MULTINATIONALS AND LOCALS: HRM RHETORIC AND REALITY IN HONG KONG

Paper submitted to the Conference Paris 16-17/11/00

Id No. 137 ARGH

Peter McGraw
Macquarie University Graduate School of Management
NSW, 2109, Australia
Tel: 61 2 9850 9034
Fax: 61 2 9850 9019
Email: Peter.McGraw@mq.edu.au

MULTINATIONALS AND LOCALS: HRM RHETORIC AND REALITY IN HONG KONG

Id No. 137

Affiliation: Confirmed scholar

MULTINATIONALS AND LOCALS: HRM RHETORIC AND REALITY IN HONG KONG

Summary

Building upon a cultural values perspective, country of origin effects are explored in relation to HR issues for organisations operating in Hong Kong. The results of a study of human resource management (HRM) values and practices are discussed. The data from a survey of the perceptions of 306 local managers is presented and comparisons are made between the HR values and practices in firms composing two main ownership sub groups: Local Ethnic Chinese and subsidiaries of Anglo-American Multi-National Companies (MNCs).

The analysis indicates that the espoused values and values in practice of both sub-groups of organisations vary significantly on ten out of fifteen dimensions. HR practices between the two groups vary significantly in all fifteen areas selected for examination. Perceptions of the strategic direction of HR and the influence of the HR function were found to vary between line and HR managers. Overall, the conclusions support the findings of previous research in the area but are more pronounced.

MULTINATIONALS AND LOCALS: HRM RHETORIC AND REALITY IN HONG KONG

INTRODUCTION

Employment practices in Multi-National Companies (MNCs) have received an increasing amount of academic attention recently (Ferner, 1997; Hannon, Huang and Jaw, 1995; Rosenweig and Nohria, 1994; Tregaskis, 1998; Wright and Mitsuhashi, 1998)). This is consistent with the upsurge in the last decade, of academic interest in the wider field of international human resource management (Schuler, Dowling and De Cieri, 1993; Taylor, Beechler and Napier, 1996). In turn interest in international HRM has been galvanised by claims that effective HRM can make an enduring contribution to the economic success of organisations (Arthur, 1994; Cutcher-Gershenfeld, 1991; Gerhart and Milkovich, 1990; Huselid, 1995; Huselid and Becker, 1996; MacDuffie, 1995; Pfeffer, 1994; Wright and McMahan, 1992). The principal argument made in support of this claim is that human resources, unlike other sources of competitive advantage such as technology, and finance, cannot be easily and quickly replicated or imitated by competitors (Baird and Meshoulam, 1988; Lengnick-Hall and Lengnick-Hall, 1988). To paraphrase Hamel and Prahalad (1990) the outcomes of effective HR practices can be viewed as 'core capabilities'.

Similar practitioner arguments in favour of maximising the use human capital have been increasingly heard from MNCs as they have sought to cope with a number of challenges. First, to maximise the benefits of global integration in an increasingly competitive environment. Second, to respond to increased competition as more and more companies operate across national borders (Shenkar, 1995). Third, to benchmark international management practices, both inside and outside the firm. This has become an increasingly influential driver of change in many organisations worldwide (Martin and Beaumont, 1998). Benchmarking has been stimulated by the increased pace of diffusion of management systems and ideologies and has been facilitated by improved communication technologies, the continued internationalisation of business and the global ascendancy of managerial paradigms such as those associated with international quality standards.

In noting the increased pace and volume of international activity, some pundits have argued that with increasing globalisation, organisations are starting to transcend their national boundaries and are becoming 'stateless' players (Economist, 1995; Strange, 1996). Moreover, in doing so it can be argued that the reference points for comparison and evaluation of managerial systems are no longer the reference points of home country best practice. Rather, MNCs tend to look to one another globally for ideas concerning best practice. Viewed from this perspective MNCs are becoming supra-national organisations who carry their own elite managerial systems around with them and look primarily to each other for ideas. The alternative perspective has been put in two recent reviews. The first by Pauly and Reich (1997) argues that there is little evidence of convergence of MNC practices. On the contrary, it is argued, there is substantial evidence that MNCs from Germany, Japan and the US continue to diverge fairly systematically in major areas such as internal governance, financing structures, overseas investment and intrafirm trading strategies. In the same vein, Rugman (1999) has argued that whilst MNCs may well be the engines of globalisation they are much more likely to coordinate activity at a regional level and still focus activity at locally. Essentially what we are witnessing in this debate is a new round of the convergence versus divergence debate which has been going on since the late 1950s (Child, 1981; Hofstede, 1980; Olie, 1995; Schneider and De Meyer, 1991). What is different about the current debate is that the focus is now more on management practices within companies, particularly MNCs and less about the evolution of national systems of management

The data presented in this paper add to the re-emerging debate about the convergence or divergence of managerial practices as a result of globalisation, particularly HR practices. The transfer of HRM practices from one country to another is often problematic and raises a host of practical and academic issues revolving around the extent to which the local subsidiary of the MNC aligns practice with the rest of the corporation (headquarters in particular) rather than the local environment.

The paper also considers staffing practices within MNCs, which are critical to the spread of institutional isomorphism, and how these relate to MNC strategy. Underlying both of these areas is the multi-faceted issue of culture, corporate and national, and how best to create cultural synergy, or at a minimum avoid cultural incompatibility. This too has recently become a major managerial concern for international organisations. (Adler,1995; Bartlett and Ghoshal, 1989; Olie, 1995; Rosenweig and Nohria, 1992).

MNC Staffing Issues

As well as issues of convergence and divergence noted above, the debate about the forces that shape staffing policies internationally is further complicated if the strategic staffing issues confronting MNCs are considered. Traditionally, the main approaches to MNC staffing and decision making have been categorised using four terms; ethnocentric, whereby local subsidiaries have limited autonomy and senior management positions are dominated by expatriates; polycentric, in which MNC subsidiaries have high levels of autonomy and are generally managed by locals; geocentric, whereby the organisation pursues a worldwide integrated business strategy and chooses staff from a global pool; and regiocentric, in which staffing and decision making tend to gravitate towards regional centres. (Ondrack, 1985). More recently authors such as Bartlett and Ghoshal (1989) have argued that such typologies do not accurately represent the internal differentiation that is evident in MNCs as they struggle with the combined pressures of being globally efficient, locally responsive and synergistic in terms of the diffusion of innovation. In other words the MNC structure is determined by the interaction of competing pressures for internal consistency on the one hand (institutional isomorphism) versus alignment with the local environment on the other (local isomorphism). Moreover, the various functions of management may be affected by these pressures to different degrees. Thus in finance there may be strong pressure for centralisation whereas in marketing the requirement for local responsiveness may be paramount. In the area of HRM this issue is of critical importance as organisations struggle with the need to conform to local standards (eg. trade union recognition), be administratively centralised and thus efficient (eg. using the same performance management system to evaluate employees globally), and spread international best practice throughout the organisation (eg. 'best practice' management systems such as ISO standards).

Research studies to date have specifically addressed two issues related to the above. First, nationality of ownership and its significance in determining MNC HR practice. The majority of the existing work in this area contrasts the behaviour of US multinationals with Japanese and European firms. Several studies have indicated that US MNCs tend to be more centralised and formalised in the management of their HRM than their European or Japanese counterparts. They are more likely to 'export' their HR practices. Second, HRM issues concerning operational staff in MNC subsidiaries are more likely to be locally isomorphic than those relating to management which are more likely to be institutionally isomorphic (Rosenweig and Nohria, 1994). Moreover, whereas issues related directly to the local environment such as hours of work or industrial relations are likely to follow local regulation, other aspects of HRM such as training and development and performance management systems are more likely to be influenced by internal organisational systems originating in the home country (Ferner, 1997).

Existing empirical data indicate that finance and manufacturing are likely to be centralised throughout the organisation whereas HRM tends to closely follow local practices (Kobayashi, 1982). There are three main reasons for HR practices primarily following local rather than headquarters practice. First, local labour laws or regulation may prescribe a uniform standard of employment practices. Second, labour market realities in the local market tend to preclude any practices, which are too far beyond local norms. Third, MNCs may prefer to conform to local practices for reasons related to political expediency and the desire to avoid unnecessary attention (Rosenweig and Nohria, 1992).

It is important to note here, however, that MNCs following different staffing strategies may have different business strategies and hence different overall HRM strategies. Evans and Lorange (1989) have noted that ethnocentric companies tend to be HR innovators in their overseas subsidiaries, whereas polycentric firms are more likely to be adaptors to the local environment. This has implications for the debate about culture and convergence as Evans and Lorange (1989) also note that in, for example, the area of recruitment firms which manage their workforce globally are more likely to select and

recruit people in any given county who fit the company's cultural values whereas polycentric firms are more likely to recruit people whose cultural values reflect those of the country of operation.

The Influence Of Culture On Management Practices In Hong Kong

As can be seen in Table 1, which presents Hofstede's (1993) data, Hong Kong and the USA are at opposite ends of the ranking on three out of five dimensions of culture: power distance; individualism; and long term orientation.

TABLE 1
Table 1: Hofstede's Culture Dimensions Scores

	Hong Kong	USA
Power Distance	68 H	40 L
Individualism	25 L	91 H
Masculinity	57 H	62 H
Uncertainty Avoidance	29 L	46 L
Long Term Orientation	96 H	29 L

A consequence of this cultural variation is claimed by authors such as Redding (1993) to be a vastly different style of management in firms, which are controlled by Ethnic, Chinese business people. This is explained as a manifestation, primarily, of the values of Confucianism, although the history of persecution of the Chinese by various regimes is also a factor, particularly as regards the aversion to formal written business policies.

The essence of Confucianism is thought to be encapsulated in five Chinese terms. *Jen*, or human heartedness, is about respect for others and oneself. *Chuntzu*, or 'the Superior Man' is someone who is self reliant and assured but not selfish and seeks to accommodate others as much as possible. *Li*, which can literally mean ritual, concerns proper conduct and the way that things should be done. This involves issues such as proper relationships within the family, eg. filial piety, as well as relationships between friends and superiors and subordinates. *Te*, concerns the power by which rulers should exert their influence, by moral example rather than force. Lastly, *Wen* relates to the prominence, which should be given to the arts as a method of moral education and a means to achieve peace. Woven through each of these principles is the concept of social sensitivity and propriety, which is, captured in the term 'face'. Face involves behaving in accordance with the customs and practices of society which facilitate co-operation and allow people to preserve dignity in social transactions and thereby retain prestige and self respect (Gannon, 1994).

Reflecting the values of Confucianism, Redding (1993) has argued that firms, which are owned and controlled by Ethnic Chinese businesspeople, tend to be overwhelmingly 'patrimonial' which according to Redding
 '…is the only word which captures adequately the themes of paternalism, hierarchy, responsibility, mutual obligation, family atmosphere, personalism and protection. Out of it (patrimonialism) flow three related themes which are in some sense expressions of it, namely: the idea that power cannot really exist unless it is connected to ownership; a distinct style of benevolently autocratic leadership; and personalistic as opposed to neutral relations.' (1993, 155).
The consequences of this approach in terms of HR practices in ethnic Chinese businesses when compared with western owned businesses are: less extensive career development and promotion procedures, except for family members; less reliance on formal performance appraisal and feedback; a more authoritarian management style; less emphasis on the empowerment of the workforce; lower levels of staff training; low levels of explicit job analysis; a high emphasis on the management of extrinsic rewards; lower levels of welfare and fringe benefits; and a low emphasis on formal industrial relations procedure and safety management (Shaw, Tang, Fisher and Kirkbride, 1993).

This paper canvasses the issues discussed above and examines perceptions of culture, HR practices and values from an original sample of 306 employed middle managers in Hong Kong. The study takes as its starting point the previous research which suggests that HR practices are likely to vary between

ethnic Chinese and Anglo-American organisations. However, this study makes a more explicit exploration of the espoused and practiced values in organisations and their relationship to HR practices. In order to make comparisons the responses are divided into two sub-samples. The first sub-sample consists of 113 managers, who work for local subsidiaries of Anglo-American multi-nationals. The second sub-sample consists of 108 managers who work for locally owned organisations. For the purposes of these comparisons, responses of managers from other than these two ownership groups are excluded from the analysis.

FINDINGS OF PREVIOUS RESEARCH STUDIES ON HR IN HONG KONG

In corroboration of Redding's work and the culturally determined predictions about HR in ethnic Chinese organisations in Hong Kong, Saha (1987) found that HR was a non-strategic activity that was mainly concerned with administrative and payroll related tasks. However, HR did have a more influential role in larger publicly listed companies. Kirkbride and Tang (1989) confirmed the low level of influence of HR in small firms and also noted a low level of HR professionalism. In large organisations Kirkbride and Tang (1989) found that HR was mainly involved in the areas of recruitment, salary administration and training with limited discretion in HR planning. HR had little involvement in work organisation, occupational health and safety and job evaluation.

Shaw, et al (1993), in their comparison of Anglo-American and Chinese firms found that, on the whole, the cultural background of the owner of the firm was a relatively weak predictor of HR practices. However, Anglo-American firms were more likely than Chinese firms to: use formal performance appraisal systems; use more technical methods to assess the value of jobs; and provide more welfare and fringe benefits. Anglo-American firms also provided more training and displayed a higher use of more formal written procedures although neither of these were statistically significant in the study (p.810). According to Shaw et al (1993) the best predictors of HR in Hong Kong were firm size and the existence of specialised training units within the organisations. Moderate predictors were the existence of HR departments and the level of unionisation.

Ngo, Turban, Lau and Lui (1998, 642) found country of origin effects to be evident in the HR practices of Japanese, British, US and local firms. Specifically, that Chinese firms provided less training and development than British and US firms, were less diverse and were slightly less likely to provide retention oriented compensation. Interestingly, in the context of the research reported in this paper no differences were found in the HRM practices of British or US firms. None of the studies reported above examined values espoused and practiced by the organisations as this work does.

METHOD

The overall aim of this study was to add to and extend the limited research on HR practices in Hong Kong, and to investigate the primary differences between HR practices and values in ethnic Chinese and Anglo-American firms. The data reported in this study was collected via questionnaires from a convenient sample of 306 employed managers based in Hong Kong. At the time of the surveys, the respondents were studying for a part time Masters of Management degree, which is taught in Hong Kong by the author's university. On average, respondents had just less than 10 years experience as managers. Data was collected by the author and colleagues directly on several occasions during the period 1998 -2000.

The surveys consisted of 23 question 13 of which collected background information on the respondents and their organisations. The main part of the questionnaire consisted of 3 questions, each of which contained multiple items, seeking information from respondents on issues central to the study. Respondents were asked to indicate their agreement or disagreement to statements using a five point continuous scale with behavioural anchors at each point. These questions examined; espoused values in their organisations (15 items), practiced values in their organisations (15 items), and HR practices in their organisations (15 items).

Three further questions asked respondent to indicate the degree of influence exercised by HR in HR matters, in ensuring strategic alignment of HR and in general business direction. Three final questions asked for qualitative information on the overall role and philosophy of HR in the organisation.

Respondents were almost exclusively ethnic Chinese, 55% female, 78% private sector and 59% worked for a multi-national organisation.   All standard industry classifications were represented in the sample with the majority coming from; manufacturing – 13%; financial services – 12%; transportation – 8% and multiple business areas 8%.   Sixty three percent of respondents worked for organisations with more than 100 employees in Hong Kong and 40% percent worked for organisations with more than 500 employees in Hong Kong. The ownership pattern of the firms reported in the sample fell into 2 main groups with 38% employed in organisations owned by Ethnic Chinese and 36% in organisations of Anglo-American origin. Comparisons of the aggregate responses of these two groups form the basis for the majority of the analysis that follows.

RESULTS

Respondents were asked to judge, on a 5-point scale, the extent to which their organisation espoused 15 typical HR values, which were generated from various western normative models of HR as well as material on Chinese values. In the scale used in the questionnaire, 5 indicated a very high emphasis and 1 equalled a very low emphasis. The mean responses to this question for the ethnic Chinese and Anglo-American sub groups are presented in Table 2.

TABLE 2
Table 2 Espoused Values

	ORGANISATIONAL OWNERSHIP					
	Chinese	n=108	Anglo-American n=113			
	Mean	s.d	Mean	s.d	t-value	sig.
Centralised decision making	3.80	.88	3.25	.92	4.51	.000***
Conformity with group behaviour/norms.	3.51	.85	3.58	.83	-.617	.538
Contribution of ideas and opinions.	3.29	.93	3.75	.86	-3.74	.000***
Decentralisation of authority	2.84	.96	3.35	.88	-4.10	.000***
Delegation of authority	3.27	.91	3.66	.77	-3.37	.001***
Encourage diversity of thinking	3.04	.99	3.62	.87	-4.59	.000***
Maintaining face	3.72	.88	3.27	.99	3.54	.000***
Maintaining group harmony	3.87	.96	3.74	.77	.341	.733
Hierarchical relationship	3.45	.91	3.00	.99	3.46	.001***
Following instructions precisely	3.62	.83	3.52	.91	.91	.364
Respect of authority	3.75	.76	3.61	.82	1.22	.224

	Mean	s.d	Mean	s.d	t-value	sig.
Risk taking	2.72	1.12	3.00	.92	-1.95	.054
Staff involvement in decision making	2.79	.99	3.39	.89	-4.73	.000***
Symbolic egalitarianism	2.77	.91	3.23	.81	-3.81	.000***
Toleration of diversity	2.89	.97	3.23	.89	-2.64	.009**

* $p < .05$. ** $p < .01$ level. *** $p < .001$

The variation in means is in the expected direction in almost all cases with the Chinese sample reflecting a higher level of espoused values associated with centralisation, hierarchy and maintaining face whilst the Anglo-American organisations espoused values such as delegation, symbolic egalitarianism, diversity of thought and staff involvement. Independent sample t-tests were conducted on all of the means in Table 2 indicating significant differences in ten areas.

The survey also asked respondents to nominate the extent to which their organisation practiced these same 15 values. Responses to this question are summarised in Table 3.

TABLE 3
Values in Practice

		ORGANISATIONAL OWNERSHIP				
	Chinese	n=108	Anglo-American n=113			
	Mean	s.d	Mean	s.d	t-value	sig.
Centralised decision making	3.94	.91	3.47	.85	4.52	.000***
Conformity with group behaviour/norms.	3.48	.84	3.45	.85	-.61	.538
Contribution of ideas and opinions.	2.82	.84	3.33	.86	-3.73	.000***
Decentralisation of authority	2.42	.83	2.85	.93	-4.10	.000***
Delegation of authority	2.77	.97	3.18	.87	-3.29	.001***
Encourage diversity of thinking	2.68	.92	3.14	.87	-4.59	.000***
Maintaining face	3.84	1.03	3.29	1.04	3.54	.000***
Maintaining group harmony	3.26	.94	3.50	.71	.35	.738
Hierarchical relationship	3.53	.95	3.33	.98	3.47	.001***
Following instructions precisely	3.65	.89	3.37	.93	.91	.365
Respect of authority	3.61	.93	3.45	.89	1.22	.224
Risk taking	2.52	.97	2.81	.92	-1.94	.054

	Mean	s.d	Mean	s.d	t-value	sig.
Staff involvement in decision making	2.49	.88	2.99	.93	-4.73	.000***
Symbolic egalitarianism	2.51	.92	2.80	.84	-3.81	.000***
Toleration of diversity in practice	2.68	.86	2.85	.85	-2.64	.009**

*$p < .05$. **$p < .01$ level. ***$p < .001$

Table 3 indicates that, for both the Chinese and Anglo-American sub-samples there is a striking difference of mean scores between espoused and practiced values. Means for practiced values are lower than those espoused on 11 out of 15 items - those broadly associated with a 'modern' style of management: decentralisation, delegation, empowerment, diversity, risk taking. Moreover, three of the values that scored higher in practice: centralised decision making, emphasis on hierarchy, following instructions precisely (Anglo-American) also indicated a 'non-modern' management style. Overall, this suggests that both groups espouse a rhetoric of modern management practice that they are not seen to uphold to the same level in practice.

However, significant differences between the two sub groups were constant across espoused and practiced values indicating that whilst neither group 'practices what they preach', they nonetheless preach and practice at significantly different levels.

Overall, these results provide strong support for the expected finding that ethnic Chinese firms are more likely to espouse and practice values associated with centralised decision making, hierarchy, respect for authority and caution whilst Anglo-American firms, by comparison, are more likely to espouse and practice decentralisation, delegation, diversity, empowerment and symbolic egalitarianism.

In relation to HR practices, respondents were asked to rate the degree of systematic practice/informality on a 5-point scale in relation to 15 key areas. Formality and informality were the terms used in order to determine whether the organisations had explicit and formal HR systems which were intended to provide uniformity of practice and could be administered impartially, or implicit system where an individual manager could make relatively ad hoc decisions without reference to policy or procedure. Drawing on the experience of Shaw et al (1993), who found that multiple measures of single HR practices yielded the same results, respondents were asked only to make an overall assessment of formality/informality in each of the HR areas.

TABLE 4
HR Practices

ORGANISATIONAL OWNERSHIP						
	Chinese	n=108	Anglo-American n=113			
	Mean	s.d	Mean	s.d	t-value	sig.
Performance Appraisal	3.27	1.36	4.00	1.19	-4.21	.000***
Recruitment and Selection	3.40	1.07	3.93	.93	-3.89	.000***
Compensation and Benefits	3.64	1.11	4.35	.93	-5.11	.000***
Training and Development	2.90	1.28	3.52	1.19	-3.68	.000***
Job Analysis	2.51	1.21	3.36	1.19	-2.65	.009**
Succession Planning	2.24	1.18	3.27	1.12	-6.55	.000***
HR Planning	2.60	1.17	3.43	1.19	-5.19	.000***

	Mean	s. d.	Mean	s. d.	t-value	sig.
EEO	2.66	1.08	3.54	1.17	-5.07	.000***
OHS	3.11	1.28	3.73	1.17	-3.73	.000***
IR	2.49	1.22	2.88	1.33	-2.23	.027*
Employee Communication	2.76	.96	3.28	.89	-4.12	.000***
Grievance Procedures	2.58	1.30	3.22	1.11	-3.91	.000***
Organisational Structure	3.75	1.10	4.38	.77	-4.85	.000***
Promotion of Diversity	2.77	1.13	3.31	1.06	-3.62	.000***
Employee Involvement	2.57	1.01	3.14	.96	-4.25	.000***

*p < .05. **p < .01 level. ***p < .001

Mean values for the 2 sub-groups are presented in Table 4, where 5 indicates a formal system and 1 indicates a completely informal system. As can be seen from Table 4 the means for HR practices between the two groups vary in the predicted direction on every item with Anglo-American firms more likely to use formal and systematic HR processes. Independent sample t-tests indicate a significant difference on all HR practices between the two groups. These differences are consistent with the previous research discussed earlier but much more pronounced. They indicate a very substantial variation in HR practice between the two sub-groups.

Respondents were asked three questions about the influence of HR in their organisations. Table 5 summarises the mean responses to the questions by group where 5 is very high and 1 is very low. HR influence on HR matters is low for the Chinese sub-sample and moderate for the Anglo-American sub-sample. The Anglo-American sub-sample reported a low/moderate strategic focus for HR whereas the ethnic Chinese sub-sample reported a very low strategic focus. In relation to HR influence in overall business direction, the Chinese sub-sample reported a very low influence whereas the Anglo-American sub-sample reported a moderate influence. Independent sample t-tests were conducted on mean responses of the two sub-groups and all were found to be significantly different. Responses to these questions were further analysed by splitting the responses between HR managers (n=116 or 38%) and line managers (n=190 or 62%). Mean responses for HR managers were higher for all questions and independent sample t-tests indicated significant difference on HR influence and strategic focus of HR. Neither group thought HR had a significant influence over business direction with low mean scores from both groups. Not suprisingly, however, HR managers estimated that HR had a much higher influence on employment matters (3.37 against 2.75) and that HR was strategically focussed (2.93 against 2.54).

TABLE 5
Influence of HR

	Organisational Ownership					
	Ethnic Chinese n=108		Anglo-American n=113			
	Mean	s. d.	Mean	s. d.	t-value	sig.
HR Influence in employment issues	2.76	1.05	3.25	.96	-3.54	.000***
HR influence in business direction	2.19	.87	2.65	.98	-3.62	.000***
Strategic focus of HR	2.29	.96	3.02	.99	-5.48	.000***

*p < .05. **p < .01 level. ***p < .001

Previous research into HR practices (Shaw et al, 1993) has indicated that organisational size should be an important variable in determining the sophistication and formality of HR practices. Confirmation of

this was found when a comparison of means was conducted that indicated far higher scores in organisations with more that 500 employees. In order to investigate the relative importance of this as an explanatory factor two procedures were conducted. First, a crosstabulation procedure was done which showed a relatively even spread of organisational sizes across both sub-samples. Second, t-tests were conducted on different size categories using identical grouping variables as for the earlier analysis. Comparative results across the different size categories showed almost identical differences between the two sub-samples as the combined results for all size categories. Thus size of organisation was found to influence the practice of HR in Hong Kong with larger organisations being more likely to have sophisticated HR practices but this was consistent across size categories within both sub-samples.

IMPLICATIONS

The data relating to values is consistent with the extreme variation in HR practices evident in the data. All fifteen practices varied significantly between the sub-groups, with all variations in the expected direction. This confirms the findings of previous research in the general area of Chinese values in business and specifically extends this work into the domain of HRM. It is suggestive that there is a robust link between HR values and HR practices notwithstanding the gap between espoused and practiced values. The implication of this is that, as is often reported anecdotally, Chinese firms are less attractive for many employees in Hong Kong. In particular, Chinese firms offer fewer opportunities for career development, professional and personal growth than Anglo-American companies. This finding is particularly true for HR practitioners who find that the kind of work which they are called upon to do in Chinese firms leads them to see themselves as 'Personnel Managers' rather than HR practitioners. This was reflected in many of the open ended comments made on the surveys. For a profession which is striving for legitimacy in Hong Kong, and which is a long way behind Anglo-Saxon countries in this regard, this is a serious issue. Many of HR professionals regard working for an overseas MNC as more professionally rewarding and stimulating than working in a local firm. Lack of attractiveness in the labour market is a very serious issue in Hong Kong. Prior to the 1997 Asian downturn 'Job Hopping' was regarded to be one of the key labour market issues. The job hopping phenomena has not been so much in evidence since 1997 but with the prospects of full recovery on the horizon, it may well return to the particular disadvantage of local firms. Unfortunately the current study did not collect hard data on turnover rates but it would seem reasonable to hypothesise that turnover rates would be higher in local firms. At the very least local firms may end up paying a wages premium to attract workers who would otherwise look elsewhere. This would be contrary to the current practice of the majority of local firms, with a few notable exceptions, of paying around the fiftieth percentile in the labour market. The long term implications of this lack of appeal as 'the war for talent' in the knowledge economy becomes more intense remain to be seen. Further research could investigate whether there are higher turnover rates in Chinese firms as opposed to MNCs.

The study supports previous research findings from Hong Kong that suggests that HR tends to be a non-strategic activity, especially in ethnic Chinese firms. In particular, the study supports previous findings of a lower usage of formal and systematic HR procedures in ethnic Chinese firms. Firm size was found to be a significant influence on HR practice but within each size category ethnic origin of the employing organisation was still found to be significant in influencing HR practice. One of the most fundamental differences between Chinese firms and MNCs is the much lower use of any formal planning involvement of HR in the former. Several HR Managers from Chinese organisations noted with obvious frustration their lack of involvement in long term planning activities in areas such as human resource planning, training, succession planning and job analysis. The reason attributed to this is the generally restricted flow of information in Chinese firms other than to family members or their small circle of trusted confidants. Secrecy about changes in business direction or strategy was noted to damage the ability of HR to plan properly. Many respondents noted that this forced them into a reactive stance when the changes eventually became public. Further comments on the unique character of Chinese firms noted the subversion of HR processes such as performance appraisal through the traditional relationship between boss and subordinate whereby bosses protect subordinates and give them good ratings in exchange for loyalty and freedom from criticism. Power distance and its consequences (Hofstede, 1980) is still a major issues in Chinese organisations. In sum, all of the differences noted in formal HR systems are manifestations of deeper underlying differences in culture and business systems which indicate a profound ongoing divergence.

The tantalising question is whether or not this makes any difference to economic performance in these companies. Recent research evidence from the U.S.A. showing strong correlations between sophisticated HR practices and firm performance (Huselid, 1995) suggest that it should. Against this must be offset the outstanding economic performance of 'overseas Chinese' firms in the last two decades which does not suggest that lack of sophisticated HR has held them back. From one perspective, it could be argued that a cost minimisation approach to HR is a contributor to economic performance since HR can be viewed as a non value adding function. The latter may be indicative of a different national, or at least cultural, model of success. On the other hand maybe the costs of implementing and maintaining sophisticated HR systems in Chinese firms would have been offset by the benefits deriving from a more motivated and committed workforce and that they would have performed even better in the last two decades had these been present. Again further research to assess this question is warranted.

In relation to the issue of convergence and divergence, discussed at the beginning of this paper, the variation in HR practices would indicate that Anglo-American firms are 'exporting' some of their HR practices. The reluctance of ethnic Chinese owners to engage in formal HR practices, particularly in the planning area, would indicate that the typical Chinese organisation is still informal, implicitly structured and personalised, suggesting a pronounced divergence from the Western HRM paradigm and a strong influence of the Confucian and 'overseas' heritage. An interesting feature of the data in this paper is that it almost exclusively represents the views of ethnic Chinese respondents. One obvious area that could be explored further is to conduct similar work in Anglo-Saxon MNCs with respondents who are either expatriates or foreign nationals who work in Hong Kong on local conditions. Responses from participants who had worked in Anglo-Saxon firms in their host countries may well show practices in Hong Kong in a different light. Perhaps these practices deviate substantially from home country practice or perhaps represent a hybrid which is somewhere between the overseas and the Hong Kong model. Further research is required to confirm this, however, and benchmarked practices rather then perceptions would be the best measure to ascertain this. Nonetheless, with reference to the typologies of MNC practice mentioned earlier, it would appear that in view of the exporting of HR practices noted above, the local subsidiaries of Anglo-American MNCs are tending somewhat towards an ethnocentric policy in relation to HR.

A number of limitations need to be noted about the current study. First, statistical analysis to date is limited. Multivariate analysis will add further depth to the study. Second, the ownership structure of some MNCs in Hong Kong is more complex than the questionnaire design allowed for. In particular, the ownership pattern of the 'Hongs' - traditionally British owned but Hong Kong based has been changing significantly recently with the Chinese government taking significant stock positions eg Cathay Pacific Airways. Third, there exist an enormous variety of MNC subsidiaries activities and structures (Birkinshaw and Hood, 1998). The aggregate data presented in this study may mask this complexity to some extent. Fourth, there is no measure in this study of how HRM is related to the performance of the organisations in question. Notwithstanding these limitations the study has provided substantial insight into MNC and local HR practices.

CONCLUSION

This study has examined the extent to which the Chinese and Anglo-American sub-samples in the data contrasted in terms of, espoused and practiced values, HR practices and HR influence within the organisation. With reference to values, the two sub-groups espoused ten out of fifteen to a significantly different degree. The Chinese sub-group were more likely to espouse values associated with centralised decision making, hierarchy and maintaining face whereas the Anglo-American sub-group espoused values encouraging delegation, decentralisation, the contribution of ideas and opinions, diversity of thinking, staff involvement in decision making and symbolic egalitarianism. Both groups were observed to practice their values less than they espoused them but the significant differences between the sub-groups remained constant across the same ten areas. These results provide strong support for the expected finding that ethnic Chinese firms are more centralised in terms of management decision making and that Anglo-American firms are more likely to espouse and practice values which are supportive of the classic Anglo-American HR paradigm. Overall, the study is generally supportive of previous findings on management practice in Hong Kong. This study extends

those findings specifically into the HR domain and reports a strong divergence of practice from the more sophisticated western models in ethnic Chinese owned organisations.

REFERENCES

Adler, N. (1995). Competitive Frontiers: Global management in the 21st Century, *HR Monthly,* March.

Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover, *Academy of Management Journal*, 37: 670-687.

Baird, L. and Meshoulam, I. (1988). Managing two fits of strategic human resource management, *Academy of Management Review*, 13: 116128.

Bartlett, C.A. & Ghoshal, S. (1989). *Managing Across Borders: The Transnational Solution*, Boston, MA, Harvard Business School Press.

Birkinshaw, J. and Hood, N. (1998) Multinational Subsidiary Evolution: Capability and Charter Change in Foreign-Owned Subsidiary Companies, *Academy of Management Review*, 32(4): 773-795

Child, J. (1981). Culture, contingency and capitalism in the cross-national study of organisations, in L.L. Cummings and B.M. Staw (eds*.), Research in Organizational Behaviour*, Vol. 3,Greenwich, JAI Press.

Cutcher-Gershenfeld, J.C. (1991). The impact on economic performance of a transformation in workplace relations, *Industrial and Labor Relations Review*, 44: 241-260.

Doz & A. Laurent (eds.) *Human Resource Management in International Firms: Change, Globalization, Innovation*, London, Macmillan, pp. 501-517.

Economist, The (1995) A Survey of Multinationals, June 24.

Evans, P. & Lorange, P. (1989). The two logics behind human resource management in P. Evans, Y.

Ferner, A. (1997) Country of origin effects and HRM in multinational companies, *Human Resource Management Journal*, 7(1): 19-37.

Gannon, M. J. and Associates. (1994). *Understanding Global Cultures: Metaphorical Journeys Through 17 Countries*, Thousand Oaks, Sage Publications.

Gerhart, B. & Milkovich, G.T. (1990). Organizational differences in managerial compensation and firm performance, *Academy of Management Journal*, 33: 663-691.

Hamel & Prahalad. (1990). The core competence of the corporation, *Harvard Business Review*, 68(3): 79-89.

Hannon, J. M., Huang, I.C. and Jaw, B. (1995), 'International human resource strategy and its determinants: The Case of Subsidiaries in Taiwan', *Journal of International Business Studies*, 26(3): 531-544.

Hofstede, G. (1980). Motivation, leadership and organization: Do American theories apply abroad? *Organizational Dynamics*, 9, 42-63.

Hofstede, G. (1993). Cultural constraints in management theories, *Academy of Management Executive*, 7, 81-94.

Huselid, M.A. (1995). The impact of human resource management practices on turnover, productivity and corporate financial performance, *Academy of Management Journal*, 38, 635-672.

Huselid, M.A. & Becker, B. (1996). Methodological issues in cross-sectional and panel estimates of the HR-firm performance link, *Industrial Relations* 35(3): 400-423.

Kirkbride, P. & Tang, S.F.Y. (1989). Personnel Management in Hong Kong, *Asia Pacific Human Resource Management*, 279(2): 43-57.

Kobayashi, N. (1982). The present and future of the Japanese multinational enterprises., *International Studies of Man and Organisation*, 12(1):38-58.

Lengnick-Hall, C.A. & Lengnick-Hall M. L. (1988). Strategic human resource management: A review of the literature and a proposed typology, *Academy of Management Review*, 13: 454-470.

MacDuffie, J.P. (1995). Human resource bundles and manufacturing performance: Organizational logic and flexible production systems in the world auto industry, *Industrial and Labor Relations Review*, 48:197-221.

Martin, G. & Beaumont, P. (1998). Diffusing 'best pracice' in multinational firms: prospects, pracices and contestation, *The International Journal of Human Resource Management*, 9(4): 671-695.

Ngo, H.Y., Turban, D., Lau, C.M. and Lui, S.Y. (1998) Human resource practices and firm performance of multinational corporations: influence of country of origin, The International Journal of Human Resource Management, 9 (4): 632-652.

Olie, R. (1995). "The culture factor in personnel and organization policies" in A. W. Harzing and J.V. Ruysseveldt *International Human Resource Management: An Integrated Approach*, London, Sage.

Ondrack, D.A. (1985). International Human-Resources Management in European and North-American Firms, *International Studies of Management and Organizations*, 15(1): 6-32.

Pauly and Reich (1997) National structures and multinational corprate behaviour: Enduring differences in the age of globalisation, *International Organization,* 51(1): 1-30

Pfeffer, J. (1993). *Competitive advantage through people*, Boston, Harvard Business School Press.

Redding, G. (1993). *The Spirit of Chinese Capitalism*, Berlin, De-Gruyter.

Rosenweig, P.M. & Nohria, N. (1994). Influences on human resource management practices in multinational corporations, *Journal of International Business Studies* 25(2):229-242.

Rugman, A. M. (1999) Multinational Enterprises and the End of Global Strategy, *Proceedings of ANZIBA Conference 1999*, School of International Business, UNSW.

Saha, S.K. (1987). Human resource management practices in Hong Kong*, Hong Kong Journal of Business Management*, 5, 51-68.

Schuler,R., Dowling, P. and DeCieri, H (1993) An Integrative Framework of Strategic International Human Resource Management, *International Journal of Human Resource Management*, 5(3) 717-764

Schneider, S.C. (1988). National vs corporate culture: implications for human resource management, *Human Resource Management*, 27(2): 231-246.

Schneider, S.C. & De Meyer, A. (1991). Interpreting and responding to strategic issues: the impact of national culture, *Strategic Management Journal*, 12: 307-320.

Shaw, J. B., Tang, F.Y.T., Fisher, C.D. & Kirkbride, P S. (1993) Organizational and environmental factors related to HRM practices in Hong Kong: a cross-cultural expanded replication, *The International Journal of Human Resource Management*, 4(4): 785-815.

Shenkar, O. (1995) *Global Perspectives of Human Resource Management*, Englewood Cliffs, Prentice Hall.

Sparrow, P., Schuler, R.S. & Jackson, S.E. (1994). Convergence or divergence: human resource practices and policies for competitive advantage worldwide, *The International Journal of Human Resource Management*, 5,(2): 267-299.

Strange, S. (1996) *The Retreat of The State*, Cambridge: Cambridge University Press

Taylor, S., Beechler, S. and Napier, N. (1996) Towards and Integrative Model of Strategic International Human Resource Management, A*cademy of Management Review*, 21(4): 959-985.

Tregaskis, O. (1998) HRD in Foreign MNEs, *International Studies of Management and Organisation*, 28(1): 136-163.

Wright, P.M. & McMahan, G.C. (1992) Alternative theoretical perspectives on strategic human resource management, *Journal of Management*, 18: 295-320.

Wright, P. M. and Mitsuhashi, H. (1998) HRM in Multinationals' Operations in China: Building Human Capital and Organisational Capability, *Asia Pacific Journal of Human Resource Management*, 36(2):3-15.