environment when working for the company, and the belief that competition is not the best way to motivate staff, instead building a sense of group solidarity is more rewarding. Industry effects are not significant; in fact they come out to have a negative bearing on the perception of industries providing better career prospects to their employees.

Table 6.33 Regression results for Incentives and Rewards

Predictors	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18
	Explaining Salary Differential					Rewards for Staff Retention					Social/Psychological Benefits				Competition			
Control Variables																		
1. Gender of HR Director	.200	.296	.049	.026	-.412	.457	.459	.243	.230	.184	.128	.072	-.054	.424	.161	.382	.538	.314
2. Age of HR Director	.108	.092	-.153	.378	.923**	.589	.632	-.248	-.058	.161	-.181	-.479	.272	.060	.004	-.444	-.488	-.515
3. Experience of HR Director	.479	-.432	-.130	.229	-.318	-.231	-.285	-.067	.160	-.308	-.328	.142	-.700	-.151	-.466	.297	-.669	.316
4. Operational Level	.406	.104	.605*	-.721**	-.713**	-.189	.378	.382	.443	.700**	1.153***	.825**	.425	1.103***	.936***	-.482	1.010***	-.048
5. Firm Age	-.240	-.166	.240	.479	.332	-.088	-.022	-.707*	.380	-.411	-.139	.219	.440	.153	.620	.428	.255	.240
6. Firm Size	.465	.434	.312	-.637**	-1.018***	.436	.635*	.129	-.013	.120	-.380	.391	.391	-.235	.160	-.007	.058	.002
7. Local Labour participation	.360	-.369	.103	-.768**	-.142	.914***	1.234***	-.290	-.192	.215	-.621*	-.091	.133	.111	-.451	.622	-.609*	-.424
8. CEO stability	.129	.382	.461	-.223	-.139	.340	.495	.228	.648*	.582*	.419	.658*	1.078***	.832***	.502*	.509	.539	-.756**
Industry																		
9. Oil and Gas Industry	-.114	-3.208	-1.525	-19.074	.001	-1.347	-1.550	-1.958	-4.578**	-3.494*	-4.970**	-22.506	-20.765	-1.780	-1.883	-17.500	-.237	17.668
10. Service Industry	.135	-2.154	-1.481	-19.851	-.491	-.606	-.558	-1.313	-3.401	-2.711	-4.061**	-21.121	-20.373	-1.115	-1.902	-17.890	.473	17.480
11. Wholesale and Distribution	.039	-2.719	-2.034	-20.320	-.747	-.634	-.722	-1.549	-3.381	-2.660	-4.238**	-21.477	-20.717	-1.195	-2.127	-17.240	.118	16.938
12. Manufacturing Industry	-.245	-2.883	-1.336	-19.602	-.178	-.944	-1.219	-1.561	-3.375	-2.889	-4.322**	-21.433	-20.184	-1.625	-2.554	-17.585	-.013	17.398
Model Fitting Statistics																		
-2 log likelihood	373.46	312.33	303.39	367.52	382.36	339.71	303.49	341.56	341.40	336.20	323.43	257.43	268.80	298.27	336.46	410.02	388.89	398.81

Chi-square	8.929	13.997	13.786	30.297 ***	26.253 **	15.294	25.284 **	10.047	18.423	16.549	25.317 **	27.188 ***	25.908 **	22.377 **	20.787*	16.006	26.915 ***	13.871
R ² Cox and Snell	.057	.089	.087	.182	.160	.096	.154	.064	.115	.104	.154	.165	.158	.138	.129	.101	.163	.088
R ² Nagelkerke	.061	.098	.096	.192	.168	.104	.169	.069	.124	.112	.168	.188	.178	.152	.139	.105	.171	.092

Source: Author's analysis of data, *** significant at 0.01 level; ** significant at 0.05 level; * significant at 0.10 level

Note: Models 1-18 are responses to the questions: 'How would you explain salary differentials in your company to an employee?' (Models 1-5), 'How important are the following rewards in retaining the key staff' (Models 6-11), 'What do you consider to be the most important social and psychological benefits to a manager working for your company?' (Models 12-15), and 'Please indicate your attitude to the following statements' (Models 16-18).

The 18 replies read as follows: 1. They simply reflect the external market conditions; 2. They reflect the firm's own evaluation of the jobs people perform; 3. They are fair in the context of the company's system of values; 4. Management must be free to reward people in whatever way best serves the company's interest; 5. Personal perception plays a role; 6. Basic pay above the industry level; 7. Basic pay above the local level in the area; 8. Valuable fringe benefits; 9. The opportunity to earn large bonuses through greater efforts; 10. Annual salary increments above the rate of inflation; 11. Better career prospects and development opportunities compared to firms in the same industry; 12. Interesting and challenging work; 13. Friendly and supportive colleagues; 14. Job security; 15. The prestige of working for one of the top firms in the industry; 16. Individual employees need to compete against their peers in order to give their best; 17. Competition between individuals is socially divisive (unhealthy) but competition between teams is healthy because it stimulates cooperation at the team level; 18. Competition is not the best way of motivating effort; building a sense of group solidarity is usually better.

Control variables in column 1 are as follows: 1. Gender of HRD; 2. Age of HRD; 3. Experience of HRD; 4. Company MNE or DE; 5. Firm age; 6. Firm size; 7. Local labour participation; 8. CEO stability; 9-12 are industry dummies: 9. Oil and Gas Industry; 10. Service Industry; 11. Wholesale and Distribution; 12. Manufacturing Industry.

6.11 Summary of tested hypotheses

Table 6.34 provides a complete summary of hypotheses put to test in this chapter.

Table 6.34 Summary of hypotheses-testing

Hypotheses		Statement
H1 ₁	Given the international operations of MNEs, recruitment criteria will be more stringent in MNEs compared to DEs.	Supported
H1 ₂	MNEs rely more on internal recruitment to fill vacancies than DEs.	Supported
H1 ₃	Compared to DEs, the management of senior executive succession applied by MNEs is more strategically organised	Supported
H2 ₁	MNEs place more emphasis on training compared to DEs.	Strongly supported
H3 ₁	MNEs place more stringent criteria when promoting compared to DEs.	Partially supported
H4 ₁	MNEs have a more structured performance appraisal process when compared to DEs, with differences between MNEs and DEs in the frequency with which the PA is conducted, who conducts the appraisals, and the time gap within which the feedback on PA is given to employees.	Supported
H4 ₂	The HR directors of MNEs will be more receptive to the performance appraisals process than those in DEs.	Partially supported
H4 ₃	The HR employees of MNEs will be more receptive to the performance appraisals process than those in DEs.	Not supported
H5 ₁	MNEs follow market principles and ethos in explaining the incentives and rewards structure to their employees. This approach will be less pronounced in DEs.	Partially supported
H5 ₂	Social and psychological benefits are more highly valued in MNEs than in DEs	Strongly supported
H6	MNEs have a lower turnover rate when compared to DEs.	Strongly supported
H7 ₁	The HR director plays a more important role beyond the more routine functions (such as headhunting, training, and job evaluation) to more strategic functions (such as contributing to planning and the implementation of business and corporate strategies and organisational designs). Given their international experience, the role of the HR directors in MNEs will be more strategic than their counterparts in DEs.	Strongly supported
H7 ₂	The role of the HR director of MNEs has shifted over the last 5 to 10 years in the areas of strategic decision-making. This is more apparent in the role of HR directors in MNEs when compared to their counterparts in DEs.	Partially supported
H7 ₃	The HR directors of MNEs routinely delegate day-to-day HR work to line/junior managers more than the HR directors of DEs to enable them to concentrate on more important strategic functions.	Supported
H8	MNEs with their better HRM systems, will have better perceived financial performances when compared to DEs.	Supported
H9	There are marked differences in HR practices depending on firm age, firm size and industry.	Supported

Source: Author's analysis of data

6.12 Summary

This chapter presented the results of the hypotheses-testing process carried out with the help of a detailed analysis of data using a variety of statistical means. In totality, the results obtained largely support the hypotheses we set out to test (see table 6.34). A large number of interesting results directly and indirectly related to the HR practices of MNEs vis-à-vis DEs were found during the course of the analysis that revealed underlying differences in the HR practices of MNEs and DEs.

The differences in HR practices found support the generally held perceptions and research conclusions found in the literature that compared to DEs, MNEs with their international exposure have stringent and better organised HR practices. The differences noticed are in the areas of recruitment and selection, training rewards and performance appraisals which are more rigorously organised and structured than those found in DEs. Global exposure does indeed matter, it seems. We also found significant statistical differences in terms of the role of HR director. In MNEs, we found it to be more strategic than the role played by HR directors in DEs and that the HR directors have begun to concentrate more on the strategic tasks by delegating routine tasks to the line/ junior managers. This was more pronounced in MNEs. Employee turnover rates were found to be lower in MNEs than in DEs. MNEs also perceived their financial performance to be better than DEs.

We put to further tests the results obtained with the help of non-parametric tests. This was done with the help of multivariate analysis in which we introduced further controls on the HR practices to discern the impact of a large number of possible influences the controls such as the gender, age and experiences of the HR director, the extent of local labour in firms, stability provided by longer serving CEOs may exert on the HR practices implemented by the two categories of enterprises under investigation. These results in addition to supporting the results obtained earlier also shed some additional light on the factors influencing the HR practices in DEs and MNEs. For instance, we found that the stability provided by longer serving CEOs have a positive influence on HR practices. A larger ration of local labour force working in firms can lead to some positive and some limiting impacts on HR

practices. The implications of these and previous results is discussd in detail in the next chapter.

CHAPTER SEVEN: DISCUSSION AND CONCLUSIONS

7.1 Introduction

The purpose of this research was to study the behavioural differences in 5 sets of HR practices that are widely used in organisations and the role of the HR director in the context of domestic versus multinational enterprises in the country of Brunei Darussalam. There is only scant literature on this, particularly in the context of emerging economies and none in the context of Brunei.

Based on the survey of available literature and generally held beliefs, we hypothesised that given their international exposure and globally competitive environments in which they operate to survive and stay ahead of rivals. MNEs will be much more stringent with regard to their recruitment and training practices of new recruits and that they will also be rigorous with promotion practices. We also hypothesised that performance appraisal processes would be more advanced and better structured in MNEs when compared to DEs. Incentives and reward systems were also studied and, on the basis of the literature review, we hypothesised that these would be more advanced and better placed in MNEs when compared to DEs. In addition, we also examined the role of the HR director under the hypothesis that their roles in the present-day enterprises have become more strategic away from routine functions. With the help of an elaborate survey instrument, we collected primary data from a total of 151 firms (63-42% MNEs and 88-58% DEs) on a range of HR practices including the role of the HR director. We put to rigorous statistical testing the stated hypotheses and on balance found a large number of them to be true. Some of the results are better illustrated when we look at the HR practices individually. We elaborate below the insights generated by our research and the implications of the validity or otherwise of our tested hypotheses.

7.2 Discussion of Research Hypotheses and Main Findings

7.2.1 The First Hypothesis

This hypothesis looked at the recruitment and selection policies in DEs and MNEs. This HR practice is considered one of the core and most important practices of HRM and many scholars claim that organisations can generate and expand their profits by ensuring that the right people are recruited in the first place. More to the point, employee skills, qualifications and abilities need to be carefully selected by organisations in order to meet their specific job requirements and approach to the market (Pfeffer, 1998). Therefore, this practice has often been included in the mixture of HR practices chosen by HRM researchers in the majority of the studies conducted.

We also put to test this hypothesis, to examine the differences in the recruitment and selection practices of domestic and MNEs, by first analysing the recruitment criteria; this includes the method in which vacancies are filled and the promotion criteria used by both types of organisations. Our results supported the first, second and third sub-hypotheses. The first hypothesis stated more stringent recruitment criteria in MNEs, the second stated that MNEs would be more reliant on internal recruitment, and the third stated a more strategically organised senior executive succession management in MNEs. The differences between MNEs and DEs with regard to recruitment and selection process could be due to differences between these enterprises, which may possibly be attributed to the nature of globalisation. This echoes results obtained by Myloni *et al.* (2004a) who found that selection methods in domestic companies were lagging behind MNEs in Greece. These differences are also reflected in the findings of Huang (2000), albeit in a more Eastern-versus-Western context. His results showed distinct contrasts in most HR practices, including staffing, training, and career path design, between the western MNEs and companies based in the East including domestic Taiwanese companies.

There may be other reasons why our results support MNEs' focus on internal recruitment when compared with domestic organisations. One reason could be the quality of the domestic workforce. MNEs may not rate the quality of the domestic

workforce very highly; internal recruitment could also mean the placement of expatriates into higher positions in the organisation to smoothly oversee the operations. The use of expatriates by MNEs in this case is in tune with the findings of Shen and Edwards (2004) who found that expatriates were used to control the coordination of international activities and oversee subsidiary operations and administrative and financial aspects of the organisation.

Another reason for the disparity between domestic firms and MNEs could be the culture of the host country. If the host country ranks highly on the collectivism scale, these cultures may prefer using internal labour markets as this promotes loyalty to the firm (Budhwar and Khatri, 2001). As internal recruitment is susceptible to cultural differences, MNEs may have to adjust towards the domestic environment, as is also evident in the findings of Myloni *et al.* (2004a) in that DEs are highly reliant on internal labour markets and MNEs are more reliant on the external labour market.

7.2.2 The Second Hypothesis

This hypothesis explored the differences that might emerge in the training and development policies of domestic and MNEs. The literature leads us to believe that more advanced HR systems place more emphasis on training and development; therefore MNEs will place more emphasis on training compared with DEs. Formal training systems can be a source of competitive advantage in relation to various industries (Pfeffer, 1998) as it is possible to provide and develop employees' skills, abilities and behaviours. It is also possible to motivate them to use those skills and behaviours in their work-related activities so as to improve output and increase organisational effectiveness and performance (Way, 2002).

We found support for our sub-hypothesis on training methods as our results show that MNEs do place more emphasis on training than DEs. Moreover, while the statistical differences in its importance are seen to be higher in MNEs, the mean score emphasising the importance of training for DEs is also high. This shows that both sets of enterprises rank the issue of the training of their employees highly.

There are a number of reasons for these results. For example, while MNEs have

emphasised the importance of training, DEs have also invested considerable amounts on human capital development. This is similar to the findings of Zheng *et al.* (2007) who discovered that domestic Asian enterprises, especially Singaporean- and Taiwanese-owned DEs, invested as much as Western MNEs in their employees in terms of training. This is a reflection of the convergence thesis argued by Jackson and Schuler (1995) and recently by Von Glinow *et al.* (2002) and Schuler and Jackson (2005) that some HRM best practices can be globalised and shared. The same is observed in terms of informal, as opposed to formal, training methods which seem to be popular for both types of enterprises (Wright *et al.*, 2002). This is in line with the findings of studies that support the convergence hypotheses (Hofstede, 2001; Myloni *et al.*, 2004a; Carr and Pudelko, 2006).

A body of literature (e.g. Budhwar, 2004; Nankervis *et al.*, 2006) has also been built up examining the convergence of Western HRM practices in the Asian context. Many Asian companies have discovered the benefits and effectiveness of adopting HRM in enhancing their organisational performance (Chang and Chen, 2002; Wan *et al.*, 2002; Zheng *et al.*, 2006). It seems that the benefits that training can bring to organisational performance, especially in Asia (see, e.g. Osman-Gani and Jacobs, 2005; Jaw *et al.*, 2006; Bao and Analoui, 2011), have increased the adoption of popular informal training methods. Host countries in Asia have also started to realise the benefits of using skilled labour (not cheap labour) as a way of attracting foreign direct investment, and therefore place a greater emphasis on work-based training (Zheng and Hu, 2006). The results are also in tune with the findings of Shen and Darby (2006) and Zheng *et al.* (2007) which showed concerns about the relevance and quality of the training programs administered externally.

The reasons for the mean results on training methods being statistically significantly higher for MNEs could also reflect the defeatist culture sometimes inherent in a small host country. DEs may find that competition with MNEs is too intense for them to invest in training their workers only to see them poached by MNEs. Lawler *et al.* (1995) observed that Asian firms find employee training risky and costly as there are no immediate returns and these trained employees may leave before any benefits can be realised.

7.2.3 The Third Hypothesis

Our third hypothesis explores the differences with respect to internal career opportunities between domestic and MNEs. Internal career opportunities can act as incentive to perform better as they refer to the organisation's tendency to promote from within. This can be seen as a status-based reward aside from the more obvious monetary rewards (Pfeffer 1994; Guest, 1997). As per the literature, we expected MNEs to have more stringent criteria in place when considering promotions, compared to DEs.

Our results showed partial support for the sub-hypothesis on internal career opportunities leading to executive succession. Unlike the criteria for recruitment, this practice has not been deeply explored in HRM literature. However, its importance has been highlighted by various authors such as Delery and Doty (1996) and Joseph and Dai (2009) who found positive connections between internal opportunities and organisational performance measures. Here we found that MNEs prefer to avoid competition between internal candidates by preparing one person well in advance, probably to avoid disruption and maintain harmony, which can impact on performance. Results also showed that DEs, on the other hand, preferred external appointments for executive succession as they bring new ideas into the system. Compared to DEs, MNEs' reliance on sound individual technical skills for promotion purposes displays their preference for technically sound employees in senior positions, probably because of the pressure of global business where employees with sound technical skills (particularly in manufacturing concerns) can perform better than employees lacking such skills.

7.2.4 The Fourth Hypothesis

Our fourth hypothesis explores the differences in the performance appraisal systems inherent in the DEs and MNEs operating in our chosen context. Formal appraisal systems are seen as a very important practice that has three main purposes in organisations: strategic, administrative, and developmental (Noe *et al.*, 2006). It is normally utilised in conjunction with other HR practices and in some cases has become an essential part in research into 'strategic HR practices'.

This hypothesis was divided into a number of sub-hypotheses to test various areas of performance appraisal systems that might be expected according to the literature review. Support was found for the first sub-hypothesis that MNEs have more structured performance appraisal process criteria when compared with those in DEs. We also found partial support for the second sub-hypothesis that managers of MNEs are more open to and accepting of the performance appraisal process compared to those of DEs. The third sub-hypothesis was not supported as MNEs' employees did come out to be unappreciative of feedback from the performance appraisal process than those in DEs. Our results reveal a difference in the conduct and structure of the performance appraisal processes in domestic and MNEs.

It is clear that performance appraisals are an important part of the HR function in both types of organisations. The differences between DEs and MNEs can be attributed to differences between these enterprises, possibly due to the nature of globalisation. These echo the results obtained by Myloni *et al.* (2004a) who found that performance appraisal systems in domestic companies were lagging behind MNEs in Greece. These differences are also reflected in the findings of Huang (2000), albeit in a more Eastern-versus-Western context. Their results showed distinct contrasts in most HR practices, including staffing, training, and career path design, between Western MNEs and companies based in the East, including domestic Taiwanese companies. The results can be interpreted as indicating a huge gap in the development of Brunei when compared to these neighbouring countries, which could cause the differences seen in the structure of the performance appraisal process of domestic and MNEs.

In terms of the acceptance and appreciation of the performance appraisal process in domestic and MNEs, it is important to first understand the culture inherent in the host country. Studies exploring the placement of Brunei according to Hofstede's dimensions of culture have been conducted and have shown that it has distinct characteristics compared to its neighbours such as Malaysia and Indonesia, as well as the other Southeast Asian nations such as Thailand, the Philippines and Singapore. For example, Blunt (1989) discovered that, although Brunei had similar characteristics to the other Southeast Asian countries, having a high power distance

ratio, low individualism and medium masculinity, Brunei organisations had strong uncertainty avoidance. This was recognised by Hofstede (1983) as characteristic of countries beginning to modernise and facing much change in society, and societies with intolerant religions and young demographics, which were all descriptive of Brunei.

These cultural characteristics have been seen to have an impact on the HR practices that an organisation might utilise. For instance, the high power distance in Brunei could be the reason why managers and employees of MNEs are more open to and accepting of the performance appraisal process comparing with their domestic counterparts. In contrast to DEs, MNEs will have more decentralised decision-making systems that stress the importance of mutual communication if they are from countries with a lower power distance ratio (Hofstede, 2001). As the management style encourages participation in low power distance cultures (Snape *et al.*, 1998), trust builds up between supervisor and subordinate, especially when there is interaction on job-related performance issues (Rosseau *et al.*, 1998). Previous studies (e.g. Thibaut and Walker, 1975; Shane, 1993; Doney *et al.*, 1998) have shown that the criteria of control and trust are both influenced by the power distance ratio and are opposite sides of the same coin. Our results echo the findings of these studies, as MNEs with lower power distance ratios build up trust when conducting performance appraisals as they take on more of a coaching and facilitating role (Batstone *et al.*, 1984). On the other hand, in high power distance enterprises such as the DEs in Brunei, appraisals are used as a control mechanism as there are lower levels of interpersonal trust due to the appraisals being more hierarchical and less participative, a point observed by Entekin and Chung (2001) and Chiang and Birtch (2007).

The effect of culture also extends to the acceptance of feedback by the subordinates. Our results have shown that MNEs in Brunei face more opposition to feedback when compared to DEs. This can stem from the purpose and utilisation of performance appraisals; in this case, MNEs use them in a coaching and facilitating role whereas DEs use them in the judicial role. As DEs with higher power distance ratios tend to have more hierarchical structures with appraisals being conducted to support compensation and promotion decisions, respect for authority and loyalty will mean

that dissenting views are not expressed openly and subordinates will be more likely to accept evaluations and decisions made by supervisors (Milliman *et al.*, 1998; Aycan, 2003). Again, this contrasts with the characteristics of low power distance organisations where decentralised decision-making and mutual communication is expected with the belief that enhanced performance will be achieved when employees clearly understand what is expected of them (Snape *et al.*, 1998; Hofstede, 2001). Participation in and ownership of the outcomes of the appraisal process will also enhance performance as subordinates express their views and interact with supervisors, thus clarifying job expectations (Chiang and Birtch, 2010).

7.2.5 The Fifth Hypothesis

This hypothesis explored the differences in the incentives and rewards practices in domestic and MNEs. Incentives and rewards are essential drivers for employee behaviours and motivations. The effectiveness of this practice has been proved in the HRM literature and, as it has shown positive impacts in terms of a variety of organisational outcomes, many authors have considered it to be one of the topmost HR practices in their studies (for example, Arthur, 1994; MacDuffie, 1995; Huselid, 1995; Delery and Doty, 1996; Lee, 2010; Razouk, 2011).

Partial support was found for the first sub-hypothesis that MNEs structure their incentive and reward systems to a higher extent than DEs according to the external environment and values inherent therein. The second sub-hypothesis was strongly supported as employees of MNEs regarded social and psychological benefits more highly than did employees of DEs. Our results echo those of Myloni (2004b) in that MNEs determine their incentives and rewards according to the standards set by DEs. Our findings also show that DEs tend to look at the industry standards when setting rewards such as 'basic pay', which is probably due to the increased competition in the country from the neighbouring countries as well as the local government's tendency to adhere to the steps taken by Singapore, due to the intimate nature of the relationship between the two countries.

The higher appeal of social and psychological benefits to employees of MNEs when compared to DEs supports findings by Mamman *et al.* (1996), who looked at the

reward preferences in Malaysia, Indonesia and Hong Kong, and Entrekin and Chung (2001) who discovered the importance of non-job-related rewards to managers in Hong Kong. Culture plays a big part in the nature of the preferred rewards of an organisation's employees. Our results, in a sense, can be seen to reflect both the cultural leanings of the organisation and the culture of the host country in general. The importance of better career prospects to the employees of MNEs highlights the more individualistic culture of those organisations, as also seen in studies by Cable and Judge (1994) and Fiske *et al.* (1998). The collectivist nature of society in general is also shown by the preference for social and psychological benefits, emphasising the importance of inter-personal harmony and group solidarity. This supports the findings of Kotabe *et al.* (1992), Chen (1995), Giacobbe-Miller *et al.* (1998) and Wheeler (2001).

In terms of culture, as Brunei will have a relatively middling score on the masculinity dimension of national culture and has very low national income tax rates, the focus of incentive and reward systems will be derived from the high power distance element of culture. Echoing countries such as China, the usage of these incentive and reward systems in Brunei will be guided by the greater respect for authority inherent in the country. These differences between DEs and MNEs could also be due to the local directors' lack of experience with incentive and reward systems, which could be a product of inferior performance appraisal systems compared to those found in MNEs (Merchant, 1989).

7.2.6 The Sixth Hypothesis

Employee turnover has been used extensively in HRM studies as an important behavioural performance outcome (for example, see Arthur, 1994; Shaw *et al.*, 1998; Ramsey *et al.*, 2000; Richard and Johnson, 2001; Guthrie 2001; Way, 2002; Bat, 2002; Chang and Chen, 2002; Guest *et al.*, 2003; Wood and De Menezes, 2008). In fact, almost all the empirical studies that have linked HRM with organisational performance have considered employee turnover as one of the outcome variables reflecting companies' performance. Moreover, the inability to retain competent and skilled employees has been identified as a barrier to organisational success (McEvoy, 1984; Holt, 1993). Accordingly, our sixth hypothesis looked at employee turnover in

organisations and, according to the literature, we expected MNEs to have much lower rates of turnover when compared with DEs. Our statistically significant findings on the lower rate of turnover of employees are consistent with the theoretical and empirical work to date on HRM as researchers have proved that effective HR practices can lead to a much lower turnover rate (e.g., Arthur, 1994; Huselid, 1995; Guthrie, 2009) in contrast to Wood *et al's* (2006) results which showed no relationship between HR practices and employee turnover.

7.2.7 The Seventh Hypothesis

Organisations and the HR directors working therein (often briefed by the executive board) are increasingly realising that employees are key resources enabling organisations to gain a competitive advantage (Becker and Huselid, 1998; Pfeffer, 1994, 1998); this has made them face up to real challenges in their organisations where they have to acquire and develop world-class teamwork competencies. We acknowledged this importance in our seventh hypothesis and expected to see variations in the role when comparing domestic and MNEs. We looked deeper into the role by focusing on the nature of the role of the HR director, which we hypothesised would be more strategic in MNEs than in DEs.

We found strong support for the first sub-hypothesis under which we found HR directors of MNEs to play more strategic roles than the HR directors of DEs. Our results also supported the hypothesis that HR directors of MNEs delegate routine tasks more than those in DEs.

As far as 'strategic integration' is concerned, it would appear that HR directors of the responding MNEs in Brunei show a tighter fit between HRM policy and corporate strategy compared with DEs. In the case of this research, this is true in terms of contributions toward the planning and implementing of strategy as well as in advising on organisational design, we found MNEs to be active. In the area of HR devolvment, HR directors from both DEs and MNEs indicated that they still shared routine HR responsibilities with line management rather than HR directors assuming responsibility for them. The area in which there is less inclination to devolve to line managers is in strategic HR work. This is consistent with points made by Armstrong

(1992) emphasising that the planning and implementation of HR policies and practices is a responsibility for the entire management team, to be shared among line managers and those responsible for running the HR functions.

The HR directors of MNEs clearly regarded their tasks as more important than the HR directors of DEs, and the statistically significant results on the strategic tasks especially in contributing to planning and implementing strategy shows their importance. This could mean that, generally, HR directors in DEs are more like type B directors than type A directors in MNEs who have a more strategic role to play in their enterprises (Truss *et al.*, 2002). This supports research conducted by Mamman *et al.* (2006) in that the HR function is not held in high regard in developing countries, although this could also be said of HR directors in MNEs when initially entering a new host country. This has also been highlighted earlier in that HR directors of MNEs are unlikely to be involved in the formation of new subsidiaries, only resuming their tasks once the subsidiary has been formed (Clemente and Greenspan, 2000; Jeris *et al.*, 2002; Bjorkman and Soderberg, 2003). The support for the first hypothesis could also be an outcome of the environments in which the enterprises operate, as shown by previous studies (Filella and Soler, 1992; Hoogendoorn *et al.*, 1992).

The difference in the perceptions of the HR directors with regard to the tasks performed may be due to differences in national culture, external organisational factors such as regulations by government institutions, internal organisational factors such as organisation size and ownership type, and the national view of HR within a country which can encompass historical competence, the role of HR and its development (Sparrow and Hilltrop, 1994). The support for the first sub-hypothesis shows a very divergent view when it comes to the role of the HR directors in domestic and MNEs, with the HR systems of DEs still lagging behind the more developed systems of the MNEs. The roles of an HR director can become more strategic in the context of the more advanced industries away from the manufacturing and retail sectors to more high-tech sectors such as oil and gas as well as the media and communications sectors, where regular dealings with knowledge workers are necessary. The low importance of strategic tasks to HR directors of DEs may also be due to the reluctance to implement a 'system change' where the HR

director is seen to affect policy or the organisation as a whole, although this could perhaps be seen when exploring the HR practices individually. Being aware of this, we hypothesised that the HR function will be more important in MNEs than in DEs; and, as there is strong statistical support for the difference in the strategic tasks when compared with the routine tasks. We can conclude that there is increasing importance in the strategic side of HR functions in MNEs and that DEs will need to shift the focus of their HR functions to bridge this gap.

The second sub-hypothesis concerns the changing dynamic in the role of the HR director, and the results show that there is a greater shift in the role of the HR director in MNEs than in DEs although this difference is significant only in the areas of the training budget and job rotation. The results on this support the stated hypothesis, although not as robustly as we might have expected. However, the results are consistent with earlier works on this topic by Singh *et al.* (2011) who reached similar conclusions with regard to Jordan, another emerging economy. In their study they concluded that the role of HRDs is only gradually shifting to become more strategic, away from routine functions. This builds on the findings of the first sub-hypothesis where MNEs are more aware of what effective HR and a more strategically-minded HR director can bring to an enterprise. The reason for the clear difference in the move to a more strategic HR role for directors between domestic and MNEs could be attributed to the convergence / divergence debate as well as the effects of domestic culture. The lack of convergence that is shown by the results obtained could be attributed to the presence of a strong national culture, where the values and norms are persistent and resistant to change. However, there are also other reasons that can explain the lack of convergence which could be due to the less developed HR systems that DEs still have. It is also possible that the environment in Brunei, being a different context from what MNEs would see in their home countries, will lead to the rise of different business systems that can bring success (Whitley, 1992). This is also true as a number of studies conducted in Asia have shown different degrees of divergence and varying take-up rates of HR principles in DEs (Taira, 1990; Zhu *et al.*, 2008). We can thus conclude that the differences seen in the dynamics of the role of the HR director in domestic and MNEs are due to the different states of the HR systems in that DEs still have underdeveloped HR systems compared to the tried-and-tested systems of MNEs.

The effects of national culture on the transfer of HR across countries or any comparisons made about HRM at any level, be it national or global, have always been important in discussions and these effects cannot be understated as many positives, such as increased job performance and lower employee turnover, can be gained through implementing the correct HR strategies after understanding this complex issue. With Brunei being predominantly Muslim, the culture there is expected to be high on Hofstede's (2001) power distance and uncertainty avoidance indices. The results obtained reflect this, as there is a tendency to respect superiors, which reflects the high power distance inherent there, and HR directors in DEs will participate less in higher-level strategic processes and accept decisions made by those higher levels, being content to perform tasks that have been allotted to them as this will minimise conflict within their organisations. The situation is different in multinational organisations as there will already be an inherent culture within these organisations brought from the home countries that could produce lower numbers on Hofstede's indices.

The third hypothesis is a logical corollary to the second hypothesis and states that, in order to be able to engage in strategic issues, HRDs, particularly those in MNEs, will routinely delegate their day-to-day HR work to line/junior managers. The results of this hypothesis showed that there is little significant difference between the HRDs of MNEs and DEs (significance level 0.12) when it comes to delegating routine HR tasks to junior managers; however, in terms of strategic issues, HRDs of MNEs seem to delegate fewer of them to junior managers than the HRDs of DEs. The significant differences seen in the devolvement of tasks by HR directors in MNEs when compared to those in DEs show that MNEs recognise the importance of integrating the HR function into the organisational strategies, which can lead to a more efficient and effective organisation with better capabilities (Budhwar, 2000). On the other hand, Ulrich (1997b) discovered that encouraging the delegation of tasks such as recruitment and selection and performance appraisals to the line managers, as they have more contact with their subordinates, results in them being more effectively controlled and managed, as well as motivated. More to the point, the HR directors will have to train these line managers to ensure that they can effectively interact with their subordinates (Budhwar and Khatri, 2001; Sullivan, 2003). Bearing this in mind,

we can conclude that the significant differences in the devolvement of HR tasks by the HR director are due to the closer links between the HR function and the strategic and decision-making areas of the enterprises in that, in multinational enterprises, the HR function is more involved in strategic matters, and in local enterprises the HR directors and departments are more concerned with routine tasks.

7.2.8 The Eighth Hypothesis

In this hypothesis we examined the perceived financial performance as reported by the HR directors of two sets of enterprises under study. Most studies on the HRM-performance link have used subjective measures of performance (see Delaney and Huselid, 1996; Wright *et al.*, 1999; Fey *et al.*, 2000; Green *et al.*, 2006; Joseph and Dai, 2009; Katou and Budhwar, 2010; Razouk, 2011). HRM literature shows that subjective measures have been used to assess organisational performance as the validity of these measures have been found to be good enough (Razouk, 2011); positive correlations have also been found between subjective and objective performance measures (Dess and Robinson, 1987; Geringer and Hebert, 1991; Powell, 1992). Another benefit of using perceived financial performance comes from the inclusion of the company's objectives and aims as they are derived from managers working in the company, although this may cause potential bias and measurement errors. Fortunately, the benefits outweigh the risks (Fey *et al.*, 2000).

Our results show that MNEs have higher perceived financial performances. The derived results were all statistically significant. If we examine this result in conjunction with the results on the previous hypotheses, *inter alia*, it may be said that more advanced HR systems could result in better perceived financial performances. This positive association echoes previous findings on the HRM-performance link (for example, Delaney and Huselid, 1996; Wright *et al.*, 2003; Chand and Katou, 2007; Joseph and Dai, 2009; Razouk, 2011; Moideenkutty *et al.*, 2011).

7.2.9 The Ninth Hypothesis

Our final hypothesis analysed the control variables. We predicted to see differences between old and new enterprises, large and small enterprises and between industries

The results show that younger firms established in the last decade or so and smaller-sized firms are likely to carry out these HR practices more rigourously when compared to larger and older established firms.

These results could be due to a number of factors. We see that, in smaller firms, there may not be much of a need for formalised and detailed HRM policies due to the simple nature of the tasks and limited organisational functions. But in large companies where organisational structure and activities are more complex, it may be more important to establish formal and explicit HRM policies and practices, so that they can be communicated to employees at all levels in order to guide them in the achievement of desired organisational and HR outcomes. The differences in the HR practices are also less pronounced in older companies when DEs and MNEs are compared and this is probably due to the HR systems in the DEs being more developed, meaning the differences are less apparent. However, we do not see much difference when considering industries either. This could be due to the environment that we are observing where the level of difference is less pronounced in each industry due to its state of development. The results confirm without ambiguity the importance of these practices for MNEs. This finding highlights the state of development as well as the nature of either individual organisations or the country as a whole (Rowley and Benson, 2002).

7.2.10 Additional results from the Multivariate Analysis of Data

One limitation of using non-parametric methods is they can become tedious if we wish to discern the impact of additional (control) variables on dependent variables – in our case the HR practices. As a result of this limitation, we resorted to the use of multivariate ordinal regressions to learn a little more about the impact, if any, of additional variables, on the HR practices. Results from the multivariate analysis of data largely confirm the results arrived at with the use of non-parametric methods. However, the multivariate exercise also provided some extended insights into the

impact of added control variables on HR practices. We have already explained in detail these results with implications in the data analysis chapter and touched on them briefly in previous sections. For the sake of brevity, we shall present them here in a succinct form under individual headings.

7.2.10.1 The Role of the HR Director

1. The gender of the HR director has no bearing on the routine or strategic functions performed by the organisation.
2. Older HR directors are less involved in the headhunting process or succession planning; they also seem to become less influential in strategic decision making
3. Companies rely more on experienced HR directors for the strategic decision making process.
4. HR directors of MNEs pay almost equal attention to both routine and strategic functions.

7.2.10.2 Recruitment and Selection

1. MNEs regard most recruitment criteria as important in their recruitment and selection process
2. MNEs rely more on internal recruitment when compared to DEs who prefer recruiting externally.
3. Older firms stress on the importance of external appointments for senior management posts.
4. Longer serving CEOs prefer to recruit candidates with a wide range of work experience from the external market.
5. The gender, age and experience of the HR director has no significant bearing on the choice of internal or external recruitment to various posts.

7.2.10.3 Training Practices

1. Firm size, firms with longer serving CEOs, and firms with larger local labour participation prefer training staff by third party but tailored to company's needs.

2. MNEs emphasise learning in groups by socialisation and imitation.
3. Male HR directors believe in learning by doing on your own and by work placements with strategic partners, and by way of the 'buddy system / mentoring'.

7.2.10.4 Internal Career Opportunities

1. Male HR directors, longer serving CEOs and larger firms do take into account the employees contribution to profits in their promotion criteria/
2. Larger firms, male and experienced (but not older) HR directors do also take into account employee's contribution to output in deciding promotions.
3. Older HR directors and female HR directors appreciate the quality of output in promotion criteria.
4. Longer serving CEOs believe in internal appointments and appreciate candidates who have stayed within budget.
5. Older firms reward technical competency, overall professionalism and efforts put in by the candidates independent of final results.
6. MNEs reward the individual competency level of candidates, and believe in avoiding competition between internal candidates by preparing one person well in advance for executive succession.
7. The larger the ratio of local labour force in the company, lesser is the reliance on overall professionalism for promotions.

7.2.10.5 Incentives and Rewards

1. MNEs believe that salary differentials for staff are fair in the context of their company's system of values. For retaining key staff, MNEs believe in giving annual salary increments above the rate of inflation, and in providing better career prospects and development opportunities compared to rival firms in the same industry
2. MNEs believe that the most important social and psychological benefit for staff working in their companies are better career prospects, interesting and challenging work, friendly and supportive colleagues, and the sense of prestige of working for one of the top companies in the industry.

3. MNEs believe that competition between individuals is unhealthy but competition between teams is healthy because it stimulates cooperation at the team level.
4. Gender and experience of the HR director has no bearing on the practice of incentive and rewards.
5. Larger firms do not believe that fringe benefits play any significant role in retaining key staff. However, firms with large local labour participation believe in higher basic pay and fringe benefits for retaining key staff.
6. Longer serving CEOs have positive impacts on salaries and bonuses that staff get to retain their services in the organisation and to the perception of congenial environment of working for the company, and the belief that competition is not the best way to motivate staff; instead building a sense of group solidarity is more rewarding.

7.3 Research Conclusions

7.3.1 Contributions

This research highlighted the gap in the literature regarding comparative studies of HR practices in domestic firms and MNEs, particularly in the context of small, emerging economies. These HR practices were analysed in order to fully understand them as individual groups and not as one block so as to avoid obscuring any important differences (Myloni *et al.*, 2004b). It is likely that these differences in the HR practices come about due to differences in national culture, external organisational factors such as regulations by government institutions, internal organisational factors such as organisation size and ownership type, and the national view of HR within a country, which can encompass historical competence, the role of HR and its development (Sparrow and Hilltrop, 1994).

The results of our hypotheses show divergent views of the importance of HR in DEs and MNEs, with the HR systems of domestic enterprises still lagging behind the more developed systems of the MNEs. Our comparison of these HR practices in DEs and MNEs has shown that there are clear differences in the practices adopted by these two genres of enterprises. The comparison reveals a variation in the utilisation

of HR practices in DEs and MNEs which may be due to differences in the development of the HR systems inherent in the enterprises. This lends credence to previous studies which found that the HR function in less-developed systems focuses mainly on the administrative side of enterprises (Mamman *et al.*, 2006). It is clear that the HR function is more important to MNEs and this should indicate to DEs that there is a gap that must be narrowed, and that the HR function can contribute to the efficiency and effectiveness of their organisations.

Previous studies conducting comparisons on the HR practices in domestic and multinational companies have obtained varying results depending on the focus of the study as well as the context in which they have been conducted. Studies looking at labour relations have yielded both convergent and divergent results, with studies in developing or newly-developed countries finding mostly divergent results. However, our findings should not be taken as a case of ‘reverse diffusion’ where MNEs perceive their home systems as inferior to the host country standards and incapable of being transferred effectively to their subsidiaries (Hayden and Edwards, 2001). This difference echoes the findings of many authors who have compared the HRM practices in domestic and MNEs (e.g. Papalexandris, 1987; Purcell, 1987; Yuen and Kee, 1993; Hilltrop, 1999; Geary and Roche, 2001). Our findings contrast with those who find similarities in the HR systems used by domestic and MNEs, as we find convergence due to the ‘culture-sensitive view’ (e.g. Guest and Hoque, 1996; Myloni *et al.*, 2004a; Chen *et al.*, 2005)

As for the role of the HR director, this study builds upon the existing literature available on the role of the HR director in a number of ways. Firstly, the findings reveal varying perceptions of the importance of the HR function in enterprises. This may be due to the differences in the development of the HR systems inherent in the enterprises and lends credence to previous studies where the HR function in less-developed systems only focuses on the administrative side of enterprises and HR directors of DEs still feel that their strategic activities are symbolic at most (Purcell and Ahlstrand, 1994; Purcell, 1995; Mamman *et al.*, 2006). Secondly, it is clear that the HR function is more important to MNEs, and this should indicate to DEs that there is a gap that must be narrowed, and that the HR function can contribute to the efficiency and effectiveness of their organisation. MNEs should also be aware of this

gap when entering Brunei's economic landscape through partnerships and joint ventures with domestic firms, or through wholesale acquisitions. Thirdly, as to our knowledge after reviewing the literature available on the role of the HR director, this thesis contributes to the field of IHRM by being the first to explore comparisons of the role of HR directors in domestic and MNEs.

7.3.2 Managerial Implications

The present research offers a number of managerial implications for organisations:

First, our observations of the HR practices of DEs and MNEs could be of considerable use to the DEs of countries that share the same characteristics as Brunei as well as to the MNEs that are planning to enter them. As the majority of comparison studies on IHRM have been conducted with reference to organisations in developed countries, looking at the topic from the perspective of a developing country rich in natural resources will be of interest to MNEs hoping to expand in similar countries. So, as our comparison of HR practices in DEs and MNEs has shown, there are clear differences in the practices utilised by the different types of enterprise. This comparison could be particularly helpful to all enterprises entering new emerging markets as it highlights the practices that would be accepted in such an environment. However, it is important to note that, as an emerging market, the environment in which these enterprises will operate is likely to be volatile and a clearer picture is needed over a period of time.

Secondly, the differences shown in the practices utilised by the different companies can also act as an indicator of development of the HR in the country and the direction that DEs need to be follow in order to compete with MNEs locally and internationally. This will also be beneficial to MNEs hoping to enter markets similar to Brunei, as it will highlight the different states of HRM locally as well as clarify which areas of their HR function might be easily transmitted to their subsidiaries.

Thirdly, this research recognises that effective and efficient use of HR practices and policies utilised by organisations is critical to their success. This is true from the very beginning of an employee's career during the recruitment and selection process to

ensure that the right employees are selected for the jobs; misuse of these HR practices can lead to undesired HRM outcomes such as demoralised and demotivated employees, a situation that is costly to all organisations. Correct use of these HR practices can lead to organisations finding suitable solutions to their needs and culture and this can effectively ensure that required tasks are carried out as expected and harmony with colleagues is established.

Fourthly, our results have shown that MNEs in Brunei face lower employee turnover rates than DEs operating in the same context. Our results also show that these MNEs have better HR practices than the DEs. These practices include more stringent recruitment and selection policies, better training systems, more internal career opportunities, better performance appraisal systems and more structured incentives and rewards. Therefore, organisations can decrease their employee turnover by utilising their HR function more effectively and efficiently.

Finally, the differences shown in the role of the HR director can act as an indicator of the development of the HR function in the country as well as the direction that DEs need to follow in order to compete with MNEs. It is evident that the HR director's role in DEs is still seen as symbolic and having more to do with administrative duties compared with the HR directors of MNEs which have more developed HR systems. Our results show that MNEs increasingly entwine their HR function with the strategic side of the organisation, moving away from the more routine functions which are handed over to line managers, thus leading to increased organisation-wide benefits. Integrating the HR function with other strategies can provide increased mobility and the emergence of more solutions to problems that organisations may face, both HR-related and otherwise. Based on the comparisons made in this research, HR directors should play a closer role in the strategic side of their organisations, to ensure that all resources, be they financial, technical or human, are given the same degree of importance.

7.3.3 Theoretical Implications

The findings of this research also have a number of theoretical implications for HR theorists:

Firstly, this research lends credence to the contingency approach, whereby the effectiveness of HR practices is dependent on the environment, as opposed to the universalistic approach, where a set of 'best practices' is all that is needed to generate better organisational performance regardless of environment. As our results have indicated, we have found different systems inherent in the DEs and MNEs explored and this can be attributed to the different cultures, customs and traditions that differentiate the chosen context from Western norms.

Secondly, this research has identified differences in the recruitment and selection policies. Our research shows that 'qualifications' and 'personal characteristics' are used mostly by the responding firms. However, the differences in the importance placed in areas of this process are quite significant. These results may have occurred because these Western-oriented instruments are still new to domestic Bruneian firms and therefore may not be used as rigorously as in the USA and/or in Europe. It should be noted that, although the use of more stringent recruitment and selection policies may have a positive outcome on organisational effectiveness, such as lower employee turnover rates, this HR practice can be quite costly if the enterprises do not have trained and qualified staff.

Thirdly, this research contributes to the rapidly developing HRM literature as it studies the HRM practice of training in DEs and MNEs in a developing and transitional Asian economy, and we have seen how the concept of convergence / divergence in training needs to be further differentiated and developed. Our results on the HR practice of training shows signs of divergence, although some common characteristics within the training appear in both genres of enterprises. In addition, a trend towards training in developing economies may be identified due to the similarities of characteristics between the chosen context and other petrochemical states or countries that rely on commodities.

Fourthly, our results show that the potential of performance appraisal may not always be fully realised because of cultural outcomes, especially where the values and principles of appraisals are misunderstood. Resistance is likely to be faced during implementation, as shown by our results, when the purpose and understanding of appraisals differ between the employer and employee. A collision in the value structure (i.e. equity, expectancy and procedural justice) between these parties causes friction. Therefore, this may lead to new forms of appraisal which take into account the different cultures that organisations may be faced with.

Fifthly, this research extends our understanding of international incentive and reward systems, contributing to the prevailing literature in a number of important ways. It confirms that a gap in the HR practice of incentives and rewards does exist in terms of DEs and MNEs and supports the notion that culture plays an important role in shaping the incentive and reward structure that organisations use. However, our results show that the influence of culture is not straightforward nor should it be overstated. Interestingly, this research alerts us to the fact that, even though the labour pool is shared, reward preferences may not always be consistent.

Finally, the results presented in this research show that HR directors of the responding MNEs understand the importance of participating in the development of organisational strategy and the integration of HRM policy with corporate strategy. The literature has suggested that, at the conceptual or theoretical level, HRM is moving towards a more strategic role because of the increasing focus on the importance of 'strategic integration (or fit)'; our findings support the notion that HR policies and practices are being integrated with the strategic objectives of firms to obtain external integration/fit, to ensure internal fit, and to be coherent and consistent, which can produce advantages to the organisation.

7.3.4 Research Limitations and Future Directions

In spite of the contributions our research makes to the literature, we must acknowledge some of its limitations.

Firstly, by using a sole respondent from each organisation - The HR director - the present research is hugely dependent on the accuracy of their perceptions, which cannot be guaranteed. Though it is extensively utilised in research, the 'key informant approach' (De Cieri and Dowling, 1999) can cause problems in the form of common method variance. Resources permitting, this could be improved upon by interviewing other managers to check the accuracy of their opinions. However, this was not practical or feasible during the course of this thesis. Fortunately, in our case tests were performed to check for the presence of common method variance and these tests showed that this would not be a major concern.

Secondly, this research looks at the individual HR practices involved in 'work flow' (recruitment and selection, training and development, internal career opportunities). This research also looks at the individual HR practices (performance appraisals and incentives and rewards) of domestic and MNEs. Although examining these practices individually has been carried out in previous studies (e.g. Chen *et al.*, 2005; Huang, 2000, Myloni *et al.*, 2004a), we are beginning to identify linkages between the individual practices explored. These linkages could also extend to other organisational indicators such as performance outcomes of these enterprises. Further exploration of these linkages should be conducted in the future to add to the existing body of literature.

Thirdly, further limitations of this research may arise from the lack of scope for further inquiry into what actual types of areas or programs might be viewed as more relevant and useful for organisations when dealing with local employees. Therefore, future research should consider specifically addressing these issues: for example, the specific areas of the recruitment process that can ensure more suitable employees or what types of employee training is required by the local subsidiaries of MNEs.

Fourthly, we recognise that the selection of HRM practices is undoubtedly not exhaustive. We are aware that different studies have chosen more or different HR practices. So this research could be seen to be limited by the number of HR practices chosen.

We do believe that this study makes an important contribution by providing some useful detailed data analysis on the comparisons of HR practices including recruitment and selection processes, training, internal career opportunities, performance appraisal systems, and incentive and reward practices in domestic and MNEs. But while this study reveals some dramatic differences and gaps in the practices of these two genres, which relate to all HR practices investigated, from the structure of recruitment and selection processes to the design and use of incentives, we are still at an elementary level of understanding when it comes to answering some very basic questions, such as where the use of these HR practices is beneficial within the same context. For instance, regarding incentive and rewards, although the use of this practice is deemed beneficial, questions arise as to the correct proportion of incentives to provide, the correct inference to be drawn from performance appraisals, and the shape of the performance-reward function. These can vary depending on factors that may be individual to each country. These factors include various cultural aspects, the legal system and its unique laws, managers' level of education, and experience with incentive and reward systems. Therefore studies should go beyond the aggregate comparisons to include these factors. Additional research is needed in this area in order to mitigate the limitations of this study and to extend this avenue of research in more valuable directions.

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Appendices

Appendix – A: The Questionnaire

Abdul Fattaah Mohamed
Brunel Business School,
Brunel University, Uxbridge
Middlesex, UK
E-mail: FMOAli@gmail.com

Dear Human Resource Director,

I write this letter to seek your kind assistance with my PhD programme in Business Management which I am at present doing at Brunel University in the UK. The title of my research is: Human Resource Management practices of companies in Brunei Darussalam. I would be very grateful if you could kindly complete this questionnaire as I am aware that your time is extremely valuable. I can only assure you that the results of this study will be useful for organisations presently or planning to operate in Brunei. I undertake to maintain complete confidentiality and anonymity. In return for your courtesy, I will be very happy to provide you with a summary of my findings. Please feel free to contact me should you have any inquiries. Thank you once again for your help.

Yours sincerely,

Abdul Fattaah Mohamed

SECTION A: BASIC INFORMATION

1. Personal Details: *Please tick as appropriate.*

- a) Gender: Male b) Age group: 18-29 30-39 40-49
 Female 50-59 60 or over
- c) Experience: 1 – 4 years 5 – 10 years 11 – 15 years
 16 – 20 years More than 20 years

2. Company Details: *Please complete the following.*

- a) Company Name:
- b) Year Established:
- c) Total Employees: Male: Female:
- d) Sales Revenue (Latest year) :
- e) At which level does your company conduct its operations? *Please tick as appropriate.*
- Local International
- f) Approximately what percentage of your labour force is local? %
- g) Type of Industry: *Please tick as appropriate.*
- Oil, Gas & Petrochemicals Financial Sector Travel & Hospitality
- Education Retail Sector Wholesale & Distribution
- Media & Communication Manufacturing Sector
- Others, *please specify*
- h) To which of the following areas is your principal product supplied? *Please tick as appropriate.*
- Brunei ASEAN Japan/Korea China
- India USA/Canada Europe
- Others, *please specify*

3. Which of the following defines your company structure best? Please tick one.

- Sole Proprietor
- Partnership
- Private Limited company
- Branch of foreign company
- Public Limited company
- Others, please specify

4. Which of the following defines your company ownership best? Please tick one.

- Brunei ownership
- Foreign ownership
- Joint-Venture
- Others, please specify

5. Among the following business objectives, rank them according to their importance in the company (1=most important, 5 = least important)

- Growth of total sales & market share
- Profitability
- Maximise the share price
- Maintain or improve the company's reputation within the industry
- Others, please specify

6. Among the following business strategies employed by your company, rank them according to their importance in the company (1= most important, 6 = least important)

- Continuous innovation of new and improved products
- Continuous investment in traditional products
- Sophisticated advertisement and promotion
- Selling standardised products at highly competitive prices
- Use of joint ventures and cooperative arrangements
- Others, please specify

7. What are the core capabilities on which the competitive advantage of your company is based? Please write one or two only.

8. How many different Chief Executive Officers (CEO) have served the company over the last 10 years? Please tick one.

- 1 2 3 4 5
 More than 5

9. On average, what percentage of your total employees leave the company voluntarily each year? Please tick as appropriate.

- 1 - 3 % 4 - 6 % 7 - 9 % 10 - 12 %
 13 - 16 % 17 - 20 % More than 20 %

HEADQUARTERS AND SUBSIDIARY RELATIONSHIP

Please answer this question only if you are a subsidiary of a Multinational company with headquarters outside of Brunei Darussalam.

10. Which of the following statements best describe your headquarters – subsidiary relations? Please tick one.

- Headquarters give instructions to subsidiaries and subsidiaries report regularly to headquarters
 Headquarters determine long term strategy and subsidiaries determine short term tactics within this framework
 Headquarters coordinate a network of subsidiaries as a 'first among equals'
 Subsidiaries decide for themselves how much support they need from headquarters

SECTION B: ROLE OF HUMAN RESOURCE

1. What activities of the HR Director are of the greatest significance to the company? Please tick the appropriate number on the scale.

	<i>Not Significant</i>			<i>Very Significant</i>	
a) Headhunting (searching skilled employees)	1	2	3	4	5
b) Contributing to planning and implementing business and corporate strategies	1	2	3	4	5
c) Contributing to succession planning	1	2	3	4	5
d) Organising training programmes	1	2	3	4	5
e) Planning career paths for management development	1	2	3	4	5
f) Job evaluation	1	2	3	4	5
g) Monitoring and assessing employee performance	1	2	3	4	5
h) Advising on organisational design	1	2	3	4	5
i) Ensuring compliance with equal opportunities legislation	1	2	3	4	5

2. How has the role of HR Director changed over the last 5 – 10 years? Please tick as appropriate.

- The HR Director has become more influential in strategic decision making
- The human relations perspective is now more influential throughout management
- The level of commitment which can be expected from employees has become lower
- The training budget carries a higher priority
- Frequent job rotation has become more common for middle managers

3. Would you please rate the representation of HR director on the board meetings? Please tick one.

- Attends all board meetings
- Attends by invitation when HR matters are discussed
- Does not attend but supplies report for discussion by the Board
- Implements policies determined by the Board, but does not participate in policy-making

4. How important is the delegation of the following to line/junior managers?

Please tick the appropriate number on the scale.

	<i>Not Significant</i>			<i>Very Significant</i>	
a) Day to day HR work	1	2	3	4	5
b) HR strategic decisions	1	2	3	4	5

SECTION C: RECRUITMENT, TRAINING, AND INTERNAL

RECRUITMENT AND SELECTION

1. In appointing a candidate to a middle grade in General Management, how do you rate the following? (Assume either an internal candidate or an external candidate depending on which is the most usual). Please tick the appropriate number on the scale.

<u>Qualifications:</u>	<i>Not Important</i>			<i>Very Important</i>	
a) School and University qualifications	1	2	3	4	5
b) Professional qualifications other than (a)	1	2	3	4	5
c) Previous experience of a similar job	1	2	3	4	5
d) A wide range of work experience	1	2	3	4	5
e) Work experience in other countries	1	2	3	4	5
f) Command of languages	1	2	3	4	5
g) Personal Presentation	1	2	3	4	5
<u>Personal characteristics:</u>					
a) Willingness to travel	1	2	3	4	5
b) Total devotion to task	1	2	3	4	5
c) Self motivation	1	2	3	4	5
d) Potential to grow with the job	1	2	3	4	5
e) Independent judgement	1	2	3	4	5
f) Commitment to the company	1	2	3	4	5
g) Willingness to learn	1	2	3	4	5

2. Please indicate the relative importance of internal and external recruitment to various kinds of posts in your company. Please tick the appropriate number on the scale.

	<i>Entirely internal</i>			<i>Entirely external</i>	
a) Senior Manager reporting to Chief Executive	1	2	3	4	5
b) Junior Manager supervising operatives	1	2	3	4	5
c) Professional Specialist (e.g. accountant)	1	2	3	4	5

3. Please indicate your views on managing senior executive succession (replacement). Please tick the appropriate number on the scale.					
	<i>Disagree</i>			<i>Agree</i>	
a) External appointments are, in general, desirable because they bring in new blood	1	2	3	4	5
b) In our case external appointments are undesirable because our company is so large that outsiders cannot understand its complexities	1	2	3	4	5
c) Competition between internal candidates should be avoided by 'preparing' one person well in advance	1	2	3	4	5
d) Non-executive directors should play a dominant role in selecting executive successors	1	2	3	4	5
e) Appointments are made by the Board of Directors or an equivalent	1	2	3	4	5

TRAINING

1. How would you rate the general quality of local managers? Please tick one.				
<input type="radio"/> Excellent	<input type="radio"/> Very Good	<input type="radio"/> Good	<input type="radio"/> Average	<input type="radio"/> Poor

2. What are the most applicable methods of training new employee in junior management? Please tick the appropriate number on the scale.					
	<i>Not Applicable</i>			<i>Very Applicable</i>	
a) Formal instructions within the company	1	2	3	4	5
b) Training provided by a third party Organisation but tailored to company needs	1	2	3	4	5
c) Induction into a group by socialisation and imitation	1	2	3	4	5
d) Learning by doing on your own	1	2	3	4	5
e) Work replacement with strategic partners	1	2	3	4	5
f) Buddy system / Mentoring	1	2	3	4	5

INTERNAL CAREER OPPORTUNITIES

1. What information is normally available when deciding on a case for internal promotion? Please tick as appropriate.

- | | |
|---|----------|
| a) Quantitative measures of performance in the current job
(Example : Increase in sales/customer base) | Yes / No |
| b) Qualitative assessments by colleagues as well as superiors
(Example : Excellent team membership/good behaviour) | Yes / No |
| c) Qualitative assessments by subordinates | Yes / No |
| d) A complete record of the candidate's career with the company | Yes / No |

2. Please indicate the main criteria of individual or group performance used in assessing cases for promotion. Please tick the appropriate number on the scale.

	<i>Not Applicable</i>			<i>Very Applicable</i>	
a) Contribution to profit	1	2	3	4	5
b) Value of output (independent of profit margin)	1	2	3	4	5
c) Quality of output	1	2	3	4	5
d) Keeping within budget	1	2	3	4	5
e) Effort (Independent of final result)	1	2	3	4	5
f) Overall professionalism	1	2	3	4	5
g) Deliverables	1	2	3	4	5
h) Individual Competency level (technical)	1	2	3	4	5

RETENTION

4. On average, how many years of service are required before a manager or Head of Department reaches the Board level? Please tick as appropriate.

- 1 - 3
 4 - 6
 7 - 9
 10 - 12
 More than 12

SECTION D: APPRAISALS, INCENTIVES, AND

PERFORMANCE APPRAISALS

1. How frequently are appraisals conducted? Please tick one.

- Once in 3 months Once in 6 months Once a year
 Once in 2 years Never

2. How are appraisals conducted? Please tick one.

- By direct line managers By subordinates By HR director / team
 Others, please specify

3. After the appraisal, when is feedback given to employees? Please tick one.

- Within 1 week Within 2 weeks Within 1 month
 Within 2 months Within 3 months After 3 months
 No feedback is provided

4. What is the general reaction to the company's performance appraisal? Please tick the TWO most important reactions.

- The employees do not like being appraised / going through the PA process
 Managers do not enjoy the PA process
 The managers prefer not conducting the appraisals themselves
 Appraisals do not reflect actual performances
 Managers enjoy conducting appraisals as there is a sense of authority
 Feedback from PA are not always appreciated by employees
 Employees do not understand the purpose of performance appraisals

INCENTIVES AND REWARDS

1. How would you explain salary differentials in your company to an employee?

Please tick the appropriate number on the scale.

	<i>Not Important</i>			<i>Very Important</i>	
a) They simply reflect the external market conditions	1	2	3	4	5
b) They reflect the firm's own evaluation of the jobs people perform	1	2	3	4	5
c) They are fair in the context of the company's system of values	1	2	3	4	5
d) Management must be free to reward people in whatever way best serves the company's interests	1	2	3	4	5
e) Personal perception plays a role	1	2	3	4	5

2. How important are the following rewards in retaining the key staff? *Please tick the appropriate number on the scale.*

	<i>Not Important</i>			<i>Very Important</i>	
a) Basic pay above the industry level	1	2	3	4	5
b) Basic pay above the local level in the area	1	2	3	4	5
c) Valuable fringe benefits	1	2	3	4	5
d) The opportunity to earn large bonuses through greater efforts	1	2	3	4	5
e) Annual salary increments above the rate of inflation	1	2	3	4	5
f) Better career prospects and development opportunities compared to firms in the same industry	1	2	3	4	5

3. What do you consider to be the most important social and psychological benefits to a manager working for your company? *Please tick the appropriate number on the scale.*

	<i>Not Important</i>			<i>Very Important</i>	
a) Interesting and challenging work	1	2	3	4	5
b) Friendly and supportive colleagues	1	2	3	4	5
c) Job security	1	2	3	4	5
d) The prestige of working for one of the top firms in the industry	1	2	3	4	5

4. Are the core employees who are paid above the market rate to retain them in the company? Please tick one.

Yes, always Yes, sometimes Never

5. Please indicate your attitude to the following statements. Please tick the appropriate number on the scale.

	<i>Disagree</i>			<i>Agree</i>	
a) Individual employees need to compete against their peers in order to give their best	1	2	3	4	5
b) Competition between individuals is socially divisive (unhealthy) but competition between teams is healthy because it stimulates cooperation at the team level	1	2	3	4	5
c) Competition is not the best way of motivating effort; building a sense of group solidarity is usually better	1	2	3	4	5

SECTION E: HRM AND COMPANY PERFORMANCE

1. In your opinion, does a strong link between HRM and profitability exist? Please tick as appropriate.

Yes, a strong link exists Yes, there is a link Yes, there is a weak link

No, there is no link Others, please specify

2. Compared to your rivals (competitors), how would you rate the following in terms of your company performance on a 1 to 10 scale? Please tick the appropriate number on the scale (1 = lowest performing, 10 = highest performing)

	<i>Lowest Performing</i>					<i>Highest Performing</i>				
a) HRM Policies	1	2	3	4	5	6	7	8	9	10
b) Holding Market Share	1	2	3	4	5	6	7	8	9	10
c) Sales Revenue	1	2	3	4	5	6	7	8	9	10
d) Profitability (After Tax)										

THANK YOU FOR YOUR KIND COOPERATION