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**SENIOR MANAGEMENT PERCEPTION OF
STRATEGIC INTERNATIONAL HUMAN
RESOURCE MANAGEMENT
EFFECTIVENESS**

THE CASE OF MULTINATIONAL COMPANIES
PERFORMANCE IN CHINA

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SUBMITTED FOR THE DEGREE OF DOCTOR OF PHILOSOPHY

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**SENIOR MANAGEMENT PERCEPTION OF STRATEGIC INTERNATIONAL
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C. BAO

ABSTRACT

The intense competition arising from globalisation requires MNCs to manage their HRs globally and strategically to become a source of competitive advantage. Hence, SIHRM acknowledges the need to balance global integration and local responsiveness, together with emphasising the importance of seeking strategic fit between HR policies and business strategy, which in turn leads to superior firm performance. Furthermore, this development also increased awareness and recognition of the role of senior managers and cultural traditions. Therefore, the primary purpose of this research was to explore the relationship between SIHRM effectiveness and firm performance as perceived by senior management coupled with the influence from MNCs' headquarters and Chinese cultural values. Consequently, the researcher selected a case study approach with a triangulation data collection method through questionnaires and semi-structured interviews undertaken in four selected subsidiaries of MNCs. The research findings strengthened the theoretical foundations of several HRM models, together with supporting Analoui's eight-parameter approach (1999) as a functional, coherent and interlinked framework regarding the effectiveness of senior managers. In particular, this research found that quality enhancement of products and service was the preferred and adopted key business strategy amongst the studied MNCs. Whilst they are also seeking to balance globalisation and localisation through reconciling control and adaptation rather than satisfying one at the expense of the other, such that the trend is for Western HR policies to be gradually accepted and internalised by the younger generation of the Chinese managers. Finally, this research made several recommendations to foreign MNCs operating in China.

Keywords: Perception, effectiveness, firm performance, leadership, culture, HRM, MNCs, China

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CHAPTER ONE - INTRODUCTION

1. Research background

The world is becoming more dynamic and volatile than ever, so in order to succeed many firms have to compete globally due to the costs associated with the development and marketing of new products (Bartlett and Ghoshal, 1992; Marchington and Wilkinson, 2008). Furthermore, the intense competition arising from globalization not only demands low cost, innovation, speed and adaptability, but also brings the need to manage human resources (HRs) strategically so that they become a source of sustained competitive advantage (Schuler and MacMillan, 1984; Ulrich and Lake, 1991; Wright and McMahan, 1992; Boxall and Purcell, 2008). Since the traditional sources of competitive advantage such as natural resources, technology and economics of scale are now widely accessible and become increasingly easy to imitate, they are less significant in the differentiation of the firm (Barney, 1991; Lado *et al.*, 1992; Wright and McMahan, 1992; Lado and Wilson, 1994; Pfeffer, 1994). In contrast, HRs are the unique, non-imitable resources, core competencies and capabilities (Stalk *et al.*, 1992) that help the firm develop new products, provide world-class customer service and implement appropriate organisational strategies (Schuler and Rogovsky, 1998; Chew and Sharma, 2005; Armstrong, 2006; Analoui, 2007). Consequently, as the number of multinational companies (MNCs) has increased, resulting in the increased mobility of HRs (Black *et al.*, 1999 cited in Brewster *et al.*, 2008: 45), a more strategic role for human resource management (HRM) and a greater linkage of international human

resource management (IHRM) with the strategic needs of the business (Schuler and Jackson, 1999) has led to the evolution of strategic international human resource management (SIHRM) (Schuler *et al.*, 1993; De Cieri and Dowling, 1999). Hence, changes in the global economy and labour market form the background of this research.

2. Rationale for the research

The motivation behind the chosen topic are the processes of internationalisation and global competition that have drawn MNCs' attention to the fast growing economy of China due to its low-cost labour resource and vast market, particularly given that in 1978 the Chinese government changed the law to permit foreigners to establish joint ventures (JVs) (Roehrig, 1994) and thereafter launched a series of economic reforms with the 'open door' and 'four modernisations' policies to bring in Western technology and management skills (Goodall and Warner, 1997). In order to implement these 'strategic choices', enterprise and management decentralisation was introduced in the mid-1980s (Naughton, 1995). Consequently, China gradually transformed from a central-planned economy to a market-oriented economy (Wang, 1990), entering the World Trade Organisation (WTO) to integrate its economy within the global economic framework in 2001. Nevertheless, this process of transition and integration also brought a range of challenges to the existing problems in terms of HRM policies and practices in China, for example, the demise of the 'iron rice bowl' policy dominated by a model of Soviet-inspired personnel management (PM) in favour of one gradually being characterised by Japanese/Western influenced HRM, albeit with Chinese characteristics (Child, 1994). Therefore, China provides an exciting context for understanding the transformation of HRM, given its unique blend of historical, political, cultural, social and legal changes (Laaksonen, 1988).

Furthermore, the literature of SIHRM acknowledges the importance of balancing global integration and local responsiveness (Evans *et al.*, 2002). Consequently, there is a need for senior managers (SMs) to achieve both external congruence with the policies of headquarters (HQs) and internal congruence with the needs of the business and organisational HR functions (Brewster *et al.*, 2005), given that SMs are policymakers, acting as a core element in the formulation and implementation of policies (Analoui, 2002, 2007). Therefore, how they perceive the effectiveness of HR functions in accordance with business strategy is significant (Analoui, 1999, 2002, 2007). This is more likely to be the case in China with its unique and complex culture, especially given that Chinese culture is a strong determinant of the way in which Chinese organisations are managed in terms of their hierarchical organisational structure and Confucian long-term orientation (Lockett, 1988; Easterby-Smith *et al.*, 1995). However, the role of SMs has been largely overlooked in the literature, and there lacks clarification regarding the degree of fit between HR policies of HQs and those of their subsidiaries, as well as the influence of Chinese culture during this transition period. Therefore these are the rationale and driving forces for this research.

3. Importance of the research

There has been an increasing interest by management scholars in issues related to SIHRM over the last decade, particularly in relation to MNC performance. In particular, a number of empirical studies have indicated that HRM effectiveness positively and significantly affects firm performance (Schuler and MacMillan, 1984; Jackson and Schuler, 1995; Delery and Doty, 1996; Richard and Johnson, 2001; Den Hartog and Verburg, 2004). However, there appear to be no studies focusing on senior management

perception of the relationship between SIHRM effectiveness and firm performance in the context of China. Hence, there is a need and necessity, as well as scope and potential, to examine this aspect from the dimension of senior management perception coupled with the influence from HQs and host country culture. As a result, the findings of the research will contribute to the existing literature, and its implications will be valuable for foreign MNCs in the development of their future HR strategies in China.

4. Statement of the research problems

Several potential research problems are identified, such as the limitations of prior empirical work, the adoption of SIHRM concept, the knowledge of foreign MNCs in China and the determinants of firm performance. Based on the review of Cooke (2009), who analysed refereed articles published in the Western professional journals during the period of 1998-2007 using the key words of 'HRM' and 'China', this study found that 47 articles focused upon the field of cross-country/region comparative studies of HRM, industrial relations/employment relations, 44 on functional HR practices, strategic human resource management (SHRM) and organisational behaviour, 41 on foreign MNCs' HRM and JVs, 36 on IR/ER, labour process, state-owned enterprises (SOEs) reform, trade union, labour market, 31 on expatriate management, 14 on training and development, organisational learning, leadership, management development, entrepreneurship, 6 on women in employment and management and 4 on HRM of Chinese MNCs overseas. Although relatively high attention has been given to the field of MNCs and JVs, these 41 journal articles mainly focused on the identification of generic HRM challenges facing foreign MNCs' Chinese subsidiaries and proposed solutions (Goodall and Warner, 1997; Bjorkman and Lu, 1999a; Bruton *et al.*, 2000; Zhu *et al.*, 2005), market entry mode (Pan and Chi, 1999), culture and performance

(Luo, 1997; Cooke, 2008b), globalness of HRM practices and performance (Bjorkman and Fan, 2002; Li *et al.*, 2008) and standardization and localization (Lu and Bjorkman, 1997; Walsh and Zhu, 2007). Therefore there would appear a paucity of empirical research on HRM effectiveness and firm performance in such a diverse cultural setting and transitional economy, whilst, there appear to be no studies looking into the issues of MNCs, HRM and China from the perception of senior managers. Consequently, the originality of this research is to investigate the effectiveness of SIHRM in China whereby the determinants of firm performance are measured from the perception of senior management using a combination approach of questionnaire and semi-structured interview.

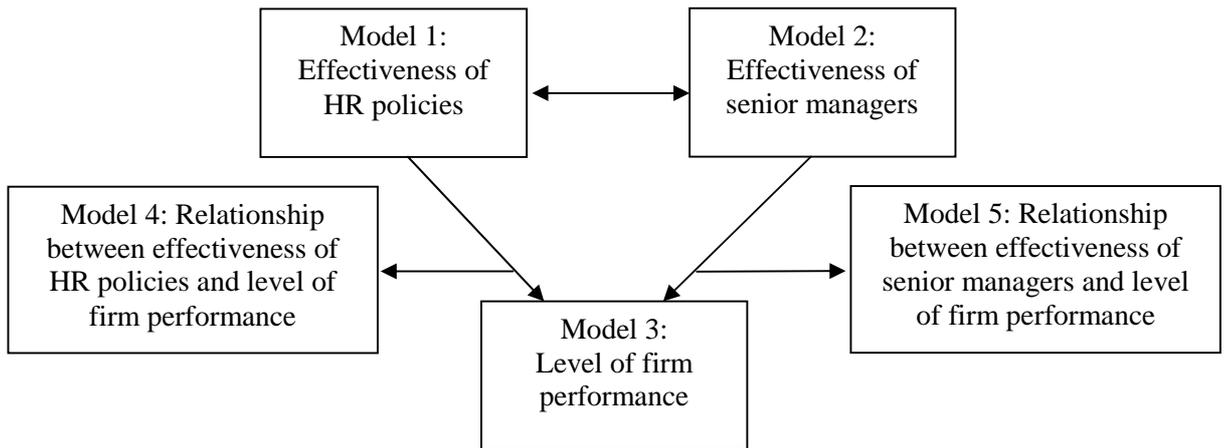
5. Research aim, objectives and questions

The researcher sets out the following aim, objectives and questions in an attempt to address the identified gap in the literature. Specifically, the primary purpose of this research aims at exploring the senior management perception of the effectiveness of HR policies and the performance of foreign MNCs' subsidiaries in China through the following objectives (see Figure 1):

- 1) To examine the effectiveness of HR policies and procedures in foreign MNCs' Chinese subsidiaries as perceived by their senior managers, which was in particular divided into three sub-sections of exploration: HR policies, the degree of integration between business strategy and HR policies, the extent of 'globalization' and 'localization' on the formulation of HR policies;
- 2) To assess the effectiveness of senior managers from their own perspective through an eight-parameter approach;
- 3) To evaluate the level of performance of foreign MNCs' Chinese subsidiaries;

- 4) To investigate the relationship between firm performance and the effectiveness of HR policies;
- 5) To explore the impact of senior managers' effectiveness on firm performance.

Figure 1 Outline of research objectives



Source: summary of researcher's approach

With reference to the above objectives, the following research questions were established:

- 1) How does senior management perceive the effectiveness of HR policies?
 - a. How does senior management perceive the establishment and implementation of HR policies and procedures?
 - b. How does senior management perceive the degree of fit between business strategy and HR policies?
 - c. How does senior management perceive the link between HR policies of HQs and those of the Chinese subsidiaries?
- 2) How does senior management perceive its own effectiveness?
- 3) How does senior management perceive the performance of foreign MNCs' Chinese subsidiaries?

- 4) How does senior management perceive the relationship between HR policies and the performance of foreign MNCs' Chinese subsidiaries?
- 5) How does senior management perceive the impact of their own effectiveness on the performance of foreign MNCs' Chinese subsidiaries?

6. Research methodology and data collection methods

The philosophy guiding this research is phenomenology, not only because of the complex nature of business and management studies, but also in light of the defined research objectives and questions (Saunders *et al.*, 2000), which explore the relationship between SIHRM effectiveness and firm performance as perceived by the senior management of foreign MNCs' Chinese subsidiaries. Specifically, this concerns subjective measurements (e.g. perception, attitude, opinion and peoples' feeling), whereby phenomenology emphasises gaining an understanding of the meanings that humans attach to events (Easterby-Smith *et al.*, 2001). Thus, the philosophical position in this research is phenomenology, which leads to the inductive research approach (Gilbert, 1993).

In terms of the research methodology, a case study approach is adopted because it provides the researcher deep insights of the issues, illustrating the development of detailed, intensive knowledge about numerous cases (Ghauri and Gronhaug, 2002; Bryman and Bell, 2003). Moreover, the choice of a research approach ultimately depends upon the type of research questions being posed, such that with 'how' and 'why' questions, a case study approach is recommended (Yin, 2003). This reflects the rationale of the chosen methodology for this research, whereby the case study approach is appropriate for the specific aspects of investigation and specific kinds of problems

that this research raises. Overall, this approach is chosen as ‘fit for purpose’, whereby it is crucial for good research that “the choices are reasonable and they are made explicit as part of any research report” (Denscombe, 2003: 3).

In relation to research methods, the researcher combines quantitative and qualitative multi-method (triangulation) approach through the case studies. Specifically, a two-stage primary data collection process of questionnaires and semi-structured interviews was undertaken, whereby the methodological triangulation approach via case studies is selected for following reasons. Firstly, from the theoretical perspective, each method or technique has its own unique strengths and weaknesses (Smith, 1975), and the results the researcher obtains will be affected by the data collection method used concerning an inevitable relationship between the method and result. Therefore, it is best to undertake research using a variety of data collection strategies to cancel out the method effect (Saunders *et al.*, 2000). Secondly, from the practical perspective, the two-stage process of questionnaires and semi-structured interviews is feasible and justifiable (Bryman and Bell, 2003). The questionnaire allows itself to be standardised, therefore, it is easy for comparison, whilst semi-structured interviews obtain deeper insights of the issues. The combined approach also establishes the use of one type of data collection method to check the consistency of data collected from another method to ensure accuracy and reliability. Indeed, Robson (1993) suggested considering combined strategies where resources permitted. Thirdly, the triangulation approach is selected following examination of previous literature on China regarding the analysis of HRM issues and MNCs performance, whereby the majority studies adopted a single approach of either survey (Bjorkman and Fan, 2002; Law *et al.*, 2003; Akhtar *et al.*, 2008), interviews (Goodall and Warner, 1997; Pan and Chi, 1999; Bruton *et al.*, 2000; Walsh and Zhu,

2007) or secondary data (Li *et al.*, 2001; Li, 2003; Li *et al.*, 2008) as their methodological device. Hence, in order to achieve the coverage and accuracy, the researcher seeks to utilise the established methodological approach such as questionnaires, together with extending this through the use of interviews. Therefore, the outlined triangulation approach is argued to be highly beneficial, resulting in a rich data set which permits a greater understanding and leads to greater confidence being placed in the findings and conclusions of this research.

7. Structure of the thesis

This thesis is organised in nine individual, but interrelated chapters. Specifically, Chapter One introduces the research background, the statement of research problems, the importance and potential contributions of this research to the literature on studying HRM in the context of China. Moreover, it also outlines the research aim and its associated objectives, research questions in the form of research models, research methodology and its set of data collection methods, followed by a summary of this thesis's structure.

Chapter Two illustrates the evolution of HRM from two perspectives: the origins of HRM and the theories beyond HRM. The former consists of three divisions focusing upon management theories, PM and HRM, whilst the latter contains two divisions discussing SHRM and IHRM which incorporates SIHRM. Specifically, this chapter starts with an overview of the historical development of management and its relevant people management theories through different phases spread over a hundred years from their invention to the contemporary management phase. Therefore, it serves as a theoretical base for developing the discipline of people management, which is essential

in terms of understanding HRM theories from a macro perspective in a holistic approach. Secondly, the influence of historical development of management and the Industrial Revolution in the late 18th century initiated the emergence of PM, which went through different phases, albeit with problems concerning credibility and power that were mainly welfare orientated (Storey, 1989). Consequently, the understanding of PM in the 1970s was seriously challenged by the economic and political realities of the 1980s, together with several other influential factors, such as Japanese competition, the search for excellence, the decline of trade unions, increasing emphasis on more efficient organisations and the enterprise culture (Legge, 1995). As a result, HRM emerged and replaced PM in the 1980s as the dominant approach to understanding employee-organisation relations (Hope-Hailey *et al.*, 1997; Storey, 2001). Moreover, in the 1990s, major concerns occurred in the discipline of HRM, such as how HRM could make an impact on profitability. Therefore, it is from this period that the relationship between HRM and firm performance is examined, along with the investigation of the importance of HR practices for organisational performance. Consequently, HRM transformed to SHRM to ensure the organisation has the skilled, committed and well-motivated employees it needs to generate the strategic capability for achieving sustained competitive advantage (Schuler *et al.*, 2001). Moreover, seeking 'strategic fit' is one of the main considerations in the process of developing HR strategies, requiring the need for both vertical integration between HRM and business strategy, and horizontal integration between the different components of HRM functions, such as human resource planning (HRP), recruitment, selection, training, development, performance and reward management, ER (Armstrong, 2006). Also in the 1990s, IHRM emerged when HRM issues and problems arose from the increasing internationalisation of business, as firms pursued HRM strategies, policies and practices in response to the

globalisation process (Black *et al.*, 1999 cited in Brewster *et al.*, 2008: 45). Therefore, by combining the concept of SHRM with IHRM, the relatively new research area of SIHRM was identified, which addressed HRM issues and activities resulting from, and impacting on, the strategic activities and international concerns of MNCs as well as indicating the process of explicitly linking IHRM with the strategy of MNCs (Taylor *et al.*, 1996; De Cieri and Dowling, 1999).

Chapter Three introduces the developments of Chinese HRM, Chinese culture and foreign MNCs business experience in China. To understand the changes that occurred in the field of Chinese HRM over the last two decades requires knowledge of its development context (Goodall and Warner, 1997), such as the series of government policy changes, economic reforms, the opening of economic relations to the outside world, entry to the WTO, the 2008 Beijing Olympic Games and the influence of current world recession. However, this transition not only resulted in substantial economic growth, but also brought in a range of challenges to the existing HRM problems in China. Coping with cultural differences, especially Chinese culture, is a strong determinant of the way in which Chinese organisations are managed, together with recognising how and when these differences are relevant, are a constant challenge for foreign MNCs (Lockett, 1988; Easterby-Smith *et al.*, 1995). Another challenge emanates from balancing globalization and localization as MNCs enter the Chinese market via the establishments of JVs with the primary purpose of earning profit by taking advantage of Chinese cheap labour, rich natural resources, various taxation and other incentives that Chinese government offers (Roehrig, 1994). On the other hand, China invited foreign direct investment (FDI) to gain capital, high technology, advanced

management know-how and access to international markets, which the country desperately needed (Child, 1994).

Chapter Four focuses upon the aspects of organisational performance and senior managers' perception and effectiveness. It commences with a summary of SHRM and firm performance theories to provide academic underpinning for the following discussion of empirical studies and the provision of linkages between theories and their applications. Indeed, the purpose of reviewing past empirical studies on SHRM and firm performance is to identify their limitations and subsequently to develop the key themes to be examined through this primary research. The discussion then moves to the senior managers' perception of their own effectiveness, specifically in terms of exploring the changing role and the responsibilities of senior managers regarding HRM, together with the impact of their effectiveness on firm performance. This is achieved by reviewing a variety of leadership theories and illustrating their developments. In connection with this, the arguments of adopting Analoui's (1990) eight-parameter approach as the conceptual framework for investigating senior managers' effectiveness are stated. The final section presents the discussion of dependent and independent variables used in the examination between HR policies and senior managers' effectiveness in relation to firm performance. Hence, the dependent variable used in this research is the perceived firm performance in comparison with the industry standard from 2005-2007, whereas independent variables include: HR policies and practices, senior managers' effectiveness, Chinese culture factors and business strategies.

Chapter Five is structured to outline a theoretical framework relating to the aim and objectives of the research, which therefore reflects the key themes of the literature.

Hence, following a general review of the existing studies and a critical appraisal of various theoretical principles, the Choice model developed by Analoui (2002, 2007) is considered at the initial stage to be the best fit for the broad purposes of this research because of the following principal features. Firstly, this model emphasises SMs as policymakers, whereby the degree of their involvement in the formulation of policies is a means of adjusting human resource policies and activities to achieve the strategic goal of the organisation. Secondly, this model also recognises the constant interaction of an organisation with its external and internal environment as well as the managerial frames of reference. However, in light of this model's strengths and weakness, there is a need to revise it to coincide with the specific setting of this research and in particular with respect to the set of established research questions. Therefore, whilst the main structure of the original Choice model has been retained (i.e. in relation to the systematic development of input, process and output stages, together with the disaggregated elements within each stage), the model is adapted through modification within the internal and external environment. In particular, the researcher specified business strategy and HR policies as the only two aspects of interest within the internal environment, together with culture and foreign MNCs' headquarters within the external environment. In addition, firm performance is exclusively focused upon as the only concern in terms of results within the output stage. Furthermore, attention is also directed to analyse the linkages between each stage, seeking to explore and establish their inter-relationships.

Chapter Six illustrates the research philosophy, methodology and data collection methods. As previously discussed, the philosophical position in this research is phenomenology, the selection of which is based on the research questions and guided

by the research objectives. Whilst in terms of the research methodology, the researcher selected the case study approach as it 'fit for purpose', given that 'how' type of questions are predominately asked, so this is the recommended approach to undertake research in the subject area of business and management (Yin, 2003). In relation to research methods, the researcher combined quantitative and qualitative multi-method (triangulation) approach through case studies. Specifically, a two-stage primary data collection process of questionnaires and semi-structured interviews were undertaken as it is highly beneficial, leading to a rich data set (Robson, 1993).

Chapter Seven exclusively focuses upon the first three research questions constructed in line with the research aim and its associated objectives in the form of Research Models. Specifically, Model One examines the effectiveness of HR policies and practices as perceived by senior managers in the four selected companies, which is then further divided into three sub-sections: (i) the exploration of HR policies, (ii) the degree of integration between business strategy and HR policies and (iii) the extent of 'globalisation' and 'localisation' on the formulation of Chinese subsidiaries' HR policies. In contrast, Model Two assesses the effectiveness of senior managers from their own perspective through an eight-parameter approach of perception (i.e. managerial effectiveness, essential managerial skills, organisational effectiveness criteria, motivation factors towards effectiveness, constraints upon effectiveness, opportunities for improvement in effectiveness, nature of intra- and inter-organisational relationships, dominant managerial philosophy). In contrast, Model Three evaluates the performance of foreign MNCs' Chinese subsidiaries through the following five indexes in comparison with the industry average over the past three years from 2005 to 2007: (i) '*average return on investment*', (ii) '*average profit*', (iii) '*profit growth*', (iv) '*average*

return on sales' and (v) *'average market share growth'*. Subsequently, the technique of frequency analysis is used for the survey data in conjunction with the utilization of interview analysis to provide additional underpinning for in-depth discussion. Hence, the analysis starts with an explanation of the selection criteria for the four companies followed by a brief introduction of their profiles, together with the distribution and response rate of the survey respondents and interview participants. The second section is to clarify the survey structure, its disaggregated levels of analysis and the identification of interview coding. The third section contains the frequency data analysis and incorporating the relevant interview quotations, which are then related to the statements being addressed in the literature. The final section summarises a number of preliminary findings in a systematic approach corresponding to these three research questions/models and critical discussions.

Chapter Eight extends the statistical analysis previously presented in Chapter Eight through testing the reliability of the data prior to undertaking testing for statistically significant associations between the variables in order to answer the two remaining research questions in the form of Research Models Four and Five. The former seeks to investigate the relationship between firm performance and the effectiveness of HR policies, which is examined through four specific aspects: (i) the relationship between HR policies and firm performance, (ii) the relationship between the alignment of HR policies with business strategies and firm performance, (iii) the relationship between the degree of achieving business plan and firm performance and (iv) the relationship between the impact of culture on HR policies and firm performance. In contrast, Research Model Five aims at establishing the relationship between firm performance and the effectiveness of senior managers, from which two areas are specified for

investigation: (i) the relationship between firm performance and the perceived role of being key-decision makers from senior managers own perspectives and (ii) the relationship between the influence of SMEs' effectiveness and firm performance. However, due to the obtained questionnaire response rate it is not feasible to disaggregate the data by the type of company and ensure statistically meaningful analysis for undertaking correlation and regression tests. Consequently, frequency analysis is utilised for the examination of both the whole sample and its breakdown to supplement the overall aggregate analysis of Models Four and Five. In addition, the analysis of the semi-structured interviews once again permits a return to an in-depth form of investigation.

Finally, Chapter Nine discusses the conclusions of this research based upon the main series of critical discussions from Chapters Eight and Nine in a theme of five research models, together with the indication of its theoretical and empirical contributions to the existing literature and the practical implications for foreign MNCs in the development of their HR strategies in China. Furthermore, this Chapter also provides relevant and pragmatic recommendations, considering the limitations and difficulties encountered during the research process, together with suggesting future avenues for further investigation of this field.

CHAPTER TWO - THE EVOLUTION OF HUMAN RESOURCE MANAGEMENT

1. Introduction

This chapter is structured to introduce two sections. The former contains three divisions (the overview of management, PM and HRM) forming the first part of the literature review on the origins of HRM. Each division has its particular emphasis on its own distinctive characteristics in order to lay the foundation for the subsequent exploration into contemporary HR issues existing in the selected case study companies, particularly given that the companies are selected based on the stage of their HR policies and practice in application. Whilst the latter consists of two divisions on SHRM and IHRM that incorporates SIHRM, forming the second part of the literature review on the theories beyond HRM and presenting the trend of HRM developments during 1990s to the present day. For example, these theories not only consider the strategic integration with organisation goals, but also seek to fit with developments taking place in the global context. Therefore, the principal aspects of each theory are highlighted in order to undertake examinations against the realities or concerns of the selected case studies in this research.

2. Overview of management

The understanding of management was contributed from practical managers and social scientists. The practical managers (e.g. Frederick Taylor and Henri Fayol) produced a set of principles of management applicable in a wide variety of situations based on their

own experiences in management and applied these to the structure of organisations. This approach has been referred as prescriptive, suggesting what was good for an organisation. In contrast, social scientists firstly described and subsequently predicted human behaviour in organisations. The earliest social scientists (e.g. Elton Mayo, Abraham Maslow, Frederick Herzberg, Douglas McGregor and Kurt Lewin) focused their attention on the motivation and behaviour of individuals and groups in the work situation such that this approach has been defined as ‘contingency’ (George, 1968). Thereafter, Robbins and Coulter (2007) summarised five phases concerning the beginning and development of management theories with regards to HRM as follows: Invention phase (5000B.C.-1900), Classical management theories phase (c.1910), Behavioural science theories phase (c.1920), Modern management theories phase (1940-1980) and Contemporary management theories phase (after 1980). All of these have provided a robust theoretical underpinning, being the fundamental principles for interpreting the subsequent people management theories of PM and HRM, together with outlining the transformation from PM to HRM (Robbins and Coulter, 2007). Despite the significance of management from the earliest times, its major developments occurred in the 20th century and more particularly in the past three decades.

3. Personnel management

The Industrial Revolution initiated the emergence of PM, and the evolution of management thought introduced in the previous section influenced PM growth and development. These included four major schools: scientific management (Taylor, 1911 cited in Huczynski and Buchanan, 2007: 411-418), human relations (Mayo, 1933 cited in Huczynski and Buchanan, 2007: 302), behaviour science movement (Maslow, 1943 cited in Rollinson, 2008: 202-204) and the organisational development movement

(Schein, 1965, 1969 cited in Huczynski and Buchanan, 2007: 569). Furthermore, annual membership of the Institute of Personal Management (IPM) increased from 35 in 1913 to 9,302 in 1968, indicating that more people recognised the significant roles and responsibilities of PM. This also reflected the dimension of people management's development from emergence to maturity.

Through reviewing the history and development of PM it was noted that the personnel role and functions changed through different phases (Armstrong, 1977), such that prior to the 1920s the welfare officer's task was to look after the personal matters of the employees. This evolved during the 1920s and 1930s whereby the personnel administrator's task was to keep records and handle employee negotiations. During the 1940s and 1950s, the labour officer's task was to transfer or dismiss employees and deal with industrial relations, whilst by the 1960s and 1970s the personnel officer's task was to be responsible for a wide variety of functions relating to the satisfaction between employees and the organisation. Therefore, no superior or universal PM model existed and it was not until the late 1970s that the first model of the Legge model (Legge, 1978) specifically relating to PM was developed in the academic literature. This in turn initiated a brief period culminating in the 1980s when several notable PM theories emerged, such as the Tyson model (Tyson, 1985), the Tyson and Fell model (Tyson and Fell, 1986), the Monks model (Monks, 1992) and the Storey model (Storey, 1992a) cited in Paauwe, 2004: 180-183. However, they ultimately proved to be transitory due to their heterogeneous perspectives and the more general superseding of PM by HRM.

4. Human resource management

The concept of HRM was evoked in the 1980s when PM had problems with its credibility, power, ambiguity and a set of disconnected and welfare orientated duties (Storey, 1989). This shift was also the reflection of changes in the political economy in the 1980s and 1990s, such as Japanese competition, employment stereotypes, recession, in search of excellence, declined pressure of trade unions, increasing emphasis on more efficient organisations and strategic personnel policies (Legge, 1995).

The term of HRM was used first in the writings of US academics and managers (Tichy *et al.*, 1982; Beer *et al.*, 1984; Fombrun *et al.*, 1984; Walton, 1985), and then was recognised by academics (Guest, 1987; Storey, 1987; Torrington, 1998) and managers (Armstrong, 1987) in the UK. However, it was not until late 1980s that Storey (1989) generated the ‘first wave’ of debate on the shift from PM to the HRM model and the nature of the HRM model. Furthermore, at the end of 1990s, a ‘second wave’ of debate emerged based on the following four distinct themes: (i) the importance of the economic and social context in shaping and reshaping HRM; (ii) the association between HRM and organisational performance; (iii) new organisational forms and relationships and (iv) the significance of knowledge management and learning in the workplace, which initiated the concepts of SHRM and IHRM (Marchington and Wilkinson, 2008).

Arguably there was little difference between PM and HRM in terms of their objectives and activities (Armstrong, 2006), given that both concepts aimed to make an effective and positive contribution to the achievement of organisational goals. Subsequently, the associated activities were established mainly in the areas of HRP, recruitment, selection, training, development, performance appraisal, reward management, ER and employee

services. Despite the similarities in the formality of goals and activities, the degree and the extent of their activities were different. For example, ER was basic in PM, but HRM had much more emphasis on the establishment of psychological contract. Furthermore, HRM also stressed the need to achieve organisational goals through people by integrating HR policies with business strategies (Guest, 1987, 1997; Hendry and Pettigrew, 1990; Storey, 1992b; Legge, 1995). Although the basic functions/activities appeared to be the same and fell into the similar categories, PM was still welfare orientated, lacking of strategic thinking in both depth and breadth with its functions not as robust as HRM's.

In particular, HRM represented a different management philosophy and approach to deal with ER that fitted the new economic order of the 1980s and indicated the beginnings of a new theoretical sophistication in PM (Storey, 2001). Similarly, Hope-Hailey *et al.* (1997: 5) suggested that “organisations should move away from the bureaucracy of PM to the flexibility and responsiveness of HRM”. In contrast, HRM was seen as a simple re-labelling of PM and characterised as a cultural construct concerned with shaping employees to corporate values, whereby Legge (1995) argued that the two concepts of HRM and PM were little different and overlapped in their techniques and range of interest. Whilst drawing from the above debates with the consideration of this particular research setting, the researcher agrees that the generic understanding of HRM could be regarded as a business-orientated philosophy concerning how to manage people effectively in order to achieve business objectives and competitive advantages (Armstrong, 1987). It therefore incorporated the functions of traditional PM within a wider and more strategic framework.

As a result, during the 1980s, the Matching model (Fombrun *et al.* 1984) and the Harvard model (Beer *et al.* 1984) were labelled by Boxall (1992) as the first HRM frameworks, which represented the first emergence of HRM as a clearly defined concept. Furthermore, Guest (1989a&b, 1997) expanded the prescriptive theoretical elements of the Matching model to form the Guest model. Similarly, Hendry and Pettigrew (1990) developed the analytical elements of the Harvard model to create the Warwick model. Storey (1989), however, attempted to demonstrate the differences between ‘personnel and industrials’ by creating an ‘ideal type’ in the Storey model. Finally, Analoui (2002, 2007) evaluated the above models with an emphasis on the political context and the reality of senior managerial effectiveness to construct a Choice model.

5. Strategic human resource management

5.1 Achieving strategic fit

The last decade of the 20th century witnessed a phenomenal increase in the numbers of academics interested in HRM and its relationship with performance, which was exhibited by a wave of academic books, such as *Competitive Advantage through People* (Pfeffer, 1994), *Human Resource Champions: the Next Agenda for Adding Value and Delivering Result* (Ulrich, 1997), *Building Profits by Putting People First* (Pfeffer, 1998), *Putting People at the Heart of Corporate Purpose* (Gratton, 2000), *Linking People, Strategy and Performance* (Becker *et al.*, 2001) cited in Paauwe, 2004:1-2, together with a number of academic journal articles, such that Legge (1995) emphasized the need to distinguish the rhetoric from reality.

Consequently, Delery and Doty (1996) proposed universalistic, contingency and configurational approaches to understanding HRM practices, whilst Guest (1997) developed the distinction between strategic, descriptive and normative theories. Furthermore, Paauwe and Richardson (1997) and Boselie *et al.* (2001) urged a need for a more critical approach to study HRM and performance. While the search for links between HRM and performance continued, emphasis was also developed not only focusing on understanding the relationship, but also on how to measure its progress and the strategic contribution of HRM practices to performance through texts such as *The HR Scorecard* (Becker *et al.*, 2001), *The Human Value of the Enterprise* (Mayo, 2001), *The Human Resource Scorecard: Measuring the Return on Investment* (Philips *et al.*, 2001) cited in Paauwe (2004: 2). Consequently, these new research dimensions in the field of HRM led to the emergence of SHRM. Indeed, Schuler *et al.* (2001) described the evolution of SHRM in a two-phased transformation, first from PM to HRM and then from HRM to SHRM. Armstrong (2006) agreed that SHRM was derived from HRM principles, but incorporated the concept of strategy, describing an integrated approach to the development of HR strategies that facilitated the organisation to achieve its goals. Indeed, seeking strategic fit is one of the main considerations in the process of developing HR strategies and is achieved by balancing vertical and horizontal integration (Armstrong, 2006). The former is achieved when there was fit between business strategy and HR strategy through examining each aspect of the business strategy and then assessing its people management implications as the basis for formulating integrated HR strategies (Schuler and Jackson, 1999).

Furthermore, in terms of the business strategy, some authors (Miles and Snow, 1984; Porter, 1985; Schuler and Jackson, 1987) argue that HR practices enhance firm

performance when they are adapted to the competitive strategy. Whilst in terms of the definition of business strategy and its classifications, Porter (1985) remarked that this was concerned with a firm's industry position relative to competitors, aiming to provide value to customers and gaining a competitive advantage by exploiting core competencies in specific product markets. Thereafter, three types of business strategies were identified. Firstly, Miles and Snow (1984) classified three types of organisational behaviour as prospectors, analyzers and defenders, which were adopted in the later study of Delery and Doty (1996). Prospectors actively seek to grow through new products and markets, whereas analyzers also seek to grow, but in a more stable and predictable way through the internal development of new products rather than creation of new markets, and defenders seek to maintain the same limited product line with emphasis on high volume and low cost. These link to the HR practices as follows: defenders are more concerned about developing current employees, which emphasises internal, process orientated training and internal pay equity, whereas performance appraisal is used more for developmental purposes than for evaluation (Jackson and Schuler, 1995). In contrast, prospectors are more concerned about external recruitment, results-oriented compensation and external pay equity using performance appraisal results for evaluation rather than for longer-term development, and analysts have changing and stable product lines, leading them to use internal and external recruitment, pay equity measures and process-oriented performance appraisal (Jackson and Schuler, 1995).

Whereas Porter (1985) identified three classifications: cost leadership, differentiation and focus, which have been further modified by Schuler and Jackson (1987) as cost-reduction, innovation and quality-enhancement respectively. Cost-reduction strategy

involved enhancing competitiveness by lowering the prices of products or services. This method enhanced production efficiency and reduced expenditures by adopting new technology, enlarging the scale of production or re-engineering production processes, so that a firm can sell its products or services at a lower price in the market, whilst innovation strategy emphasized the development of products or services that were unique or different from those of the competitors. Finally, the success of quality-enhancement strategy was achieved by offering a standard of quality superior to that of other products or services (Schuler and Jackson, 1987). Thus, following previous studies (Dowling and Schuler, 1990; Youndt *et al.*, 1996; Huang, 2001; Liao, 2005), the researcher also adopted the classification of business strategies as proposed by Schuler and Jackson (1987), then further investigate the degree of the integration between business strategies and HR policies, together with its impact of on the firm performance.

A number of academics (Miles and Snow, 1984; Porter, 1985; Schuler and Jackson, 1987) concluded that HR practices must be combined with specific business strategies to enhance organisational performance. Indeed, a different set of HR practices are needed to achieve these. For instance, a strategy based on cost leadership will result in minimal levels of investment in human capital, with low standard for recruitment and poor levels of pay and training. In contrast, a strategy based on innovation calls for HR practices that encourages risk taking and cooperative behaviour (Delery and Doty, 1996; Youndt *et al.*, 1996). Finally, firms emphasizing a quality-enhancement business strategy must make frequent changes in the production process in order to continuously upgrade product quality. Thus, it requires a high level of employee involvement to offer a standard of quality superior to that of other products or services (Liao, 2005). Furthermore, Armstrong (2006) indicated the importance to have a clearly defined

business strategy and re-evaluate strategies when any circumstances change, suggesting that strategic fit may exist at a point in time, but when external and internal environments change, the fit no longer exists. Therefore, the flexibility of the strategic approach was essential in turbulent conditions. Whilst horizontal integration is achieved when various HR strategies cohered and were mutually supporting each other in a holistic approach through the process of bundling or configuration (Armstrong, 2006). Hence, it is necessary to find ways in which one practice can support another and to identify common requirements that can be met by initiatives in different areas of HR practices, as long as they are integrated.

Nevertheless, there are potential barriers to achieving strategic fit, such as the complexity of the organisation and its diverse range of activities, isolated senior managerial decision making from complementary HR activities, incremental approaches to the development of HR practices arising from management pressures or the existence of financial constraints, difficulty in deciding the most appropriate bundles to suit the circumstances and poor understanding among HR practitioners of the need to achieve integration (Gratton, 1999).

5.2 Theories of SHRM

Various approaches exist in the field of SHRM to illustrate the formulation, development and implementation of HR strategies, attempting to theoretically explain the relationship between SHRM and the firm performance. These can be summarised into two approaches: the general and the particular (Armstrong and Baron, 2002; Boxall and Purcell, 2008; Redman and Wilkinson, 2008).

5.2.1 The general approach: human resource advantage

This approach was reviewed from the perspective of human resource advantage (HRA), which was defined as a series of policies, practices and processes that together contributed to the competitive advantage of the organisation (Boxall, 1996, 1998; Boxall and Steeneveld, 1999; Boxall and Purcell, 2008). It comprised a human capital advantage (HCA) and an organisational process advantage (OPA). The former contained the best practice, the best fit and the configuration approaches, whereas the latter formed the foundation for resource-based view (RBV) (Kinnie *et al.*, 2009). Both HCA and OPA can generate competitive advantage, but they are most effective when combined to focus upon the design and content of HR practices and the role of employees and line managers in putting these into action (Redman and Wilkinson, 2008).

5.2.1.1 Human capital advantage: best practice, best fit and the configuration modes

Delery and Doty (1996) distinguished three dominant modes of theorizing in the literature on SHRM and performance: the universalistic, the contingent and the configuration. The first two of which have been renamed by Richardson and Thompson (1999) as 'best practice' and 'best fit', whilst the description of 'the configuration' mode was retained, meaning the use of bundles.

The best practice mode was based on the belief that there was a specific set of HR policies which were best practice and the adoption of certain best HR practices would result in superior organisational performance (Pfeffer, 1998). It implied that this set of HR policies can be identified and applied in a wide variety of circumstances to have a positive effect on business performance. Therefore, it assumed that there was a linear relationship between HRM practices and organisational performance, and best practices

were universally applicable and successful (Huselid, 1995). Best practices might be more appropriate for identifying principles underlying the choice of practices, such that knowledge of best practice can inform decisions on what practices were most likely to fit the needs of the organisation (Becker and Gerhart, 1996). It had the advantage of delivering uniformity and stability in HRM practices across organisations as a means of recognizing areas for innovation or development that were practised to good effect elsewhere by leading companies (Redman and Wilkinson, 2008). In addition, Delery (1998) warned to avoid ‘deadly’ combinations, for example, the introduction of individual performance pay and team working. Table 1 lists examples of best practices.

Table 1 Examples of HRM best practices

Study	Characteristics of best practice	
US Department of Labour (1993)	<ul style="list-style-type: none"> • Careful and extensive systems for recruitment selection and training • Formal systems for sharing information with employees • Clear job design • High-level participation processes 	<ul style="list-style-type: none"> • Monitoring of attitudes • Performance appraisals • Properly functioning grievance procedures • Promotion and compensation schemes that provide for the recognition and reward of high-performance employees
Arthur (1994)	<ul style="list-style-type: none"> • Self-directed work teams • Problem-solving groups • Contingent pay • Hours per year training • Conflict resolution • Job design 	<ul style="list-style-type: none"> • Percentage of skilled workers • Supervisor span of control • Social events • Average total labour costs • Benefits/total labour costs
Pfeffer (1994, 1998)	<ul style="list-style-type: none"> • Employment security • Selective hiring • Self-managed team • High compensation contingent on performance 	<ul style="list-style-type: none"> • Training to provide a skilled and motivated workforce • Reduction of status differentials • Sharing information
Huselid (1995)	<ul style="list-style-type: none"> • Contingent pay • Hours per year training • Information sharing • Job analysis • Selective hiring • Attitude survey 	<ul style="list-style-type: none"> • Grievance procedure • Employment tests • Formal performance appraisal • Promotion criteria • Selection ratio
MacDuffie (1995)	<ul style="list-style-type: none"> • Self-directed work teams • Job rotation • Problem-solving groups • Total quality management • Suggestions forum 	<ul style="list-style-type: none"> • Hiring criteria, current job versus learning • Contingent pay • Induction and initial training provision

		<ul style="list-style-type: none"> • Hours per year training
Delery and Doty (1996)	<ul style="list-style-type: none"> • Internal career opportunities • Training • Results-oriented appraisals • Profit-sharing 	<ul style="list-style-type: none"> • Employment security • Participation • Job descriptions
Patterson <i>et al.</i> (1997)	<ul style="list-style-type: none"> • Sophisticated selection and recruitment processes • Sophisticated induction programmes • Sophisticated training • Coherent appraisal systems • Flexibility of workforce skills • Job variety on shop floor • Use of formal teams 	<ul style="list-style-type: none"> • Frequent and comprehensive communication to workforce • Use of quality improvement teams • Harmonized terms and conditions • Basic pay higher than competition • Use of incentive schemes
Guest (1999)	<ul style="list-style-type: none"> • Selection and careful use of selection tests to identify those with potential to make a contribution • Job design to ensure flexibility, commitment and motivation, including steps to ensure that employees have the responsibility and autonomy to use their knowledge and skills to the full 	<ul style="list-style-type: none"> • Training and in particular a recognition that training is an on-going activity • Communication to ensure that a two-way process keeps everyone fully informed • Employee share ownership programmes to keep employees aware of the implications of their actions, including absence and labour turnover, for the financial performance of the firm
Luthans and Sommer (2005)	<ul style="list-style-type: none"> • Information-sharing • Job design programmes • Job analysis methods • Participation programmes • Incentive-based compensation 	<ul style="list-style-type: none"> • Benefits • Training • Grievance • Selection and staffing • Performance appraisal
Stavrou and Brewster (2005)	<ul style="list-style-type: none"> • Training • Share-options • Evaluation of HR • Profit-sharing • Group bonus • Merit pay • Career 	<ul style="list-style-type: none"> • Joint HR-management bundle • Communication on strategy, finance, change and organisation of work • Wider-jobs • Communication to management

Source: Adapted from Becker and Gerhart (1996: 785); Youndt *et al.* (1996: 840); Armstrong (2006: 111); Beardwell and Claydon (2007: 61)

Table 1 indicates the complexity with this best practice mode was the variation in what constituted its principles. Indeed, Purcell (1999) revealed there was inconsistency between beliefs in best practices and questioned how their universalism can be in accordance with the view that only some resources and routines were important and valuable by being rare and imperfectly imitable. Furthermore, Legge (1995) identified

the risk resulting from a mechanical match between business strategies and HRM policies, whilst Armstrong (2006) agreed that it was difficult to accept universal prescriptions for HRM policies and practices because what worked well in one organisation will not necessarily work well in another in terms of strategy, culture, management style, technology or working practices. Indeed, Porter (1996: 64) suggested that seeking competitive advantage through best practices was limited for the reason that it made companies imitate one another in a type of group behaviour and “in this process of imitation, firms’ strategies converge and their creativity disappeared. With this imitation, competition became a series of races down identical paths that no one can win”.

Furthermore, this approach was criticised for having methodological problems in terms of the direction of causation. For example, Guest *et al.* (2003: 309) stated that “it is possible that the direction of causation is in the opposite direction to that which is proposed since it may be only the successful firms that can afford these high commitment management practices”. Indeed, Wright *et al.* (2005: 432-433) argued for exercising “extreme caution in inferring a direct causal impact on performance”. Therefore, business units that perform well invest more in HR practices which pay off in terms of improved performance. There is also the possibility that respondents might believe that HR practices are good simply because the performance of their organisation is good. In addition, this approach was also criticised for its theoretical problems. For example, many authors (i.e. Pfeffer, 1994, 1998; Huselid, 1995; Delery and Doty, 1996; Wood, 1999; Boselie *et al.*, 2005; Wall and Wood, 2005) produce lists of HR best practices, however, there is little consistency in terms of the practices included (Redman and Wilkinson, 2008).

In addition, contradictory practices appear across a variety of these lists, whereby formal grievance systems appear in some bundles as an indicator of best practice, but on the other hand are associated in others with trade unionism and thus seen as part of the bureaucratic personnel management approach (Wall and Wood, 2005). Equally problematic is the implicit assumption that a particular bundle of practices is feasible for all organisations and cultures, such that some will provide major difficulties in implementing certain HRM practices, for example, high-involvement practices in highly bureaucratic and formal organisations will be particularly problematic (Redman and Wilkinson, 2008). Indeed, Purcell (1999: 36) criticised that “the claim that the bundle of best practice HRM is universally applicable leads us into a utopian cul-de-sac and ignores the powerful and highly significant changes in work, employment and society visible inside organisations and in the wider community. The search for bundles of high commitment work practices is important, but so too is the search for understanding of the circumstances of where and when it is applied, why some organisations do and other do not adopt HCM, and how some firms seem to have more appropriate HR systems for their current and future needs than others. It is only one of many ways in which employees are managed, all of which must come within the bounds of HRM”.

Although Youndt *et al.* (1996) viewed the best practice and the best fit as complementary rather than necessarily competing, considering the criticism of variation in the sets of best practice, Armstrong (2006: 71) argued that the best fit is “more important than the best practice”, since the relationship in the best fit between the relevant independent variable and the dependent variable will vary according to such influences as company size, company age, technology, capital intensity, the degree of

unionization, sector, ownership and location. Thus, the effectiveness of HR policies depended on the external and internal environment of the organisation, and started with analysing the business needs of a firm within its context, (e.g. culture, structure, technology, processes) in order to specify its tasks, and then combined various aspects of best practices to form the principles of the best fit. Indeed, the best fit was appropriately aligned to the identified business needs, implying the potential complex interactions between HRM variables, performance indicators and contingency factors (Schuler and Jackson, 1987). Therefore, business performance improves when HR practices mutually reinforce the choice of competitive strategy. This is the concept of vertical integration between the competitive strategy, the objectives of the firm, the HR practices and individual objectives (Fombrun *et al.*, 1984; Wright *et al.*, 1994).

In particular, there are different views on the importance of specific contexts with some stressing the stage in the life cycle, whereas others draw attention to the ‘outer context’ of the competitive strategy or the ‘inner context’ of existing structures and strategy (Hendry and Pettigrew, 1990). In terms of the life cycle, a number of researchers (Kochan and Barocci, 1985 cited in Beardwell and Claydon, 2007: 45) argue that there needs to be a fit between the HR practices and the development stage of the organisation’s business and product life cycle. Hence, according to this approach, different HR practices are needed during phases of start-up, growth, maturity and decline. That is, in the start-up phase of the business, there is an emphasis on flexibility in HR to enable the business to grow. Whereas in the growth stage, once a business grows beyond a certain size, the emphasis would move to the development of more formal HR policies and procedures. In the maturity stage, as markets mature and margins decrease, and the performance of certain products becomes stable, the focus of

the HR strategy may move to cost control. Finally, in the decline stage of products, the emphasis shifts to rationalisation with downsizing and redundancy implications for the HR function (Kochan and Barocci, 1985 cited in Beardwell and Claydon, 2007: 45). However, most organisations will have a series of products that are at different stages in their life cycles, producing the situation familiar to many managers whereby certain parts of their business are growing whereas others are declining, resulting in quite different pressures on HR practices (Redman and Wilkinson, 2008).

Nevertheless, the best-fit approach has been subject to extensive review. Purcell (1999) suggested that in practice, organisations may pursue a mix of competitive strategies, for instance, seeking both cost leadership and differentiation, leading to confusion over the most appropriate HR practices. Even if the firm does have a strategy, this view assumes that the adopted one is also the most appropriate, however, this may not be the case if firms have insufficient knowledge of their external environment or if they misinterpret information. Purcell (1999: 37) criticised the search for a contingency or matching model of HRM as being “limited by the impossibility of modelling all the contingent variables, the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on others” such that organisations should be less concerned with the best fit and the best practice, and more sensitive to processes of organisational change so that they can “avoid being trapped in the logic of rational choice”. Consequently, in response to criticisms of the best-fit approach, Wright and Snell (1998) argued for the need to have both fit and flexibility. This is “not just the ability to move from one best fit to another, but to be able to adapt to the situation where the need to change is virtually continuous” (Boxall and Purcell, 2008: 73). In addition, the unitarist assumptions and the aim for achieving consistency across the

workforce were criticised, since in reality it is likely that “a combination of practices will be needed depending on external circumstances: as products grow and decline there may need to be redundancies for some employees but also the need to retain good employees and to develop them” (Boxall and Purcell, 2008: 65).

However, in response to these criticisms, Lepak and Snell (1999) developed a HR architecture model based upon the configuration approach, arguing that it is unlikely that a company will use a single approach for all its employees. Hence, most organisations employ different groups of employees who will need to be treated differently such that there are different configurations of practices for different types of employees. In particular, Lepak and Snell (1999) believed there is distinction between employees on the basis of the value they create for the organisation (i.e. the extent to which they contribute towards the creation of competitive advantage) and the extent to which their knowledge and skills are specific to that organisation (uniqueness). “To date most SHRM researchers have tended to take a holistic view of employment and human capital, focusing on the extent to which a set of practice is used across all employees of a firm as well as the consistency of these practices across firms. We believe that the most appropriate mode of investment in human capital will vary for different types of capital” (Lepak and Snell, 1999: 32).

Furthermore, the configuration mode was perceived as the use of bundles, whereby the idea was that “practices within bundles are interrelated and internally consistent, and that more is better with respect to the impact on performance due to the overlapping and mutually reinforcing effect of multiple practices” (MacDuffie, 1995: 204). Indeed, Delery and Doty (1996) highlighted the importance of bundling as the development and

implementation of several HR practices together so that they were interrelated and therefore complemented and reinforced each other. Furthermore, Richardson and Thompson (1999) stated the success of a strategy depended on the combination of vertical/external fit and horizontal/internal fit, and if a firm achieved such high levels of fit with its competitive strategy and possessed such bundles of HR practices, it should have a higher level of performance. Hence, the aim of bundling was to achieve coherence, whereby a mutually reinforcing set of HR policies and practices jointly contributed to the attainment of the organisation's strategies by matching resources to organisational needs, improving performance and quality, and achieving competitive advantage (Huselid, 1995). However, the difficulty with this approach was to select the optimal way to integrate different practices together, such that there was no evidence that one bundle was generally superior, although performance management practices and competence frameworks were typically adopted to provide for coherence across a range of HR activities (Paauwe, 2004). Nevertheless, this approach raises questions related to consistency and moral values (Redman and Wilkinson, 2008).

5.2.1.2 Organisational process advantage: resource-based view (RBV)

As discussed above, the generation of human capital advantage involved developing superior policies in key areas such as recruitment, selection, training and team building designed to ensure the best people were employed and these staff developed high levels of skill (Youndt *et al.*, 1996). However, there was unlikely to be a competitive advantage in the policies themselves because they were easily imitated (Mueller, 1996), instead, "the processes and routines required to put these policies into operation as intended that were more difficult to replicate and formed the organisational process advantage" (Boxall, 1996: 267). These processes such as team-based learning and cross-functional cooperation developed over time and were "socially complex and causally

ambiguous” (Boxall and Purcell, 2008: 86). Moreover, analysing organisational process advantage was much more difficult than looking at policies in human capital advantage because they were often tacit and intangible (Kinnie *et al.*, 2009).

Indeed, according to Purcell (1999: 35), organisational process advantage developed from the RBV of business strategy literature, whereby competitive advantage was based on what was difficult to imitate, such that “the intangible assets of the firm which made up its distinctive competencies and organisational routines”. It aimed at improving resource capability to achieve strategic fit between resources and opportunities whilst obtaining added value from the effective deployment of resources (Barney, 1991). In particular, it involved looking at the internal resources of the firm and considering how HRs can become scarce, organisation specific and difficult to imitate (Barney, 1991) whilst seeking to maximise their contribution to development of competitive advantage (Barney and Wright, 1998). Armstrong (2006) reinforced that the benefit arising from competitive advantage based on the effective management of people was that such an advantage was difficult to imitate. This opinion also reflected the concept of intellectual capital, which emphasized that investment in people added value to the firm, whereby recruiting more talented staff and developing their skills will create more intelligent and flexible firms than their competitors (Boxall, 1996). Organisational process advantage was therefore concerned with the enhancement of the intellectual capital of the firm, whereby knowledge has become a direct competitive advantage for companies selling ideas and relationships. The challenge to organisations is to ensure that they have the capability to find, assimilate, compensate and retain the talented individuals they need (Ulrich, 1997 cited in Paauwe, 2004: 186). Consequently, it became essential to

establish firm's identity on the basis of its own stable resources and capabilities particularly in a turbulent external environment.

Furthermore, Becker and Gerhart (1996: 793-794) argued that future work on the strategic perspective must "elaborate on the 'black box' between a firm's HR systems and its bottom line", whereby increased effort should be "devolved to finding out what managers are thinking and why they make the decisions they do". This stressed the necessity to understand how and why HR policies influenced performance and to move away from simple input-output models (Kinnie *et al.*, 2009). Moreover, there were clearly differences between espoused and enacted policies inside the 'black box' (Truss, 2001; Purcell *et al.*, 2003), which urged the need to consider the role of line managers and employees when engaging in discretionary behaviour. In this context, Appelbaum *et al.* (2000 cited in Paauwe, 2004: 76) revealed the willingness of employees to engage in discretionary behaviour depended on the creation of opportunities to participate, skill development, motivation and incentives, the influence by the role of line managers. Indeed, line managers not only played a more prominent role in the delivery of HR practices such as performance management, team leadership and communications (Hutchinson and Wood, 1995 cited in Redman and Wilkinson, 2009: 40; Larsen and Brewster, 2003), but also implemented HR policies by 'bringing them to life' and showing leadership strongly influenced employees' attitudes (Purcell *et al.*, 2003). Additionally, employees' perceptions of line management behaviour in terms of how they carried out their HR activities such as responding to suggestions was the most important factor in explaining variations in both job satisfaction and job discretion (Kinnie *et al.*, 2009). These differences between espoused and enacted policies can be partly attributed to line managers for a variety of reasons, such as suffering from work

overload, inadequate training on how to handle policies and lack of commitment, to being unaware of what was expected of them (Hutchinson and Purcell, 2003 cited in Redman and Wilkinson, 2009: 41).

In summary, both human capital advantage and organisational process advantage can generate competitive advantage, but they are most effective when combined together (Kinnie *et al.*, 2009). The form of human resource advantage was likely to change as the firm grew through the establishment, mature and renewal contexts (Boxall, 1998). Indeed, Boxall and Purcell (2008: 86) echoed that “knowledge of individual HR policies is not rare, but the knowledge of how to create a positively reinforcing blend of HR philosophy, process, practice and investment within a particular context is likely to be very rare”. This ‘social architecture’ was “created and re-created at all levels in the firm and was therefore especially difficult to imitate” (Mueller, 1996: 177).

5.2.2 The particular approach: high-performance work systems, high-commitment management and high-involvement work systems

Three approaches of ‘high-performance work systems’ (HPWSs), ‘high-commitment management’ (HCM) and ‘high-involvement work systems’ (HIWSs) can be understood from the perspective of the ‘particular approach’ as defined by Armstrong and Baron (2002), Boxall and Purcell (2008), Redman and Wilkinson (2008), in addition to the ‘general approach’ comprising ‘the best practice’, ‘the best fit’, ‘the configuration’ and RBV as part of the SHRM school thought. Alternatively, these three approaches can be discussed as part of the literature of ‘the best practice approach’, but constructed from the macro perspective, and thereafter defined as macro models of ‘the best practice’ (Boxall and Purcell, 2008). This was distinctive from the traditional work of ‘the best practice’ approach, showing micro aspects widely acknowledged by Delery

and Doty (1996) and Pfeffer (1998). The literature on the macro perspective of 'the best practice' is very diverse, with HPWSs involving reforms to work practices to increase employee involvement in decision making, investment in employee skills and changes to performance incentives to ensure they can undertake these greater responsibilities and want to do so (Boxall and Purcell, 2008). In contrast, HCM stressed the importance to gain employee commitment to the organisation's goals through positive incentives and identification with company culture rather than trying to control behaviour through routine, short-cycle jobs and direct supervision (Boxall and Purcell, 2008). While HIWSs emphasized the necessity of redesigning work to involve employees more fully in decision making and on the skill and motivational practices that were needed to support this process (MacDuffie, 1999).

6. International HRM and Strategic International HRM

The increased global activities and competition, together with a growing literature on international business strategy generated interest in the issues of managing people in the international workforce, leading to the emergence of IHRM (Brewster *et al.*, 2008). This concept concerned the worldwide management of HRs (Adler and Ghadar, 1990; Brewster *et al.*, 2005), and its purpose was to enable MNCs to be successful globally (Schuler *et al.*, 2002).

Furthermore, the growing importance of MNCs together with the use of complex global strategic business decisions have generated an innovative phenomenon in the area of IHRM, focusing on the linkage of IHRM with the strategic needs of the business (Wright and Snell, 1998). Thus, a more strategic perspective of IHRM has developed and formed the relatively new concept of SIHRM (Adler and Bartholomew, 1992;

Bartlett and Ghoshal, 1992; Schuler *et al.*, 1993; Taylor *et al.*, 1996; Jackson and Schuler, 1999). Following the integration of IHRM policy and practice with strategy (Scullion, 1994) and the product life cycle (Adler and Ghadar, 1990; Milliman *et al.*, 1991), seven major SIHRM models were proposed in the literature as cited in Scullion and Linehan (2005: 22-32) and Beardwell and Claydon, 2007: 640-650): *mindsets* (Perlmutter, 1969), *the two logics* (Evans and Lorange, 1989), *product life cycle* (Adler and Ghadar, 1990), *organisational life cycle* (Milliman and Von Glinow, 1990), *integrative framework* (Schuler *et al.*, 1993), *exportive, integrative and adaptive model* (Taylor *et al.*, 1996) and the *De Cieri and Dowling model* (De Cieri and Dowling, 1999). In most of these models a contingency perspective was adopted and the main focus was on the fit of the SIHRM system with the goals of the firm (Beardwell and Claydon, 2007). Indeed, Adler and Ghadar (1990: 245) suggested that increasingly “the central issue for MNCs is not to identify the best IHRM policy but rather to find the best fit between the firm’s external environment, its overall strategy, and its HRM policy and implementation”.

7. Conclusion

This chapter reviewed the evolution of people management ranging from its foundation covering the historical development of management, personnel management and HRM to its latest expansion to strategic HRM, international HRM and strategic international HRM. This review not only provides an overview of a variety of human resource management theories, but also establishes a foundation for understanding the justifications of choosing the Choice model as the research framework.

CHAPTER THREE - PEOPLE MANAGEMENT, MNCS AND CULTURE IN CHINA

1. Introduction

To understand the changes that have taken place in people management in China over the last two decades requires knowledge of its development context, such as central government policy changes, economic reforms, the opening of economic relations to the outside world and the entry to the WTO (Warner, 2002, 2004). However, this transition not only resulted in substantial economic growth, but also brought in a range of challenges to the existing HRM problems in China. For example, the demise of the '*iron rice bowl*' policy dominated by a model of Soviet-inspired PM in favour of one gradually being characterized by Japanese or Western influenced HRM, albeit with Chinese characteristics. Coping with cultural differences, together with recognising how and when these differences were relevant, were a constant challenge for foreign MNCs, given that Chinese culture was a strong determinant of the way in which Chinese organisations were managed (Lockett, 1988). Indeed, as Whitley *et al.* (2000, cited in Cunningham and Rowley, 2007) suggested, to understand the contemporary context for HRM in China, it needs to consider traditional and cultural influences.

Moreover, Naughton (2007) argued that another challenge came from the need of balancing global integration and local responsiveness as MNCs entered the Chinese market by establishing JVs with local firms. MNCs invested in China to seek profits by taking advantage of cheap labour, rich natural resources, access to a new large market,

and various tax and other incentives that China offered (Roehrig, 1994). On the other hand, China invited FDI to gain capital, high technology, advanced management know-how and access to international markets, which the country desperately needed (Roehrig, 1994). The successful cooperation of JVs lay in the unique contribution from MNCs, their subsidiaries and the understanding of host country culture. Thus, China provided an exciting context for understanding the transformation of management, given its unique blend of historical, political, cultural, social and legal changes (Child, 1994). In response to the above, this chapter is organised in three sections. It firstly reviews the developments of people management in China, then outlines foreign MNCs experiences in China, followed by the introduction of Hofstede's national cultural model (1980, 1993) and an overview of Chinese culture' characteristics.

2. People management in China

China is located in the east of Asia with a population of 1.3 billion and being the third largest geographical country in the world. Chinese culture dating back more than six millennia has historically extended to its neighbour countries, such as Japan, Korea and Vietnam, who adopted Chinese religion, customs and writing systems to certain a extent. In particular, the four great inventions of paper, the compass, gunpowder and printing made ancient China famous. Given that the historical influence and the present position in the world economy, several academics (Child, 1994; Sull and Wang, 2005) recommended that there was a need to review its origins in socioeconomic history focusing on the elements which impacted on shaping its management of people. Therefore, this section looks at its development in three major phases: the foundations of Chinese management (-1949), the developments of Chinese management (1949-1978) and the contemporary Chinese management (1978-).

2.1 Foundations of Chinese management (- 1949)

The factors that guided Chinese society and organisations during the times before 1949 were the worship of ancestors, hierarchically organised family and other personal relations, strong central administration with the emperor at the top and high respect for the old and men in interpersonal relations. Furthermore, these value orientations had a significant impact upon how resources (power) were used in administration. The most-used resource powers during the period of the emperors before 1912 were economic and arms power, which were in the hands of the emperor, government officials and landlords. The knowledge resources were mostly in the hands of educated government officials and also among the family members of landlords. The ideas of the philosophers, especially of Confucius, gave strength to the use of different instrumental powers in guiding society and its organisations. The most typical instrumental power was hierarchical, which controlled organisational behaviour from family and clan systems to the organisations of the government and the army. Furthermore, the Legalists established the strong use of norm power in the Qin province and then guided its expanding imperial China in a uniform pattern. During the time of the emperors although the use of coercion and manipulation towards peasants and other lower social classes led to an uneven economic exchange with the landowning classes, the peasants and the lower social classes were uneducated, so they could not see any options for their life other than complete obedience to the higher classes.

2.2 The developments of Chinese management (1949 – 1978)

The developments of the Chinese management during this period were characterized by the following themes. Firstly, employment security, seniority, social welfare, party/management leadership and central control were perceived as the advantages of the social system. Secondly, life-time employment with a seniority-based wage system

was applied. Thirdly, although there were three forms of economies existing in Chinese society (SOEs, collective and individual), SOEs dominated industrial production. Fourthly, the role of trade unions mainly focused on industrial harmony. Finally, political interests influenced the industrial relations system rather than economic interests, such that workers were not motivated for production, which caused the collapse of economic and management systems at the end of the cultural revolution in 1976 (Laaksonen, 1988).

2.3 Contemporary Chinese management (1978-)

The contemporary Chinese management is reviewed from firstly when economic reforms were launched in 1978, followed by government, enterprise and management decentralisation in the mid-1980s, together with further three personnel reforms in 1992 involving labour contracts, performance-related rewards and contributory social insurance. Consequently, China gradually transformed from a central-planned economy to a more market-oriented economy, and its HRM progressively shifted from a centrally-controlled 'iron-rice-bowl' system to a more marketized system, whereas the Chinese government offered a series of investment incentives to attract FDI and encouraged the setting up of JVs during the 1980s and WFOEs in the 1990s. This form of investment was promoted by China's accession to the WTO in 2001 and accelerated by the Chinese government's introduction of legislation relating to business in 2003. Following the change at the level of foreign investment from JVs to WFOEs, the foreign investment pattern was also shifted from the traditional manufacturing sector to high-tech and high value-added sectors. Another pattern of change was from relatively small-scale and simple-operation modes before the 1990s to the larger investment projects and strategic operations of large MNCs in the 2000s. Nevertheless, this transition also brought a range of challenges, such as the restructuring of SOEs, job

security and the pressure imposed by the Chinese government upon foreign MNCs to retain excessive numbers of employees.

2.3.1 Economic reforms

A series of economic reforms such as the ‘Open Door’ policy and ‘Four Modernizations’ in the areas of agriculture, industry, defense, science and technology, was launched in 1978 to respond to the consequences of the Cultural Revolution and a desire to go beyond the limitations of the Soviet-style centralized system and to bring in Western technology and management skills (Goodall and Warner, 1997). In order to implement these ‘strategic choices’, enterprise and management decentralisation was introduced in the mid-1980s (Naughton, 1995) with further personnel reforms concerning labour contracts, performance-related rewards and contributory social insurance in 1992 (Morris *et al.*, 2009). Consequently, China gradually transformed from a central-planned economy to a more market-oriented economy (Wang, 1990; Naughton, 1995) and attracted a significant amount of FDI (Li, 2003), leading to substantial economic growth and rapid political and social development (Rowley *et al.*, 2004). Consequently, living standards have risen significantly, even though the uneven distribution of the benefits has remained (Goodall and Warner, 1997).

2.3.2 JVs’ development and WFOEs’ emergence

Investment incentives offered by the Chinese government and the country’s abundant availability of cheap labour have made China attractive to FDI inflows. Arguably, the proactive policies of foreign investment and foreign trade were the key determinant in the significant growth of the Chinese economy in recent years. During the 1980s, the main route of FDI was through JVs with Chinese SOEs, because the underperforming SOEs were forced to reform and converted into JVs with foreign investors (Child, 2001

cited in Cooke, 2008a: 213). Another motive was to attract foreign capital, knowledge, latest technology, management skills and to generate export income and develop global markets by association with international brand names (Brunner *et al.*, 1992; Child, 1994; Gu, 1997; Child and Faulkner, 1998; Luo, 2000 cited in Cooke, 2008a: 213).

On the other hand, Chinese government regarded JVs as a way to control the operations of foreign companies in China particularly in the early stage of the 'open door' policy and thereafter imposed a number of restrictions on the JVs including the management of human resources, such as the strong pressure on JVs not to lay off workers (Cooke, 2008a). However, the level of control and influence from the local authorities has begun to ease off since the early 1990s (Pomfret, 1991 cited in Cooke, 2008a: 24) and now they have considerable autonomy in their business operations in China including decision-making in HR policies, such that the number of new wholly foreign-owned enterprises (WFOEs) surpassed that of equity JVs for the first time in 1998 (Bjorkman and Lu, 2001). This trend was carried into the 21st century and remained as the primary mechanism for foreign investment entering the Chinese market with an increasing level of autonomy (Cooke, 2008a). Furthermore, this was promoted and accelerated by China's accession to the WTO in 2001 and the introduction of numerous laws and guidelines by the Chinese government in 2003 such as the law on sino-foreign equity JVs, the law on WFOEs, company law, contract law, copyright law, trademark law and administrative rules governing the registration of companies (Cooke, 2008a).

2.3.3 Changes of foreign investment pattern in China and its influence

Additionally, foreign businesses were not only increasing their level of investment and stock control to become solely foreign-owned, but also shifted their investment pattern from the traditional manufacturing sector featured by the cheap labour cost as

competitive advantages towards the sectors characterized by high-tech and high value-added such as the light industries and commercial industries (Cooke, 2008a). Another pattern of change was that while foreign investment prior to the 1990s had mainly come from Hong Kong, Taiwan, Macao and other countries in the Asian Pacific rim, with relatively low levels of technology and in relatively small scale and simple operation modes, investors since the 1990s have been large MNCs, with larger investment projects and strategic operations. These operations also developed a sophisticated business chain, from product development and manufacturing to marketing, sales and after-sale services. They also established a number of offices in different geographical locations in China for strategic purposes (Cooke, 2008a).

Nonetheless, this transition also brought a range of challenges in addition to the existing HRM problems in China (Child, 1994). One immediate concern was that of job security, since the late 1950s the '*iron rice bowl*' employment policy had been the foundation of people management in China (Sergeant and Frenkel, 1998). As part of the state socialist system employees had the right to lifetime employment security and a comprehensive welfare regime including housing, schools, nurseries and medical care (Warner, 1995, 1996). Employment security even extended to the point of occupational inheritance, whereby a retired employee could nominate a close relative for a vacancy (Child, 1994). As a result, the majority of SOEs were overstaffed and downsizing has been a major initiative in the restructuring of SOEs in the 1990s.

Hence, the local government would like foreign MNCs to retain as many employees as possible and offer generous redundancy packages in order to reduce the burden of the state and to minimize the negative social impact, whilst MNCs attempted to negotiate to

retain only a minimum number of employees selected on the basis of competency (Jin *et al.*, 2003 cited in Cooke, 2008a: 80). In some cases, it was not the most competent employees who were retained, but those who were considered most suitable by managers, which may be interpreted in a number of ways depending on the criteria used by decision makers, including perceived morality and loyalty of the candidate and that person's '*guanxi*' (personal connection) with those who were in charge. The same was true for selecting managers and candidates for key posts. Consequently, the competitive strategy adopted by some MNCs led to low level of job security, fixed-term employment contracts and on-going job losses. For example, Zhan (2003) reported that Koda launched a price war with Fuji in China, leading to a redundancy of 20,000 employees in 1997 followed by additional 3,400 in 1999 and 3,000 in 2001.

In summary, according to Morris *et al.* (2009) a growing literature on HRM which mainly focused upon foreign-invested enterprises has emerged following the marketization of the Chinese economy and the rapid increase of FDI, where the main HRM issue has been a gradual shift from a centrally controlled 'iron-rice-bowl' system to a more marketized system. The former was the combination of labour practices in state-owned enterprises and work units, involving a rigid employment system, such as 'cradle-to-the-grave' employee social welfare provisions, job-for-life contracts, a unified job-allocation system and relatively low wage differentiation. Subsequently, government functions were decentralized, the 'iron-rice-bowl' was dismantled, short- and fixed-term labour contracts were introduced, together with further personnel reforms relating to performance-related rewards and contributory social insurance. Indeed, Gray and Yan (1997 cited in Morris *et al.*, 2009) concluded that foreign-invested enterprises in the 1990s were more westernised in their HRM policies, such as

the introduction of market-orientated employment systems and competitive reward systems. Moreover, Morris *et al.* (2009) observed that the marketized HRM system featuring the replacement of the ‘iron-rice-bowl’ by welfare services was more likely to be found in foreign-invested enterprises in southern China, such as Beijing, Shanghai and Guangzhou. However, Bjorkman and Lu (2001) argued that HRM practices in joint ventures were more consistent with those of their parent companies, whereby Warner (1995) explained this was due to the absence of ‘best practice’ Chinese HRM. Indeed, a form of hybrid HRM pattern in foreign-invested enterprises in China has emerged, which was significantly different from both local practices in Chinese subsidiaries and foreign MNC policies in home country (Cooke, 2005).

3. Foreign MNCs in China

This section introduces four frames of references (optimist, pessimist, ambivalent view and contingency perspective) for foreign MNCs’ entry to China and three approaches (stand-alone operations, standardized process and internationally integrated production process) for its international expansion, together with a review of HR functions and business strategies as adopted by foreign MNCs’ Chinese subsidiaries.

3.1 The entry and expansion of foreign MNCs in China

MNC is “any enterprise that carries out transactions in or between two sovereign entities, operating under a system of decision making that permits influence over resources and capabilities, where the transactions are subject to influence by factors exogenous to the home country environment of the enterprise” (Sundaram and Black, 1992: 733). This definition not only drew the distinction between managing global and domestic enterprises, but also highlighted the complexity of IHRM functions across a

wide variety of nations with each possessing its own social, cultural, legal, economic, political and historical characteristics (Morgan, 1986). Moreover, the attention to examining multinationals was originally focused upon developed nations. However, in recent years flows of FDI and trade have become more concentrated in developing countries (Edwards and Rees, 2006). Consequently, the researcher took the example of China due to its rapid and unique series of changes, such as the introduction of China's 'open door' policy in 1978, which stimulated MNCs' entry to the Chinese market by initially establishing JVs with local firms.

Furthermore, this has been the centre of debates over the impact that MNCs have on the Chinese economy (Lu and Bjorkman, 1997), whereby optimists argued that the consequences of MNCs entering China promoted economic development through job creation, provision of business opportunities for local suppliers, new ideas and technologies (Cooke, 2008a). In contrast, the pessimists argued that FDI did not create much new employment since much of this took the form of acquisitions of existing firms, whereby many such jobs would have been created by local firms anyway, in addition, production and service provision were mainly routinized and low-technology based (Cooke, 2008a). Furthermore, others took an ambivalent view, arguing that the impact of MNCs was more limited than either the optimists or the pessimists, emphasized the necessity of adapting to the various national systems (Cooke, 2008a), whilst the contingency perspective believed the impact of MNCs was depended on the type of multinationals and the nature of their operations in the host country (Cooke, 2008a). Indeed, based on these four different opinions (optimist, pessimist, ambivalent view and contingency perspective) on the cost and benefit analysis of entering the

Chinese market, MNCs adopted different approaches when considering the expansion of their business.

In essence, there were three ways of international expansion for foreign MNCs in China (Edwards and Rees, 2006). One way was to create stand-alone operations to accommodate the significant variation at national level in the nature of consumer tastes, technological context, patterns of work organisation and regulations within a product market. In this situation, foreign MNCs tended to adopt decentralized policies to the national system concerned with little incentive to attempt to transfer practices across various sites. This type of scenario reflected the ambivalent perspective. A second way was to replicate MNCs' new operations by creating a standardized process of production and service provision, resulting in many employment practices being transferred to the new foreign subsidiaries. Thus, HRM across different countries performed similar functions. In these circumstances, standardization created relatively well-paid and high skills jobs and HRM practices transferred, such as training and development, which made a contribution to the development of Chinese economy (Edwards and Rees, 2006). This was the scenario that the optimists emphasized. However, the pessimists disagreed and argued that the standardization did not offer a lot to this context and it created potential problems such as work processes where less skill was required, pay rates tending to be as low as the company could get away with and yet still attract enough employees and unions tended to be resisted fiercely (Edwards and Rees, 2006). Furthermore, the ambivalent perspective argued that such standardization was constrained by the dominant features of the host country to adapting existing practices. For instance, Ding *et al.* (1997) demonstrated that the influence of 'Chinese socialist ideology' was significant in limiting differences in pay

between managerial and non-managerial staff. Nevertheless, Gamble (2003: 385) found that a British multinational retailer transferred certain HRM practices into China, such as a relatively flat organisational structure as opposed to hierarchical, and commented that “the firm was probably unwittingly doing something quite radical in the host country context”. A third way was to construct an internationally integrated production process in which each site within the chain played a distinct role. Specifically, MNCs broke up the production process into a series of activities, retaining some within the firm and outsourcing others to the countries that had a comparative advantage in performing them. This was the case that the contingent view stressed, whereby the mix of benefits and costs depended on the part of the firm’s activities that were located in a particular country and the way this was integrated into the rest of the firm. In relation to this segmented production process, China was perceived as the receiver of low-skill and low-pay jobs. For example, Taylor (2001: 614) found that the motivation of parent companies locating some operations to China was to reduce costs, which partly explained why they were so reluctant to transfer the practices, and further concluded that “where location decisions are made to save wage costs, sophistication of labour is not of primary interest”.

3.2 HR functions in foreign MNCs in China

Consideration of the extent and nature of linkages between various parts of a multinational’s operations provided one way of understanding the debate about the impact that foreign MNCs had on China in general and the way they manage their workforces in particular. Moreover, these outcomes were contingent on particular circumstances, such as the way a multinational constructed its international operations, the timing of internationalization, the nationality of the parent firm and the sector that it operated in (Goodall and Warner, 1997). On the other hand, the Chinese government

has introduced an extensive program of labour law reform since 1978, aimed at developing a more flexible labour market (Warner, 1996) and focusing on training and career development, performance appraisal and individual performance-related rewards, together with a closer linkage between personnel policy and business strategy (Goodall and Warner, 1997). Indeed, Cooke (2008a) argued that in addition to recognizing the importance of employee moral stability, training and development was an immediate need for various reasons, such as creating a new corporate identity and organisational culture, communicating the company's new business strategy and policy to external stakeholders, assisting in learning the new technology. Overall, foreign MNCs in China provide a higher level and variety of training opportunities to their employees than most other forms of ownership (Cooke, 2005). Nevertheless, the majority of FDI was mainly in the manufacturing sector relying on cheap intensive labour rather than advanced technology, so there was a lack of R&D investment and activities for Chinese technical staff in addition to the competition for the limited supply of local talent. Consequently, this action initiated a 'wage war', which resulted in the increasing cost for recruiting Chinese professional and managerial staff and reduced domestic Chinese firms' workforce stability and organisational competence.

In terms of the situation related with pay, performance management and work intensification, regulations required foreign firms to pay wages at no lower than the average wage of the same industry in the local area. In fact, foreign firms tended to pay much higher, leading to the highest wage levels in China. Genzberger (1994 cited in Pelled and Xin, 1997: 188) found that promotion in China traditionally have been seniority-based and accompanied by only a small salary increase. Whilst Cooke (2004) commented that performance-related pay replaced the seniority-oriented pay structure in

China. However, wage increases were commonly accompanied by longer working hours and much tighter performance control closely relating to individual and collective productivity. Whilst in contrast to their relatively higher level of pay and training provision, foreign MNCs tended to be more pragmatic in employment regulations with frequent violations of certain aspects, such as working hours and social insurance (Chan, 2001; Thireau and Hua, 2003; Cooke, 2004; Gallagher, 2005; Ngai, 2005 cited in Cooke, 2008a: 224). Nevertheless, they were beginning to recognize the need to take a more responsive approach to managing their corporate relationship with the Chinese government and its associated political bodies. Furthermore, they were also giving more attention to integrating their Corporate Social Responsibility practices into business objectives and redefining the role of their company in society and the environment to establish 'employer branding' and become an 'employer of choice' (Cooke, 2008a).

In addition, Table 2 summarized a range of HRM practices and problems among foreign MNCs operating in China, which was mainly demonstrated in the area of recruitment/selection, training/development, appraisal/promotion criteria, reward and employee retention. It illustrated the general features of HR practices that appeared to be emerging among Chinese-Western JVs, comparing these practices with those typical in Chinese state-owned enterprises and Western companies. Overall, the HRM practices had become more similar to those in Western MNCs, indicating a trend towards a higher degree of MNC standardisation, whereby Bjorkman and Lu (1999b) explained this was because of the senior managers' belief on the efficiency of Western HRM practices. Nevertheless, there appeared to be some HRM issues, arising from a combination of institutional and cultural factors (Sergeant and Frenkel, 1998).

Table 2 HRM Practices and problems in Chinese-Western Joint Ventures

	Chinese	Western	Chinese-Western JVs	Problems
Recruitment/ selection	often from school or university; no references, often tests, interview/informal talk; nepotism common	all sources; often references & tests; extensive interviews; impersonal relationships; prefer experience	many sources but often directly from university or from foreign firms; decreasingly from local partner; extensive interviews, sometimes tests; impersonal relationships; prefer no experience or experience from foreign firms	The market for skilled manual and white collar employees is tight, resulting in rapid wage increases and high turnover rates. Poaching of employees is common. Arranging for transfer of employees from state enterprises to a JV may be difficult, as it requires approval from the employee's old work unit.
Training/ development	relatively limited; mostly technical in-house & external	rather extensive; technical & general management; inhouse & external	extensive technical & increasingly general management; mostly inhouse, key people overseas	Training appears to be a key component of HR strategy and tends to be more formal and systematic for blue chip JVs who operate with advanced technology and at the upper end of the business market, but not for JVs who operate on a low-cost and low-skilled basis. China's accession to the WTO provides opportunities as well as challenges for its skills training.
Appraisal/ promotion criteria	by colleagues and subordinates, written self-appraisal, limited direct inter-personal feedback; performance, personal relationships, political attitude, age	mostly by superiors, personal interviews, direct feedback on performance; pre-dominately performance	increasingly common, mostly discussions with superiors, cautious feedback on performance; pre-dominately performance	Workers are not socialized to develop initiative, and are rarely provided with performance feedback in Chinese enterprises. Time is not used as a scarce resource; quality of output receives little emphasis. Consequently, the work ethic is lacking managers are rarely rewarded for high performance in Chinese enterprises. Managers tend to be risk averse, and may be unwilling to innovate where the possibility of failure exists. This is compounded by the problem of losing face. Dismissals were constrained by previous labour laws and there is still some difficulty in retrenching workers.
Reward	small salary differences; bonus important but small differences and limited individual	considerable salary differences; often individual financial incentives	increasing differences; increasingly individual performance incentives	JVs tend to pay considerably more than state enterprises. Some localities are considering maximum wage rules which might restrict the capacity of Chinese organisations to compete for scarce skilled workers. Wage disparity between unskilled and semi-skilled employees compared to middle and upper management has increased markedly, a

	incentives			trend that is expected to continue. Devising reward packages for Chinese employees has been difficult because of the range and complexity of nonwage benefits expected by workers as a legacy of the 'iron rice bowl' tradition. However, health and accident insurance, pensions, unemployment and other benefits are increasing being taken over by the state. There are two cultural impediments to introducing greater differentials in pay among workers of similar status: importance accorded to interpersonal harmony which would be disrupted by variations in earnings and distrust of performance appraisals because in state enterprises evaluations are based on ideological principles and 'guanxi'.
Retention	limited job mobility	competitive salaries, career planning and development	competitive salaries; career discussions, housing schemes	Retention of well-trained local staff has been problematic for many JVs. In 1992, the average labour turnover for JVs in China was 14%, 4% less than in the southern province of Guangdong. There is poaching of employees by competing firms; the figures probably underestimate current labour turnover. US JV managers have learned to take greater control of compensation and motivation in order to retain high-performance Chinese managers.

Source: Adapted from Sergeant and Frenkel (1998: 21); Bjorkman and Lu (1999b: 322); Cooke (2005)

3.3 Foreign MNCs' business strategies in China

This section emphasises the importance and typology of business strategies and then looks at the academic literature on HRM models where the integration of business strategies and HR policies is stressed, aiming at achieving organisational effectiveness and performance. Finally, the business strategies as pursued by foreign MNCs in China are reviewed, together with an outline of a set of HR policies being arguably matched with business strategies.

3.3.1 The recognition of HRM models on the importance of business strategies

Furthermore, the academic literature on HRM models also raised the importance of integrating HR policies with business strategy and emphasised the linkage with organisation performance and effectiveness, such as the Matching model (Fombrun *et al.*, 1984), the Harvard model (Beer *et al.*, 1984), the Guest model (Guest, 1989a&b, 1997), the Storey model (Storey, 1989), the Warwick model (Hendry and Pettigrew, 1990).

For example, Fombrun *et al.* (1984) believed that the four HR policies of selection, appraisal, development and rewards should be interrelated and be congruent with organisation strategy, aiming at increasing organisational performance. Nevertheless, this was criticised for being prescriptive and simplistic by ignoring other HR functions and other contingent factors, together with the one-way relationship with organisation strategy. Consequently, Guest (1989a&b, 1997) extended this prescriptive framework by considering broader HRM practices and outcomes, specified business strategies into differentiation, focus and cost as defined by Porter (1985) and acknowledged its strong links with HR policies and firm performance. Similarly, Beer *et al.* (1984 cited in Boxall and Purcell, 2008: 61-63) agreed with the importance of integrating business strategy with HR policies, the impact of which had on the organisational effectiveness. However, in contrast to the work of Fombrun *et al.*

(1984) and Guest (1989a&b, 1997), Beer *et al.* (1984) developed a framework that examined from an analytical perspective the incorporation of a variety of components, such as stakeholder interests, workforce characteristics, management philosophy, HRM outcomes of commitment, competence and cost effectiveness, long-term consequences of individual and societal well-being. Subsequently, Hendry and Pettigrew (1990) advanced the idea of Beer *et al.* (1984) by recognizing the importance of environmental influences and business strategy on HRM, whilst Storey (2001) believed that HR policies need to be matched with business strategy.

3.3.2 Matching HR policies and practices with business strategies

Indeed, a number of researchers (Miles and Snow, 1984; Porter, 1985; Schuler and Jackson, 1987) concluded that HRM practices must be combined with specific business strategies to enhance organisation performance. For example, considering the nature of a cost-reduction strategy being scale-efficiencies, cost reductions, minimization of production costs, together with its fairly predictable competitor and customer behaviour in a relatively stable environment, Schuler and Jackson (1987) suggested introduction of part-time employees, subcontractors, work simplification and measurement procedures, automation, work-rule changes and job-assignment flexibility in order to reduce employee numbers, wage levels and achieve the aim of increasing productivity at low cost. Hence, relating to HR practices, the following can be considered, such as (i) fixed and explicit job descriptions; (ii) narrowly-designed jobs and career paths encouraging specialization, expertise and efficiency; (iii) short-term, results-orientated, performance appraisals; (iv) close monitoring of market pay-levels in making compensation decisions and (v) minimal employee training (Morris *et al.*, 2009).

However, compared to cost-reduction, quality enhancement attempted to produce high quality goods and service delivery, seeking long-term focus with greater cooperation and an attachment of output quality and service process (Schuler and Jackson, 1987). Consequently, a number of HR practices were proposed, such as (i) relatively fixed, explicit, job-descriptions; (ii) high levels of employee-participation; (iii) a mix of individual and group criteria for the short term and results-orientated performance appraisal; (iv) egalitarian employee treatment, employment security and (v) extensive training and development (Morris *et al.*, 2009)

The final strategy of innovation highlighted the focus of long-term goals, involving a greater degree of risk, high ambiguity and unpredictability tolerance (Schuler and Jackson, 1987). Therefore, it required highly trained specialists from the organisation to design complex and rapidly changing products, pursuing certain HR practices, such that (i) performance appraisals to reflect long-term and group-based achievements; (ii) transferable skills are developed; (iii) compensation systems emphasize internal equity rather than market-based value; (iv) pay rates are relatively low but allow employee-shareholding and (v) broad career paths reinforce a range of skills (Morris *et al.*, 2009).

3.3.3 Pursued business strategies in foreign MNCs' Chinese subsidiaries

Following the evolution of HRM theories and the development of foreign MNCs in China, Ding and Akhtar (2001) found that in comparison with cost and quality strategies, the innovation strategy affected HRM practices, both directly and indirectly, indicating the increasing dynamism of the Chinese economy in its move towards a market orientation, whilst Bjorkman and Fan (2002) found a positive relation between firm performance and the integration of HRM and firm strategy. Additionally, Li (2003) examined the relationship between firm's strategy and HRM policy in China from the perspective of IHRM and concluded a low-cost-oriented strategy was more likely to lead to short-term and temporary employment, lower education level in the

workforce, less monetary income to employees and a higher proportion of managers and supervisors among the total workforce. All these factors may lead to a higher turnover rate and lower productivity among employees in developing markets.

However, following decades of economic reform, the Chinese market has become saturated with low-tech, labour-intensive products, with SOEs and overseas investors that produced low-end products fighting price wars through selling their products at or even below cost (Cooke, 2008a). Given this situation, it was understandable why the foreign MNCs that competed not on low-cost, but on advanced technology were able to achieve satisfactory sales and make satisfactory profits (Li *et al.*, 2000). Hence, according to Li *et al.* (2000), firms with a low-cost strategy and HRM practice had poorer performance than their counterparts with a more technology-intensive strategy. Furthermore, following China's entry into the WTO, foreign MNCs found it easier to compete in the Chinese market with their advanced technology. In contrast, many local Chinese firms, which had been competing on cost found it even more difficult to market their products such that the competitive environment in China is likely to continue to favour firms with advanced technology. Accordingly, to maintain their technical edge, foreign MNCs with a differentiation strategy should have a high commitment to HRM and seek to reduce employee turnover. If the turnover is high, the firms may not have sufficient qualified HRs to maintain their technical edge or to sufficiently differentiate themselves from competitors, indeed evidence suggests that foreign MNCs with a long-term employment policy had lower employee turnover than those with a short-term policy (Cooke, 2008a). Therefore, foreign MNCs should develop their HRM policy based firstly on long-term employment through improving their employee training and development, whilst secondly maintain employee motivation and commitment through effective incentive

compensation systems. All these will help reduce employee turnover and maintain the firms' technical edge (Dowling and Welch, 2004).

3.4 Two dilemmas faced foreign MNCs in China

MNCs were considered as the principal agents in leading the process of internationalising goods and services around the world and as the potential source of convergence in IHRM and expected to use its international perspective to promote the diffusion of HR best practice (Evans *et al.*, 2002; Rubery and Grimshaw, 2003 cited in Cooke, 2008a: 225). However, MNCs faced two dilemmas, firstly, to balance the need of global integration/MNC standardization and/or local responsiveness/local adaptation and secondly, the dual pressure of the adoption of Western management techniques and the workforce resistance.

3.4.1 Globalisation and/or localisation of HRM practices

The rapid growth of internationalisation and global competition has increased the number and the importance of MNCs in recent years, resulting in the increased mobility of HRs (Black *et al.*, 1999 cited in Brewster *et al.*, 2008: 45). Hence, MNCs dealt with challenges of coordinating managers and workers in more than one country, thereby creating dilemmas for managers concerning the extent to which the firm should pursue consistent HR policies across its different national operations, or allow foreign subsidiaries to follow the policies which were perceived as appropriate for the specific national employment systems involved (Beardwell and Claydon, 2007).

Subsequently, this dilemma initiated interest within the academic community (Bjorkman *et al.*, 2008), where a number of researchers (such as Rosenzweig and Nohria, 1994; Hannon *et al.*, 1995; Taylor *et al.*, 1996, Bjorkman and Lu, 2001, Kidd *et al.*, 2001; Rosenzweig, 2006) examined subsidiary HRM practices in terms of the degree of global integration/MNC

standardization versus local responsiveness/local adaptation. The findings of such research were varied, for example, studies of foreign-owned subsidiaries in the US (Rosenzweig and Nohria, 1994) and Taiwan (Hannon *et al.*, 1995) showed that the HRM practices of MNCs overall were more localized than globally standardized, indicating stronger local than international institutional pressures. In contrast, the study of Chinese-Western joint ventures (Bjorkman and Lu, 1999a, 2001) revealed that the HRM practices were more similar to those of the MNC parent companies than to those of local firms. This was confirmed by the study of Morris *et al.* (2009) who reported that Korean and Japanese electronics companies heavily staffed their Chinese plants with expatriates in senior positions and directed close daily control. Although this finding was indicative, it was not specific in the area of HR policies, which this current research focused upon. In contrast, Kidd *et al.* (2001) revealed that foreign MNCs found it difficult to implement their HQs' HRM practices in Chinese subsidiaries due to cultural and institutional differences, whilst Taylor *et al.* (1996) argued that MNC may blend global standardization with local responsiveness.

In addition to the empirical research, Prahalad and Doz (1987) attempted to generate a theory known as the Integration-Responsiveness grid, whereby the adaptation of different strategies and structures of MNCs was dependent on where they fit within this grid. Whilst the Integration-Responsiveness grid was a simple, but valuable means for illustrating the key strategic priorities forming strategies and structures of MNCs, it was less effective at capturing the significance of transferring learning and innovation. Consequently, Bartlett and Ghoshal (1989) advanced the Integration-Responsiveness theory to include the examination of innovation and knowledge transfer in MNCs by adding a third pressure of worldwide innovation, thereby arguing that MNCs needed to encourage and support innovation in a coordinated way across their different international operations. Subsequently, four main

structural forms of MNCs were identified as multidomestic strategy, global strategy, international strategy and transnational strategy.

Firstly, under the structure of the multidomestic structural form, MNCs did not attempt to control strictly their overseas subsidiaries, which operated on a largely autonomous basis. Hence, such firms were characterised by processing a highly decentralised HR, with little or no transfer of practices or knowledge. Thus, the relationship between the HQ and its foreign subsidiaries primarily related to flows of finance. The principle determinate of this approach was when customer tastes varied significantly between nations or if there were major regulatory differences, thereby creating markets which were strongly national in nature. Bartlett and Ghoshal (1989) associated this structural form with the first half of the 20th century, although the multidomestic form of MNCs was retained in markets where national regulation rendered international coordination counterproductive.

Secondly, the HQ management in the global structural form sought to dominate management techniques replicate abroad to achieve economies of scale. Consequently, there was a clear hierarchy, with the HQ instructing foreign managers in their operations or through the use of a significant number of expatriates. This model occurred most frequently in markets where economies of scale were crucial to competitive advantage. The operational height of this model was between 1950 and 1980, although cases where the HQ strongly directed policy abroad, but concentrated knowledge, continue to exist.

Thirdly, the international structural form went beyond the global structured form whereby the HQ became increasingly sophisticated in understanding cross-national differences in consumer demands. Hence, whilst exporting knowledge and expertise to foreign subsidiaries,

they permitted local management to alter the nature of products and services to suit the local market. Thus, control was less rigid than in global firms, but the general tone of policy was still imposed from the HQ to its subsidiaries (Beardwell and Claydon, 2007).

Finally, the transnational structural form moved away from being hierarchical towards a network form of organisation (Bartlett and Ghoshal, 1989). Thus management control was dispersed across the corporation, rather than being concentrated, such that the various international units of the enterprise were highly interdependent. Consequently, there were large flows of employees, knowledge and resources between both the HQ and foreign subsidiaries and between different foreign subsidiaries. Under this structure firms achieved coordination through shared decision making, aided by attempts to create a common managerial culture, sometimes viewed as normative integration (Bartlett and Ghoshal, 1989). This network form of organisation facilitated international firms to transfer learning and knowledge across their international operations, while offering a flexible, responsive form of coordination.

In summary, given the contradictory findings of previous studies and the identified four major structural forms of MNCs within the Integration-Responsiveness grid, the researcher felt a need to extend the literature by further investigating the global integration/MNC standardization and/or local responsiveness/local adaptation in these four selected foreign MNCs' Chinese subsidiaries with a particular reference to the extent to which HQs transferred HRM policies and practices to their Chinese counterparts.

3.4.2 Adoption of Western management techniques and workforce resistance

Although MNCs were considered as a potential source of convergence in IHRM and expected to use their international perspective to promote the diffusion of HR best practice (Evans *et al.*,

2002; Rubery and Grimshaw, 2003 cited in Cooke, 2008a: 225), one dilemma was the dual pressure of the adoption of Western management techniques and workforce resistance. However, this only happened in China following the establishment of new legislations in 1983 where MNCs were granted more autonomy in operations (Bjorkman and Lu, 2001).

Nevertheless, a number of studies highlighted the strategic importance and difficulties in seeking the balance of control and coordination in foreign MNCs' Chinese subsidiaries. For example, Braun and Warner (2002) found that foreign MNCs acknowledged the importance of the SHRM function and thereafter attempted to introduce internally consistent high-performance HRM practices. Similarly, Bjorkman and Fan (2002) found that foreign MNCs had greater HRM practices featured by the Western defined high-performance HRM system than the personnel practices found in local Chinese companies. Thus, Cooke (2008a) concluded that these best practices of HRM were mainly Western practices transferred and adapted to suit the Chinese environment. However, Chinese employees were reluctant to accept the HR policies transferred from MNCs. For example, Child (1994) found that there had been a certain degree of success among a number of foreign MNCs when introducing Western HR techniques, but the acceptance had not been very significant due to the unwillingness of Chinese staff to take on personal responsibility. In addition, Ilari and Grange (1999 cited in Cooke, 2005: 190) revealed that one Italian partner in a JV motor company found it difficult to transfer its firm-specific advantages due to the cultural differences in the two employment systems. Indeed, Legewie (2002) further highlighted the problems of an expatriate-based management system in transferring a Japanese firm's strength of socialization and networking to China and in building up an efficient transnational network of global operations.

Hence, MNCs reconciled control and adaptation rather than satisfying one at the expense of the other, whereby the trend was for Western HR policies to be gradually accepted and internalized by the younger generation of the Chinese workforce who can no longer seek job security in the state sector (Cooke, 2008a). This was reflected in the fact that foreign MNCs were often considered to be desirable employers, which was part of the reason why the JVs' failure rate in China tended to be relatively lower in comparison with Western countries, since they were more likely to be able to attract talent because of their prestigious corporate image and better employment prospects; ability to offer differentiated products marked by high-quality, innovative design and high brand value; lower competition in Chinese market unlike Western countries thereby allowing foreign MNCs more time for adjustment.

Nevertheless, the potential problems tended to be caused by the differentials in terms and conditions between expatriate and Chinese managers. As an increasing number of Chinese managers and professionals have acquired management know-how and technical competencies that were once held by expatriates when first entering China, they were beginning to feel a sense of distributional injustice and therefore demanded the similar terms and conditions (Leung *et al.*, 2001). For example, Tsang (2001) revealed that a third of the Chinese managers studied considered the pay differentials as unfair because of the similar skills and effort demonstrated. On the other hand, expatriates also saw the pay gap as a barrier to integrate with their Chinese colleagues, which may be further compounded by the perceived social distance between expatriate and local managers due to their language and culture differences (Tsang, 2001). Thus, integration between the expatriates and the Chinese and harmonization of the terms and conditions between the two groups is therefore an important issue in post-acquisition management (Cooke, 2008a).

Furthermore, foreign MNCs usually sought to establish themselves in the major cities before expanding to second or even third tier cities in China. However, in relation to local adaptation, consumer tastes and behavioural patterns in major cities were not necessarily good guides for the rest of the country where a low level of affordability was dominant and basic needs was served as the purpose of consumption (Cooke, 2008a). As Williamson and Zeng (2004: 85) observed, foreign MNCs had to “contend with a minefield of competing local interests, overloaded infrastructure, difficulties in retaining skilled people, tortuous supply chains, unfamiliar local HR practices and communication barriers”. In particular, Melewar *et al.* (2004) stressed that local culture was one of the most important influences on marketing efforts and the strong Chinese culture was unlikely to be changed by an innovative Western idea or product if it was perceived impractical. These factors have contributed to the limited success of many foreign firms. Therefore, by comparison, Chinese-owned firms were advantaged in China because of the relatively lower price of their products, a better understanding of their local customers’ needs and preferences, and closer connection with local governments. As Luo (1995) noted, Chinese people were ‘*guanxi*’ oriented and have acquired sophisticated skills to develop interpersonal relationships. Foreign MNCs are making up an increasingly large proportion of businesses and employment in China whose employment policies and practices have a strong bearing in reshaping the pool of human resources and the experience of work for a significant proportion of workers.

In summary, it reviewed the HR issues existed in foreign MNCs’ Chinese subsidiaries ranging from job security, training and development, performance and reward management to the comparison between foreign MNCs and domestic Chinese firms on various aspects such as the different competitive advantages, different degree of understanding the local adaptation and different lessons to learn. However, the established research was limited in terms of

addressing the HRM issues involved in this process with Western literature highlighting the 'human' related challenges to the JVs. For example, Marks and Mirvis (1982) illustrated that HR issues accounted for a third to a half of all merger failures, and "there is no indication that things have improved in the last two decades" (Boxall and Purcell, 2008: 220). Alternatively, there were other key issues such as cultural differences, management style, communication problems, workforce morale, trust and organisational politics as barriers to integration (Cartwright and Cooper, 1993; Schuler and Jackson, 2001; Schuler *et al.*, 2004; Stahl *et al.*, 2004 cited in Cooke, 2008a: 211-212). Indeed, in relation to cultural difference, Cartwright and Cooper (1993) pointed out that the anticipated financial benefits were often unrealized because of conflicts of organisational cultures and that cultural integration remained a major managerial challenge.

For example, Luo (2000 cited in Cooke, 2008a: 212) studied extensively how foreign firms may enter China, but focused primarily on the pre-acquisition process rather than HR implications of acquisition for the workforce. In contrast, several academics (Schuler, 2001; Schuler *et al.*, 2004) stressed the importance of post-acquisition issues and argued that these changes in the management of human resources were very sensitive, as the cultural differences between the Chinese ex-SOEs and new owners, especially given the fact that HR issues often posed the greatest difficulties and were of crucial importance in the mergers' integration. Furthermore, Cooke (2008a) noted that one fundamental problem often neglected was the role of senior managers in these changes and hence concluded that so many people were involved from the Chinese side during the negotiation was that nobody wanted to take responsibility of the decision in case it went wrong. However, this appeared to be continuing problems in the post-acquisition integration and its business operation, with Chinese

managers often being criticized for their lack of managerial skills and opportunistic behaviour in general (Child, 1994; Tsang, 2001).

Despite a considerable amount of academic research being undertaken in this field and the growing significance of international acquisitions in China's economy (Child, 1994; Ding *et al.*, 1997; Child and Faulkner, 1998; Luo, 2000; Bjorkman and Lu, 2001; Bjorkman and Fan, 2002; Cooke, 2002 cited in Cooke, 2008a: 212), the issues relating to the post-acquisition strategies and the implications of these for its HRM in China were not studied sufficiently, perhaps because of the difficulty in gaining access to organisations due to the confidentiality of the acquisition (Cooke, 2008a). With reference to the research implications of these issues, the researcher sought to develop a deeper understanding of the issues concerned involving the further exploration of the post-acquisition strategies in general and HRM policies in particular. Subsequently, the next section introduces Chinese culture and identifies its dominant characteristics that are part of this research.

4. Cultural perspectives shaping HRM

Scullion and Linehan (2005) argued that managing people in an international context was more complex than copying practices from parent companies, which often failed to translate culturally, nor was it a matter of adapting to the culture of host country and modifying behaviour. Instead, it was about how to adapt HRM on a larger scale, involving coordination across national boundaries. For example, common techniques of recruitment and training may be adopted in relation to the needs of MNCs, but these required adaptations to suit different cultures and local requirements.

In particular, the globalisation of national economies and the evolution of MNCs have resulted in increased awareness and comparisons of the differences in how HRs are managed among countries (Brewster and Hegewisch 1994 cited in Jackson and Schuler, 1995: 258). Lau *et al.* (1997) found that there were management practice differences between different national cultures and national culture influenced different HRM practices. Liu (2004) agreed that different national cultures exert their separate influences on human behaviour, thus forming different HRM practices according to cultural environments, whereby due to the unique features (i.e. values, norms, and customs) of national culture, it is widely presumed and recommended that MNCs must understand the culture of the region in which they operate in order to effectively manage their HRs (Jackson and Schuler, 1995). Indeed, Chien (2006) emphasized that Western and Chinese companies have many differences in concepts, attitudes and behaviour, such that Western companies operating in China must work to understand cultural differences, especially those affecting leadership behaviour, management systems, management effectiveness and ultimately organisational performance. Therefore, the ability to understand cultural differences and exercise influence in cross-cultural networks is now regarded as an essential qualification of the global manager (Smith and Peterson, 1998 cited in Chien, 2006: 231). Managers will be more effective if they have strong cultural awareness and know how to influence people with a different cultural background (Fu, 2000).

Indeed, modern Chinese HRM practice and thinking are rooted in the cultural traditions of the country (Wang, 1993 cited in Satow and Wang, 1994: 3). In particular, Chinese cultural tradition had a strong influence on the development of HRM practices throughout history (Satow and Wang, 1994). Indeed, Chinese culture was an interesting but difficult field to study given its complex and multidimensional nature (Fan, 2000). Furthermore, research has indicated that cultural misunderstandings have undermined management effectiveness and

affected organisational performance (Chan *et al.*, 2004). Consequently, foreign companies operating in China must work on understanding these cultural differences in concepts, attitudes and behaviour, and it is impossible for Western management to succeed in China without knowing its culture (Chien, 2006). Hence, reviewing the concept of national culture in general and Chinese culture in particular is essential to examine whether its characteristics have been modified to suit and follow the contemporary needs of China and whether there is an impact of Chinese culture on the performance of foreign MNCs.

4.1 The concept of culture and the Hofstede national culture model

In the 1980s the concept of culture gained in popularity and became a focus of research when investigating the relationship between culture and firm performance, apparently because of the growing concern in the US about Japanese competition. Consequently, a number of studies were conducted comparing Japanese companies with their American counterparts, which found that the causes of Japanese success were not related with expected factors, such as the size of the enterprises, its structure or technology, but to the nature of the social relationships that exist in Japanese companies, which were reinforced by the national culture (Huczynski and Buchanan, 2007).

More recently, the increasing internationalisation of business and technology advancement acknowledged the significance of culture awareness, such that those who recognized this would be in an advantageous position (Smith, 1992). Similarly, the globalisation of the economies and the increasing number of MNCs have resulted in the growing awareness of the differences in how human resources are managed among countries. Additionally, due to the uniqueness of the country' culture, MNCs must "understand the culture of the country in which they operate in order to effectively manage their human resources" (Jackson and Schuler, 1995: 252). Moreover, Schuler and Rogovsky (1998) highlighted the importance of

matching HR practices with culture since it stimulated cultural awareness and sensitivity and led to higher levels of financial performance. Indeed, culture has become a central and important topic in HRM, concerned with the beliefs, values, attitudes, assumptions, actions and procedures that people adopted in organisational life. It includes a range of thought and action as emphasized in the corporate setting and therefore underlined many of the specific issues of people management. Thus, it provides the social framework for the relationship between managers and employees and, as such, was an influencing factor on the psychological contract, employee's willingness to accept change and the ability of the organisation to be open about, and learn from, its experience (Marchington and Wilkinson, 2008).

In terms of the definition of culture, Fan (2000) remarked that culture is complex and multidimensional and therefore difficult to define in simple terms. The word culture with its origin in the Latin culture was translated as 'cult' or 'worship' and later associated with social concepts of the mind, tastes and manners based on superior education and upbringing (Fan, 2000). After analyzing over 160 different definitions, Kroeber and Kluckhohn (1952 cited in Fan, 2000: 3) concluded that culture covered a wide range of components: knowledge, values, preferences, habits, customs, traditional practices and behavior, implements and artifacts. Lately it was understood in a much broader sense. For example, Hofstede (1980: 21) based his definition on a belief that although there were certain basic human problems that occurred within all societies, the ways of dealing with them were different from society to society and from culture to culture, thereafter, perceiving culture as the "collective programming of the mind which distinguishes the members of one nation from the members of another". In seeking to summarize various definitions, Fan (2000) classified culture into five different levels: international (i.e. East and West), national culture, regional culture, business culture

(i.e. industry or professional culture) and organisational culture. Furthermore, Hofstede (1993: 92) argued that the use of common terms for national culture and organisational culture is confusing because cultures at these two levels are different phenomena. National culture differs primarily in “the fundamental and invisible values held by a majority of their members, acquired in early childhood, thus, it is stable and takes time to change”, whereas organisational cultures are “a much more superficial phenomenon residing mainly in the visible practices of the organisation, acquired by socialisation of the new members, hence, organisational cultures may be consciously changed, although this isn’t necessarily easy”.

Hence, there was a need to distinguish and clarify which level of culture this research targeted. The researcher believed that since the studied objectives are multinational corporations who have established operations in a number of different countries, then examining the level of national culture appeared to be more appropriate, although no doubt the other forms of culture (i.e. company culture), were also influential. Nevertheless, considering the research aim and its objectives, the researcher took national culture as the primary focus and examined its impact on HRM and performance of foreign MNCs in China. Indeed, this choice was supported by Smith (1992), who argued in the business environment where there was increasing number of MNCs, technology advancement and the internationalisation of products and service, companies who recognized the significance of culture awareness would be put in an advantageous position. Furthermore, in order to effectively manage human resources and achieve higher levels of financial performance, MNCs must understand the culture of the country in which they operate (Jackson and Schuler, 1995) and must match HR practices with its culture.

Indeed, as Edwards and Rees (2006) pointed out, the national culture of home countries was important in shaping the HR policies of HQs. For example, Ngo *et al.* (1998) studied the effect of the country origin of US, UK and Japanese MNCs in Hong Kong and found that various aspects of the home country culture influenced the nature of HR practices in the foreign MNCs. On the other hand, the host countries' national culture was important in influencing the local HR policies of the subsidiaries. For example, Tayeb's (1998) study of a US MNCs in Scotland argued that the parent company's global approach had to be adapted to several aspects of the local culture. In addition to the importance and inter-influence of home and host country's national culture, Sparrow and Hiltrop (1994: 77) remarked that "the creation of a strong organisational culture erases or moderates the influence of national culture, and the values of employees working for the same organisation, even if they come from different countries are more similar than different. However, the evidence suggests that our national culture is so deeply ingrained in us that it can't easily be erased by any external force such as a company culture".

Whilst in terms of the national culture theories, the most widely known framework is Hofstede's Value Survey Model (1980) basing on the principle that there were differences in values and beliefs in relation to work goals (Jackson and Schuler, 1995). This is because, for example, the typology of 'culture's consequences' in Hofstede's study has established the most influential theories for understanding cross-cultural management (Edwards and Rees, 2006; Brewster *et al.*, 2008), exhibited by the 5,382 citations in journals during the period 1980-2007. To describe national cultures, Hofstede (1980) initially identified four cultural value dimensions: power distance, uncertainty avoidance, individualism/collectivism and masculinity/femininity. A fifth dimension, time orientation in terms of short-term or long-term, has been added later (Hofstede and Bond, 1988).

Firstly, power distance concerns the extent to which people in a particular culture accept and expect that power in institutions and organisations is and should be distributed unequally (Hofstede, 1980), which implies that management systems and processes in organisations reflect a strong concern with hierarchy, the centralisation of authority and the degree of autocratic leadership. These characteristics suggest that the ideal people for managerial jobs come from a high social class or graduates of a leading university, having the intrinsic or built-in qualities of a leader (Brewster *et al.*, 2008). In relation to this social background, leaders and subordinates expect large wage differences between management and workers. The basic motivational assumption is that people dislike work and try to avoid it, such that managers believe that they must adopt a Theory X leadership style to force workers to perform with close supervision, resulting in a tall organisational pyramid (Brewster *et al.*, 2008). Similarly, employee training emphasizes compliance and trustworthiness. Therefore, decision-making is centralized and influenced by the need to maintain and support those people in power (Brewster *et al.*, 2008).

Secondly, uncertainty avoidance indicates the extent to which people in a culture feel nervous or threatened by uncertainty and ambiguity and creates institutions and rules to avoid them (Hofstede, 1980). In such a culture, organisations adopt strong bureaucracies and career stability and generally discourage risk taking activities. Consequently, social systems are dominated by order and predictability (Huczynski and Buchanan, 2007), whereby organisations have many written rules, regulations and clearly defined job responsibilities which inform employees exactly what the organisation expects of them. In turn, employees believe that authorities and experts are usually correct, so these rules should not be broken (Hofstede, 1980). Furthermore, employees avoid risky behaviour such as changing jobs,

conflict and competition, resulting in seniority and long-term commitment to the organisation (Brewster *et al.*, 2008).

Thirdly, individualism/collectivism refers to the relationship between the individual and the group in society. In an individualistic culture people tend to look after their own interests and those of their immediate family. In contrast, in a collectivist culture there is a tighter social framework in which each person respects the group to which he or she belongs. Thus, collectivism emphasizes the 'we' identity and the relationship network and people are born into collectives or in-groups which may be their extended family, their tribe or their village. Everybody is supposed to look after the interest of his or her in-group and to have no other opinions and beliefs than the opinions and beliefs of their in-group. In exchange, the in-group will protect them when they are in trouble (Hofstede, 1980). Indeed, Morris *et al.* (1994) emphasized that individualism-collectivism is also an important factor in understanding entrepreneurial behaviour. In collectivistic cultures, everyone is interlocked: the sense of 'self' is an interdependent, group-oriented concept, whereby the identity of the individual is heavily bound up with one's relationships in a way that many Westerners find hard to understand and experience. Moreover, a web of relationships between individuals and organisations is based on unseen understandings about mutual obligation, which may differentiate with what Westerners view as rational and objective decision-making. Therefore, relations produce complicated webs of alliances, many of which are informal and invisible, but capable of powerful effects in the interests of their members (Brewster *et al.*, 2008).

Fourthly, masculinity/femininity represents the overall tendency of a society to emphasize traditional gender roles and specifically measures the dominant values in a masculine culture of the advancement, ambition, assertiveness, performance and the acquisition of money and

material objects, whilst the values in a feminine culture concern the quality of life, maintaining personal relationships and caring for the weak and the environment (Hofstede, 1980).

Fifthly, long-term/short-term orientation was originally termed 'Confucian work dynamism', referring to the time horizons that people in different cultures were oriented towards, with some looking several years ahead in deciding upon particular courses of action and others geared to the shorter term (Hofstede and Bond, 1988). Organisations believe that good social relationships eventually lead to successful performance such that they are designed to manage internal social relationships (Brewster *et al.*, 2008). In other words, on the long-term side one finds values oriented towards the future, like thrift (saving) and persistence. On the short-term side one finds values oriented towards the past and present, like respect for tradition and fulfilling social obligations (Hofstede, 1993). In relation to the business context, managers in long-term oriented culture are selected on how their personal and educational characteristics fit within the company such that in terms of strategic decision making, managers prioritize growth and long-term benefits. Hence, a prospective employee's particular skills have less importance in the hiring decision than they do in cultures with short-term orientation because training and socialization for a long-term commitment to the organisation compensate for any initial weaknesses in work-related skills (Brewster *et al.*, 2008).

Hofstede (1980, 1993) attempted to create a universal approach for understanding intercultural management and this model has become the best-known cultural perspective that has been applied to management by seeing cultural values as deep-seated and enduring, as varying systematically between societies and as conditioning what is acceptable organisational practice (Edwards and Rees, 2006). Thereafter, the studies of Hofstede (1980,

1993) gained significant attention (Beechler and Yang, 1994; Flood *et al.*, 2003; Warner, 1993, 1997; Zhang, 2003 cited in Liu 2004:502).

Nevertheless, Hofstede's research (1980) has been criticized, such that its scope is perceived as "too narrow or simplistic with only five variables and mainly concerned with business culture rather than national culture, as a result, it could not be used as a true representation of the complexity of a national culture" (Fan, 2000: 5). Furthermore, there were criticisms regarding the methodology employed as the sample was selected from a single company, the over-simplification of five cultural dimensions, and concerning the importance of these dimensions (Liu, 2004). In addition, it was also questioned if national cultures vary across a number of important dimensions, then those differences in national culture suggest that models and theories of management and organisations may have a limited applicability to countries outside of the culture cluster within which they were originally developed (Pelled and Xin, 1997). This applied to China as Hofstede's original empirical research was conducted to examine the distribution of work-related attitudes among national sales and service subsidiaries in IBM by analysing the survey data from 116,000 employees of IBM in more than 50 different countries such as Britain, France and Norway. Hence, China was not included in the original study until 1988 when there was concern about the Western bias amongst cross-cultural research (Pelled and Xin, 1997). Consequently, the fifth dimension of long-term versus short-term orientation was added into the framework to resolve "this dilemma by deliberately introducing an Eastern bias" (Hofstede, 1993: 90).

Furthermore, China was included in a 1993 extension of the study across all five indices and according to the result of this Chinese Value Survey, it was very high in long-term orientation (118), considerably high in power distance (80) and relatively high in uncertainly avoidance

(60), while it scored substantially lower in individualism (20) and China's masculinity score was on moderate level of 50 (Hofstede, 1993). This was supported by Pelled and Xin (1997), Fan (2000) and Fu (2000) who indicated that Chinese culture is more collective rather than individualistic, with high uncertainty avoidance, large power distance and long-term orientation. Similarly, Chien (2006) agreed that Chinese cultural values with a reflection in Hofstede (1993) model possess the following characteristics: high in power distance, high in uncertainty avoidance, collectivism and long-term perspective. Indeed, Zhu *et al.* (2006) confirmed that collectivism was the preferred orientation in China, whilst Tsang (2007) highlighted the significant influence of collectivism on the process of performance management in the human resources function, suggesting that the success of Chinese software firms is associated with entrepreneurial leaders who align their firm's performance management with the core cultural value of collectivism. Furthermore, Cooke (2009) conducted an extensive review of the literature regarding a decade of HRM transformation in China and concluded that Chinese culture was characterized by Confucianism, collectivism, power distance, '*mianzi*' (preserving face) and '*guanxi*' (personal connection). Indeed, Chimezie *et al.* (1993 cited in Jackson and Bak, 1998: 286) indicates a strong avoidance of uncertainty among Chinese with a strong desire for predictability and social order.

Following the initial moderate score of 50 in masculinity from Hofstede (1993), this was further supported by Fu (2000) who commented that Chinese culture can be said as neither masculine nor feminine, but emphasises the unity of both. However, Chien (2006: 233) mentioned the femininity Chinese culture when stressing the role of gifts in establishing '*guanxi*' (personal connection) as "exchanging gifts is a common tradition consistent with the Chinese values of uncertainty avoidance, femininity and long-term orientation". Whilst, Miao (2003) reviewed the literature of Chinese culture with reference to the five culture dimensions

of Hofstede (1980, 1993) and confirmed the previous studies, but described Chinese culture as moderate in uncertainty avoidance. Likewise, Jackson and Bak (1998) agreed with the review of Miao (2003) and summarised that Chinese culture values have high power distance, collectivism and long-term orientation, but moderate level in uncertainty avoidance and masculinity/femininity.

Therefore, the researcher felt the need to take the study of Hofstede (1980, 1993) forward and re-examine these five dimensions in a transitional economy like China to update knowledge about its cultural development and provide contemporary insights into cultural-related issues, in particular relating to the foreign MNCs in China. However, the scope of Hofstede model (1980, 1993) was criticized as being “too narrow or simplistic with only five variables, so it could not be used as a true representation of the complexity of a national culture” (Fan, 2000: 5). Therefore, the researcher examined the wider sense of culture concept by exploring other distinguished characteristics of Chinese culture derived from the existing literature as follows.

4.2 The characteristics of Chinese culture and its implication upon HRM

In addition to the five culture dimensions of Hofstede (1980, 1993), there are unique characteristics possessed by Chinese culture, which give the Chinese people their basic identity and the core values which are unique and consistent, shaped by a tradition of four thousand years of history and maintained by the same language (Fan, 2000). Although traditional Chinese culture encompassed diverse and competing philosophies, including Taoism, Buddhism, Legalism and a host of regional cultures, there was only one set of core values in the Chinese national culture, Confucianism, despite all the differences among people and their societies. This unique Chinese cultural value system distinguished itself not only from Western cultures, but also from other Eastern culture, such as Japanese culture. It was Confucianism that was “most clearly defined as the foundation of China’s great cultural

tradition, and Confucian values still provide the basis for the norms of Chinese interpersonal behavior” (Shenkar and Ronen, 1987: 266). Indeed, in China, Confucian principles are indigenous to national culture (Pelled and Xin, 1997: 187).

Confucianism is undisputedly the most influential philosophy and concerned the correct and well-mannered conduct of one’s duties and stresses order, hierarchy, quality of relationships and obligation to social collectivities, especially the family (Fan, 2000). Age was respected, particularly in the case of male heads of family, while education was also valued as the means to achieving a better social status which reflected well on the family (Lockett, 1988). Indeed, its principles advocate respect for ‘*guanxi*’ (i.e. maintenance of good personal connection), discipline, thrift, protecting ‘*face*’ (i.e. avoidance of conflict and preservation of harmony), ordering relationships by status, duty to family and economic egalitarianism (Bond and Kwang, 1986 cited in Pelled and Xin, 1997: 187; Hofstede and Bond, 1988; Xin and Pearce, 1994). In Confucianism, rules were spelt out for the social behaviour of each individual, governing the entire range of human interactions in society. The basic teaching of Confucius is distilled in the Five Constant Virtues: humanity, righteousness, propriety, wisdom and faithfulness (Ch’en, 1986 cited in Fan, 2000). Confucius further defined *Wu Lun*, where there were five basic human relationships (mater and follower, father and son, husband and wife, elder and younger brothers, friend and friend) and their principles (loyalty and duty, love and obedience, obligation and submission, seniority and modeling subject, trust) in Chinese society so that relationships were structured to deliver optimum benefits for both parties (Fan, 2000). Since all human relationship in the society can be derived from either one, or a combination of these five fundamental relationships, then for each certain behaviour principles must be followed to ensure a harmonious society (Chien, 2006). The implication of Confucianism and its *Wu Lun* is that people are encouraged to maintain hierarchical order and

harmonious interpersonal relationships within a relatively stable and permanent social structure (Huang, 2000).

Furthermore, with respect to the Confucianism, Lockett (1988) summarized four cultural values to understand management style in China: (i) respect for age and hierarchy, (ii) orientation towards groups, (iii) the importance of personal connection (*'guanxi'*) and (iv) the preservation of face (*'mianzi'*).

Firstly, respect for age, authority and hierarchy stems from the Confucian concept of propriety and plays an important role in maintaining a person's position in the social hierarchy (Lockett, 1988). Despite the fact that there were few studies into the effects of traditional Chinese cultural attributes on management, it is nevertheless reasonable to assume that these cultural characteristics will strengthen the hierarchical and conformist attributes of the top-down command structure that China's economy has acquired under socialism (Child, 1994). However, the specific attributes of traditional culture can cause problems for the improvement and reform of Chinese management. For example, respect for age can "inhibit an acceptance of younger, qualified managers whom the exponents of economic reform wish to see appointed to lead the re-invigoration and modernization of Chinese industry" (CPC, 1984: 32-33). Indeed, despite a major investment in training, there remains a shortage of professional and technical skills among managers, many of whom have stayed in their positions for a long time. Hence, the cultural respect for age and hierarchical position makes it difficult to resolve the problem since it inhibits any challenge to older managers (Lockett, 1988).

Secondly, in Chinese tradition the extended family is the basic social unit, which encourages the development of a strong collective and group orientation, such that within the bounds of the family its members are expected to maintain harmonious relationships. In particular, the family's moral judgment, especially as expressed by the father, provides the standard for approved behaviour. The same features also characterize the individual's attachment to other groups, whereby they direct people's loyalties towards their family and work groups, and to the specific standards these apply, rather than to broader social entities (Lockett, 1988). Within the business context, Chinese organisations face major problems of collaboration and communication of a horizontal kind between different departments, whilst identities and loyalties are vertical in direction, and reflect the high respect that Chinese people have for their own hierarchies. This problem is further exacerbated by group orientation, which tends to be most strongly directed towards the immediate working group and its leadership. Hence, the vertical loyalties built into the command system are likely to be reinforced by the culture. Moreover, such a strong orientation towards the group can have further consequences, whereby it tends to unite with the preference for egalitarianism and present difficulties for the development of individual responsibility and for rewarding performance on an individual basis (Child, 1994).

The third particularly significant concept in Chinese culture is '*guanxi*', which referred to the concept of drawing on connections or networks to secure favours in personal or business relations (Campbell, 1987) and the quality of a personal relationship outside an individual's immediate family (Wank, 1996). People who have '*guanxi*' (personal connection) usually have at least one fundamental characteristic in common such as birthplace, lineage or surname, or they share a significant experience such as attending the same school, working together or belonging to the same organisation (Sergeant and Frenkel, 1998).

Within the business context, '*guanxi*' (personal connection) was believed as a condition of the business, involving "the exchange of gifts, favours and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness" (Yang, 1994; Chen, 1995 cited in Xiao and Tsui, 2007: 2-4). In particular, firms relied on their '*guanxi*' (personal connection) to gain the government's support in order to secure good access to people and scarce resources, i.e. customers, information, protection (Wank, 1996) and enhance their ability to achieve their goals (Ahlstrom *et al.*, 2000). In particular at the early period of China's economic reform, '*guanxi*' (personal connection) was a major concern of foreign companies since an alliance with a local partner was seen as the only bridge into or means to obtain the important and necessary personal connections. As Lockett (1988: 489) stated: "in Chinese organisations continuing relationships are of great importance as contracts are often not strictly specified in legal terms but rely on trust between the parties". Indeed, the Chinese prefer to work with people they know and trust (Chien, 2006). This was particular true, whereby '*guanxi*' practices remained strong and dominant even following the introduction of legislation in the 1990s. One of the reasons Chinese people prefer to establish personal relationships is so that 'loss of face' can be avoided (Chien, 2006). Another reason could be the long-term orientation found in China (Hofstede, 1993; Fu, 2000; Chien, 2006), where Li *et al.* (2001) argued that that long-term orientation may also influence the preference among Chinese, who are more willing to spend time building long-term relationships. Considering the importance of personal connections, Fu (2000) observed that in China gifts are used to build and strengthen relationships. Exchanging gifts is a common tradition consistent with the Chinese values of uncertainty avoidance, femininity and long-term orientation (Chien, 2006).

Historically, it is essential to facilitating business in China in terms of the necessity of spending time to develop '*guanxi*' and learn the language and culture of the host country (Tsang, 1998). Hence, even in the contemporary Chinese society, the way things were organised still relied heavily on '*guanxi*' (Yeung and Tung, 1996). A well-established '*guanxi*' involves providing favours and building trust between companies over time (Xia *et al.*, 2007). Furthermore, it is widely recognised that '*guanxi*' is a significant business determinant influencing firm performance (Campbell, 1987), whereby a company could not go far unless it had extensive '*guanxi*' (Shenkar, 1990; Grub and Lin, 1991 cited in Xia *et al.*, 2007: 22). For instance, Yeung and Tung (1996) found a positive correlation between a firm's financial performance and the possession of right and strong '*guanxi*', suggesting foreign investors to identify the right parties to establish connections with, then nourish and maintain these relationships over time. Luo (1997) noted that the network of sales person plays a significant role in the success of MNCs' operating in China, whilst Luo and Chen (1997) found that '*guanxi*' has a positive impact on the firm's efficiency, effectiveness and profitability. Peng and Luo (2000) demonstrated that managers' interpersonal ties with top executives in other firms and with government officials help improve business performance and similarly Wu and Leung (2005) further confirmed the micro-macro link between managers' personal ties and firm performance. The study of Park and Luo (2001) revealed '*guanxi*' affected all major dimensions of firm performance (i.e. the flow of resources, a firm's interaction with the external environment, market expansion and competitive position of the firm), leading to improved performance outcomes. Moreover, Chien (2006) agreed the right '*guanxi*' will make all the difference in ensuring business success as it helps to maintain harmony in Chinese society. Therefore, '*guanxi*' is very useful in Chinese working life (Warner, 1995) and vital for business success (Verburg *et al.*, 1999).

Consequently, '*guanxi*' was still largely being relied upon, where effective managers have to take a notice and follow (Xiao and Tsui, 2007). Hence, Luo and Chen (1997) suggested MNCs to understand the crucial role of '*guanxi*' then learn the ways of creating and maintaining '*guanxi*' networks to ensure the success of the firm. While Bruton *et al.* (2000) pointed out that foreign MNCs have recognised the need to hire managers that have already established connections with important local officials to ensure the smooth running of the firm. Most recently, after extensively reviewing a decade of research conducted on HRM in China, Cooke (2009) concluded that the importance of personal connection has been as an enduring source of influence to maintain the dynamics of workplace relationships and to explain the different behaviour patterns exhibited in Chinese and the Western.

However, Yeung and Tung (1996) recognised the limit of '*guanxi*', arguing that it is not sufficient to sustain long-term success in China and becomes less important beyond the initial stages of entering the Chinese market. This was agreed by several other researchers who explained that '*guanxi*' alone cannot have a direct effect on a firm performance and is not enough to guarantee a good performance of a firm (Hoskisson *et al.*, 2000; Fan, 2002; Chen and Chen, 2004; Vanhonacker, 2004; Zhang and Zhang, 2006). Indeed, other resources in the firm, in particular, the technical competencies in market competition may also be important determinants of performance (Yeung and Tung, 1996). In addition, the use of relationships to 'go through the back door' can undermine the credibility of formal systems and distort the allocation of resources according to economic or strategic criteria (Yeung and Tung, 1996). Indeed, '*guanxi*' was also found to be linked to darker aspects and negative consequences, such as perceived unfairness, unethical behaviour, business corruption and bribery, which may lead to business ineffectiveness (Li and Wright, 1999; Ang and Leong, 2000; Dunfee and Warren, 2001; Chan *et al.*, 2002; Fan, 2002; Tan and Snell, 2002; Su *et al.*, 2003; Chen *et al.*,

2004; Warren *et al.*, 2004; Millington *et al.*, 2005; Han and Altman, 2009). For example, Ang and Leong (2000) illustrated that '*guanxi*' and '*mianzi*' were negatively related with corporate ethics and social responsibility; whilst Dunfee and Warren (2001) presented an analysis of the potentially problematic dimensions of '*guanxi*', whereby it may reduce societal wealth and benefit a few at the expense of the many, corrupt background institutions and lead to inconsistency contrary to the existence of a just legal system by permitting special favours from government officials.

Furthermore, as China has developed in the direction of a market economy, the legal system has become more comprehensive and rules for business are likewise more transparent. Guthrie (1998) believed the shifts in the economy have led China to redesign the legal system in such a way that it favours efficiency and produces disincentives for *guanxi*-based transactions, whereby increased monitoring of industrial organisations could reduce the degree of reliance on '*guanxi*'. Consequently, Li *et al.* (2000) confirmed that foreign MNCs are finding that having good '*guanxi*' are no longer crucial, such that with an appropriate and effective strategy they can rely on their advanced technology, knowledge and expertise to succeed in China, with or without '*guanxi*'. Likewise, Dunfee and Warren (2001) indicated that the business environment in China is changing, with traditional forms of '*guanxi*' no longer considered appropriate in certain situations and contexts. Consequently, foreign MNCs in China may have different expectations concerning the conduct of business. Furthermore, Li and Athuahene-Gima (2001) argued that '*guanxi*' played no role in affecting firm performance. Thus, even though '*guanxi*' may have historically been seen as a valid approach, it may no longer actually be so.

Fourthly, *'Mianzi'* (preserving face) is another important feature of the Chinese culture (Bond and Hwang, 1986 and Gabrenya and Hwang, 1996 cited in Bozionelos and Wang, 2007: 289; Lockett, 1988; Chien, 2006; Bozionelos and Wang, 2007), which means to give one's respect and recognise the status and moral reputation of Chinese society (Chien, 2006). In turn, it also signifies the concern for gaining and maintaining *'mainzi'* by means of achieving recognition within the group (Bond and Hwang, 1986 cited in Bozionelos and Wang, 2007: 289). Furthermore, *'mainzi'* also stands for prestige and personal success, whereby the Chinese attached importance to the views others hold of them far more than in most other cultures (Lockett, 1988). It is essentially the recognition by others of a person's social standing and position. The preservation of face connects with group identity since there is a strong expectation that any conflicts within the group will remain private; if publicized, the group as a whole is demeaned. Chen (1995 cited in cited in Xiao and Tsui, 2007: 2) saw preserving face as a combination of dignity, self-respect and prestige, one's social standing and position, as perceived by others. Furthermore, Bozionelos and Wang (2007) suggested that protection of face requires genuine respect and sensitive responses in public, especially where hidden agendas might exist. This implies that "loss of self-control by managers through displays of anger or threats signal weakness and contribute to a loss of face" (Trompenaars, 1993: 71 cited in Brewster *et al.*, 2008: 28). Furthermore, individual initiative and the evaluation of personal performance can be severely discouraged by the significance associated with preserving face, whereby its preservation will be reinforced by the value attached to maintaining harmony. In contrast, conflict usually ends with a loss of face for one party and sometimes both (Lockett, 1988).

In summary, the illustration of the four cultural values of Lockett (1988) gave clear a indication that the first two (i.e. *'respect for age and hierarchy'* and *'orientation towards*

groups') corresponded to the 'power distance' and 'collectivism/individualism' in culture model of Hofstede (1980). On the other hand, Chien (2006) suggested that one way to understand business and managerial behaviour is to examine the meanings attached to some key words in the culture, such as 'guanxi' (personal connection) and 'mianzi' (preserving face). In particular, 'guanxi' and 'mianzi' originated in Confucianism and are considered important elements for designing a human resource model (Chien, 2006). Therefore, in order to avoid the duplicated examination and reflect upon Chien's (2006) recommendations, the two remaining cultural values (i.e. 'guanxi' and 'mianzi') of Lockett (1988) were taken forward for empirical research along with the five culture dimensions of Hofstede (1980, 1993), which were incorporated into the survey.

Hence, in addition to the above four culture features of Lockett (1988) and five cultural dimensions of Hofstede (1980, 1993), Fan (2000) re-examined the cultural value list produced by the Chinese Culture Collection in 1987. This extended the original 40 cultural values to 71 under eight categories: national traits, interpersonal relations, family/social orientation, work attitude, business philosophy, personal traits, time orientation and relationship with nature. Fan (2000: 6) clarified that the presented values are traditional and held by the majority of people, arguing that "any culture itself is bound to have contradictions and paradoxes", such as the values of adaptability and being conservative. In addition, Fan (2000) believed that the national cultural values are dynamic and changing, in particular following the rapid developments of China, thereafter, suggesting that the direction of future research is to study the evolution of culture. For example, economic reforms and open door policies to the West have not only changed the social landscape, but also reshaped the value system. Likewise, Zhang and Zhang (2006) urged the need to further investigate how interpersonal 'guanxi' has an effect on firm performance, suggesting seeking a holistic view over its positive and

negative influence. Therefore, drawing from the understandings of the multidimensional culture perspectives in the literature and the implications of previous studies, the researcher built the culture framework of their analysis based on the five culture dimensions of Hofstede (1980, 1993) and the two dominant characteristics of Chinese cultural values originated in Confucianism: ‘*guanxi*’ (personal connections) and ‘*mainzi*’ (preserving face) (Lockett, 1988), along with the exploration of other cultural values of Fan (2000) in order to examine if the traditional cultural values have been modified and its impact on HRM and firm performance of foreign MNCs in China. In addition, Jackson and Schuler (1995) criticised that whilst HRM differences found across countries are explained by the culture determinants, empirical studies seldom include direct measures of both culture and HRM. Therefore, the researcher attempted to target this research gap and extended the existing culture-based studies to examine its direct link with HRM and firm performance.

Nonetheless, the limitation of culture must be recognized, since cultural values and orientations may not be the determinants of the differences found across countries (Lincoln 1993 cited in Jackson and Schuler, 1995: 252). For example, country differences may also be the result of differences in economic and political systems (e.g. Carroll *et al*, 1988), laws and regulations (e.g. Florkowski and Nath, 1993), industrial relations systems (e.g. Strauss, 1982), and labour market conditions (e.g. Levy-Leboyer, 1994 cited in Jackson and Schuler, 1995: 252). Indeed, Hofstede (1991 cited in Jackson and Schuler, 1995: 252) even suggested that organisational and industry characteristics may be more important than national cultures as determinants of managerial practices and employee behaviour. This argument was consistent with evidence that some types of HRM systems can be used effectively across countries that were culturally quite dissimilar (Wickens, 1987 and MacDuffie and Krafcik, 1992 cited in Jackson and Schuler, 1995: 253). On the other hand, a similar culture was not always the most

valuable resource affecting firm performance (Li *et al.*, 2001), for example, joint ventures established by firms from East Asian collectivistic cultures failed to achieve a better performance than those from individualistic cultures.

5. Conclusion

People management is a predominant feature of how companies are run in China. The transition to a market economy is reshaping its core norms and values in the direction of HRM rather than the traditional PM model associated with the '*iron rice bowl*' employment system, through a new form of HRM 'with Chinese characteristics' (Warner, 2002). As part of the development of HRM in China, government administration is separated from the enterprise management so that enterprises meeting certain conditions operate on their own (Wang, 1990). Although the past decade has witnessed significant achievements in HRM in China, it is expected that the development of HRM will continuously promote China's economic and social progress and greatly improve the livelihood of the people (Wang, 1990). Indeed, the combination of China's business environment, diverse cultural values and relatively new position as a socialist market economy has aroused the interest of governments, organisations, managers, policy makers and researchers, leading to an increased number of research in China's management and human resources (Poon and Rowley, 2007). However, most of the earlier studies focused upon either employment mobility or the influence of market transition on firm structure (Warner, 1995). Therefore, this research attempted to target at the more contemporary aspects of people management in China, studying the impact of culture on the effectiveness of senior managers and human resource policies in foreign MNCs.

Today's increasingly global, competitive marketplace has driven considerable changes in labour markets and has transformed the practice of HRM. Expanded multinational operations within large companies, combined with increased technology and communication capability, has led to a vast diffusion of global best practices in HRM. In particular, foreign MNCs have increasingly set up operations for manufacturing and services in China, bringing with them HRM practices from all around the world. The importation of new management practices has changed the nature of the labour market and the practice of HRM, and will potentially have an impact on Chinese society. These external forces are paralleled by unprecedented economic reform and the enactment of employment laws that are changing the nature of organisational forms and management practices within China. Additionally, China's entry to the WTO has further heightened the global competition in the Chinese domestic market.

CHAPTER FOUR - FIRM PERFORMANCE AND SENIOR MANAGERS' PERCEPTION AND EFFECTIVENESS

1. Introduction

It is becoming widely accepted that HRs provide organisations with an important source of sustainable competitive advantage (Lado *et al.*, 1992; Lado and Wilson, 1994; Pfeffer, 1994; Wright *et al.*, 1994; Barney and Wright, 1998; Armstrong, 2006; Boxall and Purcell, 2008) and the effective management of HRs may be the ultimate determinant of organisational performance (Gooderham *et al.*, 2008). Indeed, the theoretical discussions around the impact of HR practices on organisational performance are common in the fields of HRM (Beer *et al.*, 1984; Fombrun *et al.*, 1984; Guest, 1997) and SHRM (Delery and Doty, 1996; Purcell, 1999; Richardson and Thompson, 1999; Boxall and Purcell, 2008; Kinnie *et al.*, 2009). In addition, the findings of empirical studies indicate the adoption of HR practices, such as high-performance work practices, high-commitment work systems, enhances organisation performance (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Youndt *et al.*, 1996; Huselid *et al.*, 1997; Ngo *et al.*, 1998; Stavrou and Brewster, 2005; Wright *et al.*, 2005).

However, the majority of theoretical and empirical studies have generally focused on HR practices within the Western context, whilst relatively little is known about Asia, and in particular in China (Zheng *et al.*, 2006), although there are a few studies based on foreign MNCs in China examining their HR practices (Goodall and Warner, 1997; Lu and Bjorkman, 1997; Li, 2003). Nonetheless, the researcher felt there was scope for further contributing to the Chinese HRM literature in seeking to examine firm performance from an unexplored

perspective, such as the perceived effectiveness of senior managers in foreign MNCs' Chinese subsidiaries, the influence of Chinese culture, together with revisiting the established measures of firm performance derived from the existing literature and its linkages with other dependent variables, such as HR practices/systems.

The organisation of this chapter is structured as follows. A brief literature review of SHRM and firm performance theories is summarised as these have been detailed in Section I of Chapter Three, where they are integrated with IHRM and SIHRM as the theories beyond HRM. The purpose of summarising them here is to provide the theoretical underpinning for the following discussion of empirical studies and the linkages between theories and their applications. Furthermore, this chapter has a particular focus on the review of past empirical studies on SHRM and performance with its intention to identify their limitations, subsequently to develop key themes, which are examined through this primary research in the form of questionnaires and interviews. The discussion then moves to the senior managers' perception and their effectiveness, which is achieved by illustrating the development of leadership theories through the analysis of numerous related journal articles. With reference to this, the arguments of adopting Analoui's (1990) eight-parameter approach for the conceptual framework of senior managers' effectiveness are stated.

2. Firm performance and HRM

In terms of the performance effects of SHRM, the researcher carried out a critical evaluation from two dimensions: SHRM theories and their empirical studies. Further, a variety of firm performance measures is presented, and their exploration and selection for this research is discussed.

2.1 Summary of theoretical models of firm performance

SHRM studied the relationship of HR practices and performance, which was the centre of research in the 1990s (Cooke, 2001b). According to Armstrong and Baron (2002), SHRM theories can be classified into two main categories: the general approach (the best practice, the best fit, the configuration and the resource-based view) and the particular approach (high-performance work systems, high-commitment management and high-involvement work systems), with a strategic aim at achieving horizontal/internal integration and vertical/external integration. Alternatively, the particular approach comprising of high-performance work systems, high-commitment management and high-involvement work systems can be understood as part of the literature of 'the best practice' (Boxall and Purcell, 2008). Therefore, SHRM can be re-organised and re-theorized into three primary modes imbedded in the field: the best practice, the best fit and the configuration (Richardson and Thompson, 1999), whereby they are also well known as the universalistic, contingency and configurational perspectives (Delery and Doty, 1996).

Universalistic perspective is the simplest form of theoretical statement in the SHRM literature because it assumes that some HR practices are always better than others and that all organisations should adopt these best practices, thereby implying the relationship between a given independent variable and a dependent variable is universal across the organisations. Delery and Doty (1996) suggested two steps of identification and justification to develop universalistic predictions. In other words, it must identify the important strategic HR practices, and then justify the arguments for the selected practices. Similarly, Youndt *et al.* (1996: 837) concluded that the universal perspective implies "a direct relationship between particular approaches to HRs and performance", whilst the contingency perspective posits that "an organisation's strategic posture either augments or diminishes the impact of HR practices on

performance”, so that the impact of HR practices on firm performance is conditioned by an organisation’s strategic posture. That is, if a firm depends on its workforce’s capabilities to gain the competitive advantage, then HR practices would be more likely to have an impact on performance, otherwise the connection between HR practices and performance might be minimal (Youndt *et al.*, 1996). Indeed, contingency perspective implies that the relationship between the relevant independent variable and the dependent variable will be different for different levels of the critical contingency variable. The organisation’s business strategy is considered to be the primary contingency factor in the SHRM literature. Thus, it firstly requires the selection of a business strategy, and then specifies the interaction of the individual HR practices with the strategy to result in organisational performance (Delery and Doty, 1996). Based on the above, the researcher compiled Table 3 to demonstrate an understanding of a range of major differences between universal and contingency perspectives.

Table 3 Comparison of universal and contingency perspectives

	Universal approach	Contingency approach
Assumption	<ul style="list-style-type: none"> • Some HR practices are always better than others • All organisations should adopt these best practices 	<ul style="list-style-type: none"> • Performance is contingent upon organisational strategy or other contextual conditions
Strategic fit	<ul style="list-style-type: none"> • Horizontal integration / internal fit 	<ul style="list-style-type: none"> • Vertical integration / external fit
HRM and performance	<ul style="list-style-type: none"> • Direct link 	<ul style="list-style-type: none"> • Indirect link
Complexity of the relationship	<ul style="list-style-type: none"> • Linear 	<ul style="list-style-type: none"> • Interaction

Source: Compiled by author from Delery and Doty (1996); Youndt et al. (1996)

From the Table 3, it is clear that there were various debates over the relationship of universal and contingency perspectives, analytically, due to the criticism of variation in the sets of the universal approach, Armstrong (2006) concluded that the contingency approach is more important. However, Youndt *et al.* (1996) proposed a theoretical argument suggesting that on the surface the universal and contingency perspectives may appear to be competing, but in reality they can be complementary. Indeed, Wright and Snell (1998) agreed that these two points of views are not necessary contradictory and firms can design systems that promote

flexibility and simultaneously attain some level of HR strategy-organisational strategic fit. Certainly, evidence suggests that individual HR practices or internally consistent systems can positively influence organisation performance (Russell *et al.*, 1985; Terpstra and Rozell, 1993; Arthur, 1994; Huselid and Becker, 1994; Pfeffer, 1994; Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Ichniowski *et al.*, 1997; Patterson *et al.*, 1997; Green *et al.*, 2006). However, going beyond these direct HR and performance relationships, other evidence suggests that the impact of HR practices on firm performance may be further enhanced when practices are matched with the competitive requirements inherent in a firm's business strategy (Fombrun *et al.*, 1984; Miles and Snow, 1984; Balkin and Gomez-Mejia, 1987; Schuler and Jackson, 1987; Bird and Beechler, 1995; Youndt *et al.*, 1996; Becker and Huselid, 1998 cited in Bjorkman *et al.*, 2008: 972; Huang, 2001; Liao, 2005; Boswell, 2006; Andersen *et al.*, 2007; Bjorkman *et al.*, 2008; Dany *et al.*, 2008; Wang and Shyu, 2008). In conclusion, these two perspectives are not necessarily mutually exclusive, and support for one perspective over another is ultimately an empirical issue (Youndt *et al.*, 1996). For example, Delery and Doty (1996) proposed seven HR best practices to enhance organisational performance, but provided limited support for both contingency and configurational perspectives.

Finally, a number of studies (Arthur, 1994; Huselid, 1995; MacDuffie, 1995) pointed out that the bundles of HR practices being applied in combination had more influence on performance than individual practices working in isolation (Youndt *et al.*, 1996). Therefore, drawing upon the previous work (Mintzberg, 1979, 1983; Miles and Snow, 1984; Wright and McMahan, 1992; Doty and Glick, 1994 cited in Delery and Doty, 1996: 803), Delery and Doty (1996: 803) distinguished configurational perspective from universalistic and contingency perspectives and argued that "configurational approach is concerned with how the pattern of numerous independent variables is related to a dependent variable rather than with how

individual independent variables are related to the dependent variable”, subsequently, it explicitly adopted “the systems concept of equifinality, which is the premise that multiple organisational forms are equally effective”. Hence, configurational perspective emphasizes the internal consistent configurations of HR practices to maximize horizontal fit, and then link these HR practices to business strategic configurations to maximize vertical fit.

In summary, in line with these three views in SHRM literature, the researcher sought to utilize open questions in interviews to capture the applications of HR practices in the selected companies, firstly, it is to see if they are used in isolation or in bundles. Secondly, it is to examine the degree of their congruence with business strategy, and finally, their relationship with firm performance. In general, the intention was to identify a particular perspective in the context of the studied case companies.

2.2 Conceptual model of the linkage between HR practices, outcomes and firm performance

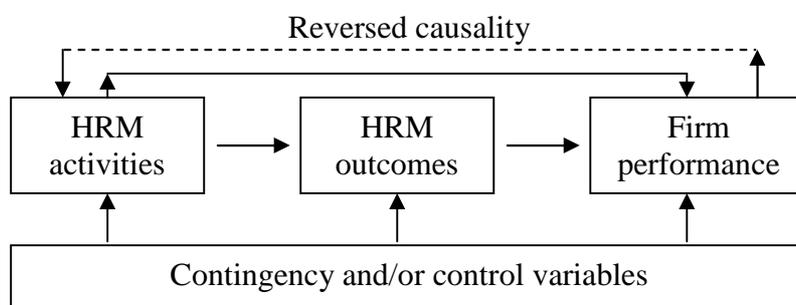
According to Paauwe (2004), the first set of conceptual models explaining the relationship between HRM and firm performance are the classic HRM models of Fombrun *et al.* (1984) and Beer *et al.* (1984). The former developed a HR cycle incorporating four crucial HRM practices (i.e. selection, training/development appraisals and rewards) and claimed that this set of HR practices contribute to both individual and organisational performance. Whilst, Beer *et al.* (1984) connected HRM policy choices to HRM outcomes (i.e. commitment, competence, congruence and cost effectiveness), which in turn make an impact upon long-term consequences (i.e. individual well-being, organisational effectiveness and societal well-being).

Subsequently, Guest (1997) established a normative model to have firstly acknowledged the strong links between HR strategy and business strategies and secondly identified the

relationship between HR practices and the achievement of a variety of outcomes. That is, the development of HR practices (i.e. selection, training, appraisal, rewards, job design, involvement, status, security) should result in a set of HRM outcomes (i.e. commitment, quality and flexibility), and only when all three HRM outcomes have been attained, then the possibilities for the greater level of individual, performance and financial outcomes would be created.

Further, Paauwe and Richardson (1997) simplified Guest's (1997) model and presented a basic version of the outline of this relationship as shown in Figure 2. It explained that HRM activities give rise to HRM outcomes, which in turn influence firm performance. It also indicated that some HRM activities, however, directly influenced the firm performance (see upper arrow), whilst the dashed reverse arrow means the possibility of reverse causality. Hence, it was argued that the possibility of reverse performance led to a change in HRM practices, often being perceived as an improvement to match firm performance (Hendry and Sparrow, 1989; Hiltrop, 1999; Laroche, 2001 cited in Paauwe, 2004: 54), in other words, the reversed causality can be understood as positive financial results that also generate improvements in a range of HRM practices (Paauwe, 2004).

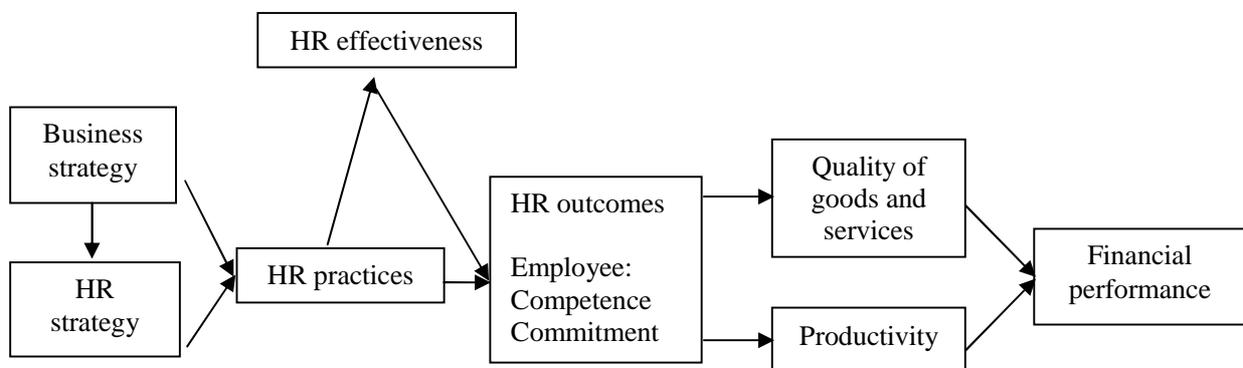
Figure 2 Overview of the linkage between HRM activities, outcomes and performance



Source: Paauwe and Richardson (1997 cited in Paauwe 2004: 56)

Based on the research by Guest (1997) focusing the precise nature of the linkage between the way people were managed and the effect it had on organisational effectiveness and performance, Guest *et al.* (2000) constructed another model to guide the overall activities in the research field (see Figure 3). This specified that performance outcomes stemmed from both internal outcomes (such as labour turnover and absence, productivity, quality of products and services) and external outcomes (particularly financial performance), together with a range of background variables such as size, sector, ownership, business strategy and union membership that may influence the relationship between HRM practices and HRM outcomes. Hence, this model implied that HRM strategies and practices for recruitment, selection, training, development, reward etc. produced employee behaviour that were focused upon key business priorities and which in turn impacted on organisation financial indicators.

Figure 3 Model of the link between HRM and performance



Source: Adapted from Guest et al. (2000: 5)

Subsequently, Paauwe (2004) undertook an extensive review of empirical studies and summarized a general overview regarding the relationships between HRM activities, HRM outcomes, and subsequent effects upon firm performance. Therefore, these empirical studies in Western settings were categorised into three themes: impact of HRM activities on HRM outcomes and performance, impact of HRM outcomes on performance, and impact of contingencies on HRM outcomes and performance.

Firstly, the impact of HRM activities on HRM outcomes and performance can be understood by breaking HRM activities into different themes, such as HRP, selective selection, training, reward, high-performance work systems, high-involvement work practices, high commitment-oriented HR systems, internal promotion opportunities, autonomy and information sharing. In detail, sophisticated HRP activities are positively related to labour productivity (Koch and McGrath, 1996). Selective selection not only contributes to higher productivity (Huselid, 1995), but also perceived market performance (Delaney and Huselid, 1996; Verburg, 1998 cited in Paauwe, 2004: 74). Whilst training and reward have a positive impact on various dimensions of the firm performance, such as product quality and development (Kalleberg and Moody, 1994), profit, sales growth, market share and investments in the near future (Delaney and Huselid, 1996; Verburg, 1998 cited in Paauwe, 2004: 74), a lower degree of turnover (Arthur, 1994; Boselie and Wiele, 2001), employee trust, job security and organisational commitment (Appelbaum *et al.*, 2000 and Boselie *et al.*, 2001 cited in Paauwe, 2004: 76), positive employee motivation (Dowling and Richardson, 1997). Further, productivity is also positively related to high-performance work systems (Appelbaum *et al.*, 2000 cited in Paauwe, 2004: 76), high-involvement work practices (Ferne *et al.*, 1994 cited in Paauwe, 2004: 75), high commitment-oriented HR systems (Arthur, 1994). In terms of the influential factors on employee trust, job satisfaction, job security and organisational commitment, these are internal promotion opportunities (Verburg, 1998 and Appelbaum *et al.*, 2000 cited in Paauwe, 2004: 74-76) and information sharing (Boselie *et al.*, 2001; Boselie and Wiele, 2001).

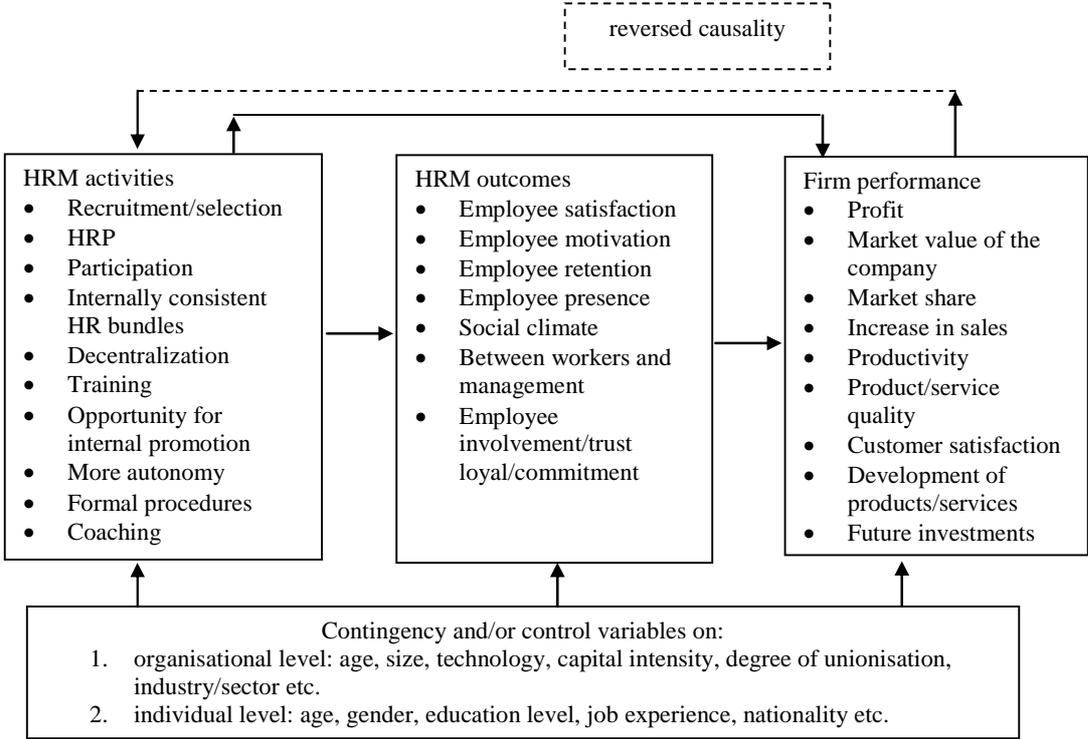
Secondly, the impact of HRM outcomes on performance exhibited in the following dimensions: employee satisfaction, motivation, turnover and absenteeism, improved social

climate and employee involvement/trust/loyalty/commitment, such that a series of research reported that employee satisfaction has positive effect on organisational commitment (Wallace, 1995), comparative productivity (Guest, 2001) and negative effect on employee absence (Boselie *et al.*, 1998) and intention to leave the organisation (Boselie and Wiele, 2001), whilst motivation through rewards contributes to a higher market value of the company (Huselid, 1995), an increase in productivity (Arthur, 1994; Fernie *et al.*, 1994 cited in Paauwe, 2004: 75) and employee commitment (Guest, 2001). Further, turnover and absenteeism result in a decrease in productivity (Katz *et al.*, 1985; Arthur, 1994) and a reduction in profit (d'Arcimoles, 1997). Moreover, employee involvement/trust/loyalty/commitment is positively related to comparative productivity, quality and financial performance (Guest, 2001) and job security (Boselie *et al.*, 2001). Finally, improved social climate increases productivity (Katz *et al.*, 1985) and reduces job stress (Appelbaum *et al.*, 2000 cited in Paauwe, 2004: 76).

Finally, the impact of contingencies on HRM outcomes and performance was looked at from both organisational and individual perspectives. At the organisational level, organisation size has a positive relationship with profit and a negative relationship with employee turnover (Huselid, 1995); degree of unionization is positively related to productivity (Arthur, 1994; Huselid, 1995); deep economic recession results in poor company performance and poor HRM (Lahteenmaki *et al.*, 1998). At the individual level, employee age is positively related to motivation (Guest, 1999), commitment (Scholarios *et al.*, 1999 cited in Paauwe, 2004: 30), employee satisfaction (Boselie and Wiele, 2001). Furthermore, Guest (1999) found out that being more senior in the organisation, working on fixed term and having a lower income are positively related to motivation. Boselie and Wiele (2001) revealed that the factors of gender (female) and having children at home are positively related to employee satisfaction.

However, the majority of studies were carried out in the US or UK context, whereby the US approach is explicitly based the use of bundles of SHRM principles and adopted a shareholder perspective, focusing on productivity or financial performance indicators such as the return on investment. In contrast, the UK approach applied a stakeholder perspective such as employees, trade unions and society, and included such outcomes as absenteeism, employee turnover, commitment, motivation, satisfaction, trust, conflict and social climate. Furthermore, Paauwe (2004) adapted the simplified version of Guest (1997) as modified by Paauwe and Richardson (1997), then extracted the common features from these empirical studies as discussed above, to propose a detailed framework of HRM activities in relation to HRM outcomes and firm performance (see Figure 4).

Figure 4 HRM activities in relation to HRM outcomes and firm performance



Source: Paauwe (2004: 60)

Thus, there appears to be a robust positive relationship between HRM and outcomes, although its cause and effect has not been convincingly explained (Armstrong and Baron, 2002). Additionally, whilst different HRM practices may be appropriate to the different circumstances identified by the best fit school and they were likely to fit better with other contingencies such as organisational size, technology, market context: nevertheless, it was crucial to recognise that “these contingencies did not determine organisational shapes or HRM practices”, whereby HRM strategies were the outcomes of strategic choices by managers (Leopold *et al.*, 2005: 27). Therefore, to varying degrees, managers took into account contingencies such as size, technology and organisational environment when making choices, such that they influenced organisational patterns, but always mediated by managerial interpretation and political manoeuvring. In essence, contingencies were enacted by human factors (Weick, 1979 cited in Leopold *et al.*, 2005: 27).

2.3 Empirical studies of SHRM and firm performance

SHRM literature is drawn on three dominant modes of theorizing: universalistic, contingency and configurational perspectives which provide a solid theoretical foundation and developments of HR practices and firm performance relationship (Delery and Doty, 1996), the highlighted contribution of which have been reflected in the substantial number of empirical studies with an aim at examining the applied elements of theories and targeting the practitioners for management practice.

Table 4 summarizes these empirical studies on HRM practices and performance being conducted mainly in Western countries. Specifically, the researcher constructed this table based on the work of Guest (1997) and Paauwe and Richardson (1997). For example, after seeking the establishment of the precise nature of the linkage between the way people were

managed and the effect it had on organisational effectiveness and performance, Guest (1997) specified that performance outcomes stemmed from both internal outcomes (labour turnover and absence, employee competence, commitment and flexibility, productivity, quality of products and services) and external outcomes (particularly financial performance), together with a range of background variables such as size, sector, ownership, business strategy and union membership that may influence the relationship between HRM practices and outcomes. Whilst, Paauwe and Richardson (1997) condensed Guest's (1997) study by simplifying it into a relationship between HRM activities, HRM outcomes and firm performance. Thus, HRM activities gave rise to HRM outcomes, which in turn influenced firm performance. However, some HRM activities directly influenced firm performance, and the possibility of reverse performance itself led to a change in HRM practices, often being perceived as an improvement to match firm performance (Hiltrop, 1999).

Table 4 Studies on HRM practices and firm performance in Western countries

Authors	HRM practices		Firm performance
Fombrun <i>et al.</i> (1984)	<ul style="list-style-type: none"> • Selection • Development 	<ul style="list-style-type: none"> • Appraisal • Rewards 	<ul style="list-style-type: none"> • The importance of interrelatedness of HRM activities and the coherence of internal HR policies, and matching HR policies to the organisation's business strategy.
Miles and Snow (1984)	<ul style="list-style-type: none"> • Recruitment and selection • Placement • Staff planning 	<ul style="list-style-type: none"> • Training and development • Performance appraisal • Compensation 	<ul style="list-style-type: none"> • The importance of dictating particular HR functions to different corporate strategies of defending, prospecting and analyzing
Russell <i>et al.</i> (1985)	<ul style="list-style-type: none"> • Organisational training 		<ul style="list-style-type: none"> • Training increases the organisational productivity.
Balkin and Gomez-Mejia (1987)	<ul style="list-style-type: none"> • Compensation 		<ul style="list-style-type: none"> • Reward effectiveness depends on the match between compensation strategies, organisation strategy & environment.
Schuler and Jackson (1987)	<ul style="list-style-type: none"> • Planning • Staffing • Appraising 	<ul style="list-style-type: none"> • Compensating • Training and development 	<ul style="list-style-type: none"> • The aligned HRM practices with business strategies are critical to the firms' success. • Firms are not necessary to pursue only one business strategy at one time.
Terpstra and Rozell (1993)	<ul style="list-style-type: none"> • Follow-up studies of recruiting sources to determine which sources yield greater proportions of high-performing employees • Validation studies for the predictors used in selection 	<ul style="list-style-type: none"> • Structured, standardized interviews for selection • Cognitive aptitude and ability tests for selection • Biographical information blanks for selection 	<ul style="list-style-type: none"> • The uses of five staffing practices have positive impact on organisational outcomes in the area of profitability and sales growth.
Arthur (1994)	<ul style="list-style-type: none"> • Decentralized decision-making • Employee participation programme • General training 	<ul style="list-style-type: none"> • Skill level • Supervision • Wage level • Benefits and bonus 	<ul style="list-style-type: none"> • Commitment systems of HR practices resulted in higher productivity and lower employee turnover than those with control systems. • HR system moderated the relationship between turnover and manufacturing performance.
Osterman (1994)	<ul style="list-style-type: none"> • Teams • Job rotation 	<ul style="list-style-type: none"> • Quality circles • Total quality management 	<ul style="list-style-type: none"> • Organisations adopting these follow a high road strategy that emphasizes variety, service and quality rather than low cost.
Pfeffer (1994)	<ul style="list-style-type: none"> • Employment security • Selective hiring • Self-managed team • High compensation contingent on performance 	<ul style="list-style-type: none"> • Training to provide a skilled and motivated workforce • Reduction of status differentials • Sharing information 	<ul style="list-style-type: none"> • HR practices have positive impact on organisation performance.
MacDuffie (1995)	<ul style="list-style-type: none"> • Hiring criteria 	<ul style="list-style-type: none"> • Status differentiation 	<ul style="list-style-type: none"> • The use of an internally consistent HR bundle or system

	<ul style="list-style-type: none"> • Contingent compensation 	<ul style="list-style-type: none"> • Training 	positively affects organisation performance.
Huselid (1995)	<ul style="list-style-type: none"> • Selection with employment test prior to hiring • Selection for non-entry level jobs • Performance appraisal as determinant for compensation • Formal performance appraisal received by the workforce • Incentive compensation • Job design • Grievance procedures 	<ul style="list-style-type: none"> • Information sharing • Attitude survey/assessment • Labour–management participation • Intensity of the firm’s recruiting efforts • Average number of hours of training per employee per year • Promotion criteria 	<ul style="list-style-type: none"> • High-performance work practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short- and long-term measures of corporate financial performance.
Delaney and Huselid (1996)	<ul style="list-style-type: none"> • Selectivity in hiring • Employee training • Incentive compensation • Grievance procedures • Job or work structure 	<ul style="list-style-type: none"> • Internal labour market for employee promotions • Provision of employment security • Vertical hierarchy 	<ul style="list-style-type: none"> • Positive associations between HR practices and firm performance were found.
Delery and Doty (1996)	<ul style="list-style-type: none"> • Internal career opportunities • Training • Results-oriented appraisals • Profit-sharing 	<ul style="list-style-type: none"> • Employment security • Participation • Job descriptions 	<ul style="list-style-type: none"> • The results provided strong support for the universalistic perspective and some support for both the contingency and configurational perspectives. • Overall, in combination, these results demonstrate that managing HRs enhances organisational performance.
Youndt <i>et al.</i> (1996)	<ul style="list-style-type: none"> • Staffing • Training 	<ul style="list-style-type: none"> • Performance appraisal • Compensation 	<ul style="list-style-type: none"> • Results supported a contingency perspective. • An HR system focused on human capital enhancement and aligned with quality strategy was directly related to operational performance such as employee productivity, machine efficiency, customer alignment.
Ichniowski <i>et al.</i> (1997)	<ul style="list-style-type: none"> • Incentive pay • Teams • Flexible job assignments 	<ul style="list-style-type: none"> • Employment security • Training 	<ul style="list-style-type: none"> • Using a set of innovative work practices achieve substantially higher levels of productivity in comparison with the more traditional approach, which includes narrow job definitions, strict work rules and hourly pay with close supervision.
Patterson <i>et al.</i> (1997)	<ul style="list-style-type: none"> • Sophisticated selection and recruitment processes • Sophisticated induction programmes 	<ul style="list-style-type: none"> • Frequent and comprehensive communication to workforce • Use of quality improvement teams 	<ul style="list-style-type: none"> • Particular HRM practices result in better business performance.

	<ul style="list-style-type: none"> • Sophisticated training • Coherent appraisal systems • Flexibility of workforce skills • Job variety on shop floor • Use of formal teams 	<ul style="list-style-type: none"> • Harmonized terms and conditions • Basic pay higher than competition • Use of incentive schemes 	
Lahteenmaki <i>et al.</i> (1998)	<ul style="list-style-type: none"> • HR planning span • HR development span • Relative proportion of HRM investment • Evaluation of the significant of HRM investment • Estimates of importance of management involvement in HRM • Career planning 	<ul style="list-style-type: none"> • Organisational status of the person in charge of HRM • Strategic role of HR as evaluated by HR manager • Integration of personnel policies with competitive strategy • HRM awareness • HRM goals 	<ul style="list-style-type: none"> • Hardly any relationship between the state of HRM and organisation performance in Finnish companies was identified. • This might be due to the existence of turbulent business environment caused by deep recession, therefore, suggesting the consideration of the impact of economic situation on studying this relationship. • Finally, they come down on the side of the contingency perspective, arguing that fit between HR strategy and economic conditions are critical in determining organisational effectiveness.
Ngo <i>et al.</i> (1998)	<ul style="list-style-type: none"> • Structural training and development • Diversity 	<ul style="list-style-type: none"> • Retention-oriented compensation • Seniority-based compensation 	<ul style="list-style-type: none"> • The adoption of HR practices enhances organisational performance.
Guest (1999)	<ul style="list-style-type: none"> • Communication to ensure a two-way process keeps everyone fully informed • Employee share ownership programmes to keep employees aware of the implications of their actions for the financial performance of the firm • Training, in particular a recognition that training is an on-going activity 	<ul style="list-style-type: none"> • Job design to ensure flexibility, commitment and motivation, including steps to ensure that employees have the responsibility and autonomy to use their knowledge and skills to the full • Selection and careful use of selection tests to identify those with potential to make a contribution 	<ul style="list-style-type: none"> • Employee outcome associated with HRM studied and showed that workers like their experience of HRM. • The more HR practices they are currently experiencing in their employment, the more satisfied they seem to be and the better their psychological contract.
Fey <i>et al.</i> (2000)	<ul style="list-style-type: none"> • Employee development • Reward system 	<ul style="list-style-type: none"> • Feedback system • HRM-strategy alignment 	<ul style="list-style-type: none"> • Investments in HRM practices can substantially assist a firm in improving performance. • Different HRM practices for managerial and non-managerial employees are significantly related to firm performance. • Limited support for the relationship between efforts at aligning HRM practices with firm strategy and subsidiary performance.

Guthrie (2001)	<ul style="list-style-type: none"> • Internal promotions and performance-versus seniority-based promotions • Skill-based pay, group-based (gain sharing, profit-sharing) pay, and employee stock ownership • Average annual training hours 	<ul style="list-style-type: none"> • Employee participatory programmes, information sharing, attitude surveys and teams Cross-training or cross-utilization, and training focused on future skill requirement • Use of formal dispute resolution 	<ul style="list-style-type: none"> • Results indicate a positive association between the use of high-involvement work practices and employee retention and firm productivity in New Zealand business organisations.
Huang (2001)	<ul style="list-style-type: none"> • Recruitment (internal/external) • Job descriptions • Promotion ladders • Career path (the provision/the establishment, functional specialization) • Employment security 	<ul style="list-style-type: none"> • Performance appraisal (assessment criteria, individual or group based) • Training and development • Reward package (basic pay and salary levels, internal and external equity, financial incentive) 	<ul style="list-style-type: none"> • Business strategies appear to have a significant impact on organisational morale and overall performance, but showing minimal impact on financial performance. • Firms adopting an innovation strategy and that employing cost-leadership strategy both emphasize quality enhancement, indicating that enhancing the quality of goods or services is a common concern, while no firm in Taiwan seems to compete on the basis of quality alone. • The innovation type exerts a greater positive impact on overall performance than does the cost-leadership type.
Richard and Johnson (2001)	<ul style="list-style-type: none"> • Employee participation and empowerment • Workforce planning flexibility and deployment • Advanced issue identification-strategic studies • Employee and manager communications 	<ul style="list-style-type: none"> • Management and executive development • Succession and development planning for managers • Workforce productivity and quality of output • Teamwork 	<ul style="list-style-type: none"> • SHRM effectiveness significantly reduces employee turnover and increases overall market performance assessment.
Chang and Chen (2002)	<ul style="list-style-type: none"> • Training and development • Teamwork • Benefits 	<ul style="list-style-type: none"> • Human resource planning • Performance appraisal • Employment security 	<ul style="list-style-type: none"> • HRM practices have significant effect on employee productivity. • Benefits and HRP are negatively related to employee turnover. • Business strategies have moderating effects on the relationship between HRM practices and firm performance.
Bae <i>et al.</i> (2003)	<ul style="list-style-type: none"> • HR flow • Work system 	<ul style="list-style-type: none"> • Reward system • Employee upward influence 	<ul style="list-style-type: none"> • High-performance work systems tend to have a positive effect on perceived organisational performance in samples firms operating in Korea, Taiwan, Singapore and Thailand.
Liao (2005)	HRM control:	<ul style="list-style-type: none"> • Output control 	<ul style="list-style-type: none"> • The value of any approach to HRM control can be augmented

	<ul style="list-style-type: none"> • Behaviour control 	<ul style="list-style-type: none"> • Input control 	<p>or diminished by simultaneously matching the HRM to the type of business strategy adopted by firms.</p> <ul style="list-style-type: none"> • Firms should use an appropriate combination of HRM control aligned with strategic goals to improve business performance.
Luthans and Sommer (2005)	<ul style="list-style-type: none"> • Information-sharing • Job design programmes • Job analysis methods • Participation programmes • Incentive-based compensation 	<ul style="list-style-type: none"> • Benefits • Training • Grievance • Selection and staffing • Performance appraisal 	<ul style="list-style-type: none"> • Significant relationship was found between the high-performance work practice system and firm performance.
Stavrou and Brewster (2005)	<ul style="list-style-type: none"> • Training and career development bundle • Pay for performance bundle • Wider-jobs bundle 	<ul style="list-style-type: none"> • Joint HR-management bundle • Communication on organisation of work bundle 	<ul style="list-style-type: none"> • Positive link of strategic HR bundles to business performance in the EU.
Wright <i>et al.</i> (2005)	<ul style="list-style-type: none"> • Selection • Training 	<ul style="list-style-type: none"> • Pay for performance and performance evaluation • Participation 	<ul style="list-style-type: none"> • HR practices are strongly related to future performance but that they are also strongly related to past performance, suggesting caution among both academics and practitioners in making any causal inferences.
Green <i>et al.</i> (2006)	<ul style="list-style-type: none"> • SHRM: vertical-alignment 	<ul style="list-style-type: none"> • SHRM: horizontal-integration 	<ul style="list-style-type: none"> • Direct impact of SHRM on organisational performance is positive and significant. • SHRM directly and positively influences individual performance, organisational commitment job satisfaction.
Andersen <i>et al.</i> (2007)	<ul style="list-style-type: none"> • Documented HRM strategy • Strategic HRM alignment with business objectives and strategies 	<ul style="list-style-type: none"> • Involvement of line managers in recruiting new people, selecting applicants, training employees, executing performance assessments and designing job roles 	<ul style="list-style-type: none"> • Findings indicate that strategic integration and devolvement of HRM to line managers were practised to a moderate extent in the sampled Australian firms. • The degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance.
Purcell and Hutchinson (2007)	<ul style="list-style-type: none"> • Commitment • Job autonomy • Job achievement • Job challenge • Perceptions of leadership behaviour 	<ul style="list-style-type: none"> • Satisfaction with HR practices • Performance related pay • Team working • Openness • Work-life balance 	<ul style="list-style-type: none"> • Achieving superior employee performance, a high instance of discretionary effort, low employee turnover and a positive reputation as an employer require both appropriate HR policies and their effective implementation in practice, and the latter is line managers' job
Dany <i>et al.</i> (2008)	<ul style="list-style-type: none"> • HRM integration in strategy formulation 	<ul style="list-style-type: none"> • The distribution of influence between HRM specialists and 	<ul style="list-style-type: none"> • Results showed the support towards a contingency model of HRM and organisational performance link.

		line managers in HRM Pay and benefits, Recruitment and selection, Training and development, Industrial relations, Workforce expansion/reduction	<ul style="list-style-type: none"> This link is no longer significant for the companies that heavily delegate HRM to line managers and mainly rely on HRM specialists alone to make HRM decisions. Hence, HRM organisation has positive performance implications only in situations where HRM function is shared between HRM specialists and line managers.
Gooderham <i>et al.</i> (2008)	<p>Replications of Stavrou and Brewster's (2005) 15 bundles into three:</p> <ul style="list-style-type: none"> Collaborative bundles (Joint HR-line management responsibility, Communication on strategy, Communication on finance, Employee involvement, Communication on organisation of work) 	<ul style="list-style-type: none"> Intermediary bundles (Career development, Wider-jobs, Communication to management, Downsizing methods) Calculative bundles (Training monitoring, Share-options, Evaluation of HR department, Profit-sharing, Group bonus, Performance-related pay) 	<ul style="list-style-type: none"> In general, calculative and intermediary HRM bundles have some impact on the performance of European firms, collaborative HRM bundles do not.
Wang and Shyu (2008)	<ul style="list-style-type: none"> The degree of participation of employees in HRM planning Content of job descriptions Resources of recruitment The status of employee's promotion The orientation of performance appraisal The standard of performance appraisal 	<ul style="list-style-type: none"> Foundation of performance appraisal The rate of bonus Tendency of compensation design The orientation of employees training and development The rate of employees training The degree of job security Labour relations 	<ul style="list-style-type: none"> A better fit between firm's business strategies (defender, prospector and analyzer) and HRM strategies strengthen HRM effectiveness and organisational performance. The alignment between the business and HRM strategy was the key factor of success for organisations in Taiwan.

Source: Compiled by author from the above listed studies

Although most empirical studies within the Western context concerning HR practices and performance relationship were developed and practised in the US (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Youndt *et al.*, 1996; Green *et al.*, 2006), there is an increasing volume of literature examining this relationship emerging from other parts of the world. For example, Lahteenmaki *et al.* (1998) researched in Finland, Ngo *et al.* (1998) investigated in Hong Kong, Andersen *et al.* (2007) studied Australia, Fey *et al.* (2000) explored in Russia, Guthrie (2001) reviewed New Zealand, Cooke (2001b) examined UK, Chang and Chen (2002) and Liao (2005) surveyed Taiwan, Bae *et al.* (2003) looked at Korea, Taiwan, Singapore and Thailand, Chew and Sharma (2005) studied Singapore, Stavrou and Brewster (2005) and Gooderham *et al.* (2008) focused upon European firms. Furthermore, the latest trend has shown that a growing body of research was undertaken in mainland China (see Table 5), the findings of which are consistent with the view that HRM practices have a positive impact on firm performance.

Table 5 Studies examining HR practices and firm performance in Mainland China

Authors/themes	HRM practices	Firm performance
Business strategies		
Ding and Akhtar (2001)	<p>This study examined the direct and indirect effects of an organisation’s contextual variables on the choice of HRM practices to secure, nurture, reward and retain managerial employees.</p> <p>Data were collected through a questionnaire survey of general managers and HR directors from 326 JVs and SOEs located in Shanghai, Nanjing and Guangzhou in China.</p>	<p>The indirect effects were measured through the strategic role of the human resource function. Results indicated that ownership and the strategic role of the human resource function were key variables in explaining an organisation’s choice of HRM practices. Age and size the organisation had limited effects. Compared with cost and quality strategies, the innovation strategy affected HRM practices, both directly and indirectly, indicating the increasing dynamism of the Chinese economy in its move towards a market orientation.</p>
Bjorkman and Fan (2002)	<p>It examined the relationship between HRM and firm performance in 62 manufacturing JVs and wholly owned subsidiaries located in different parts of China. Primary data was collected through survey. The access was gained through the researchers’ previous research and with snowballing techniques that utilized contacts of contacts. This approach was viewed as necessary in China, a country where personal contacts significantly facilitate company access (Easterby-Smith and Malina, 1999).</p>	<p>A positive relation was found between firm performance and the use of a ‘high-performance’ HRM system as well as the integration of HRM and firm strategy.</p>
Culture factors		
Luo and Chen (1997)	<p>The cross-sectional sample for FIEs and CDFs operating in Jiangsu province was obtained from the Provincial Commission of Foreign Economic Relations and Trade in which one of the authors was employed as a department head.</p>	<p>Results showed that <i>guanxi</i>-based business variables have a profound and positive impact on firm efficiency and growth.</p>
Li <i>et al.</i> (2001)	<p>This study applied a resource-based view of the firm to analyze data from a sample of 898 JVs in China, including both JVs established by overseas Chinese and by firms from Western cultures.</p> <p>Secondary data was gathered from China’s Third Industry Census completed in 1996, which can be obtained from the State Statistical Bureau of China.</p>	<p>It suggested that oriental culture is valuable for East Asian firms in terms of efficiency and rapid market entry. Another finding is JVs that were established by firms from East Asian collectivistic cultures failed to achieve a better performance than those from individualistic cultures. This suggests that a similar culture was not always the most valuable resource affecting firm performance.</p>
Chien (2006)	<p>Data was collected from five branches of a Western company in China through questionnaires and interviews to study the cross-cultural HRM.</p>	<p>It suggested to increase the cross-culture awareness by recognizing and learning the culture differences, particularly relating to ‘<i>guanxi</i>’ (personal connection) and ‘<i>mianzi</i>’ (face),</p>

		which played an important role in doing business in China, in addition, it concluded that Chinese culture reflected in Hofstede model (1983) possess the following characteristics: high in power distance, high in uncertainty avoidance and collectivism.
Yao (2008)	It through in-depth interviews with each of selected participants identified dimensions of superior-subordinate relationship quality: relationship exchange and 'guanxi' (personal connection) orientation. Data was collected from random 86 drugstore managers and their subordinates in Tianjin pharmaceutical retail chains,	'Guanxi' (personal connection) orientation demonstrated a positive superior-subordinate relationship and a positive relationship with employee satisfaction, so it suggested that both local and foreign managers should understand 'guanxi' (personal connection)-orientated culture to fit employee satisfaction in order to improve superior-subordinate relationship management effectiveness.
HR practices		
Braun and Warner (2002)	It explored how differences in HRM practices in business vary with their ownership forms. Primary data was collected through case studies based on in-depth interviews via telephone with HRM managers of 12 MNEs.	The HRM function is of high strategic importance for their operations in China and is predominantly controlled by the MNC partner.
Law <i>et al.</i> (2003)	This study investigated the significance of how firms manage their HRs within the confines of powerful social institutions in a transitional economy, China. This study surveyed 180 firms from nine cities in China.	It found both role of HRM and followers' perception of top-level management are important to firm performance, and confirmed that while social institutions remain powerful in a transitional economy, effective HRM is important to firm performance.
Li (2003)	This study tested a perspective of SHRM and compared HR practices among MNEs in soft-drinks and electronics industries in China. The secondary data was based on China's Third Industry Census completed in 1996 from the State Statistical Bureau of China.	The results supported a number of basic assumptions of the SHRM model, such as those regarding the relationship among firm environments, firm strategy, firm HR practices and firm performance.
Ng and Siu (2004)	This study examined the role and the impact of training on enterprise performance in China. 800 questionnaires were distributed to the manufacturing sector in Shanghai, and the sample was gained from Shanghai Statistical Yearbook.	Training is perceived to be relatively important in non-SOEs. Training objectives have three major dimensions (enhancing working relationships, tackling skill deficiencies and skills development). SOEs tend to focus more on skill development, while non-SOEs emphasize both enhancing working relationships and skills improvement. The production function estimation shows that there is a positive relationship between training expenditures and enterprise productivity.
Wang and Zang (2005)	It investigated main dimensions of the model of HRM, practices and their effects on organisational performance in relation to innovation and entrepreneurship, containing two parts. The former is a field survey on HRM practices and its main dimensions, and conducted in the Chinese local companies and JVs across different partnerships. The latter is an in-	The results showed that both functional and strategic dimensions of HRM could be identified which had differential effects upon organisational performance and that the most successful local entrepreneurial firms were among the collective-based and globally-oriented ones.

	depth case-set analysis of Chinese entrepreneurship models from a SHRM perspective.	
Wei and Lau (2005)	This study examined three factors leading to a firm's adoption of SHRM: market orientation, HRM importance and HRM competency.	Three factors are significantly related to a firm's adoption of SHRM. However, the moderating effects of ownership types and firm size were not as strong as predicted.
Zhu <i>et al.</i> (2005)	This study investigates the implications for HRM practices of the changing business environment in China, ownership of organisations, organisational strategies and strategic integration of the HR function. Two surveys were conducted in major Chinese cities in 1994/5 and 2001/2, with managers of state-owned, privately owned, collectively owned and foreign-invested enterprises.	Organisational strategy and ownership were not found to be strong predictors of HRM practices. The changing business environment in China and participation by the HR function in strategic decision-making were the strongest predictors of HRM practices. Overall, a strategic role for the HR function and implementation of Western HRM practices are becoming more prevalent in China, although the legacy of traditional practices endures and new challenges are emerging.
Li <i>et al.</i> (2006)	HRM is seen as crucial for innovation and firm performance in China. This study investigated the effects of main dimensions of HRM on technological innovation as well as organisational performance. The research uses a sample of 194 high-tech firms surveyed in eight provinces in China.	It found that technological innovation is positively related with performance and provided useful managerial implication for managers. First, employee training is needed to develop employees' knowledge. Second, material incentive is needed but not main motivation in Chinese high- technological firms.
Zheng <i>et al.</i> (2006)	This study explored the performance effects of HRM practices in 74 Chinese SMEs. Four high performance HRM practices are identified: performance-based pay, participatory decision-making, free market selection, and performance evaluation.	Results support the conventional idea that the adoption of HRM practices generates better HRM outcomes and, in turn, better HRM outcomes contribute positively to firm performance. However, not all HRM practices, and their effects, led to improved SME performance. Among the Chinese SMEs investigated, a high level of employee commitment was identified as being the key HRM outcome for enhancing performance.
Cunningham and Rowley (2007)	This study emphasised the development, importance and pressures on the under-researched area of Chinese SMEs and HRM and provided a review and research agenda, especially relating to the debate on convergence and divergence.	The continuing influences on HRM suggest that a distinctly Chinese HRM approach combining Western practice with Chinese characteristics may be one way for SMEs to develop. This is central to a better understanding of Chinese SMEs and helps fill some of the gap in the analysis of HRM in Chinese SMEs. It also offers insights which managers, policy makers and Chinese government can use to construct and reform the supporting system for SMEs.
Chew and Sharma (2008)	The effects of organisational culture and HRM practices on firm performance: empirical evidence from Singapore.	Based upon the content analysis, the results show that strategic HRM effectiveness has a positive relationship with financial performance.

Zhu <i>et al.</i> (2008)	Based on a survey of 618 managers in SOEs, POEs and FIEs operating in the Jiangsu Province of China.	Overall, there was little evidence of devolvement of HR practices to line managers and no evidence of a relationship between the degree of devolvement and firm performance, although the provision of formal training to line/middle managers was predictive of performance.
Globalisation and localisation		
Gong <i>et al.</i> (2005)	<p>‘Human resources and international joint venture performance: a system perspective’</p> <p>Building on general systems theory, the study argues that the multi-system nature of the IJV drives two distinct, but inter-related sets of HR issues: a set whose core is mainly within the venture subsystem (within-IJV HR set), producing a detrimental impact on venture performance; and a set associated mainly with the relational tension along the interface between the parent and the venture subsystem (relational/interface HR set). The relational set is detrimental at the system level, but actually has a positive performance impact at the venture subsystem level.</p>	Hierarchical regression results from a sample of 265 China-based IJVs offer support for the above hypotheses developed around the two sets of HR issues. We discuss implications for IJV theory, research, and practice.
Walsh and Zhu (2007)	<p>‘Local complexities and global uncertainties: a study of foreign ownership and human resource management in China’</p> <p>It examined the character of existing HR policy and practice, and emerging trends among FIEs in China with a focus on the nature of their HR and policies and practices in the context of an uncertain and complex local business environment, and the mode of integration of Chinese business units into multinational management systems. Data was collected through semi-structured interviews with ten FIEs in Beijing and Shanghai in Sep. 2000 and Nov. 2002. Access to the enterprises was facilitated by the China Social Science Academy in Beijing and the Social Science Academy in Shanghai.</p>	It reveals that the effects of parent company nationality and ownership form were most visible in the areas of remuneration, worker representation and aspects of employee selection. There was, however, little overt involvement of multinational parent companies in the management of HRs of their Chinese operations. The trend was towards indirect reporting relationships with regional sub-units of MNCs rather than direct links with the parent HQs. Overall, these intermediate sub-units were playing an important role in the integration of Chinese business units in the global management systems of MNCs.

Source: Compiled by the author from the above listed articles

When comparing Tables 4 and 5, it is apparent that most of these empirical studies have primarily focused on the Western context. Hence, the generalization of those results is likely to be subject to error because there may be substantial differences in HRM practices between the West, other developing countries and mainland China (Zheng *et al.*, 2006). Given that well-chosen HRM is critical for achieving competitive advantage in various organisational and cultural settings (Pfeffer, 1994), MNCs are often faced with major decisions regarding which HR practices will bring maximum benefit for effective operations while establishing subsidiaries (Tichy *et al.*, 1982). In particular, in China, effective HRM policies were reported to be a key to the success of foreign multinationals (Yang, 1998).

2.4 The role of HR department

Nevertheless, a number of studies focused upon studying the extent to which the HR department is involved in activities that are strategic and long-term important to the company (Tyson and Fell 1992; Ulrich, 1997; Evans *et al.*, 2002 cited in Bjorkman *et al.*, 2008: 969). Although Hope-Hailey *et al.* (1997) commented that there is some indication that the HR function in certain companies is becoming more strategically oriented than before, Truss *et al.* (2002) argued that most HR functions still play a predominately tactical role, suggesting HR professionals have low status and influence in many companies (Berglund 2002 cited in Bjorkman *et al.*, 2008). Indeed, based on the research of Child (1994) and Cooke (2004) in China, it suggested that Chinese firms in general do not have strategically oriented HR departments. Thereafter, Bjorkman *et al.* (2008: 969) made a crucial assumption that “the role played by the HR department on average is more strategic in Western companies than in Chinese firms”.

2.5 The role of line management

The literature of line management can be seen from the mature phase of PM during the 1960s. Although at the time PM was well established, most personnel activities focused on maintaining the 'status quo' in terms of servicing the needs of line managers, which reflected the 'clerk of works' approach in the Tyson and Fell (1986) personnel management model. However, the role of line managers was further developed to be more integrated and strategic orientated, such as the 'architect' approach with an aim to build the organisation as a whole where explicit personnel policies existed and formed part of the overall corporate strategy, with an integrated system of controls between personnel and line managers (Tyson and Fell, 1986 cited in Paauwe, 2004: 180-183). In Storey's PM model (1992a), this issue was seen from the perspective of personal managers, who were regarded as advisers and internal consultants and were advised to devolve HR practice to line managers.

Similar to PM models, HRM models raised the role of line managers to another level as Sisson (1990) commented that all HRM models possessed this feature, where the responsibility for managing people moved from personnel specialists to line managers who then provided a consultancy service for line managers. For example, the Harvard model of HRM suggested that line managers accepted more responsibility for ensuring the alignment of competitive strategy and personnel policies. Whilst the importance of line managers was also reflected in the statement of Guest (1990: 378) who commented that "only when a coherent strategy, directed towards these four policy goals (motivation, cooperation, involvement and organisational citizenship), fully integrated into business strategy and fully sponsored by line management at all levels is applied with the high productivity and related outcomes sought by industry be achieved". Similarly, Storey (2001) remarked that HR is too important to be left to personnel specialists alone and drew the attention to the critical role of line managers and

thereafter proposed that line managers need to be closely involved as deliverers and drivers of HR. In addition, Storey (2001) also emphasised the strategic qualities, suggesting the following: firstly, HR policies' vertical integration into business strategy and horizontal integration between different HR practices is essential. Secondly, since HR decisions are of strategic importance, senior managers must be involved in HRM. Hence, it is essential to have the involvement of all parties, especially the top managers, in the communication of intentions and their rationale for the purposes of gaining their support for the later smooth running of HR strategies (Leopold *et al.*, 2005). On the other hand, it was also important to assess potential barriers and changes in the management process (Huczynski and Buchanan, 2007).

Whilst in the literature of SHRM, Becker and Gerhart (1996: 793-794) argued that future work on the strategic perspective must "elaborate on the 'black box' between a firm's HR systems and its bottom line", whereby increased effort should be "devolved to finding out what managers are thinking and why they make the decisions they do". This stressed the necessity to understand how and why HR policies influenced performance and to move away from simple input-output models (Kinnie *et al.*, 2009). Moreover, there were clearly differences between espoused and enacted policies inside the 'black box' (Truss, 2001; Purcell *et al.*, 2003), which urged the need to consider the role of line managers and employees when engaging in discretionary behaviour. In this context, Appelbaum *et al.* (2000 cited in Paauwe, 2004: 76) revealed the willingness of employees to engage in discretionary behaviour depended on the creation of opportunities to participate, skill development, motivation and incentives, the influence by the role of line managers. Indeed, line managers not only played a more prominent role in the delivery of HR practices such as performance management, team leadership and communications (Hutchinson and Wood, 1995 cited in Redman and Wilkinson,

2009: 40; Larsen and Brewster, 2003), but also implemented HR policies by ‘bringing them to life’ and showing leadership strongly influenced employees’ attitudes (Purcell *et al.*, 2003). Additionally, employees’ perceptions of line management behaviour in terms of how they carried out their HR activities was the most important factor in explaining variations in both job satisfaction and job discretion (Kinnie *et al.*, 2009). These differences between espoused and enacted policies can be partly attributed to line managers for a variety of reasons, such as suffering from work overload, inadequate training on how to handle policies and lack of commitment, to being unaware of what was expected of them (Hutchinson and Purcell, 2003 cited in Redman and Wilkinson, 2009: 41).

Lately, an emerging theme from empirical studies drew the attention to the role of line managers in the link between HR practices and organisational performance although some of their findings showed the contradicting results (Purcell *et al.*, 2003; Andersen *et al.*, 2007; Purcell and Hutchinson, 2007; Purcell and Kinnie, 2007; Dany *et al.*, 2008; Zhu *et al.*, 2008). For example, Zhu *et al.* (2008) found that there was little evidence of devolvement of HR practices to line managers and no evidence of a relationship between the degree of devolvement and firm performance in China. In contrast, the research findings of Purcell *et al.* (2003), Purcell and Hutchinson (2007) and Purcell and Kinnie (2007) showed that achieving superior employee performance, a high instance of discretionary effort, low employee turnover and a positive reputation as an employer require both appropriate HR policies and their effective implementation in practice, whereby the latter is the line managers’ job. Similarly, Andersen *et al.* (2007) indicated that strategic integration and devolvement of HRM to line managers were practised to a moderate extent in the Australian firms sampled, whilst the degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance.

In contrast, Dany *et al.* (2008: 2095) called for less emphasis on instrumental approaches to researching HRM, emphasizing “what practices must be implemented” in favour of an approach which HRM examines the question of “who is in charge of defining and implementing HRM practices”. Indeed, too often people are promoted into supervisory positions on the basis of seniority or technical skill, without giving proper consideration to people-management skills. Instead, time, effort and resources should be directed on the selection, development and ongoing appraisal of line managers to ensure that they have the right attitudes and skills to carry out their job efficiently to maintenance of an effective working relationship with HR managers. Furthermore, the CIPD Annual Survey Report (2009) revealed that 72% of 755 responding UK organisations felt that improving line manager HR skills is the most effective method of improving retention, but only 39% reported using this method. Indeed, Purcell and Hutchinson (2007) commented that the role of line managers has been largely ignored in the huge volume of research in the last 15 years.

3. Firm performance and effectiveness of senior managers

SHRM is not only just about the long-term focus, two-way relationship between HRM and strategic planning, new linkages of HR practices and organisational performance (Delery and Doty, 1996), but also emphasizes the role of managers, such as senior managers as policy makers (Analoui, 1999) and the inclusion of line managers in the HRM policy-making process (Andersen *et al.*, 2007). In addition to the transformation of theories from traditional HRM to strategic HRM, organisation structure has also changed over the past several decades, moving away from the traditional hierarchical design to the establishment and development of flatter and leaner structures to accommodate the demands of team working, resulting in the significant change in the nature of leadership (Horner, 1997). Accordingly,

this section explores the changing role and the responsibilities of senior managers in SHRM process and procedures, together with the impact of their effectiveness on firm performance. The researcher started with reviewing a variety of leadership theories in the literature and their development to outline the characteristics of successful leaders in the business context, together with introducing the leadership framework for this research and the existing studies on the relationship between firm performance and SMs' effectiveness.

3.1 Leadership development

Leadership has been studied extensively over the years across cultures, where people not only hold different theoretical beliefs, but also the various considerations about great leaders (Bernard, 1926; Blake *et al.*, 1964; Fiedler, 1967; House and Mitchell, 1974 cited in Horner, 1997: 270). Indeed, Stogdill (1974:7) pointed out that “there are almost as many different definitions of leadership as there are people who have tried to define it”.

The study of leadership originated in the debates on leadership and management, whereby similarities exhibited in the areas of working with people, influencing a group of individuals and accomplishing goals (Northouse, 2010). Whilst the differences existed in the primary functions such that management which emphasized planning, organizing, staffing and controlling (Fayol, 1916 cited in Huczynski and Buchanan, 2007: 499-450), leadership aimed to produce change and movement through establishing direction, aligning people, motivation and inspiration (Kotter, 1990 cited in Huczynski and Buchanan, 2007: 697-698). In addition, leadership was related to the concept of power as demonstrated in two categories on five bases: one is position power including legitimate power, reward power and coercive power, whilst the category is personal power including referent power and expert power (French and Raven, 1962 cited in Rollinson, 2008: 396). Overall, leadership can be understood by the traits, skills, behaviour and their interaction with situational and contingency factors in

general, and path-goal theory and leader-member exchange theory in particular, together with more contemporary school of thoughts relating to the comparison between transactional and transformational leadership. Furthermore, because increasing globalization that has created a need for leaders with greater understanding of cultural differences and enhanced competencies in cross-cultural communication and practices, cultural leadership with reference to the Confucian Asia leadership profile in the GLOBE project is discussed.

The first main direction of leadership theory took was the trait approach by identifying the attributes of great leaders, whereby it was believed that leaders were born, not made (Bernard, 1926 cited in Horner, 1997: 270), and it was these special traits that differentiated leaders from followers. Hence, if a unique set of traits can be identified from personality, physical and mental characteristics, people could be simply and quickly assessed and put into leadership positions. Based on this belief, a multitude of research (Stogdill, 1974; Kirkpatrick and Locke, 1991) was undertaken aiming to define a universal set of traits. However, this belief was challenged through the failure to provide a definitive list of leadership traits, such as identified experience, knowledge, qualification, communication skills, an effective leadership style, which were the attitudes for an outstanding manufacturing manager. Indeed, Northouse (2010) found that some traits were consistently identified in many studies, such as intelligence, self-confidence, determination, integrity and sociability. In addition, a consensus emerged among researchers (Judge *et al.*, 2002) that there was a strong relationship between leadership and the traits described by the five-factor personality model. Extraversion was the trait most strongly associated with leadership, followed by conscientiousness, openness, low neuroticism and agreeableness. Furthermore, the latest trend of the research suggested that leaders who are sensitive to their emotions and to the impact of their emotions on others may be more effective leaders (Goleman, 1995, 1998; Mayer and Salovey 1995, 1997; Mayer *et*

al., 2000; Caruso and Wolfe, 2004 cited in Northouse, 2010: 23). However, the trait theory was further criticized for being highly subjective in determining the most important leadership traits from a very extensive and broad sets (Northouse, 2010), ignoring the situational and environmental factors that were influential in the effectiveness of leaders (Horner, 1997) and lacking of use for training and development purposes. Consequently, research was directed to look at competencies of leaders.

The second major leadership theory was the skills approach taken from a leader-centred perspective. Katz (1974) argued that effective leadership depended on three basic personal skills: technical, human and conceptual, and leaders were more effective when their skills matched their management level. For example, at upper management levels, conceptual and human skills are most important, and technical skills become less important. For middle managers, the three different skills are equally important, whilst at lower management levels, technical and human skills are most important, and conceptual skills are less so. In the 1990s, Mumford *et al.* (2000) advanced Katz's three-skill approach to formulate a model including five components of effective leader performance: competencies, individual attributes, leadership outcomes, career experiences and environmental influences. Its principle was that leadership outcomes (effective problem solving and performance) can be explained by the leader's competencies (problem-solving skills, social judgement skills and knowledge) and these competencies were in turn affected by the leader's attributes (general cognitive ability, crystallized cognitive ability, motivation and personality), leader's experience and the environment. Since this approach was questioned in not having much difference from the earlier trait theory, whereby the individual traits of cognitive abilities, motivation and personality played a large role in the model, researchers started looking at what successful leaders do, not how they look to others.

Consequently, the third trend considered the styles of leaders, focusing on what they do than who they are (Halpin and Winer, 1957; Hemphill and Coons, 1957 cited in Horner, 1997: 272). This style approach (originated from three different lines of research: the Ohio State University studies, the University of Michigan studies and the work of Blake and Mouton on the Management Grid) believed that leaders engaged in task and relationship behaviour, whereby its goal was to find the best way for leaders to combine these two behaviour. However, their results have been inconclusive. In particular, it implied but failed to support fully the idea that the most effective leadership style was a high task and high relationship style. Nonetheless, this approach has many strengths (Northouse, 2010), for example, it has broadened the scope of leadership research to include the study of the behaviour of leaders rather than only their personal traits or characteristics. Moreover, it has provided a valuable framework for assessing leadership in a broad way, measuring behaviour with task and relationship dimensions. In addition, the trend was shifted to the situation in which the leader existed.

The fourth development of leadership theory represented a shift in leadership research from focusing on only the leader to looking at the leader in conjunction with the situation in which the leader worked, so this approach dealt with situations and believed that these demanded different types of leadership (Fiedler and Chemers, 1974 cited in Northouse, 2010: 111-113). Consequently, a number of studies were carried out to identify these contingency variables, which were explained in four areas: the situational approach, the contingency theory, the path-goal approach and leader-member exchange theory.

First, the Situational Leadership II mode (Reddin, 1967; Hersey and Blanchard, 1969; Blanchard, 1985 and Blanchard *et al.*, 1985 cited in Northouse, 2010: 89-92) stressed four leadership styles: directing, coaching, supporting and delegating based on directive (task) behaviour and supportive (relationship) behaviour. The essence of the situational leadership required that a leader matched their style to the competence and commitment of subordinates. Effective leaders were those who can recognize subordinates' needs and then adopt their own style to meet those demands.

Second, the most widely recognized framework for effectively matching the leader and the situation is contingency theory (Fiedler, 1964, 1967; Fiedler and Garcia, 1987 cited in Northouse, 2010: 111-113). Within this framework, leadership styles were described as either task or relationship motivated. The former was concerned primarily with reaching a goal, whereas the latter was concerned with developing close interpersonal relationships. According to this theory, the utilization of an appropriate leadership style is contingent on three situational variables: leader-member relations, task structure and position power.

Third, in contrast to the situational approach and the contingency theory, the path-goal approach was derived from expectancy motivation theory and developed to explain how leaders motivate subordinates to be productive and satisfied with their work. In essence, it was a contingency approach to leadership because effectiveness depended on the fit between the leader's behaviour and the characteristics of subordinates and the work setting (House, 1971; House and Mitchell, 1974). The challenge for a leader was to select one style from four types of behaviour (directive, supportive, participative or achievement oriented) to help subordinates reach their goals. In particular, it suggested that directive leadership was effective with ambiguous tasks, that supportive leadership was effective for repetitive tasks,

that participative leadership was effective when tasks are unclear and subordinates are autonomous, and that achievement-oriented leadership is effective for challenging tasks.

Fourth, similar to the path-goal approach, leader-member exchange theory conceptualized leadership as a process focusing on the interactions between leaders and followers. The previous studies (Dansereau *et al.*, 1975 and Graen, 1976 cited in Northouse, 2010: 147-149) treated followers in a collective way using an average leadership style, whereby they categorized the overall work unit into two types of group members: the in-group who got on well with the leaders and were willing to expand their role responsibilities, whilst the out-group maintained only formal hierarchical relationships with their leaders by following job descriptions. Consequently, in-group members received extra influence, opportunities and rewards, out-group members received standard job benefits. In contrast, subsequent studies recognized the differences between the leader and each of followers, and interested in how leader-member exchanges affected organisational performance. Furthermore, this theory explained how leaders used in-group members more than out-group to effectively accomplish organisational goals, but the perceived inequalities caused by in-groups who received special attention and rewards can have a devastating impact on the feelings, attitudes and behaviour of out-group members. Hence, the division of group members was questioned for fairness and justice in the workplace.

In summary, Horner (1997) commented that optimal success required evaluating the style of the leader, together with the situation and the characteristics of the followers. Hence, either the leader can be appointed to an appropriate situation or the situation can be altered to best match the leader. Furthermore, Horner (1997: 271) pointed out that the above reviewed leadership theories heavily depend on the study of motivation, suggesting that “leadership is

less a specific set of behaviour than it is creating an environment in which people are motivated to produce and move in the direction of the leader". Indeed, it called attention to the need to create the right environment, where people want to get involved and feel committed to their work, and then leaders are able to influence and direct the activities of others. Therefore, a review of the major motivation theories can help provide a better understanding of how a leader might create such an environment. Rollinson (2008) described motivation theory into two major streams: content and process theories, each of which deals with a different aspect of the subject when applying to leadership. The former stressed the needs and wants of people, which will drive them to behave in certain ways to satisfy these desires and achieve results (Maslow, 1943; Herzberg, 1966; McClelland, 1967; Alderfer, 1972 cited in Rollinson, 2008: 202-209), whilst the latter has implications for the approach leaders take to dealing with their followers, so it has strong focus on matters that influence the strength of the motive force and the ways in which a need gets translated into a particular pattern of behaviour (Vroom, 1964; Adams, 1965; Locke, 1968 cited in Rollinson, 2008: 228-237).

The examples of content theories include the hierarchy of needs theory (Maslow, 1943 cited in Rollinson, 2008: 202-204), where it proposed a set of needs in five levels (physiological, security, affiliation, esteem and self-actualisation), the ERG theory (Alderfer, 1972 cited in Rollinson, 2008: 204-205), where it built upon the Maslow (1943 cited in Rollinson, 2008: 202-204) theory and concluded three needs (existence needs, relatedness needs and growth needs), acquired needs theory (McClelland, 1967 cited in Rollinson, 2008: 208-209), where a wide variety of needs (need for achievement, need for power and need for affiliation) was suggested. Relating these to leadership, work typically satisfies some needs, consequently, leaders can develop an environment that helps meet people's more advanced or immediate needs. Furthermore, Herzberg (1966 cited in Rollinson, 2008: 206-207) divided features of

the work environment into two major groups: motivators and hygiene factors. The former are the factors that produce good feeling about work and people are motivated to achieve them, while the absence of the latter can cause people's dissatisfaction. Herzberg (1966 cited in Rollinson, 2008: 206-207)'s two-factor theory ties to leadership, because leaders may be interested in reducing dissatisfaction and increasing satisfaction to develop an environment more conducive to employee satisfaction and performance.

While the process theories are presented by expectancy theory, equity theory, goal setting, and reinforcement. Expectancy theory proposes that people engage in particular behaviours based on the probability that the behaviour will be followed by a certain outcome and the value of that outcome (Vroom, 1964 cited in Rollinson, 2008: 229-230). As leaders understand what people value, they can impact people's actions by defining what behaviours will produce desired outcomes. Equity theories suggest that people are motivated to balance their input/output ratio with others' input/output ratio (Adams, 1965 cited in Rollinson, 2008: 233-234). This indicates a delicate balance based on individual perceptions that may or may not accurately represent reality. Finally, goal setting theory takes a somewhat different approach, suggesting that people are motivated to achieve goals, and their intentions drive their behaviour (Locke, 1968 cited in Rollinson, 2008: 235-236). Performance goals, therefore, set by either leaders or individuals themselves contribute to determining what behaviours will be exhibited.

In general, motivation theories provided a platform for the comparison of transactional versus transformational leadership, which emerged over the past two decades (Horner, 1997). In particular, one of the newest and most encompassing approaches to leadership is transformational leadership (Northouse, 2010). For example, Lowe and Gardner (2001) found that one third of the articles published in *Leadership Quarterly* during the period of 1990-

1999 were about transformational leadership, which clearly indicated that this approach gained popularity and was perceived as the centre of leadership research. Being part of the 'New Leadership' paradigm, transformational leadership stressed intrinsic motivation and follower development in order to cope with the current work needs in the turbulent environment (Bass and Riggio, 2006 cited in Northouse, 2010: 171), whereby the root of this approach was in the early writings of House (1976), Burns (1978), Bass (1985), Kouzes and Posner (1987) cited in Northouse (2010: 173-175). In particular, Burns (1978) distinguished between two types of leadership: transactional and transformational. The former emerged from a more traditional view of workers and organisations, whereby leaders utilised the position power for followers' task completion, referring to the exchange between leaders and followers. In contrast, the latter incorporated charismatic and visionary leadership, whereby it was concerned with emotions, values, ethics, standards and long-term goals and was attentive to assess followers' motives, satisfy their needs and help them reach their fullest potential. Furthermore, transformational leadership can be examined by the Multifactor Leadership questionnaire (Bass, 1985), which measured a leader's behaviour in seven factors: idealized influence/charisma, inspirational motivation, intellectual stimulation, individualized consideration, contingent reward/constructive transactions, management-by-exception and laissez-faire behaviour. Bass (1985) argued that charisma was a necessary but not sufficient condition for transformational leadership, suggesting to devote more research attention to the emotional elements of charisma, believing that high scores on individualized consideration and motivation factors were most indicative of strong transformational leadership.

Furthermore, increased globalisation brought the challenges to organisations to select appropriate leaders who had great awareness of cultural differences and were able to manage culturally diverse employees (Hose and Javidan, 2004). Indeed, Adler and Bartholomew (1992) suggested five cross-cultural competencies that global leaders need to develop: first, to

gain the knowledge of international business environment; second, to learn the perspectives of other cultures; third, the abilities of integrating with people from different cultures, fourth, the adaptabilities to living and communicating in other cultures, and the last was to understand and implement the concept of equality rather than cultural superiority. Given that the trend of globalisation and the importance of understanding cultural sensitivity for leaders, House *et al.* (2004 cited in Northouse, 2010: 342-343) developed a GLOBE project specialised in the field of culture and leadership. According to their research, China was categorized in the culture cluster of Confucian Asia, whereby its leadership profile was described as self-protective, team-oriented and people-oriented. Despite the fact that this type of leadership was independent and to some extent inspiring, it did not involve others in goal setting and decision making. In summary, the Confucian Asia profile described leaders who cared about others, but used status and position to make independent decisions without others' input.

3.2 Analoui's leadership framework

It is difficult to define and capture a consistent definition of a successful leader from the reviewed literature (Horner, 1997), because measures of effectiveness are very complex to identify and isolate (Hogan *et al.*, 1994). Nevertheless, some general attributes have been agreed upon, for example, Stogdill (1974) and Bentz (1990) cited in Horner (1997: 275) found significant correlations between leadership effectiveness and the personalities of surgency, emotional stability, conscientiousness, and agreeableness. Northouse (2010) described leaders as people who had the skills to communicate their needs to others in a way that gained their support, whilst Lippas (1996: 14) viewed that "the leadership focus of knowing what you want and when you want it distinguishes exceptional from average leaders" and Fiedler (1967 cited in Northouse, 2010: 111-113) looked at the productivity of followers to measure leadership effectiveness. Following the work Bentz (1990) who listed some negative behaviour of the leader, such as arrogance, untrustworthiness, moodiness,

insensitivity, compulsiveness and abrasiveness, Hogan *et al.* (1994) furthered this approach to study both positive and negative behaviour. Consequently, given the repeated and recent emphasis on identifying attributes and behaviour associated with successful leadership (Hogan *et al.*, 1994; Lappas, 1996), Horner (1997) commented that the objective of defining successful leadership appeared to lack of satisfactory accomplishment, and therefore urged researchers to consider a different angle to add insight to the search for understanding about leadership.

One example of this is the eight-parameter framework (Analoui, 1999) including: managerial perception (first parameter), the need for managerial skills (second parameter), organisational criteria (third parameter), motivation (fourth parameter), the degree of demands and constraints (fifth parameter), presence of choices and opportunities for effectiveness (sixth parameter), nature of inter-organisational relationships (seventh parameter) and dominant managerial philosophy (eighth parameter), and argued that these eight parameters are coherent and interlinked to determine and influence senior managers' effectiveness primarily being applied to the public sector in developing countries, such as Zimbabwe, India, Romania and Ghana (Analoui, 1990, 1995, 1997 and 1999). Nonetheless, it has not previously been utilised in the private sector of a transitional economy like China (Bao, 2009). Therefore, the researcher decided to further its study by adopting this framework in this research.

In relation to the first parameter of management perception, the researcher viewed the trait theory as a particularly valuable approach in providing useful information about leadership for individuals and organisations. For the individuals who aspired to a leadership position, this approach provided the direction regarding which traits were good to have so that individuals can evaluate their strengths and weaknesses, for example, by taking personality

tests to gain insights into whether they have certain traits deemed important for leadership. For organisations, the trait approach was beneficial for improving their managers' awareness and effectiveness as they can refer to the trait information to assess where they stand and what they need to do to strengthen their position in the organisation. Considering these strengths and the latest trends where "trait research has come full circles with a renewed interest in focusing directly on the critical traits of leaders" (Northouse, 2010: 35), the researcher proposed two trait-related questions based on the first parameter, asking senior managers in both the questionnaire survey and interviews "*How would you describe an effective leader?*". Furthermore, survey respondents were asked their opinions on "*if a senior manager/leader should (a) have the right personality, appearance and attitude; (b) be caring, inspirational, visionary and ethical; (c) take risk and create opportunities; (d) have his/her style consist with hostile and changing environment; (e) motivate knowledge workers and develop learning organisation*".

For the second parameter of the need for managerial skills, the researcher considered the skills theory as an approach to conceptualize this aspect of the leadership for the following reasons. First, it emphasized the importance of a leader's abilities. Second, it pointed out that skills were competencies that everyone can learn to develop and improve. Third, it explained how effective leadership performance can be achieved. Last, it provided a structure for leadership education and development programmes. The literature showed that the foreign MNCs encountered difficulties in finding the right candidates for senior management positions due to the shortage of appropriate managerial skills (Tsang, 1994). This was initially caused by the ten-year Cultural Revolution since 1966, where people were forced to learn from the farmers because of the closure of education institutions (Tsang, 1994). Furthermore, the former centrally planned economy severely restricted the opportunities for Chinese managers to

exercise their abilities and managerial skills due to the limited autonomy in decision-making. For example, senior managers were required only to focus upon the production, whose rewards were based on seniority with no bonus incentives. As a result, the series of managerial skills, such as the capabilities in corporate planning, marketing, finance and HRM, was scarcity, the supply of which could not meet the demands of foreign JVs following the China open door policy in 1978 (Tsang, 1994). Moreover, because mistakes were seriously penalized and achievements were seldom recognised and rewarded, senior managers are reluctant to make independent and risky decisions, rather perceiving themselves as information passing channels between higher authorities and subordinates. Since the mid-1980s, Chinese government was decentralized with more autonomy being delegated to enterprises and more authority being given to Chinese managers. Subsequently, Chinese managers were undergone a series of adjustment and a period of transition, exercising greater decision-making responsibilities. Considering these changes, the researcher was keen to examine the managerial skills and style in foreign MNCs given that the challenge of mixing different cultural background. Therefore, the researcher asked the survey respondents to tick as many as apply from the choices of “*Managing people*”, “*Managing tasks*” and “*Analytical and career development skills*” to response the question of “*What managerial skills are essential for ensuring your effectiveness?*”. In addition, the interview participants were also questioned on “*What skill should an effective manager have?*”.

The applications of the third parameter (organisational criteria), the fourth parameter (motivation), the fifth parameter (degree of demands and constraints), the sixth parameter (presence of choices and opportunities for effectiveness) and the seventh parameter (nature of inter-organisational relationships) coincide with what the theories of situational, contingency, path-goal and leader-member exchange indicated. In brief, the situational approach suggested

that a leader must adapt to the development level of subordinates. The contingency theory sought to achieve the match between the leader's style and specific situational variables, such as leader-member relations, task structure and position power, whilst drawing upon motivation theory, whilst the path-goal approach stressed the relationship between the leader's style, the characteristics of the subordinates and the work setting, thereby to diagnose and complement the missing elements in the work setting, leaders applied an appropriate style to motivate followers for the accomplishment of designated goals. Unlike other approaches, leader-member exchange theory is unique in making the leader-member relationship the focal point of the leadership process, whereby the importance of effective communication was raised. In general, researchers determined that good leader-member exchanges resulted in followers feeling better, accomplishing more and helping the organisation do well (Liden *et al.*, 1993).

Therefore, a question of *“What do you believe to be the criteria for effectiveness in your company?”* was surveyed in response to the third parameter of organisational criteria, and *“What motivates you towards your managerial/leadership effectiveness?”* in relation to the fourth parameter of motivation. In relation to the fifth parameter of investigating the degree of demands and constraints for the effectiveness of senior managers, the researcher put forward a question of *“What prevents you from being effective in your company?”* in the survey, and a similar question of *“What are the main constraints and demands faced by effective managers?”* was addressed during the interviews. Furthermore, the sixth parameter of the presence of choices and opportunities for effectiveness was examined through a survey question of *“What choices do you believe would improve senior management effectiveness?”*. Corresponding to the seventh parameter in terms of nature of inter-organisational relationships, survey respondents were asked to present their views on the following

statements: “(a) Do you believe that your effectiveness is influenced by the overall effectiveness of your organisation; (b) Is your effectiveness influenced by the degree of intra-connection with other departments in your organisation; (c) Is your effectiveness influenced by the company’s degree of connection with other organisations nationally and internationally and (d) Do you believe that your effectiveness is influenced by your relationship with others outside your organisation”.

In terms of the last parameter of dominant managerial philosophy, the researcher considered the adoption of the more contemporary approach of transformational leadership, which appeared to be a valuable and widely used method. It involved an exceptional form of influence that transformed followers to accomplish more than what was usually expected of them. Therefore, transformational leaders were recognized as change agents and good role models, who can create and articulate a clear vision for an organisation, who understand and adapt the needs and motives of follower, who empower followers to meet higher standards, who act in ways that make others to trust them and who give meaning to organisational life. Therefore, a perception-focused question was specified in the survey to gain insights of senior managers’ views on “*Do you see yourself as one of the key decision-makers*”.

3.3 Firm performance and senior managers’ effectiveness

Attention has been drawn regarding the role of the firm’s top management team (TMT) in creating sustainable competitive advantage and gaining superior performance (Carmeli and Tishler, 2006). TMT was defined in the literature (Hambrick and Mason, 1984; Krishnan and Park, 1998) as consisting of chief executives (i.e. General Manager, CEO and President) and deputies of chief executives (i.e. Deputy Manager, Vice President, General Accountant, Chief Finance Officer and the next highest tier). The researcher’s definition of senior managers is in line with the term of TMT, which in this research are those people who are either CEO,

deputy CEO, the head of departments or the head of each section within departments. In other words, it included the people who have the potential influence on the organisation effectiveness.

The study of TMT was originated from the upper-echelon theory (Hambrick and Mason, 1984) based on the belief that the quality of the TMT has a critical role in making the organisation distinct from its competitors and is crucial to position the organisation strategically in the market. Hence, the demographic profile of TMT affects firm performance (Michel and Hambrick, 1992; Wiersema and Bantel, 1992; Weinzimmer, 1997; Pegels *et al.*, 2000; Carpenter, 2002; Lyon and Ferrier, 2002 cited in Wei *et al.*, 2005). Likewise, Castanias and Helfat (1991: 157) proposed the role of a firm's TMT was to "organise and direct all the activities of the organisation by making and implementing strategic and operational decisions capable of creating rents that cannot be taken away by competitors". Thereafter, it was concluded that TMT was a key resource for success due to the significant influence it has on the firm's strategic decisions and their implementation (Hambrick and Mason, 1984; Barney, 1991; Castanias and Helfat, 1991; Wiersema and Bantel, 1992). In addition, the ability of managers was also emphasised as to "understand and describe the economic performance potential of a firm's endowments", which depended on the integration of relevant managerial skills (Barney, 1991: 117). Therefore, given that the skills and abilities, motivation and effective processes of TMT members are central to a firm's sustainable competitive advantage (Pitcher and Smith, 2001), the following reviews the managerial trait and skills of TMT and its link with firm performance from previous studies.

3.3.1 Managerial skills of top management team and firm performance

The managerial skill of trait was defined as "a variety of individual attributes, such as personality, temperament, needs, motives and values" and managerial skill as "the ability to

do something in an effective manner” (Yukl, 2010: 175-176). Carmeli and Tishler (2006: 14-17) noted that a number of researchers (i.e. Katz, 1974; Stogdill, 1974; Whetten and Cameron, 2001; Yukl, 2010) have identified managerial skills that effective leaders should possess, which were mainly studied within the fields of leadership and strategy. For example, Yukl (2010) built upon the work of Stogdill (1974) and argued there to be nine skills as the characteristics of successful leaders: “(1) intelligence (ability to understand and learn quickly and easily); (2) conceptual skills (a general analytical ability enabling one to analyse events, perceive trends, anticipate changes and recognise); (3) creativity (the production of novel and useful ideas by an individual or small group of individuals working together); (4) diplomacy and tact (exhibiting consideration and sensitivity in dealing with others and avoiding giving offence); (5) fluency in speaking (effective verbal communication with firm’s constituencies); (6) knowledge about group tasks (creating collaborative behaviours within a team to produce good communication, coordination, balance of member contributions, mutual support, effort, and cohesion among team members); (7) organising skills/administrative ability (a combination of technical, cognitive and interpersonal skills which enable the ability to coordinate and organize the elements within a system); (8) persuasiveness (the power to induce the taking of a course of action or the embracing of a point of view by means of argument or entreaty, the strength of his argument settled the matter) and (9) social skills (knowing how to interact wisely with others)”. Furthermore, managerial skills have also been linked with competitive advantage followed by the emergence of the resource-based view (Mahoney, 1995).

Leadership theories perceived the managerial skills and traits as a source of distinction between leaders and non-leaders, focusing upon what makes an individual manager or leader successful (Stogdill, 1974; Yukl, 2010). However, the capability of an individual manager in

influencing the organisation was questioned. For example, Hunt (1991 cited in Carmeli and Tishler, 2006: 13) suggested that it was unlikely for an individual manager to possess all the managerial skills that were required for the successful operation of a complex organisation, even though this manager was talented. This view was supported by O'Reilly *et al.* (1993: 150) who commented that the literature of TMT research provided “clear support for the conclusion that the top team, rather than the individual person, has the greatest effects on organisational functioning”. Therefore, Hunt (1991 cited in Carmeli and Tishler, 2006: 13) proposed that an effective TMT was likely to possess complementary managerial skills that were aligned with the organisation’s external and internal strategic elements. Indeed, Castanias and Helfat (1991) suggested the ongoing search to identify and understand the most important TMT skills and characteristics is essentially a search to understand the nature of superior management.

In addition, a series of studies were undertaken relating managerial skills to firm performance. For example, Hambrick and Mason (1984) and Finkelstein and Hambrick (1996) cited in Wei *et al.* (2005: 231) showed that a highly qualified TMT was essential to enhancing firm performance, while Whetten and Cameron (2001 cited in Carmeli and Tishler, 2006: 16) commented that high-performance organisations had managers with well-established and developed people skills. However, given the paucity of empirical work, Carmeli and Tishler (2006) undertook research that supported the existing literature that managerial skills possessed by the firm’s TMT strongly affect firm performance. Nevertheless, they argued that it was not so much the particular skill that each of the senior managers possessed but rather how they complemented one another to affect organisation outcomes. Furthermore, according to Tsang (1994), one issue affecting China was the shortage of appropriate managerial skills due to the following reasons, first, the Cultural Revolution severely disrupted education,

training and development; second, central planning meant that managers had little autonomy; third, mistakes were severely penalised, but achievements were not recognised and rewarded accordingly; and finally, although important decisions were made by collective consensus because individuals were unwilling to take risky decisions and managers were seen as information passing channels. Hence, this research was constructed to investigate the current situation in China and sought to draw up a set of managerial skills as possessed by top managers in foreign MNCs' Chinese subsidiaries with an aim to influencing firm performance.

3.3.2 TMT's demography and firm performance in China

Furthermore, Hambrick and Mason (1984) argued that an organisation's strategic choices and performance level are associated with its top managers' managerial background characteristics, hence explaining why TMT has been extensively studied. Indeed, a number of studies confirmed the link between TMT demographic characteristics and organisational performance (Michel and Hambrick, 1992; Wiersema and Bantel, 1992; Weinzimmer, 1997; Pegels *et al.*, 2000; Carpenter, 2002; Lyon and Ferrier, 2002 cited in Wei *et al.*, 2005). For example, Lyon and Ferrier (2002) supported this positive relationship between TMT heterogeneity and firm performance base on the improved product-market innovation.

Nonetheless, given the different institutional and cultural setting in China, Wei *et al.* (2005: 231) contended that "whether and how TMT demography has an impact on organisational outcomes in Chinese firms remains unknown". Thereafter research was undertaken regarding a sample of Chinese firms drawn from companies listed on both the Shenzhen and Shanghai stock exchanges, which comprised various forms of enterprises (i.e. local Chinese enterprises and joint ventures). As a result, the researcher felt it appropriate to exclusively focus upon the study of foreign MNCs' Chinese subsidiaries since there was a clear paucity of knowledge regarding their TMT demographic characteristics. This led to the design of the demographic

profile section in the survey, which sought to address this research gap and contribute to the understanding of the demography of foreign MNCs' TMT and firm performance in the context of China. Accordingly, the limited existing literature on demographic characteristics of TMT in Chinese firms is now reviewed in terms of gender, age, the education level and occupational background, in conjunction with the discussions derived from previous empirical studies on its link with organisational performance.

To the researcher's best knowledge, the study conducted by Wei *et al.* (2005) appeared to be the sole research investigating the impact of TMT's demographic characteristics on firm performance in China. Concerning age, the literature confirms a positive relationship between TMT age and firm performance (i.e. Hambrick and Fukutomi, 1991; Tihanyi *et al.*, 2000; Wei *et al.*, 2005). Indeed, the age of TMT members was perceived as an important factor in determining their ability to generate success for the business and make an impact on firm performance (Hambrick and Fukutomi, 1991). In general, the mainstream of the research found that relative youth is thought to be an advantage (i.e. Hambrick and Fukutomi, 1991; Tihanyi *et al.*, 2000). As Pegels *et al.* (2000) commented, the younger the TMT, the better will be the strategic asset accumulation capabilities in the firm, whereby younger managers are seen as flexible and open to new ideas in addition to being more associated with strategic change (Hambrick and Fukutomi, 1991; Wiersema and Bantel, 1992). For example, Tihanyi *et al.* (2000) found that younger managers are more likely to undergo the strategic initiative and risk associated with international diversification.

However, the study of Wei *et al.* (2005) showed a contradicting result with a mean age of 40, suggesting older managers may be relatively more valuable due to the '*guanxi*' (personal connection) they have developed with important officials, together with possessing greater

experience, which is critical for decision-making and strategic choices in the complex Chinese environment, in particular given that the current stage of economic development and immature group structures and processes. Indeed, Wei *et al.* (2005: 232-233) believed that the firm performance is achieved through older managers due to “their experience of providing critical insight of their industries” and “their well-established personal relationship with industry leaders and government officials over the years”, indicating the particular relevancy of seniority in China. In addition, government remains the largest and most powerful influence on Chinese enterprises (Chen, 2001 cited in Wei *et al.*, 2005), hence building-up good a relationship with it is helpful for organisational survival and development. Moreover, given that the relationship takes time to establish and develop, then in this respect, older managers have an advantage over their younger counterparts in Chinese firms. Indeed, along with the characteristic of ‘*guanxi*’ (personal connection), Chinese culture also possesses value for the respect for age (Lockett, 1988). However, whilst this adds strength for maintaining a person’s position in the social hierarchy, it makes it difficult to resolve problems since it inhibits any challenge to older managers.

Nevertheless, the opinion that older managers are beneficial for organisational success might be criticized for its applications in the current development stage of China, where risk-taking and adaptability are assumed valuable attributes, which is undergoing a series of changes following the globalisation and internationalisation of business. Hence, such institutional changes create instability and uncertainty and bring the need to learn and adapt quickly, which might raise younger managers’ advantage since older managers are more resistant to change and more likely to follow the status quo (Hambrick and Mason, 1984). Indeed, as Wei *et al.* (2005) predicted, as China continues to develop, then the relative balance between these abilities is likely to change. Hence, it is important to note that younger managers may become

relatively more valuable as China rapidly integrates into the world economy and business becomes more market based. Consequently, market-related knowledge and business experience are becoming more important, whereby over time, young managers educated in the modern system may be able to contribute relatively more than older managers who had gained experience under the planned economy (Peng, 2003).

In terms of the gender, Wei *et al.* (2005) indicated the male dominance in TMT in China, whereby in this research seven from eight interviewees of Chinese top managers explained the male dominance is due to the unique characteristics of Chinese culture and the transitional state of the Chinese economy. For example, Confucianism being the foundation of the Chinese cultural tradition stresses the role of the male in family relations, which is then extended to society (Fan, 2000).

Relating to the level of education, Hildebrandt and Liu (1988) showed that 27.6% of 436 Chinese managers held the equivalent of a Bachelor degree and only 0.7% a Master degree. Based on this situation, the Chinese government increased its awareness and made an attempt to raise the managers' quality by attracting youngsters with higher education qualifications into the profession and upgrade managers' modernisation by providing management seminars and specialized training courses, together with establishing collaborations with overseas institutes (Borgonjon and Vanhonacker, 1992 cited in Tsang, 1994: 17). Although according to Wei *et al.* (2005) the range of top managers' education level was from a High School certificate to a Master degree, most of the TMT members (63%) in their study had a Bachelor degree, whilst 13% held a Master degree and 25% only a High School certificate. Therefore, although the situation with top managers' education level improved, the level of Chinese executives' education with significant number holding an undergraduate degree is still a cause

for concern. Hence, although the role of education was recognised in bringing about more perspectives on decision-making, Wei *et al.* (2005) argued that the contribution of education level in improving performance and the diversity of education would not necessarily lead to more creativity and innovation.

Similar to the education level, the diversity of TMT's occupational background can have a beneficial or detrimental impact on a firm (Wei *et al.*, 2005). For example, the firm may benefit from improved communication and cooperation among its top managers who share similar backgrounds, but at the expense of losing diversified opinions. However, if the members of the firm have different backgrounds, then the firm may suffer from inter-group conflicts. Therefore, this issue needs to be critically looked at, since possessing functional experience and similar occupational background would help managers to foster a broader view and a comprehensive understanding of business development. On the other hand, it would also be crucial to go through a number of different experiences and raise the attention to the quality and content of the experience (Wei *et al.*, 2005).

4. Measures and determinants of firm performance

This section presents the discussion of dependent variables and independent variables used in the examination of the impact of the effectiveness of HR policies and senior managers on the performance of foreign MNCs' subsidiaries in China. Dependent variable used in this research is the perceived firm performance in the form of financial measures. Whereas independent variables include HR policies and practices, business strategies, senior managers' perception and effectiveness and Chinese culture factors. Variables can be measured through objective data or subjective means. Objective measures of variables particularly in the area of firm performance, such as return on investment based on accounting data, would seem more

appropriate, and many American-based studies relied on rich archival sources of objective organisational performance data, so in comparison, self-reported evaluations tend to be biased and it creates a limitation in the analysis (Bae *et al.*, 2003). However, the use of objective measures would be problematic and difficult in this research, given that many companies in Asia are reluctant to disclose financial data, so the necessary information is often not available (Bae *et al.*, 2003). Furthermore, seeking perceived subjective data is adequate considering the more exploratory nature of this research. Besides, some leading studies of the HRM practices and organisational performance relationship have also built upon perceptual measures of performance, such as Delaney and Huselid (1996), Lahteenmaki *et al.* (1998), Ngo *et al.* (1998), Fey *et al.* (2000), Huang (2001), Bae *et al.* (2003), Andersen *et al.* (2007). Indeed, Dess and Robinson (1984) believed that the subjective means could be seen as appropriate and reliable alternative indicators at the absence of objective criteria. This was supported by Delaney and Huselid (1996) who argued that in the absence of objective data self-reported measures can constitute an acceptable substitute which are equally reliable. For instance, Dollinger and Golden (1992) demonstrated that organisational performance rated by self-reported measures was positively correlated with objective performance indicators.

4.1 Dependent variables

The information on firm performance can be obtained via multiple measures including financial outcomes (Delaney and Huselid, 1996). The research adopted this measure, so in terms of financial outcomes, the researcher looked at this dimension. Respondents were asked to compare the performance of their companies with the industry average over the past three years based on five performance indicators (average return on investment, average profit, profit growth, average return on sales and average market share growth) on a Likert-type scale ranging from 1 (well below) to 5 (well above). Further, scores for these five items were averaged into a single performance variable in order to simplify the process.

4.2 Independent variables

The principal independent variable in this research is the firm's HRM system, together with several other variables such as the cultural factors, business strategies, and the senior managers' effectiveness. Various Likert-style items were used to measure independent variables argued to reflect the underlying dimensions of the influential factors upon firm performance. In some cases, the scales of measures developed by other researchers were adopted, while, in other instances, the researcher constructed some items.

Firstly, the examination of the HRM system was based on multiple questions being contained in both questionnaires and interviews. For instance, in Section D of the questionnaire on firm performance, where respondents were asked to indicate the influential power of four HR practices (recruitment and selection of suitable staff, provision of proper motivation and reward for staff, suitable training and development policies and practices, and relevant annual performance appraisal) to the success of their companies on a Likert-type scale ranging from 1 (little) to 5 (very much). Moreover, the relationship between HRM system and firm performance was investigated by obtaining the degree of respondents' agreement with the following statements: *HR policies are creating competitive advantages, HR policies have a direct impact on firm performance, HR policies have a positive impact on firm performance, HR policies positively affect employees' commitment, employees' commitment has a positive impact on firm performance, HR policies positively affect employees' job satisfaction, job satisfaction has a positive impact on firm performance and HR policies influence individual performance*. This was measured on a Likert-type scale where 1 represents strongly disagree and 5 shows strongly agree.

Secondly, the researcher employed a subjective measure of the impact of Chinese cultural factors on HR policies from a scale developed by Hofstede (1993) in five cultural value dimensions (power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and long-term/short-term orientation) derived from the existing literature where the importance of preserving 'face' and maintaining 'personal connections' were emphasized (Lockett, 1988). Furthermore, the relationship between cultural factors and firm performance was also examined by proposing the questions of "How do you see the impact of Chinese culture on the development of HR policies in your company?" and "how much do you agree that culture factors have a direct impact on firm performance?" in the interviews.

Thirdly, the fundamental assumption underlying SHRM is that organisations adopting a particular business strategy require HR practices that are different from those required by organisations adopting alternative strategies (Schuler and MacMillan, 1984; Schuler and Jackson, 1987; Jackson and Schuler, 1995), indicating that organisations following different strategies utilize different HR practices, and the greater congruence between their HR practices and their strategies, the superior resulting performance (Delery and Doty, 1996). However, Schuler and Jackson (1987: 216) argued that the pursuit of a common competitive strategy may be oversimplifying reality because it may be that "organisations actually need to have multiple and concurrent competitive strategies". They also pointed out the very essence of the top manager's job in terms of managing the conflicts and tensions that may arise as a consequence of using multiple strategies and the challenge of stimulating and rewarding different role behaviour. Nevertheless, the researcher used the scale of business strategy measures from the definitions of Schuler and Jackson (1987) of cost-reduction, innovation and quality-enhancement, and then examined if the selected companies employed a single or

multiple business strategy and the role of SMs' played in managing the interaction of HR practices with strategies. Firstly, cost-reduction measured the extent to which performance is monitored by a cost control system, so prices are set lower than those set by the competitors, and competitive power is maintained by cutting costs. In contrast, innovation reflected the extent of seeking new business opportunities and introducing new brands or products in the market. Finally, quality-enhancement covered the extent to which emphasizing quality improvement and securing a long-term competitive edge via continuous improvement. These were examined through seeking the views of respondents on the importance of these business strategies for their target market on a Likert-type scale ranging from 1 being least important to 5 being most important. Therefore, the scale consisted of three items.

Finally, another important independent variable in this research is the senior managers' effectiveness and their demographic profiles. The former was measured in Section C of the Questionnaire through a series of questions. such as trait-related question of *"How would you describe an effective leader?"*, skills-oriented questions of *"What skill should an effective manager have?"* and *"What managerial skills are essential for ensuring your effectiveness?"*, situational and contingency-focused questions of *"What do you believe to be the criteria for effectiveness in your company?"*, *"What motivates you towards your managerial/leadership effectiveness?"*, *"What prevents you from being effective in your company?"*, *"What are the main constraints and demands faced by effective managers?"*, *"What choices do you believe would improve senior management effectiveness?"*, in addition to the more contemporary concept of transformational leadership was sought through the question of *"Do you see yourself as one of the key decision-makers"*. In terms of SMs' demographic profiles, the respondents were asked to indicate their job titles, gender, age, highest education and professional qualification. Finally, the relationship between SMs effectiveness and HR

policies was also examined by asking respondents' perception of whether "HR policies are directly influenced by senior managers and their effectiveness at work" on a Liker-type scale (where 1=strongly disagree and 5=strongly agree).

In summary, the term of SHRM is expressed in two ways. First, the concept of 'strategic' referred to the necessity of generating added value and contributing to productivity and profitability, increasing shareholders' value and in this way maintaining the continuity of the firm, representing the added value, such as economic, efficient, effective, flexibility, quality and innovativeness. Second, the concept of 'human' referred to human beings, indicating the treatment in a humane way and the domain of moral values, such as fairness, legitimacy, participation, sustainability, trust and relational. Hence, SHRM implied both added and moral value (Paauwe, 2004), such that the superior performers of the future will be those who can satisfy both the social and financial expectations of their constituencies (Paine, 2003: xi cited in Paauwe, 2004: 5). Thus, given that the fact that the creative and unique blending of these two can contribute to a sustained competitive advantage and viability of the organisation in the long-term, the researcher intended to develop a more encompassing perspective on the concept of performance based not only on economic rationality, such as firm financial performance, which was added value, but also on other types of rationality, such as employee commitment, job satisfaction and individual performance, which represent moral value. Consequently, the researcher began with an overview of the background of the interest amongst both academics and practitioners in terms of the relationship between HRM and performance, together with how HRM can contribute to performance. The review of different theories and various models in this area provided the platform for introducing the guiding theory of Choice model as the conceptual framework of this research, which is discussed in the next chapter.

5. Conclusion

Increasing globalisation challenged organisations to seek approaches to maximise firm performance. Consequently, the considerable amount of attention was directed to the management of human resources and the appropriate leadership. With respect to this, a multitude of research was undertaken in the areas of human resource management, strategic human resource management, and organisational performance with an attempt to discover their relationship. Although the majority of theoretical and empirical studies have shown that an effective management of human resources contributes to the firm performance, there appears to be a scope to investigate this issue further in the foreign MNC's subsidiaries in China. In addition, the strategic role of senior managers in the decision making was also drawn attention to the linkage of their effectiveness, firm performance and human resource management. Based upon an extensive review of relevant leadership theories, an eight-parameter framework was adopted to coincide with the particular setting of this research. Furthermore, the measures of firm performance and its related variables were also outlined.

CHAPTER FIVE - RESEARCH FRAMEWORK

1. Introduction

This chapter is structured to outline a theoretical framework, which relates to the aim and objectives of the research and reflects the key themes of the literature. Hence, following a general review of the existing studies and a critical appraisal of various theoretical principles, the Choice model developed by Analoui (2002, 2007) was considered at the initial stage to be the best fit for the broad purposes of this research. However, drawing upon a further discussion of this model's strengths and weakness, the researcher felt the need to revise it to coincide with the specific setting of this research, in particular with respect to the set of established research questions. Therefore, the main structure of the original Choice model has been retained, for example, in relation to the systematic development of input, process and output stages, together with the disaggregated elements within each stage. However, the model is adapted through modification within the internal and external environment, whereby the researcher has specified business strategy and HR policies as the only two aspects of interest within the internal environment, and culture and MNCs' headquarters within the external environment. In addition, the researcher also exclusively focused upon firm performance as the only concern in terms of results within the output stage. Furthermore, the researcher also directed attention to the linkages between each stage and specifically extended this analysis to emphasize and explore their inter-relationship.

2. Research framework

It appeared to be essential and critical to briefly revisit the Choice model, whereby the researcher aimed to establish its integration with the research questions and explain the rationale of choosing this model as a guiding theory. Subsequently, a revised version was presented.

2.1 The Choice model

In order to develop a conceptual framework for examining HRM in a cross-culture context, it was important to define the meaning of HRM in the broadest sense (Boxall, 1995), given that the existing literature suggested that this concept was relatively new in comparison with more established academic disciplines, such as economics, sociology and psychology (Legge, 1995), and possibly non-existent in some developing countries (Schuler, 2000). UK academics developed their interest in HRM in the late 1980s and initially focused on the distinction between hard and soft versions of HRM (Storey, 1989), and tended to compare and contrast with the concept of PM, whereas the former was perceived as proactive, integrative and long-term focused, and the human resources within this perspective were seen as an asset, not a cost. In contrast, PM was conceptualised as reactive, command and control, and short-term oriented (Armstrong, 1987; Guest, 1987; Storey, 1992b; Legge, 1995). Moreover, drawing upon the work of Storey (1992a), Legge (1995), Torrington (1998), the researcher agreed with the view that HRM was a part of the gradual development of PM. Therefore, the researcher divided the literature review into the following chapters: the origins of HRM formed Chapter Two comprising three sections (overview of management, PM and HRM), whilst the theories beyond HRM were discussed in Chapter Three which consisted of three sections (strategic HRM, international HRM and strategic international HRM).

The researcher then directed attention to a set of defined aims and objectives in an attempt to address the identified gap in the literature. Specifically, in relation to its main aims in exploring senior management perception of the effectiveness of HR policies and the performance of foreign MNCs' subsidiaries in China, it implied the important role of senior management in the operation of organisations. Hence, the researcher sought to explore a model where the strategic position of senior management was emphasized and laid down as the centre of the research, together with the inclusion of elements such as firm performance, HR policies and procedures, business strategies, the highlight of MNCs' headquarters and their subsidiaries, and the culture influence. A number of theoretical models were developed in the HRM literature, such as the Harvard model (Beer *et al.*, 1984), the Matching model (Fombrun *et al.*, 1984), the Warwick model (Hendry and Pettigrew, 1990), the Guest model (Guest, 1997) and the Storey model (Storey, 1992b). The three classic models of Fombrun *et al.* (1984), Beer *et al.* (1984) and Guest (1997) were the first conceptual models explicating the relationship between HRM and performance (Zheng *et al.*, 2006), effectively mapping the field of HRM, addressing its key principles, classifying HRM practices and outcomes, together with the indication of their relationship (see Table 6).

Table 6 HRM and performance indicators

Authors/models	HRM practice variables	HRM outcome variables	Performance indicators
Beer <i>et al.</i> (1984) / Harvard model	Broadly defined as four HRM policy choices: <ul style="list-style-type: none"> • employee influence • HRM flow • reward systems • work system 	Specifically identified as: <ul style="list-style-type: none"> • commitment • competence • congruence • cost effectiveness 	Broadly defined as organisational effectiveness, individual and social well-being
Fombrun <i>et al.</i> (1984) / Matching model	Specifically examined four areas of HRM practices: <ul style="list-style-type: none"> • selection • rewards • appraisal • development 	No indicators in this respect	Broadly defined as performance
Guest (1987) / Guest model (1987)	Specially examined HRM polices on: <ul style="list-style-type: none"> • job design • recruitment/selection • appraisal • training and development • reward systems • communication • manpower flows • change management 	Specifically defined as: <ul style="list-style-type: none"> • integration • commitment • flexibility/adaptability • quality 	Specifically defined as: <ul style="list-style-type: none"> • high job performance • high problem-solving skills • high cost-effectiveness • low absence • low staff turnover • low grievance
Guest (1997) / Guest model (1997)	Specifically HRM practices cover: <ul style="list-style-type: none"> • selection • training • appraisal • rewards • job design • involvement • status and security 	Specifically defined as: <ul style="list-style-type: none"> • employee commitment • quality • flexibility 	Specifically defined as: <ul style="list-style-type: none"> • high productivity • high quality • high innovation • low absence • low labour turnover • low conflict • less customer complaints

Source: Adapted from Zheng *et al.* (2006: 1774-1775)

In particular, Beer *et al.* (1984 cited in Boxall and Purcell, 2008: 61-63) provided an early analytical framework that presented the determinants and effects of HRM, emphasizing the careful selection of HR policies so as to balance stakeholder interests with situational factors such as business strategy, workforce characteristics, management philosophy, and the legal and social context of operations. This model assumed that the adoption of appropriate HR policies would result in favourable HR outcomes and desirable organisational performance effects in the long-term. Therefore, Beer *et al.* (1984 cited in Boxall and Purcell, 2008: 61-63) linked the choices of HRM policies (i.e. employee influence, human resource flows, reward systems and work systems) with HRM outcomes (i.e. commitment, competence, congruence and cost effectiveness), which in turn had an impact on long-term consequences (i.e. individual welfare, organisational effectiveness and societal interests). However, it was criticized for being vague in indicating HRM inputs and performance factors. Furthermore, it did not provide clear direction of how the potential long-term benefits can be gained from the adoption of HRM practices.

In contrast to the Harvard model, Fombrun *et al.* (1984) demonstrated a HR cycle of four critical HRM practices: selection, development, appraisal and rewards, which contributed to performance at both individual and organisational level. This model emphasized the inter-relatedness and coherence of HRM activities and believed that a consistent HR system should reflect and support organisational structure and strategy. However, it was too broad in focusing on four aspects of HRM practices, whilst the enhanced organisational performance is deemed to be the result of individual employees' performance improvements. Furthermore, similar to Harvard model, no indication was given about how performance should be measured.

Drawing upon the weakness in the previous two models regarding a lack of detailed measurement of HRM practices, Guest (1987) sought to clarify this issue through an identification of four key policy goals (integration, employee commitment, flexibility/adaptability and quality), whereby it was believed that the consistent application of HRM policies could result in their achievement, in turn leading to enhanced HRM and superior organisational outcomes. However, this model was perceived as limited in relation to explain how to measure the performance outcomes. In addition, several performance indicators (i.e. low absence, staff turnover and grievance) were arguably HRM outcomes rather than firm performance measures. Consequently, Guest (1997) revised this early model from the perspective of strategic management and specified three HRM outcomes: high commitment (referring to the desire of belonging and the willingness to the organisation), high quality (involving the knowledge, skills and capabilities of employees) and the flexibility (standing for the functional flexibility of employees). This model suggested the application of an integrated set of HRM practices in order to achieve these three HRM outcomes and furthermore, that only when all three HRM outcomes were achieved, then behaviour change and higher performance can be attained. Compared to the Harvard and Matching model, Guest (1997) more effectively provided a valuable framework to examine the relationship between HRM and organisational performance (Zheng *et al.*, 2006). However, the criticism made to the earlier model remained in the current model.

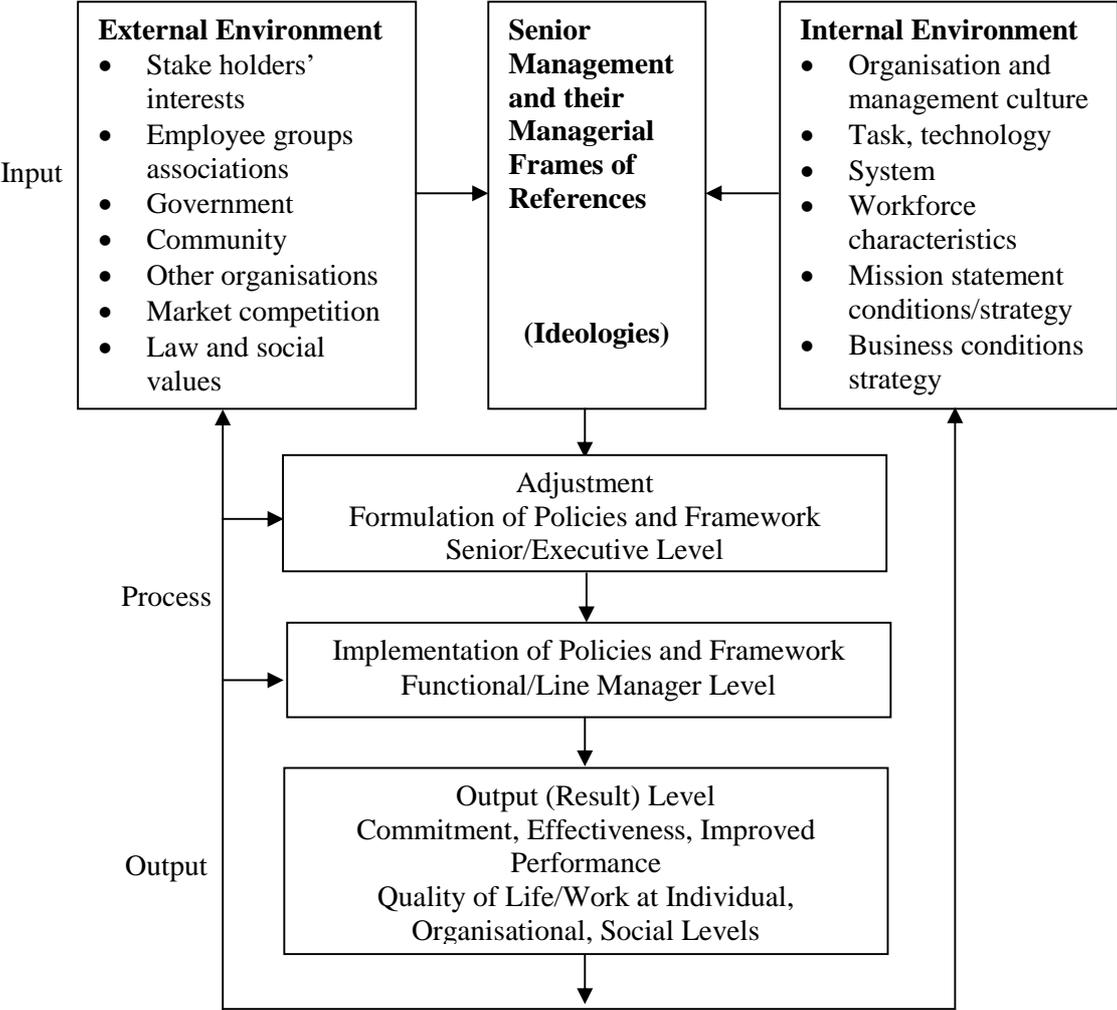
In summary, Sisson (1990) characterised some commonalities as exhibited in these HRM models, such as emphasizing the integration between HR policies and organisation's business plans, together with the responsibilities of line managers in HRM. Indeed, Analoui (2002) took into consideration of the need for aligning HR policies with organisation business strategies as stressed in other models, but further extended this idea and constructed a model

with the perception and effectiveness of senior managers being set in the centre, while considering the interpretative nature of social phenomenon and the complexity of human nature (Burrell and Morgan, 1979 cited in Analoui, 1999: 364), the ability of individual HR managers (Andersen *et al.*, 2007; Dany *et al.*, 2008; Zhu *et al.*, 2008), the strategic role of senior managers as decision makers (Analoui, 1999), the reality of their effectiveness (Kakabadse, 1983; Kakabadse *et al.*, 1987 cited in Analoui 1999: 362-364; Analoui, 1997a&b) in addition to the function of managers being mediators of the organisation culture from earlier generations to the present organisational behaviour (Laaksonen, 1988).

In addition, the relationships among the business environment, the role of managers and organisational outcomes increasingly become the focal point of interest in strategic management and organisation theory. For example, during the 1970s, at one extreme was population ecology theory, suggesting that organisations were inertial and that the environment played a key role in selecting the organisations that survive, with managers having little influence on organisational outcomes (Hannan and Freeman, 1977). At the other extreme was the strategic choice perspective, which suggested that managerial choices played a very important role in organisational actions and outcomes (Chandler, 1962 and Andrews, 1971 cited in Goll *et al.*, 2007: 202). According to this perspective, the most important task of top management was to align the opportunities and threats in the external environment with the strengths and weaknesses in the internal environment of an organisation. Although these two perspectives held contradicting views of organisations, a reconciliation between them took place during the 1980s (Hrebiniak and Joyce, 1985), whereby population ecology theorists acknowledged the possibility of organisational adaptation, and the strategic choice perspective recognised the inertial aspects of organisation (Hambrick and Finkelstein, 1987 cited in Goll *et al.*, 2007: 202).

Subsequently, Analoui (2002) acknowledged the latest development of these two merging views by incorporating all three components of environment, the role of managers and organisational outcomes into his model. However, this has been further differentiated by elevating the role of managers, who have been placed at the centre of the model to echo the view of strategic choice perspective. Indeed, Analoui’s Choice Model (2002) formed a realistic view acknowledging the political nature of the interactions of HR managers with peers and colleagues in work organisations, together with the contextual environment where the organisation functioned. As shown in Figure 5, its analytical structure was conceptualised in a systematic approach containing three stages: input, process and output.

Figure 5 The Choice model of HRM



Source: Adapted from Analoui (2007: 24)

At the input stage, the model is dominated by the feature of ‘the senior management and their managerial frames of references’ with an emphasis on its constant interaction with its external and internal environment. Indeed, Analoui (2007: 23) commented that unlike other models, managerial values, perceptions and awareness in the Choice model were being frequently affected by the internal and external information to which they were exposed. Analoui (2007) further argued that it was management that formulated the HR policies and directly influenced them, not the environment. Moreover, the quality of the organisation’s HR policies and the business strategies were determined by the degree of their management’s awareness and effectiveness, the constraints and choices available to them, the provision of motivation, and their skills and competencies (Analoui, 2007).

The process stage was transformed through two procedures: the formulation of policies at the senior/executive level and the implementation of policies at the functional/line manager level. The former was an influence on the quantity and quality of the output due to the element of ‘adjustment’ between business strategy and HR policies at the senior/executive level. Analoui (2007: 24) stressed that “the HR functional and work system policies were greatly influenced by the degree of adjustment at this level, and the greater the adjustment, the better the fit and consequently the higher the probability of achievement of the intended results”. In contrast, the latter was mainly concerned with the application of the policies at the functional and line management level, who not only implemented the organisational policies, but also utilised their authority and exercised a number of ‘choices’ based on their understanding of the organisation’s business strategies to ensure the effective implementation of policies.

At the final stage of the output, results were meant to create the desired strategic changes to achieve the business strategies of the firm. The consequential changes (i.e. increased commitment, effectiveness, and improved performance) will ensure the presence of a sustained growth based on the creation of competitive advantage and hence achievement of the set business strategies (Analoui, 2007). Additionally, it was suggested that high employee commitment to organisational strategic goals and the optimum performance will lead to cost-effective products and services, together with quality of life and work at the individual, organisational and societal levels (Analoui, 2002).

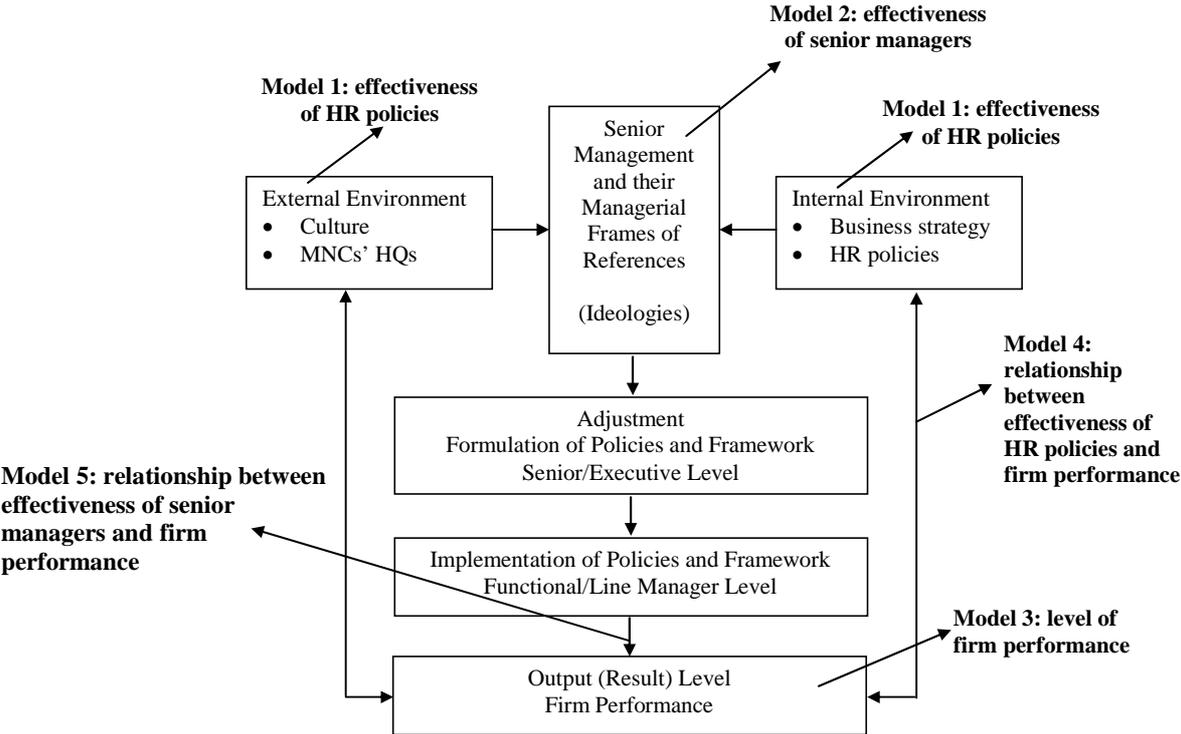
Consequently, Kakabadse (1983 cited in Analoui 1999: 362-364) and Analoui (1999) drew the conclusion that people in the organisation at all levels were assumed to be political agents capable of influencing and being influenced, making a choice based not merely on a single managerial rationality. Indeed, for example, Analoui (2007) focused on the role of HRs to ensure the presence of organisational commitment and effectiveness, without which the desired output can not be guaranteed.

2.2 The revised Choice model

With reference to the established research aims and objectives, five research questions were proposed, whereby the researcher numbered and labelled them as models for easy referral purposes in the subsequent data analysis. For example, Model One is on “How does senior management perceive the effectiveness of HR policies?” with its exploration being researched in four areas: (a) “How does senior management perceive the establishment and implementation of HR policies and procedures?”; (b) “How does senior management perceive the degree of fit between business strategy and HR policies?”; (c) “How does senior management perceive the link between HR policies of HQs and those of the Chinese subsidiaries?” and (d) “How does senior management perceive the impact of Chinese culture

on the development of HR policies in MNCs’ Chinese subsidiaries?”, whilst Model Two concerns “How does senior management perceive its own effectiveness?”, and Model Three focuses upon “How does senior management perceive the performance of MNCs’ Chinese subsidiaries?”. Furthermore, Model Four examines “How does senior management perceive the relationship between HR policies and the performance of MNCs’ Chinese subsidiaries?” and finally, Model Five explores “How does senior management perceive the impact of their own effectiveness on the performance of MNCs’ Chinese subsidiaries?” By comparing and contrasting the elements of the original Analoui model (2007) with the aim and objectives of the current research, the researcher revised the model to seek a better fit (see Figure 6).

Figure 6 The revised Choice model



Source: Adapted from Analoui (2007: 24) and modified by researcher

This revised framework sought to indicate the traditional concept of ‘strategic fit’ including ‘vertical fit’ and ‘horizontal fit’ (Armstrong, 2006). The former related to the integration

between business strategy and HRM strategy (Schuler and Jackson, 1999), whereas the latter was concerned with the coherence among a set of related HRM practices (Gratton, 1999). In addition, Wood (1999) added two more types: 'organisational fit' and 'environment fit'. The former referred to the consistency between sets of HRM practices and other systems within the organisation, whilst the latter was meant to be the fit between HRM strategies and the organisation's environment. Considering the literature's focus of seeking integration between various variables, the researcher attempted to apply these four types of fit in the Choice model in both 'internal environment' (i.e. the various HR policies, business strategy, other organisational systems) and the 'external environment' (i.e. culture influence, MNCs' headquarter, other broader context), whereby Model One was formed regarding the effectiveness of HR policies.

Furthermore, Poole (1990) suggested adding globalisation, power and strategic choice while considering the context of HRM. In particular, Kochan *et al.* (1984) saw a more active role for management arising from the introduction of strategic choice and considered management to be the dominant party in this respect. Consequently, the researcher acknowledged these views by incorporating them within the Choice model, thereafter creating Model Two to underline the strategic choices available to the senior managers, in particular with the adoption of Analoui's eight-parameter approach (1999) for measuring their effectiveness: managerial perception (first parameter), the need for managerial skills (second parameter), organisational criteria (third parameter), motivation (fourth parameter), the degree of demands and constraints (fifth parameter), presence of choices and opportunities for effectiveness (sixth parameter), nature of inter-organisational relationships (seventh parameter) and dominant managerial philosophy (eighth parameter).

The output level was exclusively drawn upon one element of firm performance in order to be in line with Model Three. The dependent variable of firm performance can be measured through objective data or subjective means. Objective measures derived from the accounting data (i.e. return on investment) would appear more appropriate, whereas in comparison self-reported evaluations tended to be biased and limited in the analysis (Bae *et al.*, 2003). However, the use of objective measures would be problematic and difficult in the context of this research, given that many companies in Asia are reluctant to disclose financial data, so the necessary information is often not available (Bae *et al.*, 2003). Furthermore, seeking perceived subjective data is adequate considering the more exploratory nature of this research. In addition, many leading studies examining HRM practices and organisational performance have also built upon perceptual measures of performance (Delaney and Huselid, 1996; Lahteenmaki *et al.*, 1998; Ngo *et al.*, 1998; Fey *et al.*, 2000; Huang, 2001; Bae *et al.*, 2003; Andersen *et al.*, 2007). Indeed, it was believed that the subjective means could be used as appropriate and reliable alternative indicators in the absence of suitable objective criteria (Dess and Robinson, 1984; Delaney and Huselid, 1996). For instance, Dollinger and Golden (1992) confirmed that organisational performance rated by self-reported measures was positively correlated with objective performance indicators.

Following the debate over the relationship between HRM and organisational performance as established in Model Four, it has become widely acceptable that HRM is perceived as the major factor distinguishing successful organisations (Wright and Snell, 1998; Guest, 1999; Purcell, 1999; Boselie *et al.*, 2001). Shenkar and Ronen (1987) commented that the performance of IJVs was largely affected by the ability to manage human resources in a cross-culture context, thereafter suggesting that a closer examination of human resource issues was required. However, managers assumed that HRM practices that worked well in their countries

would be equally effective in others, but later found this was not the case because of different work values existing among different nationals, leading to the various responses to those HRM practices (Zheng *et al.*, 2006). This was particularly applicable in the service sector where workers were the primary source of contact with customers. Even in manufacturing sector the way in which HRs was managed was seen as an increasingly critical component in the production process, primarily in terms of quality and reliability (Zhan, 2003). Much of this revolved around the extent to which workers were prepared to use their discretion to improve products and services. This was particular applicable where two of the researcher's case study companies were in the service sector, and another two were based in the manufacturing sector.

In relation to Model Five exploring the relationship between effectiveness of senior managers and firm performance, there were limited primary studies targeting both areas (Yang, 1998). Consequently, the researcher aimed to focus upon this aspect in the Chinese context for several reasons as Laaksonen (1988) suggested. First, the rapid growth of trade and increasingly important role of enterprise management due to more delegated decision-making power to enterprises; second, the fast pace of economic and cultural development and finally, China during recent decades has been a focus for research where various management applications were assessed. These experiments have extended from strategic guidance and organisation structure to leadership and motivation of employees (Horner, 1997). Furthermore, Cooke (2009) suggested a series of research questions for further studies, some of which corresponded with the objectives concerned in this research, such that "What are the most urgent sets of skills that Chinese organisational leaders need to develop?", "How can these skills be best developed?", "To what extent are the Western models of leadership theories applicable to the Chinese operations", "How can the essence of Western theories and

practices on leadership be assimilated by firms in China and adapted to suit the Chinese business environment”.

3. Conclusion

Following the discussions of various HRM models and the theoretical principles, the revised framework of the Choice model arguably appeared to be a suitable match with the current research setting in the context of China. The unique distinction of this framework in comparison with other models is mainly due to its emphasis on the role of senior managers in decision-making. Indeed, this model has also integrated other variables, which the current research sought to examine, such as business strategies and HR policies in the internal environment, culture influence and MNCs headquarters' impact in the external environment, senior managers' perception and effectiveness in the formulation and implementation of policies, together with the output stage dominated by the factor of firm performance.

CHAPTER SIX – RESEARCH METHODOLOGY AND DATA COLLECTION

1. Introduction

This chapter concentrates on the principles and applications of research methodologies and their associated methods, leading to the selection of a combined quantitative and qualitative multi-method (triangulation) approach in the form of case studies. Specifically, a two-stage primary data collection process of questionnaires and semi-structured interviews were carried out. In terms of the structure of this chapter, it firstly begins with introducing the research process with an emphasis on evaluating various methodologies concerning the literature of management studies in order to specify the most appropriate methodological approach in the context of this research. Secondly, it clarifies the research design, such as how the questionnaire was constructed, how and where data collection was undertaken, the derivation of the semi-structured interview themes and their arrangement, together with the explanation of the techniques used for data analysis. Finally, it provides background information relating to the selected foreign MNCs as case studies.

2. Research process

Robson (1993) argued that the key research issues must be addressed before coming to the central point of considering whether the researcher should, for example, administer questionnaires or conduct interviews. Consequently, Saunders *et al.* (2000) proposed a research process comprising five aspects ranked in order of importance: research philosophy,

research approaches, principles of research methodologies, time horizons and data collection methods.

2.1 Research philosophy

Two views concerning research philosophy that dominate the literature are positivism and phenomenology (Denscombe, 2003). Positivism is “an approach to social research which seeks to apply the natural science model of research to investigations of the social world. It is based on the assumption that there are patterns and regularities, causes and consequences in the social world, just as there are in the natural world. These patterns and regularities in the social world are seen as having their own existence - they are real” (Denscombe, 2003: 299). The aim of positivism is to discover the patterns and regularities of the social world by using the kind of scientific methods used in the natural sciences (Denscombe, 2003). Hence, positivists are “working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists” (Remenyi *et al.*, 1998: 32). A researcher in this tradition assumes the role of an objective analyst, making detached interpretations about those data that have been collected in an apparently value-free manner with an emphasis on a highly structured methodology to facilitate replication (Denscombe, 2003) and quantifiable observations that lend themselves to statistical analysis (Saunders *et al.*, 2000). The assumption is that “the researcher is independent of and neither affects nor is affected by the subject of the research” (Remenyi *et al.*, 1998: 33).

Alternatively, phenomenology argues that the social world of business and management is too complex to lend itself to theorising by defining ‘laws’ in the same way as the physical sciences, whereby insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations (Saunders *et al.*, 2000). Thus, phenomenology

is as “an approach to social research which has been useful as an umbrella term covering styles of research that do not rely on measurement, statistics or other aspects generally associated with the scientific method. In direct contrast to positivism it is seen as an approach that emphasizes subjectivity, description, interpretation and agency. Phenomenologist deals with people’s perceptions or meanings, attitudes and beliefs, feeling and emotions” (Denscombe, 2003: 96). According to Saunders *et al.* (2000), business situations are not only complex, but also a function of a particular set of circumstances and individuals. This raises questions about the generalisability of research that aims to capture the rich complexity of social situations. However, phenomenologist would argue that generalisability is not crucial because of the ever-changing world of business organisations, whereby if the accepted circumstances of today may not apply in the future then some of value of generalisation is lost (Denscombe, 2003). Similarly, all organisations are unique, which makes generalisation less valuable. Indeed, Remenyi *et al.* (1998: 35) underlined “the details of the situation to understand the reality or perhaps a reality working behind them”.

In view of the above discussion, the philosophy guiding this research was selected to be phenomenology, not only because of the complex nature of business and management studies, but also in light of the research objectives and questions, whereby it explored the relationship between HRM effectiveness and firm performance as perceived by senior management of Chinese subsidiaries in the selected foreign MNCs. In particular, this concerned subjective measurements, such as perception, attitude, opinion and peoples’ feelings, whereby phenomenology emphasized gaining an understanding of the meanings humans attached to events.

2.2 Research approaches

Two research lines flowing from the philosophies of positivism and phenomenology are deductive and inductive approaches respectively. The deductive approach is to test theory, whereby hypotheses are developed and a research strategy is designed to examine the hypotheses, whilst the inductive approach focuses upon building a theory, whereby data is collected and the theory is developed as a result of the data analysis (Saunders *et al.*, 2000).

Indeed, deduction is the dominant research approach in the natural sciences where laws provide the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled (Easterby-Smith *et al.*, 2001). Furthermore, Robson (1993: 19) presented five sequential stages through which deductive research progresses. “First, to deduce a hypothesis (i.e. a testable proposition about the relationship between two or more events or concepts) from the theory. Second, to express the hypothesis in operational terms (i.e. indicating exactly how the variables are to be measured) which propose a relationship between two specific variables. Third, to test this operational hypothesis followed by the fourth stage of examining the specific outcome of the inquiry, which either confirms the theory or indicates the need for its modification. The last is to modify the theory in the light of the findings. An attempt is then made to verify the revised theory by going back to the first step and repeating the whole cycle”.

In contrast, induction is particularly concerned with the context in which events are taking place. Therefore, the study of a small sample of subjects may be more appropriate than a large number as with the deductive approach (Robson, 1993). Hence, researchers in this tradition are more likely to work with qualitative data and use a variety of data collection methods in

order to establish different views of phenomena (Easterby-Smith *et al.*, 2001). The major differences between deductive and inductive approaches are summarised in Table 7.

Table 7 Major differences between deductive and inductive research approaches

Deduction emphasis	Induction emphasis
The necessity to select samples of sufficient size in order to generalise conclusions	Gaining an understanding of the meanings humans attach to events
Scientific principles	A close understanding of the research context
The operationalisation of concepts to ensure clarity of definition	A more flexible structure to permit changes of research emphasis as the research progresses
The need to explain causal relationships between variables	A realisation that the researcher is part of the research process
The collection of quantitative data	The collection of qualitative data
Moving from theory to data	Less concern with the need to generalise
The application of controls to ensure validity of data	
Researcher independence of what is being researched	
A highly structured approach	

Source: Adapted from Saunders et al. (2000: 91)

As shown in Table 7, the main features of deductive research approach are scientific principles and moving from theory to data, whereas the emphasis of inductive research lies in gaining an understanding of the meanings humans attach to events. With respect to these differences, Saunders *et al.* (2000) suggested a number of practical criteria for selecting a suitable research approach, such as the nature of the research topic and the availability of time. Given that the aim of this research was exploring senior management perception of HRM effectiveness in the case of foreign MNCs' performance in China, this is a relatively new research field with little existing literature in the context of China. Hence, it may be more appropriate to generate data and then analyse it to reflect on what theoretical themes the data is suggesting. From this perspective, the inductive research approach appears optimal. Moreover, although the deductive research approach can be quicker to complete and its data collection is often based on 'one take', it can not fully reveal the main aim of this research due to the limitation of relying on closed questions in the questionnaire. In addition, this research needed rich qualitative data analysis collected from interviews to supplement the

potential drawback of using a questionnaire. Consequently, the inductive research approach was adopted to fit for the purposes of the current research.

2.3 Principles of research methodologies

There is a variety of methodologies (i.e. action research, case study, ethnography, experiment, grounded theory, survey) for a researcher to choose from, with each bringing not only a set of assumptions about the social world it investigates, but also a set of advantages and disadvantages. Although there is no ‘one right’ direction to take, some research approaches are selected due to their suitability for specific aspects of investigation and particular kinds of problems (Bryman and Bell, 2003). Indeed, they are chosen as ‘fit for purpose’, whereby it is crucial for good research that the choices are reasonable and explicit as part of any research report, together with the consideration of the issues of relevance, feasibility, coverage, accuracy, objectivity and ethics (Denscombe, 2003). In addition, the researcher chose case study methodology, following the comparison with other methodological approaches within the context of this research.

2.3.1 Case studies methodology

Case studies are used extensively across a range of social science disciplines such as sociology, psychology, history, political science, economics, administration, public policy, education and management studies (Yin, 2003). In general, case studies are the preferred strategy when ‘how’ or ‘why’ questions are being posed, with the investigator having little control over events and when the focus is on a contemporary phenomenon within some real-life context (Ghauri and Gronhaug, 2002; Marschan-Piekkari and Welch, 2004). As Robson (1993: 146) defined, the case study is “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence”. In this context, the ‘contemporary phenomenon’ means

the 'case' and can be applied to virtually anything. Similarly, Yin (2003: 13) conceptualised it as "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used".

In terms of the features of case studies, Yin (2003) characterised that they either attempt to derive general conclusions from a limited number of cases or to arrive at specific conclusions regarding a single case because this 'case history' is of particular interest. Furthermore, researchers in business-related subjects traditionally limit case studies to the exploratory use, such as a pilot study that can be used as a basis for formulating more precise questions or testable hypotheses, whilst the descriptive case study is often contrasted with prediction/prescription and it is usually considered less prestigious in scientific circles (Marschan-Piekkari and Welch, 2004). Hence, Sen (1980: 353) stated that "the reason description is considered the simplest form of science rests, at least in part, in the idea that description is largely a matter of mere observation and reporting, or reading other people's reports and summarizing - at best, systematizing. Whether a descriptive statement is acceptable could be thought to be dependent on its correctness and that could be resolved simply by observing". Although case study approach can be used in all types of research: exploratory, descriptive or explanatory (Ghuri and Gronhaug, 2002; Yin, 2003), it is particularly a useful strategy for studying processes in companies and for explanatory purposes (Robson, 1993).

Given that the aim of this research was to explore the relationship between HRM effectiveness and firm performance from the perception of senior management of foreign MNCs' subsidiaries in China, the researcher believed that the case study approach was a

suitable research methodology in this context. As Denscombe (2003) suggested, if the researcher wants detail and depth, then the case study approach might be more beneficial whereby it allows the use of a variety of sources, types of data and research methods as part of the investigation. Specifically, it encourages the use of multiple methods in order to capture the complex reality under scrutiny through fostering the use of multiple sources of data, which in turn facilitates the validation of data through triangulation (Marschan-Piekkari and Welch, 2004).

2.3.2 Alternative methodological approaches

Although case study methodology has been selected for the purposes of this research, it should be noted that there are also other specific methodologies, which could have been selected (i.e. action research, ethnography, experiment, grounded theory, survey), whilst there were numerous reasons for not adopting these methodological approaches:

- Action research differs from other forms of applied research because of its explicit focus on action, in particular promoting change within the organisation (Robson, 1993). This methodology emphasizes that the researcher is part of the organisation within which the research and change process are taking place (Saunders *et al.*, 2000), whereby its associated methods are focus groups, discourse analysis, document analysis and content analysis. However, action research is unsuitable for the aim and objectives of this research since it would, firstly, entail a long-term presence in numerous foreign MNCs, and secondly, there needs to be a specific change in HRM policy.
- Ethnography is a time consuming process which needs to be flexible and responsive to change since the researcher will constantly be developing new patterns of thought about what is being observed, which include unstructured interviewing, participant observations and field research (Saunders *et al.*, 2000). Since this methodology emanates from the field of anthropology and takes place over an extended period, it is not suitable to be adopted

for this research given that it would involve the researcher observing the process of management over sustained period in the selected foreign MNCs.

- Experimental methodology requires the definition of a theoretical hypothesis, two participant groups (the experimental group and the control group) in different experimental conditions, whereby the objective is to analyse the difference when one or more variables change. This is a classical form of research to the natural sciences and psychology for explanatory studies, but not commonly used in business and management studies (Bryman, 2004). Considering the nature and the questions of this research, it does not require comparative participant groups.
- Grounded theory is a set of fully integrated and practical steps aimed at guiding the research process to completion, the end product of which is the generation of theoretical statements about the data (Robson, 1993). However, there is the danger that the theory generated from the data might ignore the influence of social, economic and political factors (i.e. globalization, migration, social class, gender and race inequalities) and the historical background to events, which might be vital to any full and valid theory explaining the phenomenon (Denscombe, 2003). Consequently, this particular research methodology is not applicable given that it can not take into consideration the research environment where one aspect of this research is to explore the influence of local culture and HQs on the relationship between HRM effectiveness and the performance of foreign MNCs' subsidiaries in China.
- The use of a survey is usually associated with the deductive approach. It allows the collection of a large amount of data from a sizeable population in a highly economical way for ease of comparison since the data is standardised, whereby research methods of questionnaire, structured interviews and structured observations are often employed (Saunders *et al.*, 2000). Although this methodology allows the researcher to have more

control over the research process, it can not provide a rich understanding of the context of this research and its processes.

In summary, with regard to these alternatives, case study methodology and its associated data collection methods of questionnaires and interviews were able to provide the researcher deep insights of the issues and illustrate the development of detailed, intensive knowledge about a small number of cases. Hence, this approach was the most suitable methodology for this research.

2.4 Time horizons

Time horizons consist of cross-sectional and longitudinal studies. The former is associated with ‘snapshot’ taken at a particular time, whilst the latter is associated with ‘diary’ and is a representation of events over a given period. Furthermore, Saunders *et al.* (2000) emphasized that the time perspectives to research design are independent of which methodology a researcher is pursuing. Given that the inevitable constraints of this research (i.e. PhD completion requirement, research location, full-time job restrictions) which objectively do not allow the researcher to be present in China to observe the management of change over an extended period, as a result, the cross-sectional time horizon is more suitable for this research.

2.5 Data collection methods

Methodology is the general principles behind research, whereas methods are the practical techniques used to undertake research (Robson, 1993). There are two main types of research in the social sciences and humanities, namely quantitative and qualitative research. Quantitative research rely mainly on a hypothesis which is derived from theory deductively to test it by way of observation and data collection, the findings of which, following analysis would either confirm or reject the theory (Punch, 2001). Although quantitative research may

be mostly used for testing theory, it can also be used for exploring an area and for generating hypotheses and theories (Robson, 1993). The typical methods include questionnaires, structured interviewing, structured observation and secondary data (Saunders *et al.*, 2000).

Qualitative research differs from quantitative research not only in the usage of language and style, but also in the generation of ideas for discovering meanings and involves both interpretation and a critical approach to the social world (Punch, 2001). Therefore, it is more concerned with exploring a topic and with inductively generating hypotheses and theories. However, qualitative research can be used for testing hypotheses and theories, even though it is the more favoured approach for theory generation, whereby various methods are used, for example, semi-structured interviewing, unstructured interviewing, participant observation, field notes, focus group, discourse analysis, document analysis, content analysis and picture analysis (Saunders *et al.*, 2000; Bryman, 2004).

Furthermore, Miles and Huberman (1994: 42) commented that “both types of data can be productive for descriptive, reconnoitring, exploratory, inductive, opening up purposes. And both can be productive for explanatory, confirmatory, hypothesis-testing purposes”. Hence, each approach has its strengths and weaknesses, so over-reliance on any one method is not appropriate. Consequently, a superior approach is combining quantitative and qualitative research to examine the same phenomena from as many methodological perspectives as possible, which implies a triangulation approach (Denzin, 1970; Easterby-Smith *et al.*, 2001). Whereby this approach is conceptualized as the use of different research methods or sources of data to examine the same problem, such that if the same conclusions can be reached then it increases the researchers’ confidence in the validity of data (Bryman, 2004), while it can be

classified into four types as data, investigator, theory and methodological triangulation (Denzin, 1970) (see Table 8).

Table 8 **Types of triangulation**

Type	Properties	Application
Data triangulation	<ul style="list-style-type: none"> • Types: time, space, person • Levels: aggregate interactive, collectivity 	Collect varied data on the same phenomena from different participants or phases
Investigator triangulation	<ul style="list-style-type: none"> • Multiple observation of same objects • Single observation of same objects 	Data collection by more than one researcher, especially adoption different roles in the field work-multiples as oppose to single observers
Theory triangulation	<ul style="list-style-type: none"> • Multiple or Single perspectives in relation to same objects 	Guiding data collection with small set of hypothesis or propositions; Multiple propositions or research questions
Methodological triangulation	<ul style="list-style-type: none"> • Within-methods • Between-methods 	Collection of data by different method

Source: Adapted from Denzin (1970: 301-310)

Table 8 summarized the characteristics and the significance of employing a triangulation approach. By relating these features and recommendations to research objectives and questions, the researcher utilised a combined quantitative and qualitative multi-method (triangulation) approach through case studies. Specifically, a two-stage primary data collection process of questionnaires and semi-structured interviews was undertaken. Based on the theoretical principles as demonstrated, the type of triangulation approach that the researcher adopted was methodologically robust when considering the following reasons.

Firstly, from the theoretical perspective, each method or technique has its own unique strengths and weaknesses (Smith, 1975), and the results obtained will be affected by the data collection method used concerning an inevitable relationship between the method and result. Therefore, it is best to undertake research using a variety of data collection strategies to cancel out the ‘method effect’ (Saunders *et al.*, 2000). Furthermore, the postal and other self-administered questionnaires have the weakness of a low response rate, respondents not treating it seriously or even not completion by the targeted people. Nevertheless, Saunders *et*

al. (2000) argued that these deficiencies may be offset by the strengths of interviews (i.e. being face-to-face with respondents, flexibility of changing conversation and instant judgement). Moreover, disadvantages of interviews such as the intensive nature can be counterbalanced by the advantages of questionnaires in terms of more possibilities of obtaining co-operation.

Secondly, from the practical perspective, the triangulation approach is feasible and justifiable. The questionnaire allows the collection of a large amount of data from a sizeable population in a highly economical way that is also standardised thereby allowing comparison. Subsequently, semi-structured interviews permit the collection of rich data, gaining deeper insights of the issues. Therefore, this combined approach establishes the use of one type of data collection method to check the consistency of data collected from another method to ensure accuracy and reliability. Indeed, Robson (1993) suggested considering combined strategies where resources permit.

Thirdly, the triangulation approach was selected following the examination of previous literature on China regarding the analysis of HRM, whereby the majority studies adopted a single approach of either survey, interviews or secondary data as their methodological device. Indeed, for example, after reviewing the studies conducted on HRM in China and published in top English language journals between 1998 and 2007, Cooke (2009) classified the research methods into two categories: review type and empirical type. For the empirical studies, the common reported methods for data collection included case study, questionnaire survey, interviews and secondary data. Cooke (2009) then explained this was due to the logistic and practical challenges, such as language, culture, accessibility to research sites and informants, which required researchers to overcome these barriers by selecting workable companies,

informants and research methods. As a result, quantitative methods, typically in the form of questionnaire survey, have been the main method deployed for data collection. Cooke (2009: 16) further commented that “over 147 studies using survey compared with some 77 using interviews, and a small number of studies deployed both methods, with interviews conducted among a small number of informants as a supplementary method to survey”. The majority of studies were conducted in large cities located in the more developed eastern region, such as Beijing, Shanghai, Tianjin, Guangzhou, Shenzhen and Xiamen. Considering this, the researcher sought to utilize the methodological approach of questionnaires, together with its extension through the use of interviews. Arguably, the outlined triangulation approach appeared to be highly beneficial and resulted in a rich data set, which in turn permitted a greater understanding and led to greater confidence being placed in the findings and conclusions of this research.

3. Application of research methodologies

Following the introduction of various methodologies from a theoretical perspective and the explanation of the suitability in choosing triangulation methodology for the current research, this section discusses the practical applications and the structure of the case study approach, such as company background, the design and the administration of questionnaires, the arrangements and conduct of interviews, the techniques of data analysis.

3.1 Introduction to selected foreign MNCs as case studies

Attempting to analyse all of China’s entrepreneurs across every sector would prove an impossible task (Sull and Wang, 2005). Indeed, Marschan-Piekkari and Welch (2004: 113) argued that “it is likely to be harder to negotiate access and identify the right informants who have personally been involved in the phenomenon under study in MNCs. Hence, selecting the

appropriate type of organisation is a balancing action between advantages and disadvantages”. Considering this, the researcher based the decision on the development stage of companies’ HR policies and their special characteristics, thereafter selected four foreign MNCs who specialized in the sectors of electronic products and food. As part of negotiation and motivation with participatory MNCs, a summary report was given in exchange for the opportunity to undertake research within their organisations. This was valuable in terms of assisting MNCs in designing their future HRM strategy and company corporate culture.

Company A is located in Beijing and is a joint venture between China and Singapore. Its main business is to provide meals to domestic and international airlines at the Beijing Capital International Airport, covering Chinese and Western pastries, beverages, duty-free goods, together with the related services to hotels, restaurants and other industries. Company A registered its business in March 1994 and held an official opening ceremony in September 1996 following encouragement and support from the State Council and the General Administration of Civil Aviation of China. Company A has advanced facilities and equipment designed by professionals from Singapore and China, thus it is capable of producing up to 15,000 meals per day and the full range of catering services to meet the different requirements of both domestic and international airlines. Moreover, it also has specific rules about the selection of raw materials in order to ensure that the provided food is healthy, clean and safe at a reasonable price. Subsequently, Company A has established over forty contracts with various airlines since 1994. The publicly stated corporate objective of Company A is to establish reputation through honesty and sincerity, and advocate learning to bring new ideas.

Company B is located in Beijing and is a joint venture with an Italian based company, producing and distributing confectionery. Company B was established in 1994 with registered

capital of US\$36,000,000 and subsequently set up two manufacturing plants with over 1,600 employees in China. All manufacturing facilities have obtained ISO 9001:2000 certification, indicating Company B has met the strict requirements and reached a world recognised set of quality production standards. The company has a global reach through its presence in the Asia Pacific Region, Europe, the Middle East, Africa and the Americas, such that the parent company is the third largest confectionery group in the world and the first to be present in the main Asian market. In addition to its global brands, Company B offers a wide range of products the popularity of which is rooted in individual, local and regional markets. The ability to develop products, versions and flavours that suit the different demands and opportunities of local markets is one of the key ways in which it seeks to differentiate itself from competitors. Company B believes that the best way to encourage consumer loyalty is to offer products of unparalleled quality, thereby paying the utmost attention to the selection of the finest raw materials, the development of cutting-edge production processes and research into ever newer and better production formulas.

Company C is located in Shenzhen and is a joint venture with a Hong Kong based company, producing mechanical and electrical products. Company C was founded in 1984 with US\$7,500 with the goal of making its electronic products an integral part of everyday life in every office and home. Company C focuses upon the fields of nanotechnology, heat transfer, wireless connectivity, material sciences and green manufacturing process. Company C has been guided by three objectives, firstly, efficient 'Total Cost Advantages' have made electronic product usage affordable to all. Secondly, through the proprietary of the one-stop shop vertically integrated e-enabled Components, Modules, Moves and Services (eCMMS) model it has revolutionized conventional inefficient electronics outsourcing. The eCMMS provides a vertically integrated one-stop shop business model by combining mechanical,

electrical and optical capabilities. It covers solutions ranging from moulding, tooling, mechanical parts, components, modules, system assembly, design, manufacturing, maintenance, logistics etc. Through the eCMMS model, Company C's campus is not only the world's largest Computer, Communication and Consumer electronics (3C) manufacturing base, but it also has the shortest supply chain. As a result, eCMMS was recognised as the best corporate strategy by Asia Money Magazine Poll (2002). Thus, Company C's competitive advantages stem from the award-winning eCMMS business model. Thirdly, it seeks devotion to greater social harmony and higher ethical standards for all stakeholders including shareholders, employees, community and management. The parent company of Company C is one of the Fortune Global 500 Companies (Shi, 2002) and the foremost provider of joint-design, joint-development, manufacturing, assembly and after-sales services to global 3C leaders. Aided by its customer focus and its award-winning proprietary business model, it is not only the largest, but also the fastest growing multinational manufacturing services provider in the world. It is not only a leader of innovation and technical know-how with over 15,000 patents granted worldwide, but also the sole company consistently ranked among the top ten in the Business Week IT 100 for the past five consecutive years.

Company D is located in Shenzhen and is a joint venture with a Taiwanese based company, producing and providing electronic components. Company D was founded in 1988 by a small group of engineers, with a focus on research and development. However, since its establishment, Company D has experienced significant sales growth through its focus on providing customers with products of the highest quality and services at the most competitive prices in the marketplace. This business philosophy serves as the foundation of Company D's mission to become a globally recognised and preferred supplier of the highest quality electronic components available within the electronic industries that it serves.

In summary, the above outlined main features of the selected foreign MNCs illustrates a mixture of Western and Eastern cultures given that the four parent companies are located in different parts of the world with one in Italy representing European culture, whilst those from Singapore, Hong Kong and Taiwan are symbolic of the Asian culture. Furthermore, the subsidiaries of these MNCs were also established in different Chinese regions, for example, Beijing is a fast growing city, whilst Shenzhen was the first Special Economic Zone (SEZ) in China. Nevertheless, the locations of these subsidiaries have some commonalities, such as a developed market economy, a favourable investment environment, large sums of FDI and good returns for foreign investors.

3.2 Administration of questionnaires

In order to improve the content validity, response reliability and return rates, the questionnaire was constructed in a manner recommended in the literature. In relation to the research objectives and research questions, the questionnaire focused upon the level of senior management (i.e. directors of HR, marketing, finance and production in the selected foreign MNCs' Chinese subsidiaries). In order to effectively target expatriates as well as Chinese nationals, the questionnaire was written in both English and Chinese. Moreover, the questionnaire was designed to assess a variety of a company's functions, such as HRM system, business strategy, firm performance, the perception and effectiveness of senior managers, the influence from HQs and Chinese culture (Analoui, 1999; Chang and Huang, 2005).

The design of the questionnaire was based on the defined research questions and guided by the research objectives. Specifically, it was divided into four broad sections (see Appendices 1 and 2), where Section A was a demographic profile, Section B referred to company policies,

Section C focused upon senior management effectiveness and perception, whilst Section D examined firm performance. In particular, the purpose of Section A was to collect background information about senior managers of foreign MNCs' Chinese subsidiaries (i.e. job title, gender, age, qualifications), whereas the further division of two subsections (A1 and A2) was offered to distinguish between local Chinese managers and expatriates. Indeed, subsection A1 aimed at identifying if there were differences while working for foreign MNCs or other type of organisations, whilst subsection A2 was to investigate the factors which might affect the effectiveness of expatriates during their international assignment in China. Furthermore, Section B was to examine the potential impact of HR policies on the effectiveness of senior management, the extent of 'globalization' and 'localization' on the formulation of HR policies, as well as the culture influence, while the purpose of Section C was to explore senior management perception of HRM effectiveness and determine the implications of senior management perception for the strategic effectiveness of HR policies in foreign MNCs. Finally, Section D was structured to explore the relationship between firm performance and HR policies as perceived by senior managers.

In relation to the categories of questions, Denscombe (2003) summarized nine types that can be used in a questionnaire (i.e. a statement, a list, a 'yes/no' answer, agree/disagree with a statement, choose from a list of options, rank order, degree of agreement and disagreement, rate items and feelings about a topic). Hence, the researcher utilised a number of formats to provide an optimal blend of depth and variety. The researcher applied a variety of questions in this research due to two key reasons. First, it prevented the respondents from becoming bored. Second, and more significantly, it stopped the respondents falling into a 'pattern' of answers, for example, on a scale of 1 to 5, the respondents might intend to put 3 down as the answer to all questions, the consequences of which would result in the invalidation of the questionnaire.

Furthermore, concerning the types of questions being asked (i.e. closed or open style), the questionnaire mainly comprised closed questions, which structured the answers by allowing only those which fitted into categories that were established in advance by the researcher. For example, when being asked “whether the foreign MNCs’ Chinese subsidiaries have HR policies” in Question 1 of Section B, the respondents were only allowed to choose from ‘Yes’, ‘No’ or ‘Don’t know’. However, answers to closed questions can include complex lists of alternatives for respondents to choose from. For example, Question 4 in Section A asked the respondents their highest education level, the respondents needed to select from a list of ‘Middle School certificate’, ‘High School certificate’, ‘Bachelor degree’, ‘Master degree’, ‘MBA’, ‘Doctoral degree’ or ‘other (please specify)’. The main advantage of closed questions is that the structure imposed on the respondents’ answers provides the researcher with standardised information in a form that lends itself to being quantified and compared, whereby the answers provided pre-coded data that can be easily analysed. Nevertheless, there are a number of potential problems from this approach. Firstly, there is less scope for respondents to supply answers which reflect the exact facts or their true feelings on a topic if these happen to be complicated or do not exactly fit into the range of options supplied in the questionnaire. Hence, closed questions allow for less subtlety in the answers. Secondly, as a result of the first disadvantage, the respondents might become frustrated by not being allowed to express their views fully in a way that accounts for any sophistication, intricacy or even inconsistencies in their views resulting in poor response rate or poor quality of completion (Denscombe, 2003). Given that the above potential disadvantages with closed questions, the researcher included semi-structured interviews as a method to achieve the balance.

In addition, an important issue in need of consideration throughout this research was its ethical dimension given the sensitive nature of some data. The researcher assured confidentiality for participatory MNCs and their informants, together with avoiding personal and cultural bias. To ensure the fulfilment of these ethical aspects of the research, the researcher followed the Research Ethics Framework guidance on these matters (ESRC, 2006). In particular, this research was designed, reviewed and undertaken in a way that ensured its integrity and quality. Research informants were notified fully about the purpose, methods and intended possible uses of this research, what their participation in the research entailed and what risks, if any, were involved. Additionally, research informants participated in a voluntary way, free from any coercion, and the researcher respected the confidentiality of information supplied by research subjects and guaranteed the anonymity of informants. Furthermore, the researcher not only clarified the issue of independence and impartiality, but also avoided any conflicts of interest or partiality. For example, covering letters on University headed paper describing the nature of the research from the researcher's Principal Supervisor to HR managers of the selected four foreign MNCs' Chinese subsidiaries were prepared in both Chinese and English versions (see Appendices 3 and 4). They also sought to clarify and ensure that the participant's response were treated as extremely confidential and the results only be used anonymously for academic purposes.

Following an initial draft design in early July 2007, the questionnaire was piloted with eight senior managers, two management scholars and two research students. Consequently, the researcher modified the questionnaire and adjusted some questions according to the recommendations received, especially the management practitioners' feedback, which most likely reflected the reality in the Chinese context. In addition, the piloted respondents found

the questionnaire interesting and easy to understand and complete, and the questionnaire design was clear and appealing.

Thereafter, the information was packed in UK and distributed at the beginning of August 2007, which comprised of one covering letter in English/Chinese, one final version of the questionnaire in English/Chinese, and one A5 white stamped pre-addressed envelope for return. Each company was given thirty Chinese-version questionnaires and ten English-version questionnaires. In order to differentiate amongst these four companies, each company not only was given a pre-printed code on the right top corner of the questionnaire (i.e. Company A), but also the questionnaire for each company was photocopied on different colour paper. Furthermore, respondents were instructed and given a month turnaround time to complete the questionnaires, which were returned in the pre-addressed envelopes to the researcher's home address in China in early September 2007.

After checking the returned questionnaires, there were 70 valid questionnaires of 98, equivalent to a response rate of 71%. According to Cooke (2009), response rate of the research conducted in China varied depending on the method used to access the informants. For example, it was noticeable that collaboration with local researchers or institutions enabled easier access and generated a higher response rate (Wei and Lau, 2005). Similarly, on-site survey collection by the researchers or designated research assistants tended to gain a much higher response rate of well above 80% (Bjorkman and Lu, 2001), compared with postal survey or other means which typically yielded between 15-30% or even lower (Zheng *et al.*, 2006). Considering the relative high response rate of 71% for the current research in comparison with the literature, such as Delery and Doty (1996) and Chang and Huang (2005) who achieved response rates of 25% and 21% respectively, the researcher did not take further

action to follow up non-respondents. Instead, the researcher prepared the questionnaire data for computer analysis through the statistics software package SPSS which was employed to conduct descriptive analysis (i.e. frequency analysis) and measures of association (i.e. correlation and regression). The examinations and findings of the questionnaires assisted the researcher in identifying the important issues as guidance for the semi-structured interviews.

In summary, the researcher believed that all key areas of a questionnaire design were covered when compared with the checklist suggested by Denscombe (2003). For example, an appropriate covering letter was attached with clear explanation of the purpose of the research, the layout of the questionnaire was clear with indication of a return address, thanks were expressed to the respondents, the confidentiality of information provided were assured, serial numbers had been given to the questionnaires, clear and explicit instructions were given to the questions, whilst the questions were checked to avoid any duplication and ambiguity, spelling and typographical errors and ensured the right sequence, then the questionnaire was piloted.

3.3 Analysis of questionnaires

Given that the primary purpose of the research sought to explore senior management perception of HRM effectiveness and its impact on firm performance of foreign MNCs' subsidiaries in China, a range of variables was incorporated in the questionnaire for the subsequent empirical analysis (see Appendix 5). Five models were created accordingly basing on the research questions, which were originated from research aim and objectives. Models One and Two explored the effectiveness of HR policies and the effectiveness of senior managers respectively, whereas Model Three examined the level of firm performance. Furthermore, Models Four and Five explored the relationship amongst three broad variables of firm performance, the effectiveness of HR policies and senior managers.

Model One examined the following three aspects (see Appendix 5): HR policies, alignment with business strategies, and globalization and localization as illustrated below: the first aspect in relation to HR policies was drawn from Questions 1, 2, 9d, 9f, 9g, 10, 11 and 12 in Section B, whereby respondents were given a variety of question formats to diversify the style of answers. For example, “yes”, “no” and “I don’t know” answers to Question 1: “Does your company has HR policies”, Question 10: “Is there an annual performance appraisal in your company?” and Question 12: “Do you believe the performance appraisal works well?”, then a series of choices (“Last year”, “2-5 years ago”, “6-10 years ago” and “More than 10 years ago”) were given to Question 2: “When were HR policies first introduced?”, similarly, a list of options were provided to answer Question 11: “the current company’s promotion criteria”. Respondents were also asked to evaluate the following statements on a Likert five-point scale: Question 9d: “HR department is fully integrated into the strategic planning process”, Question 9f: “HR department regularly assesses organisational training needs” and Question 9g: “HR department helps departmental managers carry out their critical HR responsibilities”.

The second aspect in terms of the alignment with business strategies was assessed through Questions 5, 6, 7, 8 and 9a in Section B (see Appendix 5). Specifically, respondents were given four choices (Never, Annually, 2-5 years and More than 5 years) to choose from for Question 5: “How often does your company review its HR policies?” and Question 7: “How often does your company review its business plan?”. In addition, respondents were offered a Likert five-point scale to rate Question 6: “the importance of the following business strategies for company’s target market: the price, the quality and the innovation of your products or services” and Question 9a: “Senior management takes into consideration HR policies and procedures when adopting organisational strategy”, whilst Question 8 was asked if “HR policies ‘fit’ with the business strategy?”.

The third aspect was related to the degree of congruence between the company HQs and their Chinese subsidiaries in the area of HR policies and practices. This was reflected in Question 3 of Section B, asking if “HR policies transferred from the headquarters” and giving respondents the options of “yes”, “no” and “I don’t know”. Such a format was chosen given the difficulty of senior managers attempting to grade the precise nature of the degree of transfer between HQ and subsidiary.

Model Two aimed at exploring the effectiveness of senior managers through the whole of Section C consisting of nine questions, whereby respondents were asked to give their opinions on “if they see themselves as one of the key decision-makers?” (Question 1) and “How would you describe an effective leader/manager?” (Question 2). Moreover, the researcher also sought to gain the views on several senior managers’ effectiveness related issues, such as whether a senior manager should (Question 3): “(a) have the right personality, appearance and attitude, (b) be caring, inspirational, visionary and ethical, (c) take risk and create opportunities, (d) have his/her style consist with hostile and changing environment and (e) motivate knowledge workers and develop learning organisation”. Additionally, a variety of questions on the themes of senior managers’ effectiveness ranged from “What managerial skills are essential for ensuring your effectiveness?” (Question 4), “What motivates you towards your managerial/leadership effectiveness?” (Question 5), “What do you believe to be the criteria for effectiveness in your company?” (Question 6) to “What prevents you from being effective in your company?” (Question 7), “Which of the following choices do you believe would improve senior management effectiveness?” (Question 8) and “What is your view on the following statements?” (Question 9).

Model Three examined the level of firm performance following both the traditional pecuniary-based concept of judging firm performance, but also broadening this through seeking to explore senior management perception of relative performance. Hence, it required respondents to consider “How you believe the organisational performance of your company compares to the industry average over the past three years” in relation to standard indicators of firm performance, such as returns on investment and sales, profit and market share. The rationale for examining perception of comparative performance was to address the gap in the literature where the majority of research conducted focused on the objective measurement of firm performance (Li *et al.*, 2006; Andersen *et al.*, 2007; Zhu *et al.*, 2008). Thus, five comparable elements (average return on investment, average profit, profit growth, average return on sales and average market share growth) were given to be evaluated on a Likert five-point scale, where 1=well below and 5=well above. The first four items were originally developed by Claycomb *et al.* (1999), whilst the last was drawn from Green *et al.* (2006).

In contrast to the previous three models where the investigation was undertaken through the descriptive analysis in the form of frequency, Models Four and Five were examined by conducting correlation and regression analysis. Specifically, Model Four attempted to determine the relationship between firm performance and the effectiveness of HR policies, whereby its dependent variable was firm performance measured by Questions 4a-e in Section D, and the independent variables included HR policies, the alignment of HR policies with business strategies, the degree of achieving business plan, culture factors (see Appendix 5). Taking the example of HR policies being as independent variables, Question 1 of Section D examined general HR features of the company in relation to firm performance through requiring respondents to indicate whether they strongly disagree-strongly agree with each statement. Moreover, these permitted the definition of firm performance to be developed

beyond the often narrow confines of pecuniary measures such as profit, turnover to incorporate non-pecuniary characteristics such as employee's motivation, commitment and satisfaction. Additionally, Section D continued the central theme of the theoretical model adopted in this research by focusing upon the perception of senior management whereby the question contained the phrase "to what extent do you agree". Hence, a further differentiation from previous studies was the examination of perception as an intangible rather than tangible measurement, such as profit and turnover.

Therefore, for Question 1 of Section D the options (a) - (c) focused upon the more traditional considerations of whether HR policies influenced the creation of "competitive advantages", a "direct impact on firm performance", or "a positive impact on firm performance". In contrast, options (d) - (f) explored the impact of employee's commitment, satisfaction and performance upon firm performance as a result of the HR policies and practices adopted. These were then further developed by options (g) - (h) which emphasized the potential of satisfaction and commitment to positively enhance firm performance. The final two options (i) - (j) addressed the other key questions of this research, which were culture (i) and senior management perception (j) relating to company performance.

Compared with the general nature of Question 1 of Section D, the remaining two questions in this section sought to explore specific aspects in relation to firm performance. Hence, Question 2 of Section D required the respondents to consider "which of the following policies have been influential in the success of your company" through consideration of employee-related issues such as "recruitment and selection", "motivation and reward", "training and development" and "performance appraisal". Hence, this question sought to examine senior

management perception pertaining to the HRM functions and how these contributed to overall firm performance.

Furthermore, Question 3 of Section D focused upon the “extent you believe that the business plan of your company was successful” as to company performance through senior management perception of “achievement of intended outcomes”, “financial performance”, “implementation on time” and “implementation within costs”. Thus, this question returned to the more traditional notions of firm performance through consideration of the company’s business plan and its accompanying financial and time dimensions.

Another line of interest to the researcher was the impact of Chinese culture upon the development of the subsidiary’s HR policies and practices. This concept was captured by Question 13 in Section B, which asked, “How do the following aspects of Chinese culture influence the formulation and implementation of your HR policies”. Here respondents were required to select across a high-low grading for seven individual characteristics. These were drawn from the literature surrounding cultural characteristics of countries as developed by Hofstede (1980). In relation to Asian nations, and in particular to China, it was expected that responses will be skewed towards the high end of the scale as indicated from the literature.

Similar to Model Four, Model Five sought to investigate the relationship between firm performance and the effectiveness of senior managers. Whereas it employed the same dependent variable of firm performance being measured by Questions 4a-e in Section D, the independent variables were related with senior managers’ effectiveness, which included all questions in Section C (see Appendix 5). A variety of questions covered the essential abilities

and skills that senior managers possess to the provision of motivation and opportunities that would assist them to improve their effectiveness.

To sum up, in terms of the variables used in this research, the dependent variable was the firm's perceived financial performance. Existing literature indicated that measuring business performance was complex due to the multi-dimensional nature of organisational performance (Wright *et al.*, 2005). However, of significant importance for this research, evidence existed to indicate a close association between objective and perceptual measures of business performance (Dess and Robinson, 1984). Although objective measures of performance such as return on investment based on accounting data would seem a more appropriate measure, their use would be problematic in relation to this research given that in China there much concern about disclosing company information, particularly financial data (Akhtar *et al.*, 2008). Consequently, the necessary information was often not available compared to many American-based studies (Youndt *et al.*, 1996) that relied on archival sources of objective organisational performance data. Furthermore, the self-reporting performance method did not create a limitation in the analysis given the more exploratory nature of the research (Bae *et al.*, 2003). Indeed, some leading studies of the HR system-organisational performance relationship had also depended on perceptual measures of performance (Delaney and Huselid, 1996), such that the choice of primary perceptual business performance measures was widely viewed as valid (Jaworski and Kohli, 1993). Therefore, a set of subjective measurements of performance as presented in Question 4 of Section D was derived from a scale developed by Green *et al.* (2006) with Likert-type items measured in terms of perception.

3.4 Conduct and analysis of interviews

Interviews were defined as a good way of “accessing people's perception, meanings, and definitions of situations and constructions of reality as the main data collection tool in

qualitative research and the most powerful way of understanding others” (Punch, 2001: 174), in particular, interviews were used in the context of this research by way of following-up the questionnaire, which had indicated interesting lines of enquiry. Hence, the researcher considered interviews to pursue the enquires in greater detail and depth, such that the interview information supplemented the questionnaire data.

Although Punch (2001) and Denscombe (2003) identified three types of research interviews in the literature as structured, semi-structured and unstructured interviews, for the purposes of this research, semi-structured interviews on a one-to-one basis were adopted where the researcher had a clear list of issues to be addressed. The interviews were prepared to be flexible in terms of the order in which the topics were considered, and more significantly, to let the interviewees develop ideas and speak more widely on the issues raised by the researcher. The questions were open-ended with the emphasis on the interviewees elaborating points of interest.

Furthermore, the researcher also considered the practical aspects of interviews, such as the selection of interviewees, managing and recording the interviews. In detail, interviewees were selected based on the senior managers of those four foreign MNCs’ Chinese subsidiaries who had agreed to participate through ticking the ‘yes’ box on the last page of the questionnaire. This was a demonstration of non-probability sampling, where interviewees tended to be chosen deliberately because they had special contribution to make through some unique insight or the position they held (Robson, 1993). Additionally, this implied that the sampling depended on the overall aim of the research, which was to examine in depth into a particular situation with a view to exploring the specifics, in which case the emphasis was on choosing key players in the field. This provided the researcher with a flavour of the perception of senior

managers and their views on effectiveness of HRM. In total, there were 17 senior managers selected to be interviewed which was adjudged to be both feasible and representative.

Moreover, in order to gain deeper insights of the issues and maximize the quality of the research, the researcher travelled to China to conduct the semi-structured interviews in November 2007 in Beijing and Shenzhen, following a series of prearrangements through phone calls and emails during September and October 2007. At the preparation phase, a covering letter was written in both English and Chinese in advance to clarify the purposes of the interviews (see Appendices 6 and 7). As a result, the respondents were well informed of the process of the interview and its approximate length, in addition, they were also given an outline of the interview themes (see Appendices 8 and 9).

Although the respondents had expressed their willingness of participation in interviews during the questionnaire stage. Nevertheless, before interviewing, the researcher re-introduced the purposes of the research and re-confirmed the respondents' consent to be interviewed and to be tape-recorded. This procedure was particularly important in compliance with research ethics. Following the respondents' confirmation, a relaxed atmosphere was created, in which the interviewees felt free to open-up on the topic under consideration. According to the principles of minimizing the impact of researchers' identity on the outcome (Denscombe, 2003), the researcher adopted a passive and neutral stance, and remained non-committal on the statements made by the interviewees, being there to listen and learn. In addition to the tape-recorded comments and discussions, the researcher also made notes as a complement given that there were certain aspects that tape-recorder can not capture, such as the ambience, significant non-verbal communication, the researcher's impression about the situation and the respondents' gestures. Hence, it was essential to make and keep such notes in accordance with

the tape-recording for analysis. At the end of the interviews, the researcher ensured that respondents had been given an opportunity to raise any issues that they thought needed to be addressed, but had not been covered. Although each respondent was interviewed once on a face-to-face basis, the researcher conducted subsequent telephone interviews in December 2007 where necessary. For this particular type of interviews, the researcher made relevant notes, which were then integrated with the original records.

In terms of analysing qualitative data derived from interviews, Robson (1993) commented that there was no clear and accepted set of conventions for this type of analysis corresponding to those observed with quantitative data. Nevertheless, Miles and Huberman (1994) has attempted to formulate some basic rules, for example, to start the process of analysis once the data is collected; index data to generate themes, categories, codes; utilize analytical notes to get from the data to a conceptual level; use filing system to sort and store data, and finally, remain systematic, organized and persevering stance. Based on these recommendations, the researcher thus manually allocated units of the original data to appropriate categories, recognising relationships within and between categories of data.

In summary, checking against the list provided by Denscombe (2003) for the preparation and evaluation of interviews, the researcher considered the following main issues. Firstly, the interview method was appropriate in relation to the research topic, the need for detailed information, access to the appropriate interviewees, the allocation of necessary time for the interviews. Secondly, the researcher had a clear vision of the issues to be discussed during the interviews, which had been identified through the data analysis of the questionnaires and finalised with the researcher's Principal Supervisor. Thirdly, the interviews were scheduled in good time to allow for the subsequent transcription and analysis. Fourthly, the researcher was

confident that 'self' and personal identity did not prove a major obstacle to having interviewees respond openly and honestly during interviews. Fifthly, the researcher was clear about what criterion had been used for the selection of interviewees, a suitable time and place. Finally, the appropriate consideration given at the end, such as thanks and reassurance.

4. Conclusion

The review of the principles and applications of research methodologies and their related methods resulted in the selection of a combined quantitative and qualitative multi-method approach in the context of this research. Specifically, a two-stage data collection process of questionnaires and semi-structured interviews was discussed, together with its feasibility and justification. Furthermore, a series of practical issues were explained, such as the design and the structure of questionnaires and interviews, the arrangements of fieldwork and the techniques utilized for the data analysis.

CHAPTER SEVEN – DATA ANALYSIS AND DISCUSSION: THE LEVEL OF FIRM PERFORMANCE AND EFFECTIVENESS OF HR POLICIES AND SENIOR MANAGERS

1. Introduction

The primary purpose of this chapter was to critically discuss the empirical data collected from questionnaires and interviews in order to answer the first three research questions/models. Specifically, Model One was to examine the effectiveness of HR policies and practices in foreign MNCs' Chinese subsidiaries as perceived by their senior managers, which were then divided into three sub-sections (the exploration of HR policies, the degree of integration between business strategy and HR policies and the extent of 'globalisation' and 'localisation' on the formulation of Chinese subsidiaries' HR policies). Model Two was to assess the effectiveness of senior managers from their own perspectives through an eight-parameter approach, whilst Model Three was to evaluate the performance of foreign MNCs' Chinese subsidiaries. Subsequently, the technique of frequency analysis was used for the survey data in conjunction with the utilization of interview analysis to provide the additional underpinning for its in-depth discussion.

Hence, the forthcoming sections of this chapter start with an explanation of the selection criteria for these four companies followed by a brief introduction of their profiles, together with the distribution and response rate of the survey respondents and interview participants.

The second section clarifies the survey structure, the disaggregation of analysis, together with the design of interview questions and the identification of coding for interviewees. The third section contains the descriptive data analysis by performing frequencies in SPSS and citing the relevant interview quotations, which were then related to the statements being addressed in the literature. The final section summarises a number of initial key findings in a systematic approach corresponding to these three research questions/models and their critical evaluation.

2. Company profiles

With respect to the development of HRM theories, the researcher selected four foreign MNCs based on their current approach to HR policies and practices in application. As a result, Company A was selected because its HRM framework is in the development phase from PM to HRM, whilst Company B is in the transition phase from HRM to SHRM, whereas Company C is adopting and applying a set of policies that the theories of SHRM suggest, while the characteristics of HR policies in Company D remain at the stage of PM. Thus, these four companies were selected to reflect the development of HR policies and practices in the context of China coupled with the influence from HQs and the host country's culture.

Hence, questionnaires and interviews were designed to target the senior managers of these four selected foreign MNCs in China. The definition of senior managers in this research are those people who are either CEO, deputy CEO, the head of departments or the head of each section within departments, whereby senior managers (SMs) are further distinguished into two categories: senior manager policymakers (SMPs) and senior manager implementors (SMIs). The former are the SMs making initial decisions on the company's policies who occupy the role of either CEO, deputy CEO or the head of departments, whilst the latter are those SMs being in charge of the implementation of these policies that are the head of each

section within departments. The researcher argues that this division is essential and vital in terms of gaining the views from both dimensions, such that the success of SMPs and their policies is reflected in the effectiveness of SMIs. Consequently, frequency analysis was developed whereby with the data disaggregated by company and by type of SMs (i.e. SMPs and SMIs) in addition to the whole sample of SMs, this permitted an overall summary of the responses to the questionnaire and breakdown analysis of inter-companies and inter-SMs.

The access to these companies was secured by the end of July 2007. Thereafter, questionnaires were distributed and returned between August and September 2007. Following a review of the questionnaires, the researcher conducted interviews in November 2007. Overall 98 SMs in these four companies were targeted for this research, of which 43 (43.9%) are SMPs and 55 (56.1%) are SMIs. Finally, 70 respondents participated in the survey comprising 28 (40%) SMPs and 42 (60%) SMIs. Specifically, there were 18 (78%) from Company A, 16 (73%) from Company B, 15 (63%) from Company C and 21 (72%) from Company D. The proportion to the response rate of the interviews are 4 (17%) from Company A, 3 (14%) from Company B, 3 (13%) from Company C and 7 (24%) from Company D. Therefore, the response rate for the survey is 71% with the distribution of SMs in general proportion to those initially selected. From this sample, 17 participants including 8 SMPs and 9 SMIs were selected for the interviews, thereby constituting 24% of the valid respondents. The overview of questionnaires and interviews for each company was illustrated in Table 9.

Table 9 Summary of company background and the response rate for questionnaires and interviews

Co.	Main business	Location of HQ	Location of subsidiary	Date of establishment of subsidiary	Development phase	Total SMs			Q	Q	Q	I	I	I
						SMP	SMI	Total	SMP	SMI	Total	SMP	SMI	Total
A	Providing meals to airlines at the Beijing Capital International Airport	Singapore	Beijing	1994	PM to HRM	11	12	23	8	10	18 (18/23) 78%	2	2	4 (4/18) 22%
B	Producing and distributing confectionery	Italy	Beijing	1994	HRM to SHRM	9	13	22	5	11	16 (16/22) 73%	1	2	3 (3/16) 19%
C	Producing mechanical and electrical products	Hong Kong	Shenzhen	1984	SHRM	10	14	24	6	9	15 (15/24) 63%	2	1	3 (3/15) 20%
D	Producing and providing electronic components	Taiwan	Shenzhen	1988	PM	13	16	29	9	12	21 (21/29) 72%	3	4	7 (7/21) 33%
						43	55	98	28	42	70 (70/98) 71%	8	9	17 (17/70) 24%

Source: overview of company characteristics based on interviews

HQ: Headquarter

SMs: Senior Managers

SMP: Senior Manager Policymaker

SMI: Senior Manager Implementator

Q: Questionnaires completed

I: Interviews undertaken

As presented in Table 9, Company A established a joint venture with a Singapore based company in 1994 and is located in Beijing, where it provides meals to domestic and international airlines at the Beijing Capital International Airport. It had 23 SMs comprising 11 SMPs and 12 SMIs were targeted. Subsequently, 8 SMPs and 10 SMIs completed the questionnaires, resulting in a return rate of 78% whilst 2 SMPs and 2 SMIs participated in the interviews.

Company B was established in 1994 in Beijing and is a joint venture with an Italian based company, producing and distributing confectionery. It had 22 SMs, comprising 9 SMPs and 13 SMIs. Subsequently, 5 SMPs and 11 SMIs filled in the questionnaires, so the return rate of the survey was 73%. Furthermore, 1 SMP and 2 SMIs were interviewed.

Company C is located in Shenzhen and is a joint venture with a Hong Kong based company, producing mechanical and electrical products. Company C was founded in 1984, focusing on fields of heat transfer, wireless connectivity, material sciences and green manufacturing processes. It had 24 SMs comprising 10 SMPs and 14 SMIs, whereby 6 SMPs and 9 SMIs completed the questionnaires, a return rate of 63%, moreover, 2 SMPs and 1 SMI were interviewed.

Company D was established in 1988 and is located in Shenzhen being a joint venture with a Taiwanese based company, producing and providing electronic components. It had 29 SMs, comprising 13 SMPs and 16 SMIs, whereby 9 SMPs and 12 SMIs completed the questionnaires, a return rate of 72%, whilst 3 SMPs and 4 SMIs were interviewed.

3. Clarification of questionnaires and interviews

Given that this research attempted to explore the senior management perception of the effectiveness of HR policies and the performance of foreign MNCs' subsidiaries in China, a questionnaire was designed to inform the researcher of the views and opinions from SMs on the various aspects that this research sought to investigate, such as the effectiveness of HR policies and senior managers in the subsidiaries, the impact of Chinese culture on the development of subsidiaries' HR strategies, the aspects of subsidiaries' HR policies that have been influenced by the HQs and the level of firm performance in the subsidiaries. Accordingly, this questionnaire was constructed in four main sections. Section A was a demographic profile, aiming at collecting background information to illustrate the characteristics of SMs, such as job title, gender, age and qualifications. Section B referred to company policies with its purpose being to examine the impact of senior management on the effectiveness of HRM, the degree of integration between HR policies and business strategies, the extent of 'globalisation' and 'localisation', together with the influence of Chinese culture on the formulation and implementation of HR policies. Section C focused upon the perception and effectiveness of senior management via the analysis of eight-parameter framework as proposed by Analoui (1999). Finally, Section D examined firm performance as perceived by SMs from various perspectives, such as the impact of HR policies, individual performance and culture factors, the effectiveness of HR functions, the extent of success in implementation of business plan and its comparison with past three-year industry average.

In terms of structuring the frequency analysis, it was disaggregated into three levels to permit a detailed examination of these four companies. The first level considered the whole sample as a benchmark to compare against the smaller categories. The second level comprised the whole companies (A, B, C and D), whole SMPs and whole SMIs, which permitted both

comparison with the overall sample and inter-comparison between these four companies and whether SMs were either policymakers (SMPs) or implementators (SMIs). The third level was SMPs and SMIs within the companies, such as SMPs in Company A, Company B, Company C and Company D and SMIs in Company A, Company B, Company C and Company D. The purpose of this level was to examine differences of each category in the companies by comparison with the whole SMPs and whole SMIs, as well as against each other.

Relating to the design of semi-structured interviews, the researcher outlined twelve questions, which were mainly aimed at supplementing the survey data in targeting the first four research models. In detail, the first research model regarding the effectiveness of HR policies was examined by the following questions: *“Do you have HRM department? When was it established?”*, *“What do you think of HRM effectiveness in your company?”*, *“What aspects of HRM do you see as contributing to your company’s performance?”*, *“How do you see the impact of Chinese culture on the development of HR policies in your company?”*, *“Do you believe that combining Western and Chinese HRM for your company’s development provides greater: (a) opportunities (b) challenges?”*, *“What aspects of your HR policies have been influenced by the HQ?”* and *“How do you see the future developments of your HR policies?”*.

Furthermore, the questions of *“How do you define an effective manager?”*, *“What skill, competence and knowledge should an effective manager have?”* and *“What are the main constraints and demands faced by effective managers?”* were intended to target the second research model with regard to the effectiveness of senior managers, whilst the question of *“How do you see your company’s current performance?”* was posed to examine the third research model in terms of firm performance and finally, the fourth research model relating to

the relationship between the level of firm performance and the effectiveness of HR policies was examined via the question of “Do you believe that company performance is related to HRM effectiveness?”. Additionally, in order to distinguish various companies as well as SMPs and SMIs within each company when interpreting the interviews, the researcher developed a coding for each senior manager who was interviewed (see Table 10).

Table 10 Coding for interviewees

Company	Identification Code	
	SMP	SMI
Company A	CASMP01	CASMI01
	CASMP02	CASMI02
Company B	CBSMP01	CBSMI01
		CBSMI02
Company C	CCSMP01	CCSMI01
	CCSMP02	
Company D	CDSMP01	CDSMI01
	CDSMP02	CDSMI02
	CDSMP03	CDSMI03
		CDSMI04

Source: confidential coding by researcher

Thus Table 10 indicated the identification of senior managers, where CA symbolized Company A, followed by either SMP (Senior Manager Policymaker) or SMI (Senior Manager Implementator), together with a code number to differentiate individual senior managers. For example, CASMP01 stood for one senior manager policymaker from Company A. Similarly, CASMP02 represented another senior manager policymaker from Company A, whereas CASMI01 referred to one senior manager implementator from Company A.

4. Descriptive data analysis

This section displayed the descriptive data analysis in themes based on the first three research questions/models. Specifically, the first research question focused upon the examination of the effectiveness of HR policies and procedures in foreign MNCs’ Chinese subsidiaries as

perceived by their senior managers from three aspects (HR policies, the degree of integration between business strategy and HR policies, and the extent of ‘globalisation’ and ‘localisation’ on formulation of HR policies). Whilst the second research question sought to adapt eight-parameter approach to assess the effectiveness of senior managers from their own perspectives. Finally, the third research question concerned the evaluation of performance level of foreign MNCs’ Chinese subsidiaries. In addition to discussing these three research questions, the demographic characteristics of the respondents were also analyzed.

4.1 Demographic characteristics of respondents

The following provided a demographic profile of the respondents with reference to their job title, gender, age, the highest education level, professional qualification, nationality, tenure in the current position and the type of organisation they last worked for.

Table 11 Classification of job title (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Finance Manager	8.6	11.1	0.0	13.3	9.5	10.7	12.5	0.0	0.0	22.2	7.1	10.0	0.0	22.2	0.0
HR Manager	11.4	5.6	6.3	20.0	14.3	17.9	12.5	20.0	33.3	11.1	7.1	0.0	0.0	11.1	16.7
Marketing Manager	48.6	66.7	87.5	33.3	14.3	25.0	37.5	60.0	16.7	0.0	64.3	90.0	100.0	44.4	25.0
Production Manager	10.0	16.7	6.3	6.7	9.5	17.9	37.5	20.0	16.7	0.0	4.8	0.0	0.0	0.0	16.7
Other	21.4	0.0	0.0	26.7	52.4	28.6	0.0	0.0	33.3	66.7	16.7	0.0	0.0	22.2	41.7

Source: data analysis

Table 11 indicated that 66.7% of the overall respondents in Company A and 87.5% in Company B were working in the marketing department, whilst the respondents from Company D were different since the majority (52.4%) was from supply chain department and other production departments as specified in their questionnaires. It was noticed that the distribution of the respondents in Company C was evenly focused on marketing, human resource and other departments.

Table 12 Gender (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Male	70.0	72.2	62.5	80.0	66.7	71.4	87.5	60.0	83.3	55.6	69.0	60.0	63.6	77.8	75.0
Female	30.0	27.8	37.5	20.0	33.3	28.6	12.5	40.0	16.7	44.4	31.0	40.0	36.4	22.2	25.0

Source: data analysis

In terms of the gender distribution as shown in Table 12, the male to female ratio was 70:30, indicating that males occupied the majority of senior positions across all four companies. This result corresponds to the research finding of Wei *et al.* (2005), whereby it concluded this was a consequence of Chinese culture and the transitional state of the Chinese economy. Indeed, the result of this research was anticipated from Confucianism being the foundation of Chinese cultural tradition that stresses the role of the male in family and society relations. However, the result of Hofstede (1993) showed that China's masculinity score was 50, with Pelled and Xin (1997) commenting that this was low, whilst Fan (2000) argued that Chinese culture can be said neither masculine nor feminine, but emphasised the unity of both. Concerning these contrasting views, the researcher conducted a further investigation by reviewing job advertisements on Chinese websites, such as www.rencai.net, www.cjol.com, www.51job.com, www.zhaopin.com, noticing that several MNCs request a 'male requirement' in the job specification for the senior posts, which might explain the large proportion of male SMs in all four companies. This was supported by the literature, whereby when discussing the employment barrier for women in China, Cooke (2001a) found that many job advertisements including those issued by the public sector organisations specify gender requirements (male) and age limits even though the posts are suitable for both men and women.

Table 13 Age (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
< 30	21.4	16.7	6.3	33.3	28.6	28.6	12.5	20.0	33.3	44.4	16.7	20.0	0.0	33.3	16.7
30-39	67.1	72.2	81.3	66.7	52.4	64.3	62.5	80.0	66.7	55.6	69.0	80.0	81.8	66.7	50.0
40-49	11.4	11.1	12.5	0.0	19.0	7.1	25.0	0.0	0.0	0.0	14.3	0.0	18.2	0.0	33.3
50 >=	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Concerning the age of respondents shown in Table 13, a large proportion of SMs (67.1%) were in their 30s, whilst 21.4% were less than 30 and only a few (11.4%) fell into the category of 40-49 with none reporting in the category of age over 50. This result is in line with the mainstream research, where relative youth is seen as an advantage, such that the younger the TMT, the better will be the strategic asset accumulation capabilities in the firm (Hambrick and Fukutomi, 1991; Pegels *et al.*, 2000; Tihanyi *et al.*, 2000). This was particularly the case in China given the institutional changes creating instability and uncertainty in the business environment thereby urging the need for risk taking and adaptability. Consequently, this gave younger managers an edge (Hambrick and Mason, 1984), who were believed to be flexible and open to new ideas in addition to be more associated with strategic change (Hambrick and Fukutomi, 1991; Wiersema and Bantel, 1992) and be more likely to undergo the strategic initiative and risk connected with international diversification (Tihanyi *et al.*, 2000).

However, this current research contradicts the view of Wei *et al.* (2005) who found that older managers maybe relatively more valuable due to '*guanxi*' (personal connection) they have developed with important officials and their general experience. This opinion was supported by the traditional Chinese cultural value of respect for age (Lockett, 1988) and appeared to be particularly applicable at the time of their research, where Wei *et al.* (2005) argued Chinese firms may not have well established and sophisticated group structures and processes to utilize the benefits of younger managers considering the development stage of Chinese economy. However, Wei *et al.* (2005) acknowledged that as China continues to develop, the relative balance between these abilities could likely change, with younger managers becoming relatively more valuable as China rapidly integrates into the world economy and business becomes more market based. In other words, market-related knowledge and business

experience are becoming more recognised. Thus, over time, young managers educated in the modern system may be able to contribute relatively more than older managers who had gained experience under the planned economy (Peng, 2003). Indeed, this appeared to be the case with the current research's finding, in particular, the current fieldwork was undertaken in foreign MNCs, whose business environment is expected to be more market based and relatively matured. As a result, it provides opportunities for young managers' development and suits the needs of foreign MNCs in China.

Table 14 Highest level of the education and the professional qualification (%)

(i) Highest level of the education															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Middle School	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High School	4.3	5.6	0.0	0.0	10.0	3.6	0.0	0.0	0.0	11.1	4.9	10.0	0.0	0.0	9.1
BA	78.3	83.3	93.8	66.7	70.0	75.0	87.5	80.0	83.3	55.6	80.5	80.0	0.0	0.0	81.8
MA	13.0	11.1	6.3	26.7	10.0	14.3	12.5	20.0	16.7	11.1	12.2	10.0	100.0	55.6	9.1
MBA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.3	0.0
PhD	2.9	0.0	0.0	6.7	5.0	3.6	0.0	0.0	0.0	11.1	2.4	0.0	0.0	11.1	0.0
Other	1.4	0.0	0.0	0.0	5.0	3.6	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0
(ii) whether there is a professional qualification															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	52.9	38.9	12.5	86.7	71.4	64.3	37.5	20.0	100.0	88.9	45.2	40.0	9.1	77.8	58.3
No	47.1	61.1	87.5	13.3	28.6	35.7	62.5	80.0	0.0	11.1	54.8	60.0	90.9	22.2	41.7

Source: data analysis

According to Table 14, the majority of SMs (78.3%) were educated with a Bachelor degree and a few with a Master degree (13%) and PhD (2.9%), but unexpectedly, there were some (4.3%) holding a High School certificate in the company's senior positions. Likewise, this result is in line with the research of Hildebrandt and Liu (1988) and Wei *et al.* (2005), demonstrating a common pattern of TMT's highest education level in China, which ranged from a High School certificate to a Master degree with the majority holding a Bachelor degree. However, the level of the education of senior managers is a cause for concern given that the role of education was recognised to possess the ability of producing more knowledge and more

perspectives in the decision-making process. Although the Chinese government was aware of the necessity to upgrade and modernising its top managers by providing seminars and training courses (Borgonjon and Vanhonacker, 1992 cited in Tsang, 1994: 17), but after a decade and half since early 1990s, research still indicated a low level of senior managers' education. Hence, the researcher would recommend more effective action to be taken to raise the level of top managers' education.

Table 15 Nationality (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Chinese	95.7	100	100	100	85.7	92.9	100	100	100	77.8	97.6	100	100	100	91.7
Malaysia	1.4	0.0	0.0	0.0	4.8	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	8.3
German	1.4	0.0	0.0	0.0	4.8	3.6	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0
Turkey	1.4	0.0	0.0	0.0	4.8	3.6	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 15 showed that almost all the senior posts in these four companies were held by the Chinese nationals. This might indicate that the parent companies were operating a localisation policy in the polycentric mindset, focusing on host country values and methods of operating (Brewster *et al.*, 2008). With key positions in the subsidiaries more likely to be filled by local employees such that the parent company was less interested in controlling and homogenizing the organisational culture (Perlmutter, 1969). Thus, the rest of questions in the Section A1 of the survey were not discussed here given the sample size of three non-Chinese respondents.

Table 16 Tenure in the current position (years)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Minimum	0.2	1.3	2.0	0.2	1.1	1.2	3.0	3.0	1.2	1.4	0.2	1.3	2.0	0.2	1.1
Maximum	14.0	8.5	9.0	8.2	14.0	14.0	8.0	9.0	8.2	14.0	11.8	8.5	7.2	5.8	11.8
Mean	4.6	4.2	4.6	3.4	6.0	4.8	4.4	5.6	3.1	6.3	4.4	4.0	4.1	3.6	5.7
Standard Deviation	2.9	1.8	1.9	2.2	4.3	3.4	1.6	2.4	2.6	5.4	2.5	1.9	1.6	2.1	3.6

Source: data analysis

The period of service in the current position varied, with the shortest at 2.4 months and the longest at 14 years, with a mean of 4.6 years. SMs in Company C had the shortest time in their current position averaging 3.4 years, whilst SMs in Company D constituted the longest

mean service history of 6 years. This might be due to the fact that SMs in Company D had the lowest education attainment record, where 10% of their SMs only possessed a High School certificate (see Table 14). Hence, they were less likely to obtain comparable senior positions for their given qualifications elsewhere. In addition, the long tenure of SMs in Company D impacted upon the recruitment and retention of their junior staff, whereby the company report recorded a high turnover rate for its new employees, the causes of which were also revealed during interviews, such as a limited scope for career progression and personal development, lack of recognition for good work, poor reward and remuneration. As CDSMP02 commented that *“Retention appears to be an issue now, so we (senior managers) have to think of it strategically, and the problematic areas that have been reported relate to rewards in terms of both motivation and materials, in particular, employees expect recognition from their superiors and the career development opportunities from the company”*. Similarly, CDSMP03 said *“yes, I am aware of the high turnover rate, which has become headache for me, hmmm; I received another resignation letter this morning (He bitterly smiled, looking away and rubbing his hands). It is noticeable that some employees want promotion, and others want more pay and better working conditions. I have realized the importance of taking care of employees’ welfare, so my short-term goal is to take action in the area of refectory, where some employees complained the taste of the food”*.

Table 17 Type of organisation you last worked for (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Individually-owned Co.	9.1	5.6	0.0	13.3	17.6	12.0	12.5	0.0	16.7	16.7	7.3	0.0	0.0	11.1	18.2
IJVs/foreign wholly-owned Co.	43.9	16.7	62.5	46.7	52.9	44.0	12.5	60.0	50.0	66.7	43.9	20.0	63.6	44.4	45.5
Local collectively-owned Co.	12.1	11.1	12.5	20.0	5.9	12.0	0.0	20.0	33.3	0.0	12.2	20.0	9.1	11.1	9.1
SOEs	30.3	66.7	25.0	6.7	17.6	28.0	75.0	20.0	0.0	0.0	31.7	60.0	27.3	11.1	27.3
Others	4.5	0.0	0.0	13.3	5.9	4.0	0.0	0.0	0.0	16.7	4.9	0.0	0.0	22.2	0.0

Source: data analysis

In relation to SMs' last employment experience, most SMs in Company A (66.7%) had previously worked in SOEs, whilst the majority in Companies B (62.5%), C (46.7%) and D (52.9%) had last worked for an international joint-venture company. SOEs were dominated by the characteristics of 'high employment rate', 'high welfare', 'low wage' and 'low productivity', compared with international joint-venture companies which stressed the two major ingredients of 'competition' and 'incentive' (Cooke, 2008a). Given that Company A was a SOE before being acquisitioned by a Singapore company, those characteristics in SOEs were likely to be found in Company A. Hence, there might be more challenging for SMs to adapt the style being applied in this company. This appeared to be a complex picture, where the previous study of Wei *et al.* (2005) critically evaluated the impact of TMT's functional experience and occupational background on a firm. For example, it can be beneficial for better communication and cooperation among its top managers who share a similar background, but it can also be detrimental for causing inter-group conflicts among its top managers who propose diversified views. Indeed, gaining functional experience and similar occupational background would help managers to foster a broader view and a comprehensive understanding of business development, but it was also equally crucial to go through a number of different experiences with a particular focus upon its quality and content (Wei *et al.*, 2005).

4.2 Model One: the effectiveness of HR policies

The effectiveness of HR policies was examined from three perspectives (see Appendix 10): the analysis of HR functions and the role of HR department, the assessment of the strategic fit between HR policies and business strategies, the investigation of the influence of 'globalisation' and 'localisation' in formulation of HR policies. Accordingly, the respondents were asked to select, evaluate or rate a series of questions.

4.2.1 Theme A: HR functions and the role of HR department

The aim of this section was to explore if these four companies had HR policies and when they were introduced; how much HR department (i) was involved in the strategic planning process, (ii) assessed the training needs and (iii) assisted line managers HR responsibilities; whether a performance appraisal existed and its level of effectiveness, together with the exploration of the promotion criteria being carried out within these four companies (see Appendix 10).

Table 18 Existence and period of first establishment of HR policies (%)

(i) The existence of HR policies																
	Whole sample					Policymaker					Implementator					
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D	
Yes	95.7	100	100	93.3	90.5	96.4	100	100	100	89.9	95.2	100	100	89.9	91.7	
No	2.9	0.0	0.0	0.0	9.5	3.6	0.0	0.0	0.0	11.1	2.4	0.0	0.0	0.0	8.3	
Don't know	1.4	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	11.1	0.0	
(ii) The period of first establishment of HR policies																
	Whole sample					Policymaker					Implementator					
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D	
<1 yr	2.9	0.0	0.0	6.7	4.8	7.1	0.0	0.0	16.7	11.1	0.0	0.0	0.0	0.0	0.0	
2-5 yrs ago	50.0	22.2	50.0	60.0	66.7	39.3	12.5	40.0	50.0	55.6	57.1	30.0	54.5	66.7	75.0	
6-10 yrs ago	18.6	0.0	43.8	20.0	14.3	17.9	0.0	60.0	33.3	0.0	19.0	0.0	36.4	11.1	25.0	
> 10 yrs ago	28.6	77.8	6.3	13.3	14.3	35.7	87.5	0.0	0.0	33.3	23.8	70.0	9.1	22.2	0.0	

Source: data analysis

The upper section of Table 18 showed that all surveyed SMs in Companies A and B believed that they have established HR policies, whilst a particular attention has been directed to Company C due to the lack of knowledge shown by its SMIs (11.1%), and Company D concerning a minority of SMPs (11.1%) and SMIs (8.3%) who did not think their companies have such policies. Nevertheless, the overall figure of 95.7% amongst all four companies indicates that they have documented HR policies. While the lower section of this table illustrated the period when HR policies were first established. According to the survey, SMs in Companies C (60%) and D (66.7%) thought that their HR policies were formulated about 2-5 years ago, whereas HR policies in Company A (77.8%) were introduced more than 10 years ago. Whilst, in Company B, there was a little confusion between SMPs (60%) who thought their policies were in place about 6-10 years ago and SMIs (54.5%) who thought their HR policies were established about 2-5 years ago.

Both questions presented in Table 18 aimed at exploring SMs' awareness of their HR policies. However, considering the contradictory views and the ambiguity emerged from the survey, the researcher felt a need to investigate this issue further to check its accuracy, whereby a similar enquiry of *'Do you have HR department and when it was established?'* was asked in interviews. Although the interviewees held different opinions, the majority responses have reached an agreement, as CDSMP01 confirmed *"Yes, there is, it is established in 1997"*, which was then echoed in the opinions of CDSMP03 and CDSMI04. Similar to Company D, SMs of Company C also verified this information during their interviews, as CCSMI01 explained *"Yes, we have HR department since 1985"* (see Table 19).

Table 19 Establishment of HR department

Co.	Date of company establishment	Date of personnel department establishment	Date of HR department establishment
A	1994	1994	2002
B	1994	N/A	1996
C	1984	1984	1985
D	1988	1993	1997

Source: data analysis

As shown in Table 19, Company A was founded in 1994 together with the establishment of its personnel department. Whilst in 2002 the personnel department was developed to HR department. Nevertheless, its HR policies were originated more than 10 years ago. Similarly, Company B was established in 1994, whilst two years later in 1996, its HR department was formed, so HR policies were created more than 10 years ago. Company C and its personnel department were set up at the same time in 1984, but in 1985 the personnel department was restructured as HR department. Therefore, its HR policies were introduced more than 10 years ago. Company D was established in 1988, and its personnel department was formed in 1993, followed by its change of name to HR department in 1997. Thus its HR policies were also brought in more than 10 years ago.

Hence, HR policies in all four companies were introduced more than 10 years ago. Therefore, the selected periods other than ‘more than 10 years ago’ might indicate the confusion caused by the changing names and the development from personnel department to HR department. Thus, the results of the survey to this particular question were corrected during interviews where participants had an opportunity for explanation. Furthermore, this might also reflect or partially be determined by the length of SMs’ employment in these companies. According to Table 16, although the years of service in the current position varied with the shortest period at 2.4 months and the longest period at 14 years, the mean of service is 4.6 years. Therefore, it is potentially difficult for them to accurately identify the first establishment period of HR policies.

Table 20 HR department is fully integrated into the strategic planning process (where 1=strongly disagree and 5=strongly agree) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	4.3	0.0	6.3	0.0	9.5	3.6	0.0	0.0	0.0	11.1	4.8	0.0	9.1	0.0	8.3
2	20.0	0.0	18.8	40.0	23.8	21.4	0.0	20.0	33.3	33.3	19.0	0.0	18.2	44.4	16.7
3	40.0	66.7	56.3	6.7	28.6	35.7	62.5	60.0	0.0	22.2	42.9	70.0	54.5	11.1	33.3
4	27.1	22.2	18.8	33.3	33.3	28.6	25.0	20.0	33.3	33.3	26.2	20.0	18.2	33.3	33.3
5	8.6	11.1	0.0	20.0	4.8	10.7	12.5	0.0	33.3	0.0	7.1	10.0	0.0	11.1	8.3

Source: data analysis

Drawing upon the work of Becker and Huselid (1998) cited in Bjorkman *et al.* (2008: 972), this measurement was adapted to examine the role of HR department. According to Table 20, SMs in Companies A (66.7%) and B (56.3%) showed unawareness on the issue of whether their HR department was fully integrated into the strategic planning. Although 53.3% of SMs in Company C acknowledged the incorporation of their HR department in the strategic planning process, only slightly lower proportion of their SMs (40%) held the opposite view. The distribution in Company D was more or less evenly spread, where 38.1% of SMs felt the involvement of their HR department, 28.6% had no idea, 33.3% believed that their HR department was not fully engaged in the strategic planning process. Furthermore, considering the overall result of all four companies, a marginally higher percentage of SMs (40%) were

unaware whether the HR department is fully integrated into the strategic planning process in comparison with 35.7% who agreed and 24.3% that disagreed.

However, the finding of this research does not reflect the conclusions of previous studies. Although some empirical evidence showed that certain companies' HR department and HR functions are becoming more strategically orientated (Hope-Hailey *et al.*, 1997), the literature also pointed out that the majority of HR functions are still tactically centred (Truss *et al.*, 2002), together with low status and influence of HR professionals in many companies (Berglund 2002 cited in Bjorkman *et al.*, 2008). Furthermore, a number of studies indicated that Chinese firms in general do not have strategically oriented HR departments (Child, 1994, Cooke, 2004, Bjorkman *et al.*, 2008). Nevertheless, the current research illustrated a different pattern whereby the majority demonstrated unawareness of their HR department's role in the strategic planning process, raising a concern with the perception and effectiveness of SMs. Indeed, this research finding questioned the effectiveness of SMs in dealing with managing and planning issues, and it also exhibited their limited knowledge on the strategic and operational levels of the company's operation.

Table 21 HR department assesses training needs and assists line managers with their HR responsibilities (where 1=strongly disagree and 5=strongly agree) (%)

(i) HR department regularly assesses organisational training needs															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	2.9	0.0	0.0	6.7	4.8	7.1	0.0	0.0	16.7	11.1	0.0	0.0	0.0	0.0	0.0
2	4.3	0.0	0.0	0.0	14.3	7.1	0.0	0.0	0.0	22.2	2.4	0.0	0.0	0.0	8.3
3	18.6	27.8	0.0	20.0	23.8	10.7	0.0	0.0	16.7	22.2	23.8	50.0	0.0	22.2	25.0
4	52.9	38.9	93.8	46.7	38.1	57.1	50.0	100.0	66.7	33.3	50.0	30.0	90.9	33.3	41.7
5	21.4	33.3	6.3	26.7	19.0	17.9	50.0	0.0	0.0	11.1	23.8	20.0	9.1	44.4	25.0
(ii) HR department helps line managers carry out their critical HR responsibilities															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	4.3	0.0	0.0	0.0	14.3	7.1	0.0	0.0	0.0	22.2	2.4	0.0	0.0	0.0	8.3
2	5.7	0.0	6.3	6.7	9.5	7.1	0.0	0.0	16.7	11.1	4.8	0.0	9.1	0.0	8.3
3	30.0	50.0	31.3	13.3	23.8	14.3	25.0	20.0	0.0	11.1	40.5	70.0	36.4	22.2	33.3
4	50.0	33.3	62.5	53.3	52.4	53.6	50.0	80.0	33.3	55.6	47.6	20.0	54.5	66.7	50.0
5	10.0	16.7	0.0	26.7	0.0	17.9	25.0	0.0	50.0	0.0	4.8	10.0	0.0	11.1	0.0

Source: data analysis

The upper section of Table 21 revealed that HR departments in all four companies (72.2% in Company A, 100% in Company B, 73.4% in Company C, 57.1% in Company D) regularly assessed the organisation's training needs, indicating that foreign companies in China were aware of the concept of the learning organisation, paying sufficient attention to organisational development and knowledge transfer. For example, when being asked '*What aspects of HRM do you see as contributing to your company's performance*', CASMP02 replied that "*Training. Twenty hours for normal workers, and thirty hours for workers' line managers, forty hours for managers, and fifty hours for CEO or CEO's assistant. For example, staff has been sent to the parent company in Singapore to study, because the parent company has high technology and advanced equipments etc*". Similarly, CDSMP02 thought that "*HR should concentrate on the selection, training and retaining its staff with emphasis on the development of employee's potential abilities*".

According to the lower section of Table 21, 62.5% in Company B, 80.0% in Company C and 52.4% in Company D clearly indicated that their HR departments provided assistance for SMs to carry out their HR responsibilities in departments. However, 50% in Company A were unsure, and another 50% agreed that their HR department devolved certain HR responsibilities to line managers together with the provision of training and relevant assistance. Consequently, this indicated the extent to which Company A recognised the close relationship between line managers and HR department. Although this finding appears to be contradicting with the view of Zhu *et al.* (2008) where there was little evidence of devolvement of HR practices to line managers and no evidence of a relationship between the degree of devolvement and firm performance, it does reflect and reinforce the opinion of Andersen *et al.* (2007) on the involvement of line managers in recruitment, selection and performance assessments, who believed that the HR manager is a strategic partner for line

managers and the provision of formal training to line managers was predictive of performance.

Moreover, recent research showed that in order to achieve superior employee performance with their discretionary effort, low employee turnover and the establishment of a employer branding, it required both appropriate HR policies and their effective implementation in practice, and the latter is line managers' job (Purcell *et al.*, 2003; Purcell and Hutchinson, 2007; Purcell and Kinnie, 2007). However, too often people are promoted into supervisory positions on the basis of seniority or technical skill, without giving proper consideration to people-management skills. As a result, spending time, effort and resources on the selection, development and ongoing appraisal of line managers is necessary to ensure that they have the right attitudes and skills to carry out their job efficiently. In addition, maintaining an effective working relationship with HR managers is also critical.

Hence, it is important to ensure the adequate and relevant training is provided to line managers in order to achieve business objectives, where Companies B, C and D have already recognized the importance of training provision and the responsibility of their HR department in terms of assisting line managers in fulfilling this role, however, particular attention needs to be directed to Company A for devolving HR functions to line managers or increasing the awareness of SMs in HR functions. Indeed, employees perceive line managers as the face of management that they have to deal with on a daily basis, who carry out many key HR activities, contributing to the decision making on selection, performance appraisal, managing the employment relations.

Table 22 Performance appraisal and promotion criteria (%)

(i) Existence of annual performance appraisal															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	97.1	100	100	100	90.5	100	100	100	100	100	95.2	100	100	100	83.3
No	2.9	0.0	0.0	0.0	9.5	0.0	0.0	0.0	0.0	0.0	4.8	0.0	0.0	0.0	16.7
Don't know	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(ii) Performance appraisal works well															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	43.5	33.3	25.0	80.0	40.0	44.4	37.5	20.0	100.0	25.0	42.9	30.0	27.3	66.7	50.0
No	18.8	0.0	18.8	13.3	40.0	22.2	0.0	20.0	0.0	62.5	16.7	0.0	18.2	22.2	25.0
Don't know	37.7	66.7	56.3	6.7	20.0	33.3	62.5	60.0	0.0	12.5	40.5	70.0	54.5	11.1	25.0
(iii) Promotion criteria (please tick as many as apply)															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Competency	87.1	100.0	100.0	80.0	71.4	82.1	100.0	100.0	66.7	66.7	90.5	100.0	100.0	88.9	75.0
Long-term potential	32.9	16.7	43.8	40.0	33.3	28.6	12.5	80.0	16.7	22.2	35.7	20.0	27.3	55.6	41.7
Loyalty to company	55.7	50.0	43.8	73.3	57.1	53.6	37.5	60.0	66.7	55.6	57.1	60.0	36.4	77.8	58.3
Nationality	5.7	0.0	0.0	6.7	14.3	10.7	0.0	0.0	16.7	22.2	2.4	0.0	0.0	0.0	8.3
Past performance	41.4	5.6	18.8	73.3	66.7	46.4	0.0	20.0	66.7	88.9	38.1	10.0	18.2	77.8	50.0
Personal connections	32.9	44.4	18.8	46.7	23.8	28.6	37.5	0.0	66.7	11.1	35.7	50.0	27.3	33.3	33.3
Seniority	37.1	27.8	6.3	60.0	52.4	35.7	25.0	0.0	50.0	55.6	38.1	30.0	9.1	66.7	50.0
Training & Development undertaken	44.3	55.6	62.5	40.0	23.8	39.3	50.0	80.0	33.3	11.1	47.6	60.0	54.5	44.4	33.3
Other (please specify)	1.4	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	11.1	0.0

Source: data analysis

Table 22 contained three sections relating to performance appraisal and promotion criteria. Firstly, concerning the question whether there is performance appraisal, all four companies (100% in Company A, 100% in Company B, 100% in Company C and 90.5% in Company D) acknowledged its existence, although 16.7% of SMIs in Company D were unaware of it, indicating its chaotic situation, in particular, the role of SMI is expected to implement the company's policies and practices, offering support to the SMP's decisions (Purcell and Hutchinson, 2007). Secondly, in relation to the effectiveness of performance appraisal's implementation, respondents of Companies A (66.7%) and B (56.3%) were not knowledgeable about whether their performance appraisal worked well or not. In contrast, the majority of SMs in Company C (80%) believed their performance appraisal worked effectively. However, it seemed more problematic for Company D since 40% of its SMs viewed that their policy of performance appraisal did go well, whilst the same proportion of SMs (40%) thought the policy did not work properly and there were another 20% who had no

idea. Hence, the uncertainty as demonstrated by the majority of SMEs in Companies A, B and D underlined the issue of their awareness and the effectiveness in managing human resources. Nevertheless, the overall statistics from the whole sample showed that a slightly higher percentage of SMEs (43.5%) across all four companies believed the effectiveness of their performance appraisal, although 37.7% of SMEs showed the unawareness. To sum up the first two sections of Table 22 pertaining to performance appraisal from the overall sample size, all four companies recognised the existence of performance appraisal and believed its effectiveness.

Finally, the last section of Table 22 listed a range of promotion criteria, in which the most common themes used by all four companies were '*competency*' and '*loyalty to the company*'. Furthermore, it was noticeable that each criterion had different weights assigned by SMEs, indicating that each company sought a different approach to assess employee's performance while conducting a promotion exercise (see Appendix 10). For example, Company A considered employee's '*training and personal development undertaken*' (55.6%) and '*personal connections*' (44.4%). Company B was concerned with employee's '*training and personal development undertaken*' (62.5%) and '*long-term potential*' (43.8%). Company C took into account the employee's '*past performance*' (73.3%), '*seniority*' (60%) and '*personal connections*' (46.7%). Similarly, Company D sought '*past performance*' (66.7%) and '*seniority*' (52.4%).

The possible explanations were drawn from the linkage with Table 17, where most SMEs in Company A (66.7%) had previously worked in SOEs, whilst the majority in Companies B (62.5%), C (46.7%) and D (52.9%) had last worked for an IJV. Specifically, although Company A was a SOE and restructured to an IJV with a Singapore HQ, some characteristics

of SOEs were still remained, such as the promotion via personal connection as shown in Table 22. Nevertheless, Companies A and B also consider employees' long-term potential and provide appropriate training and opportunities for their personal development (Schuler and Jackson, 1987; Guess, 1997), whilst the situation appeared to be complex in Companies C and D, which exhibited a trace of SOE's characteristics, even though the majority of SMEs previously worked in an IJV. This might be due to the relationship with their HQs. Hong Kong being the HQ of Company C remained in tight control mainly over the technical aspects of the subsidiary's operation. The opposite, Company D has gained a great deal of autonomy from its Taiwan HQ. As a result, these two companies learnt and exercised the local companies' practices, where SOEs' selection criteria are dominant. In summary, except for Company B, the promotion criteria of *'past performance'*, *'seniority'* and *'personal connections'* have been mostly emphasised, which is in line with the previous studies of Tsang (2004) and Cooke (2008a).

Indeed, although Genzberger (1994 cited in Pelled and Xin, 1997: 188) pointed out seniority-based promotion has been a Chinese tradition, nevertheless, Cooke (2004) found that that performance-related pay had now largely replaced the seniority-oriented pay structure. However, wage increases were commonly accompanied by longer working hours and much tighter performance control closely relating to individual and collective productivity. Therefore, this research did not find the changing pattern of promotion and reward as Cooke (2004) mentioned, but was in line with study of Genzberger (1994).

4.2.2 Theme B: the alignment of HR policies with business strategies

This section examined the integration between HR policies and business strategies by investigating the following aspects (see Appendix 10): the frequency of reviewing HR policies and the business plan, the adopted business strategy by the four foreign MNCs'

subsidiaries in China, the degree of fit between HR policies and business strategy, to what extent senior management considered HR policies and procedures when adopting an organisation strategy.

Table 23 The frequency of reviewing company's HR policies and business plan (%)

(i) The frequency of reviewing company's HR policies																
	Whole sample					Policymaker					Implementator					
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D	
Never	7.1	0.0	0.0	13.3	14.3	10.7	0.0	0.0	16.7	22.2	4.8	0.0	0.0	11.1	8.3	
Annually	57.1	55.6	56.3	60.0	57.1	53.6	50.0	60.0	50.0	55.6	59.5	60.0	54.5	66.7	58.3	
2-5 years	35.7	44.4	43.8	26.7	28.6	35.7	50.0	40.0	33.3	22.2	35.7	40.0	45.5	22.2	33.3	
> 5 years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(ii) The frequency of reviewing company's business plan																
	Whole sample					Policymaker					Implementator					
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D	
Never	1.4	0.0	0.0	6.7	0.0	3.6	0.0	0.0	16.7	0.0	0.0	0.0	0.0	0.0	0.0	
Annually	84.3	88.9	93.8	66.7	85.7	92.9	87.5	100.0	83.3	100.0	78.6	90.0	90.9	55.6	75.0	
2-5 years	14.3	11.1	6.3	26.7	14.3	3.6	12.5	0.0	0.0	0.0	21.4	10.0	9.1	44.4	25.0	
> 5 years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: data analysis

Table 23 revealed that overall 57.1% of SMs perceived the updating of their HR policies was on an annual base, and 84.3% of SMs believed their companies reviewed the business plan annually. Indeed, it was essential to review the company policies in order to comply with the increasing volume of new legislations in recent years. Furthermore, Armstrong (2006) highlighted the importance of having a clearly defined business strategy and re-evaluate strategies while any circumstances changed. The flexibility of the strategic approach was essential in turbulent conditions. Therefore, the researcher expected the survey result to indicate that both business plan and HR policies were evaluated simultaneously and annually, or when it was needed to follow up the management of change.

Table 24 Rate the importance of the following business strategies for your target market (where 1=least important and 5=most important) (%)

(i) The price of your products or services																
	Whole sample					Policymaker					Implementator					
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D	
1	2.9	0.0	0.0	6.7	4.8	7.1	0.0	0.0	16.7	11.1	0.0	0.0	0.0	0.0	0.0	
2	7.1	5.6	18.8	0.0	4.8	10.7	12.5	20.0	0.0	11.1	4.8	0.0	18.2	0.0	0.0	

3	1.4	5.6	0.0	0.0	0.0	3.6	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	40.0	27.8	31.3	66.7	38.1	35.7	50.0	20.0	66.7	11.1	42.9	10.0	36.4	66.7	58.3
5	48.6	61.1	50.0	26.7	52.4	42.9	25.0	60.0	16.7	66.7	52.4	90.0	45.5	33.3	41.7
(ii)The quality of your products or services															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	2.9	0.0	0.0	0.0	9.5	7.1	0.0	0.0	0.0	22.2	0.0	0.0	0.0	0.0	0.0
2	1.4	0.0	0.0	6.7	0.0	3.6	0.0	0.0	16.7	0.0	0.0	0.0	0.0	0.0	0.0
3	2.9	11.1	0.0	0.0	0.0	7.1	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	12.9	11.1	25.0	20.0	0.0	10.7	12.5	20.0	16.7	0.0	14.3	10.0	27.3	22.2	0.0
5	80.0	77.8	75.0	73.3	90.5	71.4	62.5	80.0	66.7	77.8	85.7	90.0	72.7	77.8	100.0
(iii)The innovation of your products or services															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	0.0	0.0	4.8	3.6	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0
2	1.4	5.6	0.0	0.0	0.0	3.6	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	5.7	5.6	0.0	13.3	4.8	7.1	12.5	0.0	16.7	0.0	4.8	0.0	0.0	11.1	8.3
4	25.7	11.1	25.0	20.0	42.9	28.6	12.5	40.0	33.3	33.3	23.8	10.0	18.2	11.1	50.0
5	65.7	77.8	75.0	66.7	47.6	57.1	62.5	60.0	50.0	55.6	71.4	90.0	81.8	77.8	41.7

Source: data analysis

The question illustrated in Table 24 asked respondents to rate the importance of three business strategies in their target market as defined by Scheduler and Jackson (1987), namely cost reduction, quality enhancement and innovation of products and service. In order to highlight the most important business strategy pursued by these four foreign MNCs' Chinese subsidiaries, the subjective responses were firstly recorded on a Likert five-point scale where 1 indicates least important and 5 means most important from which a mean value was then calculated. Consequently, this revealed the following averages: 4.24 for the cost reduction, 4.66 for the quality enhancement and 4.53 for the innovation of products and services. Therefore, it can be concluded that the quality of products and services was the most important business strategy that all four companies were seeking followed by the innovation business strategy, whilst cost reduction appeared to be the least important business strategy amongst all four foreign MNCs' subsidiaries in China.

Based on the existing literature, because of the difficulties to compete on low cost with SOEs and the avoidance of price wars (Li *et al.*, 2000), foreign businesses shifted their investment pattern from the traditional manufacturing sector featured by the cheap labour cost as competitive advantages towards the sectors characterized by high-tech and high value-added since the 1990s (Cooke, 2008a). This was also in line with the developing trend in the Western countries, whereby the increasing pressure on innovation encouraged MNCs to transfer knowledge and learning in a coordinated way across different international operations (Bartlett and Ghoshal, 1989). Following these changes and the increasing dynamism of the Chinese economy towards a market orientation, in particular with China's entry into the WTO, the low cost strategy was more likely to lead to short-term and temporary employment, lower education level in the workforce, less monetary income to employees and a higher proportion of managers and supervisors among the total workforce. All these factors may lead to a higher turnover rate and lower productivity among employees (Li, 2003). Furthermore, if the firm's HRM is matched with its business strategy, this integration will lead to a positive firm performance (Bjorkman and Fan, 2002).

In summary, this research did not support Ding and Akhtar (2001)'s research, where it recommended an innovation business strategy in China, instead, this research argued the quality enhancement of products and services is a preferred strategy to bring the edge of the competitive advantage for foreign MNCs operation in China. This finding corresponds to the survey result of Chang and Huang (2005) which showed that a quality enhancement strategy was significantly and positively related to firm performance, whilst a cost reduction strategy is significantly and negatively related to the firm performance. Although Chang and Hung (2005)'s research was undertaken in Taiwan, this supports the current research findings that cost reduction was regarded as the least and an ineffective business choice.

Table 25 HR policies ‘fit’ with the business strategy (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	45.7	33.3	12.5	86.7	52.4	46.4	25.0	20.0	100.0	44.4	45.2	40.0	9.1	77.8	58.3
No	18.6	11.1	31.3	6.7	23.8	21.4	25.0	20.0	0.0	33.3	16.7	0.0	36.4	11.1	16.7
Don't know	35.7	55.6	56.3	6.7	23.8	32.1	50.0	60.0	0.0	22.2	38.1	60.0	54.5	11.1	25.0

Source: data analysis

According to Guest (1997) and Gratton (1999), seeking strategic fit is one of the main considerations in the process of developing HR strategies and is achieved by balancing vertical and horizontal integration. Specifically, vertical integration is achieved when there is fit between business objectives and HR strategies (Schuler and Jackson, 1999) as this question sought to investigate. As displayed in Table 25, 55.6% of SMs in Company A and 56.3% of SMs in Company B did not know if their HR policies were matched with their business strategy, whilst 86.7% of SMs in Company C and 52.4% in Company D believed their HR policies were in accordance with the business strategy. In conclusion, although the business plan and HR policies are reviewed on an annual basis in all four companies (see Table 23), the purposes and effectiveness of this review is challenged. As a result, there is a need to launch a relevant training programme to target this specific aspect with an aim to improve their knowledge and increase their awareness during the process of strategic planning and decision-making. Nevertheless, the frequency analysis also showed the overall view from the whole sample concerning all four companies that the majority of responses (45.7%) believed the achievement of this alignment between HR policies and business strategy in their companies as opposite to 35.7% that were unknown and 18.6% who disagreed. In conclusion, the majority of SMs recognised the fitness of HR policies with their business strategy.

Indeed, this appeared to be particularly important given that a number of studies (Miles and Snow, 1984; Porter, 1985; Schuler and Jackson, 1987) commented that HRM practices must fit with specific business strategies to enhance organisational performance. As shown in Table

24, quality enhancement of products and service was pursued as the main business strategy in the four studied companies. Furthermore, based upon the recommendations of Delery and Doty (1996), Liao (2005) and Armstrong (2006), firms emphasizing a quality-enhancement business strategy need to consider a certain set of HRM policies and practices in order to achieve the vertical integration, which is one of the important aspects of the strategic human resource management, leading to the improved organisational effectiveness and better organisational outcomes. For example, in relation to people resourcing, the use of sophisticated selection procedures to recruit people who are likely to deliver quality and high levels of customer service is recommended. In terms of human resource development, the establishment and implementation of a learning organisation and knowledge management are encouraged, whilst total quality and customer care initiatives with focused training are also supported. With respect to employee reward, it is suggested to link compensation to quality performance and the achievement of high standards of customer service.

Table 26 Senior management considers HR policies and procedures when adopting organisational strategy (where 1=strongly disagree and 5=strongly agree) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	4.3	0.0	6.3	6.7	4.8	7.1	0.0	0.0	16.7	11.1	2.4	0.0	9.1	0.0	0.0
2	7.1	0.0	18.8	6.7	4.8	7.1	0.0	20.0	16.7	0.0	7.1	0.0	18.2	0.0	8.3
3	38.6	55.6	50.0	6.7	38.1	35.7	50.0	60.0	0.0	33.3	40.5	60.0	45.5	11.1	41.7
4	40.0	33.3	25.0	73.3	33.3	42.9	37.5	20.0	66.7	44.4	38.1	30.0	27.3	77.8	25.0
5	10.0	11.1	0.0	6.7	19.0	7.1	12.5	0.0	0.0	11.1	11.9	10.0	0.0	11.1	25.0

Source: data analysis

Results in Table 26 indicated that SMs in Companies A (55.6%) and B (50%) showed a lack of knowledge about the importance of matching HR policies and practices with their organisation strategy. In contrast, SMs in Companies C (80%) and D (52.3%) considered how to design HR systems and procedures to be able to serve the achievement of business objectives. Indeed, the results shown in Table 26 corresponded to the findings in Table 25 echoing Analoui (1999, 2002, 2007) who stressed the importance for SMs to recognise the effectiveness of HR functions when they are matched with business strategy.

Indeed, Armstrong (2006) argued that seeking ‘strategic fit’ with business strategy is one of the main considerations in the process of developing HR strategies. Further, Hendry and Pettigrew (1990) incorporated the element of business strategy content along side with HRM content in their Warwick model. Thus, the importance of aligning HR content with business strategy is apparent, so when SMs in Companies A and B being asked if they have considered HR policies in the process of deciding business strategy (see Table 26) and if their HR policies ‘fit’ with the business strategy (see Table 25), the unawareness as revealed might indicate the level of their knowledge and the degree of their effectiveness. Nevertheless, the frequency analysis derived from the whole sample showed that the majority of SMs (50%) in all four companies believed that senior management considers HR policies and procedures when adopting organisational strategy, although a relatively high percentage of SMs (38.6%) were unaware of this and small percentage (11.4%) did not agree. In conclusion, the whole sample across all four companies recognised the fact that senior management considers HR policies and procedures when adopting organisational strategy.

4.2.3 Theme C: Globalisation and/or localisation

Given the contradictory findings of previous studies (such as Rosenzweig and Nohria, 1994; Hannon *et al.*, 1995; Taylor *et al.*, 1996, Bjorkman and Lu, 2001, Kidd *et al.*, 2001; Rosenzweig, 2006; Bjorkman *et al.*, 2008; Morris *et al.* 2009) and four identified different major structural forms of MNCs within the Integration-Responsiveness grid (Bartlett and Ghoshal, 1989), the researcher felt a need to extend the literature by further investigating the global integration/MNC standardization and/or local responsiveness/local adaptation in these four selected foreign MNCs’ Chinese subsidiaries with a particular reference to the extent to which whether HQs transferred HRM policies and practices to their Chinese counterparts. Consequently, the issue of globalisation and/or localisation was explored from the survey and

interviews via the question of “*whether companies’ HR policies were transferred from their HQs*”.

Table 27 Transferred HR policies from headquarters (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	58.6	100.0	0.0	93.3	42.9	71.4	100.0	0.0	100.0	66.7	50.0	100.0	0.0	88.9	25.0
No	22.9	0.0	43.8	0.0	42.9	10.7	0.0	40.0	0.0	11.1	31.0	0.0	45.5	0.0	66.7
Don’t know	18.6	0.0	56.3	6.7	14.3	17.9	0.0	60.0	0.0	22.2	19.0	0.0	54.5	11.1	8.3

Source: data analysis

According to Table 27, SMs in Companies A (100%) and C (93.3%) recognised that their HR policies were transferred from their HQs, whilst in Company B, 56.3% did not know the origins of these policies and 43.8% thought they were written by the Chinese subsidiary, and nobody thought their HR policies had any linkages with the HQ. SMs in Company D expressed different opinions among themselves, 42.9% thought their HR policies were transferred, as the same proportion (42.9%) held the opposite view, and the rest of SMs (14.3%) were unaware where their HR policies originated from. By further examining the distribution of SMPs and SMIs in Company D, 66.7% of SMPs thought their HR policies were designed by HQ and implemented globally, whilst the same proportion of SMIs (66.7%) thought their HR policies were written by its subsidiary and utilised locally. Hence, regardless which dimension this issue was sought to investigate, it showed contradictory results which were unexpected since SMs were meant to understand their HR policies considering their senior positions.

Therefore, it was necessary to investigate why a slightly larger proportion of SMs in Company B had no idea of where their HR policies came from, and the evenly spread of diverse views across Company D. The researcher asked the same question in interviews, whereby CBSMI01 commented, “*HRM is controlled by parent company*”, which failed to clarify the situation and indicated confusion regarding the origin of their HR policies. Indeed,

of the three interviewees, the other two were unable to respond to this question, explaining that they did not know the answer. Therefore, the findings from the survey and interviews indicated the potential challenges buried in Company B, such as the SMs' perception and knowledge, and it further underlined the communication barriers between HR department and other parts of the organisation.

Moreover, in Company D, CDSMP03 explained that *"It is a mixture of both depending on the developing phase of the company. HQ established the general and initial HR policies, remaining the control over its macro aspects of the planning and documenting its key issues. However, nowadays the details are normally left for us to decide"*. Indeed, CDSMP01 agreed *"Some them (HR policies) from HQ, and some them (HR policies) from local"*. Similarly, CDSMI01 summarised that *"HRM (in our company) is being influenced by the HQ and now towards formalizing and systematic. And also because our HR leader who stayed America for five years and has a doctoral degree, he is very knowledgeable, making strategies for company's HR changes, however, all changes also depend on how practical these policies are"*. Hence, the interview scripts indicated that Company D's HQ took the ethnocentric approach when setting up its Chinese subsidiary, whereby strategic decisions were made at the HQ level, with key positions held by HQ management team. Thus, subsidiaries were managed by expatriates from the home country. However, following the growth of the subsidiary, its HQ delegated some decision-making autonomy to achieve more effective management, thereafter Company D developed HR policies to suit its own needs and fit with local requirements. Therefore, the possible explanations might be that some SMs remain uncertain about these strategic changes following the different developing stages of the subsidiary, which called for a need to improve communication and increase awareness through company training and briefing.

Furthermore, in relation to the literature, the responses shown in Companies A and C confirmed the findings of Bjorkman and Lu (1999a, 2001) and Morris *et al.* (2009), who proposed the successful implementation of global standardized HRM practices in Chinese subsidiaries, indicating a global strategy of MNCs' structural form with reference to the classification devised by Bartlett and Ghoshal (1989). Although the situation was ambiguous in Company D, a series of investigations (i.e. interviews) clarified that this company blended global standardization with local responsiveness, which corresponded to the research of Taylor *et al.* (1996) and Cooke (2008a) and is consistent with the international strategy in terms of MNCs' structural form (Bartlett and Ghoshal, 1989). Whereby MNCs not only faced the need of balancing global integration and local adaptation as entering the Chinese market through JVs with local firms (Naughton, 2007), but also faced the challenge of the dual pressure from the adoption of Western management practices and the local workforce's resistance (Child, 1994; Ilari and Grange, 1999 cited in Cooke, 2005: 190; Legewie, 2002).

With regards to Company B, 56.3% of its SMs felt unknown about the origins of HR policies. Indeed, this might be explained by Chinese managers' reluctance and resistance to accept HR policies transferred from MNCs. In addition, there were other key issues as barriers to integration, such as cultural differences, management style, communication problems, workforce morale, trust and organisational politics (Cartwright and Cooper, 1993; Schuler and Jackson, 2001; Schuler *et al.*, 2004; Stahl *et al.*, 2004 cited in Cooke, 2008a: 211-212). Nevertheless, 43.8% of respondents in Company B recognised the localisation of their HR policies, which supported the opinions of Rosenzweig and Nohria (1994) and Hannon *et al.* (1995), indicating stronger local institutional pressures. Furthermore, considering the classification of MNCs structure by Bartlett and Ghoshal (1989), it implies that Company B

might take the form of multidomestic strategy. Finally, Cooke (2008a) criticized that in the contemporary Chinese context MNCs reconciled control and adaptation rather than satisfying one at the expense of the other, whereby the trend was for Western HR policies to be gradually accepted and internalized by the younger generation of the Chinese workforce.

4.3 Model Two: the effectiveness of senior management

In relation to managerial effectiveness, there has been an increasing interest and a number of contributions by management scholars over the last two decades (Smith *et al.*, 1997; Sergeant and Frenkel, 1998; Li *et al.*, 1999; Levenson *et al.*, 2003; Boxall and Gilbert, 2007). However, Analoui (1999) argued that in order to explore how effective SMs are working in their sectors, there are eight parameters to consider: managerial perception (first parameter), the need for managerial skills (second parameter), organisational criteria (third parameter), motivation (fourth parameter), the degree of ‘demands’ and ‘constraints’ (fifth parameter), presence of ‘choices’ and ‘opportunities’ for effectiveness (sixth parameter), nature of inter- and intra-organisational relationships (seventh parameter) and dominant managerial philosophy (eighth parameter). These eight parameters are coherent and interlinked to determine and influence SMs’ effectiveness primarily being applied to the public sector in developing and transitional countries, such as Zimbabwe, India, Romania and Ghana (Analoui, 1990, 1995, 1997a and 1999). Nonetheless, it has not previously been utilised in the private sector of a transitional economy like China. Therefore, there is a need and necessity as well as scope and potential to explore if these parameters are applicable to the context of foreign MNCs’ Chinese subsidiaries, together with an examination of their SMs’ management style.

4.3.1 Perception of managerial effectiveness (first parameter)

When being asked to describe an effective manager, most of interviewees found this a difficult question given its nature to explore the senior managers' own effectiveness as perceived by themselves and to discover what characteristics and qualities they thought an effective manager should possess. Indeed, specifically, the question of 'How would you describe an effective manager' was asked in the survey to seek the perception of senior officials on what their expectations from an effective manager (see Tables 28-30).

Table 28 Description of an effective leader/manager (Rank one) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
A good motivator	26.1	11.1	12.5	33.3	45.0	29.6	25.0	20.0	16.7	50.0	23.8	0.0	9.1	44.4	41.7
Ability to supervise/lead	31.9	22.2	62.5	33.3	15.0	29.6	25.0	60.0	33.3	12.5	33.3	20.0	63.6	33.3	16.7
Allocate resources efficiently	17.4	27.8	12.5	20.0	10.0	14.8	12.5	20.0	33.3	0.0	19.0	40.0	9.1	11.1	16.7
Inspire people to perform beyond their contractual responsibilities	1.4	0.0	0.0	0.0	5.0	3.7	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0
Making people work to their contract	4.3	5.6	0.0	6.7	5.0	7.4	12.5	0.0	16.7	0.0	2.4	0.0	0.0	0.0	8.3
Meet deadlines	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Perform tasks satisfactorily	4.3	11.1	0.0	0.0	5.0	3.7	0.0	0.0	0.0	12.5	4.8	20.0	0.0	0.0	0.0
Responsible, conscientious/focused	8.7	22.2	12.5	0.0	0.0	7.4	25.0	0.0	0.0	0.0	9.5	20.0	18.2	0.0	0.0
Solve problems	4.3	0.0	0.0	6.7	10.0	0.0	0.0	0.0	0.0	0.0	7.1	0.0	0.0	11.1	16.7
Teamwork/participation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (please specify)	1.4	0.0	0.0	0.0	5.0	3.7	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 29 Description of an effective leader/manager (Rank two) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
A good motivator	8.7	5.6	6.3	6.7	15.0	3.7	12.5	0.0	0.0	0.0	11.9	0.0	9.1	11.1	25.0
Ability to supervise/lead	15.9	5.6	18.8	26.7	15.0	7.4	0.0	0.0	16.7	12.5	21.4	10.0	27.3	33.3	16.7
Allocate resources efficiently	24.6	27.8	18.8	13.3	35.0	25.9	37.5	40.0	0.0	25.0	23.8	20.0	9.1	22.2	41.7
Inspire people to perform beyond their contractual responsibilities	5.8	5.6	0.0	6.7	10.0	11.1	12.5	0.0	0.0	25.0	2.4	0.0	0.0	11.1	0.0
Making people work to their contract	2.9	5.6	6.3	0.0	0.0	3.7	0.0	20.0	0.0	0.0	2.4	10.0	0.0	0.0	0.0
Meet deadlines	5.8	5.6	12.5	6.7	0.0	3.7	0.0	0.0	16.7	0.0	7.1	10.0	18.2	0.0	0.0
Perform tasks satisfactorily	1.4	5.6	0.0	0.0	0.0	3.7	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Responsible, conscientious/focused	13.0	22.2	25.0	6.7	0.0	7.4	0.0	20.0	16.7	0.0	16.7	40.0	27.3	0.0	0.0
Solve problems	17.4	11.1	12.5	26.7	20.0	25.9	12.5	20.0	33.3	37.5	11.9	10.0	9.1	22.2	8.3
Teamwork/participation	4.3	5.6	0.0	6.7	5.0	7.4	12.5	0.0	16.7	0.0	0.0	0.0	0.0	0.0	8.3
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 30 Description of an effective leader/manager (Rank three) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
A good motivator	5.9	11.1	0.0	6.7	5.0	7.7	14.3	0.0	16.7	0.0	4.8	10.0	0.0	0.0	8.3
Ability to supervise/lead	13.2	11.1	6.3	20.0	15.0	11.5	0.0	20.0	0.0	25.0	14.3	20.0	0.0	33.3	8.3
Allocate resources efficiently	14.7	16.7	18.8	13.3	10.0	3.8	14.3	0.0	0.0	0.0	21.4	20.0	27.3	22.2	16.7
Inspire people to perform beyond their contractual responsibilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Making people work to their contract	2.9	11.1	0.0	0.0	0.0	3.8	14.3	0.0	0.0	0.0	2.4	10.0	0.0	0.0	0.0
Meet deadlines	11.8	22.2	6.3	13.3	5.0	19.2	28.6	20.0	16.7	12.5	7.1	20.0	0.0	11.1	0.0
Perform tasks satisfactorily	8.8	5.6	31.3	0.0	0.0	7.7	14.3	20.0	0.0	0.0	9.5	0.0	36.4	0.0	0.0
Responsible, conscientious and focused	22.1	16.7	18.8	20.0	30.0	26.9	14.3	0.0	50.0	37.5	19.0	20.0	27.3	0.0	25.0
Solve problems	10.3	0.0	6.3	13.3	20.0	11.5	0.0	20.0	0.0	25.0	9.5	0.0	0.0	22.2	16.7
Teamwork/participation	10.3	0.0	12.5	13.3	15.0	7.7	0.0	20.0	0.0	0.0	11.9	0.0	0.0	11.1	25.0
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

As shown in Tables 28-30, the top three answers stated in the survey in the order of priority were: (i) ‘ability to supervise/lead’, (ii) ‘allocate resources efficiently’ and (iii) ‘being responsible, conscientious and focused’. While the responses received from interviews were various, ranging from ‘being concerned with people and their welfare’ to ‘being concerned with production and profit’. Finally, nine categories of different views were classified in Table 31 based upon the most often expressed interview responses.

Table 31 Perception of managerial effectiveness from interviews

Priority	Description	Frequency
1 st	Being honest, responsible and fairness	8
2 nd	Being concerned with people and their welfare	7
3 rd	Being concerned with production and risk assessment	5
4 th	Being knowledgeable, competence and experienced	4
5 th	Problem solving and willing to learn	3
5 th	Teamwork/participation	3
5 th	Vision	3
8 th	Inspiring	2
9 th	Self-management	1

Source: data analysis

Table 31 therefore provided a comparative list of attributes for the description of an effective manager as perceived by senior officials. The characteristic of *'being honest, responsible and fairness'* was placed as the most important element, followed by the identification of *'being knowledgeable, competence and experienced'* as leader traits, which indicated possessing such personalities as necessity and foundation of being an effective manager. The second category of *'being concerned with people and their welfare'* indicated transformational leadership. The third category of *'being concerned with production and risk assessment'* is matched with the description of transactional leadership. Table 38 also presented other attributes such as *'problem solving and willing to learn'*, *'teamwork/participation'*, *'vision'*, *'inspiring'* and *'self-management'*, which implied that the expectations for an effective manager were relatively high. Therefore, an effective manager was expected to be multi-facet role in an organisation.

Although the identified traits from this research were not completely matched with the lists drawn from the literature, it showed some commonalities, such as *'ability to supervise/lead'*, *'allocate resources efficiently'*, *'being responsible, conscientious and focused'*, *'being honest, responsible and fairness'* and *'being knowledgeable, competence and experienced'*. These are reflected in the views of Northouse (2010) who found that some traits were consistently identified in many studies, such as intelligence, self-confidence, determination, integrity and sociability and support the five-factor personality model (Judge *et al.*, 2002), where extraversion was the trait most strongly associated with leadership, followed by conscientiousness, openness, low neuroticism and agreeableness.

4.3.2 Essential managerial skills (second parameter)

When senior managers were questioned in the survey what are the essential managerial skills for ensuring their effectiveness, a large proportion (81.4%) perceived *'managing people'* as

the most fundamental skill, followed by the category of ‘*skills of self and career development*’ (68.6%), whilst the skill of ‘*managing task*’ (61.4%) was ranked as the least important criteria (see Table 32).

Table 32 Essential managerial skills for ensuring SMs’ effectiveness (please tick as many as apply) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Managing people	81.4	77.8	81.3	80.0	85.7	67.9	62.5	60.0	83.3	66.7	90.5	90.0	90.9	77.8	100.0
Managing tasks	61.4	44.4	87.5	40.0	71.4	71.4	62.5	100.0	33.3	88.9	54.8	30.0	81.8	44.4	58.3
Analytical skills	68.6	61.1	75.0	66.7	71.4	64.3	75.0	80.0	50.0	55.6	71.4	50.0	72.7	77.8	83.3
Other	7.1	0.0	0.0	26.7	4.8	7.1	0.0	0.0	16.7	11.1	7.1	0.0	0.0	33.3	0.0

Source: data analysis

When the same question being asked during interviews, 28 different descriptions of essential skills were collected covering numerous aspects of management, from which the top five managerial skills were then identified in a sequential order: ‘*communication skills*’, ‘*interpersonal skills*’, ‘*analytical and prediction abilities*’, ‘*supervisory skills*’ and ‘*allocating and delegating skills*’ as presented in Table 33.

Table 33 Essential managerial skills for an effective manager from interviews

Priority	Description	Frequency
1 st	Communication skills	12
2 nd	Interpersonal skills	10
3 rd	Analytical and prediction abilities	9
4 th	Supervisory skills	7
5 th	Allocating and delegating skills	5

Source: data analysis

Table 33 therefore suggested the top five categories were mainly the skills required to manage people or concern the self-development. In contrast, the skills of allocation and delegation indicating task-related criteria were given the least attention. Therefore, the interview responses were correspondent with the survey results, whereby it was interesting to note that people-related skills seemed to be the most important skills expected by SMs for an effective

performance at workplace, together with an emphasis on the significance of complementary managerial skills as an indicator to firm performance. This confirmed the study of Katz (1974) who argued that an effective leadership depended on three basic personal skills: technical, human and conceptual, additionally, leaders were more effective when their skills matched their management level. In particular, at upper management levels, conceptual and human skills are most important and technical skills become less important. Indeed, in essence it can be observed from the above survey and interview findings. In addition, the attributes of an effective manager identified in Table 32 appeared to possess the similar characteristics with the essential managerial skills required in Table 33, showing the consistency amongst the responses given from the interviews and questionnaires. Therefore, these are the traits and skills that an effective manager is expected to have across these four companies in order to ensure the level of their awareness and capabilities.

4.3.3 Organisational effectiveness criteria (third parameter)

This parameter aimed at exploring the SMs' performance through the level of their awareness on the criteria established for measuring organisational effectiveness. Accordingly, a question of 'What do you believe to be the criteria for effectiveness in your company?' was proposed in the survey. Overall, the measurements of 'being competitive' (85.7%), 'increased productivity' (58.6%) and 'meeting targets' (50%) were identified as the key criteria (see Table 34).

Table 34 Criteria for organisational effectiveness (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Being competitive	85.7	100.0	100.0	73.3	71.4	78.6	100.0	100.0	50.0	66.7	90.5	100.0	100.0	88.9	75.0
Compliance with rules	44.3	61.1	37.5	26.7	47.6	39.3	37.5	60.0	33.3	33.3	47.6	80.0	27.3	22.2	58.3
Increased productivity	58.6	61.1	50.0	66.7	57.1	46.4	50.0	40.0	50.0	44.4	66.7	70.0	54.5	77.8	66.7
Meeting targets	50.0	33.3	56.3	60.0	52.4	57.1	50.0	80.0	83.3	33.3	45.2	20.0	45.5	44.4	66.7
Planning abilities	45.7	44.4	18.8	66.7	52.4	53.6	50.0	40.0	83.3	44.4	40.5	40.0	9.1	55.6	58.3

Self-motivation	40.0	22.2	37.5	46.7	52.4	50.0	37.5	60.0	50.0	55.6	33.3	10.0	27.3	44.4	50.0
Time management	47.1	55.6	37.5	53.3	42.9	42.9	37.5	60.0	50.0	33.3	50.0	70.0	27.3	55.6	50.0
Other (please specify)	1.4	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	11.1	0.0

Source: data analysis

Disassembling Table 34 into more details according to the types of company, SMPs and SMIs, it sought to look at any similarities and distinctions between the criteria being perceived in different categories. The results showed that Company A perceived *'being competitive'* (100%), *'compliance with rules and regulations'* (61.1%) and *'increased productivity'* (61.1%) as important, where its SMPs and SMIs agreed with the criteria of *'being competitive'* and *'increased productivity'*, but having different views on what other criteria can be considered as essential measurements. Specifically, SMPs were concerned with *'meeting targets'* (50%) and *'planning abilities'* (50%), whilst SMIs did not agree with these, instead proposed to beware of *'compliance with rules and regulations'* (80%) and *'time management'* (70%).

This pattern was carried on with SMPs and SMIs in Companies C and D, with the criteria of *'meeting targets'* and *'planning abilities'* being emphasized amongst SMPs, and criteria of *'compliance with rules and regulations'* and *'time management'* being focused upon by SMIs. However, this is to be expected for SMPs to place an emphasis on *'meeting targets'* and *'planning abilities'* given that they are the decision makers and strategic planners, whilst SMIs felt the pressure of *'time management'* and *'compliance with rules and regulations'*, which is also understandable considering their role of being policy implementator. In contrast, a different picture appeared in Company B, where its SMPs and SMIs agreed with the standards of organisational effectiveness criteria, such as *'being competitive'*, *'meeting targets'*, *'increased productivity'*, *'compliance with rules and regulations'* and *'time management'*, indicating the efficiency and effectiveness of workplace in Company B.

4.3.4 Motivation factors towards effectiveness (fourth parameter)

According to Analoui (1999), all organisations are concerned with what should be done to achieve sustained high levels of performance through people. Hence, a question of “*What motivates you towards your leadership effectiveness?*” was asked in the survey, the purpose of which was to explain SMs’ behaviour in terms of their efforts and the directions they were taking, as well as discovering those forces that drove the actions undertaken by SMs. Thereafter, SMs were required to rank their top three most important motivators by indicating 1, 2 and 3 amongst a range of choices comprising: ‘*Achieving set goals/targets*’, ‘*Achievement*’, ‘*Job satisfaction*’, ‘*Recognition from superiors*’, ‘*Reward for hard work*’, ‘*Promotion*’, ‘*Remuneration*’, ‘*Training/self-development*’ (see Tables 35- 37).

Table 35 Motivation factors towards managerial effectiveness (Rank one) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Achieving set goals/targets	17.4	33.3	12.5	6.7	15.0	18.5	37.5	20.0	16.7	0.0	16.7	30.0	9.1	0.0	25.0
Achievement	13.0	5.6	6.3	33.3	10.0	18.5	12.5	20.0	33.3	12.5	9.5	0.0	0.0	33.3	8.3
Teamwork	23.2	33.3	25.0	20.0	15.0	22.2	12.5	20.0	33.3	25.0	23.8	50.0	27.3	11.1	8.3
Job satisfaction	7.2	0.0	0.0	13.3	15.0	7.4	0.0	0.0	16.7	12.5	7.1	0.0	0.0	11.1	16.7
Promotion	17.4	16.7	37.5	13.3	5.0	7.4	25.0	0.0	0.0	0.0	23.8	10.0	54.5	22.2	8.3
Recognition	5.8	11.1	0.0	0.0	10.0	3.7	12.5	0.0	0.0	0.0	7.1	10.0	0.0	0.0	16.7
Remuneration	4.3	0.0	0.0	0.0	15.0	7.4	0.0	0.0	0.0	25.0	2.4	0.0	0.0	0.0	8.3
Reward for hard work	1.4	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	8.3
Training/self-development	10.1	0.0	18.8	13.3	10.0	14.8	0.0	40.0	0.0	25.0	7.1	0.0	9.1	22.2	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 36 Motivation factors towards managerial effectiveness (Rank two) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Achieving set goals/targets	17.4	16.7	6.3	40.0	10.0	14.8	0.0	20.0	33.3	12.5	19.0	30.0	0.0	44.4	8.3
Achievement	2.9	0.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0	0.0	0.0	16.7
Teamwork	26.1	33.3	37.5	13.3	20.0	37.0	37.5	60.0	16.7	37.5	19.0	30.0	27.3	11.1	8.3
Job satisfaction	1.4	0.0	6.3	0.0	0.0	3.7	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Promotion	13.0	11.1	0.0	13.3	25.0	18.5	12.5	0.0	33.3	25.0	9.5	10.0	0.0	0.0	25.0
Recognition	5.8	16.7	0.0	0.0	5.0	3.7	12.5	0.0	0.0	0.0	7.1	20.0	0.0	0.0	8.3
Remuneration	13.0	16.7	25.0	6.7	5.0	7.4	25.0	0.0	0.0	0.0	16.7	10.0	36.4	11.1	8.3
Reward for hard work	8.7	5.6	12.5	0.0	15.0	11.1	12.5	0.0	0.0	25.0	7.1	0.0	18.2	0.0	8.3
Training/self-development	11.6	0.0	12.5	26.7	10.0	3.7	0.0	0.0	16.7	0.0	16.7	0.0	18.2	33.3	16.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 37 Motivation factors towards managerial effectiveness (Rank three) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Achieving set goals/targets	7.4	0.0	12.5	0.0	15.0	7.4	0.0	20.0	0.0	12.5	7.3	0.0	9.1	0.0	16.7
Achievement	11.8	5.9	6.3	6.7	25.0	11.1	12.5	0.0	0.0	25.0	12.2	0.0	9.1	11.1	25.0
Teamwork	2.9	0.0	6.3	0.0	5.0	3.7	0.0	20.0	0.0	0.0	2.4	0.0	0.0	0.0	8.3
Job satisfaction	8.8	11.8	0.0	20.0	5.0	0.0	0.0	0.0	0.0	0.0	14.6	22.2	0.0	33.3	8.3
Promotion	7.4	5.9	6.3	13.3	5.0	11.1	12.5	0.0	16.7	12.5	4.9	0.0	9.1	11.1	0.0
Recognition	14.7	17.6	18.8	13.3	10.0	11.1	25.0	0.0	0.0	12.5	17.1	11.1	27.3	22.2	8.3
Remuneration	10.3	23.5	0.0	6.7	10.0	14.8	25.0	0.0	16.7	12.5	7.3	22.2	0.0	0.0	8.3
Reward for hard work	19.1	11.8	31.3	26.7	10.0	18.5	0.0	40.0	33.3	12.5	19.5	22.2	27.3	22.2	8.3
Training/self-development	17.6	23.5	18.8	13.3	15.0	22.2	25.0	20.0	33.3	12.5	14.6	22.2	18.2	0.0	16.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Although the above presented information on different ranking orders in separate tables, it would be more beneficial if these three tables can be compiled together, which would form better vision and provide clearer indications by making easy comparisons. Consequently, Table 38 was created to serve this purpose for the summary of top three ranking orders of motivation factors.

Table 38 Motivation factors towards effectiveness

	Rank 1	Rank 2	Rank 3	Overall rank
Achieving set goals/targets	=2	2	=7	=2
Achievement	3	7	4	=4
Good teamwork	1	1	8	=1
Job satisfaction	5	8	6	=6
Promotion	=2	=3	=7	=3
Recognition from superiors	6	6	3	=5
Remuneration	7	=3	5	=5
Reward for hard work	8	5	1	=4
Training/self-development	4	4	2	=1

Source: data analysis

This indicated that ‘Good teamwork’, ‘Training/self-development’ and ‘Achieving set goals/targets’ were considered as the overall leading motivation factors. Specifically, based on Herzberg’s two-factor theory (1966 cited in Rollinson, 2008: 206-207) of motivators and hygiene factors, these three factors were seen as motivators, which are mainly intrinsic in

nature and emphasize the job content. Its features lie in the job itself, which people find enjoyable, thereafter are motivated to achieve them. Indeed, it has a motivational effect and can generate a deeper and longer-term impact. Furthermore, the essence of motivators is perceived as intrinsic and psychological reward that comes from the experience of work, or being part of an organisation. In other words, *‘Good teamwork’*, *‘Training/self-development’* and *‘Achieving set goals/targets’* as identified in this research are as the rewards that come from inside the person and are given by people to themselves that can only occur if the conditions they experience allow them to feel this way. In contrast, the extrinsic rewards are provided by the organisation, with how much is received largely beyond the control of the individual, such as *‘Remuneration’*, *‘Reward for hard work’* and *‘Promotion’* as indicated in this research, which are tangible benefits (i.e. pay, fringe benefits and pensions) that individuals receive in return for their efforts.

4.3.5 Constraints upon effectiveness (fifth parameter)

The identification of the driving forces for motivating SMs gave rise to the question of what prevented SMs being effective, so the fifth parameter examined the constraints defined as inhibiting factors on the SMs’ behaviour towards their effectiveness at work. These factors need to be managed, negotiated or removed, but firstly, they have to be identified (Analoui, 1999). Hence, in the survey SMs were asked to indicate those applicable for the question of *‘What prevents you from being effective in your company?’*

Table 39 Constraints reducing effectiveness (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Inappropriate training	27.1	38.9	6.3	33.3	28.6	32.1	37.5	20.0	33.3	33.3	23.8	40.0	0.0	33.3	25.0
Ineffective leadership of organisation	64.3	88.9	87.5	53.3	33.3	60.7	75.0	100.0	33.3	44.4	66.7	100.0	81.8	66.7	25.0
Lack of communication	47.1	22.2	25.0	73.3	66.7	53.6	25.0	40.0	100.0	55.6	42.9	20.0	18.2	55.6	75.0
Lack of people skills	28.6	16.7	12.5	73.3	19.0	35.7	25.0	20.0	66.7	33.3	23.8	10.0	9.1	77.8	8.3

Lack of task skills & competences	31.4	27.8	25.0	53.3	23.8	35.7	50.0	20.0	33.3	33.3	28.6	10.0	27.3	66.7	16.7
Lack of motivation	32.9	38.9	12.5	40.0	38.1	35.7	50.0	20.0	33.3	33.3	31.0	30.0	9.1	44.4	41.7
Lack of resources	61.4	77.8	68.8	46.7	52.4	53.6	50.0	80.0	33.3	55.6	66.7	100.0	63.6	55.6	50.0
Lack of teamwork	74.3	83.3	93.8	53.3	66.7	64.3	75.0	100.0	50.0	44.4	81.0	90.0	90.9	55.6	83.3
Shortage of appropriate staff	40.0	27.8	31.3	60.0	42.9	42.9	25.0	40.0	50.0	55.6	38.1	30.0	27.3	66.7	33.3
Unrealistic targets	20.0	16.7	12.5	40.0	14.3	17.9	12.5	20.0	16.7	22.2	21.4	20.0	9.1	55.6	8.3
Other	1.4	0.0	0.0	0.0	4.8	3.6	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0

Source: data analysis

Table 39 revealed that as a whole, ‘*lack of teamwork*’ (74.3%), ‘*ineffective leadership of the organisation*’ (64.3%), ‘*lack of resources*’ (61.4%), ‘*lack of communication*’ (47.1%) and ‘*shortage of appropriate staff*’ (40%) were indicated to be the main difficulties being faced by these four companies. However, each company had its own restriction. Company A struggled with ineffective leadership, which was mirrored by unproductive teamwork. Similarly, Company B had the same problem as Company A, only the weight assigned to the problem was different. In addition, both companies gave rise to weak teamwork as the most urgent matter to be dealt with. In contrast, Company C was experiencing different difficulty, whereby the factors of ‘*lack of communication*’ (73.3%) and ‘*lack of relevant people skills*’ (73.3%) were highlighted. Finally, the lack of managerial skills such as ‘*communication*’ (66.7%) and ‘*teamwork*’ (66.7%) in Company D was acting as obstacles to its greater effectiveness.

While further looking into this issue by comparing and contrasting the views of SMPs and SMIs in each company, Table 39 showed interesting results. Specifically, the findings from Company A indicated both its SMPs and SMIs perceived the elements of ‘*ineffective leadership of the organisation*’ and ‘*lack of teamwork*’ as constraints, but its SMIs felt that they could not fully implement company policies or perform the allocated tasks due to another constraint of ‘*lack of resources*’ (100%). Similarly, SMPs and SMIs in Company B both

seemed to have agreed *'lack of teamwork'* and *'ineffective leadership of the organisation'* as the current constraints with a relatively high proportion of SMIs indicating *'lack of resources'* (63.6%) as a control. Whilst in Company C, SMPs felt insufficient *'communications'* (100%) as a reduction in achieving managerial effectiveness, whilst its SMIs regarded the primary challenge as the need to gain *'people managerial skills'* (77.8%). However, the constraints as seen by SMPs in Company D were evenly distributed, indicating that either SMPs were incapable of identifying specific factors or that it had a number of problems. In contrast, SMIs in Company D clearly highlighted the problematic areas as *'lack of teamwork'* (83.3%) and *'lack of communication'* (75%), suggesting that Company D needed a series of review meetings to develop a strategic plan for the company's future development. This also led to the concern with the perception and effectiveness of SMPs in Company D.

4.3.6 Opportunities for improvement in effectiveness (sixth parameter)

This parameter had a strong linkage with the discussions of motivation factors (parameter four) and constraints (parameter five) as it was purposed to explore the opportunities that were available to assist SMs in achieving organisational goals and satisfying their own needs. Since the constraints have been identified, it became apparent to explore opportunities as ways to improve SMs effectiveness. Hence, SMs were asked to identify *'What choices do you believe would improve senior management effectiveness'* from a variety of choices ranging from *'Achievable targets'*, *'Appropriate motivation'*, *'Appropriate staff'*, *'Necessary resources'*, *'Being able to set my own targets'* to *'Career succession plan'*, *'Effective communication'*, *'Teamwork'* and *'Training and development'* in the survey. The statistics listed the following items: *'Teamwork'* (82.9%), *'Effective communication'* (75.7%), *'Training and development'* (71.4%), *'Necessary resources'* (71.4%), *'Appropriate motivation'* (52.9%) and *'Appropriate staff'* (48.6%) as the opportunities for all four companies to develop their SMs' effectiveness (see Table 40).

Table 40 Opportunities for improvement in effectiveness (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Achievable targets	40.0	16.7	31.3	40.0	66.7	35.7	12.5	20.0	33.3	66.7	42.9	20.0	36.4	44.4	66.7
Appropriate motivation	52.9	72.2	56.3	33.3	47.6	42.9	62.5	40.0	33.3	33.3	59.5	80.0	63.6	33.3	58.3
Appropriate staff	48.6	44.4	62.5	46.7	42.9	42.9	50.0	40.0	33.3	44.4	52.4	40.0	72.7	55.6	41.7
Being able to set my own targets	28.6	22.2	25.0	33.3	33.3	28.6	12.5	40.0	33.3	33.3	28.6	30.0	18.2	33.3	33.3
Career succession plan	37.1	22.2	37.5	60.0	33.3	53.6	37.5	60.0	83.3	44.4	26.2	10.0	27.3	44.4	25.0
Effective communication	75.7	77.8	93.8	66.7	66.7	71.4	62.5	100.0	66.7	66.7	78.6	90.0	90.9	66.7	66.7
Necessary resources	71.4	88.9	93.8	53.3	52.4	57.1	87.5	100.0	16.7	33.3	81.0	90.0	90.9	77.8	66.7
Teamwork	82.9	83.3	100.0	80.0	71.4	82.1	75.0	100.0	100.0	66.7	83.3	90.0	100.0	66.7	75.0
Training & development	71.4	72.2	93.8	60.0	61.9	64.3	62.5	100.0	33.3	66.7	76.2	80.0	90.9	77.8	58.3
Other (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: data analysis

It was interesting to note from this identified list that some opportunities as perceived by SMs overlapped with the constraints highlighted previously in Table 39, such as ‘*Teamwork*’, ‘*Necessary resources*’, ‘*Effective communication*’ and ‘*Appropriate staff*’, while others, such as ‘*Training and development*’ and ‘*Appropriate motivation*’, reflected in the motivation factors being discussed in the previous Table 38. This phenomenon denoted the consistency of organisational issues existing in these four companies and the reliability of this research, suggesting that the appropriate provisions of organisational support to overcome these identified constraints and aid in increasing the level of motivation would potentially assist SMs in their personal growth and career development, together with the achievements of the potential effectiveness and possible ultimate performance (Analoui, 1990, 1997b, 1999).

4.3.7 Nature of intra- and inter-organisational relationships (seventh parameter)

Analoui (1999) believed that there is a two-way relationship between SMs effectiveness and organisational effectiveness, so the measurement of intra- and inter-organisational relationships was placed as the seventh parameter. Subsequently, SMs’ effectiveness was examined from the survey via four dimensions within the context of the organisation (see

Table 41): (i) *The influence from the overall effectiveness of the organisation*, (ii) *The influence from the degree of intra-connection with other departments in the same organisation*, (iii) *The influence from your relationship with others outside the organisation* and (iv) *The influence from the company's degree of connection with other organisations nationally and internationally*.

Table 41 Nature of intra- and inter-organisational relationships (%)

(i) The influence from the overall effectiveness of the organisation															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	44.9	16.7	12.5	86.7	65.0	59.3	37.5	0.0	100.0	87.5	35.7	0.0	18.2	77.8	50.0
No	14.5	16.7	12.5	6.7	20.0	14.8	25.0	20.0	0.0	12.5	14.3	10.0	9.1	11.1	25.0
Don't know	40.6	66.7	75.0	6.7	15.0	25.9	37.5	80.0	0.0	0.0	50.0	90.0	72.7	11.1	25.0
(ii) The influence from the degree of intra-connection with other departments in the same organisation															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	40.6	11.1	6.3	60.0	80.0	48.1	25.0	0.0	66.7	87.5	35.7	0.0	9.1	55.6	75.0
No	14.5	22.2	6.3	26.7	5.0	25.9	37.5	20.0	33.3	12.5	7.1	10.0	0.0	22.2	0.0
Don't know	44.9	66.7	87.5	13.3	15.0	25.9	37.5	80.0	0.0	0.0	57.1	90.0	90.9	22.2	25.0
(iii) The influence from your relationship with others outside the organisation															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	29.0	0.0	6.3	66.7	45.0	37.0	0.0	0.0	83.3	62.5	23.8	0.0	9.1	55.6	33.3
No	24.6	22.2	12.5	26.7	35.0	29.6	37.5	20.0	16.7	37.5	21.4	10.0	9.1	33.3	33.3
Don't know	46.4	77.8	81.3	13.3	20.0	33.3	62.5	80.0	0.0	0.0	54.8	90.0	81.8	11.1	33.3
(iv) The influence from the company's degree of connection with other organisations nationally and internationally															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	23.2	0.0	6.3	60.0	30.0	37.0	0.0	0.0	83.3	62.5	14.3	0.0	9.1	44.4	8.3
No	27.5	27.8	6.3	26.7	45.0	33.3	50.0	20.0	16.7	37.5	23.8	10.0	0.0	33.3	50.0
Don't know	49.3	72.2	87.5	13.3	25.0	29.6	50.0	80.0	0.0	0.0	61.9	90.0	90.9	22.2	41.7

Source: data analysis

The generation of the results from Table 41 exhibited the same organisational behaviour amongst Companies A and B, which was distinguished from Company C and Company D. Indeed, the overall statistics revealed that the majority of respondents in Companies A and B were uncertain regarding their organisation's relationship with either internal or external bodies, this included individuals, departments or the organisation as a whole. For instance, 66.7% of Company A and 75% of Company B did not know if their SMs were affected by the influence from the overall effectiveness of the organisation. 66.7% of Company A and 87.5%

of Company B showed unawareness in terms of the degree of SMs' effectiveness and the influence from the degree of intra-connection with other departments in the same organisation. While SMs in Companies A (77.8% and 72.2%) and B (81.3% and 87.5%) were unknown about their relationship between SMs' effectiveness and the influence from their relationship with others outside the organisation, as well as the influence from the company's degree of connection with other organisations nationally and internationally.

On average, over 60% of SMs in Company C indicated that their effectiveness was influenced by their organisation's relationship with either internal or external bodies, whilst Company D demonstrated two patterns of behaviour, firstly, the majority of its SMs indicated that their effectiveness was linked with the overall effectiveness of their organisation (65%), the performance of other departments within the same organisation (80%) and the influence of their personal relationship with others outside the organisation (45%). Hence, it implied the importance and the great need of maintaining intra-organisational relationships. In contrast, it implied the extent to which the limited impact of organisation's inter-relationship on the effectiveness of SMs, whereby a significant number of SMs (45%) felt that their productivity had no link with the organisation's national and international networking.

In summary, although it was indicated that senior managers felt that their effectiveness was affected by the overall performance of their organisation, the proportion was marginal with 45% of recognition against 41% of unawareness. Moreover, the other three measurements regarding the impact of intra- and inter- organisational relationships on the effectiveness of SMs (*'the influence from the degree of intra-connection with other departments in the same organisation'*, *'the influence from SMs' networking with others outside the organisation'* and *'the influence from the company's degree of connection with other organisations nationally*

and internationally') were unknown to half of the senior managers, whilst the other half were expressing contradictory views between them, indicating its limited applications and implications in these four companies.

4.3.8 Dominant managerial philosophy (eighth parameter)

This parameter was thought to seek the SMs' views on the importance of their roles and their own perceptions on what was expected of them. Consequently, the following two aspects were utilised: (i) 'perception of the key decision-makers' (see Table 42) and (ii) 'perceived expectation of senior managers' (see Table 43).

Table 42 Perception of the key decision-makers (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	24.6	11.1	0.0	66.7	25.0	33.3	25.0	0.0	83.3	25.0	19.0	0.0	0.0	55.6	25.0
No	68.1	88.9	93.8	26.7	60.0	59.3	75.0	80.0	16.7	62.5	73.8	100.0	100.0	33.3	58.3
Don't know	7.2	0.0	6.3	6.7	15.0	7.4	0.0	20.0	0.0	12.5	7.1	0.0	0.0	11.1	16.7

Source: data analysis

Table 42 provided an overview of how SMs perceived themselves in making contributions to the formulation of company's policies. This research found that SMs in Companies A (88.9%), B (93.8%) and D (60%) did not regard themselves as key decision-makers, suggesting that the authority was being controlled by the CEO, Board Members or shareholders, the fact of inviting SMs' involvement in discussions was only bureaucratic since their views were not considered. In contrast, on the whole the majority of SMs in Company C (66.7%) believed that they had responsibilities to make decisions for the integrity of the company, which seemed to be agreed by both its SMPs (83.3%) and SMIs (55.6%), indicating SMs' participation in the decision marking and their recommendations were noticed and taken on board.

Table 43 Perceived expectation of senior managers (%)

(i) Perception of possessing the right personality, appearance and attitude															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	81.2	44.4	100.0	93.3	90.0	74.1	37.5	100.0	100.0	75.0	85.7	50.0	100.0	88.9	100.0
No	4.3	16.7	0.0	0.0	0.0	3.7	12.5	0.0	0.0	0.0	4.8	20.0	0.0	0.0	0.0
Don't know	14.5	38.9	0.0	6.7	10.0	22.2	50.0	0.0	0.0	25.0	9.5	30.0	0.0	11.1	0.0
(ii) Perception of being caring, inspirational, visionary and ethical															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	84.1	50.0	100.0	100.0	90.0	85.2	62.5	100.0	100.0	87.5	83.3	40.0	100.0	100.0	91.7
No	4.3	16.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.1	30.0	0.0	0.0	0.0
Don't know	11.6	33.3	0.0	0.0	10.0	14.8	37.5	0.0	0.0	12.5	9.5	30.0	0.0	0.0	8.3
(iii) Perception of taking risk and creating opportunities															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	73.9	38.9	87.5	93.3	80.0	81.5	50.0	100.0	100.0	87.5	69.0	30.0	81.8	88.9	75.0
No	13.0	33.3	0.0	0.0	15.0	3.7	12.5	0.0	0.0	0.0	19.0	50.0	0.0	0.0	25.0
Don't know	13.0	27.8	12.5	6.7	5.0	14.8	37.5	0.0	0.0	12.5	11.9	20.0	18.2	11.1	0.0
(iv) Perception of matching senior managerial style with hostile and changing environment															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	95.7	88.9	100.0	100.0	95.0	88.9	75.0	100.0	100.0	87.5	100.0	100.0	100.0	100.0	100.0
No	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Don't know	4.3	11.1	0.0	0.0	5.0	11.1	25.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0
(v) Perception of motivating knowledge workers and developing learning organisation															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
Yes	80.9	61.1	100.0	78.6	85.0	76.9	50.0	100.0	100.0	75.0	83.3	70.0	100.0	66.7	91.7
No	5.9	5.6	0.0	14.3	5.0	3.8	0.0	0.0	0.0	12.5	7.1	10.0	0.0	22.2	0.0
Don't know	13.2	33.3	0.0	7.1	10.0	19.2	50.0	0.0	0.0	12.5	9.5	20.0	0.0	11.1	8.3

Source: data analysis

Table 43 illustrated the issue of ‘perceived expectation of senior managers’ from the following aspects: (i) ‘perception of possessing the right personality, appearance and attitude’, (ii) ‘perception of being caring, inspirational, visionary and ethical’, (iii) ‘perception of taking risk and creating opportunities’, (iv) ‘perception of matching senior managerial style with hostile and changing environment’ and (v) ‘perception of motivating knowledge workers and developing learning organisation’. These findings showed positives response amongst all four companies, suggesting SMs were well aware of what was expected of them.

Specifically, SMs in Companies A (44.4%), B (100%), C (93.3%) and D (90%) raised the attention to the necessity of possessing the right personality, appearance and attitude (see

Table 50). Furthermore, with the proportion of 50% in Company A, 100% in Company B, 100% in Company C and 90% in Company D, the majority agreed with the importance of being caring, inspirational, visionary and ethical. In addition, 38.9%, 87.5%, 93.3% and 80.0% in Companies A, B, C and D respectively saw the action of taking risk and creating opportunities as essential to gain competitive advantage. Furthermore, SMs of Companies A, B, C and D realised the importance of matching their managerial style with hostile and changing environment (88.9%, 100%, 100% and 95% respectively), and the urgency of developing learning organisation through motivating and retaining talent employees (61.1%, 100%, 78.6% and 85% respectively).

4.4 Model Three: firm performance

The level of firm performance in these four companies was measured by its comparison with the industry average over the past three years on five indexes: (i) ‘average return on investment’, (ii) ‘average profit’, (iii) ‘profit growth’, (iv) ‘average return on sales’ and (v) ‘average market share growth’.

Table 44 The comparison of your organisational performance with the industry average over the past three years (where 1=well below and 5=well above) (%)

(i) Average return on investment comparing with the industry average over the past three years															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	1.4	5.6	0.0	0.0	0.0	3.7	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	38.8	25.6	81.3	13.3	35.0	40.7	50.0	80.0	16.7	25.0	50.0	60.0	81.8	11.1	41.7
4	42.0	33.3	12.5	73.3	50.0	48.1	37.5	20.0	83.3	50.0	38.1	30.0	9.1	66.7	50.0
5	16.3	35.6	0.0	13.3	15.0	7.4	0.0	0.0	0.0	25.0	9.5	10.0	0.0	22.2	8.3
(ii) Average profit comparing with the industry average over the past three years															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	1.4	5.6	0.0	0.0	0.0	3.7	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	43.5	44.4	81.3	13.3	35.0	37.0	50.0	80.0	16.7	12.5	47.6	40.0	81.8	11.1	50.0
4	40.6	38.9	6.3	66.7	50.0	44.4	25.0	20.0	66.7	62.5	38.1	50.0	0.0	66.7	41.7
5	13.0	11.1	6.3	20.0	15.0	14.8	12.5	0.0	16.7	25.0	11.9	10.0	9.1	22.2	8.3
(iii) Profit growth comparing with the industry average over the past three years															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	2.9	5.6	0.0	0.0	5.0	7.4	12.5	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0

3	42.0	44.4	81.3	13.3	30.0	33.3	50.0	80.0	16.7	0.0	47.6	40.0	81.8	11.1	50.0
4	36.2	38.9	12.5	46.7	45.0	33.3	25.0	20.0	33.3	50.0	38.1	50.0	9.1	55.6	41.7
5	18.8	11.1	6.3	40.0	20.0	25.9	12.5	0.0	50.0	37.5	14.3	10.0	9.1	33.3	8.3
(iv) Average return on sales comparing with the industry average over the past three years															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	1.4	5.6	0.0	0.0	0.0	3.7	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	39.1	44.4	81.3	6.7	30.0	29.6	37.5	80.0	0.0	12.5	45.2	40.0	81.8	11.1	41.7
4	46.4	38.9	18.8	60.0	60.0	48.1	37.5	20.0	66.7	62.5	45.2	50.0	18.2	55.6	58.3
5	13.0	11.1	0.0	33.3	10.0	18.5	12.5	0.0	33.3	25.0	9.5	10.0	0.0	33.3	0.0
(v) Average market share growth comparing with the industry average over the past three years															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	1.4	5.6	0.0	0.0	0.0	3.6	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	37.7	33.3	75.0	13.3	30.0	28.6	37.5	80.0	0.0	12.5	42.9	30.0	72.7	22.2	41.7
4	44.9	44.4	25.0	53.3	55.0	42.9	37.5	20.0	50.0	62.5	45.2	50.0	27.3	55.6	91.7
5	15.9	16.7	0.0	33.3	15.0	21.4	12.5	0.0	50.0	25.0	11.9	20.0	0.0	22.2	100.0

Source: data analysis

Table 44 expressed the strong tenancy for Companies A, C and D to acknowledge that their firm performance were above the industry average on all five indexes over the past three years from 2005 to 2007. Indeed, the following distribution of views was the clear evidence of this statement. Specifically, in relation to the first measurement, there were 68.9% in Company A, 86.6% in Company C and 65% in Company D, who believed their organisations going beyond the industry standard on 'return on investment'. Secondly, in terms of 'average profit', these three companies (50%, 86.7% and 65%) thought they have gained more than its industry average. Thirdly, the calculations also showed 50%, 86.7% and 65% in Companies A, C and D respectively, who viewed the greater achievement in 'profit growth' compared with its targeted market. Fourthly, concerning 'average return on sales', Companies A (50%), C (93.3%) and D (70%) performed better than the standard of the sector. Finally, these three companies (61.1%, 86.6% and 70%) had stronger 'market share growth' than the industry benchmark.

Different to Companies A, C and D, Company B' performance was perceived on industry average for all five financial indicators. In detail, 81.3% of SMs thought their company's performance as the same level as the industrial standard on 'average return on investment',

'average profit', *'profit growth'* and *'average return on sales'*. Likewise, 75% of SMEs believed their company just reached the *'average market share growth'* in comparison with the industry benchmark. The possible explanations for Company B's average performance could be the underlying problems with its SMEs, who not only felt unknown about (i) whether their HR department is fully integrated into the strategic planning process (see Table 20); (ii) whether their performance appraisal practice is effective (see Table 22); (iii) whether their HR policies fit with the business strategy (see Table 25) and (iv) whether their company's HR policies were transferred from its headquarters (see Table 27), but also failed to recognise (i) the impact of HR policies on firm performance (see Table 46); (ii) their HR policies positively affect the level of employees' commitment and job satisfaction (see Table 48); (iii) the interlinked relationship between HR policies and SMEs' effectiveness (see Table 49) and (iv) culture factors have a direct impact on firm performance (see Table 59).

5. Conclusion

In relation to the five research questions were constructed in line with the research aim and its associated objectives, this chapter exclusively focused upon the initial three questions and in particular with respect to the first model examining the effectiveness of HR policies and practices. Its findings indicated that HR policies in all four companies appeared to be effective in certain areas, mainly at functional levels such as the recognition of HR policies' existence, the role of HR department in identifying training needs and assisting line managers in carrying out their HR responsibilities. On the other hand, it also underlined some problems, which were primarily exhibited at the strategic level such as the unawareness of HR department's involvement in the strategic planning process and the degree of effectiveness in performance appraisal. Although all four companies acknowledged that their company's business plan and HR policies were reviewed on an annual basis, it showed split views

amongst these four companies when being questioned the degree of fitness between HR policies and business strategies, and the extent to which senior management considers HR policies and procedure when adopting organisation strategy. Whereby Companies A and B showed unawareness, whilst Companies C and D showed more positive responses and believed that their HR policies are aligned with business strategies and being reviewed by senior managers when making organisation strategy. Nevertheless, the whole sample revealed that all four companies recognised the importance of these two aspects.

In terms of the second model assessing senior managers' effectiveness in the eight-parameter approach, this research found *'ability to supervise/lead'*, *'allocate resources efficiently'*, *'being responsible, conscientious and focused'*, *'being honest and fairness'* and *'being knowledgeable, competence and experienced'* as perceived important traits which an effective manager is expected to possess, and the followings were seen as leading skills: *'communication skills'*, *'interpersonal skills'*, *'analytical and prediction abilities'*, *'supervisory skills'* and *'allocating and delegating skills'*. Further to the traits and skills as discovered, SMs in all four companies also had clear vision of what was expected of them, such as *'perception of possessing the right personality, appearance and attitude'*, *'perception of being caring, inspirational, visionary and ethical'*, *'perception of taking risk and creating opportunities'*, *'perception of matching senior managerial style with hostile and changing environment'* and *'perception of motivating knowledge workers and developing learning organisation'*. Therefore, this frequency data analysis seems to suggest that SMs in all four companies recognised the important traits, skills and expectations of what was made of an effective manager. These identified factors also indicated a desire of seeing transformational leadership applied in their workplace which was opposite to the current managerial style as SMs focused upon achieving targets rather than caring about people's emotions. Furthermore,

the expression of the diverse views for HR policies across these companies indicated the level of SMs' effectiveness. Furthermore, some of the identified factors within the parameters of 'motivators', 'constraints' and 'opportunities' for developing an effective manager were seen across all three parameters, indicating an interlinked relationship amongst these three parameters. In other words, the provision of relevant opportunities (i.e. *'teamwork'*, *'effective communication'*, *'necessary resources'* and *'appropriate staff'*) were expected to motivate SMs since they were matched with the identified motivators, and the provisions of *'appropriate motivation'* and *'training and development'* were suggested to tackle the highlighted constraints. Finally, although the criteria of *'being competitive'*, *'increased productivity'* and *'meeting targets'* were clearly presented as main measurements for organisational effectiveness, SMs of Companies A and B were unsure if their performance were influenced by this criteria and the other various relationships with internal and external bodies, while Company C indicated this linkage and recognised its influence. Similarly, Company D agreed with the significant function of intra-organisational relationship, but implied the limited influence of inter-organisational relationship. Hence, the influence of organisational relationship appeared to make certain degree of impact on SMs' effectiveness amongst different companies.

Finally, in relation to the third model of assessing firm performance, by comparing five indexes (*'average return on investment'*, *'average profit'*, *'profit growth'*, *'average return on sales'* and *'average market share growth'*) with the industry average over the past three years from 2005 to 2007, it appeared that Companies A, C and D excelled above the average industry performance, while Company B was on the industry average. Nonetheless, no one studied company has fallen behind the industry standard.

CHAPTER EIGHT - DATA ANALYSIS AND DISCUSSION: THE RELATIONSHIP AMONGST FIRM PERFORMANCE, THE EFFECTIVENESS OF HR POLICIES AND SENIOR MANAGERS

1. Introduction

The previous Chapter focused upon the first three research questions/models regarding the effectiveness of HR policies and senior managers together with the level of firm performance in the four selected foreign MNCs in China. It presented frequency analysis of the survey accompanied by the interview underpinnings, thereby illustrating the various degrees of similarities and differences to be found when undertaking a comparative analysis. However, such examination of the data was ultimately limited, requiring the use of further empirical investigation to test for association between key variables. In particular, with regard to the defined research aim and objectives, specifically, to the exploration of the remaining issues of the relationship between firm performance and HR policies' effectiveness (Model Four) and the impact of senior managers' effectiveness on firm performance (Model Five). Consequently, the data in this Chapter was aggregated so as to provide a statistically meaningful sample for analysis to investigate associations between the questions contained within the survey. Hence, this Chapter proceeded through a number of statistical processes.

Firstly, in terms of the aggregated data the frequency of responses was shown in Chapter Seven from Table 11 onwards under the 'whole sample' heading, thus this was not

reproduced in this Chapter, except a number of new questions which were discussed for the first time.

Secondly, prior to performing higher-level statistical analysis it is necessary to undertake reliability analysis of the data which allows the study of the properties of measurement scales and the items that compose the scales (Saunders *et al.*, 2000). Such a procedure permits the calculation of several commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale (Robson, 1993). For the purposes of this research, scale reliability was conducted using the standard procedure of Cronbach's alpha (α).

Thirdly, in order to answer the following questions contained in the survey and interviews: (Q1): *How does senior management perceive the relationship between HR policies' effectiveness and firm performance of foreign MNCs' subsidiaries in China?* (Q2): *How does senior management perceive the relationship between the impact of culture on HR policies with firm performance?* (Q3) *What aspects of HRM does senior management perceive as contributing to firm performance of foreign MNCs' subsidiaries in China?* (Q4) *How does senior management perceive the relationship between the completion of business plan and firm performance?* (Q5): *How does senior management perceive the relationship between the fitness of HR policies and business strategies with firm performance?* (Q6): *How does senior management perceive the relationship between senior management considers HR policies when adopting organisational strategy and firm performance?* (Q7): *How does senior management perceive the relationship between their role of being key-decision makers and firm performance?* (Q8) *How does senior management perceive the relationship between managerial skills required for being effective and firm performance?* (Q9) *How does senior*

management perceive the relationship between the criteria for measuring organisational effectiveness and firm performance? (Q10) How does senior management perceive the relationship between the constraints for reducing their effectiveness and firm performance? (Q11) How does senior management perceive the relationship between the given opportunities for improving their effectiveness and firm performance?, the data analysis was divided into relevant themes accordingly. For example, one theme sought to investigate the relationship between firm performance and the effectiveness of HR policies from Q1 to Q6 (Model Four), whilst another theme aimed to explore the impact of senior managers' effectiveness on firm performance from Q7 to Q11 (Model Five).

Finally, the issue of association between the questions is examined through the use of contingency tables, more commonly known as cross-tabulation tables, which is derived for pairs of questions and thereby display the relationship between two or more categorical (nominal or ordinal) variables (Saunders *et al.*, 2000). Subsequently, a number of statistical tests are available to determine whether there is a relationship between the variables, such as the chi-square (χ^2) test, which possesses the advantage that it is appropriate for almost any kind of data (Bryman and Bell, 2003).

To examine the hypothesised relationship between firm performance and the various independent variables (i.e. HR policies, the alignment of HR policies with business strategies, the degree of achieving business plan, culture factors), both correlation and Ordinary Least Squares (OLS) regression were utilised. The former offers an illustration of the level of association between firm performance and the specified independent variable, but does so only in a simple bivariate manner and fails to indicate the degree of impact that the independent variable possesses (Bryman and Bell, 2003). Hence, it provides a useful, if

limited, tool of analysis into the issue of association between variables. Consequently, to gain further insights into the relationship between firm performance and the hypothesised independent variables, the technique of OLS simple and multiple regression was used. This permits not only the analysis of the direction of the relationship as with correlation, but also facilitates the examination of the impact of the independent variables upon firm performance and the inclusion of multiple determinants simultaneously thereby representing a closer observation of the relationship between a given series of independent variables and firm performance (Bryman and Bell, 2003).

Thus, this Chapter extended the statistical analysis previously presented in Chapter Seven through testing the reliability of the data prior to examining for statistically significant associations between the variables in order to answer the two remaining research questions in the form of research Models Four and Five. However, due to the questionnaire response rate it was unfortunately not feasible to disaggregate the data by either company or the type of senior managers and ensure statistically meaningful analysis. Nevertheless, the analysis of the semi-structured interviews once again permitted a return to an in-depth form of investigation, together with the utilisation and supplement of frequency analysis in its disaggregated format of different type of company and the study of whole sample across all four companies.

2. Reliability analysis

Researchers must demonstrate instruments are reliable since without reliability, research results are not replicable, which is fundamental to the scientific method (Saunders *et al.*, 2000). Reliability is the correlation of an item, scale, or instrument with a hypothetical one which truly measures what it is supposed to (Robson, 1993). Since the true instrument is not available, reliability is estimated in a number of ways, primarily that of internal consistency

whereby estimation is based on the correlation among the variables comprising the set (typically, Cronbach's α). Indeed, Cronbach's α is the most common form of internal consistency reliability coefficient (Bryman and Bell, 2003). The generated α coefficient equals 0 when the true score is not measured at all and there is only an error component and 1 when all items measure only the true score and there is no error component (Saunders *et al.*, 2000). In terms of its interpretation Cronbach's α can be regarded as the percent of variance the observed scale would explain in the hypothetical true scale composed of all possible items. Alternatively, it can be interpreted as the correlation of the observed scale with all possible other scales measuring the same thing and using the same number of items (Saunders *et al.*, 2000). That is, answers to a reliable survey will differ because respondents have different opinions, not because the survey is confusing or has multiple interpretations.

However, it should be remembered that in addition to estimating internal consistency, or reliability, from the average correlation, the formula for α also takes into account the number of items whereby in theory the more items, then the more reliable a scale will be (Bryman and Bell, 2003). That is, when the number of items in a scale is higher, α will be higher even when the estimated average correlations are equal. Thus, as the number of items rises, α also rises. Hence, the issue of what level of α represents is open to debate, however, consensus within the social science and management suggests that by convention a lenient cut-off of 0.60 is common in exploratory research, whilst ideally α should be in the range of 0.70 – 0.80 to retain an item in an 'adequate to good' scale (Robson, 1993).

Table 45 illustrated the scores for Cronbach's α regarding the various groups of questions contained within the survey where the respondents were asked to indicate their judgement. However, given subsequent statistical robustness issues when undertaking the contingency

table analysis (see sections 9.4 and 9.5 for discussions) then α was shown for both the original Likert five-point scale and the recoded three-point scale, together with the yes/no/don't know questions (Q14, Q16, Q17, Q21, Q23, Q25, Q29a-e and Q35a-d) which were unaffected by the data modification. Furthermore, for some specific questions (i.e. Q22 and Q36) the α statistic was shown for both the question as a whole and in terms of its sub-divisions with regard to focused themes.

Table 45 Reliability analysis – Cronbach's α

Question groupings:	Cronbach's α (5-point scale)	Cronbach's α (3-point scale)
Section B		
• HR policies (Q14, Q16, Q17, Q21)	0.58	
• Business strategies (Q19a-c)	0.88	0.83
• Performance appraisal (Q23, Q25)	0.08	
• SMs, HR policies and HR department (Q22a-g)	0.83	0.80
- Relationship between SMs and HR policies (Q22a-c)	0.75	0.70
- SM's perceived value of HR department (Q22d-g)	0.68	0.62
• Influence of Chinese culture in the formulation and implementation of your HR policies (Q26a-g)	0.83	0.73
Section C		
• Characteristics of senior managers (Q29a-e)	0.84	
• SMs views on effectiveness (Q35a-d)	0.94	
Section D		
• HR policies, employees' attitude and firm performance (Q36a-i)	0.91	0.92
- HR policies and firm performance (Q36b-c)	0.95	0.94
- HR policies and employees' attitude (Q36d-f)	0.87	0.85
- Employees' attitude and firm performance (Q36g-h)	0.90	0.95
• Policies perceived to have been influential to company success (Q37a-d)	0.82	0.69
• Belief that the business plan of your company was successful (Q38a-d)	0.91	0.85
• Comparison of company's organisational performance relative to the industry average (Q39a-e)	0.95	0.95

Source: data analysis

From the Cronbach's α statistics for both the original Likert five-point scale and the recoded three-point scale presented in Table 45, it would appear that the majority of question groupings demonstrated a sufficiently high degree of reliability to indicate that subsequent

empirical analysis can be undertaken without recourse to further data transformation such as factorisation. Moreover, there appeared little difference in the generated α statistic with regard to the different question scalings. Finally, in terms of the cut-off value for Cronbach's α , only the question grouping relating to Performance Appraisal ($\alpha = 0.08$) fell below the usual lower boundary of approximately $\alpha = 0.6$.

3. Measure of association between questions

To examine the issue of association between variables, contingency tables were used to explore whether there was a statistically significant relationship between two variables (i.e. questions in the survey). Hence, the relevant investigation was undertaken to examine if the distribution of scores/responses for one variable was in some manner linked to the distribution of values for the second variable, for example, that higher scores on one question were associated with lower responses for the other question.

A standard method to undertake such investigation was the use of contingency tables, or more commonly referred to as cross-tabulation, which is a relatively simple technique to examine whether or not there is a statistical relationship between two variables (Bryman and Bell, 2003). Indeed, it was essentially an extension of the use of frequency tables which formed the initial part of the data analysis reported in Chapter Seven.

To examine the level of statistical significance found within cross-tabulation analysis the Pearson χ^2 is the most common test regarding the relationship between categorical variables, with this measure is based on the notion that it is possible to compute the *expected* frequencies in a two-way table (i.e., frequencies that we would *expect* if there was no relationship between the variables), whereby H_0 : *there is no association between the two*

variables and H_1 : *there is some association between the two variables*. However, it should be noted that the value of the χ^2 and its significance level depend on the overall number of observations and the number of cells in the table (Saunders *et al.*, 2000). Hence, relatively small deviations of the relative frequencies across cells from the expected pattern will prove significant if the number of observations is large. This is potentially important since the only assumption underlying the use of χ^2 (other than random selection of the sample) is that the expected frequencies are not very small, since the χ^2 inherently tests the underlying probabilities in each cell, and when the expected cell frequencies fall, for example, below 5, those probabilities can not be estimated with sufficient precision (Robson, 1993). Consequently, the approximation to the χ^2 distribution breaks down if expected frequencies are too low, however, it will normally be acceptable so long as no more than 10% of the events have expected frequencies below 5. Indeed, initial examination of the cross-tabulation results indicated that the majority of the results were potentially not statistically robust as a higher proportion of cells contained expected frequencies of less than 5. This is likely to be a result of the constrained sample size ($n = 70$), which when distributed across two questions comprising Likert five-point scales thereby gives 25 cells. Consequently, the original Likert five-point scales were condensed for all such questions into a three-point scale whereby responses 1 and 2 were recoded as 1, and 4 and 5 were recorded as 5 whilst response 3 remained unchanged. This procedure was undertaken for all the original Likert five-point scale questions so as not to introduce bias through only aggregating specific questions.

To explore the central theme of the thesis, questions were firstly grouped into the following aspects (i.e. the relationship between the effectiveness of HR policies and firm performance, the relationship between the alignment of HR policies with business strategies and firm performance, the relationship between the degree of achieving business plan and firm performance, the relationship

between the impact of culture factors on HR polices and firm performance, the relationship between the effectiveness of senior managers and firm performance), then analysed through both cross-tabulation and the outcomes of the semi-structured interviews.

Considering the number of aspects incorporated for the exploration of research Models Four and Five, the data discussion was organised and arranged in the sequence of frequency analysis, discussion of mean and standard deviation, followed by correlation and regression tests. In addition, the interview analysis provided a rich data set and offered further underpinnings to supplement a comprehensive understanding and deep discussion of this research. Moreover, the frequency analysis discussed in Chapter Seven were not repeated in this Chapter, but referred to where appropriate to assist the interpretation of the correlation and regression analysis. Furthermore, the frequency analysis was enhanced through examining both the whole sample and the category of company to present a deeper understanding. In particular, the latter sought to give an overview of the distribution of responses across all four companies and thereby balance the potential weakness of correlation and regression analysis concerning the limited sample size.

To preserve the original nature of the Likert five-point scale questions these were recoded as dichotomous variables and entered into the regression models with the middle option omitted to avoid multicollinearity. Hence, for Model Four the impact of the remaining variables upon firm performance should be seen as being in relation to this omitted category. In contrast, the analysis of Model Five used the original Likert five-point scale converted to cardinal measures.

A common feature of the regression models presented here is the relatively large t-ratio for the constant term thereby indicating the potential of omitted variable bias. However, such an occurrence is to be expected with such an analysis given its nature in exploring firm performance through a restricted series of hypothesised factors, such that in reality there are likely to be a myriad of determinants of which the questionnaire will have only potentially encapsulated a limited number.

4. Relationship between the effectiveness of HR policies and firm performance (Model Four)

Given that the effectiveness of HR policies was examined through three broad themes in Model One (i.e. HR functions and the role of HR department, the alignment of HR policies with business strategies, the degree of globalisation and localisation), the research of its relationship with firm performance was also built upon these three themes. In addition, a number of extra aspects (i.e. the impact of HR policies on firm performance directly or via the exploration of employees' commitment and job satisfaction, the influence of HR functions in the success of the companies, the degree of achieving business plan, the influence of culture factors in human resource management) were added to Model Four to enlarge its dimensions of exploration. For the purpose of the later added aspects, their frequency analyses were performed for the first time as shown in this Chapter.

In particular, Model Four examined the following four themes:

- Theme A: relationship between HR policies and firm performance. This starts with the frequency analysis of the influence of HR policies in a variety of areas, i.e. the success of the companies, employees' commitment and job satisfactions, competitive advantage (see

Tables 46-49), then moved on to correlation and regression tests in terms of the relationship between the effectiveness of HR policies and firm performance (see Tables 50-51).

- Theme B: relationship between the integration of HR policies with business strategy and firm performance. This firstly reviewed the results of frequency analysis in terms of the degree of integration between HR policies and business strategy (refer to Table 25 in Chapter Eight), then conducted correlation and regression tests to examine the relationship between the alignment of HR policies with business strategy and firm performance (see Tables 52-53). Additionally, also considered the role of senior managers in affecting the effectiveness of HR policies, in particular during the process of aligning HRM with business strategies. Therefore, it revisited the frequency analysis that was undertaken in Chapter Eight as shown in Table 26 in terms of the extent to which senior management considers HR policies when adopting organisational strategy, followed by correlation and regression tests on the association with firm performance (see Tables 54-55).
- Theme C: relationship between the degree of achieving business plan and firm performance. This was assessed through frequency analysis of the accomplishment of the business plan on a variety of measurements (see Table 56) and its associated correlation and regression tests between its completion and firm performance (see Tables 57-58).
- Theme D: relationship between the impact of national culture on HR policies with firm performance. Firstly, a direct question was proposed to seek respondents' opinions on the positive link between culture and firm performance, which was analysed through frequency analysis, correlation and regression (see Tables 59-61). Secondly, the applications of the five culture dimensions of Hofstede (1980, 1993) and two specific culture values (i.e. '*guanxi*' and '*mianzi*') (Lockett, 1988) in influencing HRM of foreign MNCs in China were examined through frequency analysis (see Tables 62-64).

4.1 Theme A: relationship between HR policies and firm performance

This theme was examined firstly through frequency analysis by asking respondents' opinions on the degree of the direct and positive impact that HR policies have on firm performance (see Table 46), the purpose of which was to form a direct investigation of the relationship between HR policies and firm performance. Furthermore, HR policies have been expanded into detailed HR functions to assess the impact of each element on the success of the companies (see Table 47). The investigation then moved on to the examination of this relationship via the mediating factors such as employees' commitment and job satisfaction (see Table 48), and finally this relationship was further examined through the frequency analysis of two statements (see Table 49), i.e. '*HR policies are creating competitive advantages*' and '*HR policies are directly influenced by senior managers and their effectiveness at work*', which also examined through correlation and regression tests (see Tables 50-51).

Table 46 The impact of HR policies on firm performance (where 1=strongly disagree and 5=strongly agree) (%)

(i) HR policies have a direct impact on firm performance															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	10.1	5.6	12.5	6.7	15.0	14.8	12.5	0.0	16.7	25.0	7.1	0.0	18.2	0.0	8.3
2	14.5	0.0	37.5	6.7	15.0	11.1	0.0	40.0	0.0	12.5	16.7	0.0	36.4	11.1	16.7
3	31.9	44.4	37.5	20.0	25.0	25.9	37.5	20.0	16.7	25.0	35.7	50.0	45.5	22.2	25.0
4	31.9	33.3	12.5	53.3	30.0	33.3	25.0	40.0	50.0	25.0	31.0	40.0	0.0	55.6	33.3
5	11.6	16.7	0.0	13.3	15.0	14.8	25.0	0.0	16.7	12.5	9.5	10.0	0.0	11.1	16.7
(ii) HR policies have a positive impact on firm performance															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	11.6	5.6	18.8	6.7	15.0	14.8	12.5	0.0	16.7	25.0	9.5	0.0	27.3	0.0	8.3
2	10.1	0.0	31.3	0.0	10.0	11.1	0.0	40.0	0.0	12.5	9.5	0.0	27.3	0.0	8.3
3	29.0	44.4	37.5	20.0	15.0	22.2	37.5	20.0	16.7	12.5	33.3	50.0	45.5	22.2	16.7
4	39.1	27.8	12.5	60.0	55.0	37.0	25.0	40.0	33.3	50.0	40.5	30.0	0.0	77.8	58.3
5	10.1	22.2	0.0	13.3	5.0	14.8	25.0	0.0	33.3	0.0	7.1	20.0	0.0	0.0	8.3

Source: data analysis

Table 46 illustrated the impact of HR policies on firm performance from two perspectives: (i) '*HR policies have a direct impact on firm performance*' and (ii) '*HR policies have a positive impact on firm performance*'. The majority of SMs in Companies A, C and D recognised the

direct (50%, 66.6% and 45% respectively) and positive (50%, 73.3% and 60% respectively) influence of HR policies on firm performance, whilst half of the SMs (50%) in Company B disagreed with these views and 37.5% did not express their opinions. On the other hand, if taking into account of the overall responses as a whole across four companies, the statistics indicated the main tendencies whereby the majority of SMs believed that HR policies are making direct and positive impact on firm performance. This finding has confirmed the literature, where it stated that HR policies and practices directly and positively influence the firm performance (i.e. Fombrun *et al.*, 1984; Miles and Snow, 1984; Russell *et al.*, 1985; Balkin and Gomez-Mejia, 1987; Schuler and Jackson, 1987; Terpstra and Rozell, 1993; Arthur, 1994; Huselid and Becker, 1994; Pfeffer, 1994; Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Delery and Doty, 1996; Youndt *et al.*, 1996; Ichniowski *et al.*, 1997; Patterson *et al.*, 1997; Ngo *et al.*, 1998; Guest, 1999; Guthrie, 2001; Richard and Johnson, 2001; Chang and Chen, 2002; Bae *et al.*, 2003; Liao, 2005; Luthans and Sommer, 2005; Stavrou and Brewster, 2005; Green *et al.*, 2006; Andersen *et al.*, 2007; Purcell and Hutchinson, 2007; Dany *et al.*, 2008; Wang and Shyu, 2008). Although the previous research widely agreed that there is positive relationship between HR policies and firm performance, there are diverse views expressed amongst different studies on the selection of HR policies, thereafter, different approaches (i.e. best practice, best fit and the configuration) were established for the formulation of HR policies based on its own school of thoughts and beliefs.

Consequently, further examination was carried out to investigate which HR policies contribute to the success of these four studied companies. In order to accomplish this, firstly, it required the detailed divisions of HR policies in its functional areas. That is, HR policies in this research were dissimilated into four functions: (i) '*recruitment and selection*', (ii) '*motivation and reward*', (iii) '*training and development*' and (iv) '*performance appraisal*'

for the subsequent comparisons between the influence of these functions and the success of these companies (see Table 47).

Table 47 The influence of HR functions in the success of the companies (where 1=very little and 5=very much) (%)

(i) Recruitment and selection of suitable staff in the success of your company															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	4.3	5.6	12.5	0.0	0.0	3.7	12.5	0.0	0.0	0.0	4.8	0.0	18.2	0.0	0.0
2	5.8	5.6	6.3	0.0	10.0	11.1	12.5	20.0	0.0	12.5	2.4	0.0	0.0	0.0	8.3
3	5.8	11.1	6.3	0.0	5.0	7.4	12.5	0.0	0.0	12.5	4.8	10.0	9.1	0.0	0.0
4	47.8	27.8	62.5	66.7	40.0	37.0	12.5	60.0	50.0	50.0	52.4	40.0	63.6	77.8	33.3
5	36.2	50.0	12.5	33.3	45.0	37.0	50.0	20.0	50.0	25.0	35.7	50.0	9.1	22.2	58.3
(ii) Provision of proper motivation and reward for staff in the success of your company															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	4.3	0.0	0.0	6.7	10.0	7.4	0.0	0.0	0.0	25.0	2.4	0.0	0.0	11.1	0.0
3	4.3	5.6	6.3	0.0	5.0	7.4	12.5	0.0	0.0	12.5	2.4	0.0	9.1	0.0	0.0
4	50.7	22.2	68.8	60.0	55.0	44.4	12.5	80.0	83.3	25.0	54.8	30.0	63.6	44.4	75.0
5	39.1	72.2	18.8	33.3	30.0	40.7	75.0	20.0	16.7	37.5	38.1	70.0	18.2	44.4	25.0
(iii) The influence of suitable training and development policies and practices in the success of your company															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	2.9	0.0	0.0	6.7	5.0	3.7	0.0	0.0	0.0	12.5	2.4	0.0	0.0	11.1	0.0
3	2.9	0.0	0.0	6.7	5.0	3.7	0.0	0.0	16.7	0.0	2.4	0.0	0.0	0.0	8.3
4	53.6	33.3	75.0	46.7	60.0	55.6	37.5	80.0	50.0	62.5	52.4	30.0	72.7	44.4	58.3
5	39.1	66.7	18.8	40.0	30.0	37.0	62.5	20.0	33.3	25.0	40.5	70.0	18.2	44.4	33.3
(iv) The influence of relevant annual performance appraisal in success of your company															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	2.9	0.0	0.0	0.0	10.0	3.7	0.0	0.0	0.0	12.5	2.4	0.0	0.0	0.0	8.3
3	1.4	0.0	0.0	6.7	0.0	3.7	0.0	0.0	16.7	0.0	0.0	0.0	0.0	0.0	0.0
4	60.9	50.0	81.3	60.0	55.0	59.3	50.0	80.0	50.0	62.5	61.9	50.0	81.8	66.7	50.0
5	33.3	50.0	12.5	33.3	35.0	33.3	50.0	20.0	33.3	25.0	33.3	50.0	9.1	33.3	41.7

Source: data analysis

Table 47 illustrated that on average, over 80% of SMs in all companies believed that HR polices in these four specific functional areas are making positive contribution to the success of their companies. In detail, 77.8% in Company A, 75% in Company B, 100% in Company C and 85% in Company D acknowledged the role of recruitment and selection of suitable staff in attaining the accomplishment of their company. Similarly, 94.4%, 87.6%, 93.3% and 85% in Companies A, B, C and D respectively felt the provision of proper motivation and reward for staff were essential in the success of their company. Again, the influence of suitable training and development policies and practices in the success of the company was

also recognised by almost all SMs in Companies A (100%), B (93.8%), C (86.7%) and D (90%). Likewise, having relevant annual performance appraisal in a company was highly valued as making a positive impact on the firm performance as viewed by SMs in Companies A (100%), B (93.8%), C (93.3%) and D (90%).

In summary, this research indicated that the combination of these four HR practices was perceived as effective in leading to the success of the four companies. This finding confirmed the theoretical propositions of the matching model (Fombrun *et al.*, 1984) and the studies of Miles and Snow (1984), Schuler and Jackson (1987), Delaney and Huselid (1996), Youndt *et al.* (1996), Guest (1997), Patterson *et al.* (1997) and Luthans and Sommer (2005). However, when similar HR practices (i.e. selection, development, appraisal and reward) were bundled, this indicated the importance of the interrelatedness of HRM activities and the coherence of internal HR policies in improving business performance and gaining company success.

Table 48 The impact of HR policies on firm performance via the exploration of employees' commitment and job satisfaction (where 1=strongly disagree and 5=strongly agree) (%)

(i) HR policies positively affect employees' commitment															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	8.7	5.6	12.5	0.0	15.0	14.8	12.5	20.0	0.0	25.0	4.8	0.0	9.1	0.0	8.3
2	5.8	0.0	12.5	6.7	5.0	3.7	0.0	0.0	16.7	0.0	7.1	0.0	18.2	0.0	8.3
3	26.1	33.3	56.3	6.7	10.0	18.5	25.0	40.0	0.0	12.5	31.0	40.0	63.6	11.1	8.3
4	42.0	38.9	18.8	60.0	50.0	44.4	50.0	40.0	50.0	37.5	40.5	30.0	9.1	66.7	58.3
5	17.4	22.2	0.0	26.7	20.0	18.5	12.5	0.0	33.3	25.0	16.7	30.0	0.0	22.2	16.7
(ii) Employees' commitment has a positive impact on firm performance															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	0.0	0.0	5.0	3.7	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0
2	5.8	0.0	0.0	13.3	10.0	11.1	0.0	0.0	33.3	12.5	2.4	0.0	0.0	0.0	8.3
3	8.7	11.1	6.3	13.3	5.0	0.0	0.0	0.0	0.0	0.0	14.3	20.0	9.1	22.2	8.3
4	40.6	27.8	43.8	40.0	50.0	44.4	25.0	60.0	50.0	50.0	38.1	30.0	36.4	33.3	50.0
5	43.5	61.1	50.0	33.3	30.0	40.7	75.0	40.0	16.7	25.0	45.2	50.0	54.5	44.4	33.3
(iii) HR policies positively affect employees' job satisfaction															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	8.7	5.6	12.5	0.0	15.0	14.8	12.5	20.0	0.0	25.0	4.8	0.0	9.1	0.0	8.3
2	7.2	0.0	12.5	13.3	5.0	3.7	0.0	0.0	16.7	0.0	9.5	0.0	18.2	11.1	8.3
3	26.1	33.3	56.3	6.7	10.0	22.2	37.5	40.0	0.0	12.5	28.6	30.0	63.6	11.1	8.3
4	42.0	38.9	18.8	66.7	45.0	44.4	37.5	40.0	66.7	37.5	40.5	40.0	9.1	66.7	50.0
5	15.9	22.2	0.0	13.3	25.0	14.8	12.5	0.0	16.7	25.0	16.7	30.0	0.0	11.1	25.0

(iv) Job satisfaction has a positive impact on firm performance															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	2.9	0.0	0.0	6.7	5.0	7.4	0.0	0.0	16.7	12.5	0.0	0.0	0.0	0.0	0.0
2	2.9	0.0	0.0	6.7	5.0	3.7	0.0	0.0	16.7	0.0	2.4	0.0	0.0	0.0	8.3
3	8.7	11.1	12.5	6.7	5.0	3.7	0.0	0.0	0.0	12.5	11.9	20.0	18.2	11.1	66.7
4	53.6	38.9	75.0	40.0	60.0	55.6	50.0	80.0	50.0	50.0	52.4	30.0	72.7	33.3	25.0
5	31.9	50.0	12.5	40.0	25.0	29.6	50.0	20.0	16.7	25.0	33.3	50.0	9.1	55.6	0.0

Source: data analysis

Drawing upon the ideas derived from the variety of conceptual models examining the linkage between HRM practices, HRM outcomes and firm performance (i.e. Formbrun *et al.*, 1984; Beer *et al.*, 1984; Guest, 1997, 2000; Paauwe and Richardon, 1997; Paauwe, 2004), Table 55 sought to incorporate two mediating factors of employees' commitment and job satisfaction as to reflect the HR outcomes in these conceptual models and then investigated the impact of HR policies on firm performance.

The results show that over 70% of SMs in Companies A, C and D believed that the company's HR policies contributed to the improved employee commitment and the increased job satisfaction, which in turn made positive impact upon firm performance (see Table 55). Whereas approximately 60% of SMs in Company B were unaware of the positive role of HR policies in influencing employee commitment and job satisfaction. However, Company B did acknowledge achieving positive HR outcomes (i.e. greater employee commitment and job satisfaction) would result in a superior level of firm performance.

In summary, responses across the four companies (on average, over 60% of senior managers) implied that firstly, the importance of developing a set of appropriate HR policies aiming at attaining HR outcomes (i.e. employee commitment and job satisfaction), and secondly, when HR outcomes were reached, the greater level of business performance can be expected. The finding of this research supported the Guest model (1997, 2000) in terms of the link between HR practices, HR outcomes and firm performance, in addition to agreeing with Green *et al.*

(2006) where the direct impact of SHRM on organisational performance is positive and significant, but SHRM also directly and positively influences individual performance, organisational commitment and job satisfaction. Indeed, the present research strengthened the theoretical models (i.e. Formbrun *et al.*, 1984; Beer *et al.*, 1984; Guest, 1997, 2000; Paauwe and Richardson, 1997; Paauwe, 2004), and supported a number of empirical studies that had put a special focus upon these four HR policies (i.e. selection, training/development, appraisal and reward) as this research interested (see Table 54). Subsequently, the views of Kalleberg and Moody (1994), Delaney and Huselid (1996), Verburg (1998 cited in Paauwe, 2004: 74), Appelbaum *et al.* (2000 cited in Paauwe, 2004: 76), Guest (2001) and Zheng *et al* (2006) have been reinforced.

Table 49 HR policies are creating competitive advantages and influenced by SMs' effectiveness (where 1=strongly disagree and 5=strongly agree) (%)

(i) HR policies are creating competitive advantages															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	10.1	5.6	12.5	6.7	15.0	14.8	12.5	0.0	16.7	25.0	7.1	0.0	18.2	0.0	8.3
2	11.6	0.0	37.5	0.0	10.0	11.1	0.0	40.0	0.0	12.5	11.9	0.0	36.4	0.0	8.3
3	27.5	44.4	37.5	13.3	15.0	18.5	50.0	20.0	0.0	0.0	33.3	40.0	45.5	22.2	25.0
4	34.8	27.8	12.5	66.7	35.0	40.7	12.5	40.0	66.7	50.0	31.0	40.0	0.0	66.7	25.0
5	15.9	22.2	0.0	13.3	25.0	14.8	25.0	0.0	16.7	12.5	16.7	20.0	0.0	11.1	33.3
(ii) HR policies are directly influenced by senior managers and their effectiveness at work															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	8.7	5.6	6.3	0.0	20.0	11.1	12.5	0.0	0.0	25.0	7.1	0.0	9.1	0.0	16.7
2	5.8	0.0	0.0	13.3	10.0	7.4	0.0	0.0	33.3	0.0	4.8	0.0	0.0	0.0	16.7
3	34.8	27.8	81.3	13.3	20.0	33.3	37.5	80.0	16.7	12.5	35.7	20.0	81.8	11.1	25.0
4	33.3	38.9	12.5	53.3	30.0	25.9	12.5	20.0	33.3	37.5	38.1	60.0	9.1	66.7	25.0
5	17.4	27.8	0.0	20.0	20.0	22.2	37.5	0.0	16.7	25.0	14.3	20.0	0.0	22.2	16.7

Source: data analysis

Table 49 is divided into two sections. The upper section examines senior managers' perception on the extent to which they recognise that the company's HR policies are creating competitive advantages, whilst the lower section investigates the belief of senior managers on the influence exerted from themselves and their effectiveness in HR policies.

The results show that the relatively high proportion of SMs in Companies A (50% in comparison with 44.4% of unawareness and 5.6% of agreement), C (80%) and D (60%) believed that HR policies can generate competitive advantages, which would position the company well in its targeted market. A similar proportion of SMs in Companies A (66.7%), C (73.3%) and D (70%) recognised that their role of being senior managers and their effectiveness have a direct effect on HR policies, whilst 50% in Company B were doubtful that the power of HR policies brought competitive advantage, with 37.5% neutral. Thus, HR policies as Company B perceived were an independent set of rules and regulations, lacking flexibility to interlink and interact with other policies, in particular with respect to the company's business strategy (see Table 25 in Chapter Seven), where 56.3% of SMs did not know if their HR policies aligned with business strategy and 31.3% said that their company's HR policies and business strategy were not matched; however, 12.5% of SMs believed there was an integration. Therefore, the quality of HR policies in terms of both formulation and implementation appears questionable in Company B.

Nevertheless, over half of the SMs across all four companies believe that they have control over HR policies and thereafter, give rise to HR policies that in turn generate competitive advantage. This finding has confirmed the well-established views in the literature (such as Barney, 1991; Boxall, 1996, 1998; Boxall and Steeneveld, 1999; Boxall and Purcell, 2008), where it was reviewed from the perspective of human resource advantage (HRA), suggesting that a series of HR policies, practices and processes together contributed to the competitive advantage of the organisation. Indeed, as Huselid (1995) stated, a bundle of HR policies and practices jointly contributed to the attainment of the organisation's strategies by matching resources to organisational needs, improving performance and quality, and achieving competitive advantage. Similarly, Armstrong (2006) argued that the benefit arising from

competitive advantage based on the effective management of people was that such an advantage was difficult to imitate, which reflected the concept of intellectual capital (Boxall, 1996) with an emphasis on investment in people to create more intelligent and flexible firms than their competitors.

Table 50 HR policies: mean, standard deviation and correlation

	Variable	Mean	Standard deviation	1	2	3	4	5	6
1	Firm performance	3.67	0.69						
2	HR policies-competitive advantages	3.35	1.19	0.23					
3	HR policies have a direct impact on firm performance	3.20	1.15	0.19	0.82**				
4	HR policies have a positive impact on firm performance	3.26	1.15	0.20	0.81**	0.91**			
5	HR policies positively affect employees' commitment	3.54	1.12	0.23	0.81**	0.78**	0.81**		
6	HR policies positively affect job satisfaction	3.49	1.12	0.21	0.79**	0.75**	0.79**	0.96**	
7	HR policies are directly influenced by senior managers	3.46	1.08	0.10	0.61**	0.66**	0.68**	0.72**	0.70**

Where: ** = $p < 0.01$; * = $p < 0.05$

Source: data analysis

Table 51 Relationship between HR policies and firm performance: OLS regression

Dependent variable: Firm performance

Variable	HR policies are creating competitive advantages	HR policies have a direct impact on firm performance	HR policies have a positive impact on firm performance	HR policies positively affect employees' commitment	HR policies positively affect job satisfaction	HR policies are directly influenced by senior managers
Constant	3.284*** (22.773)	3.400*** (24.983)	3.380*** (23.242)	3.318*** (21.432)	3.222*** (21.411)	3.233*** (25.230)
Strongly disagree	0.573** (2.061)	0.457 (1.650)	0.445 (1.636)	0.516* (1.701)	0.611** (2.030)	0.700** (2.443)
Disagree	-0.034 (0.129)	-0.120 (0.493)	-0.180 (0.630)	0.182 (0.514)	0.338 (1.046)	0.767** (2.261)
Agree	0.674*** (3.492)	0.627*** (3.259)	0.509*** (2.652)	0.316 (1.629)	0.543*** (2.836)	0.671*** (3.663)
Strongly agree	0.607** (2.547)	0.350 (1.328)	0.563** (1.971)	0.916*** (3.805)	0.887*** (3.629)	0.617*** (2.778)
F	4.439***	3.822***	3.094**	3.826***	3.811***	4.490***
R ²	0.217	0.193	0.162	0.193	0.192	0.219
Adj. R ²	0.168	0.142	0.110	0.143	0.142	0.170
n	69	69	69	69	69	69

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

Table 50 illustrated a variety of results in the form of the mean, standard deviation and correlation relating to HR policies as a whole with firm performance. However, the correlation results did not indicate any statistically significant association between the tested variables and firm performance. This was then further examined through regression (see Table 51) with the independent variables disaggregated into their constituent responses: 'strongly disagree', 'disagree', 'agree' and 'strongly agree'. Overall, a series of bundled factors is found statistically significant. That is, (i) the relationship between HR policies that are creating competitive advantages and firm performance ($F=4.439$, $p < 0.01$) explain some 22 percent of the variation in firm performance; (ii) the relationship between HR policies that positively affect employee commitment and firm performance ($F=3.826$, $p < 0.01$) explain some 19 percent of the variation in firm performance; (iii) the relationship between HR policies that positively affect job satisfaction and firm performance ($F=3.811$, $p < 0.01$) explain some 19 percent of the variation in firm performance and (iv) the relationship between HR policies that are directly influenced by senior managers and firm performance ($F=4.490$, $p < 0.01$) explain some 22 percent of the variation in firm performance. These results indicate that it mainly agree/strong agree responses that are statistically significant, although there is some strong disagreement in relation to the omitted category of 'no opinion'/'don't know'. In other words, the HR policies that are characterised by the ability of creating competitive advantages, positively affecting employee commitment and job satisfaction and being recognised by senior management have a positive impact on firm performance.

In conclusion, the frequency analysis of the whole sample that took into consideration all four companies and the results of regression analysis suggested that firm performance is directly and positively affected by a combination of several factors, which are either from HR policies

as a whole or being indirectly influenced by HR policies. Specifically, for the latter, HR policies make a positive impact upon employee commitment, job satisfaction and the creation of competitive advantages through human resources, or HR policies being shaped by the effectiveness of senior managers, which in turn affect the performance of the companies. This finding is consistent with the theoretical perspective of both the Harvard Model (Beer *et al.*, 1984) and Choice Model (Analoui, 2007) where employee commitment was regarded as a crucial to HR outcome, serving as a channel of bridging the gap between HRM policy choices and long-term consequences including organisational performance. It also reflected the view of Walton (1985) and Guest (1999) who stressed the importance of HR policies that involve commitment would then lead to better economic performance. This also reflected the views of Wallace (1995), Appelbaum *et al.* (2000 cited in Paauwe, 2004: 76), Boselie and van der Wiele (2001) and Guest (2001) who noted the importance of employee satisfaction in achieving business performance.

4.2 Theme B: relationship between the alignment of HR policies with business strategy and firm performance

The results of the frequency analysis regarding the fitness of HR policies with business strategy were shown in Table 25 in Chapter Seven as a part of the investigation on the level of the effectiveness of HR policies (Model One), while its relationship with firm performance was examined in this Chapter via correlation and regression (see Tables 52-53). First of all, the frequency analysis explained that there were diverging views between Companies A and B with Companies C and D regarding their senior managers' perception on the integration of HR policies with business strategy. In particular, the former showed its unawareness, whereas the latter showed its recognition. Nonetheless, the overall view derived from the frequency analysis indicated that the majority of responses recognised the importance of aligning company's HR policies with business strategy.

Table 52 Fitness between HR policies and business strategy: mean, standard deviation and correlation

	Variable	Mean	Standard deviation	1
1	Firm performance	3.67	0.69	
2	HR policies 'fit' with the business strategy	0.46	0.50	0.35**

Where: ** = $p < 0.01$

Source: data analysis

Table 53 Relationship between alignment of HR policies with business strategy and firm performance: OLS regression

Dependent variable: Firm performance

Variable	HR policies 'fit' with business strategy
Constant	3.453*** (32.733)
Yes	0.483*** (3.068)
F	9.415***
R ²	0.123
Adj. R ²	0.110
n	69

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

Furthermore, the positive statistically significant association between the fitness of HR policies with business strategy and firm performance demonstrated in Table 52 indicated that firm performance might be affected by the alignment of HR policies with business strategy. Hence, this was further tested through regression to examine the size of this association (see Table 53) with the independent variable disaggregated into its constituent responses of 'yes', 'no' and 'don't know'. Overall this was found statistically significant ($F=9.415$, $p < 0.01$) explaining some 12 percent of the variation in firm performance. In relation to the individual responses to the question of the existence of the integration between HR policies and business strategy, then the selection of 'yes' was the only response being chosen and found statistically significant. Hence, in conclusion, it suggested that firm performance is influenced by the existence of the alignment between company HR policies with business strategy.

The finding of this research acknowledged the strong links between HR strategy and general business strategies as the model of Guest (1997) conceptualised. Moreover, this research also underpinned a number of existing opinions, such as Fombrun *et al.* (1984), Miles and Snow (1984), Balkin and Gomez-Mejia (1987), Schuler and Jackson (1987), Bird and Beechler (1995), Youndt *et al.* (1996), Becker and Huselid (1998) cited in Bjorkman *et al.* (2008: 972), Bjorkman and Fan (2002), Chang and Chen (2002), Liao (2005), Boswell (2006), Andersen *et al.* (2007), Bjorkman *et al.* (2008); Dany *et al.* (2008), Wang and Shyu (2008). These primary studies not only selected a similar set of HR practices (i.e. selection, development, appraisal and reward) in their examination, but also inferred the importance of dictating particular HR functions to different corporate strategies. These studies found that the impact of HR practices on firm performance may be further enhanced when practices are matched with the competitive requirements inherent in a firm's business strategy. Indeed, if the firm's HRM is matched with its business strategy, this integration will lead to a positive firm performance (Bjorkman and Fan, 2002). Thereafter, this current research suggested that matching HR policies to the organisation's business strategy, together with aligning HR practices with business strategies are critical to the firms' success. Although the mainstream of the literature led the notion that the adoption of certain HR practices enhances organisational performance, Fey *et al.* (2000) obtained limited support for the relationship between efforts at aligning HRM practices with firm strategy and subsidiary performance.

In addition, the degree of integration between HR practices and business strategies is further examined through the extent to which senior management considers HR policies when adopting organisation strategy. This was then developed for subsequent investigation of its relationship with firm performance in order to add another perspective regarding the aim of improving business performance. Frequency analysis of the degree in which senior

management considers HR policies when adopting organisational strategy was undertaken in Chapter Eight (see Table 26) forming part of Model One that assessed the effectiveness of HR policies. The frequency analysis revealed that SMs in Companies A (55.6%) and B (50%) were uncertain in terms of matching HR strategy with business strategy. In contrast, SMs in Companies C (80%) and D (52.3%) considered how to design HR policies and practices to be able to align with business objectives. Nevertheless, looking at the whole sample across all four companies, it indicated that the majority of senior managers believed that they consider HR policies when adopting organisation strategy, whilst, the impact of these on firm performance was reflected in the results of the correlation and regression tests as shown in Tables 54-55.

Table 54 Relationship between SHRM's vertical integration and firm performance: mean, standard deviation and correlation

	Variable	Mean	Standard deviation	1
1	Firm performance	3.67	0.69	
2	Senior management considers HR policies when adopting organisational strategy	3.44	0.93	0.37**

Where: ** = $p < 0.01$

Source: data analysis

Table 55 Relationship between SHRM's vertical integration and firm performance: OLS regression

Dependent variable: Firm performance

Variable	Senior management considers HR policies when adopting organisational strategy
Constant	3.326*** (28.765)
Strongly disagree	0.674* (1.844)
Disagree	-0.166 (0.567)
Agree	0.578*** (3.533)
Strongly agree	0.988*** (3.879)
F	6.375***
R ²	0.285
Adj. R ²	0.240
n	69

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

The positive statistically significant association between firm performance and that senior management considered HR policies when adopting organisation strategy shown in Table 54 indicated that firm performance might be affected by the choice of senior management when making decisions. Hence, this was further investigated through regression (see Table 55) with the independent variable disaggregated into its constituent responses. Overall this was found statistically significant ($F=6.375, p < 0.01$) explaining some 29 percent of the variation in firm performance. In relation to the individual responses to this issue, then the responses of 'strongly disagree', 'agree' and 'strongly agree' were found statistically significant. The former was a surprising result, but was only marginally significant, whilst the latter two were as expected and highly significant and clearly outweigh the former in their impact. Hence, this indicated that overall agreement with the notion that senior management considered HR policies when adopting organisational strategy, which subsequently make positive impact upon firm performance.

This finding highlighted the findings of Pettigrew and Whipp (1991) that senior managers interpreted the business strategy according to their own frame of reference, their particular motivations and information. When discussing the barrier for achieving the strategy fit, Gratton (1999) believed that senior managers' decisions on innovations are isolated from complementary HR activities, which was considered as one of the potential obstacles. Furthermore, this finding also showed agreement with Armstrong (2006) through suggesting the necessity of senior managers' involvement in the communication of intentions and their rationale for the purposes of gaining their support for the later smooth running of HR strategies.

4.3 Theme C: relationship between the degree of achieving business plan and firm performance

This theme sought to examine the impact of the degree of business plan achievement upon firm performance. It firstly examined how successful the accomplishment of the business plan was in terms of (i) the degree of achievement of intended outcomes, (ii) the degree of achievement of expected financial performance, (iii) the degree of implementation of the business plan within the expected time and (iv) the degree of implementation of the business plan within the predicted cost, which was assessed through frequency analysis (see Table 56). The relationship between the extent of achieving the business plan and firm performance was indicated in the results of the correlation and regression tests (see Tables 57-58).

Table 56 The degree of the success of your business plan (where 1=least successful and 5=most successful) (%)

(i) Achievement of intended outcomes															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	13.0	11.1	6.3	13.3	20.0	18.5	12.5	0.0	16.7	37.5	9.5	10.0	9.1	11.1	8.3
4	66.7	50.0	87.5	80.0	55.0	55.6	50.0	100.0	66.7	25.0	73.8	50.0	81.8	88.9	75.0
5	18.8	38.9	0.0	6.7	25.0	25.9	37.5	0.0	16.7	37.5	14.3	40.0	0.0	0.0	16.7
(ii) Achievement of expected financial performance															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	9.1	0.0	0.0
2	1.4	0.0	0.0	0.0	5.0	3.7	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0
3	15.9	16.7	12.5	0.0	30.0	11.1	25.0	0.0	0.0	12.5	19.0	10.0	18.2	0.0	41.7
4	59.4	38.9	81.3	86.7	40.0	55.6	37.5	100.0	66.7	37.5	61.9	40.0	72.7	100.0	41.7
5	21.7	44.4	0.0	13.3	25.0	29.6	37.5	0.0	33.3	37.5	16.7	50.0	0.0	0.0	16.7
(iii) Implementation of the business plan within the expected time															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	4.3	0.0	6.3	0.0	10.0	0.0	0.0	0.0	0.0	0.0	7.1	0.0	9.1	0.0	16.7
3	14.5	27.8	12.5	13.3	5.0	14.8	37.5	0.0	16.7	0.0	14.3	20.0	18.2	11.1	8.3
4	62.3	38.9	81.3	66.7	65.0	59.3	25.0	100.0	50.0	75.0	64.3	50.0	72.7	77.8	58.3
5	18.8	33.3	0.0	20.0	20.0	25.9	37.5	0.0	33.3	25.0	14.3	30.0	0.0	11.1	16.7
(iv) Implementation of the business plan within the predicted cost															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	1.4	0.0	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	8.3
2	2.9	0.0	6.3	0.0	5.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0	9.1	0.0	8.3
3	15.9	16.7	6.3	13.3	25.0	11.1	12.5	0.0	16.7	12.5	19.0	20.0	9.1	11.1	33.3
4	60.9	44.4	87.5	73.3	45.0	63.0	50.0	100.0	50.0	62.5	59.5	40.0	81.8	88.9	33.3
5	18.8	38.9	0.0	13.3	20.0	25.9	37.5	0.0	33.3	25.0	14.3	40.0	0.0	0.0	16.7

Source: data analysis

Table 56 presented the frequency results, as it demonstrated, it was very high proportion of SMs (88.9%, 87.5%, 86.7% and 80% in Companies A, B, C and D) indicated that their companies have achieved all the outcomes as it was planned and expected. Likewise, 83.3%, 81.3%, 100% and 65% of SMs in Companies A, B, C and D respectively have shown their impression on the success of obtaining expected financial performance. Similar to the above achievements, the majority of SMs believed the implementation of their company's business plan was well completed within the expected time (72.2%, 81.3%, 86.7% and 85% of SMs in Companies A, B, C and D correspondingly), and was well accomplished within the predicted cost (83.3%, 87.5%, 86.6% and 65% of SMs in Companies A, B, C and D correspondingly). On the whole, the overall statistics revealed that over 80% of SMs in all four companies suggested that their business plan was well attained and achieved what it was meant to be, such as the intended outcomes, gained profits, good control over its time and cost.

Table 57 Business plan: mean, standard deviation and correlation

	Variable	Mean	Standard deviation	1	2	3	4
1	Firm performance	3.67	0.69				
2	Achievement of intended outcomes	4.01	0.68	0.19			
3	Achievement of expected financial performance	3.99	0.76	0.31**	0.84**		
4	Implementation within the expected time	3.96	0.72	0.37**	0.61**	0.65**	
5	Implementation within the predicted costs	3.93	0.77	0.26*	0.62**	0.70**	0.82**

Where: ** = $p < 0.01$; * = $p < 0.05$

Source: data analysis

Table 58 Relationship between business plan and firm performance: OLS regression

Dependent variable: Firm performance

Variable	Achievement of intended outcomes	Achievement of expected financial performance	Implementation within the expected time	Implementation within the predicted costs
Constant	3.333*** (15.079)	3.145*** (16.440)	3.180*** (15.541)	3.418*** (17.131)
Least successful	1.067 (1.526)	1.255* (1.893)		0.182 (0.263)
Unsuccessful		-0.145 (0.219)	0.487 (1.143)	0.282 (0.554)

Successful	0.275 (1.139)	0.513** (2.381)	0.450* (1.967)	0.163 (0.726)
Most successful	0.728** (2.532)	0.935*** (3.710)	0.895*** (3.431)	0.751*** (2.770)
F	2.819**	4.057***	4.052**	2.442*
R ²	0.115	0.202	0.158	0.132
Adj. R ²	0.074	0.152	0.119	0.078
n	69	69	69	69

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

Table 57 exhibited correlation test results, pointing out three positive statistically significant associations between firm performance with these three individual variables: ‘*achievement of expected financial performance*’, ‘*implementation within the expected time*’ and ‘*implementation within the predicted costs*’ being part of the measurements on the success of achieving business plan. However, it did not indicate the size of these associations. Therefore, these variables were further examined through regression (see Table 58) with the independent variable disaggregated into its constituent responses in the form of ‘least successful’, ‘unsuccessful’, ‘successful’ and ‘most successful’.

In relation to the individual responses to the measurement of ‘achievement of intended outcomes’ (F=2.819, $p < 0.05$) explain some 12 percent of the variation in firm performance with the only response of ‘most successful’ was found statistically significant. Second, in terms of ‘achievement of expected financial performance’ (F=4.057, $p < 0.01$), although the selected options of ‘most successful’, ‘successful’ and ‘least successful’ were found statistically significant, the level of magnitude of the estimated coefficients was different with the former two clearly offsetting the latter, indicating the overall tendency. Third, ‘implementation within the expected time’ (F=4.052, $p < 0.05$) explain some 16 percent of the variation in firm performance with the only two responses being ‘most successful’ and ‘successful’. The final variable of ‘implementation within the predicted costs’ (F=2.442, $p <$

0.1) had only one chosen response ‘most successful’ clearly indicated a statistically significance. Therefore, in conclusion, these clearly indicated statistical significance whereby the success of completing the business plan, based on the achievement of intended outcomes and financial performance within the expected time and cost, can make a positive impact on firm performance.

4.4 Theme D: relationship between the impact of culture on HR policies and firm performance

The exploration of this relationship was examined from both the general culture perspective and its individual elements. The former exclusively focused upon a broad question of whether national culture makes a direct impact upon firm performance, which was assessed through frequency analysis, correlation and regression (see Tables 59-61). Whilst the individual elements of cultural values examined in this research were adapted from the five culture dimensions of Hofstede (1980, 1993) and the two dominant characteristics of Chinese cultural values originated in Confucianism: ‘*guanxi*’ (personal connections) and ‘*mainzi*’ (preserving face) (Lockett, 1988). The degree of these seven chosen cultural factors in influencing the formulation and implementation of HR policies was explored through frequency analysis (see Tables 62-64).

Table 59 Culture factors have a direct impact on firm performance (where 1=strongly disagree and 5=strongly agree) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	5.8	0.0	6.3	0.0	15.0	3.7	0.0	0.0	0.0	12.5	7.1	0.0	9.1	0.0	16.7
2	10.1	0.0	18.8	6.7	15.0	14.8	0.0	20.0	16.7	25.0	7.1	0.0	18.2	0.0	8.3
3	33.3	38.9	68.8	6.7	20.0	29.6	50.0	60.0	0.0	12.5	35.7	30.0	72.7	11.1	25.0
4	33.3	44.4	6.3	46.7	35.0	37.0	37.5	20.0	50.0	37.5	31.0	50.0	0.0	44.4	33.3
5	17.4	16.7	0.0	40.0	15.0	14.8	12.5	0.0	33.3	12.5	19.0	20.0	0.0	44.4	16.7

Source: data analysis

The finding of Table 59 showed similarities to the discussions in Theme A on the relationship between the effectiveness of HR policies and firm performance, whereby Companies A, C

and D held one view, whilst Company B held another. Indeed, this can be seen from the results of Table 46 (HR policies have direct and positive impact on firm performance) and Tables 48-49 (the impact of HR policies on firm performance via the exploration of employees' commitment and job satisfaction, creation of competitive advantages and being influenced by SMs and their effectiveness). This trend and perceptual pattern was carried forward into this investigation in terms of the national culture's direct impact on firm performance. Specifically, the relatively majority of SMs (61.1%, 86.7% and 50% in Companies A, C and D respectively) believed that their business performance is directly influenced by national culture, whereas Company B (68.8%) continued to show its unawareness over this issue. Nonetheless, by observing the whole sample, a marginally greater proportion of SMs (i.e. just over 50% of the total sample of SMs) acknowledged the importance of national culture, in comparison with 33.3% of SMs who showed unawareness and 15.9% of SMs who disagreed the direct impact of cultural factors on firm performance. However, although it appears apparent that the role of national culture enhances business performance, the below correlation and regression tests were undertaken to check the robustness of the frequency analysis.

Table 60 General culture factors: mean, standard deviation and correlation

	Variable	Mean	Standard deviation	1
1	Firm performance	3.67	0.69	
2	Culture factors have a direct impact on firm performance	4.19	0.93	0.31**

Where: ** = $p < 0.01$

Source: data analysis

Table 61 Relationship between general culture factors and firm performance: OLS regression

Dependent variable: Firm performance

Variable	Culture factors have a direct impact on firm performance
Constant	3.322*** (25.440)
Strongly disagree	0.578* (1.705)
Disagree	0.021

	(0.078)
Agree	0.496*** (2.684)
Strongly agree	0.845*** (3.789)
F	4.597***
R ²	0.223
Adj. R ²	0.175
n	69

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

The correlation result in Table 60 indicated a positive statistically significant association between the general culture factors and firm performance, which was taken for further examination through regression (see Table 61) with the independent variable disaggregated into its constituent responses whereby overall this was found statistically significant ($F=4.597$, $p < 0.01$) explaining some 22 percent of the variation in firm performance. Therefore, it suggested that looking at the culture factors as a whole, it makes direct impact on firm performance. This supported the view of Li *et al.* (2001) and Chien (2006) that a key component of success was the necessity for Western management to know Chinese culture.

Furthermore, the general national culture value was disaggregated into specific individual elements to investigate the details of the impact of culture factors on firm performance. This included the five culture values of Hofstede's model (1980, 1993) and the two dominant Chinese culture values as identified by Lockett (1988). Specifically, the former was the most recognised and widely used model for conducting national culture study and based upon the belief that there were differences in values regarding work goals, whereby five cultural value dimensions were proposed: (i) power distance, (ii) uncertainty avoidance, (iii) individualism/collectivism, (iv) masculinity/femininity and (v) long-term/short-term orientation. While the latter was rooted in Confucianism: (i) 'guanxi' (personal connections) and (ii) 'mianzi' (preserving face), which have been extensively researched (Lockett, 1988;

Chien, 2006; Zhang and Zhang, 2006; Yao, 2008). In addition to proposing these culture questions in the survey, a similar question of “*How do you see the impact of Chinese culture on the development of HR policies in your company?*” was also asked in the interviews.

Table 62 presented the questionnaire results in relation to the degree of Hofstede’s model (1980, 1993) in its application in these four companies.

Table 62 The degree of national culture value model of Hofstede (1980, 1993) in four selected companies (where 1=very low and 5=very high) (%)

(i) Degree of power distance in the formulation and implementation of HR policies															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	8.7	5.6	6.3	6.7	15.0	14.8	0.0	20.0	16.7	25.0	4.8	10.0	0.0	0.0	8.3
2	7.2	5.6	0.0	6.7	15.0	11.1	0.0	0.0	16.7	25.0	4.8	10.0	0.0	0.0	8.3
3	11.6	22.2	6.3	20.0	0.0	3.7	0.0	0.0	16.7	0.0	16.7	40.0	9.1	22.2	0.0
4	31.9	22.2	37.5	53.3	20.0	40.7	37.5	60.0	50.0	25.0	26.2	10.0	27.3	55.6	16.7
5	40.6	44.4	50.0	13.3	50.0	29.6	62.5	20.0	0.0	25.0	47.6	30.0	63.6	22.2	66.7
(ii) Degree of avoiding uncertainty in the formulation and implementation of HR policies															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	30.4	44.4	56.3	0.0	20.0	29.6	37.5	60.0	0.0	25.0	31.0	50.0	54.5	0.0	16.7
2	18.8	0.0	18.8	46.7	15.0	25.9	0.0	40.0	50.0	25.0	14.3	0.0	9.1	44.4	8.3
3	34.8	55.6	25.0	13.3	40.0	37.0	62.5	0.0	16.7	50.0	33.3	50.0	36.4	11.1	33.3
4	15.9	0.0	0.0	40.0	25.0	7.4	0.0	0.0	33.3	0.0	21.4	0.0	0.0	44.4	41.7
5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(iii) Degree of collectivism in the formulation and implementation of HR policies															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	37.7	44.4	62.5	20.0	25.0	33.3	37.5	80.0	16.7	12.5	40.5	50.0	54.5	22.2	33.3
2	18.8	0.0	12.5	20.0	40.0	25.9	0.0	20.0	50.0	37.5	14.3	0.0	9.1	0.0	41.7
3	31.9	55.6	25.0	26.7	20.0	33.3	62.5	0.0	33.3	25.0	31.0	50.0	36.4	22.2	16.7
4	8.7	0.0	0.0	26.7	10.0	7.4	0.0	0.0	0.0	25.0	9.5	0.0	0.0	44.4	8.3
5	2.9	0.0	0.0	6.7	5.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0	0.0	11.1	0.0
(iv) Degree of long-term orientation in the formulation and implementation of HR policies															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	23.2	38.9	37.5	0.0	15.0	22.2	25.0	60.0	0.0	12.5	23.8	50.0	27.3	0.0	16.7
2	23.2	0.0	37.5	26.7	30.0	18.5	0.0	40.0	16.7	25.0	26.2	0.0	36.4	33.3	33.3
3	29.0	55.6	25.0	6.7	25.0	33.3	62.5	0.0	16.7	37.5	26.2	50.0	36.4	0.0	16.7
4	17.4	5.6	0.0	33.3	30.0	18.5	12.5	0.0	33.3	25.0	16.7	0.0	0.0	33.3	33.3
5	7.2	0.0	0.0	33.3	0.0	7.4	0.0	0.0	33.3	0.0	7.1	0.0	0.0	33.3	0.0
(v) The degree of femininity influencing the formulation and implementation of HR policies															
	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	36.2	44.4	62.5	13.3	25.0	33.3	37.5	80.0	16.7	12.5	38.1	50.0	54.5	11.1	33.3
2	24.6	0.0	12.5	33.3	50.0	25.9	0.0	20.0	16.7	62.5	23.8	0.0	9.1	44.4	41.7
3	27.5	55.6	25.0	13.3	15.0	29.6	62.5	0.0	16.7	25.0	26.2	50.0	36.4	11.1	8.3
4	10.1	0.0	0.0	33.3	10.0	11.1	0.0	0.0	50.0	0.0	9.5	0.0	0.0	22.2	16.7
5	1.4	0.0	0.0	6.7	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	11.1	0.0

Source: data analysis

By observing the data distribution in Table 62, it firstly clearly showed a high level of power distance in these four companies as overall 72.5% of SMs perceived, reflecting a high degree to which the members of the organisation accept an unequal distribution of power and further indicating a strong concern with hierarchy, the centralisation of authority and the degree of autocratic leadership (Hofstede, 1980, 1993).

Secondly, as a whole, the distribution of low scores in uncertainty avoidance (49.2%) was weighted above the unawareness level (31.9%) and the proportion of high scores (15.9%), indicating all four companies encourage risk taking activities to cope with the uncertainty and ambiguity situation (Hofstede, 1980, 1993).

Thirdly, in terms of examining individualism or collectivism, the results showed that individualism was in favour across all four companies as their chosen working style, indicating senior managers focused on satisfying personal interests over the interests of the group and the decision-making process was rational and objective (Hofstede, 1980, 1993). For example, no respondents in Companies A and B chose collectivism whilst the ratio of preference for individualism over collectivism in Company C was 40:33.4. In Company D, 65% of SMs preferred individualism compared with 15% of SMs who did not.

Fourthly, in relation to the examination of long-term or short-term orientation, looking at the whole sample size, it suggested that 46.4% of SMs saw their companies operating on short-term gains, in comparison with 24.6% who viewed their companies were seeking long-term benefits and 29% were unknown, indicating a short-term orientation was a norm in all four companies. This implied that senior managers focused on seek particular skills during the selection process and gave less attention to employees' training and development, as an

organisation, building a strong relationship with society and environment was not as important as gaining short-term profit (Hofstede and Bond, 1988; Hofstede, 1993).

Finally, in terms of femininity or masculinity, the overall statistics in Table 62 showed a clear central tendency, where 60.8% of SMs in all companies recognised the role of femininity in influencing the formulation and implementation of HR policies, whilst 11.5% of SMs instead preferred to take on the approach of masculinity in managing its human resources and HR policies. Further, there were 27.5% of non-responses. This suggested overall the masculinity was the primary work value in all four companies, indicating senior managers valued the material success, progress, assertiveness and gender role differences (Hofstede, 1980, 1993).

Initially, China was not included in the original Hofstede's model in 1980, but was researched in a later extension of the study across all five indices in 1993. Hence, according to the result of this Chinese Value Survey (Hofstede, 1993), China scored highly in power distance, uncertainty avoidance and long-term orientation, while scoring substantially lower in individualism and middle in masculinity score.

In summary, the results of this research relating to the applications of the five culture dimensions of Hofstede (1980, 1993) in foreign MNCs' Chinese subsidiaries were summarised as follows. It was found that there was high in power distance, low in uncertainty avoidance, low in collectivism, low in long-term orientation and low in femininity. The finding of high in power distance in this research has reinforced the existing literature and agreed with a number of researchers (i.e. Lockett, 1988; Hofstede, 1993; Pelled and Xin, 1997; Jackson and Bak, 1998; Fan, 2000; Fu, 2000; Chien, 2006; Cooke, 2009), who conceptualised the characteristics of Chinese organisation as unequally distributed power which was accepted

by the members of the organisations, a strong hierarchy structure in management systems and processes, the centralisation of authority and the degree of autocratic leadership. As a result, employee training emphasizes compliance, following orders and trustworthiness. Decision-making is centralized and influenced by the need to maintain and support those people in power.

Whist in relation to the other four dimensions of Hofstede' national culture (1980, 1993), the finding of this research did not support and confirm the mainstream of the literature. Specifically, in terms of uncertainty avoidance, it found low scores across all companies, which is contradicting with the literature (Chimezie *et al.*, 1993 cited in Jackson and Bak, 1998: 286; Hofstede, 1993; Pelled and Xin, 1997; Fan, 2000; Fu, 2000; Chien, 2006) where it showed strong avoidance of uncertainty. In particular, Jackson and Bak (1998) and Miao (2003) suggested a moderate level for uncertainty avoidance in China. Therefore, the finding of weak avoidance of uncertainty in this research implied that SMs in these companies encouraged risk taking activities and dislike bureaucracies and career stability. Consequently, organisations have few written rules, regulations and clearly defined job responsibilities which inform employees exactly what the organisation expects of them. In turn, employees believe that authorities and experts are not always correct, so these rules could be broken (Hofstede, 1980). Furthermore, employees do not mind taking risky behaviour such as changing jobs, conflict and competition. Therefore, this does not normally result in seniority and long-term commitment to the organisation (Brewster *et al.*, 2008). This, however, is an unexpected finding because Hofstede (1993) along with other latter researcher (i.e. Pelled and Xin, 1997; Fan, 2000; Fu, 2000; Chien, 2006) perceived Chinese culture as being dominated by a high level of avoidance uncertainty.

In terms of collectivism and individualism, this present finding undermined the long-lasting established evidence, such that Hofstede (1993) argued Chinese culture reflected high collectivism, emphasizing the 'we' identity and the relationship network, which was supported by a number of researchers (Lockett, 1988; Pelled and Xin, 1997; Jackson and Bak, 1998; Bjorkman and Lu, 1999a; Fan, 2000; Fu, 2000; Chien, 2006; Zhu *et al.*, 2006; Tsang, 2007; Cooke, 2009) who confirmed collectivism was the preferred orientation in China. For example, drawing upon a multiple case study from the Chinese software industry, Tsang (2007) found that the success of the firms is associated with entrepreneurial leaders who align their firms' performance management with the core cultural value of collectivism.

Concerning the aspect of time orientation, the low scores as evaluated from the whole sample size underlined the short-term orientation, the finding of which contradicts to the previous studies, such as Hofstede (1993), Pelled and Xin (1997), Jackson and Bak (1998), Fan (2000), Fu (2000) and Chien (2006). In the culture situation of long-term orientation as they described, managers are selected on how their personal and educational characteristics fit within the company because socialization for a long-term commitment to the organisation compensate for any initial weaknesses in work-related skills.

Lastly, regarding the degree of femininity influencing the formulation and implementation of HR policies, all four companies scored low, suggesting a masculinity characteristic. This result showed a split view with Hofstede (1993), Jackson and Bak (1998), Fu (2000) and Miao (2003) that showed a moderate level at masculinity and femininity scores. Further, this research certainly did not support the finding of Chien (2006), where femininity approach was noted. However, it agreed with Cooke (2001a), who commented that women make up nearly 40% of China's total workforce although recruitment is perhaps the most difficult barrier that

women face in employment because of the downsizing of SOEs, the mass migration of rural labour and the high unemployment rate. Traditionally, male workers are considered to be more capable than female workers with higher participation rates, stronger adaptability, better mobility and attendance records, and a longer working life. Many employers are unwilling to recruit women because they are ‘inferior’ to men and because of the ‘fuss’ and cost associated with women’s physiological conditions, i.e. child-bearing and caring.

In order to eliminate gender discrimination, the state has issued a number of laws, such as the PRC Law on Protecting Women’s Rights and Interests (1992) and the Labour Law (1995). These laws emphasize that men and women share the same labour rights. However, discrimination in different forms widely exists, often in the recruitment process against women (Cooke, 2003). For example, many job advertisements including those issued by the public sector organisations specify gender requirements and age limits even though the posts are suitable for both men and women, while the age limit is an attempt to avoid women job seekers of childbearing age. The finding of masculinity characteristic and Cooke (2001a)’ comments can also be referred to the gender analysis of senior managers’ demographic profiles in Table 12, where the ratio of male to female was 70:30, indicating most of senior manager positions in these four studied companies were occupied by males.

Table 63 The degree of maintaining ‘*guanxi*’ (personal connections) in the formulation and implementation of HR policies (where 1=very low and 5=very high) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	39.1	50.0	62.5	20.0	25.0	44.4	50.0	80.0	33.3	25.0	35.7	50.0	54.5	11.1	25.0
2	15.9	0.0	12.5	26.7	25.0	14.8	0.0	20.0	16.7	25.0	16.7	0.0	9.1	33.3	25.0
3	27.5	50.0	25.0	20.0	15.0	25.9	50.0	0.0	33.3	12.5	28.6	50.0	36.4	11.1	16.7
4	14.5	0.0	0.0	20.0	35.0	11.1	0.0	0.0	0.0	37.5	16.7	0.0	0.0	33.3	33.3
5	2.9	0.0	0.0	13.3	0.0	3.7	0.0	0.0	16.7	0.0	2.4	0.0	0.0	11.1	0.0

Source: data analysis

‘*Guanxi*’ has been extensively studied in the literature and demonstrated to have a positive relationship with many aspects of management. Luo and Chen (1997) showed that guanxi-

based business variables have a profound and positive impact on firm efficiency and growth, while Chien (2006) proposed to increase the cross-culture awareness by recognizing and learning the culture differences, particularly relating to two core elements of 'guanxi' and 'mianzi', which played an important role in doing business in China. Indeed, Yao (2008) suggested that both local and foreign managers should understand guanxi-orientated culture to match employee satisfaction in order to improve management effectiveness via the superior-subordinate relationship. In addition, Wank (1996) and Ahlstrom *et al.* (2000) also emphasised the necessity of establishing personal connections with government officials to gain their support for accessing resources and thereafter achieving organisational goals.

However, this research found a relatively higher proportion of SMs (i.e. 55% in comparison with 17.4% of unrecognition and 27.5% of unawareness) felt a low level of 'guanxi' influence in the formulation and implementation of HR policies, which was unexpected given that the common views on the perceived importance of personal connections in China from the literature (i.e. Campbell, 1987; Shenkar, 1990; Grub and Lin, 1991 cited in Xia *et al.*, 2007: 22; Warner, 1995; Wank, 1996; Yeung and Tung, 1996; Luo, 1997; Luo and Chen, 1997; Pelled and Xin, 1997; Tsang, 1998; Verburg *et al.*, 1999; Ahlstrom *et al.*, 2000; Bruton *et al.*, 2000; Fu, 2000; Peng and Luo, 2000; Wu and Leung, 2005; Chien, 2006; Xia *et al.*, 2007; Xiao and Tsui, 2007; Yao, 2008; Cooke, 2009). For instance, Shaker (1990) and Luo (1997) found that good relationships at both the personal and organisational level are critical to business in China, whilst the survey of Xia *et al.* (2007) showed that employee's personal connection has a positive relationship with firm performance. The discovery of this contradicting result thereby weakening the concept of 'guanxi' indicates less emphasis on the role of 'guanxi' in achieving business objectives in China. Further, this might imply that SMs in these four companies are potentially developing their own approaches on how to critically

do business in China to meet the demands of a variety of stakeholders and suit the needs of a volatile and ever changing global environment.

In addition, the interviews revealed some aspects of the traditional Chinese cultural values that were not covered by the survey, such as bearing hardships, forgiveness, compassion, thrift (saving), persistence (perseverance) and prudence (carefulness). As senior manager (IASMP01) commented: *“Culture is getting less important than before. Personal connections exist, which has influence. It is dependent on the type of companies. If it is wholly-owned by the Western company, it (personal connection) is better (less important), however, other types of companies, even for joint ventures, this still exist, however, it is subject to different company or even different department. For example, personal connections are very difficult to operate now, because we need people who have specialized qualification and competence. Last time we need to recruit 6-7 non-worker posts/office worker (the researcher asked what is the definition of the non-worker, the interviewee said the people like cook, cook’s assistants, drivers etc.), but there is over 1000 people who made application, although there is multi/duplicate applications, but we are still amazed by the number of applicants”*. Another senior manager (IASMI02) explained with a practical example: *“last time we advertised three jobs, applicant A and applicant B was applying for the same job, but A had personal connection, B didn’t, if they were on the same level in terms of the ability and qualification, A will be accepted without doubt. (The researcher followed the example up to further question: if they were not on the same level, A had less competence than B, but having powerful personal connection, what do you do? The interviewee said because of the nature of the department I am in charge, and the job requires specialization, e.g. driving license, so I had to follow the legal procedure, which means I will select B). The researcher followed this up to ask “how do you normally recruit employees/what is the procedure then?”* This senior

manager (IASMI02) addressed the following: *“recruitment is through employment agency by passing them the criteria etc, and then the agency selected the applicants, who will then be passed to the company for interviews”*.

Whilst the importance of traditional Chinese cultural values is confirmed, some interviewees made additional contributions to the characteristics examined in the survey, such as senior manager (ICSMI01) who replied that *“Yes, there is influence from Chinese culture, but all depends on what aspects of the Chinese culture, some of the traditional values such as bearing hardships, working hard, forgiveness, compassion, thrift (saving), persistence (perseverance) and prudence (carefulness) are still rooted in people’s mind, and they have always been good, and always have good impact on people’s behaviour”*. Furthermore, the same senior manager (ICSMP01) pointed out *“personal connection does exist, but it is little (influence)”*. Certainly, this was echoed in the comments given by another senior manager (IDSMP01) *“Working hard, but personal connection doesn’t influence very much”*. Interestingly, other senior manager (IDSMP02) made remark from a different angle, *“Yes, our CEO believes the Buddha, and Buddha is a kind of symbolic of Chinese culture. Smiling Buddha always has smile on the face, and also our CEO wants to see every employee smile as well, and this is also the way to show his kindness and warm-heart (the researcher asked why not increase the salary?) he said because every company is profit driven, so there are a lot of pressure to decrease the cost”*. Indeed, the characteristics identified during the interviews reflected the culture categories as Fan (2000) systemised, such as bearing hardships, persistence.

Table 64 The degree of ‘*mianzi*’ (preserving face) in the formulation and implementation of HR policies (where 1=very low and 5=very high) (%)

	Whole sample					Policymaker					Implementator				
	Total	A	B	C	D	Total	A	B	C	D	Total	A	B	C	D
1	25.0	50.0	25.0	6.7	15.8	30.8	50.0	60.0	0.0	14.3	21.4	50.0	9.1	11.1	16.7
2	20.6	0.0	31.3	26.7	26.3	23.1	0.0	20.0	50.0	28.6	19.0	0.0	36.4	11.1	25.0
3	26.5	50.0	31.3	20.0	5.3	26.9	50.0	20.0	33.3	0.0	26.2	50.0	36.4	11.1	8.3
4	22.1	0.0	12.5	33.3	42.1	19.2	0.0	0.0	16.7	57.1	23.8	0.0	18.2	44.4	33.3
5	5.9	0.0	0.0	13.3	10.5	0.0	0.0	0.0	0.0	0.0	9.5	0.0	0.0	22.2	16.7

Source: data analysis

The overall views in Table 64 perceived the less importance of ‘*mianzi*’ (preserving face) in the formulation and implementation of HR policies in China as expressed by a relatively higher proportion of SMs (45.6%), whereby in comparison, a lower proportion of SMs (28%) gave rise to the role of preserving face and a similar number of SMs (26.5%) showed unawareness. The finding of this research did not correspond to the conventional thoughts in the literature. Indeed, the previous studies (i.e. Lockett, 1988; Pelled and Xin, 1997; Fu, 2000; Chien, 2006; Cooke, 2009) have shown that preserving face is crucial for building up business relationships and achieving organisational outcomes, which includes the development of HR policies.

In conclusion, except high power distance which confirmed the conventional views in the literature, the other four indices (i.e. low in uncertainty avoidance, low in collectivism, low in long-term orientation and low in femininity) contradicted previous studies undertaken in China (i.e. Hofstede, 1993; Pelled and Xin, 1997; Jackson and Bak, 1998; Fan, 2000; Fu, 2000; Chien, 2006). This research suggested that the cultural values were more in line with the cultural traditions in Western countries emphasising competition and assertiveness, where managers are more individualistic, masculine, short-term oriented and comfortable with uncertainty. Although these findings challenged the mainstream studies, the researcher argued that the business environment in which these organisations operate in China is consistently changing following the contemporary developments in a number of areas. Therefore, there is

a need to review the current management of approach including the traditions, values and beliefs.

Additionally, the results also indicated the perceived low levels of influence of personal connections and preserving face in the formulation and implementation of HR policies. Hence, considering the importance of personal connections, Fu (2000) observed that in China gifts are used to build and strengthen relationships, whereby this is a common tradition consistent with the Chinese values of uncertainty avoidance, femininity and long-term orientation (Chien, 2006). Furthermore, Li *et al.* (2001) argued that that long-term orientation may influence the preference for personal connection among Chinese, who are more willing to spend time building long-term personal connections. Whereas Chien (2006) suggested that one of the reasons Chinese people prefer to establish personal connections is so that 'loss of face' can be avoided.

Considering these statements, the researcher inferred that there appeared to be an interlinked relationship between long-term orientation, establishment of personal connection, the effort of preserving face and femininity cultural values. Indeed, this assumption was confirmed from the results of this present research, where it found the Chinese cultural values as perceived by the senior managers of the four foreign MNCs are characterised by short-term perspective, masculinity and less importance of developing personal connections and preserving face. Furthermore, the elements forming this set of interlinked relationship are opposite to those from previous studies as the findings of this research contradict the literature regarding these specific cultural elements. More importantly, this interlinked relationship between time-orientation, personal connection, preserving face, masculinity/femininity is found, and thereby highlights one of the contributions of this research to the literature.

5. Relationship between the effectiveness of senior managers and firm performance (Model Five)

The investigation of the relationship between firm performance and the effectiveness of senior managers was examined from six specific aspects (see Appendix 10), the frequency analysis of which was carried out in Chapter Seven as a part of Model Two examining the effectiveness of SMs. In detail, they are as follows: (i) the perceived role of senior managers (see Table 42); (ii) the expectation and influence of senior managers (see Tables 28-31 and 43); (iii) the believed essential managerial skills for ensuring senior managers' effectiveness (see Tables 32-33); (iv) the criteria for measuring organisational effectiveness (see Table 34); (v) the constraints of preventing senior managers from being effective (see Table 39) and (vi) the provision of choices for improving senior managers' effectiveness (see Table 40). Whilst the following Tables 65-66 illustrated the results of correlation and regression on the examination of these six variables relationship with firm performance.

Table 65 The effectiveness of SMs: mean, standard deviation and correlation

		Mean	Standard deviation	Alpha	1	2
1	Firm performance	3.67	0.69	0.95		
2	Perceived role of senior managers	1.29	0.51	0.84	-0.22	
3	Expectation and influence of senior managers	2.11	0.82	0.94	0.43**	0.15

Where: ** = $p < 0.01$

Source: data analysis

Although the correlation tests on the relationship between firm performance and the six specific categories of measuring the effectiveness of senior managers showed a mixture of results (see Table 65), such as the perceived role of senior managers with firm performance was indicated as insignificant, it suggested that firm performance might be positively affected by the expectation and influence of senior managers. However, it did not indicate the size of these associations. Therefore, these variables were taken for further examination through regression (see Table 66).

Table 66 Relationship between effectiveness of SMs and firm performance: OLS regression
 Dependent variable: Firm performance

Variable	Estimated coefficient						
Constant	4.055*** (18.012)	4.441*** (21.108)	3.528*** (15.021)	3.299*** (13.332)	3.133*** (14.286)	3.454*** (12.284)	4.388*** (7.754)
(i) Perceived role of senior managers	-0.299* (1.837)						-0.204 (1.051)
(ii) Expectation and influence of senior managers		0.366*** (3.926)					0.404** (2.453)
(iii) What managerial skills are essential for ensuring your effectiveness?							
• Managing people			0.042 (0.184)				-0.171 (0.684)
• Managing tasks			-0.143 (0.797)				-0.201 (1.034)
• Analytical and career development skills			0.281 (1.429)				0.203 (1.08)
(iv) What do you believe to be the criteria for effectiveness in your company?							
• Being competitive				-0.086 (0.375)			0.105 (0.331)
• Compliance with rules and regulations				-0.162 (0.91)			-0.412 (1.609)
• Increased productivity				0.143 (0.886)			-0.202 (1.05)
• Meeting targets				0.052 (0.323)			-0.185 (1.017)
• Planning abilities				0.56*** (3.329)			0.222 (1.118)
• Self-motivation				-0.033 (0.194)			0.017 (0.089)
• Time management				0.336* (1.875)			0.806*** (3.123)

(v) What prevents you from being effective in your company?							
• Inappropriate training					-0.309 (1.473)		-0.02 (0.087)
• Ineffective leadership of the organisation					-0.225 (1.135)		0.328 (1.198)
• Lack of communication					0.179 (1.041)		-0.437* (2.014)
• Lack of relevant people skills					0.577** (2.558)		0.255 (1.018)
• Lack of relevant task skills and competences					0.025 (0.131)		0.125 (0.519)
• Lack of motivation					0.208 (1.015)		0.432* (1.722)
• Lack of resources					0.373* (1.784)		0.558** (2.282)
• Lack of teamwork					0.241 (1.197)		0.608** (2.49)
• Shortage of appropriate staff					0.167 (0.911)		0.612*** (2.791)
• Unrealistic targets					-0.218 (0.809)		-0.909*** (3.261)
(vi) Which of the following choices do you believe would improve senior management effectiveness?							
• Achievable targets						0.279 (1.406)	0.289 (1.485)
• Appropriate motivation						-0.327 (1.578)	-0.408 (1.61)
• Appropriate staff						0.161 (0.847)	-0.246 (1.155)
• Being able to set my own targets						0.164 (0.666)	-0.121 (0.539)
• Career succession plan						0.256	0.174

						(1.238)	(0.685)
• Effective communication						-0.024 (0.1)	-0.001 (0.004)
• Necessary resources						-0.107 (0.461)	-0.32 (1.422)
• Teamwork						0.442* (1.719)	0.004 (0.015)
• Training & development						-0.276 (1.152)	-0.506** (2.161)
F	3.37*	15.411***	0.879	3.546***	2.008**	1.537	2.806***
R ²	0.049	0.187	0.039	0.289	0.257	0.204	0.737
Adj. R ²	0.034	0.175	-0.005	0.208	0.129	0.071	0.474
n	68	69	69	69	69	64	63

Where: *** = $p < 0.01$; ** = $p < 0.05$; * = $p < 0.1$

Absolute t-ratios in parentheses

Source: data analysis

The regression results showed that when comparing individual categories (i-vi) of variables with firm performance, then unexpectedly these two categories, (iii) 'the believed essential managerial skills of ensuring SMs' effectiveness' and (vi) 'the provision of choices for improving SMs' effectiveness' are found to be statistically insignificant, which indicated that firm performance is not affected by the perceived essential managerial skills of SMs and the choices provide by the organisations. Nevertheless, this research also found that there are positive statistically significant associations between firm performance and the following four categories of variables: (i) 'the perceived role of senior managers', (ii) 'the expectation and influence of senior managers', (iv) 'the criteria for measuring organisational effectiveness' in particular with reference to the variables of 'planning abilities' and 'time management' and (v) 'the constraints of preventing senior managers from being effective', specifically referring to the variables of 'lack of relevant people skills' and 'lack of resources'.

Hence, regarding the perceived role of senior managers, this was examined through their self-evaluation of being in the company's senior positions. According to the overall frequency analysis (see Table 42 in Chapter Seven), nearly 70% of senior managers did not regard themselves as important in contributing to decision-making. This result was further tested through correlation and regression to establish its relationship with firm performance, the analysis of which indicated a negative statistically significant association ($F=3.37, p < 0.1$) explaining some 5 percent of the variation in firm performance. This suggested that the perception of senior managers on their role negatively affected firm performance of the four foreign MNCs, implying that senior managers who consider themselves as decision makers can lead to better firm performance.

Secondly, relating to the expectation and influence of senior managers, this was illustrated from two aspects. Firstly, based on the frequency analysis (see Tables 28-31 in Chapter Seven), where the majority of senior managers believed that an effective manager should be honest, responsible, fairness, conscientious and focused, together with being concerned with people and their welfare and then focus on production and allocate resource efficiently. Being knowledgeable and experienced and having the abilities to lead the subordinates and the organisation as a whole was also noted as one of their expectations for what an effective manager should be. Similarly, the second aspect was examined through SMs' expectation of what a senior manager should exhibit from the following: (i) 'have the right personality, appearance and attitude', (ii) 'be caring, inspirational, visionary and ethical', (iii) 'take risk and creating opportunities', (iv) 'match senior managerial style with hostile and changing environment' and (v) 'motivate knowledge workers and develop learning organisation'. The frequency analysis (see Table 43 in Chapter Seven) showed a high proportion of respondents (on the whole, over 70%) believed that a senior manager should fulfil all five identified specifics to be influential in their organisation. Relating these to the regression analysis, then overall senior managers' influence is found statistically significant ($F=15.411$, $p < 0.01$) explaining some 19 percent of the variation in firm performance. Therefore, it indicated that an effective senior manager can contribute to the improvement of firm performance. In addition, firm performance can also be enhanced by senior managers who have the right personality, appearance and attitude, not only being caring, inspirational, visionary and ethical, but also to take risk, adaptive to different situations and create opportunities for the organisation.

Thirdly, concerning the criteria for measuring organisational effectiveness, then according to the frequency analysis it listed the criteria of 'being competitive' (85.7%), 'increased

productivity' (58.6%) and 'meeting targets' (50%) as the top three key measurements as perceived by its senior managers (see Table 34 in Chapter Seven). Moreover, the regression analysis showed that overall this variable is found statistically significant ($F=3.546, p < 0.01$) explaining some 30 percent of the variation in firm performance. However, a different set of variables, i.e. 'planning abilities' ($F=0.56, p < 0.01$) and 'time management' ($F=0.336, p < 0.1$), were regarded as influential factors positively affecting the firm performance.

Fourthly, in terms of the constraints preventing senior managers from being effective, then the frequency analysis (see Table 39 in Chapter Seven) showed that as a whole, 'lack of teamwork' (74.3%), 'ineffective leadership of the organisation' (64.3%), 'lack of resources' (61.4%), 'lack of communication' (47.1%) and 'shortage of appropriate staff' (40%) were selected to be the main difficulties encountered by the senior managers in these four Foreign MNCs. Additionally, the regression analysis further revealed that in general this variable is found to be statistically significant ($F=2.008, p < 0.05$) explaining some 26 percent of the variation in firm performance, but with a special reference to a different set of constraints, where it highlighted the importance of possessing relevant people skills ($F=0.577, p < 0.05$) and strengthened the value of gaining resources ($F=0.373, p < 0.1$).

In summary, the above analysis of correlation and regression indicated that firm performance is positively affected by senior managers who can, firstly, see themselves as important decision makers. Secondly, have the right personality, appearance and attitude, such as honesty, responsibility, fairness and conscientious. Thirdly be concerned with people and their welfare, and then focus on the production and the efficient allocation of resources. Furthermore, the positive firm performance is also related to the senior managers' acknowledgement of what is expected of them. Hence, this research found that senior

managers are expected to be caring, inspirational, visionary and ethical, but they are also required to take risk and create opportunities for the organisation, and be aware of the importance of planning and time management at the organisational level. Furthermore, senior managers not only should be knowledgeable and experienced, but also have the abilities to lead subordinates and the organisation, together with adapting their managerial style with the changing environment.

The findings of Model Five confirmed the practical applications of eight-parameter approach (Analoui, 1999) for measuring senior managers' effectiveness in the context of China, in addition to have offered the support to the positive link of senior managers' effectiveness with firm performance as reflected in the Choice Model (Analoui, 2002, 2007).

6. Conclusion

This research established five research questions corresponding to the research aim and its associated objectives. Chapter Seven carried out a series of frequency analysis to exclusively focus upon the first three research questions, whereas this Chapter undertook much more complicated and advanced statistical data analysis techniques (i.e. reliability analysis, mean, standard deviation, correlation and regression tests) in addition to the frequency analysis to examine the last two research questions in the form of research Models Four and Five. The former sought to investigate the relationship between firm performance and the effectiveness of HR policies, whilst the latter tried to establish the relationship between firm performance and the effectiveness of senior managers.

The findings of Model Four were illustrated in four specific aspects. First, in terms of the relationship between HR policies and firm performance, the frequency analysis of the whole

sample showed that all four companies recognised that HR policies are creating competitive advantages and making direct and positive impact on firm performance. Furthermore, it also demonstrated the indirect and positive influence from HR policies in firm performance by making positive impact on employee commitment and job satisfaction amongst the workforce. In addition, the majority of SMs perceived that the effectiveness of HR policies is affected by their work performance. Moreover, HR policies were disaggregated into four functions (i.e. recruitment/selection, training/development, appraisal and reward), which were found to positively influence company success. These findings were further examined through correlation and regression tests, suggesting that firm performance is directly and positively affected by a combination of several factors, which are either directly coming from HR policies as a whole or being indirectly influenced by HR policies via employee commitment, job satisfaction, the creation of competitive advantages and the effectiveness of senior managers.

Second, in terms of the relationship between the alignment of HR policies with business strategy and firm performance, the frequency analysis from the whole sample showed that the majority of responses perceived that their companies achieved the integration between HR policies and business strategy. Furthermore, the positive statistically significant results derived from correlation and regression analysis suggested that the firm performance is affected by the existence of fitness between HR policies and business strategy. Finally, with reference to the relationship between whether senior management considers HR policies when adopting organisation strategy and firm performance, the finding was consistent across frequency analysis and correlation and regression tests, indicating a positive statistically significant association between these two variables. Therefore, it suggested the fact that senior

management considered HR policies when adopting organisational strategy makes positive impact upon firm performance.

Third, concerning the relationship between the degree of achieving business plan and firm performance, frequency analysis and correlation and regression tests suggested that the mixture and successful achievements of all four tasks relating to the business plan have a positive impact on firm performance. Specifically, these four measurements are the achievement of intended outcomes, the achievement of expected financial performance, and the implementation of the business plan within the expected time and the implementation of the business plan within the predicted cost.

Fourth, with regards to the relationship between culture factors and firm performance, in general, a direct influence from a broad national culture perspective on firm performance was suggested from the results of frequency analysis and correlation and regression tests. In addition, this research also looked into the individual components of cultural values including Hofstede's five-culture value dimensions (1980, 1993) (i.e. power distance, uncertainty avoidance, individualism/collectivism, masculinity/femininity and long-term/short-term orientation) and Lockett's two dominant characteristics of Chinese culture values originated in Confucianism (1988) (i.e. personal connections and preserving face). With the exception of high power distance which confirmed the conventional views in the literature, the other four indices (i.e. low in uncertainty avoidance, low in collectivism, low in long-term orientation and low in femininity) contradicted with the previous studies undertaken in China (i.e. Hofstede, 1993; Pelled and Xin, 1997; Fan, 2000; Fu, 2000; Chien, 2006). Hence, this research suggested the increasing importance of risk taking, individualism, short-term orientation and masculinity in China. Additionally, low scores regarding personal connections

and preserving face indicated its lower influence in the formulation and implementation of HR policies.

Furthermore, Model Five examined the relationship between the effectiveness of senior managers and firm performance through a series of statistical process, the results of which showed the performance of the firm is positively affected by senior managers regarding themselves as key decision-makers, being honest, responsible and fair, being concerned with people and their welfare followed by a focus upon production. Furthermore, senior managers also felt that firm performance is closely linked with their recognition and perception of statements such as: senior managers should have the right personality, appearance and attitude, and should be caring, inspirational, visionary and ethical, in addition to the abilities of matching their managerial style with the changing environment, motivating talents and developing a learning organisation as well as risk taking and be able to create opportunities for the company. In addition, senior managers' awareness of the measurement criteria for their company at the organisational level is found to be crucial to firm performance, in particular, the well defined criteria of planning abilities and time management that is widely accepted and emphasised is viewed as making positive contribution to the success of their company.

CHAPTER NINE – CONCLUSIONS AND RECOMMENDATIONS

1. Introduction

Five research questions were constructed in the form of research models corresponding to the research aim and its associated objectives, whereby a variety of statistical analysis techniques were utilised ranging from frequency analysis, reliability analysis, descriptive statistics to correlation and regression tests, in addition to the provision of an in-depth investigation from semi-structured interviews. Subsequently, this chapter is divided into three sections. The first section summarises the findings from the analysis of these five research models, i.e. the effectiveness of HR policies (Model One), the effectiveness of senior managers (Model Two), the level of firm performance (Model Three), the relationship between firm performance and the effectiveness of HR policies (Model Four) and the relationship between firm performance and the effectiveness of senior managers (Model Five). In addition to providing an overview of senior managers, HRM and firm performance in China derived from the findings of these five research models based upon the whole sample size of the respondents, the characteristics of each company was also analysed along with the demographic profile of the senior managers. Where applicable, a number of relevant and realistic recommendations are made regarding foreign MNCs by offering practical suggestions and providing principles to increase their competitive capability and thereafter the improvement of business performance.

Furthermore, in the second section, the contribution to knowledge and understanding of this research are indicated by either strengthening the foundations of the selected research models

and confirming the findings of previous studies, or challenging some of the school of thoughts in the literature, thereafter bringing in a different set of frame of references to offer alternative perspectives. The final section reveals the limitations of this research and indicates potential future research directions . In detail, firstly, the onetime data resembles a snapshot, whereby the longitudinal approach is suggested. Secondly, this research adopted a non-probability sampling. Although it was a common approach for most of the empirical research conducted in China on HRM, it tended to focus on those subjects who could be sampled conveniently or through personal connection. Therefore, the researcher suggests to gain the support and cooperation of local councils in order to enlarge the sample size and include a wider range of research targets. Thirdly, the use of secondary data obtained from National Statistics Office may overcome the drawback of self-reporting which potentially contains a strong bias from the reporting person. Finally, HRM theories adopted in this research are originated in the West, therefore future research could consider the use of Chinese theories and models.

2. Findings of this research

2.1 Model One: the effectiveness of HR policies

The effectiveness of HR polices was examined from three perspectives (see Appendix 10): HR functions and the role of HR department, the alignment of HR policies with business strategies and globalised/localised HR policies.

First, in terms of the HR functions and the role of HR department, this research showed that overall, senior managers recognised the existence of HR policies and performance appraisal. With the latter, they believed that it functioned well, but did not clearly identify when HR policies were initially established. Although this ambiguity can be explained by certain facts,

such as the departmental name change, where it was undergone from personnel to HR department, but retained personnel functions, indeed Legge (1995) criticised this type of transformation as 'old wine in new bottles'. In addition, considering the fact that HR policies in all four companies were introduced ten years ago, then with the mean tenure of participants being only 4.6 years, it is understandably difficult for them to precisely identify the first establishment period of HR policies. Whilst considering the promotion criteria, in addition to the measurements of competency, past performance, long-term potential, training and personal development undertaken, then considerations were also given to personal connections and seniority for promotion.

Regarding the role of HR department, this research found that it regularly assesses organisational training needs, assists line managers in carrying out their HR responsibilities, and is involved in the strategic planning process to certain extent. Therefore, the devolvement of HR functions from the HR department to line managers was well recognised as an important practice along with the provision of relevant support from HR. This finding reflected and reinforced the views that HR managers are a strategic partner for line managers, so the provision of formal training to line managers was predictive of performance (Andersen *et al.*, 2007). As the CIPD Annual Survey Report (2009) revealed, improving line manager HR skills is the most effective method of improving employee retention. Furthermore, there is a positive relationship between the effectiveness of line managers in implementing HR policies and firm performance, such as the indicators of superior employee performance, a high instance of discretionary effort, low employee turnover and a positive reputation as an employer (Purcell *et al.*, 2003; Purcell and Hutchinson, 2007; Purcell and Kinnie, 2007). Alternatively, although some senior managers believed that their HR department is fully integrated into the strategic planning process, a similar proportion of senior managers showed

unawareness. However, considering the overall analysis of all examined aspects and the majority responses from senior managers, it indicates the main tendency where the HR department is becoming more strategically orientated, which agreed with the finding of Hope-Hailey *et al.* (1997). Consequently, this research did not support the views of Child (1994), Cooke (2004) and Bjorkman *et al.* (2008), who commented that the majority of HR functions are still tactically centred rather than strategically focused and that the influence of HR professionals in many Chinese companies is limited.

Second, concerning the integration between HR policies and business strategy, this research found that all four companies adopted the quality enhancement of products and services as a business strategy, which was reviewed on an annual basis along with company's HR policies. Furthermore, these companies acknowledged that their senior managers consider HR policies when adopting organisational strategy, thereafter that their company's HR policies are aligned with their adopted business strategy. This finding confirmed a number of studies (i.e. Hendry and Pettigrew, 1990; Guest, 1997; Gratton, 1999; Schuler and Jackson, 1999; Analoui, 1999, 2002, 2007; Armstrong, 2006), where it stressed the importance and necessity of regularly reviewing these two areas and seeking the strategic fit between these two elements. Furthermore, this research argued the quality enhancement of products and services is a preferred business strategy to bring the edge of the competitive advantage. This finding disagreed with Ding and Akhtar's research (2001) who recommended an innovation strategy, but was supported by Li *et al.* (2000), Li (2003), Chang and Huang (2005), Cooke (2008a), who summarised the difficulties of competing on cost reduction for foreign MNCs operating in China. In particular, Chang and Huang's research (2005) found that firm performance is positively associated with quality enhancement and negatively linked with cost reduction strategy.

Third, in relation to globalised or localised HR policies, this research found that the company's HR policies were initially transferred from their headquarters, indicating global integration/MNCs' standardization when operating Chinese subsidiaries. Nevertheless, further information gathered from interviews inferred that following the growth and maturity of the business operations in China, the parent company gradually delegated authority to these subsidiaries to introduce elements of local responsiveness/local adaptation. This finding supported the criticism of Cooke (2008a), whereby MNCs reconciled control and adaptation rather than satisfying one at the expense of the other such that the trend was for Western HR policies to be gradually accepted and internalized by the younger generation of the Chinese workforce. This is because MNCs not only faced the need of balancing globalisation and localisation when entering the Chinese market through JVs with local firms (Naughton, 2007), but also to meet the challenge of the dual pressure from the adoption of Western management practices and the local workforce's resistance (Child, 1994; Ilari and Grange, 1999 cited in Cooke, 2005: 190; Legewie, 2002).

In summary, the findings of this research indicated that in general, HR policies in all four companies appeared to be effective at both functional and strategic levels. At the functional level, the current research found the following statements in the four companies. Firstly, HR policies and the performance appraisal existed. Secondly, the performance appraisal was effective. Thirdly, the role of HR department in identifying training needs and providing assistance to line managers in fulfilling their HR responsibilities was well recognised. Finally, HR policies and business strategies were reviewed on an annual basis. Whilst at the strategic level, it believed that there is a strategic fit between their HR policies and business strategy, and acknowledged that their senior managers consider HR policies when adopting

organisational strategy. Nonetheless, this research also pointed out a number of underlying minor issues, such as some unawareness regarding the HR department's involvement in the strategic planning process and certain selection criteria for promotion, such as personal connections and seniority. Although these are not perceived by the majority of senior managers and applied in all companies, this research suggested a review of these areas to strengthen the company's strategic position.

2.2 Model Two: the effectiveness of senior managers

Analoui (1999) argued that in order to explore how effective SMs are working in their sectors there are eight parameters to consider: managerial perception (first parameter), the need for managerial skills (second parameter), organisational criteria (third parameter), motivation (fourth parameter), the degree of 'demands' and 'constraints' (fifth parameter), presence of 'choices' and 'opportunities' for effectiveness (sixth parameter), nature of inter- and intra-organisational relationships (seventh parameter) and dominant managerial philosophy (eighth parameter). These eight parameters are coherent and interlinked to determine and influence SMs' effectiveness. Therefore, the researcher adopted the eight-parameter approach of Analoui (1999) as the guiding theory for examining SMs' effectiveness in these four selected foreign MNCs in China (see Appendix 10).

In relation to managerial perception (first parameter), then when being asked to describe an effective manager, most of interviewees found this a difficult question given its nature to explore senior managers' own effectiveness as perceived by themselves and to discover what characteristics and qualities they thought an effective manager should possess. Nevertheless, this research found a range of responses from the survey and interviews. In detail, the top three answers stated in the survey in the order of priority were: (i) *'ability to supervise/lead'*, (ii) *'allocate resources efficiently'* and (iii) *'being responsible, conscientious and focused'*.

While the responses received from interviews were various with the top three answers being listed as *'being honest, responsible and fairness'*, *'being concerned with people and their welfare'* and *'being concerned with production and profit'*. This finding confirmed the views of Analoui (1999), Judge *et al.* (2002) and Northouse (2010) where it confirmed that an effective manager is expected to be multi-faceted in an organisation, with a particular focus on personal traits.

With regard to the need for managerial skills (second parameter), senior managers believed the essential managerial skills for ensuring their effectiveness are *'managing people'*, followed by the skills of *'self and career development'* and *'managing task'*. This finding reflected the opinion of Analoui (1999), which gave rise to the importance of the possession of people management skills. Furthermore, interviews revealed the top five skills are: *'communication skills'*, *'interpersonal skills'*, *'analytical and prediction abilities'*, *'supervisory skills'* and *'allocating and delegating skills'*. This finding confirmed the views of Katz (1974), Analoui (1999) and Mumford *et al.* (2000), who commented that an effective leadership depends on three basic personal skills: technical, human and conceptual. Leaders are more effective when their skills match their management level, such that at upper management levels, conceptual and human skills are most important, and technical skills become less important.

In terms of the criteria for organisational effectiveness (third parameter), although overall the measurements of *'being competitive'*, *'increased productivity'* and *'meeting targets'* were identified as key criteria, there were distinctions between different type of organisations, senior manager policymakers and senior manager implementators. Specifically, Companies A, C and D showed similar trends, where senior manager policymakers were particularly

concerned with *'meeting targets'* and *'planning abilities'*, and senior manager implementors felt the pressure of *'time management'* and *'compliance with rules and regulations'*. Whereas both senior manager policymakers and implementors in Company B agreed with the standards of its organisational effectiveness criteria, such as *'being competitive'*, *'meeting targets'*, *'increased productivity'*, *'compliance with rules and regulations'* and *'time management'*. The establishment of the agreed criteria for organisational effectiveness clarified the perception and expectations of senior managers and organisations. This reflected the idea of Analoui (1999) who believed that senior managers' effectiveness are affected by the clarity and recognition of the criteria for measuring organisational effectiveness.

In terms of motivation factors (fourth parameter), this research found *'good teamwork'*, *'training/self-development'*, *'achieving set goals/targets'* as the overall leading factors. Based on Herzberg's two-factor theory (1966 cited in Rollinson, 2008: 206-207), these were classified as motivators which were mainly intrinsic in nature, emphasizing the job content and generating a deeper and longer-term impact. Indeed, motivators such as those identified in this research can produce good feelings about work, whereby people find work enjoyable and are motivated to achieve their goals. In contrast, the factors of *'remuneration'* and *'reward for hard work'* were ranked low in this research, which according to Herzberg (1966 cited in Rollinson, 2008: 206-207) is because they are considered as the extrinsic rewards. Consequently, the findings of research showed that intrinsic rewards, rather than extrinsic incentives, are most needed in these four companies to inspire their senior managers.

Regarding the degree of demands and constraints (fifth parameter), *'lack of teamwork'*, *'ineffective leadership of the organisation'*, *'lack of resources'*, *'lack of communication'* and *'shortage of appropriate staff'* were identified as the main challenges being faced by the

majority of senior managers across all four companies. However, each company had its own constraints, for instance, Company A struggled with ineffective leadership, which was mirrored by unproductive teamwork. Similarly, Company B experienced the same difficulty as Company A, with only the weight assigned to the problem was different. However, this contrasted with Companies A and B, Company C who faced alternative constraints, whereby lack of communication and lack of relevant people skills were highlighted. Finally, insufficient communications and teamwork were the factors that prevent senior managers in Company D from being effective.

Concerning the presence of opportunities available for improving senior managers' effectiveness (sixth parameter), this research found that the provisions of *'teamwork'*, *'effective communication'*, *'necessary resources'*, *'appropriate staff'*, *'appropriate motivation'* and *'training and development'* are the potential choices that senior managers expect their organisations to offer. The first four choices (i.e. *'teamwork'*, *'effective communication'*, *'necessary resources'*, *'appropriate staff'*) are matched with the identified constraints, whilst the last two choices (i.e. *'appropriate motivation'* and *'training and development'*) correspond to the identified motivators. These highlighted the consistency of existing organisational issues occurring in the four companies and the reliability of this research. Furthermore, the findings suggested that the appropriate provisions of organisational support to overcome these identified constraints and increased level of motivation would potentially influence the effectiveness of senior managers and ultimately their work performance. This supported the view of Analoui (1999) who identified an interlinked relationship between motivators, constraints and choices, highlighting the role of organisation in ensuring their senior managers' performance and the provision of appropriate organisational support.

In terms of the nature of intra- and inter-organisational relationships regarding the effectiveness of senior managers (seventh parameter), this research found that although it was indicated that senior managers felt that their effectiveness was affected by the overall performance of their organisations, the proportion was marginal with 45% of recognition against 41% of unawareness. Moreover, the other three measurements regarding the impact of intra- and inter- organisational relationships on the effectiveness of SMs: (i) *'the influence from the degree of intra-connection with other departments in the same organisation'*, (ii) *'the influence from SMs' networking with others outside the organisation'* and (iii) *'the influence from the company's degree of connection with other organisations nationally and internationally'*, were unknown to half of the senior managers, whilst the another half expressed contradictory views indicating its limited applications in these four companies. Therefore, this current research supported the opinions of Analoui (1990) regarding the impact of organisational relationship upon the senior managers' effectiveness.

In relation to the dominant managerial philosophy (eighth parameter), this was explored from two aspects: (i) *'perception of the key decision-makers'* and (ii) *'perceived expectation of senior managers'*. This research found although the majority of senior managers in the four companies do not perceive themselves as important when coming to decision-making, they believed that a senior manager should possess the following characteristics: (i) *'the right personality, appearance and attitude'*, (ii) *'being caring, inspirational, visionary and ethical'*, (iii) *'taking risk and creating opportunities'*, (iv) *'matching senior managerial style with hostile and changing environment'* and (v) *'motivating knowledge workers and developing learning organisation'*.

In summary, the findings of this research strengthened the theoretical foundation of the eight-parameter approach (Analoui, 1999), supporting this as a functional, coherent and interlinked framework for studying the effectiveness of senior managers. In particular, this research confirmed the practical utility and the functional effectiveness of this approach when being applied in the context of China. Moreover, senior managers were also asked to describe what an effective manager should be in their mind, the purpose of which was to seek an image of their preferred manager, rather than assessing the current managerial style. This research found that an effective manager is believed to be *'honest, responsible and fairness'*, *'concerned with people and their welfare'* and then focus on *'production and risk assessment'*. Additionally, they acknowledged that senior managers are not only expected to *'possess the right personality, appearance and attitude'*, *'be caring, inspirational, visionary and ethical'*, but are also encouraged to *'take risk and create opportunities'* for the organisation and *'motivate talents and develop a learning organisation'*, while *'matching senior managerial style with hostile and changing environment'* is also well recognised. In addition, when being asked what are the essential managerial skills as they perceived would enhance their effectiveness, senior managers ranked *'managing people'* as the primary ability, followed by the skills of *'self and career development'* and *'managing task'*. However, when being asked if they perceive themselves as key decision-makers, the majority of senior managers do not see themselves as important in relation to decision-making.

Consequently, these responses can be linked to the concept of transactional versus transformational leadership (Burns, 1978), whereby the finding of this research reflected a desire for a transformational leadership in the four companies. As Burns (1978) and Bass (1985) theorised, these two types of leadership are not contradicting, but complimentary to each other and suit different situations. Specifically, a transactional leadership is considered

when an organisation wants to retain the status-quo, for example, a rigid organisational structure during China's central planned economy phase. However, China has undergone a series of reforms since 1978 and transformed to a more market-oriented economy and is still rapidly developing, where the transformational leadership is suggested to be more effective and a preferred approach as the surveyed senior managers expressed. Therefore, it indicated a desire of seeing transformational leadership applied in their workplace compared to the current transactional managerial style in use.

Combining the results of motivators, constraints and opportunities indicated an interlinked relationship due to the fact that some of the identified factors overlapped. For example, the provisions of relevant organisational support as senior managers indicated were expected to remove constraints and increase motivation. Finally, although the effectiveness of senior managers are not influenced by *'the degree of organisational intra-connection with other departments in the same organisation, 'senior managers' networking with others outside the organisation'* and *'the company's degree of connection with other organisations nationally and internationally'*, they are marginally affected by *'the influence from the overall effectiveness of the organisation'*. Thus, senior managers clearly identified the criteria of *'being competitive'*, *'increased productivity'* and *'meeting targets'* as key measurements of organisational effectiveness.

2.3 Model Three: the level of firm performance

The level of performance in the four companies was measured through the following five indexes in comparison with the industry average over the past three years from 2005 to 2007: (i) *'average return on investment'*, (ii) *'average profit'*, (iii) *'profit growth'*, (iv) *'average return on sales'* and (v) *'average market share growth'*. The survey results showed that Companies A, C and D were above the industry standard, whilst Company B matched the

industry average. This finding was supported by the responses from interviews, where senior managers believed that their companies performed well (see Appendix 10).

2.4 Model Four: the relationship between effectiveness of HR policies and firm performance

This model was examined through four themes: the relationship between HR policies and firm performance (Theme A), the relationship between the integration of HR policies with business strategy and firm performance (Theme B), the relationship between the degree of achieving business plan and firm performance (Theme C) and the relationship between the impact of national culture on HR policies with firm performance (Theme D) (see Appendix 10).

2.4.1 Relationship between HR policies and firm performance (Theme A)

This theme was assessed through four aspects: (i) *'the direct impact of HR policies on firm performance'*, (ii) *'the influence of HR functions in the success of the companies'*, (iii) *'the impact of HR policies on firm performance via the exploration of employee commitment and job satisfactions'* and (iv) *'HR policies creating competitive advantages and being influenced by the effectiveness of senior manager'*.

Consequently, this research found that HR policies can make a direct and positive impact on firm performance, which confirmed the mainstream of the literature (i.e. Fombrun *et al.*, 1984; Russell *et al.*, 1985; Terpstra and Rozell, 1993; Arthur, 1994; Huselid and Becker, 1994; Pfeffer, 1994; Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Delery and Doty, 1996; Youndt *et al.*, 1996; Ichniowski *et al.*, 1997; Patterson *et al.*, 1997; Ngo *et al.*, 1998; Guest, 1999; Guthrie, 2001; Richard and Johnson, 2001; Chang and Chen, 2002; Bae *et*

al., 2003; Chew and Sharma, 2005; Luthans and Sommer, 2005; Stavrou and Brewster, 2005; Green *et al.*, 2006; Purcell and Hutchinson, 2007; Dany *et al.*, 2008).

In addition, HR functions in this research were dissimilated into four specific areas: (i) '*recruitment and selection*', (ii) '*motivation and reward*', (iii) '*training and development*' and (iv) '*performance appraisal*', where it was revealed that the combination of these four HR practices were perceived as influential factors in the success of the four selected companies. This finding strengthened the matching model of Fombrun *et al.* (1984) and the research results of Miles and Snow (1984), Schuler and Jackson (1987), Delaney and Huselid (1996), Youndt *et al.* (1996), Guest (1997), Patterson *et al.* (1997) and Luthans and Sommer (2005), whereby their studies similarly bundled the same HR practices (i.e. selection, development, appraisal and reward) and then drew the conclusions emphasising the importance of the interrelatedness of HRM activities and the coherence of internal HR policies in improving business performance and gaining company success.

Furthermore, in general, this research found that firm performance is positively associated with the HR policies that can generate competitive advantage, enhance employee commitment and increase job satisfaction. In addition, it also stressed the role of senior managers and their effectiveness in influencing HR policies, which in turn affects the firm performance. In particular, in terms of HR policies, competitive advantage and firm performance, this finding confirmed well-established views in the literature (i.e. Barney, 1991; Boxall, 1996, 1998; Boxall and Steeneveld, 1999; Boxall and Purcell, 2008), which suggested human resource advantage containing a series of HR policies, practices and processes that together contributed to the competitive advantage of the organisation. Indeed, as Huselid (1995) stated, a bundle of HR policies and practices jointly contributed to the attainment of the organisation's strategies

by matching resources to organisational needs, improving performance and quality, and achieving competitive advantage. Similarly, Armstrong (2006) reinforced that the benefit arising from competitive advantage based on the effective management of people was difficult to imitate being reflected in the concept of intellectual capital (Boxall, 1996) with an emphasis on investment in people to create more intelligent and flexible firms than their competitors.

In relation to HR policies, employee commitment/job satisfaction and firm performance, the finding of this research strengthened the theoretical models (i.e. Formbrun *et al.*, 1984; Beer *et al.*, 1984; Guest, 1997, 2000; Paauwe and Richardson, 1997; Paauwe, 2004) in terms of the positive link between HR practices, HR outcomes (i.e. employee commitment and job satisfaction) and firm performance. For example, in the Harvard Model (Beer *et al.*, 1984) and the Choice Model (Analoui, 2007), employee commitment was regarded as a crucial HR outcome, serving as a channel of bridging the gap between HRM policy choices and long-term consequences including organisational performance. In addition, it supported a number of empirical studies (i.e. Walton, 1985; Kalleberg and Moody, 1994; Wallace, 1995; Delaney and Huselid, 1996; Verburg, 1998; Appelbaum *et al.*, 2000; Boselie and van der Wiele, 2001; Guest, 1999, 2001; Green *et al.*, 2006; Zheng *et al.*, 2006 cited in Paauwe, 2004: 73-80). For example, Green *et al.* (2006) found that the direct impact of HRM on organisational performance is positive and significant, and it further suggested that HRM directly and positively influences individual performance, organisational commitment and job satisfaction. Specifically, the importance of HR policies fostering employee commitment (Walton, 1985; Guest, 1999) and employee satisfaction (Boselie and van der Wiele, 2001; Guest, 2001) would lead to better economic performance. Indeed, findings drawn from content analysis by

Chew and Sharma (2005) showed that effectiveness of strategic human resource management has a positive relationship with financial performance.

In summary, this research found that firm performance is directly and positively influenced by HR policies in general and four HR functions (recruitment/selection, training/development, performance appraisal and reward) in particular. Furthermore, the HR policies that can generate competitive advantages and increase employee commitment and satisfaction significantly positive impact firm performance. In addition, the positive influences of senior manager in HR policies also can bring in the improved business performance.

2.4.2 Relationship between the integration of HR policies with business strategy and firm performance (Theme B)

This was examined from two aspects: (i) 'HR policies 'fit' with the business strategy' and (ii) 'senior management considers HR policies when adopting organisational strategy'. Senior managers acknowledged their company's HR policies match with their business strategy. Furthermore, this research found that this match improves the firm performance. The finding of this research acknowledged the strong links between HR strategy and general business strategies as the Guest (1997) model conceptualised. Moreover, this research also underpinned a number of existing opinions (i.e. Fombrun *et al.*, 1984; Miles and Snow, 1984; Balkin and Gomez-Mejia, 1987; Schuler and Jackson, 1987; Bird and Beechler, 1995; Youndt *et al.*, 1996; Becker and Huselid, 1998 cited in Bjorkman *et al.*, 2008: 972; Bjorkman and Fan, 2002; Chang and Chen, 2002; Liao, 2005; Boswell, 2006; Andersen *et al.*, 2007; Bjorkman *et al.*, 2008; Dany *et al.*, 2008; Wang and Shyu, 2008). These primary studies not only selected a similar set of HR practices (i.e. selection, development, appraisal and reward), but also inferred the importance of matching particular HR functions with different corporate strategies. They found that the impact of HR practices on firm performance may be further

enhanced when matched with the competitive requirements inherent in a firm's business strategy. Therefore, this research suggested matching HR policies to the organisation's business strategy, whereby the aligned HR practices with business strategy are critical to the firms' success.

In addition, the degree of integration between HR practices and business strategies was further investigated through the extent to which senior management considers HR policies when adopting organisation strategy. This current research found that senior managers believed they considered HR policies when adopting organisational strategy, the consequence of which in turn led to an enhanced business outcome. This finding highlighted the recommendation of Armstrong (2006), which indicated the importance of senior managers' involvement in the communication of intentions and their rationale for the purpose of gaining support for the smooth running of HR strategies. This is particularly important as Pettigrew and Whipp (1991) commented that senior managers interpreted the business strategy according to their own frame of reference, their particular motivations and information.

2.4.3 Relationship between the degree of achieving business plan and firm performance (Theme C)

The success of the business plan was measured from (i) '*achievement of intended outcomes*', (ii) '*achievement of expected financial performance*', (iii) '*implementation of the business plan within the expected time*' and (iv) '*implementation of the business plan within the predicted cost*'. The overall results showed that the majority of senior managers believed that their business plan was successfully attained and achieved what its targets. Furthermore, this research found that the well-accomplished business plan can positively contribute to firm performance.

2.4.4 Relationship between the impact of national culture on HR policies with firm performance (Theme D)

The exploration of this relationship was looked at from both the general national culture perspective and its individual disaggregated elements. In this research the former exclusively focused upon a broad question whether the national culture makes a direct impact upon firm performance and revealed that there is a positive statistical significant association. This supported the view of Li *et al.* (2001) and Chien (2006) who stressed the necessity for Western management to understand Chinese culture to be able to succeed. Additionally, the influence of disaggregated elements of national cultural values in the formulation and implementation of HR policies was examined from the five culture dimensions of Hofstede (1980, 1993) and the two dominant characteristics of Chinese cultural values originated in Confucianism: ‘*guanxi*’ (personal connections) and ‘*mainzi*’ (preserving face) (Lockett, 1988). This previous research found that China is high in power distance, and low in uncertainty avoidance, low in collectivism, low in long-term orientation, low in femininity, low in personal connections and preserving face in terms of making an impact upon the formulation and implementation of HR policies. Hence, it suggested that a certain pattern of behaviour (i.e. the encouragement of risk taking, acceptance of unequal power distribution, the seeking individual over group interest, favouring gaining short-term benefits, that a material and competition driven approach is valued) can lead to better performed HR policies.

Regarding the notion of high power distance, this research reinforced the conventional views in the literature (i.e. Lockett, 1988; Hofstede, 1993; Pelled and Xin, 1997; Jackson and Bak, 1998; Fan, 2000; Fu, 2000; Chien, 2006; Cooke, 2009), who conceptualised the characteristics of Chinese organisations as high power distance. This means that the members of the organisations accepted unequally distributed power, a strong hierarchy structure in

management systems and processes, the centralisation of authority and a degree of autocratic leadership. As a result, employee training emphasizes compliance, following orders and trustworthiness. Decision-making is centralized and influenced by the need to maintain and support those people in power.

However, in relation to the other four dimensions of Hofstede's national culture, the finding of this research did not support the mainstream of the literature. For example, the indication of low uncertainty avoidance in this research contradicts a number of previous studies (i.e. Chimezie *et al.*, 1993 cited in Jackson and Bak, 1998: 286; Hofstede, 1993; Pelled and Xin, 1997; Fan, 2000; Fu, 2000; Chien, 2006), which showed strong avoidance of uncertainty. In particular, Jackson and Bak (1998) and Miao (2003) had suggested a moderate level for uncertainty avoidance in China. Therefore, the finding of weak avoidance of uncertainty in this research implied that senior managers in these companies are encouraged to undertake higher levels of risk taking activities, together with disliking bureaucracies and career stability. This, however, is an unexpected finding because Hofstede (1993) along with other studies (i.e. Pelled and Xin, 1997; Fan, 2000; Fu, 2000; Chien, 2006) perceived Chinese culture as being dominated by a high level of avoidance uncertainty.

In terms of collectivism/individualism, the finding of low collectivism in this research undermined the established evidence, such that Hofstede (1993) argued Chinese culture reflected high collectivism, emphasizing the 'we' identity and the relationship network, which was supported by a number of researchers (Lockett, 1988; Jackson and Bak, 1998; Bjorkman and Lu, 1999a; Zhu *et al.*, 2006; Tsang, 2007). However, the implication of this research finding is that each individual is unique and independent, whereby interpersonal relationships

within individualistic cultures tend to be numerous and are dominated by weak ties and self-interest.

In relation to long-term/short-term orientation, the finding of short-term orientation again did not support previous studies (i.e. Hofstede, 1993; Jackson and Bak, 1998; Fu, 2000; Chien, 2006). This commented that within the culture of long-term orientation, managers are selected on how their personal and educational characteristics fit within the company because socialization for a long-term commitment to the organisation compensates for any initial weaknesses in work-related skills.

Concerning femininity/masculinity influence of HR policies, the low scores in femininity found in this research did not agree with Hofstede (1993), Jackson and Bak (1998), Fu (2000) and Miao (2003) who demonstrated a moderate level of femininity/masculinity scores for China. Furthermore, this research did not support the finding of Chien (2006), where femininity approach was primarily noted. Rather, it agreed with Cooke (2001a), who commented that many employers in China are unwilling to recruit women. For example, many job advertisements including those issued by the public sector organisations specify gender requirements and age limits even though such posts are suitable for both men and women, while the age limit is an attempt to avoid women job seekers of childbearing age. The finding of masculinity characteristic in this research was also evidenced in the gender analysis of senior managers' demographic profiles, where the ratio of male to female was 70:30, indicating most of senior positions in the four selected companies were occupied by males.

In terms of '*guanxi*' and '*mianzi*' (Lockett, 1988), this research found low levels of influence from these two aspects in HR policies. This was unexpected result given that the majority of

views in the literature supporting the importance of '*guanxi*' and '*mianzi*' in China (i.e. Campbell, 1987; Lockett, 1988; Shenkar, 1990; Grub and Lin, 1991 cited in Xia *et al.*, 2007: 22; Warner, 1995; Wank, 1996; Yeung and Tung, 1996; Luo and Chen, 1997; Pelled and Xin, 1997; Tsang, 1998; Verburg *et al.*, 1999; Ahlstrom *et al.*, 2000; Bruton *et al.*, 2000; Fu, 2000; Chien, 2006; Xiao and Tsui, 2007; Yao, 2008; Cooke, 2009). For example, Chien (2006) proposed to increase the cross-culture awareness by recognizing and learning the culture differences, particularly relating to two core elements of personal connections and preserving face, which played an important role in doing business in China.

The discovery of this contradicting result thereby appears to weaken the traditional views of '*guanxi*' and '*mianzi*' and indicates less emphasis on these roles in achieving business objectives in China. Indeed, this is consistent with the empirical findings in the previous studies (i.e. Yeung and Tung, 1996; Guthrie, 1998; Li and Wright, 1999; Ang and Leong, 2000; Hoskisson *et al.*, 2000; Li *et al.*, 2000; Dunfee and Warren, 2001; Li and Athuahene-Gima, 2001; Chan *et al.*, 2002; Fan, 2002; Tan and Snell, 2002; Su *et al.*, 2003; Chen *et al.*, 2004; Chen and Chen, 2004; Vanhonacker, 2004; Warren *et al.*, 2004; Millington *et al.*, 2005; Zhang and Zhang, 2006; Han and Altman, 2009), whereby '*guanxi*' was seen to possess negative consequences, such as perceived unfairness, unethical behaviour, business corruption and bribery, which in addition may lead to business ineffectiveness. For example, Yeung and Tung (1996) pointed out '*guanxi*' also is insufficient to sustain long-term success in China and becomes less important beyond the initial stages of entering the China market. Furthermore, this may well reflect the opinion of Guthrie (1998) whereby '*guanxi*' practices should have declined with the emergence of a rational-legal system to govern and guide business transactions. Indeed, this was also evidenced in the study of Li *et al.* (2000) that as China has developed further in the direction of a market economy, the legal system has

become more comprehensive and rules for business are likewise more transparent. Additionally, Dunfee and Warren (2001) indicated the traditional forms of '*guanxi*' are not considered appropriate in certain situations and contexts of changing business environment in China. Furthermore, Li and Athuahene-Gima (2001) argued '*guanxi*' played no role in affecting firm performance. Consequently, foreign MNCs are finding that having good '*guanxi*' are no longer crucial, whereby with an appropriate and effective strategy they can rely on their advanced technology, knowledge and expertise to succeed in China, with or without '*guanxi*'. Thus, even though '*guanxi*' may have historically been seen as a valid approach, it may no longer be so.

In summary, this research suggested that contemporary Chinese cultural values are more in line with those in Western countries that emphasise competition and assertiveness, where managers are more individualistic, masculine, short-term oriented and comfortable with uncertainty. Although these findings were challenge the mainstream of the previous studies, the researcher argued that the business environment in which these organisations operate in China is consistently changing following the contemporary developments in a number of areas (Jackson and Bak, 1998; Fan, 2000). Indeed, as Fan (2000: 7) pointed out, a future research direction is studying the evolution of culture given that China is in transition, whereby economic reforms and opening doors to the West have “not only changed the social landscape, but also reshaped the nation’ cultural values”. Therefore, there is a need to review the current management of approach that includes traditions, values and beliefs.

Furthermore, considering the importance of personal connections, Fu (2000) observed that in China gifts are used to build and strengthen relationships, being consistent with the Chinese values of uncertainty avoidance, femininity and long-term orientation (Chien, 2006). Hence,

Li *et al.* (2001) argued that that long-term orientation may influence the preference among Chinese, who are more willing to spend time building long-term personal connections. In contrast, Chien (2006) suggested that one of the reasons why Chinese people prefer to establish personal connections is so that loss of face can be avoided. Considering these statements, the researcher inferred that there appeared to be an interlinked relationship between long-term orientation, establishment of personal connection, the effort of preserving face and femininity cultural values. Indeed, this assumption was confirmed from the results of this present research, which found Chinese cultural values as perceived by the senior managers of the four foreign MNCs are characterised by short-term perspective, masculinity and less importance regarding developing personal connections and preserving face. Furthermore, it is worth noticing that the elements forming this set of interlinked relationships are opposite to those exerted from the previous studies, whereby this research contradicts the relevance of those specific cultural elements. Hence, it emphasises the interlinked relationship between time-orientation, personal connection, preserving face, masculinity/femininity, which highlights one of the main contributions of this research to the literature.

2.5 Model Five: the relationship between the effectiveness of senior managers and firm performance

The examination of this model was divided into six specific aspects: (i) *'the perceived role of senior managers'*; (ii) *'the expectation and influence of senior managers'*; (iii) *'the believed essential managerial skills for ensuring the effectiveness of senior managers'*; (iv) *'the criteria for measuring organisational effectiveness'*; (v) *'the constraints of preventing senior managers from being effective'* and (vi) *'the provision of choices for improving the effectiveness of senior managers'* (see Appendix 10).

The finding of this research indicated that firm performance is positively affected by senior managers who can regard themselves as *'key decision-makers'* and have *'the right personality, appearance and attitude'*, such as *'honest, responsible, fairness, conscientious and focused'*, in particular, *'be concerned with people and their welfare'*, and then focus on *'the production'* and *'the efficient allocation of resources'*. Furthermore, senior managers also believed that the firm performance is positively linked with their recognitions of what is expected of them, for example, acknowledging that they are expected to *'be caring, inspirational, visionary and ethical'*, but also to *'take risk and create opportunities for the organisation'*, and be aware of the importance of *'planning'* and *'time management'* at the organisational level. Additionally, not only should they be *'knowledgeable and experienced'*, but also have the abilities to *'lead the subordinates and the organisation'*, and *'adapt their managerial style with the changing environment'*. The findings of this model confirmed the practical application of the eight-parameter approach of Analoui (1999) for measuring senior managers' effectiveness in the context of China, in addition to have offered the support to the positive link of senior managers' effectiveness with firm performance as reflected in the Choice Model of Analoui (2002, 2007).

2.6 Findings based upon the company category

Looking at the results based upon individual company's analysis, it showed that occasionally there were split views across a variety of issues. For example, different opinions were expressed between Companies A and B with those of Companies C and D regarding their senior managers' perception of the level of integration between the company's HR policies and business strategy, and whether senior managers consider HR policies when designing organisational strategy. The former (Companies A and B) showed unawareness, whilst the latter (Companies C and D) showed recognition.

Furthermore, taking into consideration of all variables examined in this research there was a particular concern with Companies B and D. For example, senior managers in Company D have the relatively longest tenure, but holding the lowest set of formal qualifications. In addition, the research found that it constantly appeared to have evenly spread views amongst its senior managers, such as on the issues of whether their HR department involved in the strategic planning process and whether performance appraisal works well.

Moreover, the performance of Company B was on the industry average, which was different to the other companies whose performance was superior to the industry standard. The possible explanations inferred from the data analysis are related with the perception and the effectiveness of senior managers, who felt unsure about (i) *'whether their HR department is fully integrated into the strategic planning process'*, (ii) *'whether their performance appraisal practice is effective'*, (iii) *'whether their HR policies fit with the business strategy'* and (iv) *'whether their company's HR policies were transferred from its headquarters'*. In addition, they did not recognise: (i) *'the direct and positive impact of HR polices on firm performance'*, (ii) *'the positive impact of HR policies on the level of employee commitment and satisfaction'*, (iii) *'the interlinked relationship between HR policies and the effectiveness of senior managers'* and (iv) *'the direct impact of national culture on firm performance'*.

2.7 Findings of demographic profile of senior managers

This was analysed from the distribution of gender, age, education and tenure amongst the top management team in the foreign MNCs' Chinese subsidiaries. The results showed males dominated senior positions with a majority of age distribution in the 30-39 category and qualified to undergraduate level. However, the period of service in the current position varied, with the shortest at 2.4 months and the longest at 14 years, with a mean of 4.6 years.

The finding of the gender distribution in this research confirmed the view of Wei *et al.* (2005) where it stated the male dominance in occupying senior positions was due to Confucianism being the foundation of the Chinese cultural tradition (Hsiao *et al.*, 1990; Fan, 2000). Similarly, the finding of the age distribution supported the mainstream of the literature (i.e. Hambrick and Fukutomi, 1991; Tihanyi *et al.*, 2000), where relative youth is seen as an advantage. Arguably, the younger the top management team, the better will be the strategic asset accumulation capabilities in the firm (Pegels *et al.*, 2000), because of the institutional changes in China, which created instability and uncertainty in the business environment that Chinese firms operated. Therefore, it suggested the need for risk taking and adaptability, which is in line with the finding of low uncertainly avoidance Chinese cultural value. Hence, this leads to an opportunity for younger managers (Hambrick and Mason, 1984) who are flexible and open to new ideas in addition to being more associated with strategic change (Hambrick and Fukutomi, 1991; Wiersema and Bantel, 1992), thus they are more likely to undertake strategic initiative and risk connected with international diversification (Tihanyi *et al.*, 2000). Furthermore, following the continuity of China's development, it is important to note that younger managers are becoming relatively more valuable as China rapidly integrates into the world economy and business becomes more market based. Consequently, young managers educated in the modern system are able to contribute relatively more than older managers who had gained experience under the planned economy (Peng, 2003).

This research showed that the highest level of senior mangers' education ranged from a High School certificate to a Master degree with the majority holding a Bachelor degree, which demonstrated a common pattern of education characteristics of top managers similar to other research (Hildebrandt and Liu, 1988; Wei *et al.*, 2005). Although the role of education was recognised in creating more perspectives in decision-making process, it was not regarded as

being significant in influencing and improving performance, or necessarily leading to more creativity and innovation (Wei *et al.*, 2005). However, the Chinese government was aware of the urgency of upgrading and modernising its top managers by providing seminars and training courses and by attracting younger entrants with higher education into the profession (Borgonjon and Vanhonacker, 1992 cited in Tsang, 1994: 17). In relation to the occupational background, this was examined through the type of organisation senior managers last worked for, where the finding of this research showed that the majority shared similar managerial backgrounds and had previously worked for the same type of organisation. As Wei *et al.* (2005) commented, this has the advantage of better communication and cooperation, but the organisation lacks diversity of views and experience.

2.8 Findings of revised Analoui Choice Model (2002, 2007)

Following a general literature review of numerous existing studies (i.e. Schuler and Jackson, 1999; Schuler *et al.*, 2002) and a critical appraisal of various theoretical principles (i.e. Beer *et al.*, 1984; Fombrun *et al.*, 1984; Guest, 1987, 1997; Hendry and Pettigrew, 1990; Storey, 1992b), the Choice Model developed by Analoui (2002, 2007) was considered at the initial stage as the theoretical framework guiding this research.

However, drawing upon a further discussion of the Choice Model's strength and weakness, together with a reflection of research aim and objectives, the researcher felt the need to revise it to coincide with the specific setting of this research, in particular with respect to the five research questions, which were subsequently labelled as research models. Consequently, the main structure of the original Choice Model were retained, for example, in relation to the systematic development of input, process and output stages, together with the disaggregated elements within each stage. In detail, input stage includes the three elements of 'external environment', 'internal environment' and 'senior management and their managerial frames of

references', whilst the process stage contains two elements of 'formulation of policies and framework at the senior level' and 'implementation of policies and framework at the functional/line manager level', together with the output stage consisting of one element of results.

However, the Choice Model is revised through modification within 'the internal and external environment', whereby the researcher specified business strategy and HR policies as the only two aspects of interest within 'the internal environment', and culture and MNCs' headquarters within 'the external environment'. In addition, the researcher also exclusively focused upon firm performance as the only concern in terms of results within the output stage. Moreover, the researcher also directed attention to the linkages between each stage and specifically extended this analysis to emphasize and explore their inter-relationship.

Thereafter, the researcher linked the revised version of the Choice Model with the five research questions/models. Specifically, Model One addressed the question of "How does senior management perceive the effectiveness of HR policies?", which is examined through the elements of 'external and internal environment' in the Choice Model's input stage. Model Two relates to "How does senior management perceive its own effectiveness?", which is reflected in the element of 'senior management and their managerial frames of references' in the input stage. In addition, Model Three focuses upon "How does senior management perceive the performance of MNCs' Chinese subsidiaries?" that fits within the element of 'output/result' level. Furthermore, Model Four examines "How does senior management perceive the relationship between HR policies and the performance of MNCs' Chinese subsidiaries?", which is matched with the linkage between the input and output stages in the Choice Model. Finally, Model Five explores "How does senior management perceive the

impact of their own effectiveness on the performance of MNCs' Chinese subsidiaries?", which is indicated from the linkage between the input, process and output stages.

Following the discussion of these five research models' findings in Chapters Eight and Nine, the researcher's revised framework of the Choice Model appeared a more suitable match regarding the current research's setting in the context of China. The unique distinction of this framework in comparison with other theoretical models is primarily its emphasis on the role of senior managers in decision-making. Additionally, this model also integrates other variables upon which the current research sought to focus, such as business strategies and HR policies in the internal environment, culture influence and MNCs headquarters' impact in the external environment, senior managers' perception and effectiveness in the formulation and implementation of policies, together with the output stage highlighting the key issue of firm performance. Consequently, this research offered support to the researcher's revised version of the Choice Model (Analoui, 2002, 2007), together with its integrated principles of the eight-parameter approach (Analoui, 1999) when examining the effectiveness of senior managers. Hence, it confirmed that this is a functional, coherent and interlinked framework for studying the relationship between the effectiveness of HR policies, senior management and firm performance. In addition, this research confirmed the practical utility and the functional effectiveness of this modified version of the Choice model and the eight-parameter approach when applied in the context of China.

3. Research contributions

This research made positive contributions to the understanding of the literature on strategic international human resource management, senior managers' perception and effectiveness and firm performance by foreign MNCs' operating in China from two perspectives. Firstly, from

the theoretical and academic perspective, this research strengthened the foundations of certain HRM models, together with offering support and confirmation to a number of primary studies. In addition, this research also brought in new findings to challenge the conventional and traditional views in the literature. Secondly, from the application and practitioners' perspective, this research provided recommendations and discussed implications for effective operation of foreign MNCs in China.

3.1 Theoretical contributions

From the theoretical perspective, this research made contributions by researching a wide range of topics and adopting a mixture of data collection methods. When examining the factors affecting firm performance, this research simultaneously considered several independent variables. For example, in terms of the relationship between the effectiveness of HR policies and firm performance, it contains the following: (i) *'the impact of HR policies on firm performance via the exploration of employee commitment'*, (ii) *'the impact of HR policies on firm performance via the exploration of employee job satisfaction'*, (iii) *'HR policies creating competitive advantages'*, (iv) *'the influence of senior managers and their effectiveness in HR policies'*, (v) *'the integration of HR policies with business strategy'*, (vi) *'the consideration of senior managers given to HR policies when adopting organisational strategy'*, (vii) *'the level of the achievement in business plan'* and (viii) *'the direct impact of national culture from a general perspective upon firm performance'*. Furthermore, when discussing the relationship between the effectiveness of senior managers and firm performance, it includes the following: (i) *'the perceived role of senior managers'*, (ii) *'the expectation and the influence of senior managers'*, (iii) *'the perceived essential managerial skills of senior managers'*, (iv) *'the criteria for measuring organisational effectiveness'*, (v) *'the constraints of preventing senior managers from being effective'* and (vi) *'the provision of choices for improving the effectiveness of senior managers'*. Therefore, it improves the

understanding of the relative importance of those independent factors bearing on the performance of foreign MNCs in China.

Furthermore, several findings in this research strengthened the underpinnings of some HRM models and theories, such as the eight-parameter approach (Analoui, 1999), Harvard Model (Beer *et al.*, 1984), Guest Model (1997) and the Choice Model (Analoui, 1997). In addition, this research also reinforced a number of views from the previous studies. For example, the criticism on the transformation of HRM (Legge, 1995), the crucial role of HR in the devolvement of HR functions to line managers (Andersen *et al.*, 2007), the positive relationship between the effectiveness of line managers in implementing HR policies and firm performance (Purcell *et al.*, 2003; Purcell and Hutchinson, 2007; Purcell and Kinnie, 2007), the main tendency of HR departments becoming more strategically orientated (Hope-Hailey *et al.*, 1997), the importance of seeking strategic fit between HR policies and business strategy (Hendry and Pettigrew, 1990; Guest, 1997; Gratton, 1999; Schuler and Jackson, 1999; Analoui, 1999, 2002, 2007; Armstrong, 2006), the need for a balanced approach in terms of global integration/MNCs standardization and local responsiveness/local adaptation in China (Cooke, 2008a), a positive impact of HR policies on firm performance either directly or indirectly through (i) its integration with business strategy, (ii) the creation of competitive advantages and (iii) the improved employee commitment and job satisfaction (Schuler and Jackson, 1987; Delaney and Huselid, 1996; Delery and Doty, 1996; Youndt *et al.*, 1996; Green *et al.*, 2006; Zheng *et al.*, 2006; Boxall and Purcell, 2008; Dany *et al.*, 2008; Gooderham *et al.*, 2008; Wang and Shyu, 2008).

Moreover, this research made further contributions to the literature by bringing in several new findings to challenge the traditional views. Through the frequency analysis of the

questionnaires, this research found that the business strategy of quality enhancement of products and services is the contemporary approach adopted by foreign MNCs in China in comparison with the former common strategy of cost reduction. In addition, this current research based its discussions on the frequency analysis of the questionnaire, which included the five culture values of Hofstede's model (1980, 1993) and the two dominant Chinese culture values as identify by Lockett (1988). Specifically, the former was the most recognised and widely used model for conducting national culture study including (i) power distance, (ii) uncertainty avoidance, (iii) individualism/collectivism, (iv) masculinity/femininity and (v) long-term/short-term orientation. While the latter was rooted in Confucianism: (i) '*guanxi*' (personal connections) and (ii) '*mianzi*' (preserving face), which have been extensively researched (Lockett, 1988; Chien, 2006; Zhang and Zhang, 2006; Yao, 2008). Consequently, this research found the contemporary characteristics of Chinese culture is more in line with those in Western countries that emphasise competition and assertiveness, whereby managers are more individualistic, masculine, short-term oriented and comfortable with uncertainty. Additionally, this research found low levels of influence of personal connections and preserving face in the formulation and implementation of HR policies.

3.2 Managerial contributions for practices

Based on the expectation that HR polices directly and positively affect firm performance, the researcher recommended foreign MNCs continue to focus on aligning company HR policies with business strategy, thereby paying attention to the roles of senior managers and the HR department. For the former, senior managers need to consider HR polices when adopting organisational strategy, in particular, there is evidence that their effectiveness influences the implementation of HR policies. For the latter, the HR department needs to be incorporated within the strategic planning process and assist line managers in carrying out their HR responsibilities by identifying training needs and providing organisational support.

Moreover, this research also provided foreign MNCs with potentially practical advice in terms of effectively managing and leading its senior managers, which in turn is expected to produce better business results. For example, this research found that firm performance is related with the manner in which senior managers perceive their role when making decisions, thereby leading to superior organisational outcomes when senior managers see themselves as key decision-makers. Therefore, this research suggested the four companies to continue involving their senior managers in the process of reviewing company HR policies and business strategy. Additionally, considering the desire expressed by senior managers for a transformational leadership style, this research recommended organisations to (i) draw their attention to the development of people management skills of senior managers, (ii) encourage senior managers to take risk and create opportunities for the organisation, (iii) increase senior managers' awareness of the criteria for measuring the organisational effectiveness, (iv) possess the ability to lead the subordinates and the organisation as a whole and (v) be flexible and adaptive to the changing environment. Furthermore, this research identified a series of characteristics that an effective manager should have, or a senior manager is expected to have, which might assist foreign MNCs in recruitment and selection stages and can also be considered for training and development programmes. In particular, a senior manager should have the right personality, appearance and attitude, such as honesty, responsibility, fairness and conscientious. Furthermore, in addition to be knowledgeable and experienced, senior managers are also expected to be caring, inspiring, visionary and ethical, and focus upon people and their welfare first followed by concern with production and the efficient allocation of resources.

4. Limitations and future research directions

While the research aim and objectives were successfully accomplished, its limitations should be noted which provide suggestions for future research.

First, perhaps the most obvious limitation is that the onetime data resembles a snapshot. The cross-sectional nature of the study prevented any appropriate methodology for the examination of specific linkages, in particular, the senior managers' perception changes over time. Therefore, gaining a clearer understanding of the relationships between HRM, senior managers and firm performance would ideally require longitudinal analysis.

Second, this research adopted a non-probability sampling, a common approach for most of the empirical research conducted in China on human resource management, although this means it tended to focus on those subjects who could be sampled conveniently or through personal connection. Although Poon and Rowley (2007) explained such adoption is understandable, particularly in the case of China considering its geographical size, population and the distributions of organisations, the generalisability of findings with non-probability sampling has been criticised. Nonetheless, according to Poon and Rowley (2007), this does not mean the research is invalid, or better research would necessarily emerge with other methods, whereby inductive approaches may be more suited for research in such contexts. Considering this present research, given that its aim was exploring senior management perception of HRM effectiveness in the case of foreign MNCs' performance in China, this is a relatively new research field with little existing literature in the context of China. Hence, it was considered more appropriate to generate data and analyse it to reflect upon what theoretical themes the data is supporting. Thus, from this perspective, the inductive research approach appears optimal.

Third, considering a drawback of using secondary data is that information needed may not be available as the data was collected primarily for the purposes of other research, this research adopted primary data collection and utilised a triangulation approach via questionnaire surveys and interviews. Nevertheless, a major drawback of self-reporting is that it may contain a strong bias from the reporting person. Therefore, caution was needed while treating and processing such information. On the other hand, these self-reports do reveal valuable insights into the mindset of Chinese senior managers in terms of what they believe to be the most important elements as part of their effectiveness and firm performance.

Fourth, the human resource management theories that this research is built upon all originated in the West, where Poon and Rowley (2007) argued the finding of such research may display some similarities. However, the Western management theories were forced to fit into the Chinese context and failed to recognise the contextual difference between China and the West, in addition, the similarities as displayed may remain at the superficial level and would not demonstrate or capture the underlying philosophy. Hence, it might result in the under-representing or misrepresenting the meaning of human resource policies and practices in the context of China. From this perspective, the researcher agreed with the criticisms of Poon and Rowley (2007) and thereafter proposed to search for Chinese characterised concepts to explain this phenomenon. Indeed, the researcher believed that this would achieve a better understanding and insights into the similarities and differences as presented between China and the West. Furthermore, the introduction of Chinese perspectives will also broaden the established Western theories of human resource management.

Fifth, although this research adopted a combination of quantitative and qualitative research approaches in the form of a two-stage data collection process of questionnaires and semi-structure interviews; in the eventual analysis of senior managers within the selected MNCs located in China the utilisation of the interviews was reduced. This is justified on the rationale that the undertaking of interviews was to supplement the collection of quantitative data and its associated analysis and discussion. Thus, the role of interviews was considered as being complementary and supplementary. Moreover, as the analysis of the questionnaires progressed it became increasingly evident that the quantitative approach was yielding unambiguous findings. Additionally, the use of data collection through questionnaires was predominant in the existing literature relating to examining contemporary management developments in China. Consequently, the researcher prioritised the analysis of the questionnaires for the purpose of the subsequent comparison with the findings of these previous studies, albeit with the support from the data set of interviews where appropriate. Therefore, the purpose of interview analysis was to complement, supplement, reinforce and strengthen the analysis and discussions of questionnaires.

However, despite these limitations, this research examined the effectiveness of HR policies and senior managers and the level of firm performance both individually and through linking these three variables together and investigating their interrelationships. Thereafter, it made appropriate recommendations regarding foreign MNCs in China and potential avenues for future research that could clarify some of above limitations and extend this research.

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APPENDICES

Appendix 1: Questionnaire in English



THE CONTRIBUTION OF STRATEGIC INTERNATIONAL HUMAN RESOURCE MANAGEMENT TO THE PERFORMANCE OF FOREIGN MULTINATIONAL COMPANIES' SUBSIDIARIES IN CHINA

This study aims to explore the relationship between human resource effectiveness and firm performance as perceived by senior management. The questionnaire will take approximately 15 minutes to complete.

SECTION A: DEMOGRAPHIC PROFILE

1. Please indicate your job title:

Finance Manager

Human Resource Manager

Marketing Manager

Production Manager

Other (please specify)

2. Gender: Male Female

3. Please indicate your age category:

Less than 30

30-39

40-49

50 and above

4. Please indicate the highest level of your education:

Middle School certificate

High School certificate

Bachelor degree

Master degree

MBA

Doctoral degree

Other (please specify)

5. Do you have a professional qualification? Yes No

6. What is your nationality?

(If Chinese, please go to sub-section A1; otherwise please go to sub-section A2)

SUB-SECTION A1

1. How long have you been in your current position?year(s).....month(s)

2. Which type of organisation did you last work for?

Individually-owned company

International joint ventures/foreign

wholly-owned company

Local collectively-owned company

State-owned company

Other (please specify)

Now please go to Section B: COMPANY POLICIES

SUB-SECTION A2

1. How long have you been in your current position in China?year(s).....month(s)
2. Please indicate the duration of your international assignment in China:

Up to 1 year <input type="checkbox"/>	1-3 years <input type="checkbox"/>
4-5 years <input type="checkbox"/>	More than 5 years <input type="checkbox"/>
3. Marital status: Married/partner Single
4. Are you accompanied by Spouse/Children? Yes No N/A
5. What type of training were you given before departure?

None <input type="checkbox"/>	Culture awareness <input type="checkbox"/>
Language <input type="checkbox"/>	Management <input type="checkbox"/>
Other (please specify) <input type="checkbox"/>	

SECTION B: COMPANY POLICIES

1. Does your company have HR policies? Yes No Don't know
2. When were HR policies first introduced?

Last year <input type="checkbox"/>	2-5 years ago <input type="checkbox"/>
6-10 years ago <input type="checkbox"/>	More than 10 years ago <input type="checkbox"/>
3. Are HR policies transferred from the headquarters? Yes No Don't know
4. Are you involved in the formulation of HR policies? Yes No Don't know
5. How often does your company review its HR policies?

Never <input type="checkbox"/>	Annually <input type="checkbox"/>
2-5 years <input type="checkbox"/>	More than 5 years <input type="checkbox"/>
6. Please rate the importance of the following business strategies for your target market (where 1=least important and 5=most important)

	1	2	3	4	5
a) The price of your products or services	<input type="checkbox"/>				
b) The quality of your products or services	<input type="checkbox"/>				
c) The innovation in your products or services	<input type="checkbox"/>				
7. How often does your company review its business plan?

Never <input type="checkbox"/>	Annually <input type="checkbox"/>
2-5 years <input type="checkbox"/>	More than 5 years <input type="checkbox"/>
8. Do you consider HR policies 'fit' with business strategy? Yes No Don't know
9. Please evaluate the following statements when applied to your company (where 1=strongly disagree and 5=strongly agree)

	1	2	3	4	5
a) Senior management takes into consideration HR policies when adopting organisational strategy	<input type="checkbox"/>				
b) Senior managers are trained to understand HR policies	<input type="checkbox"/>				
c) Senior managers consider all levels and functions of the organisation in the decision-making process	<input type="checkbox"/>				
d) HR department is fully integrated into the strategic planning process	<input type="checkbox"/>				

- e) HR department maintains a cooperative partnership with individual managers
- f) HR department regularly assesses organisational training needs
- g) HR department helps departmental managers carry out their critical HR responsibilities
10. Is there an annual performance appraisal in your company? Yes No Don't know
11. If yes, which of the following promotion criteria are used by your company? (please tick as many as apply)
- | | |
|---|--|
| Competency <input type="checkbox"/> | Long-term potential <input type="checkbox"/> |
| Loyalty to the company <input type="checkbox"/> | Nationality <input type="checkbox"/> |
| Past performance <input type="checkbox"/> | Personal connections <input type="checkbox"/> |
| Seniority <input type="checkbox"/> | Training and Development undertaken <input type="checkbox"/> |
| Other (please specify) <input type="checkbox"/> | |
12. Do you believe the performance appraisal works well? Yes No Don't know
13. How do the following aspects of Chinese culture influence the formulation and implementation of your HR policies? (where 1=very low and 5=very high)
- | | 1 | 2 | 3 | 4 | 5 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Hierarchy/the centralisation of authority | <input type="checkbox"/> |
| b) Avoiding uncertainty | <input type="checkbox"/> |
| c) Collectivism | <input type="checkbox"/> |
| d) Long-term orientation | <input type="checkbox"/> |
| e) Femininity | <input type="checkbox"/> |
| f) Preserving 'face' (' <i>mianzi</i> ') | <input type="checkbox"/> |
| g) Maintaining 'personal connections' (' <i>guanxi</i> ') | <input type="checkbox"/> |

SECTION C: SENIOR MANAGEMENT EFFECTIVENESS AND PERCEPTION

1. Do you see yourself as one of the key decision-makers? Yes No Don't know
2. How would you describe an effective leader/manager? (please rank your top THREE by indicating 1, 2, 3)
- | | |
|---|--|
| A good motivator <input type="checkbox"/> | Ability to supervise/lead <input type="checkbox"/> |
| Allocate resources efficiently <input type="checkbox"/> | Inspire people to perform beyond their contractual responsibilities <input type="checkbox"/> |
| Making people work to their contract <input type="checkbox"/> | Meet deadlines <input type="checkbox"/> |
| Perform tasks satisfactorily <input type="checkbox"/> | Responsible, conscientious and focused <input type="checkbox"/> |
| Solve problems <input type="checkbox"/> | Teamwork/participation <input type="checkbox"/> |
| Other (please specify) <input type="checkbox"/> | |
3. In your opinion, a senior manager/leader should:
- | | | | |
|---|------------------------------|-----------------------------|-------------------------------------|
| a) have the right personality, appearance and attitude | Yes <input type="checkbox"/> | No <input type="checkbox"/> | Don't know <input type="checkbox"/> |
| b) be caring, inspirational, visionary and ethical | Yes <input type="checkbox"/> | No <input type="checkbox"/> | Don't know <input type="checkbox"/> |
| c) take risk and create opportunities | Yes <input type="checkbox"/> | No <input type="checkbox"/> | Don't know <input type="checkbox"/> |
| d) have his/her style consist with hostile and changing environment | Yes <input type="checkbox"/> | No <input type="checkbox"/> | Don't know <input type="checkbox"/> |

- e) motivate knowledge workers and develop learning organisation Yes No Don't know
4. What managerial skills are essential for ensuring your effectiveness? (please tick as many as apply)
- | | |
|--|---|
| Managing people (e.g. leadership, motivation, communication) <input type="checkbox"/> | Managing tasks (e.g. finance, IT, information, strategic planning) <input type="checkbox"/> |
| Analytical and career development skills (e.g. decision making, problem solving, career planning) <input type="checkbox"/> | Other (please specify) <input type="checkbox"/> |
5. What motivates you towards your managerial/leadership effectiveness? (please rank your top THREE by indicating 1, 2, 3)
- | | |
|--|---|
| Achieving set goals/targets <input type="checkbox"/> | Achievement <input type="checkbox"/> |
| Good teamwork <input type="checkbox"/> | Job satisfaction <input type="checkbox"/> |
| Promotion <input type="checkbox"/> | Recognition from superiors <input type="checkbox"/> |
| Remuneration <input type="checkbox"/> | Reward for hard work <input type="checkbox"/> |
| Training/self-development <input type="checkbox"/> | Other (please specify) <input type="checkbox"/> |
6. What do you believe to be the criteria for effectiveness in your company? (please tick as many as apply)
- | | |
|---|--|
| Being competitive <input type="checkbox"/> | Compliance with rules and regulations <input type="checkbox"/> |
| Increased productivity <input type="checkbox"/> | Meeting targets <input type="checkbox"/> |
| Planning abilities <input type="checkbox"/> | Self-motivation <input type="checkbox"/> |
| Time management <input type="checkbox"/> | Other (please specify) <input type="checkbox"/> |
7. What prevents you from being effective? (please tick as many as apply)
- | | |
|---|---|
| Inappropriate training <input type="checkbox"/> | Ineffective leadership of the organisation <input type="checkbox"/> |
| Lack of communication <input type="checkbox"/> | Lack of relevant people skills <input type="checkbox"/> |
| Lack of relevant task skills and competences <input type="checkbox"/> | Lack of motivation <input type="checkbox"/> |
| Lack of resources <input type="checkbox"/> | Lack of teamwork <input type="checkbox"/> |
| Shortage of appropriate staff <input type="checkbox"/> | Unrealistic targets <input type="checkbox"/> |
| Other (please specify) <input type="checkbox"/> | |
8. Which of the following choices do you believe would improve senior management effectiveness? (please tick as many as apply)
- | | |
|---|---|
| Achievable targets <input type="checkbox"/> | Appropriate motivation <input type="checkbox"/> |
| Appropriate staff <input type="checkbox"/> | Being able to set my own targets <input type="checkbox"/> |
| Career succession plan <input type="checkbox"/> | Effective communication <input type="checkbox"/> |
| Necessary resources <input type="checkbox"/> | Teamwork <input type="checkbox"/> |
| Training & development <input type="checkbox"/> | Other (please specify) <input type="checkbox"/> |
9. What is your view on the following statements?
- a) Do you believe that your effectiveness is influenced by the overall effectiveness of your organisation? Yes No Don't know
- b) Is your effectiveness influenced by the degree of intra-connection with other departments in your organisation? Yes No Don't know

- c) Is your effectiveness influenced by the company's degree of connection with other organisations nationally and internationally? Yes No Don't know
- d) Do you believe that your effectiveness is influenced by your relationship with others outside your organisation? Yes No Don't know

SECTION D: FIRM PERFORMANCE

1. To what extent do you agree with the following statements when applied to your company? (where 1=strongly disagree and 5=strongly agree)

- | | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) HR policies are creating competitive advantages | <input type="checkbox"/> |
| b) HR policies have a direct impact on firm performance | <input type="checkbox"/> |
| c) HR policies have a positive impact on firm performance | <input type="checkbox"/> |
| d) HR policies positively affect employees' commitment | <input type="checkbox"/> |
| e) HR policies positively affect employees' job satisfaction | <input type="checkbox"/> |
| f) HR policies influence individual performance | <input type="checkbox"/> |
| g) Job satisfaction has a positive impact on firm performance | <input type="checkbox"/> |
| h) Employees' commitment has a positive impact on firm performance | <input type="checkbox"/> |
| i) Culture factors have a direct impact on firm performance | <input type="checkbox"/> |
| j) HR policies are directly influenced by senior managers and their effectiveness at work. | <input type="checkbox"/> |

2. Please indicate which of the following policies have been influential in the success of your company (where 1=very little and 5=very much)

- | | 1 | 2 | 3 | 4 | 5 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Recruitment and selection of suitable staff | <input type="checkbox"/> |
| b) Provision of proper motivation and reward for staff | <input type="checkbox"/> |
| c) Suitable training and development policies and practices | <input type="checkbox"/> |
| d) Relevant annual performance appraisal | <input type="checkbox"/> |

3. Please indicate to what extent you believe that the business plan of your company was successful (where 1=least successful and 5=most successful)

- | | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Achievement of intended outcomes | <input type="checkbox"/> |
| b) Achievement of expected financial performance | <input type="checkbox"/> |
| c) Implementation within the expected time | <input type="checkbox"/> |
| d) Implementation within the predicted costs | <input type="checkbox"/> |

4. Please indicate how you believe the organisational performance of your company compares to the industry average over the past three years (where 1=well below and 5=well above)

	1	2	3	4	5
a) Average return on investment	<input type="checkbox"/>				
b) Average profit	<input type="checkbox"/>				
c) Profit growth	<input type="checkbox"/>				
d) Average return on sales	<input type="checkbox"/>				
e) Average market share growth	<input type="checkbox"/>				

Many thanks for your contribution

Would you like to know the findings of the survey? Yes No

Would you be available to participate in the next stage of this research, for example, an interview? Yes No

If yes to either of the above, please complete your details below:

Your name/company name and address.....

.....

Tel.: Email:

Please return it in the envelope provided to the below Chinese address by 1st September 2007:

**Mr. Defu Bao c/o Ms. Chanzi Bao
1-704, No.114 Bei Wu Dao Street
Daowai District
Harbin
Heilongjiang Province
150020**

Or fax (0044-1274-235280), email or post it:

**Attention to Ms. Chanzi Bao
Email: c.z.bao@bradford.ac.uk**

Or

**Professor Farhad Analoui (Principal Supervisor)
Bradford Centre for International Development
University of Bradford
Bradford
West Yorkshire
United Kingdom
BD 7 1DP**

Email: f.analoui@bradford.ac.uk

Appendix 2: Questionnaire in Chinese



国际性战略人力资源对跨国公司业绩的贡献 调研问卷

此项调研主要是探索公司的高级管理层是如何认识人力资源效力和公司业绩之间的关系。完成此问卷大至需要 15 分钟。

第一部分：背景资料

1. 请指明你的工作职称:

财务经理 人力资源经理

销售经理 生产部经理

其他 (请指明)

2. 性别: 男性 女性

3. 请选择你的年龄范围:

少于 30 岁 30-39 岁

40-49 岁 50 岁以上

4. 请指明你的最高教育水平:

中学 高中

学士学位 硕士学历

MBA 博士学位

其他 (请指明)

5. 你是否有其他专业资格证书? 是 否

6. 你的国籍?

(如果你是中国籍, 请直接填写 A1 部分。其他国籍请填写 A2 部分)

A1 部分

1. 你在目前的职位上做了多久? 年 月

2. 你的上一份工作所在的公司属于何种性质?

- 私人所有制企业 跨国合资或外商独资公司
 集体所有制企业 国有企业
 其他 (请指明)

请直接填写第二部分: 公司政策

A2 部分

1. 自来华之后，你在目前的职位上做了多久? 年 月
2. 你在中国的任职合同是多久？
 少于 1 年 1-3 年
 4-5 年 5 年以上
3. 婚姻状况: 已婚 单身
4. 你是否由你的爱人或孩子陪同来华？ 是 否 不适用
5. 在来华之前，你曾经接受过何种培训？
 没有 文化培训
 语言培训 管理培训
 其他培训 (请指明)

第二部分：公司政策

1. 贵公司是否有人力资源管理政策？ 是 否 不知道
2. 贵公司何时开始引用人力资源管理政策？
 去年 2-5 年前
 6-10 年前 10 年前
3. 贵公司的人力资源管理政策是否由总公司转入？ 是 否 不知道
4. 你是否参与人力资源政策的规划？ 是 否 不知道
5. 贵公司多久进行一次人力资源政策的更新？
 从来都没有 每年
 2-5 年 5 年以上
6. 请对贵公司的商业战略进行排序 (1 代表非常不重要，2 代表不重要，3 代表不知道，4 代表重要，5 代表非常重要)

- 1 2 3 4 5
- a) 产品或服务的价格
- b) 产品或服务的质量
- c) 产品或服务的创新
7. 贵公司多久进行一次商业计划的更新?
- 从来都没有 每年
- 2-5 年 5 年以上
8. 你认为公司的人力资源政策与其商业策略相符合吗? 是 否 不知道
9. 请根据贵公司的实际情况对以下进行评估 (1 代表强烈不赞同, 2 代表不赞同, 3 代表不知道, 4 代表赞同, 5 代表强烈赞同)
- | | 1 | 2 | 3 | 4 | 5 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) 在制定公司策略时, 高级管理层考虑到了人力资源政策及其实施 | <input type="checkbox"/> |
| b) 高级经理接受过人力资源政策及其实施的培训 | <input type="checkbox"/> |
| c) 在制定决策时, 高级经理考虑到公司中的各阶层及其职责 | <input type="checkbox"/> |
| d) 人力资源部门完全参与战略决策的计划 | <input type="checkbox"/> |
| e) 人力资源部门与其他部门经理保持着合作关系 | <input type="checkbox"/> |
| f) 人力资源部门定期检查公司哪方面需要培训 | <input type="checkbox"/> |
| g) 人力资源部门协助其他部门经理执行其部门的人力资源职责 | <input type="checkbox"/> |
10. 贵公司是否有年度员工业绩评估系统? 是 否 不知道
11. 如果你对上一个问题回答‘是’, 那么贵公司采用了哪种晋升标准? (多项选择)
- | | |
|---|------------------------------------|
| 能力 <input type="checkbox"/> | 长久潜力 <input type="checkbox"/> |
| 对公司的忠诚度 <input type="checkbox"/> | 国籍 <input type="checkbox"/> |
| 过去的表现 <input type="checkbox"/> | 人际关系 <input type="checkbox"/> |
| 资历 <input type="checkbox"/> | 曾接受过培训与发展 <input type="checkbox"/> |
| 其他 (请指明) <input type="checkbox"/> | |
12. 你认为员工业绩评估系统进展如何? 好 不好 不知道
13. 请指出以下中国文化在人力资源政策制定和执行中的影响程度 (1 代表影响非常小, 2 代表影响小, 3 代表不知道, 4 代表影响大, 5 代表影响非常大)

	1	2	3	4	5
a) 权力级别/ 权力集中制	<input type="checkbox"/>				
b) 避免模棱两可	<input type="checkbox"/>				
c) 集体主义	<input type="checkbox"/>				
d) 长期合同	<input type="checkbox"/>				
e) 以女性化为主	<input type="checkbox"/>				
f) 爱“面子”	<input type="checkbox"/>				
g) 维系“个人关系”	<input type="checkbox"/>				

第三部分：高级管理效力与感知

- 1) 你认为自己是关键决策者之一吗? 是 否 不知道
- 2) 你认为一个好的经理是什么样的? (请按优先权列出前三位并标明 1, 2, 3)

- | | |
|------------------------------------|---------------------------------------|
| 有效的激励者 <input type="checkbox"/> | 具有监督及领导能力 <input type="checkbox"/> |
| 有效分配资源的能力 <input type="checkbox"/> | 鼓舞员工超出合约范围工作 <input type="checkbox"/> |
| 使员工按照合约工作 <input type="checkbox"/> | 按时完成任务的能力 <input type="checkbox"/> |
| 圆满履行工作 <input type="checkbox"/> | 尽职尽责 <input type="checkbox"/> |
| 解决问题的能力 <input type="checkbox"/> | 团体合作或参与的能力 <input type="checkbox"/> |
| 其他(请指明) <input type="checkbox"/> | |

- 3) 你认为一位高层管理者或领导应该:
- | | | | |
|-------------------------|----------------------------|----------------------------|------------------------------|
| a) 有合适的个性, 气质及工作态度 | 是 <input type="checkbox"/> | 否 <input type="checkbox"/> | 不知道 <input type="checkbox"/> |
| b) 有爱心, 有远见, 有道德并能鼓舞人心 | 是 <input type="checkbox"/> | 否 <input type="checkbox"/> | 不知道 <input type="checkbox"/> |
| c) 勇于冒险及创造机遇 | 是 <input type="checkbox"/> | 否 <input type="checkbox"/> | 不知道 <input type="checkbox"/> |
| d) 具有应变能力 | 是 <input type="checkbox"/> | 否 <input type="checkbox"/> | 不知道 <input type="checkbox"/> |
| e) 鼓励有学问的员工把公司向学习型的组织发展 | 是 <input type="checkbox"/> | 否 <input type="checkbox"/> | 不知道 <input type="checkbox"/> |

- 4) 你认为以下哪些是增强你的业绩的必要管理能力? (多项选择)
- | | |
|---|--|
| 管理员工的能力 (如: 领导力, 鼓舞力, 沟通力) <input type="checkbox"/> | 处理业务的能力 (如: 金融事务, 电子技术, 战略策划) <input type="checkbox"/> |
| 分析与职业发展的能力 (如: 决策制定, 解决问题, 职业策划) <input type="checkbox"/> | 其他 (请指明) <input type="checkbox"/> |

5) 你认为哪些因素能激励你提高管理能力? (请按优先权列出前三位并标明 1, 2, 3)

- | | |
|------------------------------------|-------------------------------------|
| 完成预期制定的目标 <input type="checkbox"/> | 获得的成就 <input type="checkbox"/> |
| 好的团体协作能力 <input type="checkbox"/> | 对工作的满意度 <input type="checkbox"/> |
| 晋升 <input type="checkbox"/> | 领导赏识 <input type="checkbox"/> |
| 报酬 <input type="checkbox"/> | 对努力工作的回报 <input type="checkbox"/> |
| 具有培训或发展机遇 <input type="checkbox"/> | 其他 (请指明) <input type="checkbox"/> |

6) 你认为保证贵公司有效发展的标准是什么? (多项选择)

- | | |
|---------------------------------|-------------------------------------|
| 具有竞争力 <input type="checkbox"/> | 遵从规章制度 <input type="checkbox"/> |
| 提高生产率 <input type="checkbox"/> | 达到目标 <input type="checkbox"/> |
| 计划能力 <input type="checkbox"/> | 自我激励 <input type="checkbox"/> |
| 时间管理能力 <input type="checkbox"/> | 其他 (请指明) <input type="checkbox"/> |

7) 你认为以下哪些因素会阻碍你在贵公司有效发展? (多项选择)

- | | |
|--|---------------------------------------|
| 不适合的培训 <input type="checkbox"/> | 无效的领导力 <input type="checkbox"/> |
| 交流不足 <input type="checkbox"/> | 缺乏相关的管理员工的技巧 <input type="checkbox"/> |
| 缺乏相关的处理事务的技巧及能力 <input type="checkbox"/> | 缺乏鼓舞力 <input type="checkbox"/> |
| 缺乏资源 <input type="checkbox"/> | 团体协作差 <input type="checkbox"/> |
| 缺少合适员工 <input type="checkbox"/> | 不切实际的目标 <input type="checkbox"/> |
| 其他 (请指明) <input type="checkbox"/> | |

8) 你认为以下哪些因素会提高高级管理者的能力? (多项选择)

- | | |
|------------------------------------|---------------------------------------|
| 给予切合实际的目标 <input type="checkbox"/> | 给予适当的鼓舞力 <input type="checkbox"/> |
| 拥有合适的员工 <input type="checkbox"/> | 具有为自己制定目标的能力 <input type="checkbox"/> |
| 发展自己的职业计划 <input type="checkbox"/> | 具有有效的沟通 <input type="checkbox"/> |
| 具有必不可少的资源 <input type="checkbox"/> | 良好的团队合作 <input type="checkbox"/> |
| 提供培训及发展机遇 <input type="checkbox"/> | 其他 (请指明) <input type="checkbox"/> |

9) 你是否赞同以下观点?

- e) 你认为你的业绩会被你所在的公司的业绩所影响吗? 是 否 不知道
- f) 你认为你的业绩会被各部门之间关系的密切程度所影响吗? 是 否 不知道
- g) 你认为你的业绩会被你的公司与其他国内或国外公司相比吗? 是 否 不知道

际公司的关系的密切程度所影响吗？

- h) 你认为你的业绩会被你个人与其他公司员工的 是 否 不知道
关系所影响吗？

第四部分：公司业绩

1. 请根据贵公司的实际情况，阐明你对以下观点的赞同程度（1 代表强烈不赞同，
2 代表不赞同，3 代表不知道，4 代表赞同，5 代表强烈赞同）

- | | 1 | 2 | 3 | 4 | 5 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) 人力资源政策为贵公司创造着竞争优势 | <input type="checkbox"/> |
| b) 人力资源政策对贵公司业绩有 <u>直接影响</u> | <input type="checkbox"/> |
| c) 人力资源政策对贵公司业绩有 <u>积极影响</u> | <input type="checkbox"/> |
| d) 人力资源政策对其员工的责任感有 <u>积极影响</u> | <input type="checkbox"/> |
| e) 人力资源政策对其员工的工作满意度有 <u>积极影响</u> | <input type="checkbox"/> |
| f) 人力资源政策影响着贵公司员工的个人业绩 | <input type="checkbox"/> |
| g) 员工的工作满意度对贵公司的业绩有 <u>积极影响</u> | <input type="checkbox"/> |
| h) 员工的责任感对贵公司的业绩有 <u>积极影响</u> | <input type="checkbox"/> |
| i) 文化因素对贵公司的业绩有 <u>直接影响</u> | <input type="checkbox"/> |
| j) 高级管理者及其能力对人力资源政策有 <u>直接影响</u> | <input type="checkbox"/> |

2. 请评估以下人力资源政策对贵公司业绩成功的影响程度（1 代表影响非常小，2
代表影响小，3 代表不知道，4 代表影响大，5 代表影响非常大）

- | | 1 | 2 | 3 | 4 | 5 |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| e) 选拔与雇佣合适的员工 | <input type="checkbox"/> |
| f) 给予员工适当的鼓舞与奖励 | <input type="checkbox"/> |
| g) 给予员工合适的培训及发展机会 | <input type="checkbox"/> |
| h) 适当的年度业绩评估 | <input type="checkbox"/> |

3. 请评估贵公司的商业计划所获得的成功率（1 代表非常失败，2 代表失败，3 代
表不知道，4 代表成功，5 代表非常成功）

- | | 1 | 2 | 3 | 4 | 5 |
|-----------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| e) 取得了预期的成果 | <input type="checkbox"/> |
| f) 达到了期望的财政目标 | <input type="checkbox"/> |
| g) 在期望的时间内实施了计划 | <input type="checkbox"/> |
| h) 在预期的成本下实施了计划 | <input type="checkbox"/> |

4. 相对于产业平均水平，请评估贵公司的业绩 (1 代表比产业平均水平低很多，2 代表比产业平均水平低，3 代表不知道，4 代表比产业平均水平高，5 代表比产业水平高很多)

	1	2	3	4	5
f) 过去三年的平均投资回报	<input type="checkbox"/>				
g) :过去三年的平均利润	<input type="checkbox"/>				
h) 过去三年的利润增长	<input type="checkbox"/>				
i) 过去三年的平均销售额回报	<input type="checkbox"/>				
j) 过去三年的平均市场份额的增长	<input type="checkbox"/>				

非常感谢您的支持！

你想知道此项调研结果吗？ 是 否

你是否有时间参与下一步的调研，如采访？ 是 否

如果对以上任何一个问题回答‘是’，请填写如下：

你的名字或公司的名字及地址.....

.....

电话: 电子邮件:

请使用所提供的信封并邮寄至以下地址：

中国黑龙江省哈尔滨市道外区北五道街114号 1-704

鲍德富转鲍婵子收

邮编: 150020

或传真 (0044-1274-235280) / 电邮/ 邮寄至:

Chanzi Bao

Email: c.z.bao@bradford.ac.uk

或

Professor Farhad Analoui (Principal Supervisor)

Bradford Centre for International Development

University of Bradford

Bradford

West Yorkshire

United Kingdom

BD 7 1DP

Email: f.analoui@bradford.ac.uk

Appendix 3: Covering letter for questionnaire in English

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18 August 2007

Dear Colleague,

I am writing on behalf of Chanzi Bao, a PhD research student in BCID at the University of Bradford (UK). Her main research interest is to explore the contribution of **Strategic International Human Resource Management (SIHRM) to the performance of foreign Multinational Companies (MNCs) from the perception of senior management.**

The enclosed questionnaire is to seek the views and opinions of senior managers on the relationship between Human Resource (HR) effectiveness and firm performance. The primary purpose of the research is to draw implications for MNCs considering the formulation of HR strategies and decision making in the future.

Therefore, you are kindly invited to participate in this research by completing the questionnaire and, if possible, being interviewed. Please be reminded that your contribution is significant in investigating the relationship between HR effectiveness and firm performance, as well as identifying the influential factors of firm performance.

Please be assured that your response will be treated as extremely confidential and only be used anonymously for academic purposes.

Many thanks for your time.

Yours sincerely,

Professor Farhad Analoui
Professor in International Development and Human Resource Management
Principal Supervisor

Appendix 4: Covering letter for questionnaire in Chinese

布拉德福德国际发展中心

布拉德福德大学

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2007年8月18日

尊敬的领导:

您好! 我代表我的博士生 - 鲍婵子向您致这封信, 简要介绍此项问卷的背景。她的主要研究方向是从高级管理者的认知角度探索国际性战略人力资源对跨国公司业绩的贡献。此问卷的目的是寻求高级管理者在人力资源的有效性及其与公司业绩之间关系上的看法与观点。此调研的目的是对跨国公司未来人力资源策略的制定给予参考作用。

因此, 我们诚挚地邀请您参与此项问卷调查, 如果您能在百忙之中抽出时间来接受访谈, 我们将不胜感激。您的贡献对于调查人力资源的有效性与公司业绩之间的关系, 及确认影响公司业绩的因素起着非常重要的作用。

我们对您的答复给予极高的保密, 对您的问卷绝对不会对内或对外公开, 仅作为匿名的此项科研使用。

非常感谢您的支持并祝您工作愉快!

Farhad Analoui 教授

国际发展及人力资源管理教授

此博士生的导师

Appendix 5: Models/themes based on research objectives

<p>Model 1: The effectiveness of HR policies</p> <p>1) HR policies (Q14, Q15, Q22d, Q22f, Q22g, Q23, Q24, Q25) :</p> <ul style="list-style-type: none"> • Q14: Does your company have HR policies? • Q15: When were HR policies <u>first</u> introduced? • Q22d: HR department is fully integrated into the strategic planning process • Q22f: HR department regularly assesses organisational training needs • Q22g: HR department helps departmental managers carry out their critical HR responsibilities • Q23: Is there an annual performance appraisal in your company? • Q24: If yes, which of the following promotion criteria are used by your company? • Q25: Do you believe the performance appraisal works well? <p>2) Alignment with business strategies (Q18, Q19a-c, Q20, Q21, Q22a):</p> <ul style="list-style-type: none"> • Q18: How often does your company review its HR policies? • Q19: Rate the importance of the following business strategies for your target market <ul style="list-style-type: none"> i. The price of your products or services ii. The quality of your products or services iii. The innovation of your products or services • Q20: How often does your company review its business plan? • Q21: Do you consider HR policies ‘fit’ with the business strategy? • Q22a: Senior management takes into consideration HR policies and procedures when adopting organisational strategy <p>3) Globalization and localization (Q16):</p> <ul style="list-style-type: none"> • Q16: Are HR policies transferred from the headquarters?
<p>Model 2: The effectiveness of senior managers (Q27, Q28, Q29, Q30, Q31, Q32, Q33, Q34, Q35)</p> <ul style="list-style-type: none"> • Q27: Do you see yourself as one of the key decision-makers? • Q28: How would you describe an effective leader/manager? • Q29: In your opinion, a senior manager/leader should: • Q30: What managerial skills are essential for ensuring your effectiveness? • Q31: What motivates you towards your managerial/leadership effectiveness? • Q32: What do you believe to be the criteria for effectiveness in your company? • Q33: What prevents you from being effective in your company? • Q34: Which of the following choices do you believe would improve senior management effectiveness? • Q35: What is your view on the following statements?
<p>Model 3: The level of firm performance (Q39a-e)</p> <p>Q39: Please indicate how you believe the organisational performance of your company compares to the industry average over the past three years:</p> <ul style="list-style-type: none"> • Q39a: Average return on investment • Q39b: Average profit • Q39c: Profit growth • Q39d: Average return on sales • Q39e: Average market share growth
<p>Model 4: The relationship of firm performance and the effectiveness of HR policies</p> <p>Correlation and regression test:</p> <ul style="list-style-type: none"> • Dependent variable: Firm performance measured by Q39a-e • Independent variable: HR policies, the alignment of HR policies with business strategies, the degree of achieving business plan, culture factors. <p>1) HR policies (Q36a, Q36d, Q36e, Q36f, Q36g, Q36h, Q37a-d):</p> <ul style="list-style-type: none"> ▪ Q36a: HR policies are creating competitive advantages ▪ Q36d: HR policies positively affect employees’ commitment

- Q36e: HR policies positively affect employees' job satisfaction
 - Q36f: HR policies influence individual performance
 - Q36g: Job satisfaction has a positive impact on firm performance
 - Q36h: Employees' commitment has a positive impact on firm performance
 - Q37a: Recruitment and selection of suitable staff
 - Q37b: Provision of proper motivation and reward for staff
 - Q37c: Suitable training and development policies and practices
 - Q37d: Relevant annual performance appraisal
- 2) The alignment with business strategies (Q18, Q19, Q20, Q21, Q22a)
- Q18: How often does your company review its HR policies?
 - Q20: How often does your company review its business plan?
 - Q19: Please rate the importance of the following business strategies for your target market
 - Q21: Do you consider HR policies 'fit' with the business strategy?
 - Q22a: Senior management takes into consideration HR policies and procedures when adopting organisational strategy
- 3) The achievement of business plan (Q38a-d)
- Q38a: Achievement of intended outcomes
 - Q38b: Achievement of expected financial performance
 - Q38c: Implementation within the expected time
 - Q38d: Implementation within the predicted costs
- 4) Culture factor (Q36i, Q26a-g):
- Q36i: Culture factors have a direct impact on firm performance
 - Q26a: Power distance in HRM
 - Q26b: Avoiding uncertainty in HRM
 - Q26c: Collectivism in HRM
 - Q26d: Long-term orientation in HRM
 - Q27e: Femininity in HRM
 - Q27f: Preserving 'face' ('*mianzi*') in HRM
 - Q27g: Maintaining 'personal connections' ('*guanxi*') in HRM

Frequency analysis of the relationship (Q36b, Q36c):

- Q36b: HR policies have a direct impact on firm performance
- Q36c: HR policies have a positive impact on firm performance

Model 5: The relationship of firm performance and the effectiveness of senior managers

Correlation and regression test:

- Dependent variable: Firm performance measured by Q39a-e (refer to Model 3)
- Independent variable: The effectiveness of senior managers (Q27, Q28a-j, Q29a-e, Q30a-c, Q32a-g, Q33a-j, Q34a-i) (refer to Model 2):
 - 1) The perceived role of senior managers (Q27):
 - Q27: If you see yourself as one of the key decision-makers
 - 2) The expectation and influence of senior managers (Q28a-j), (Q29a-e) and interviews:
 - Q28a: A good motivator
 - Q28b: Ability to supervise/lead
 - Q28c: Allocate resources efficiently
 - Q28d: Inspire people to perform beyond their contractual responsibilities
 - Q28e: Making people work to their contract
 - Q28f: Meet deadlines
 - Q28g: Perform tasks satisfactorily
 - Q28h: Responsible, conscientious and focused
 - Q28i: Solve problems
 - Q28j: Teamwork/participation
 - Q29a: Have the right personability, appearance and attitude
 - Q29b: Be caring, inspirational, visionary and ethical
 - Q29c: Take risk and create opportunitites

- Q29d: Have his/her style consist with hostile and changing environment
- Q29e: Motivate knowledge workers and develop learning organisation
- 3) The believed essential managerial skills for ensuring senior managers' effectiveness (Q30a-c) and interviews:
 - Q30a: Managing people
 - Q30b: Managing tasks
 - Q30c: Analytical and career development
- 4) The criteria for measuring organisational effectiveness (Q32a-g):
 - Q32a: Being competitive
 - Q32b: Compliance with rules and regulations
 - Q32c: Increased productivity
 - Q32d: Meeting targets
 - Q32e: Planning abilities
 - Q32f: Self-motivation
 - Q32g: Time management
- 5) The constraints of preventing senior managers from being effective (Q33a-j):
 - Q33a: Inappropriate training
 - Q33b: Ineffective leadership of the organisation
 - Q33c: Lack of communication
 - Q33d: Lack of relevant people skills
 - Q33e: Lack of relevant task skills and competences
 - Q33f: Lack of motivation
 - Q33g: Lack of resources
 - Q33h: Lack of teamwork
 - Q33i: Shortage of appropriate staff
 - Q33j: Unrealistic targets
- 6) The provision of choices for improving senior managers' effectiveness (Q34a-i):
 - Q34a: Achievable targets
 - Q34b: Appropriate motivation
 - Q34c: Appropriate staff
 - Q34d: Being able to set my own targets
 - Q34e: Career succession plan
 - Q34f: Effective communication
 - Q34g: Necessary resources
 - Q34h: Teamwork
 - Q34i: Training and development

Appendix 6: Covering letter for semi-structured interview in English

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Email: c.z.bao@bradford.ac.uk

1 October 2007

Dear Colleague,

Thank you for completing the survey and agreeing to be interviewed.

I am writing to introduce the arrangements for the interviews.

I will travel to China in November 2007 staying for approximately three weeks (1st – 23rd). My plan is to conduct interviews in Beijing for the period of 2nd - 11th November and in Shenzhen for the period of 12th – 22nd November. However, if the above times are inconvenient, please let me know when it is best for you to be interviewed and I will try to re-arrange.

The interview will be conducted by me in Chinese, lasting approximately 45-60 minutes.

Attached is an outline of the themes for the interviews which extend the issues examined in the questionnaire.

Please be assured that your interview answers will be treated as extremely confidential and only be used anonymously for academic purposes.

Many thanks for your time.

Yours sincerely,

Chanzi Bao BA (Hons), MA
PhD candidate
BCID

Appendix 7: Covering letter for semi-structured interview in Chinese

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2007年10月1日

尊敬的领导:

非常感谢您对此项调研问卷的支持并同意接受访谈

此信的目的是向您简要介绍一下有关访谈的安排。

我将与 2007 年 11 月初抵达中国，进行为期大约三周的访谈。我的计划是在 11 月 2 日至 11 日在北京进行访谈，11 月 12 日至 22 日在深圳进行访谈。但是，如果以上这段时间不合适，请通知我，我会进行相应的调整或另行安排。

访谈将由我用中文进行，大约持续 45 分钟至一个小时。

在此信后所附加的是访谈的提纲，访谈的具体问题是调研问卷的延续。

我们对您的访谈给予极高的保密，对您的答复绝对不会对内或对外公开，仅作为匿名的此项科研使用。

非常感谢您的宝贵时间并祝您工作愉快!

鲍婵子

博士生

布拉德福德国际发展中心

Appendix 8: Outline for semi-structured interview in English



Outline for semi-structured interview

1. Do you have HRM department? When was it established?
2. What do you think of HRM effectiveness in your company?
3. How do you see your company's current performance?
4. Do you believe that company performance is related to HRM effectiveness?
5. What aspects of HRM do you see as contributing to your company's performance?
6. How do you see the impact of Chinese culture on the development of HR policies in your company?
7. Do you believe that combining Western and Chinese HRM for your company's development provides greater: (a) opportunities (b) challenges?
8. What aspects of your HR policies have been influenced by the HQ?
9. How do you define an effective manager?
10. What skill, competence and knowledge should an effective manager have?
11. What are the main constraints and demands faced by effective managers?
12. How do you see the future developments of your HR policies?

Appendix 9: Outline for semi-structured interview in Chinese



访谈提纲

1. 贵公司有人力资源部门吗? 何时成立的?
2. 你认为公司的人力资源管理有效吗?
3. 你认为公司当前的业绩如何?
4. 你认为贵公司当前的业绩与人力资源管理的有效性有关吗?
5. 你认为哪一方面的人力资源管理对你们公司的业绩发展起作用了?
6. 你认为中国文化对你们公司的人力资源管理政策的发展有何影响?
7. 你认为中西方人力资源管理的融合对你们公司的发展提供了一个机遇还是挑战?
8. 你认为哪一方面的人力资源管理受到了总公司的影响?
9. 你认为一个好的管理者是什么样的?
10. 你认为一个好的管理者应该具备什么样的管理技巧, 能力和知识?
11. 你认为哪些因素会阻碍一个好的管理者的有效发展?
12. 你对你们公司的人力资源政策的发展有何建议?

Appendix 10: Summary of research finding

Model One: the effectiveness of HR policies		Company A	Company B	Company C	Company D
A: HR functions and the role of HR department	1. Existence of HR policies (overall 96%, yes)	Yes	Yes	Yes	Yes
	2. Period of its first establishment (>10yrs)	Yes	No	No	No
	3. HR department's involvement in the strategic planning process (overall 40%, unaware)	Unaware	Unaware	Agree	Even distributed
	4. HR department's role in identifying training needs (overall 73%, agree)	Agree	Agree	Agree	Agree
	5. HR department's role in assisting line managers in carrying out their HR responsibilities (overall 60%, agree)	Agree	Agree	Agree	Agree
	6. Existence of performance appraisal (overall 97%, yes)	Yes	Yes	Yes	Yes
	7. Effectiveness of performance appraisal (overall 44%, yes)	Unsure	Unsure	Yes	Unsure
	8. Promotion criteria (overall, 'competency' and 'loyalty to the company' are common factors to all four companies)	Training, personal connections	Training, long-term potential	Past performance, seniority	Past performance, seniority
B: The alignment of HR policies with business strategies	1. Frequency of reviewing company's HR policies (overall 57%, annual)	Annual	Annual	Annual	Annual
	2. Frequency of reviewing company's business plan (overall 84%, annual)	Annual	Annual	Annual	Annual
	3. The adopted business strategy (overall, 4.66 for the quality enhancement in comparison with 4.53 for innovation of products and service and 4.24 for the cost reduction)	Quality	Quality	Quality	Quality
	4. HR policies 'fit' with the business strategy (overall 46%, yes)	Unaware	Unaware	Yes	Yes
	5. Senior management considers HR policies when adopting organisational strategy (overall 50%, agree)	Unsure	Unsure	Agree	Agree
C. globalisation /localisation	1. whether companies' HR policies were transferred from their HQs (overall 59%, yes)	Yes	Uncertain	Yes	Uncertain
Model Two: the effectiveness of senior management		Company A	Company B	Company C	Company D
	1. Perception of managerial effectiveness (first parameter)	<ul style="list-style-type: none"> Survey (top 3): (i) 'ability to supervise/lead', (ii) 'allocate resources efficiently' and (iii) 'being responsible, conscientious and focused' 			

		<ul style="list-style-type: none"> • Interview: <i>'being honest, responsible and fairness'</i> and <i>'being knowledgeable, competence and experienced'</i> were placed as important leader traits, followed by the identifications of <i>'being concerned with people and their welfare'</i> and <i>'being concerned with production and risk assessment'</i>, along with <i>'problem solving and willing to learn'</i>, <i>'teamwork/participation'</i>, <i>'vision'</i>, <i>'inspiring'</i> and <i>'self-management'</i>
	2. Essential managerial skills (second parameter)	<ul style="list-style-type: none"> • Survey: <i>'managing people'</i> as the most fundamental skill, followed by the skills of <i>'self and career development'</i> and <i>'managing task'</i> • Interviews (top 5): (i) <i>'communication skills'</i>, (ii) <i>'interpersonal skills'</i>, (iii) <i>'analytical and prediction abilities'</i>, (iv) <i>'supervisory skills'</i> and (v) <i>'allocating and delegating skills'</i>
	3. Organisational effectiveness criteria (third parameter)	<ul style="list-style-type: none"> • Survey (3 common key criteria amongst all four companies): (i) <i>'being competitive'</i>, (ii) <i>'increased productivity'</i> and (iii) <i>'meeting targets'</i>
	4. Motivation factors towards effectiveness (fourth parameter)	<ul style="list-style-type: none"> • Survey (top 3 ranking): (i) <i>'Good teamwork'</i> and <i>'Training/self-development'</i>, (ii) <i>'Achieving set goals/targets'</i> and (iii) <i>'Promotion'</i>
	5. Constraints upon effectiveness (fifth parameter)	<ul style="list-style-type: none"> • Survey (top 5): <i>'lack of teamwork'</i>, <i>'ineffective leadership of the organisation'</i>, <i>'lack of resources'</i>, <i>'lack of communication'</i> and <i>'shortage of appropriate staff'</i>
	6. Opportunities for improvement in effectiveness (sixth parameter)	<ul style="list-style-type: none"> • Survey (top 6): <i>'Teamwork'</i>, <i>'Effective communication'</i>, <i>'Necessary resources'</i>, <i>'Appropriate staff'</i>, <i>'Appropriate motivation'</i> and <i>'Training and development'</i>. The first four factors are matched with the identified constraints, and the last two factors are correspondent to the identified motivators.
	7. Nature of intra- and inter-organisational relationships (seventh parameter)	<ul style="list-style-type: none"> • Survey: although it was indicated that senior managers felt that their effectiveness was affected by the overall performance of their organisations, the proportion was marginal with 45% of recognition against 41% of unawareness, signalling the weight of this impact. The other three measurements regarding the impact of intra- and inter- organisational relationships on the effectiveness of SMs (<i>'the influence from the degree of intra-connection with other departments in the same organisation'</i>, <i>'the influence from SMs' networking with others outside the organisation'</i> and <i>'the influence from the company's degree of connection with other organisations nationally and internationally'</i>) were unknown to half of the senior managers, whilst the another half were expressing the contradictory views between them, indicating its limited applications in these four companies.,
	8. Dominant managerial philosophy (eighth parameter)	<ul style="list-style-type: none"> • Survey: it was explored from two aspects: (i) <i>'perception of the key decision-makers'</i> and (ii) <i>'perceived expectation of senior managers'</i>. • Relating to the first aspect, overall nearly 70% of senior mangers did not see themselves as important when coming to decision-making. • Regarding the second aspect, over 70% of senior managers believed that a senior manager should possess the followings: (i) <i>'perception of possessing the right personality, appearance and attitude'</i>, (ii) <i>'perception of being caring, inspirational, visionary and ethical'</i>, (iii) <i>'perception of taking risk and creating opportunities'</i>, (iv) <i>'perception of</i>

		<i>matching senior managerial style with hostile and changing environment' and (v) 'perception of motivating knowledge workers and developing learning organisation'.</i>			
Model Three: the level of firm performance		Company A	Company B	Company C	Company D
	1. Senior managers' perception of the organisational performance in their companies compares to the industry average over the past three years	<ul style="list-style-type: none"> Survey: firm performance of these four companies was measured through the following five indexes in comparison with the industry average over the past three years from 2005 to 2007: (i) 'average return on investment', (ii) 'average profit', (iii) 'profit growth', (iv) 'average return on sales' and (v) 'average market share growth'. Companies A, C and D were above the industry standard. Company B was on the line of the industry average. 			
Model Four: the relationship between firm performance and the effectiveness of HR policies		Company A	Company B	Company C	Company D
A. Relationship between HR policies and firm performance	1. The impact of HR policies on firm performance (frequency analysis)	<ul style="list-style-type: none"> The observation of the whole sample size indicated that relatively higher proportion of senior managers believed that their company's HR policies make a direct and positive impact on firm performance. 			
	2. The influence of HR functions in the success of the companies (frequency analysis)	<ul style="list-style-type: none"> HR functions in this research were dissimilated into four specific areas: (i) 'recruitment and selection', (ii) 'motivation and reward', (iii) 'training and development' and (iv) 'performance appraisal'. On average, over 80% of SMs in all companies agreed upon the influence of HR functions in the success of their companies. 			
	3. The impact of HR policies on firm performance via the exploration of employees' commitment and job satisfaction (frequency analysis)	<ul style="list-style-type: none"> Considering the whole sample, it demonstrated that all four companies (over 60%) recognised the importance of HR policies in enhancing employee commitment and increasing job satisfaction amongst the workforce, the consequences of which result in a superior firm performance. 			
	4. HR policies creating competitive advantages and being influenced by SMs' effectiveness (frequency analysis)	<ul style="list-style-type: none"> Over 60% of the overall responses recognised that their company's HR policies are creating competitive advantages and believed that their effectiveness affect HR policies. 			
	5. Relationship between HR policies and firm performance (correlation and regression)	<ul style="list-style-type: none"> Correlation and regression tests indicated that firm performance is positively associated with the HR policies that can generate competitive advantage, enhance employee commitment, increase job satisfaction. In addition, it also stressed the role of senior managers and their effectiveness in influencing HR polices, which in turn affects the firm performance. 			
B. Relationship between the integration of HR policies with business strategy and firm performance	1. HR policies 'fit' with the business strategy (frequency analysis referring to point 4 in section B of Model One), its relationship with firm performance (correlation and regression)	<ul style="list-style-type: none"> Drawing from the frequency analysis, a relatively higher proportion of senior managers believe that their company's HR policies integrate with their business strategies. Relating this to the firm performance, overall, this variable was found statistically significant, indicating the HR polices that fit with the business strategies positively affect the firm performance. 			
	2. Senior management considers HR policies when adopting organisational strategy (frequency analysis referring to point 5 in section B of	<ul style="list-style-type: none"> The majority responses from the whole sample size suggested that their senior management considers HR policies when adopting the organisational strategy, whereas this was further examined through correlation and regression tests. Overall, it was found a positive 			

	Model One), its relationship with firm performance (correlation and regression)	statistically significant association between this variable and firm performance. It thereafter reflected the importance of seeking strategic fit between HR polices and business objectives, in particular, with regards to the attention and recognition that senior management devote to the HR polices when considering the business strategy, the outcome of which is suggested to make positive impact upon firm performance.			
C. Relationship between the degree of achieving business plan and firm performance	1. The level of the achievement in business plan (frequency analysis), its relationship with firm performance (correlation and regression)	<ul style="list-style-type: none"> The success of business plan was measured from (i) 'achievement of intended outcomes', (ii) 'achievement of expected financial performance', (iii) 'implementation of the business plan within the expected time' and (iv) 'implementation of the business plan within the predicted cost'. Over 80% of SMs in all four companies believed that their business plan was well attained to have achieved what it was meant to be. Correlation and regression tests found a positive statistical significant association, indicating firm performance is closely linked with a business plan which has been accomplished based on all four measurements. 			
D. Relationship between the impact of national culture on HR policies with firm performance	1. Examining the direct impact of national culture from a general perspective upon firm performance (frequency analysis, correlation and regression)	<ul style="list-style-type: none"> The frequency analysis from the whole sample (approximately 50% relating to 33% of unknown) illustrated that national culture has a direct impact on firm performance, then correlation and regression tests revealed a positive statistical significant association between the influence of national culture and firm performance. 			
	2. Examining the influence of the five cultural value dimensions of Hofstede (1980, 1993) (i.e. power distance, uncertainty avoidance, collectivism/individualism, femininity/masculinity and long-term/short-term orientation) and the two dominant characteristics of Chinese cultural values originated in Confucianism: 'guanxi' (personal connections) and 'mainzi' (preserving face) (Lockett,1988) from a specific perspective in the formulation and implementation of HR policies (frequency analysis).	<ul style="list-style-type: none"> Frequency analysis from the whole sample revealed that China is high in power distance, and low in uncertainty avoidance, low in collectivism, low in long-term orientation, low in femininity, low in personal connections and preserving face in making an impact upon the formulation and implementation of HR policies. It suggested that considering a certain pattern of behaviour, whereas risk taking is encouraged, unequal power distribution is accepted, seeking individual interest over group is recommended, gaining short-term benefits is favoured, material and competition driven approach is valued, leads to better performed HR policies. 			
Model Five: the relationship between firm performance and the effectiveness of senior managers		Company A	Company B	Company C	Company D
A. Relationship between firm performance and the perceived role of senior managers	1. Examining the perception of senior managers on their role in the process of decision-making (frequency analysis referring to the first aspect of point 8 in Model Two). The impact of this perception on the firm performance is assessed (correlation and regression)	<ul style="list-style-type: none"> According to the overall frequency analysis, nearly 70% of senior managers did not regard themselves as important when coming to the decision-making. Furthermore, the regression test found a negative significant association between this variable and firm performance, indicating this perception negatively affects the performance of the firm. In other words, senior managers who can see themselves as playing a key role in making decision might improve the business performance. 			

<p>B. Relationship between firm performance and the expectation of senior managers</p>	<p>1. Examining the expectation and the influence of senior managers (frequency analysis referring to point 1 and the second aspect of point 8 in Model Two), its relationship with firm performance (correlation and regression)</p>	<ul style="list-style-type: none"> • A series of statistical process was undertaken, such as frequency analysis, correlation and regression tests, the result of which indicated that an effective senior manager as the one that the majority of respondents described can contribute to the improvement of firm performance. In detail, respondents expect an effective manager be honest, responsible, fairness, conscientious and focused, and be concerned with people and their welfare, then focus on production and efficient allocation of resource. Being knowledgeable and experienced and having the abilities to lead the subordinates and the organisation as a whole is also noted as one of their expectations for what an effective manager should be. • Firm performance can also be enhanced by SMs who have the right personality, appearance and attitude, not only be caring, inspirational, visionary and ethical, but also be able to take risk, adaptive to different situations and create opportunities for the organisation.
<p>C. Relationship between firm performance and essential managerial skills</p>	<p>1. Examining the believed essential managerial skills of senior managers (frequency analysis referring to point 2 in Model Two), and its relationship with firm performance (correlation and regression)</p>	<ul style="list-style-type: none"> • Although based on the frequency analysis, managing people, communication, interpersonal followed by managing tasks, allocation and delegation were perceived as essential skills of ensuring senior managers' effectiveness, these were found statistically insignificant with firm performance.
<p>D. Relationship between firm performance and the criteria for measuring organisational effectiveness</p>	<p>1. Examining the criteria for measuring organisational effectiveness (frequency analysis referring to point 3 in Model Two), and its relationship with firm performance (correlation and regression)</p>	<ul style="list-style-type: none"> • Although according to the frequency analysis, it listed the criteria of 'being competitive', 'increased productivity' and 'meeting targets' as the top three key measurements as perceived by its senior managers, and the regression test showed that overall this variable is found statistically significant, however, a different set of variables (i.e. 'planning abilities' and 'time management') were regarded as influential factors positively affecting the firm performance.
<p>E. Relationship between firm performance and the constraints of preventing senior managers from being effective</p>	<p>1. Examining the constraints of preventing senior managers from being effective (frequency analysis referring to point 5 in Model Two), and its relationship with firm performance (correlation and regression)</p>	<ul style="list-style-type: none"> • Although frequency analysis showed that as a whole, 'lack of teamwork', 'ineffective leadership of the organisation', 'lack of resources', 'lack of communication' and 'shortage of appropriate staff' were selected to be the main difficulties encountered by the senior managers in these four Foreign MNCs, moreover, the regression test further revealed that in general this variable is found statistically significant, but with a special reference to a different set of constraints, where 'the necessity of relevant people skills' was highlighted and 'the value of gaining resources' was strengthened.
<p>F. Relationship between firm performance and the provision of opportunities by the organisation</p>	<p>1. Examining the provision of choices for improving senior managers' effectiveness (frequency analysis referring to point 6 in Model Two), and its relationship with firm performance (correlation and regression)</p>	<ul style="list-style-type: none"> • Although frequency analysis showed that senior managers have identified a number of areas that they would like to obtain the organisational support, such as the opportunities for teamworking, effective communication, necessary resources, appropriate staff, appropriate motivation, training and development, but the regression test found these are not statistically significant with firm performance.

PUBLICATIONS OF THE AUTHOR

- Bao, C. (2009) Comparison of Public and Private Sector Managerial Effectiveness in China: A Three-Parameter Approach, *Journal of Management Development*, 28 (6): 533-542.
- A paper of '*an exploration of the impact of strategic international human resource management on firm performance: the case of foreign MNCs in China*' was presented in the conference of '2010 European Applied Business Research Conference' in Dublin, Ireland on 7-10 June 2010
- A paper of '*comparison of public and private sector managerial effectiveness: a three parameter approach*' was presented in the conference of 'New Public Sector Reform and its Managerial Challenges' in Bradford Centre for International Development, University of Bradford on 20 February 2008
- A paper of '*an exploration into managerial effectiveness: the case of MNCs' Chinese subsidiaries*' was presented in the conference of British Academy of Management, Human Resource Management Special Interest Group Conference, 'Challenges in Researching HRM' in Kingston University on 28-29 April 2008