HRM strategies and practices and emerging MNCs in the UK: the case of Taiwanese MNCs in the UK

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HRM Strategies and Practices and Emerging MNCs in the UK
-The Case of Taiwanese MNCs in the UK-

By
Yi Ying Chang

A Doctoral Thesis Submitted in partial fulfilment of the requirements
for the award
of Doctor of Philosophy of Loughborough University

April 2007

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ABSTRACT

HRM practices in foreign subsidiaries have been a subject of much attention in recent years. However, research on HRM practices by subsidiaries of multinationals has so far focused largely on subsidiaries of western multinationals in western and or emerging economies. We have little knowledge concerning HRM practices of subsidiaries of multinationals from emerging economies in developed western countries. This research examines key factors influencing transferring process of HRM strategies and practices of Taiwanese MNCs in the UK. Two research phases were conducted to collect data through a snapshot survey of all 100 Taiwanese MNCs and four case study subsidiaries. Results of survey show that a blend of practices has been adopted by the subsidiaries, ranging from emulating home country practices, adapting host country practices, and a melange of home and host country practices. Evidences of the four case studies indicated that HQ’s high controlling power and pull force from host country’ cultural and institutional environments as well as working experiences and power held by actors within organisations, are the main driving forces during the transferring process.

The findings of this research support the convergence and divergence theory both in macro and micro levels. Moreover, this research supports the arguments of literature on the evolution of international management in MNCs and that on the comparative study of national economic systems, called for by Westney (1999). Also, evidence revealed that nationally determined patterns of MNC behaviour is constant but diminishing - at time rapidly. Therefore, Taiwanese MNCs are the late comers for the internationalization production and employment, having seeking ways to accommodating to pressures from competitive international environment, borrowing more westernized HRM practices from pre-existing models of international operation.

Keywords: Multinationals; Multiple HRM Strategies and Practices; Taiwan; UK; Emerging economies; Developed countries.
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Chapter 1
Introduction

1.1 BACKGROUND

Over recent years, there has been a growing body of research on the impact of home and host country effect on HRM practices of subsidiaries of multinationals (MNCs) (Ferner, 1997; Gamble, 2003; Farley et al., 2004). The main limitation of the current body of research is the exclusive focus on western MNCs in western countries or emerging economies (Almond et al., 2003; Edwards, 1998; Edwards and Ferner, 2004; Farley et al., 2004; Ferner and Edwards, 1995; Ferner and Quintanilla, 1998; Ferner and Varul, 1999; Guest and Hoque, 1996; Innes and Morris, 1995; Muller, 1998; Tayeb, 1998). Extant research has not examined HRM practices of MNCs from emerging economies operating in Western developed countries. This research will help fill this gap.

The spread of developing country MNCs and their ability to break through cross-border constraints has been a neglected issue. However, the rapid economic progress of MNCs from the East Asian developing countries such as Taiwan in the UK has made it worthy of investigation. In 2005, economic expansion in East and South Asia was above 6 per cent and with a 16 per cent (volume terms) growth in 2004, East and South Asia have experienced the strongest expansion in their export trade (UNCTAD, 2005). According to a World Bank report (2003), the average economic growth rate in East Asia developing countries, except Japan, reached 15.1 per cent, which is higher than NAFTA’s (9.1 per cent) and EU (7.4 per cent). Additionally, 10 Taiwanese information technology (IT) MNCs were in the 2003 global IT 100 companies (Business Week, 2003). Dunning et al. (1997) further
illustrated that between 1980 and 1993, outward FDI from developing countries as a group grew from $4.8 billion to $108.4 billion. In terms of their significance to total outward FDI stock outstanding, these countries increased their share from 1.0 per cent in 1980 to 5.1 per cent in 1992 (Dunning, 1997:4). During the same period (1980-1993), outward FDI of four Asian Newly Industrialised Economies (NIES) (e.g. Taiwan) increased to a significant level, and has done so uniformly across countries. Outward FDI by developing countries is dominated by a selected number of countries such as Taiwan and Hong Kong (Dunning, 1997:5). Again, Taiwan is the second highest FDI outflow economy among the top 10 economies in the Asia and Pacific region in both 2001 and 2002 (United Nations, 2003). Moreover, according to UN statistics in 2003 and 2004, there were five Taiwanese MNCs in the top 50 non-financial TNCs (transnational corporations) from the developing economies (United Nations, 2003, 2004).

1.2 UK AS HOST REGION FOR TAIWANESE MNCs

The advantages of developed countries as environments for foreign outward investment from developing countries have been discussed in previous research. For instance, according to Kanugo and Jaeger’s (1990) illustration, ‘developed’ means that the infrastructure, the supply of labour, the capital markets and business-government relations are adequate to support business on a continuing basis, or at least not to hinder it. These developed countries can carry out intricate strategic activities (Wasti, 1998) due to the predictability of events being relatively high and the difficulty of obtaining resource within the environment being low.

In addition to the above-mentioned advantages of ‘developed’ economies, as a host
country for foreign investment, the UK has other characteristics. The characteristics of the UK have been illustrated by previous researchers on MNCs (Guest and Hoque, 1996; Femer and Varul, 1999). They have indicated that the UK not only possesses the general features of developed countries, but also has some advantages, especially for learning international management practices and exhibiting the characteristics of 'country of origin'. For instance, in their research on HRM in German MNCs, Femer and Varul (2000) pointed out that the UK, as one of the most internationalised of developed economies, is home to a disproportionate number of global corporations. The UK has a long history of managing internationally diverse workforces and experience in the use of international integrational mechanisms such as company 'culture' and 'mission'. In addition, Britain has traditionally been extremely open to foreign direct investment (FDI), playing host to a large number of MNCs from the 'prevailing' economies of the USA and, more recently, Japan. Furthermore, a number of British-based companies have been in the 'vanguard' position of globalisation of their industries in recent years, including telecommunications, financial services, food and beverages, and business services. One of the drivers for this is the deregulation in the 1980s and 1990s, promoting the development of a highly competitive market environment.

The UK has advantages that induce the Taiwanese MNCs to boost their investment. Britain Bureau (IBB)(1998), the UK's principal inward investment agency, listed a number of reasons for foreign outward investment in the UK such as competitive labour costs, low inflation and taxation, the convenience of using English as a common language, and efficient, deregulated transport services. For instance, products assembled in the UK can be conveyed to the mainland European markets within 24 hours (Xia, 1998). Moreover, compared to the other European countries,
UK has more science parks that can enable Taiwanese companies to outsource production of some components locally (Xia, 1998). Also, the UK has set up its official trade organisation in Taipei that plays a critical role in promoting Taiwanese foreign investment in the UK. Additionally, the UK government has committed to maintain a competitive fiscal environment for business. The purpose of the Bank of England is to preserve monetary and financial stability and related risk management to support business operations and FDI in the UK (Lambe, 2006). In addition, the UK, as a developed country with pioneering management practices arising from its long history and experience in international operations in global markets, enables the Taiwanese MNCs to develop management knowledge. Moreover, the UK is viewed as an ideal position for the Taiwanese MNCs to reserve their home countries’ HRM practices due to the relative freedom for foreign MNCs to manage their local workforces.

1.3 RATIONALE OF THIS STUDY

The rationale for this study is as follows. First, more MNCs from emerging economies are entering western countries (Liu et al., 2005). For instance, there are five Taiwanese MNCs in the top 50 of the non-financial MNCs from the emerging economies (UN, 2003). The increasing presence of Taiwan investment and subsidiaries in the UK has resulted in the hiring of more than 9000 employees and managers (FAME, 2004). Designing and applying effective HRM policies to manage these local workforces poses several challenges. Second, this thesis expands our understanding of what we know about the impact of host country and home country effect on HRM strategies and practices in this new socio-cultural setting. Questions still remain on the generalisability of findings on home and host country effect from
the studies conducted on western MNCs. MNCs from emerging economies may want to emulate host country practices in western countries rather than implement those of the home country practices. Thus, this research is designed to extend an already-documented phenomenon in a new setting. Third, there is a need to have more research from the Asia Pacific region, as identified by Brewster and Scullion (1997). This is due to cross-national research continuing to be written from either from an American or European view, rather than from an international perspective (Adler, 1991; Brewster et al., 1996; Brewster and Scullion, 1997). Moreover, previous research on MNCs had identified dual pressures for the need to conform to home country (push force) and host country (pull force) institutional environments when adopting HRM strategies and practices (e.g. Rosenzweig and Nohria, 1994; Taylor et al., 1996; Farley et al., 2004; Hillman and Wan, 2005). We know very little on how these pressures influence HRM strategies and practices at the subsidiary level of MNCs from emerging economies. While previous comparative research on HRM in the Asia Pacific region (Ulgado et al., 1994; Hofstede and Bond, 1988; Hofstede, 1993; Bae et al., 1998; Chow et al., 1999; Huang, 2000; Awasti et al., 2001; Chow et al., 2000) has identified firm’s national origin, including its national institutions and culture, as the key shaper of HRM practices in the region, these studies, however, do not address how cultural and institutional differences affect the dissemination of HRM strategies and practices by MNCs from emerging economies operating in a developed economy. This research will help to clarify this issue.

1.4 RESEARCH OBJECTIVES

This research aims to explore how and why external and internal factors influence the diffusion of HRM strategic choices adopted by Taiwanese subsidiaries in the UK. In
order to explore how these factors influence a MNC to adopt particular HRM strategy and practices, it is necessary to compare the characteristics of the Taiwan HRM system with those in the UK, and to analyse how differences in HRM reflect the influences of national cultural and institutional characteristics. These analyses provide a framework for understanding whether and which UK management practices seem to be adopted by Taiwanese MNCs, and for identifying the influence of key factors on the HRM practice in Taiwanese companies here. An integrated framework (see Chapter 2) is created to explore the factors influencing the transfer of HRM strategy and practices by Taiwanese subsidiaries in the UK. This research aims to examine:

The extent to which factors, namely, country of origin effect, host country culture and institutions, subsidiary-level decisions, subsidiary's strategic role, managers of expatriate and host-country nationals, affect the adoption of HRM strategic choices and practices of Taiwanese subsidiaries in the UK, and why.

1.5 OUTLINE OF THIS STUDY

Chapter 1 briefly reviews the importance of Taiwanese MNCs in the UK and the advantages of the UK for foreign outward investment. Chapter 2 reviews the literature on HRM strategy and previous research in the area of country of origin effects and MNCs. Definitions and models are critiqued, gaps highlighted, and an integrated framework is created. Chapter 3 compares the UK and Taiwanese HRM practices. It examines the national institutional factors that influence HRM and IR in Taiwan. It also discusses the differences in HRM and IR between the Taiwanese and UK firms. Chapter 4 is the methodological chapter. Chapter 5 documents the survey
findings of all 100 Taiwanese MNCs in the UK. Chapter 6 presents the four case studies’ findings. Chapter 7 compares and contrasts the findings from the case studies and survey findings. Chapter 8 concludes the thesis with a summary of this research, implications for theories and for practices, main limitations, and further directions.
Chapter 2
Literature Review

2.1 INTRODUCTION

The aims of this chapter are fourfold. The first aim is to review previous research and identify the research gap for this study. The second aim is to review types of HRM strategic choices adopted by MNCs. The third aim is to discuss briefly previous theoretical factors influencing the transfer of HRM strategies and practices across borders. The fourth aim is to propose an integrated framework based on academic perspectives and previous research findings, and to use this framework to examine the factors influencing the transfer of HRM strategies and practices by Taiwanese MNCs in the UK.

2.2 RESEARCH GAP IN LITERATURE

This clarifies research flaws in previous literature and identifies a research gap for this study.

2.2.1 Flaws in Previous Comparative Research

There are four strands of arguments as follows:

1. Direct comparisons of management culture (e.g. Hofstede and Bond, 1988; Hofstede, 1993, 1997), particularly in HRM practices and employees’ behaviour (Chow et al., 1999; Huang, 2000; Awasthi et al., 2001). Huang (2000) adopted a questionnaire survey approach to investigate 300 Japanese, 200 US and 100 German subsidiaries, and 400 local Taiwanese firms in Taiwan, and examined whether the parent company culture has the greatest influence on
HRM practices in overseas subsidiaries and the local isomorphism from Taiwan to induce foreign subsidiaries to adopt the local HRM practices as a result of local cultural influence. Huang (2000) revealed that HRM practices adopted by foreign subsidiaries in Taiwan, such as recruitment and selection, and training and career development, are influenced by national culture within the Taiwan operational context. For example, in terms of recruitment and selection, these four different nationality groups (USA, German, Japan, Taiwan) used significantly different approaches to staff the high level positions in their companies. However, the Taiwanese firms and Japanese affiliates prefer to promote to high-level positions internally, to a greater extent than the US and German subsidiaries in Taiwan. With regard to the candidates’ suitability for a particular job, as well as the qualifications to carry out specific job duties, the US and German subsidiaries emphasised fitting into organisational culture more than the Taiwanese firms. With regard to the training and career development practices, German and US firms are more inclined to individual achievement in the training area than Taiwanese firms. In terms of compensation practices, Western firms emphasised job performance but the Taiwanese firms consider seniority-performance more than their western counterparts. All these researches proved the differences in managing human resource between the western countries and Taiwan were mostly in the hard issues, such as recruitment selection, compensation, and career development. In addition, Awasthi et al. (2001) found that national culture differences between US nationals and Taiwanese affect the employees’ behaviours by imposing performance evaluation and reward systems (PERS). For example, US nationals had a lower satisfaction because of a compulsory PERS, while their Taiwanese counterparts did not. In their study of the potential influence
of the US culture on their affiliates of 10 Taiwanese public accounting firms and 5 US affiliates in Taiwan, Chow et al. (1999) argued that Taiwanese culture is very different from that of the US and the cultures of Britain, Australia and the Netherlands, such as in individualism and power distance. Chow et al. (1999) found that the transferability of the US organisational practices to their subsidiaries in Taiwan is consistent with their home country’s culture. In other words, cultural influence and transference on HRM practices are interlocking with their parent company’s national culture; however, the US affiliates might find it easier to transfer their HRM practices to the similar culture country compared to the different culture country such as Taiwan.

2. Comparative study between foreign firms operating in Taiwan with indigenous firms to explore the national management institution influence on HRM practices, organisational structure, and decision-making. Yeh (1991) used data of 550 managers from 34 American subsidiaries, 810 managers from 73 Japanese subsidiaries, and 1004 managers from local Taiwanese firms, and indicated that the management practices adopted by local Taiwanese CEOs are influenced by their institutional background, such as family origin, education, age, and indirect interaction with western and Japanese companies. The major difference in national management institutions between the Taiwanese firms and foreign subsidiaries is in the promotion criterion between the Taiwanese firms. For example, the indigenous firms emphasised loyalty as a promotion criteria and paid a slightly lower salary than their western and Japanese counterparts.

3. Comparative study of factors influencing the transferability of employment practices across cultures in managing the host country employees in a different national institutional and cultural context. Bae et al. (1998) used survey data of
40 Korean-owned firms, 26 Taiwanese-owned firms, and 126 foreign subsidiaries (American, Western Europe, Japan) operating both in Taiwan and Korea. They pointed out that a firm’s national origin, including its national institution and culture, is an important factor in shaping its HRM strategy and practices in its overseas environment. For instance, American finns seem to be more aggressive with a progressive strategy in order to promote the welfare of workers (through hire pay, greater training, more opportunity for advancement) and organisation effectiveness (greater responsiveness to changing host environmental circumstances) (Bae et al., 1998). However, they also argued that the values and perceptions of top management with regard to the HR function and the relative significance of people as a source of competitive advantage in the organisation are even more important (Bae et al., 1998:667-668).

4. Comparative studies of national culture influence show the employees’ preference for HRM practices (e.g. Ulgado et al., 1994; Sparrow and Wu, 1998; Chow et al., 1999). Ulgado et al. (1994) used a survey questionnaire, which comprised 266 Asian MNCs from Hong Kong, Taiwan, Korea and Thailand, with a response rate of 32 percent. They found that national culture plays a critical role in determining HRM practices with regard to localising top management positions in the host environment, organisation structure, and reporting between HQ and subsidiary. For instance, Asian MNCs do not recruit local management positions as much as their US and European counterparts. Sparrow and Wu (1998) also used a questionnaire survey comprising 452 Taiwanese working in Taiwanese subsidiaries in the UK to examine whether, at the individual level, there is any essential link between national cultural value orientations and preferences for and perceptions of HRM policies and practices.
They found that there is a significant connection between national culture and an outstandingly higher number of individual HRM policy and practice preferences. Also, they found that specific HRM practices such as employment security, minimal job descriptions, group criteria for compensation, and flexible fringe benefit packages are preferred by employees. Furthermore, their research also confirmed that the majority of HRM practices are culture linked (Sparrow and Wu, 1998:54). Additionally, Chow et al. (1999) adopted Hofstede's (1980, 1993) concept to explore the effects of national culture on firms' design and employees' preference for management controls. Their survey comprised 159 Taiwanese managers working in six each of Japanese, Taiwanese, and UK-owned firms in Taiwan. With an argument that national culture has a key role in shaping the management practices favoured by employees, they found that Taiwanese national culture is consistent with the employees’ preference for management control practices, such as decentralisation and structuring of activities by indigenous and foreign owned firms in Taiwan.

All the above studies have analysed the effect of different national characteristics on HRM practices and transfer in the Taiwan context, and employee preferences for HRM practices at the individual level. However, how these distinctive national differences in HRM, at the management level, influence Taiwanese MNCs operating in foreign advanced economies has yet to be explored. In addition, the research method used by previous comparative researches (Table 2-1 for a review) in management culture and management institutions is overwhelmingly the questionnaire survey, which failed to address the complicated relationship of how national culture and institutions affect the adoption of HRM strategy and practices.
across borders and why.

Table 2-1 Summaries of Previous Research on Management Culture and Management Institutions

<table>
<thead>
<tr>
<th>Author</th>
<th>Research Methodology</th>
<th>Selected findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huang, 2000</td>
<td>Questionnaire survey, 300 Japanese-owned, 200 US-owned, 100 German-owned, 400 Taiwanese firms in Taiwan</td>
<td>National culture influences HRM practices adopted by western and Japanese subsidiaries in Taiwan</td>
</tr>
<tr>
<td>Awasthi et al., 2001</td>
<td>Experimental survey, 75 US nationals and 75 Taiwanese</td>
<td>National culture differences between US and Taiwan affect employees’ behaviours because of performance evaluation and reward systems</td>
</tr>
<tr>
<td>Chow et al., 2002</td>
<td>Questionnaire survey, 5 Taiwanese firms and 5 US-owned firms in Taiwan</td>
<td>Confirmation of evidence of influence of national culture on transplanting their organisational practices</td>
</tr>
<tr>
<td>Bae et al., 1998</td>
<td>Questionnaire survey, 40 Korean-owned, 26 Taiwanese-owned, 126 of Western- and Japanese-owned firms, both in Korea and Taiwan</td>
<td>Confirmation of influence of national culture and institutions in shaping HRM strategy and practice</td>
</tr>
<tr>
<td>Ulgado et al., 1994</td>
<td>Questionnaire survey, 266 Asian MNCs from Hong Kong, Taiwan, Korea, and Thailand</td>
<td>National culture vital in determining HRM practices</td>
</tr>
<tr>
<td>Sparrow and Wu, 1998</td>
<td>Questionnaire survey, 452 employees in Taiwanese firms in UK at the individual level</td>
<td>Individual HRM highly related to national culture</td>
</tr>
</tbody>
</table>
Chow et al., Questionnaire survey, 159 Taiwanese managers in 6 Japanese-owned, British-owned, and Taiwanese owned firms

National culture critical to shape management control practices favoured by employees

2.2.2 Lack of Research from Emerging Economy Operating in Advanced Economy on Influence of Country-Specific Characteristics and Subsidiary-level Decisions on HRM Strategies and Practices

Most research covering the country of origin effects have been done in a European context (e.g. Innes and Morris, 1995; Guest and Hoque, 1996; Edwards, 1998; Muller, 1998; Tayeb, 1998; Ferner and Edwards, 1998; Ferner and Quintanilla, 1998; Ferner and Varul, 1999; Hayden and Edwards, 2001; Almond et al, 2003; Zhang, 2003; Edwards and Ferner, 2004;) (see Table 2-2). For instance, Ferner and Quintanilla (1998) found that German MNCs in the UK tend to adopt Anglo-Saxon style of HRM practices but in a German manner. In their studies of ten British and forty German subsidiaries, Edwards and Ferner (2004) revealed that the erosion of country of origin effect is due to reverse diffusion in the areas of HRM. Innes and Morris (1995) revealed that US-owned subsidiaries tend to be less unionised, Japanese-owned subsidiaries tend to be more unionized, with a single union, and German-owned subsidiaries are inclined to local practices in Scotland. Ferner and Varul (1999) found that German MNCs used an absorption of Anglo-Saxon ways to manage HR in the UK. A study of Chinese MNCs in the UK examined the ‘country of origin’ effect from a developing emergent economy (Zhang, 2003); however, this study focused only on a single industry sector of six state-owned enterprises, and
failed to consider individual firm decisions by the private sector within MNCs. Furthermore, the above-mentioned research has been focused on MNCs from the advanced economies within the EU context, and it has yet to be established how the country of origin influences the strategies which are adopted by the MNCs from East Asia region countries that are operating in a highly industrialised country, with large cultural differences from the host country. An example is the case of subsidiaries of Taiwanese MNCs operating in western countries such as the UK.

Table 2-2 Summaries of Research in Country of Origin Effect

<table>
<thead>
<tr>
<th>Author</th>
<th>Research Methodology</th>
<th>Selected findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Almond et al., 2003</td>
<td>Semi-structured interviews, US-based MNC in IT sector within EU context</td>
<td>Support for institutional approach to understanding how MNCs manage international labour force</td>
</tr>
<tr>
<td>Edwards, 1998</td>
<td>Semi-structured interviews, British MNC in UK</td>
<td>Evidence of reverse diffusion</td>
</tr>
<tr>
<td>Ferner &amp; Edwards, 2004</td>
<td>Semi-structured interviews, 10 British MNCs and 40 German MNCs in UK</td>
<td>Supportive evidence of reverse diffusion in MNCs</td>
</tr>
<tr>
<td></td>
<td>Semi-structured interviews, two German MNCs in UK</td>
<td>Anglo-Saxonisation in German manner</td>
</tr>
<tr>
<td>Ferner &amp; Quintannilla, 1998</td>
<td>Semi-structured interviews, 35 German-owned subsidiaries in UK, Spain, Germany</td>
<td>Absorption of Anglo-Saxon approach in German subsidiaries in the UK</td>
</tr>
<tr>
<td>Ferner &amp; Varul, 1999, 2000</td>
<td>Semi-structured interviews, 35 German-owned subsidiaries in UK, Spain, Germany</td>
<td>More mature international companies adopt many standard 'Anglo-Saxon' business practices due to pressures of internationalisation.</td>
</tr>
</tbody>
</table>
Distinctive 'hybrid' style of international operation in which Anglo-Saxon and German approaches coexist, German MNCs adopted many standard Anglo-Saxon business practices because of pressure of internationalisation.

US-owned establishments see most control over other foreign-based establishments; national ownership does not perform strongly in HRM practices operating in UK because of emphasis on flexibility.

Erosion of country of origin effect related to timing and stage of internationalisation.

US-owned firms less unionised, Japanese-owned firms are unionised with single union.

Host country effect stronger than country of origin effect.

Imported foreign practices from USA or elsewhere modified.

Country of origin effect significant in 6 state-owned enterprises regarding HRM practices, e.g. centrally management control system influences managers' ability to handle balance between...
In conclusion, there is a need to conduct more research to explore how country of origin effect influences the choices of HRM strategies and practices by MNCs from emerging economies (Harzing and Sorge, 2003).

2.3 MAIN HRM STRATEGIES ADOPTED BY MNCs

This section introduces four main types of HRM strategies adopted by MNCs: ethnocentrism, localisation (including wholesale localisation, modified localisation, and absorption localisation), globalisation, and a hybrid style. Also, sources of these four main types of HRM strategies and the flow of diffusion, and selected examples will be briefly illustrated.

2.3.1 Ethnocentrism

Ethnocentrism refers to ‘home-count-oriented’, which means in a firm where ethnocentric attitudes prevailed, the performance criteria for people and products are ‘home-made’ (Perlmutter, 1969:11). Perlmutter (1969) argued that home standards are applied for personnel control and performance evaluation and control; recruit and develop people of home country for key positions everywhere in the world; diffusion flow is forward diffusion, which means information, orders, commands, advice, and communication are in high volume flows from home country to subsidiaries (p.12). This means HRM practices adopted by MNCs in their foreign subsidiaries are similar to those of their home country (Perlmutter, 1969). A number of scholars (e.g. Edwards, 1998; Edwards and Ferner, 2004) have indicated that past research on HRM strategy in MNCs overwhelmingly concentrated on forward diffusion. Thus, key positions in subsidiaries are often occupied by home country
nationals from the HQ. One thread of forward diffusion is found in previous studies of American MNCs that tended to diffuse their parent company practices to their overseas subsidiaries, such as union avoidance and merit pay systems (e.g. Hamill, 1984; Yuen and Kee, 1993; Farley et al., 2004). Another strand of forward diffusion was found in the attempts by many Japanese firms to implement new forms of work organisation in their UK subsidiaries in the 1980s and 1990s (e.g. Oliver and Wilkinson, 1992). More recently, Japanese MNCs have implemented their unique home country HR practices, such as lifetime employment and seniority-based compensation, in their overseas subsidiaries (e.g. Farley et al., 2004).

In addition, Elger and Smith (2006) further developed the ethnocentrism concept based on their findings on Japanese MNCs in the UK. Their view of home country-oriented HRM strategy is as a transplant approach used by Japanese MNCs in the UK in the 1980s and 1990s to categorise Japanese inward investments. The transplant approach suggests that such enterprises seek to transfer a trouble-free advanced set of Japanese management and production techniques quite directly from home factories to foreign subsidiaries (Elger and Smith, 2006). The implication of a transplant approach is that home country practices serve as a basis for the competitive strength of the parent firm both at home and in its host country subsidiaries. This approach tends to work closely with ‘best practices’ recipe free from specific home country and host country effects.

Adoption of an ethnocentric strategy by MNCs appears to have some drawbacks: inability to respond to local needs, and liability of foreignness. For instance, MNCs with centralised activities, such as Research & Development in the HQ, often find
that they are unable to respond to local customers needs because of failing to catch new market changes in host countries outside their home country, or to use innovation techniques created by foreign subsidiaries in the rest of their worldwide operations (Barlett and Ghoshal, 1999).

2.3.2 Localisation (including wholesale, modified, and absorptive localisation)

Localisation is based on the assumption that host-country cultures are different, and thus the part of the firm sited in the host country should be as “local in identity” as possible (Perlmutter, 1969:12). Localisation is appropriate when MNCs generally follow a multidomestic strategy (Porter, 1986). This is the case when the local market demands a high degree of adaptation of the firm’s products and processes which means a subsidiary acting as an independent business, and as a result, the activities of a subsidiary do not affect the other subsidiaries. Thus, there is little dependence between procurement, manufacturing, and marketing activities across the MNC, and the ties between the organisational subunits tend to be primarily financial (Porter, 1986). Rosenzweig and Nohria (1994) further indicated that when a MNC follows a localisation strategy, subsidiaries tend to adopt the host country’s HR practices. There are 3 main types of localisation: wholesale, modified, and absorptive localisation (see Table 2-1).

1. Wholesale modification
An example of this is Japanese MNCs in the US. In their study of Japanese MNCs in New York, Beechler and Yang (1994) found that only Americanisation of HRM practices is seen as the viable way to successfully manage a New York-based subsidiary (p.478). That is, there is no process of forward diffusion in MNCs with a
2. Modified Localisation

Modified localisation is followed because of difficulty in using a wholesale localisation strategy to manage the complicated process in overseas subsidiaries of MNCs. Some researchers (e.g. Tayeb, 1998) found that in order to fit in overseas operations, subsidiaries are most likely to modify home practices abroad. Tayeb (1998) referred to this strategy as modified localisation with partial forward diffusion. For example, Tayeb (1998:354) found that American and Japanese MNCs in Scotland adopted some practices from their home country, and in her Japanese case study, some practices such as quality circles have been modified to suit the local conditions because of unique local socio-cultural characteristics and institutional environments in Scotland.

3. Absorptive Localisation

Absorptive localisation is adopted when a foreign subsidiary found local HR practice is a source for the rest of the MNC to use as a whole. This means the influence of 'the country of origin' depending on the ability of local subsidiaries absorbing HRM practices from where they operate, and then transferring them back to their home country. Ferner and Quintanilla (1998) further pointed out that the difference of these elements of home country and host country will constrain the local subsidiaries’ abilities to absorb and adopt different practices; thus, the requirements of international operation may run against the pattern of characteristics typical of a MNC's home country business culture. This implies that absorption localisation could be constrained by certain characteristics of the home country (Edwards and Ferner, 2004). An example of absorptive localisation is German
MNCs in the UK. In their research of such German MNCs, Ferner and Varul (1999) found that German MNCs tend to adopt an Anglo-Saxon style of management practices (e.g. adoption of an international business division with devolved bottom-line responsibilities, the development of tighter international management control and reporting systems, and the use of international productivity data) to drive the dissemination of 'best practice' world-wide.

Table 2-3 Main HRM Strategic Choices

<table>
<thead>
<tr>
<th>Orientation</th>
<th>Sources</th>
<th>Flow of Diffusion</th>
<th>Selected examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Ethnocentrism</strong></td>
<td>Home</td>
<td>Forward</td>
<td>Hamill (1984); Oliver &amp; Wilkinson (1992); Yuen et al. (1993); Farley et al. (2004)</td>
</tr>
<tr>
<td><strong>2. Localisation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td>Wholesale</td>
<td>None</td>
<td>Beechler &amp; Yang (1994)</td>
</tr>
<tr>
<td>Modified</td>
<td>Modified home practice</td>
<td>Partial forward</td>
<td>Tayeb (1998)</td>
</tr>
<tr>
<td>Absorption</td>
<td>Local practice</td>
<td>Reverse diffusion</td>
<td>Zhang (2003); Edwards &amp; Ferner (2004); Ferner &amp; Varul (1999)</td>
</tr>
<tr>
<td></td>
<td>Subsidiary or local practice</td>
<td>Reverse</td>
<td>Ferner &amp; Varul (2000)</td>
</tr>
<tr>
<td><strong>4. Hybrid Style</strong></td>
<td>Hybrid style including home practice, but modified to suit</td>
<td></td>
<td>Gamble (2003); Farley et al. (2004); Ferner et al. (2005); Meardi &amp; Toth (2006); Elger &amp; Smith (2006)</td>
</tr>
</tbody>
</table>
local needs, including innovative and resistant hybrid style

2.3.3 Globalisation

The concept of globalisation involves a collaborative effort between subsidiaries and HQ to establish universal standards and permissible local variations, to make key allocational decisions on new products, new plants, new laboratories. The international management team includes the affiliate head (Perlmutter, 1969:13), and decision-making is done on a collaboration basis. Thus, for example, a reward system is designed to motivate subsidiary managers to work for worldwide objectives (Perlmutter, 1969:14). This implies that the nature of HRM practice diffusion across borders will be shaped less by the characteristics of a specific country and more by MNC features. In addition, a global strategy requires a high level of integration combining a high level of coordination and control (Taylor et al., 1996).

2.3.4 Hybrid style

The behaviour of MNCs in host countries may be a synthesis or 'hybrid', in which host country norms mediate the influence of the home country 'blueprint' (Innes and Morris, 1995:30). Elger and Smith (2006) further classified hybridisation in three main types: transplant (the weakest version of hybridisation), dilution of the parent company model but adaptation towards local domestic patterns, (institutional constraints and compromises) and development by MNCs impelled new of
configurations of work and employment practices. The last one is similar to innovation hybridisation proposed by Boyer et al. (1999:378) where hybridisation is about success or failure in blending new elements together to achieve a coherent system. The weakest version of Elger and Smith’s (2006) hybrid style is still close to the universalism of the transplant approach (for details, see 2.3.1 discussion) and identifies distinctive ‘functional equivalents’ for some components of the parent firm's management model (Elger and Smith, 2006:58). Some elements of this hybrid style such as specific production arrangements are still the core best practices for foreign subsidiaries to pursue in their operation, but others like payment systems are seen as a supportive function. In this approach, host country effect or societal effect is recognised, but has little impact on adoption of parent company’s best practices as a result of availability of functional equivalents (Elger and Smith, 2006).

The second form of hybrid style called diluted hybrid model is proposed by Elger and Smith (2006) which is more clearly from the concept of the transplant approach. The diluted hybrid style still consists of the strength and coherence of an ideal-type Japanese model but is seen as compromised and diluted by pressures and constraints arising from the host country. For instance, Abo (1998) found that some elements of Japanese work organisation, personnel practices, and industrial relations have been moved from a whole transplant of Japanese management model towards local patterns.

The third form of hybrid style is called creative hybridisation, as Elger and Smith (2006) argued that institutional constraints and compromises may drive MNCs to develop new configurations of work and employment relations with their own
distinctive strengths (p.59). This means societal effects or host country effect may challenge and amend an apparent home country model, highlighting conditional features of the home country model, and in turn, new model variations may emerge from a dominant home country model but adjust to solve tensions around the new model (Elger and Smith, 2006).

The following section introduces some examples of different hybridisation style adopted by MNCs. For instance, in his study of British MNCs in China, Gamble (2003) revealed that the hybrid style of DecoStore’s HRM practices is influenced by local institutional expectations and standards. Also, in their application of a contingency model, Farley et al. (2004) found that a clear mixture of HRM policies occurred in US-owned, Japanese-owned, and German-owned subsidiaries and JVs in China. These MNCs tended to use their global HR practices with a global strategic imperative at the beginning of setting up in China. However, some modifications have been made afterwards because of the constraints from local environments and cultural conditions in order to fit in local culture (Farley et al., 2004). The reason behind this is due to the strength of China’s historical legacy and cultural heritage.

In contrast to the Boyer et al. (1999) creative hybridisation style, Oliver (1991) identified five main resistant approaches to manage a diversified workforce in order to respond to host country unique institutional environments. They are acquiesce, compromise, avoid, defy, manipulate (see Table 2-4).
Table 2-4 Strategic Responses to Institutional Processes

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Tactics</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquiesce</td>
<td>Habit</td>
<td>Following invisible, taken for granted norms</td>
</tr>
<tr>
<td></td>
<td>Imitate</td>
<td>Mimicking institutional models</td>
</tr>
<tr>
<td></td>
<td>Comply</td>
<td>Obeying rules and accepting norms</td>
</tr>
<tr>
<td>Compromise</td>
<td>Balance</td>
<td>Balancing expectations of multiple constituents</td>
</tr>
<tr>
<td></td>
<td>Pacify</td>
<td>Placating and accommodating institutional elements</td>
</tr>
<tr>
<td></td>
<td>Bargain</td>
<td>Negotiating with institutional stakeholders</td>
</tr>
<tr>
<td>Avoid</td>
<td>Conceal</td>
<td>Disguising nonconformity</td>
</tr>
<tr>
<td></td>
<td>Buffer</td>
<td>Loosening institutional attachments</td>
</tr>
<tr>
<td></td>
<td>Escape</td>
<td>Changing goals, activities, or domains</td>
</tr>
<tr>
<td>Defy</td>
<td>Dismiss</td>
<td>Ignoring explicit norms and values</td>
</tr>
<tr>
<td></td>
<td>Challenge</td>
<td>Contesting rules and requirements</td>
</tr>
<tr>
<td></td>
<td>Attack</td>
<td>Assaulting sources of institutional pressures</td>
</tr>
<tr>
<td>Manipulate</td>
<td>Co-opt</td>
<td>Importing influential constituents</td>
</tr>
<tr>
<td></td>
<td>Influence</td>
<td>Shaping values and criteria</td>
</tr>
<tr>
<td></td>
<td>Control</td>
<td>Dominating institutional constituents and processes</td>
</tr>
</tbody>
</table>

Source: adapted from Oliver, 1991:152.

Oliver (1991) has argued that organisations are able to arrange a range of strategic responses from full adherence, through avoidance and compromise (e.g., maintaining a non-conformity to host institutional arrangements), to vigorous resistance. Compromise emerges, for example, where there are conflicting institutional demands and expectations; defiance is likely to occur when the organisation’s “internal interests diverge dramatically from external values” (Oliver, 1991:157). In brief, the variables that influence such strategic responses include the dependence of the organisation on the source of institutional norms; the perceived
legitimacy of the norm; the efficiency gains from conformity; and the multiplicity and consistency of institutional constituents – as Oliver argued (1991:162), the "collective normative order of the environment ... is not necessary unitary or coherent." As Femer et al. (2005) argued, rival institutional pressures emerging from two normative, cognitive, and regulatory environments, that of local environment and that of parent company and (indirectly) its country of origin, become more visible in management behaviours at the subsidiary level. This creates circumstances in which sources can be employed to explain the possible impact of institutional environments. Furthermore, the headquarters-subsidiary relationship can be clarified through exploration of two distinct cognitive frameworks between the HQ and subsidiary. As Femer et al. (2005:307) indicated, this juxtaposition may allow normally concealed and 'taken for granted' cognitive schemes and their underlying assumptions to be rendered 'visible', and hence subject to manipulation or challenge. An illustration of strategic responses to local institutional arrangements is evident in the Femer et al., (2005) study of American MNCs in the UK. They revealed that a resistant compromise strategy was adopted by American MNCs to manage a diversified workforce as a result of differences in equal opportunity policy and diversified policy between the United States and the UK.
2.4 PREVIOUS FACTORS INFLUENCING HRM STRATEGIES AND PRACTICES

A number of authors have tried to integrate some or all of the factors discussed above into an explanatory model of MNCs' strategic choice (e.g. Beechler and Yang, 1994; Hannon et al., 1995; Taylor et al., 1996; De Cieri and Dowling, 1998; Gomez and Werner, 2003; Jaw and Liu, 2004). In the following sections, we include the theoretical perspectives that have received most research attention, embody an integration trend with a broad spectrum of views, and which appear most promising regarding to contribution to our understanding of HRM strategy and practices at the subsidiary level. This researcher not only draws connections between the theoretical factors relevant to HRM strategy and practices at the subsidiary level, but also provides research examples that apply theoretical factors to HRM strategy and practices in MNCs' subsidiary.

A number of previous explanatory theories and models have attempted to identify the factors affecting HRM strategic choice and practice. Explicitly, there can be classified two levels: macro and micro levels. In terms of macro level, there may appear to be five approaches, namely: national cultural approach, new institutional approach, country of origin approach, and organisational contingency approach. Two main concepts at micro level are 'political process' and 'managerial competency'.

2.4.1 National Culture Approach

The crux of this approach is that national cultures are distinguished from
organisational cultures. Hofstede's (1980) study of national culture covered over 50 countries and organisations. In his first study, he identified four dimensions within national culture: power distance, individualism versus collectivism, and masculinity versus femininity, and uncertainty avoidance, in 1980. Later, in 1997, he added the fifth dimension: long-term versus short-term orientation. Power distance is defined as how employees perceive their daily work environment by asking whether they are afraid of their boss or whether they perceive their boss is autocratic or paternalistic (Hofstede, 1980:27). For instance, in large power distance societies, at the workplace, subordinates are told what to do and the ideal boss is a compassionate autocrat (Hofstede, 1980). By contrast, small power distance societies, are a hierarchy established for convenience because of a disparity of roles. Subordinates in these organisations are consulted on what to do, and the ideal boss is a creative democrat (Hofstede, 1980). Hofstede (1980) found that power distance scores tend to be higher in Latin, Asian and African countries, and lower for Germanic countries. For example, Taiwan’s power distance score is 58, which is higher than UK’s 35.

Individualism means the employees in an individualistic society are expected to act according to their own interests, and work should be organised in such a way that this self-interest and the employer’s interest coincide (Hofstede, 1980:63). Differences between individualism and collectivism are that people are seen as members of their groups (collectivism) or as potential resources (individualism); relationship prevails over task in collectivism, but task prevails over relationship in individualism. In terms of employer-employee relationship in the work place,
Collectivism is a moral term versus individualism perceived as a business transaction. Hofstede (1980) found that individualism prevails in the developed and Western countries; collectivism tends to prevail in less developed and Eastern countries. For example, UK’s individualism score is 89, which is higher than Taiwan’s 17.

In terms of masculinity and femininity, the basic concept refers to the division of roles between sexes in societies. Hofstede (1980) indicated that men are more assertive and dominant, and women are more modest and caring. The former is called masculinity that has appreciation of assertiveness, stress on careers, overselling oneself, and decisiveness. The latter is femininity, which includes not showing off, putting relationships with people before money, emphasis on life quality and instinct. For instance, Taiwan’s femininity rank is 32/33 among the 50 countries with its masculinity score 45. UK’s masculinity score is 66, and its’ rank is 9/10 among the 50 countries.

Uncertainty avoidance is defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations (Hofstede, 1980:113). In strong uncertainty avoidance society, people are described as busy, aggressive, and active; weak uncertainty avoidance people are more relaxed and easy-going (Hofstede, 1980:115). Therefore, a strong uncertainty-avoiding society has more formalisation and standardisation. It can be found that uncertainty-avoiding score is higher in Latin countries, Japan, and German speaking countries, but lower in Anglo, Nordic, and Chinese culture countries (Hofstede, 1997). For example, Taiwan’s score is 69, which is higher than UK’s score 35.

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1 Moral term means employer-employee relationship resembles a family relationship with mutual obligations of protection in exchange for loyalty (Hofstede, 1980:64).
The fifth dimension is long-term vs. short-term orientation. The former refers to saving and perseverance, and the latter tends to have respect for tradition, fulfilling social obligations, and protecting one's face. Thrift and perseverance are critical factors for long-term orientation, and this is evident in the economic success of East Asian economies during the past years (Hofstede, 1997:488).

Criticisms of the cultural approach are that lack of interpretation of country disparities (Smith, 1992; Femer, 1997) and as Femer (1997:24) wrote: "...such ‘culturalist’ approaches to differences between countries are inadequate, treating cultural variables... in an historical and static fashion as immanent properties of nations, rather than as dynamic and emerging characteristics linked to patterns of historical development and distinctive national institutions."

Moreover, there are five major dangers in Hofstede's model (Williamson, 2002:1391): first, the danger of assuming that all members of a culture homogeneity carry the same cultural attributes, that a culture can be uniform; second, individuals seen as 'cultural dopes', expecting individuals' values or behaviour to be wholly determined by their cultural background; third, confusing scores in Hofstede's cultural dimensions with cultural constructs for which they are but estimated measures; fourth, the main concepts of this cultural approach are more prone to explain the ideology of leadership style rather than to explicate the company's management behaviour; finally, from the interpretative point of view, Hofstede's approach is more feasible for doctrines with regard to research into emic values.

The focus of an emic (or inside) perspective is to understand culture from "the
native’s point of view” (Malinowski, 1922). Contrary to the emic perspective, the etic (or outside) perspective links cultural practices to external, antecedent factors, such as economic or ecological conditions (Morris et al., 1999). The separation between emic and etic perspectives is seen in the research on international differences in organisations, this separation is obvious in the contrast between single culture studies done by Rohlen (1974), and survey research of national culture done by Hofstede (1980). There are two different assumptions between emic and etic perspectives. The emic perception assumes thoughts and actions can be understood in terms of actors’ self-understanding terms that are often typically culturally and historically bound (Morris et al., 1999). By contrast, the etic approach describes construction of phenomena that can apply across cultures, for instance, cultural dimension of individualism-collectivism at the country’s level might be linked to the current managers’ reasons about justice in terms of equity rule (Morris et al., 1999). Emic and etic models tend to associate with different research methods (see Table 2-5).

Table 2-5 Assumptions of Emic and Etic Perspectives and Associated Methods

<table>
<thead>
<tr>
<th>Features</th>
<th>Emic/Inside View</th>
<th>Etic/Outside View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defining assumptions</td>
<td>Behaviour described as seen from perspectives of cultural insiders, in constructs drawn from their self-understandings.</td>
<td>Behaviour described from vantage point outside culture, in constructs that apply as well to other cultures.</td>
</tr>
<tr>
<td>and goals</td>
<td>Describe cultural system as a working whole.</td>
<td>Describe ways in which cultural values fit into general causal models of particular behaviour.</td>
</tr>
</tbody>
</table>
Typical features of methods associated with this view

- Observations recorded in rich qualitative form that avoids imposition of researchers' constructs.
- Long-standing, wideranging observation of one setting or a few settings.

Examples of typical study types

- Ethnographic fieldwork: participant observation along with interviews.
- Multisetting survey: cross-sectional comparison of responses to instrument measuring justice perceptions and related variables.
- Content analysis of texts providing window into indigenous thinking about justice.
- Comparative experiment treating cultures. Quasi-experimental manipulation to determine whether the impact of particular fact varies cultures.

Source: Adapted from Morris *et al.*, 1999:783

As Table 2-5 summarised, the emic approach is related to methods like constant, widespread observation of a single cultural group or structured programmes of interviews and observation (e.g., Goodenough, 1970). The etic perspective is associated with methods like structural observation of different cultural groups, such as surveys of employees in different countries to explore the dimensions of cross-national distinction in values and attitudes, for example Hofstede's (1980) cultural survey of more than 50 countries. In conclusion, the national cultural
approach adopted by Hofstede in 1980 is a kind of etic approach to examine five dimensions in national culture. Clearly, the limitation of Hofstede’s (1980) cultural approach is not to be able to understand the thoughts and actions of insiders due to the fact that researchers still remain at a distance from respondents, potentially insensitive as to how respondents were affected by their questions (Geertz, 1983).

Hofstede’s (1980) national cultural approach is kind of etic/outsider approach which provides some useful materials for nations to create their distinctive competencies. There are in two different types of cultural knowledge developed by Hofstede (2001) as important materials for MNCs to have knowledge about culture, knowledge of language, and knowledge about rules of interaction (Johnson et al., 2006). The details of materials are discussed as follows:

First, cultural-general knowledge: it focuses on awareness and knowledge of cultural differences. This includes an assessment of the participants’ own mental constitute and how it is different from that of others. This knowledge applies to any cultural environment; it pays little attention to how to live in any specific culture but to focuses on how to work effectively in a cross-cultural environment. This kind of cultural-general knowledge includes material that is usually taught in international business survey course in US business schools: ‘the component of culture, how cultural values are learned, and frameworks for understanding and comparing/contrasting different cultures’ (Johnson et al., 2006:530). It also includes a general knowledge of complex environment in which international business operates, within the different economic, political, legal, social, and financial and technological systems that co-exist (Johnson et al., 2006:531). Some researchers (e.g., Brid et al., 1993) further expand Hofstede’s (2001) culture-general knowledge
into factual and conceptual knowledge. The factual culture knowledge is about a country's history, political and economic systems, institutions, and social structure. The conceptual culture knowledge involves with understanding of a cultural group's values and how these values affect people's behaviours. This kind of knowledge needs people to 'step out' of their cultural presumptions to understand another culture's values and beliefs (Byram, 1997).

Second, culture-specific knowledge: it focuses on specific knowledge about another culture. This includes information regarding geography, economics, politics, law, history, customs, hygiene, what to do and what not to do- but pay little attention to the participants' own cultural perspective. Culture-specific training also includes learning the language of the culture, although the ability to communicate effectively in the foreign language is more properly categorised as a skill (Johnson et al., 2006:531). This culture-specific knowledge also includes attributional knowledge as Bird et al. (1993) argued. The attributional knowledge is a type of tacit knowledge that mirrors an intensified understanding of appropriate behaviour, building on factual and conceptual culture knowledge in order to exactly ascribe the behaviour of the individual in the targeted group (Johnson et al., 2006).

In addition, researchers (e.g., Sparrow and Hiltrop, 1994; Johnson et al., 2006) found that Hofstede's (1980) national cultural approach generates useful materials for MNCs to create their competencies in the global market. Sparrow and Hiltrop (1994) indicated that some national cultural differences have implications for HRM policies and practices of MNCs, for example some HRM practices are used by MNCs to attract, reward, and motivate employees at the HQ level, but may not be transferable to foreign subsidiaries, given the unique beliefs, values, and norms of
the host country where the foreign subsidiaries operate. Further, recognising national cultural differences is an important source for MNCs to manage a culturally diversified workforce (Sparrow and Hiltrop, 1994). This is because previous research (e.g., Adler, 1986; Hofstede, 1992) found that employees did not abandon their culturally-specific ways of working when in a MNC. Similarly, Adler (1986) argued that our national culture is so deeply embedded in us that by the time we are grown up, it can not easily be removed by any external force. In order to manage cultural diversity effectively, previous researchers (e.g. Adler, 1983) have recognised three different approaches to manage cultural diversity by MNCs to create their competency. The first approach, called ethnocentric, is where managers recognise diversity, but only as a source of problems. And ethnocentric managers believe that ‘our way of managing is the best way’, and regard their own values as superior to those of others (Adler, 1983). This is evident in US MNCs in the 1980s (e.g. Hamill, 1984) and Japanese MNCs in the 1990s (Oliver and Wilkinson, 1992). The second approach, called parochial, is where managers believe the impact of national cultural differences will be minimal, and the managing policy is to ignore individual employee values, norms, and preferences; alternatively, if managers consider all other ways of doing as unimportant within a MNC, the policy is to reduce influence of cultural diversity (Sparrow and Hiltrop, 1994). The third approach, synergistic, is where managers recognise the importance of cultural diversity and its potential positive impact on a MNC, and the HRM policy is to create a truly international workforce and new management practices and organisation by using similarities and differences among cultural diversity (Sparrow and Hiltrop, 1994). In Adler and Laurent’s (1986) survey of 145 executives across the world, they indicated that the synergistic approach is more preferred by international managers. This implies that to be effective, international managers
must be aware of their cultural bias and learn to set it aside when faced with different cultural groups (Sparrow and Hiltrop, 1994:81). In short, awareness of cultural differences easily does not mean tackling effects arising from cultural differences within a MNC. However, as Sparrow and Hiltrop (1994) remark: "knowledge at least provides a chance to avoid some of the problems that result from cultural blindness in international business" (p.81). The three approaches are summarised in Table 2-6.

Table 2-6 Three Approaches to Managing Cultural Diversity

<table>
<thead>
<tr>
<th>Parochial</th>
<th>Synergistic</th>
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<tbody>
<tr>
<td>Parochial approach managers do not recognise existence of cultural differences. They believe that 'our way is the only way' to manage, and that management theories and practices transfer easily from one country to another.</td>
<td>Synergistic approach managers believe that 'our way and their way differ, but neither is inherently superior to the other'.</td>
</tr>
<tr>
<td>Ethnocentric</td>
<td>Ethnocentric approach managers recognise diversity, but only as a source of problems. They believe that 'our way of managing is the best way' and regard their own values as superior to those of others.</td>
</tr>
</tbody>
</table>

Source: Adler, 1983.

In conclusion, the settlement between Hofstede's (1980) national cultural approach and firms' competency provides useful materials for MNCs, especially for
expatriate managers to manage overseas subsidiaries effectively with an understanding of cultural knowledge in the local country. This is evident in the Bhaskar-Shrinivas et al. (2005) study of international assignment which indicated that the success of international assignment can be predicted through expatriates’ cultural novelty.

2.4.2 New Institutionalism Approach

One of the prominent threads of organisational research, the so-called ‘new institutionalism’ (e.g. Zucker, 1977; Powell and DiMaggio, 1983; Westney, 1993) is used for understanding the behaviour of MNCs in different national settings. This approach focuses on the modes of rationality, beliefs, and value systems that shape actors’ behaviour (Ferner and Tempel, 2006:19). It is concerned with the mechanisms by which institutional effects are diffused within ‘organisational fields’: the sets of organisations that “in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce consumers, regulatory agencies, and other organisations that produce similar services or products” (DiMaggio and Powell, 1983:143).

DiMaggio and Powell (1983) emphasise pressures within organisational fields that tend to generate institutional ‘isomorphism’ — the tendency for organisations to adopt similar practices and perspectives in the search for ‘legitimacy’ (Ferner and Tempel, 2006:19). Zucker (1977) argued that the meaning of ‘isomorphism’ is the extent to which organisations adopt the same structures and processes as other organisations within their environment.
Further, Powell and DiMaggio (1991:67) identified three mechanisms through which isomorphism occurs, each with its predecessors: (1) coercive isomorphism, originating from political influence and the problem of legitimacy, (2) mimetic isomorphism, stemming from standard responses to vagueness, and (3) normative isomorphism, associated with professionalism. For example, coercive isomorphism is that organisations are influenced by both formal and informal forces created from other organisations upon which they are dependent, and by cultural expectations in the society within which organisations function (Powell and DiMaggio, 1991). Therefore, many dimensions of an organisation's behaviour and structure are affected by an existing common legal environment. Furthermore, organisations will perform in analogous ways because of other legal and technical requirements of the state, such as the requirement of annual reports in certain fiscal years. Meanwhile, direct nuisance and standard operating procedures and legitimated rules and structures which occur outside the national border will affect organisations. For example, subsidiaries are obliged to adopt mandatory accounting practices and management performance evaluations criteria, which are familiar from the policies of home country.

However, not all institutional isomorphism comes from coercive power. In order to solve unclear scenarios, uncertainty is another power to force organisations to model their behaviours. One illustration of mimetic isomorphism is the modernization of Japan in the nineteenth century to reconstruct the Japanese government's schemes by learning from the successful Western models (Powell and DiMaggio, 1991). The third type of isomorphism is normative which stems from professionalisation. There are two paramount sources of professionalisation: one is
arising from formal education and cognitive legitimation within the university's specialists; another is new practices can be diffused within organisation swiftly as a result of the growth and expansion of professional networks (Powell and DiMaggio, 1991).

Differences between new institutional theory and comparative institutionalists (i.e. NBSs) are: first, new institutionalists recognise the potential tensions arising from regulative, cognitive, and normative pressures in different national-institutional domains (Ferner and Tempel, 2006). This is evident in a number of research (e.g. Kostova, 1999; Kostova and Roth, 2002) findings. Kostova and Roth's (2002) work showed that American MNCs in Europe struggle to achieve legitimacy in different and sometimes conflicting institutional environments as a result of institutional distance which arises from different cognitive, normative, and regulative frameworks between the US and Europe. Second, comparative institutionalism has identified the issues of power in shaping institutions (e.g., Mahoney and Rueschemeyer, 2003). However, new institutional theory is lacking in a concern for power and interests of actors (Ferner and Tempel, 2006). In the words of Ferner and Tempel (2006:21): “in relation to comparative institutionalism, institutions are subject of ongoing contestation in which actors battles for control over their meaning and impact”. For instance, DiMaggio (1988) has argued that the decentralising of power in new institutional theory obviously appeared in the assumption that the limit in cognition makes it harder for actors to actively respond to protect their interests. In other words, new institutional theory attempts to view actors as passive subjects of institutional pressures (Ferener and Tempel, 2006).

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2 An approximate analogy with the notion of cultural distance in comparative cultural values studies (Ferner and Tempel, 2006:20).
Third, new institutional theory is more likely to explain MNCs's behaviour across borders but NBSs seem to have a weakness to explain MNCs' activities across borders. Clearly, NBSs fail to explain why different strategies were adopted by MNCs to respond it or resist their host country institutional arrangements where they operate. For instance, Oliver (1991) identified five main strategic responses adopted by MNCs to respond to host country institutional forces (see section 2.3.4 discussion). Some researchers (e.g. Tempel et al., 2006) applied Oliver's (1991) approach to explain how MNCs respond to corporate pressure regarding policy and practice on collective representation in their host country environment.

Similarities between new institutional theory and NBS perspective are that, first, both perspectives acknowledge the importance of "normative and cognitive mechanism arising from economic actors" home business system. Actors conform to the normative pressures because of social expectations and obligations on them to do so (Fernet and Tempel, 2006:19). Cognitive pressures focus on mutual understandings about what comprises the nature of reality, and the structures through which meaning is made: what Scott (2001:40) refers to as "internalised symbolic representations of the world". In other words, institutional pressures for isomorphism occur because of shared modes of rationality and ways of doing things among organisational actors (Ferner and Tempel, 2006:20). Second, both new institutionalists (e.g., Kostova, 1999) and writers (e.g., Ferner, 1997) on the NBSs approach acknowledge that some elements of NBSs make little sense in the host countries where MNCs operate. As Lincole et al. (1995:428) remark: they do not travel well. For instance, Japanese MNCs may not be able to transfer their home country personnel management practices to their foreign subsidiaries because the elaborate formal systems have to match Japanese corporate culture (Ferner, 1997).
In conclusion, the greater the 'cultural distance', what Dülfer (1990:264-5) calls 'degree of strangeness', and institutional distance (Kostova, 1999) between the home country and the host, the harder it will be for the MNC to transfer home country philosophies and practices. Third, both new institutionalists and NBSs researchers fail to acknowledge the institutional dynamics that reflects a 'path-dependent' historical dynamic: the system's evolution over time shapes future choices (e.g., Mahoney, 2001). For instance, writers (e.g. Whitley, 1992) on the NBSs approach argued that different elements of business systems correlate in a complicated whole, leading to characteristic patterns of business behaviour in different countries which will persist over time (Ferner, 1997). However, some elements of business systems do change as a result of influence of key historical dynamics that comes from the nature of the change from the social system to the capitalist production system, and the timing of industrialisation relative to such developments as the political organisation of social classes, as well as more contingent and short-term events such as war or economic crisis (Ferner and Tempel, 2006:14).

The new institutional theory produces useful materials for MNCS to form their competencies to compete with their competitors in the global market. First, this is evident in Rosenzwig and Singh's (1991) work. They indicated that international control originates from the dual pressures from competing coercive isomorphic forces from home country and host country. Later, Rosenzwig and Nohria (1994) revealed that the degree of local isomorphism in the HR policies varies with MNC's parent country. This shows that an understanding of how MNCs create their HR competencies under dual isomorphic forces to survive in the global market can help expatriate managers to manage foreign operations more effectively. Second, new
institutional theorists suggest that institutional environments create 'institutional capital' to promote competitive advantages for firms. The notion of institutional capital can be defined as the firm's capability to support value-enhancing assets and competencies (Oliver, 1997:709). Examples or measures of institutional capital might include training programmes that accelerate the adoption of new capabilities within the firms' operations, information technology systems that accelerate the diffusion and use of valued resources, management of development that promotes constant resources improvement, decision support systems that encourage resources innovations, and interfirm alliances across different countries that facilitate new resource sharing and knowledge learning (Oliver, 1997:709). Third, in order to enhance competitive advantages arising from institutional capital, firms have to seek different ways to obtain or enhance institutional capital which "include firm incentive systems tied to competency sharing and resource innovations, ongoing monitoring of internal cultural and political support for existing valued resources, the development and use of hiring criteria that emphasise resources innovation and leading-edge resource expertise; and the use of decentralised cross-functional team-based structures to facilitate continuous resource development and reduce conformity to taken-for-granted resource routines" (Oliver, 1997:709).

However, there are some challenges to institutionalist theory. The first challenge is when applied to MNCs, not only because they straddle multiple organisational 'fields', such as different operating environment and different industrial sectors, but also because MNCs are likely to be subject to potentially isomorphic pulls in the environment in which they operate (Westney, 1993:60). For instance, there appears to be a question of whether the border of global MNC is still existing as a result of subsidiaries of global MNCs in different countries being increasingly integrated.
either through home country forces or through their major competitors in the industry. The second challenge is related to one of the conceptual debates in MNCs about standardisation or localisation (Rosenzweig and Nohria, 1994). As Rosenzweig and Singh (1991) argued, the more value the subsidiaries include locally, and the more dominant the local managers are in the organisation, the more likely the affiliates are to adopt local rather than home country practices. In addition, Rosenzweig and Singh (1991) further illustrated that MNCs face the dual pressures for conformity to conditions in the local environment and a necessity for consistency within the MNCs. Therefore, MNCs face a dilemma is of whether to adapt to the host country’s demands or comply to the home country’s rules, and that this would not get an answer from institutional theory.

Moreover, there is a loose link between the institutional approach and HRM issues. The approach mainly focused on the constraints on strategic decision-making and the strategic opportunities generated by MNCs. However, the approach seems to fail to address the relationship between the influence of state policy on MNCs’ strategy and industrial relation; and the possible opportunity for MNCs to use their home government’s influence abroad, such as the influence of their home country’s jurisdictions (Westney, 1993).

More recent scholars (e.g. Femer and Tempel, 2006) identified remarkable implications of the new institutional approach for understanding organisations such as MNCs operating across national institutional domains. They emphasized the new institutional approach which can explain how MNCs deal with tensions arising from conflicting pressures for isomorphism happening in two domains, the parent and host national business systems (Femer and Tempel, 2006). A number of researchers
(e.g., Kostova and Roth, 2002; Hillman and Wan, 2005) have applied the new institutional approach to the study of MNCs. For instance, as Kostova and Roth (2002) remark: “There is a within-organisation domain that defines a set of pressures to which all units within the organization must conform. At the same time, the foreign subsidiary resides in a host country with its own institutional patterns specific to that domain” (p.216). Further, in their research of US MNCs in Europe, Hillman and Wan (2005) indicated that foreign subsidiaries’ strategies are under the influence of institutional duality, both from external and internal isomorphic pressures for the foreign subsidiary to conform.

The limitation of the new institutional research is its failure to deal with organisations operating in different countries/institutional contexts, such as MNCs. For instance, the new institutional approach can not explain how MNCs deal with tension and conflicting pressures for isomorphism arising from two different institutional domains, the home and host countries, with different coercive, normative and regulatory frameworks (Ferner and Temple, 2006:20).

2.4.3 Organisational Contingency Approach

‘Organisational contingency’ theory argues that HRM strategic choices are contingent on a variety of organisational characteristics (e.g Tyson and Fell, 1986). Previous studies focused on factors such as history of the company, technology in use, organisational development stage, size of employment, unionisation, specific organisational characteristics, and host country environmental contingencies (Tyson and Fell, 1986; Yuen and Kee, 1993; Beechler and Yang, 1994). For example, Kujawa (1983) investigated eight cases of Japanese manufacturing MNCs in the US
which were categorised as having product, process, and management-centred technology, and found that firms tend to adopt different human resource and industrial relations because of different technology used by the firms themselves. Based on his findings, Kujawa (1983) concluded that firms with management-centred strategies prefer to establish their own industrial relations, those with non-industry experience are more likely to oppose unionisation, prefer broad job classification structures, maintain flexible work rules, pursue job security policies, and undertake cross-training.

In their 400 company questionnaire survey of US-owned, Japanese-owned, and indigenous firms in Singapore, Yuen and Kee (1993) found that personnel practices are contingent on two organisational influences: size and technology. The effect of size is shown in that local firms will adopt more formal and standardised personnel practices when the size of the firm is getting bigger. Different country of origin MNCs tend to adopt the same personnel practices overseas, for example American, Japanese and Singaporean high technology MNCs were similar in their managing behaviours (Yuen and Kee, 1993). Based on their case studies’ findings, Beechler and Yang (1994) pointed out that the more possible it is to achieve organisational objectives with less unionisation within MNCs, and the more consistent with the local environment, Japanese home country management practices are more likely to be transferred to their US subsidiaries.

More recently, more organisational structural factors such as organisational ownership characteristics (e.g. Ferner, 1997), nature of product and market (e.g. Edwards, 1998; Ferner and Varul, 1999), and methods of establishment (Guest and Hoque, 1996; Edwards, 1998) have been taken into account in the contingency
approach. In their survey study findings, Guest and Hoque (1996) revealed that more parent country management practices are adopted by 'greenfield' than 'brownfield' and this means the use of management practices are contingent on their method of establishments in MNCs.

Case study researches by Ferner and Varul (1999) and Edwards (1998) have shown that the prevalence of management diffusion within MNCs is associated with factors such as product market, international integration of business, and growth methods. In an application of a contingency perspective to HRM at the subsidiary level, Beechler and Yang (1994) developed a 'contingency model' to explain the reasons why American subsidiaries of Japanese MNCs "do not want and are not able to" transfer Japanese-style management. They found that the extent to which the Japanese-style management "is wanted and able to be transferred" in a subsidiary is the consequence of different contingency factors working together.

The transfer of Japanese-style management into the American subsidiaries is determined not only by the whole MNC's strategy and the roles of these subsidiaries in it, but also by the influence of HQ administrative heritage and the local environment where they operate. For instance, in terms of the impact of local environment on HRM, Beechler and Yang (1994) argued that the highly competitive labour and product market conditions, the high annual employee turnover in the city, and the values and ambitions of American white-collar employees and professionals hired by Japanese companies, all discouraged Japanese service companies from transferring Japanese-style HRM practices, and this is particularly true in the case of the service firms in New York (p.478).
In terms of impact of the subsidiary's strategic role in MNCs and integration in HRM, the evidence from the five Japanese manufacturing plants has shown that the more a Japanese parent company depends on resources provided by the subsidiary, and the more the subsidiary is integrated with overall MNC activities worldwide, the more likely the parent company will implement Japanese-style HRM practices in their subsidiaries (Beechler and Yang, 1994:482).

With regard to the impact of administrative heritage and competency on HRM transfer, the data from the studies of the five Japanese manufacturing plants and five service firms showed that the managers in service firms believed that it is not likely to improve productivity or increase profitability by using Japanese-style HRM practices for American professionals, although Japanese-style HRM practices were a distinctive competency for the manufacturing firms in the US (Beechler and Yang, 1994:486).

However, the limitation of the organisational contingency approach is its failure to explain why existence of certain organisational structures are designed to be compatible with home country or host country cultural settings, rather than contingent on their size of firms and use of technology (Smith, 1992). That is, this approach fails to consider the impact of national dissimilarities on management strategy and practices. Moreover, this approach fails to consider other aspects, such as individual managers' competencies and power within organisations, as a result of mainly focusing on the influence of organisational structure factors, such as size and technology, and environmental scenarios. Thus, it seems to be necessary to discuss how management practices are really made at the managerial level. There are two salient approaches related to managerial choice: the 'political process' theory, and
the managerial competency paradigm.

2.4.4 Country of Origin Approach

The country of origin perspective is focused on distinctive national characteristics. There are two main strands in this perspective: one is the national culture approach proposed by Hofstede (1980, 1997) (see section 2.4.1 discussion), another is comparative institutionalism, including national business systems (NBSs) proposed by Whitley (1992), and varieties of capitalism proposed by Hall and Soskice (2001). Hofstede's cultural approach has focused on the impact of national cultures on business styles and national cultural attitudes and mental schemes.

The Comparative institutionalism approach emphasises that economic actors (e.g. firm) in different countries are biased by the national institutional creation in which they operate. The NBS approach examined how the co-ordination and control of economic behaviours in different national systems is inclined by financial institutions determining access to capital; the system of property rights; the structure and policies of the state, including its ownership role and its function in regulating markets; and labour market institutions such as systems of skill training and certification, and forms of labour representation (Whitely, 1992). Based on views of the comparative intuitionalist approach, NBSs encompass connection structures and institutions that fundamentally shape the nature of markets, competition, and business activity generally (Ferner and Tempel, 2006). The disadvantage of the NBSs approach is that institutions may be simply and broadly defined as a set of rules... that actors generally follow (Hall and Soskice, 2001:9).
A number of researchers have tried to classify NBSs into different groups, based on
generic differences in mechanisms governing economic activities. For instance,
Chandler (1990) classifies different NBS groups by using the dimensions of
'competitive' versus 'collaborative' and 'personal' versus 'managerial' capitalism,
and Hall and Soskice (2001) have compared 'liberal market economies' (LMEs)
(such as the UK and the United States) with 'coordinated market economies' (CMEs)
(such as Germany and Japan). The concept of Hall and Soskice's (2001) perspective
called varieties of capitalism is that 'the firm is relational' (p.6). They take view
from Teece and Pisano (1998) to propose that firms as actors seeking to develop and
exploit core competencies or dynamic capabilities understood as capacities for
developing, producing, and distributing goods and services profitably (Hall and
Soskice, 2001:6). Consequently, quality of the relationship relies on the firm's
capability to establish, both internally, with its own employees, and externally, with
a variety of other actors that include suppliers, clients, collaborators, stakeholders,
trade unions, business associations, and governments (Hall and Soskice, 2001). In
sum, success of a firm relies on its ability to coordinate effectively with various
actors.

There are five fields in which firms must develop relationships to solve coordination
problems critical to their core competencies: industrial relations, vocational training
and education, corporate governance, inter-firm relations, and their own employees
(Hall and Soskice, 2001). In terms of industrial relations, firms face problems how
to coordinate bargaining over wages and working conditions with their labour force,
the organisation representing labour, and other employers. In the sphere of
vocational training and education, firms face problems how to coordinate an
appropriate skills for their labour force. In the field of inter-firm relations, Hall and

-49-
Soskice (2001) indicated that ‘use of inter-firm relations term is to cover the relationships a company forms with other enterprises, and notably its suppliers or clients, with a view to securing a stable demand for its products, appropriate suppliers of inputs, and access to technology’ (p.7). Finally, firms also face problems to coordinate with their own employees to have essential competencies and cooperate well with other actors to achieve the firm’s objectives (Hall and Soskice, 2001).

Further, Hall and Soskice (2001) proposed two types of political economies based on above-mentioned perspective: liberal market economies and coordinated market economies. In the LMEs' group, market relations are predominant; the relationship between firms and other economic actors (i.e., other firms) and the labour force is mainly formed through arms-length contracts in markets, as Whitely (1992) pointed out: companies “operate as isolated islands of order in a sea of market disorder” (p. 42). The CME relies much more on non-market mechanisms (such as business associations, government involvement, and networking) to develop ‘core competencies’ among firms (Hall and Soskice, 2001). The difference between LME and CME is that economic actors are bound in arm’s-length contracts in the LME group but the CME is more dependent on long-term relationship among economic actors. Both LME and CME systems create ‘institutional complementarities’ where one institution complements or enhances the efficiency of others so that the elements within institutional complexes are locked together to a significant extent (Hall and Soskice, 2001). An example of complementary goods is that two goods, such as bread and butter, are described as complementary if an increase in the price of one depresses demand for the other (Hall and Soskice, 2001:17).
The role of institutions, organisations, and cultures is to provide firms with means to solve their coordinated problems, both in LMEs and CMEs (Hall and Soskice, 2001). According to Hall and Soskice (2001:9), the definition of institutions is “a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons”, and definition of organisations is “durable entities with formally recognised members, whose rules also contribute to the institutions of the political economy”. In brief, deliberate institutions can provide the actors with strategic capabilities to take strategic action when faced with new or unfamiliar challenges as Hall and Soskice (2001) argued.

In addition, researchers (e.g., Femer, 1997) tried to clarify whether economic actors (e.g., MNCs) will transfer their home country philosophies and practices under the influence of their home business system or adapt to host country practices. Central to this argument is in what areas MNCs absorb from their national background, and in what areas MNCs adapt to their host country institutional arrangements. Some researchers (e.g. Brewster and Hegewisch, 1994; Brewster et al., 2006) have found that the occurrence of systematic national differences is found in their corporate practices where they operate. Femer (1997) further illustrated the linkage between the NBS and MNC HRM strategy. He proposed four strategies for MNCs to adopt in the host environment. One is to adopt the local model, which may differ from their country of origin. One reason for doing so may be that the firm adopts a particular international ‘division of labour’, for instance in his study of Japanese MNCs, Dedoussis (1994) argued that MNCs are not necessary to transfer their home country practices (such as lifetime employment and seniority based promotion) due to the fact that foreign subsidiaries tend to generate low value-added activities for the home country. The second choice is to transfer their home country’s strategy and
practices to where they operate. This alternative will create ‘cross-national isomorphism’ (Ferner, 1997:26), that is, to introduce country-of-origin patterns into host country subsidiaries. The third choice is that MNCs develop their own ‘internal isomorphism’ that approximates neither to home or host country practices but is *sui generis* (Ferner, 1997:26). The fourth strategy is that the interface of home and host country factors leads to changing patterns of MNC behaviour which show some conformity between MNCs of the same national origin, but differ according to how a given home country model interacts with different host country environments, as Innes and Morris (1995:30) remark: the behaviour of MNCs in host countries may be a synthesis of ‘hybrid’ in which host country norms mediate the influence of the home country ‘blueprint’.

Similarities between the NBSs’ approach and varieties of capitalism perspective are follows. First, NBSs imply that the behaviour of firms tends to adopt strategies by taking advantage of the opportunities provided by the system of economic coordination and institutional arrangements of a particular system. Hall and Soskice (2001) followed this view of NBSs to expect that there will be “systematic differences in corporate strategy across nations” (p.15). Second, the focus of the NBSs’ approach and varieties of capitalism has naturally been on the national level (Ferner and Tempel, 2006:17). This is acceptable on the foundation that “many of the most important institutional structures notably systems of labour market regulation, of education and training, and of corporate governance—depend on the presence of regulatory regimes that are the preserve of the nation state “(Hall and Soskice, 2001:4). Third, both the NBSs’ approach and varieties of capitalism perspective view economic actors as passive subjects of institutional pressures (Ferner and Tempel, 2006:21). Fourth, both NBSs and varieties of capitalism
perspectives have failed to take sufficient account of how the national-institutional level relates to both sub-national and supranational institutional arrangements within the emerging ‘global political economy’ (Ferner and Tempel, 2006:11).

Differences between NBSs’ approach and varieties of capitalism perspective are as follows. First, the latter provides the view of institutional complementarities, as discussed above to further illustrate how economic actors use elements of institutions to enhance efficiency of economic actors’ activities both in LME and CME groups. Second, the role of economic actors in the NBSs’ approach is passively responding to institutions as “a set of rules, formal, that actors generally follow, whether for normative, cognitive, or material reasons” (Hall and Soskice, 2001:9). Third, the NBSs’ approach ignores the role of organisations with formally recognised members, whose rules also contribute to the institutions of the political economy (Hall and Soskice, 2001:9). Fourth, the variety of capitalism perspective recognises the importance of culture, informal roles, and history, which is generally ignored in the NBSs’ approach. For instance, Hall and Soskice (2001) argued that formal institutions are rarely sufficient to guarantee equilibrium that is formed in the context of coordination as a result of a set of formal institutions. Rather, something else is needed to lead the actors to coordinate on a specific equilibrium and, notably, on equilibria offering high returns in a non-cooperative context (Hall and Soskice, 2001:13). In many cases, a specific equilibrium by the actors is the outcome of “a set of shared understandings about what other actors are likely to do, often rooted in a sense of what it is appropriate to do in such circumstances” (Hall and Soskice, 2001:13).

3 Note that, from time to time, we refer loosely to the ‘institutions’ or ‘organisation’ of the political economy to refer to both the organisations and institutions found within it (Hall and Soskice, 2001:9).

4 Culpepper documents this problem and explores some solutions to it in this volume (Culpepper, 1998) (cited in Hall and Soskice, 2001:13)
Therefore, Hall and Soskice (2001) enlarge the notion of institutions beyond the merely formal ideas given to it in some analysis, in particular the view of institutions in the NBSs’ approach.

Comparative institutionalism (i.e., NBSs and varieties of capitalism perspectives) creates useful materials for MNCs to generate their competencies. First, different styles of capitalisms provide a well understanding of how differences in the areas of welfare systems, employment law and conventions, the organisation of business associations, training system, financial markets, and legal systems contribute to create difference innovative strategies in different capitalisms as some researchers (e.g., Soskice, 1999; Culpepper, 2001; Whitley, 2002) argued. These institutional distinctions not only lead to different speeds of innovation and technological changes in different industries but also promote different types of firms to concentrate on their innovations within new industries, such as platform technologies (Whitley, 2002). As Soskice (1997) indicated that the institutions in CMEs are to solve problems in organisations regarding pursuing high-quality incremental innovations strategies, while those in LMEs are to help firms to focus on developing more essential innovations in newly emerging technologies. This is evident in that some CMEs countries such as Germany, Sweden, and Switzerland, which are extremely effective in at developing incremental product and process innovations in, established technologies in the chemical and machinery industries (Whitley, 2002:499). By contrast, institutional arrangements in LMEs such as the UK and the United States have been more effective in developing flashing innovations in newer technologies such as biotechnology and microprocessors, as well as in developing competitive business service firms that are highly dependent on the specialist skills of particular individuals (Whitley, 2002:499).
distinctly national nature within different capitalisms influences the speed of generating competencies through academic skills and knowledge in the development of new industries (e.g., Mansfield, 1995). Third, the dominant institutions in different capitalism also influence the flow of knowledge and skills due to the fact that the movement of scientists and engineers between the publish research system and private firms, and between firms are affected by different institutional arrangements in different capitalism (Whitley, 2002). This is because variations in the organisation and control of national public science systems constitute an important part of the institutional environment explaining differences in prevailing patterns of technological development between countries (Whitley, 2002:500). Fourth, Hall and Soskice (2001) indicated that LMEs tend to provide further vocational training in the marketable skills to equip employees with essential skills that are assumed to be important, while CMEs tends to develop company-specific or industry-specific skills. The importance of vocational training and education is to let firms to create comparative institutional advantage as Hall and Soskice (2001) argued. They argued that the extensive and coordinated provision of high-quality vocational training and education facilitates certain production and product market strategies, especially encouraging a focus on continuous improvement and incremental innovation in product strategies and production processes (Hall and Soskice, 2001). By contrast, vocational training and education is limited in LMEs such as Anglo-Saxon countries that encourage radical innovation strategy in products and processes. This provides a one-sided explanation why Anglo-Saxon nations have comparative advantages in sectors with features of rapid change in fundamental technologies, such as IT, while continental European countries and Japan have comparative advantages in industries with steady change, such as mechanical engineering (Hall and Soskice, 2001). Fifth, Hall
and Soskice argued that there are ‘barriers to imitation of institutional advantages’ arise because of the embeddedness of companies within their institutional context (Hall and Soskice, 2001:363). The effects of institutional frameworks both in LMEs and CMEs are shown on the formulation and implementation of firm strategy (Hall and Soskice, 2001). For example, the institutional environment for Germany’s CME helps German firms to overcome problems of asymmetric knowledge between top management and other actors; by contrast, the institutional arrangements for the UK and the ‘elite governed statist’ economy such as France can not cope with problems arising from asymmetric information in the LMEs market (Hall and Soskice, 2001).

Based on the NBSs’ approach, Ferner (1997) argued that national institutional distinctiveness has profound implications for the behaviour of MNCs. Assumptions of Ferner’s (1997) country of origin approach are similar to Whitley’s (1992) NBSs’ approach as follows: first, firms are likely to be influenced in their international operations by the strategies, structures, ways of doing things, shared understandings as to appropriate behaviours they are developed to respond to the institutional constraints and opportunities of their home country business system; second, if the originating of NBS exhibits distinctive patterns of economic organisation and institutional arrangements, the same is logically the case in the host countries in which MNCs operate (Ferner and Tempel, 2006:13).

Differences between comparative institutionalists’ perspectives (i.e. NBSs and varieties of capitalism) and Ferner’s (1997) country of origin approach are as follows. First, there are regional variations within a single NBS. This means even with highly regulated NBSs, there are still some ‘institutional spaces’ for MNCs to exhibit a degree of ‘internal differentiation’ (Ferner and Tempel, 2006). For instance,
states in the US have considerable freedom to set up formal rules for business to operate (Ferner and Tempel, 2006). In fact, there is a set of contingent factors governing MNCs’ behaviours and choice of strategies, which is found in the activities of American MNCs. Consequently, business systems may tend to generate clusters of outcomes rather than a single model of organisations and behaviour (Ferner and Tempel, 2006:17-18). Second, economic organisation has more and more a strong sectoral dynamics that crosses national borders, as Katz and Darbishire (2000) argued. For example, automobiles and industrial chemicals industries whose production is highly integrated internationally to serve their global operations are more likely to produce different patterns of behaviours in the field of HR and IR (Ferner and Varul, 2000). Third, the nation as the ground to generate institutional arrangements is not enough to explain MNCs’ behaviours, for example how MNCs respond to challenges from the growth of regional economic communities such as the European Union (EU) and global regulatory instruments such as the World Trade Organisation (WTO) (Ferner and Tempel, 2006). As Cox and Mason (2000) remarks: “the ‘old state system is resolving itself into a complex of political-economic entities: micro-regions, traditional states, and macro-regions with institutions of greater or lesser functional scope and formal authority” (p.97-100). Fourth, Ferner’s (1997) country of origin approach has further developed the NBS notion to explain MNCs’ behaviour especially in the area of HR and IR field. This is due to the fact that the ability of nation states to protect NBSs from global forces has been conciliated as a result of increase of globalisation (Ó Rian, 2000). For example, the German CME has faced strong competition from its LME counterparts, and hence it is more difficult for the German CME to wholly transfer its home business system to operate in more liberal business systems such as in the UK.

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Ferner's (1997) country of origin approach provides useful materials to explain why MNCs have the strengths to operate in the global market. The notion of 'corporate isomorphism' helps MNCs and practitioners to understand what materials create MNCs' competitive advantages in a global market especially in the HR/IR area. Namely, these materials are shown in five ways. First, national systems of corporate governance and MNC behaviour reveals that the 'insider' (notably German) model encourages firms to regard employees as assets and a source of competitive advantage, and to grant them 'stakeholder' rights such as employee participation, whereas the 'outsider' (notable Anglo-Saxon) system sees employees as 'disposable liabilities' and offers them few stakeholder rights (Ferner, 1997:26). Second, an understanding of how national systems of corporate control affects MNC behaviour generates useful materials to explain the origins of competencies within different national MNCs. This refers to how the typical authority structures attributed to parent country firms in general, consequences may be expected for the international management of HR and IR (Fener, 1997:28). For example, French MNCs are known in their more rigidly organised pyramids – the Eiffel tower model to guide their foreign subsidiaries. Consequently, a unique competency generated by French MNCs is less likely to be imitated by other national MNCs. Third, country of origin effect is also visible regarding in the way that managerial careers and management development are organised (Ferner, 1997). For instance, Japan and French MNCs counts on elite recruitment, while the German tradition relies on formal apprenticeship and functional rotation, followed by progression through functional career paths where specialist technical expertise is developed (Ferner, 1997:28).

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5 Corporate isomorphism means that headquarters pressures for international conformity within corporations (Ferner and Quintanilla, 1998:713).
Forth, country of origin differences is shown in how work is organised within MNCS. For example, French MNCs tend to separate tasks tightly between and within different levels based on the hierarchy (e.g., Poirson, 1993) while German MNCs separates tasks and functions in a more unclear horizontal way (Ferner, 1997). Finally, different country of origins influences the nature of the human resource function. For example, in their study of European countries, Brewster and Larson (1992) indicated that there are considerable national differences in the role and organisation of the human resource function especially in the area of integration of HRM strategies and business strategies.

Limitations of comparative institutionalism both in the NBSs' and varieties of capitalism perspectives are the following. First, it failed to identify and analyse individual firms' behaviours under different national constraints, especially the constraints from movement of capital and peoples within different countries; second, the NBS approach ignores the continued changes in national models during time change and neglects the differences within the potential of individual organisations; third, the NBS approach could not explain why MNCs have diverse organisational locations within the same MNC (Gamble, 2003). For instance, in his study of British MNCs in China, Gamble (2003) found that there is one weakness in NBS: the NBS approach can not clarify why MNCs failed to transfer their parent-country HRM policies and practices to their overseas subsidiaries. However, host country factors such as regulatory conditions, labour market conditions, local employees' institutionalised views about transfer of home country's management practices and cultural factors, are more useful to explain transfer of parent country HRM practices. Another is organisational inertia which is useful to explain why a foreign subsidiary decides to transfer its parent-country HRM practices, and this means subsidiary
level decisions such as strategic international HRM orientations, strategies adopted in the subsidiary level, and the occurrence of expatriate managers.

2.4.5 Political Process Approach

The key concept of the political process approach is that due to increasing resource scarcity, increasing conflict and use of power caused by such scarcity, actors within organisations need to bargain and negotiate in order to sort out the decision making modes.

The focus of analysis is on the power struggle, rather than the way through which decisions are made (Pfeffer, 1981:354). Thus, diffusion of management practices is constrained by power resources held by key actors (e.g. managers and employees) within organisations. Under the premise, managers in MNCs can make strategic management choices without considering issues such as national culture, institutional environment, and organisational structural factors.

Ferner and Edwards (1995) have argued that the dissemination of HRM practice of a MNC is a result of power resources holding by national actors within the corporation, including the organised workforce (p. 248). Different channels of influence arising from different forms of power could be used by MNCs, and these are exerted when a MNC tries to transmit HRM practices across borders. There are three types of power: resource-based power, authority, and culture, which provide different ‘channels of influence’ for transmission of organisational practices across national borders. Also, there are four types of channels of influence: resource-dependent power relations, exchange relations, authority relations, and
culture relations. Resource-dependent power relations refers to the ability to influence decisions; exchange relations to bargaining the interests within organisations because of countervailing sources of power; authority relations to the formalisation of practices such as sets of routines, standard procedures and guidelines, rules and policies; culture relations refers to the use of power to manipulate culture as a means of achieving corporate goals or to shape actors’ and corporation’s own interest through culture (Ferner and Edwards, 1995:231-4). For instance, authority structures provide an important channel to promote IBM’s international formal guidelines for human resource, such as single status, merit-related systems and union avoidance strategy (Ferner and Edwards, 1995; Ferner et al., 2006).

Regarding the resource-dependence channel, the transfer of home country expatriates by US and Japanese MNCs is viewed as an exercise of power to achieve a direct control (Ferner and Edwards, 1995). The implication of resource-dependence power is that individuals or individual units might use their ‘countervailing’ power from their knowledge or special skills or strategic importance within MNCs to defer the transmission of organisational innovations from the centre (Ferner et al., 2006). One illustration of exchange relations is that a group of senior managers from ABB European subsidiaries met regularly to discuss and develop policy (Ferner and Edwards, 1995).

Culture relations as a channel of influence exists in the context of MNCs. ‘Culture’ has been used as a form of ‘corporate glue’ attaching organisations together with taken-for-granted rules within MNCs, and as the way of doing things (Ferner et al., 2006). For instance, in their study of ABB company, Barlett and Ghoshal (1993) found that the company control through culture relations relies on its horizontal
networking in order to establish rules of the game for the actors (i.e. top management, middle and front-line management) to operate (p.31). Also, the 'policy bible' created by ABB defines clearly the expectation that individuals and groups would interact “with mutual confidence, respect and trust...to eliminate the individuals’ attitude... and to remain flexible, open and generous” (Barlett and Ghoshal, 1993:31).

2.4.6 Managerial Competency Approach

The core of the managerial competency approach is to concentrate on the influence of managerial attitudes, values, motivation and abilities on HRM strategic choice and practice (e.g. Adler et al., 1986; Beechler and Yang, 1994; Guest and Hoque, 1996; Martin and Beaumont, 1998; Tayeb, 1999). Based on their ten case studies of five Japanese subsidiaries in the service industry and five in the manufacturing sector in the US, Beechler and Yang (1994) found that top managers' belief is one of the key factors affecting subsidiaries' adoption of Japanese-style management practices. In particular, they uncovered that those senior managers have strong commitment to introduce Japanese way of product quality and zero defects, and they concluded,

"... If top management of a MNC believes that transfer of Japanese-style management overseas is both possible and advantageous in reaching organisational objectives, that company will be more likely to transfer Japanese-style management practices to its overseas subsidiary." (Beechler and Yang, 1994: 485)
Based on their case study of one ABB subsidiary in Scotland, Martin and Beaumont (1998) found that the motivations of local managers to use internal benchmarking are pivotal. Moreover, in her three case studies in Scotland, Tayeb (1999) found that under the same constraints of local culture and institutional environment, management attitudes were major factors facilitating the adoption of foreign management and production practices (e.g. TQM, JIT) from Japan to solve the production difficulties within their organisations.

Both the ‘political process’ and ‘managerial competency’ approaches could risk ignoring, or at least paying insufficient attention to, the influences of environmental and organisational factors on managerial actions. Edwards et al., (1999) commented that:

"The implication of the political approach is that structural factors do not have determining effects; rather, internal political factors can over-ride the influence of structure, but are shaped and constrained by it. Actors are certainly free to pursue their own interests, but only within limits constrained to a greater or lesser extent by structural features of organisational hierarchy, corporate strategy, market environments, and so on. Political processes are not separate from structural forces but represent the working out of responses from these forces" (p.4).

2.4.7 Summary

This section reviewed previous theoretical approaches applied to factors affecting HRM strategic choices on MNCs, namely national cultural, the new institutional,
organisational contingency, country of origin, political process, and managerial competency approaches. All the approaches have their own strengths and weaknesses in terms of explaining the influence of diffusion of HRM strategic choices and practices in MNCs. The strength of the national cultural approach is to provide a simplified five dimensions, such as power distance, individualism vs. collectivism, masculinity and femininity, uncertainty avoidance, and long terms vs. short-term values, for researchers to search for a national path. The weaknesses fail to consider divergence within the individual country, treating all individuals in the same manner. The cultural approach is more suitable to have provided explanation for ideology explanation rather than practical behaviours within organisations.

The strength of the new institutional approach is its focus on the relationship between organisations and their institutional surroundings. In essence, the organisational behaviours such as management practices and structures are dependent on their relationship with their environment. However, this approach fails to consider cross-national isomorphism within MNCs, and the issue of dual pressures from subsidiary level and HQ level factors.

With regard to the organisational contingency perspective, the main focus is on the size of firm and technology used by the firm, special organisational features, and host environment, and fails to address issues such as national disparity, culture influence, and managerial consideration during the transferring of management practices across borders.

The strength of the political approach is its focus on addressing the relations between power and actors within organisations and that the way politics shape the
adoption of management practices during the political process. However, as argued earlier, adoption of management practices is not mainly as a result of power exerted by managers within HQ and subsidiaries. Rather, other factors such as managerial competency are also influential in dissemination of HRM practices within MNCs and their subsidiaries. The managerial competency perspective addresses how management beliefs, attitudes, abilities, and knowledge affect the adoption of HRM strategic choices and practices. However, the key limitation of the managerial competency approach is mainly concentrating on expatriate HRM issues such as selection and training, pay and relocation, and control and coordination, rather than focusing on the relationship between managers from both home country and host country, and dispersion of HR strategic choice and practice within subsidiaries.

To sum up, due to the weaknesses discussed in these theoretical approaches, it is not appropriate to adopt any single theoretical approach to investigate the complicated relationship between MNCs and their subsidiaries. Therefore, it appears to be necessary to examine the diffusion of HR strategic choice and practices through a combination of theoretical approaches.
2.5 Factors Influencing Transfer of HRM Practices between National Institutional Domains

The aim of this research is to explore the nature of HRM strategy at a subsidiary level. Previous research shows that HRM practices at that level are influenced by a host of factors, which are categorised into external and internal. External factors, outside the control of the multinational, include factors related to country of origin, host country factors, and structure of the industry, such as degree of international production integration. Internal factors, factors under the control of the multinational, include the subsidiary's strategic role, methods of establishment, and managerial commitment to standardise or not, as the case may be, HRM practices throughout its network of subsidiaries. Below, we use the framework to analyse current research on determinants of HRM practices at subsidiary level and identify the key factors that determine HRM practices of subsidiaries of multinationals from emerging economies operating in western developed economies.

2.5.1 External Factors

This section will briefly discuss external factors influencing transfer of HRM strategies by MNCs from emerging economies operating in the UK.

2.5.1.1 Country of Origin

Country of origin has an impact on subsidiaries' HRM practices. Many analysts (e.g. Whitley, 1992), who seek to understand the nature of transfer to overseas subsidiaries have used the NBS approach. In this approach, businesses are considered to derive enduring and distinctive features from their embeddness in
their national institutional structures (Whitley, 1992). The expectation is that “nationally-specific characteristics.... are likely to influence the way in which MNCs manage internationally” (Ferner, 1997:33). Inevitably, researchers who have explored the extent to which the characteristics of national systems are transferred to the overseas subsidiaries of MNCs have found evidence of “distinctive national paths to internationalisation” (Ferner and Quintanilla, 1998; Zhang, 2003). HRM strategic choice and practice are related to the nature of the national business system, as has been argued by Ferner (1997). Ferner and Quintanilla (1998) indicated that the more open to new management practices a national business system is, the more the different management practices will be absorbed by MNCs, while the more closed to new management practices a national business system is, the more difficult will be the transfer of the different management practices to other subsidiaries. Furthermore, the more open a business system is and the more liberalised of a host country, the more home practice could be transferred into foreign subsidiaries (e.g. Guest and Hoque, 1996; Ferner and Quintanilla, 1998).

Moreover, the transfer of HRM strategies and practice is influenced by the nature of HRM practice in the home country, and this means whether a HRM practice can be transferred across borders depends on its nature of 'diffuability' and 'receptiveness' (Edwards and Ferner, 2004). The key feature influencing diffusability across business system is the degree to which knowledge is codified or tacit (Edwards and Ferner, 2004). Pertaining to absorptiveness or receptiveness, this applies to the ability of the organisational actors in the home country to institutionalise new knowledge: the greater the ability, the more likely for a subsidiary to absorb, and the more receptive the business system is. For example, one British MNC may try to improve its absorptive capacity through cooperation by ability in identifying and
transferring innovations across borders (Edwards and Ferner, 2004). Consequently, this company is acting deliberately to increase its absorptive ability. Therefore, the more codified a national HRM practice is, the easier it is absorbed by or transferred to other countries. The more tacit, the more difficult it is absorbed or transferred (see Edwards and Ferner, 2004).

To conclude, HRM strategies and practice in an organisation are fundamentally shaped by the differences of its culture or institution. National differences provide both opportunities and constraints for HRM strategic choice and practice. However, the influence of national constraints varies in terms of the nature of HRM strategies and practices and the characteristics of national business system.

2.5.1.2 Degree of Production Integration and Nature of Product Markets

The sector of activity has a significant impact on subsidiaries' HRM practices. Research shows that the adoption and diffusion of HRM practice are influenced by the degree of product integration required in the industry (e.g. Edwards et al., 1999). MNCs are more likely to diffuse their HRM practices when there is a high degree of production integration across countries (Edwards et al., 1999:287). Thus, a standard management may be needed whatever nation owns the company if the MNC is integrated at a global level (Femer, 1997, Mellahi et al, 2005). In contrast, in industries which are more 'polycentric' in structure, with subsidiaries that are aligned with serving local markets, rather than being a part of an international division of labour, the anticipation is that it is less likely to transfer home-country HRM practices (Rosenzweig and Nohria, 1994). Moreover, HRM will be influenced more by the local preference if product and market are integrated with local
resources and technology (Martinez and Jarillo, 1991). Gamble (2003) argued that transferring parent-country HRM practices may be more problematic in service-sector MNCs than in manufacturing firms, because the former deal not only with local employees, but also with the differing expectations and cultural values of customers.

2.5.1.3 Host Country Factors

The subsidiaries’ HRM policies and practices are influenced by the host-country’s environment (Schuler et al., 1993; Rosenzweig and Nohria, 1994). This includes the legal environment, particularly related to labour issues, and host country institutions, as well as the cultural environment in which the affiliate operates. These factors influence the extent to which the MNC is able to transfer its parent company’s HRM practices to overseas subsidiaries to achieve its internal consistency (Taylor et al., 1996:976).

The legal environment in which the subsidiary must operate also constraint the transfer of parent company’s HRM policies and practices abroad (Rosenzweig and Nohria, 1994). It could suggest that the greater the similarity of legal environments, the will be greater the similarity between the affiliate’s HRM policies and practices and its parent company’s, whereas dissimilarity of legal environments will have the opposite effect (Taylor et al., 1996). More recent researchers (e.g. Kostova, 1999; Kostova and Roth, 2002) have found that not only host country regulative environment but also cognitive and normative environments show important influence on the diffusion of parent country practices abroad. For instance, Kostova (1999) argued that the transferring of practices between national borders does not fit
with the cognitive framework of the host institutional environment, because subsidiary managers and employees will use their own knowledge and skills to interpret and evaluate the practices, rather than to comply with host country institutional arrangements. In brief, dissemination of parent country practices may be implemented at the subsidiary level but are less likely to be internalised (Ferner and Tempel, 2006). Therefore, the expectation is that the less distance in CIP (Country Institutional Profile)\(^6\), the more likely for the parent company to transfer its HRM policies and practices, and the less difficulty for the parent country to implement.

2.5.1.4 Interaction with Local Institutions

The degree of interaction with local stakeholders and institutions has an influence on the subsidiary’s HRM practices. For instance, if a subsidiary interacts with customers, suppliers, regulators and competitors within a host country, or if it is partly owned by local firms, it is likely to have a high degree of local stakeholders and institutions, and thus may exert some influence on its HRM practices. Under this condition, the subsidiary relies on the host environment’s resources more than depending on the parent company’s support. For instance, MNCs will increase using host country’s staffing policies and training programmes to assist in coordination of the activities of the subsidiary (Dowling \textit{et al.}, 1999). Hence, the expectation is that it is more likely for a subsidiary to use the host country's HRM practices as a result of depending on local institutions. In terms of interaction with local institutions,

\(^6\) The concept of CIP is a three-dimensional construct from the regulative, normative, and cognitive institutions of a country (Kostova, 1999), for example, if one were to characterise the US environment regarding equal employment opportunity, one could do so by using the CIP of the United States — that is, ....the regulatory institutions (e.g. the EEO Act), the cognitive institutions (the shared social knowledge that people hold regarding EEO), and the normative institutions (the beliefs, values, and social norms related to EEO that people hold)(Kostova, 1999:314).
Gamble (2003) indicated that various resources of power are being used by the subsidiary’s employees, especially local employees’ greater familiarity with the language, to be used to impede diffusion from the parent company and promote local isomorphism. This could be true when the host country’s language is noticeably different from that of the MNC’s parent country. Hence, it could be expected that local employees can exert their host environment’s institutions such as language to encumber the parent company’s HRM practices at a subsidiary’s level.

2.5.1.5 Cultural Differences between Home Country and Host Country

Closeness of cultural values of the host and home country is also found to influence the subsidiary’s HRM practices (Beechler and Yang, 1994; Rosenzweig and Nohria, 1994). National culture has a strong influence on the feasibility of using management systems in one country that were developed in another country (Hofstede, 1993). Overall, the more similar the host country’s management system is to that of home country, the more likely for an MNC to transfer its HRM practices to its subsidiaries. This is due to the similarity of cultural values and norms reducing the barriers to adopting HRM policies and practices, developed by HQ. In general, the more dissimilar the cultural environment between the home country and the country where the subsidiary is located, the more difficult it will be for the MNC to transfer its HRM policies and practices abroad. Thus, the expectation is that the greater the cultural distance between the host country of the subsidiary and the home country of the MNC, the less likely the affiliate will conform to the local practices (Beechler and Yang, 1994). By contrast, MNCs may seek to ‘fit in’ by imitating local practices in terms of lessening the significant cultural distance (Rosenzweig and Nohria, 1994).
2.5.2 Internal Factors

This section will briefly discuss internal factors influencing transfer of HRM strategies and practices by MNCs from emerging economies operating in the UK.

2.5.2.1 Subsidiary-level Decisions

Firms are important actors in their own direction to manage business; each has its own “institutionalised stock of knowledge” (Beechler and Yang, 1994:475), and many seek to develop their own distinct approach to manage their organisation at the subsidiary level (Gamble, 2003). Nohria and Ghoshal (1994) distinguish between firms that make a strategic decision to develop ‘differentiated fit’ with unique local circumstances, and those which promote global ‘shared values’ across the company.

2.5.2.2 The Subsidiary’s Strategic Role

The subsidiary’s strategic role is vital to shape the HRM practices at the subsidiary level (Taylor et al., 1996). The standpoint from the resource dependence approach (Pfeffer and Salancik, 1978) is based on the argument that an organisation itself cannot generate all the resources necessary to maintain itself, and therefore it is dependent on other actors. Taylor et al. (1996:974-6) identified three key factors that determine the dependence of one actor on another: criticality of the resource to continued operation and survival; extent to which an interest group (or individual) has discretion over the resource allocation and use; and alternative resource. As the parent company relies on critical resources from its overseas subsidiaries, the parent
company is dependent to varying degrees on its subsidiaries and subsidiaries’ employees (Ghoshal and Nohria, 1989). It could be expected that the parent company will exert more control over the affiliate as a result of the parent company’s dependence on the resources controlled by an affiliate. Therefore, the degree of control the parent company will exert over the affiliate’s HRM system is determined largely by the affiliate’s strategic role.

The strategic role of an affiliate could be described by the amount and direction of the resource flows between the parent company and the overseas affiliates (Gupta and Govindarajan, 1991). Gupta and Govindarajan’s framework, which is based on resource-dependence assumptions, stipulates four kinds of affiliate roles, based on knowledge flows: (1) global innovators, with high outflow of resources to the parent company and low inflow of resources to the affiliate; (2) integrated player, with high outflow and high inflow; (3) implementer, with low outflow and high inflow; (4) local innovator, with low outflow and low inflow. As the resource flows between the affiliate and the parent company increase, the resource dependence and the need for control will increase (Pfeffer and Salancik, 1978). Again, the power of the affiliate over the parent company will increase when greater reliance by the parent company on the affiliate occurs (Gupta and Govindarajan, 1991).

Moreover, with regard to the global innovator, the parent company will exert high levels of control over its global innovators, while these global innovators will simultaneously have the power to resist these control efforts. In the case of integrated players, the parent company will attempt to exert high levels of control over these affiliates, and they will have less power than global innovators to resist this control. The parent company will not attempt to exert high levels of control
over implementers or local innovators due to low dependence by the parent company on the affiliate. Meanwhile, one can find that higher control by the parent company will be exerted over implementers than over the local innovators, and this is because of a high inflow of resources from HQ to implementers and low levels of both resource inflows and outflows of resources from HQ to local innovators. Therefore, the expectation is that the highest control between the parent company’s HRM system and the subsidiary’s HRM system will be in subsidiaries that are integrated players. The lowest control exerted by the parent company’s HRM system over the subsidiary’s HRM system will be in subsidiaries that are local innovators (Gupta and Govindarajan, 1991).

Jaw and Liu (2004) further illustrated the effect of parent resource dependence on international human resource control (IHRC). If a subsidiary depends on a flow of valuable resource (e.g. money, equipment, information, skills) from inter-country organisations (e.g. HQ and sister subsidiaries of the MNC), its HR practices will be influenced by these entities (Pfeffer and Cohen, 1984; Pfeffer and Langton, 1988; Martinez and Ricks, 1989). Martinez and Ricks (1989) also found that US parent companies were involved in selecting managers for subsidiaries if the subsidiary has a high resource dependence on the parent firm. Similarly, when a subsidiary has a high level of dependency on its parent company’s technology or management systems, for instance, formal training programmes from the parent company will enable the subsidiary manager and other valuable personnel to become more competent in their jobs overseas (Pucik and Katz, 1986). Therefore, the subsidiary’s dependence on parent’s resource is also believed to be positively related to the quantity and quality of training and socialisation provided. Thus, one could expect that the level of control exercised by the parent is mainly related to the subsidiary’s
Martinez and Jarillo (1991) suggested that a subsidiary's dependence on its parent’s technology or tight integration in the purchasing function will lead to more formalisation, standardisation and centralisation for global co-ordination. Edstrom and Lorange (1984) also argued that in a global business, conglomerates are characterised by operational interdependencies that are evident in uniform product sourcing and marketing strategies. Consequently, a manager's activities will be more constrained, which is more likely to ratify a set of operating procedures. Similarly, Pucik and Katz (1986) proposed that explicit rules and bureaucratic control systems influence how much technology and information are transferred by the parent company to the subsidiary. Hence, the greater control would appear in subsidiaries when the subsidiaries are highly reliant on their parent company to provide key resources for operations overseas.

2.5.2.3 Methods of Establishment

The degree of diffusion from parent company to its subsidiary relies on the methods of establishment. For instance, Taylor et al. (1996) argued that when a subsidiary is established as a greenfield (brand new) operation, it is likely for the parent company to diffuse its home-country HRM practice to its overseas subsidiary. By contrast, if an affiliate is acquired through buying a pre-existing firm or sharing a partnership with a local firm, it is more likely for the affiliate to adopt local HRM practices. This is because of experiencing greater institutional pressures to utilise them and having them which already functioned under a local HRM system. Furthermore, Guest and Hoque (1996) indicated that when a subsidiary operates in greenfield...
sites, the HRM practices which are new to the organisation are absorbed or adopted easily; for a brownfield subsidiary, the HRM practices already existed in the organizations. Hence, the expectation is that home practice is transferred easily to its overseas affiliate in a new subsidiary while local practice is more easily adopted from brownfield sites in the host country. Similarly, Gamble (2003:374) pointed out that subsidiaries established on greenfield sites are better able to abide by their foreign parent's operations than those acquired through acquisitions. Such operations do not have problems in facing existing highly institutionalised practices, and they have more capacity to establish the employment 'ground rules' and to recruit employees who 'fit' with their corporate culture.

2.4.2.4 Expatriate and Host Country National Managers' Choices

Research shows that the means of transferring HRM practices from the parent company to its overseas subsidiaries is influenced by the ability and choice of its expatriate managers (Gamble, 2003). For instance, one expects that affiliates with a high number of expatriate managers are more likely to adhere to the management practices of the MNC (Rosenzweig and Nohria, 1994:236). Expatriate managers typically serve as a critical control function in areas such as setting overall strategy and in finance management (Gamble, 2000), as well as monitoring and checking the behaviours of local personnel to produce desired outcomes set up by HQ (Paik and Sohn, 2004:64).

Likewise, Gomez and Werner (2003) proposed that top managers in subsidiaries including expatriates tend to emulate parent country's HRM practices and management style because of their experience and tenure in the home country.
Again, expatriate managers are also executing a crucial role in the transfer of firms’ ‘administrative heritage’ (Barlett and Ghoshal, 1989). The administrative heritage means that a company’s ability to build and manage the new strategic capabilities depends on its existing organisational attributes: its configuration of assets and capabilities, built up over time; its distribution of managerial responsibilities and influence, which cannot be shifted quickly; and an ongoing set of relationships that endure long after structural change (Barlett and Ghoshal, 1989:33). In addition, expatriates distribute explicit knowledge such as the introduction and dissemination of employee handbooks, international sales or maintenance training programmes, selection tests, and operational standard procedures (Barlett and Ghoshal, 1989; Gamble, 2003).

Apart from these tangible resources, expatriates managers also bring substantial intangible resources, principal among these being the tacit knowledge of ways of managing the business, for example shared mindset, ability to attract qualified employees to work for the firm, affiliate manager’s experience in negotiating with the local environment (Taylor et al., 1996:963). The benefits of inferred knowledge of expatriates’ managers are shown in their greater confidence in their ability to produce desired results through managing the local employees’ behaviours, and the ability to communicate with local employees effectively (Paik and Sohn, 2004:64). Finally, expatriate managers with an in-depth knowledge of host country culture would process the non-verbal signals’ knowledge precisely that will therefore avoid problems in managing the host country’s personnel in terms of cultural and behavioural differences between the local and host culture expatriate managers and local staff (Paik and Sohn, 2004).
Accepting the assumption that greater numbers of expatriates will assist diffusion, it would appear that a small number of expatriates could also influence the diffusion of HRM practices at a subsidiary level. As evident in the study of Gamble (2003), a few expatriate managers who are at the top of management structure in the subsidiary could promote the diffusion of HRM practices from parent company to its overseas subsidiary. This is because these expatriate managers can use their authorised power arising from their decisive positions to diffuse parent-country’s practices. Hence, it could be expected that not only greater numbers of expatriate managers assist the dissemination of HRM practices from parent country to host country, but also small numbers do so.

2.6 SUMMARY

As depicted in Figure 2-1, HRM strategies and practices at subsidiary level are influenced by a combination of internal and external factors. The first set of external factors are home and host country characteristics, such as country of origin, host-country legal structure, local institutions, and national culture, have a direct influence on the dissemination of HRM policies and practices from parent company to its overseas subsidiary. The second set of external factors represent the degree of international product integration and nature of product markets. These factors have a direct impact on the adoption of HRM practices at a subsidiary’s level. The internal factors are: subsidiary level decisions, subsidiary’ strategic role, methods of establishments, and expatriate and host country national managers’ choices.
Figure 2-1 Framework of Influences of External and Internal Factors on Subsidiary's HRM Strategies and Practices

External Factors
- Country characteristics
- Degree of product integration and nature of product market

HRM strategies and practices

Internal Factors
- Subsidiary-level decisions
- Subsidiary’s strategic role
- Methods of establishment
- Expatriate and host country national managers
Chapter 3
HRM in Taiwan and UK

This chapter examines and compares HRM practices in Taiwan and the UK. Firstly, a review of the historical background relates to HRM development in Taiwan. Secondly, national institutional factors such as economic, political and institutional forces that shape HRM in Taiwan are briefly discussed. Finally, the HRM system in both Taiwan and the UK will be illustrated, and comparisons in HRM practices between these two countries will be examined.

3.1 HISTORICAL BACKGROUND

Taiwan also called ‘Formosa’ (‘beautiful island’) is an island located in the curve of mountains in the western Pacific off the eastern coast of Asia, situated between Japan and the Philippines. Taiwan is separated from Mainland China by the Taiwan Straits, which is about 220 km at its widest point and 130 km at its narrowest. The size of Taiwan is about 36,000 km² (Taiwan Yearbook, 2005), roughly the size of 2% of UK (the size of UK is around 243,000 km² (Downing Street, 2007).

In the seventeenth century, it was the Dutch and Spanish who first arrived in Taiwan and set about colonising parts of the island. In 1662, Cheng Cheng-Kung defeated the Dutch and then ruled the island for 22 years until his family surrendered to the Ching Empire in 1683. Under the Ching rule, Taiwan was treated as an entrance to the southeastern part of China and a vital position for trading (Executive Yuan, 2005).

Taiwan was annexed to Japan as a result of the 1895 Treaty of Shimonoseki and was not returned to Chinese government until the Japanese surrendered at the end of World War II. After 50 years of Japanese occupation, Taiwan was moving towards a relatively modern society with an improved economic infrastructure. However, the Taiwanese were treated as second-class citizens under Japanese power, with a high
social cost, and only the ruling groups were benefited from Taiwan’s economic growth during Japanese colonisation (Wu, 2004)

3.2 ECONOMIC FACTORS

Taiwan has always relied overwhelmingly on its human resources because only one-third of its land area is usable. The island’s population grew from 6 million in 1945 to 22.7 million by 2003, making it one of the most densely populated areas in the world today. In 2003, 9.24 percent of the population was over 65, which is in the middle of older countries (e.g. Japan) and younger countries (e.g. South Korea). It is expected that Taiwan will become an aging society in the near future as the population growth rate has decreased since the 1980s and life expectancy has increased, standing at 76 in 2003 (Executive Yuan, 2005).

Taiwan has enjoyed the most rapid economic growth over the past 50 years (see Table 3-1 for macro-economic and labour statistics), its GNP per capita increasing from US$ 257 in 1965 to US$ 16,423 by 2006.

In Taiwan, the different economic stages used different management behaviours to manage people. There have been two economic development stages since the 1960s: the export expansion between 1961 and 1980, and the technology-intensive industries’ expansion period from 1981 to 1997 (Zhu et al., 2000; Zhu, 2003). During the export expansion period, the government encouraged labour-intensive industries such as textiles and food (Chen, 1997). State-owned enterprises (SOEs) played a monopolistic role in industries such as petroleum, transportation, sugar, and electronics. The average GNP growth was above 8 percent, and unemployment rate was about 2 percent during this period (see Table 3-1). During the technology-intensive industries’ expansion period, GNP growth maintained a level above 5.5 percent, and unemployment was below 2 percent (Zhu, 2003). In 1997, Taiwan managed to resist the impact of the Asian financial crisis by diversifying into high-tech industry. Yet, in the past decade, China has become the main destination of Taiwanese investment because of high labour costs and shortage of labour in Taiwan. It is expected that not only will traditional manufacturing firms continue to
move their operations to China, but also companies in the high-tech and service industries (Wu, 2004).

In terms of labour markets, agriculture was the main industry under the Japanese occupation and in the early stages of the Kuomintang (KMT) administration, hiring 56.7 percent of the labour force in 1951 (Wu, 2004). The manufacturing industry started growing in importance in the following decades, reaching the peak in 1987, with a 42.8 percent of labour force in Taiwan. However, due to the restructuring of industries, the labour force decreased in the manufacturing sector, while workers employed increased in the service industry since the 1990s. For example, 27.08 percent of total labour force was employed in the manufacturing sector in the 1950s, but since the 1990s more than 50 percent were in the service sector (Chen, 1997; Wu, 2004).

Average monthly working hours decreased from 204 in 1985 to 181 in 2001. Conversely, average monthly earnings in manufacturing increased from NT$4,44 in 1976 to NT$38,277 in 2001 (Wu, 2004). Labour costs increased after the war as a result of the relatively high economic growth rate (Table 3-1). This led to an increasing tendency for people not to take lower-skilled work. This resulted in a labour deficiency problem in the mid-1980s that forced manufacturing firms to transfer their operations to countries with lower manufacturing cost, such as Southeast Asia and China. In 1989, the government introduced the foreign workers from Southeast Asia to relieve these problems, a company could hire foreign workers to cover low-skilled jobs up to 30 percent of its total workforces (Zhu and Warner, 2000). As a result, the total number of legal foreign workers reached 220,000 in mid-1996 (Chen, 1997:153). The unemployment rate was consistently low from 1965 to 2000, reaching a peak of 5.2 percent in 2002, which was the highest in Taiwan’s economic development. In January 2003, in order to resolve the unemployment problem, the government released details of an NTDS$70 billion funding to provide temporary jobs through a scheme involving public works, educational and other projects (Taipei Times, 2003). Currently, this figure is 3.78 percent in May 2006 (DGBAS, 2006).
Table 3-1 Selected key economic and labour market indicators in Taiwan

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<tbody>
<tr>
<td>GNP per capita (US$)</td>
<td>215</td>
<td>389</td>
<td>964</td>
<td>2,244</td>
<td>14,188</td>
<td>12,876</td>
</tr>
<tr>
<td>Economic growth rate (%)</td>
<td>11.0</td>
<td>11.3</td>
<td>4.4</td>
<td>7.1</td>
<td>5.9</td>
<td>-2.2</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.3</td>
<td>1.7</td>
<td>2.4</td>
<td>1.2</td>
<td>3.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Total labour force (000s)</td>
<td>3,891</td>
<td>4,654</td>
<td>5,656</td>
<td>6,629</td>
<td>9,783</td>
<td>9,830</td>
</tr>
<tr>
<td>Labour force participation rate (LFPR)</td>
<td>58.2</td>
<td>57.4</td>
<td>58.2</td>
<td>58.3</td>
<td>57.7</td>
<td>57.2</td>
</tr>
<tr>
<td>LFPR: male</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>77.1</td>
<td>69.4</td>
<td>68.5</td>
</tr>
<tr>
<td>LFPR: female</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39.3</td>
<td>46.0</td>
<td>46.1</td>
</tr>
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Table 3-1 continued

<table>
<thead>
<tr>
<th>Variables</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>GNP per capita (US$)</td>
<td>12,900</td>
<td>13,157</td>
<td>14,106</td>
<td>15,676</td>
<td>16,423</td>
</tr>
<tr>
<td>Economic growth rate (%)</td>
<td>3.5</td>
<td>3.24</td>
<td>6.1</td>
<td>4.3</td>
<td>4.93</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.2</td>
<td>4.99</td>
<td>4.44</td>
<td>4.13</td>
<td>3.78</td>
</tr>
<tr>
<td>Total labour force (000s)</td>
<td>9,965</td>
<td>9,570</td>
<td>10,241</td>
<td>10,371</td>
<td>-</td>
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<tr>
<td>Labour force participation rate (LFPR)</td>
<td>57.3</td>
<td>57.34</td>
<td>57.66</td>
<td>57.78</td>
<td>57.65</td>
</tr>
<tr>
<td>LFPR: male</td>
<td>68.2</td>
<td>67.69</td>
<td>67.62</td>
<td>67.78</td>
<td>-</td>
</tr>
<tr>
<td>LFPR: female</td>
<td>46.6</td>
<td>47.14</td>
<td>47.71</td>
<td>48.12</td>
<td>-</td>
</tr>
</tbody>
</table>

3.3 TAIWAN’S POLITICAL AND INSTITUTIONAL FACTORS

The state plays a critical role in Taiwan’s economic development. After the Japanese rule, the KMT party governed Taiwan for 50 years. Under a single party policy, the KMT government created a stable environment. From 1950 to 1965, two policies were vital to the island’s economy: aid from the USA and land distribution (Wu, 2004). The former provided Taiwan with valuable capital post-war to repair and expand infrastructure, including electricity, transportation, and communication post-war (Farh, 1995). In addition, the U.S. government opened its domestic market for Taiwan products, which later inspired Taiwan’s export-driven economy with a relatively high economic growth rate after the 1960s. In relation to land distribution policy, its success led to a mass transfer of land from landlords to tenants, which stimulated a high economic productivity in agriculture.

Between 1965 and 1987, Taiwan experienced rapid economic growth with an export-orientated policy. In 1987, the government lifted the state of martial law and opened up non-civil servants contact between Taiwan and China. At the same time, Taiwan gradually shifted its focus from labour intensive to high-tech and chemical-intensive industries. By 2000, Taiwan’s second largest trading partner was China, after the USA (Wu, 2004).

In 1988, President Lee Teng-Hui (KMT) came to power and started to implement a series of extensive reforms. In 1996, Lee was re-elected in Taiwan’s first-ever presidential election. In 2000, President Chen Shui-Bien (current chairman of the Democratic Progressive Party, DPP) won the second direct presidential election, ending 50 years of KMT government. Thus, the beginning of the new millennium may have represented a turning point for workers and their organisations, because DPP was a party calling for reforms in labour regulations when the KMT was still on power. This may promote union independence and power, because the DPP tends to be a more pro-labour party (Chen et al., 2003). Under Chen’s administration, the relationship between Taiwan and China remains inactive and investment from Taiwan to China is discouraged. However, a more open China policy was adopted by the DPP government after 2000, including limited transportation links between two small islands in Taiwan and the mainland.

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With regard to the relationship between political forces and industrial relations (IR) policy, labour-management relations were peaceful and workers were not confrontational until the late 1980s, as a result of the policies of the KMT. Prior to the mid-1980s, in order to implement national industrial policies and help the KMT government drive economic growth, KMT viewed trade unions only as supporting institutions and administrative arms of the government. This was due to the unhappy experiences for the KMT government with organised labour on the mainland before 1949. Hence, the KMT adopted repressive trade union policies with regard to independent unions in Taiwan after 1949. Firstly, the KMT vigorously developed its own political organisations at the plant level to absorb and designate union members. This was because of consolidating its power in Taiwan and organising workers against the threat of a communist takeover. Secondly, the KMT regime used labour law to regulate workers' activities, such as strikes (Chen et al., 2003:319). This means only state-controlled or employer-sponsored trade unions are allowed within organisations. For the stability of the state, the Social Work Committee (SWC) was established by the KMT to take charge of the affairs of social groups and institutions, especially workers and their organisations. The SWC formed state-owned trade unions in Taiwan (Chen et al., 2003). Employers and managers are invited by this committee to attend seminars on IR, and employers are encouraged to allow workers, unions and employees to get involved with union affairs. After the 1960s, the numbers of unionised workers increased rapidly as a result of the KMT's promotion. Moreover, the KMT used the state-controlled labour movement to support its diplomatic policy. For instance, in order to advance KMT policies and build support for Taiwan's ongoing conflict with the Mainland China (Chen et al., 2003), unions were encouraged to build relationships with anti-communist labour organisations, e.g., the AFL-CIO.

Apart from the KMT's vigorous intervention in trade union activities, labour legislation also played a significant role in shaping the pattern of IR. There are two types of unions under the Labour Union Law in Taiwan: industrial and craft. In fact, the appearance of industrial unions is low in organisations, because it is quite difficult for workers to organise industrial unions in a very small companies especially if the size of the organisation is below 30 employees. At the same time, craft unions have played a less important role in Taiwan's IR system, partly because
employees do not have specific employers to negotiate with and partly because employees are mostly self-employed. Also, the purpose of craft unions is for city or countrywide organisations to participate in labour insurance programmes under a government subsidiary (Chen et al., 2003).

Taiwan’s labour law authorises the formation of a labour confederation but does not allow for competing labour confederations (Chen et al., 2003). Hence, the Chinese Federation of Labour (CFL) as a singular, non-competitive and state-sponsored organisation with the exclusive representation of local unions and workers is eligible as the only one wide labour confederation in Taiwan. At the same time, more than two-thirds of the CFL’s budget is subsidised by government.

Regarding the relationship with the government, one of the CFL’s functions is to help the KMT to access unions and to activate workers for political purposes. For example, the director of the CFL who had close political and personal ties with KMT members was nominated by the KMT and appointed (Chen et al., 2003).

Moreover, the KMT’s government repressive labour policy was evident in forbidding the exercise of workers, rights in the labour law. Strikes, for instance, before the lifting of martial law in 1987, were illegal. As Chen et al. (2003: 322) indicated, strikes cannot occur until mediation has failed, and a majority of the entire membership votes in favour of striking by secret ballot. Not only are strikes prohibited during mediation, but also other types of concerted actions (e.g., slowdowns, picket lines, boycotts). Furthermore, strikes were still banned in some sectors such as cotton, fibre, wool, and textiles (Chen et al., 2003) before 2000.

However, in the past two decades, important transformations have occurred in Taiwan’s IR system. For example, in 1987, in response to the visible alienation of workers with the KMT, the Council of Labour Affairs (CLA) was established on a cabinet level. The responsibilities of CLA are to administer most of the labour laws, occupational health and safety matters, social welfare legislation, and the resolution of labour disputes. At the same time, the first legal opposition party, DPP, was allowed to establish itself in Taiwan because of the lifting of martial law in 1987. The DPP has closer ties with workers and independent unions and their federations,
such as the Taiwan Labour Front (TLF) (Chen et al., 2003). The changes in union attitudes are because the KMT was unable to balance the interests between employers and employees after implementing privatisation policy in SOEs, which created job insecurity and a vast amount of job loss in them.

Under the DPP government rule after 2000, a pro-labour policy was proposed, and the significant policies were industrial democracy initiatives, autonomous development of trade unions, and re-examination of the privatisation policy of state-owned enterprises (Chen et al., 2003). In terms of industrial democracy initiatives, labour-management conferences would be organised periodically to promote the right of worker participation in organisations. Moreover, Mr. Chen encouraged that intervention of political forces in the affairs of trade unions should be reduced. The labour Union Law should be revised to allow civil service workers and teachers to organise unions (Chen et al., 2003:328). Moreover, under Mr. Chen’s promotion, the privatisation policy of the KMT should be re-examined, and the scheduled privatisations should be postponed in order to secure the workers’ jobs (Chen et al., 2003). Mr. Chen also promoted other labour policies such as the reduction of legal working hours from 48 to 40 hours per week, and minimising the number of foreign workers from Southeast Asia in Taiwan. All these labour policies are reasonably attractive to workers and unions, and in turn promote trade union development in Taiwan.

3.4 CULTURAL FACTOR

Cultural force is vital for shaping HRM in Taiwan. Hofstede’s (1980) study revealed that Taiwanese culture has been categorised as high in power distance, low in individualism, moderate in uncertainty avoidance and masculinity, and high in long-term orientation. Consistent with the first two Hofstede dimensions, Chinese Culture Connection (1987) conducted a survey and revealed a medium level of Confucian dynamism. Taiwan management culture is rooted in Confucianism which emphasises harmony and consensus. The principle of harmony shown in a harmonious attitude and consensus towards a conflict-free working relations, thrift, protecting ‘face’, ordering relationships by status, duty to family, and economic
egalitarianism (Huang, 2002). Protecting face is related to harmony, which emphasises the avoidance of conflict in interpersonal relationships (Redding, 1990).

Yu (1990) found that, in general, the need for individual-oriented achievement motivation among Taiwanese people is higher than for social-oriented achievement motivation. Hsu’s (1987) study revealed that compared to Singaporean managers, Taiwanese managers are more self-centred, tend to place more importance on organisational rewards than the job content and relationships, and pay little attention to job significance. Yang (1986) concluded that there is a trend in Taiwanese society that emphasises individual needs more (e.g. autonomy, exhibition, etc.) and collective needs less (e.g. order, abasement, nurture, endurance, and social approval). Individual needs are now possibly more highlighted in modern Taiwanese society.

However, Yang (1992) argued that some indigenous collectivistic values still survive in modern society; they can coexist and will not necessarily disappear, despite the rise of individualism. Additionally, certain traditional values should not be viewed as a stumbling block to modernisation or social development (Yau, 1988). Rather, some values, such as familism, which is embedded in traditional Chinese values, are reinforced and sustained across generations in Chinese societies (Yang, 1986). Indeed, the values of harmony and familism will help companies to implement techniques such as total quality management, face-to-face communication and feedback, and a cooperative learning climate (Wu, 2004). More recently, a number of scholars (e.g. Chen et al., 2005) have argued that in contrast to western universalism, Confucian ethics are highly particularistic, namely owners of firms will favour those who have the closest social or hierarchical relationships (i.e. guanxi) with the owner. Interpersonal trust is also based on personal connections (quanxi) that are vital to employer-employee relations in Taiwanese companies. (Chen et al., 2005)

The HRM system is under the influence of management culture in Taiwan (Zhu and Warner, 2000; Huang, 2001; Zhu, 2003; Wu, 2004). Firstly, top management values are emphasised by the hardship and familism stressed by Confucianism, which may influence the design of HRM systems. Second, participatory programmes such as
quality circles, goal-setting, feedback, participation in decision-making, and so on, are found in Taiwanese firms merely because of the Taiwanese value of harmony. In addition, employees are not aggressive to organise or actively participate in unions in Taiwan because of emphasis on harmony in Confucian culture. Meanwhile, under the embedded culture of high power distance, Taiwanese firms pay less attention to voices from employees, the labour representative committee and unions. Therefore, a more cooperative relationship between management and labour is led by their harmonious attitudes. The greater the level of harmonious industrial relations is, the greater the effectiveness of implementing HRM policies in organisations is Taiwan. Finally, with the changing values of the younger generation in Taiwan's society, organisations with an open and commitment-based HRM system will earn more support from their employees.

3.5 HRM IN TAIWAN

In 1973, Negandi (1973) conducted a survey in Taiwan, which consisted of nine US-owned, seven Japanese-owned, and 11 local Taiwanese firms, and concluded that the HRM practices of local Taiwanese firms were far behind those of US and Japanese subsidiaries. He indicated that compared to the US-owned subsidiaries, local Taiwanese firms have no manpower policies stated and documented, no independent personnel departments, rarely conduct job evaluation, have no clear criteria for selection and promotion, most promotion is based on age and experience, training programmes are focused on operation only, and monetary rewards were the main incentives. He concluded that the personnel management practices in local Taiwanese firms were unable to use their high level manpower effectively.

In 1985, Yeh (1991) conducted another survey and suggested that the HRM practices in Taiwanese firms were a kind of mixture of practices imported from Japan and America. He argued that the indigenous firms have adapted very well in people management, and could no longer be viewed as the least developed in terms of HRM. Also, he indicated that adaptation and learning from US and Japan subsidiaries have increased the managerial ability of local Taiwanese firms to utilise their human resource. For example, local Taiwanese companies were similar to the
American subsidiaries in terms of recruitment criteria for new staff (technical education and general education). They are similar to the Japanese subsidiaries in their preferences of hiring new graduates, obtaining referrals from current employees, using technical competence and seniority in promotion, adopting quality circles, and emphasising group activities. However, Taiwanese firms occupied the middle position in many other HRM practices, such as bonus payment, job autonomy, lay-off policies, and the emphasis on training. The HRM system in Taiwan during this period was seen to be more established and to display a hybrid style.

In 1993, Lin (1997) conducted a mail survey which consisted of 190 Taiwanese firms, and revealed that in terms of Human Resource Planning (HRP), the status of HRP such as analysis of human resource demand, analysis of human resource supply and demand, and matching of demand and supply for both transient and enduring planning, which was still less developed. Human resource information system (HRIS) in Taiwan was still under-developed and mainly served as an operational and record-keeping function (Lin, 1997). Lin (1997) concluded that recruitment and selection, training and development, and HRP were the main focus for the future. Due to imbalance between the supply and demand of workforce in Taiwan, both in quantity and quality, this has pushed HR managers to value recruitment and selection more highly than before. However, in the future, Lin argued that HRP would be the first concern for HR personnel as a result of the growing importance of planning and strategic functions in the HRM field.

Yao (1999) divided the development process of HRM in Taiwan into three stages. Stage one took place before the mid-1960s. The main function of HRM was only a part of the administration role. The major responsibilities of HRM were attendance and leave administration, payroll and employee welfare, hiring, and performance appraisal administration. Stage two was from the mid-1960 to the late 1970s. At that time, some US multinationals (e.g. IBM, RCA, TI) and Japanese multinationals (e.g. Matsushita, Mitsubishi) established operations in Taiwan and transplanted their home country personnel management practices. During the 1970s, some informal professional personnel managers' organisations were formed to meet regularly to exchange personnel information (Farh, 1995). During this period, the function of
HRM was operational and inactive. The main responsibilities were hiring and retention, competitiveness of the job package, providing basic training programmes, and maintaining harmonious industrial relations. After the 1980s, HRM in Taiwan was gradually moving into stage three, and some HR departments were even involved in the formulation of business strategies (Yao, 1999).

In 1999, Zhu et al. (2000) conducted on-site interviews with fourteen Taiwanese enterprises, consisting of four foreign subsidiaries, one joint venture, seven Taiwanese private enterprises, and two state-owned enterprises. They indicated that in the area of work relations, local small and medium Taiwanese firms, as well as large enterprises, featured teamwork, multi-tasking, quality control, and new technology. In terms of employment relations, they found that Taiwanese firms had adherence to rules, common values and norms, 'transformational' managerial roles, importance of line managers and freedom in personnel selection. Furthermore, they reported that it is very difficult for the majority of enterprises to fully implement individual performance pay (Zhu et al., 2000). They found that individualised HRM was the norm in most of the firms. The majority of enterprises had individual contracts and most small and medium enterprises did not have collective contracts. Most firms pay attention to both pre and ongoing types of training due to its lower costs, and it is directly linked to the needs of production. Generally speaking, trainees are key employees with special skills and techniques, or managers. These key employees may take a full-time training programme for a short period of time (e.g. one to three months). Taiwanese private and state-owned enterprises normally establish exchange-training programmes with foreign companies. However, professional and overseas training are not usual for small and medium enterprises in Taiwan because of their relatively low technological orientation and concern for the training costs. In addition, most firms have the absolute right to hire and fire employees, except for state-owned enterprises. The reason for this is due to the economic slowdown, with an official unemployment rate of 7.5 (China Times, 2002). Most SMEs have difficulty to retain their business in Taiwan and a large number of them relocated their operation into China.

In terms of the strategic role of the personnel manager's activities, for most large enterprises (LEs), it is critical for the development of business, both short and long
terms. The majority of LEs also provide the opportunity for the personnel manager to participate in certain decision-making processes, such as designing strategic plans for recruitment, job designing, and training to accommodate the changes of production and management systems (Zhu et al., 2000).

In 2002, Wu (2004) conducted a survey of 1,106 firms in Taiwan on strategic HRM issues in leading companies. The study revealed that the Taiwanese-owned companies considered the business environment, business strategy, and top management’s values as most important when formulating HRM policies. Employees’ viewpoints, the labour representative committee and unions, and political situation are the least considered factors for the local companies. Thus, the role of unions and labour representative committee is also not influential when indigenous firms set up their HRM policies, which is partly because firms in Taiwan emphasise harmonious working conditions (Wu, 2004). Most Taiwanese firms have an informal labour representative committee to deal with benefit-related issues. In addition, the major differences between the Taiwanese companies and the western-owned subsidiaries in Taiwan were their willingness to listen to their employees’ viewpoints. Needless to say, the western-owned firms are more open to their employees than the Taiwanese counterparts. Employee participation opportunities in regard to HRM-related issues are still limited in the Taiwanese companies (Wu, 2004).

Furthermore, there are some changes in HRM in Taiwan (Wu, 2004) as a result of the high profile of U.S-based MNCs and Japanese MNCs in Taiwan: the major change was considering the HRM function itself. The changes in HR functions as being a strategic partner is consistent with the transitional strategic HRM patterns after 1985 in Taiwan. The second major change was in HRM policies including all-important areas such as recruitment, retention, compensation, appraisals, training and development, e-HRM, and international HRM. The factors contributing to the restructuring of HRM policies were the new organisational forms developed in this region and the shortage of multi-skilled labour. Wu’s study (2004) revealed that there is a shift of focus in training and development and recruitment. For instance, upgrading employees’ competencies and developing workers’ multi-skills are key changes in the area of training and development. Thus, training employees to
acquire cross-functional skills is becoming very important for Taiwanese companies (e.g. Zhu et al., 2000; Zhu, 2003). With regard to recruitment, the key change is from how to attract people to how to lay off employees. This is because most Taiwanese firms have not had the experience of laying off staff over the past 20 or 30 years (Wu, 2004). The third change was transforming to a flatter organisational form in the majority of Taiwanese companies during the past five years through organisational restructuring. The average number of organisational levels in the companies examined was eight. These new organisational forms allow better communication, are less hierarchical, and give frontline employees more power.

With regard to industrial relations, as pointed out earlier, the majority of SMEs do not have any form of trade union organisation (Zhu et al., 2000). This is due to the characteristics of SMEs in Taiwan. For instance, the management system in SMEs is very centralised and autocratic, particularly in family-owned businesses. There is low employee commitment and moderately high turnover rates among non-family employees. Therefore, unions are quite difficult to organise in SMEs, and employers tend to maintain a harmonious labour-management relationship with employees.

By contrast, a majority of LEs have union organisations. State-owned enterprises (SOEs) tend to have union organisation because the government has an influence over trade unions as a means of industrial peace, and the KMT regime could exert its political influence on trade unions for economic and political stability.

Pertaining to IR in the high-tech sector, this sector was deliberately promoted by the government from the early 1980s in terms of development of science and technology in Taiwan. The characteristics of IR in high-tech industries are different from traditional manufacturing industries in Taiwan. First, as a result of rapid development in high-tech industries (especially information technology) in the 1990s, there was a shortage of professionals such as engineers. This resulted in high labour turnover rates among high-tech industries because of poaching of staff. Therefore, extensive HR practices were adopted to retain and attract high-quality professionals. For instance, firms used teamwork, training and development, empowerment, and provision of employment security (Huang, 1998; Chen et al., 2003). Second, unionisation is low in high-tech industries owing to the adoption of
HRM practices such as stock option and widespread participation and communication. Moreover, high job security in high-tech industries further reduces unionisation.

Although political democratisation has increased autonomy in the union movement in Taiwan, it is clear that unions are not significant in the private sector, SOEs, and high-tech industries. According to the Council of Labour Affairs (1998) under 300 collective bargaining agreements were in effect in 1998 in a population of around 36,000 unions. Due to the replacement effect in unions and the high standards of the Labour Standard Act (LSA), there is little scope for labour and employers to engage in collective bargaining (San 1993, cited in Chen et al., 2003:332). In brief, the role of trade unions in Taiwan is limited to performing administration functions such as arranging communication programmes for managers and employees, and organising annual meetings for all employees within the companies (Zhu et al., 2000; Zhu, 2003). The unions are not part of the enterprises’ decision-making processes (Zhu, 1995; Zhu et al., 2000), and in practice they will not exercise the right of collective bargaining.

3.6 HRM IN UK

In the UK, the core concept of HRM is individualism, which is partly because of the culture created by many years of Conservative government (Guest, 2001). Additionally, Clark (1996) identified the essential elements of HRM in UK firms. They include belief in the human resource of an organisation and a recognition of the importance of establishing a close two-way relationship between the HR strategy and the corporate strategy (p.252). In the area of HRM strategy and practices, there are two major approaches identified by past research in UK HRM (see Storey, 1992): one is called short-term ‘hard’ HRM strategy, the other is long-term ‘soft’ HRM strategy. The former focuses on labour numerical flexibility and labour cost reduction. The latter one views human resources as an asset and seeks to establish a long-term commitment with employees within the company. However, some researchers (Storey, 1992; Cooke, 2001; Faulkner et al., 2002) have argued that British companies more frequently use the short-term flexible HRM strategy. For instance, in order to respond to the changes in HRM strategy, most UK
companies have changed the name from personnel management to HRM in terms of it being a more strategic player in corporate management (Storey, 1995). Furthermore, Mabey and Iles (1996) have already pointed out that the UK HRM approach is influenced by the Anglo-American model of HRM, which focuses on employee autonomy, deregulation, mobility, and firm-level strategy, in terms of pay, recruitment and training. Cooke's (2001) study indicated that under a dominant culture of short-term cost saving rather than long-term development, British managers are pushed towards the basis of immediate quantifiable labour utilisation and manpower policy. The managerial priority is short-term cost effectiveness rather than skill retention of workforce (Cooke, 2001). Therefore, increasing skills' level and functional flexibility are not always the top preferences for British managers. As Marchington and Wilkinson remark (2000), "What is seen as core personnel and development activity is defined by line managers rather than being informed by a strong sense of professional judgement.

Consistent with previous research, Faulkner et al. (2002) revealed that UK HRM system and practices are similar to US ones, which is short-term orientation, adoption of performance-related pay, a top-down culture and management style, regular annual performance appraisal, a preference for course training method, and a need-to-know communication style.

In the area of employment relations, Guest and Hoque (1996) identified four HRM categories for UK firms, employment relations pattern: the good, the bad, the ugly, and the lucky firms. 'Good' means that the company intentionally pursues a high road of progressive HR policies and practices to promote employees' commitment. 'Lucky' means the firm has adopted many HRM practices through following fashion rather than their being part of a strategy. 'Bad' means failure failed to introduce any high commitment HR practices, but the reason for this is neglect rather than design. 'Ugly' means the firm seeks to avoid HR practices and to adopt a coercive ways to manage its human resources. In the study of 'greenfield' and 'brownfield' sites by Guest and Hoque (1996) showed relatively positive high progressive HRM practices adopted by the 'good' UK firms. However, Sisson's survey (1993) and the 1998 WERS results (Cully et al., 1999) showed that most of the UK companies belong to 'Bleak houses' or the 'Black Hole' where there is low
level or no union existence (Guest, 2001:111). Consistent with the 1998 WERS survey, Kessler et al. (2006) revealed that British employees have low levels of perceived influence through union channels.

The following section will briefly illustrate key characteristics of the UK HRM system. Previous scholars (e.g., Sparrow and Hiltrop, 1994) indicated that there were several similarities between the UK and the UK regarding HRM. For instance, in the 1980s, the UK faced similar problems associated with a short-term perspective in personnel and industrial relations, and a non-strategic approach to management (Sparrow and Hiltrop, 1994:14). In short, there was a split in the UK HRM system. One from the ‘industrial relations’ tradition, views the concept of HRM in the context of political change in the UK, a shift in power from unions to management, and the threat of a mere relabelling of the role of the personnel function. The other from the ‘excellent tradition’ which focused on case studies of strategic change, using HRM as a label to explain the observable changes in people management (Sparrow and Hiltrop, 1994:15-16). The differences between these two traditions are shown in Table 3-2.

In addition, scholars (e.g. Brewster and Hegewisch, 1994) found that there were certain national differences within European countries. For example, the traditional name of personnel department, there was 0 called Human Resource Department in Norway, but 15 percent in the UK. Therefore, a range of institutional factors is identified to shape HRM in the UK.

Regarding the influence of the institutional factor, Whitley (1992) identified sixteen characteristics of NBS to help researchers to constitute the main dimensions, which relates to HRM in the UK. Lane (1992) has identified the effects of institutional differences in the UK and Germany (see Table 3-3). The following will go through some key HRM practices used in the UK organisations.

-96-
### Table 3-2 Schism in British Thinking about HRM

<table>
<thead>
<tr>
<th>Industrial relations Traditions</th>
<th>Excellence case studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Thacherism, macho management and the fall of personnel</td>
<td>• HRM as a label for observable changes and challenges for deficiencies</td>
</tr>
<tr>
<td>• New wine in old bottles?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evaluating against touchstone of IR theory</th>
<th>Monitoring of change in range of factors affecting employment and the contribution of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Monitoring of changes in IR practices</td>
<td>• Evaluation against criteria of coherence and appropriateness</td>
</tr>
<tr>
<td>• Focus on flexible work arrangements</td>
<td>• Examining the role of the sector</td>
</tr>
<tr>
<td>• Search for theoretical underpinning for HRM</td>
<td>• Focus on processes of business and HRM change</td>
</tr>
<tr>
<td>• 'A priori' definition of what HRM is as variant of personnel management</td>
<td>• Management of HRM transformations</td>
</tr>
<tr>
<td>• Models for the role of personnel and emergence of the business manager</td>
<td>• HRM seen as learning process</td>
</tr>
</tbody>
</table>

Sources:
- Daniel & Millward (1983)
- Torrington, MacKay & Hall (1985)
- Millward & Stevens (1986)
- Marginson *et al.* (1988)
- Tyson (1985)
- Fowler (1990)
- Guest (1987, 1990)
- Storey (1989)
- Legge (1989)
- Sparrow & Pettingrew (1987)
- Sparrow & Pettingrew (1988)
- Pettingrew, Sparrow & Hendry (1988)
- Hendry, Pettingrew & Sparrow (1988)
- Pettingrew, Hendry & Sparrow (1989)
- Hendry & Pettingrew (1990)
- Whipp (1991)
- Storey (1992)

Source: adapted from Sparrow and Hiltrop, 1994:15
Table 3-3 Effects of Institutional Differences in UK and Germany

<table>
<thead>
<tr>
<th>1. The System of education and training</th>
<th>UK</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Vocational education and training (VET)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prestige of VET</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Availability of highly skilled, flexible, deployable human resources</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Homogeneity of competencies/orientations within firms</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>(b) Management education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of managers with high level of technical competence</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Availability of managers with high level of 'generalist' training</td>
<td>Medium</td>
<td>Low</td>
</tr>
<tr>
<td>(c) Scientific research</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degree of industry-university cooperation</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Degree of industrial self-administration</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. The system of industrial relations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Effectiveness of conflict resolution</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>(b) Degree of flexibility in labour deployment</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>(c) Union recognition of 'the right to manage'</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>(d) National homogeneity of negotiated bargains</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: adapted from Lane, 1992: 110.

Regarding the role of HRM in the UK, CIPDb and WERS data found that there is a changing trend in the role of HRM. Apparently, CIPDb claimed that there are over 100,000 members, and WERS survey showed that personnel specialists within the workplace at spent a quarter of their time on personnel functions (Redman and Wilkinson, 2001). For instance, in 1998 20 percent of workplaces employed a personnel specialist, increased from 14 percent in 1984 (Cully et al., 1999). Table 3-4 lists HR functions within the workplace in the UK.
In the practice of performance appraisal, Robert Owen's textile mills were found to be the first organisation to use it in the 1800s, to assess employees in the UK (Redman, 2001). Later, performance appraisal has become prevalent in most western countries such as the UK. The Institute of Personnel and Development reported that most organisations increased use of formal performance appraisal arrangements in the 1980s and 1990s in the UK (Redman, 2001). Performance appraisal is particularly common both in private and public sectors in the UK (see Table 3-5), and it has grown rapidly in the public sector, for instance it has been introduced to universities and local government (Redman, 2001:59). WERS survey also showed that appraisal has been introduced to middle management and professionals levels (Cully et al., 1999). The 2004 WERS data showed that 42 percent of workplaces in the private sector and 63 percent in the public sector used regular performance appraisals to assess some occupations (Kessler et al., 2006)(see Table 3-5).
However, it seems that appraisal is less likely to be used to assess contingent or peripheral workers such as part-time and contract staff (Redman and Wilkinson, 2001). Conduct of performance appraisal in the UK is most likely as only one type of appraisal scheme, but some financial services appeared to use a mix of several methods (IRS, 1994, 1999, cited in Redman, 2001), and some companies provided employees with a choice of methods for how they are appraised (Redman, 2001).

The purpose of an appraisal system is to clarify and define performance expectations, identify training and development needs, provide career counselling, plan succession planning, improve individual, team and corporate performance, assist communications and involvement, allocate financial rewards, determine promotion, motivate and control employees, and achieve cultural change (Bowles and Coates, 1993).

Regarding reward management, there are different kinds of pay systems adopted by workplaces in the UK. First, one of the pay systems called profit-related pay was widely used by the private sector in the 1990s in the UK (Lewis, 2001). Such a scheme was also popular in the utilities sector such as water, gas and electricity, and financial services. For example, 80 percent of workplaces in the 1998 WERS survey and 47 percent of private sector workplaces reported that they used profit-related pay.

### Table 3-5 Performance Appraisals by Sector of Ownership (1998 and 2004)

<table>
<thead>
<tr>
<th>% of workplaces</th>
<th>1998</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Private sector</strong></td>
<td>43</td>
<td>63</td>
</tr>
<tr>
<td><strong>Public sector</strong></td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td><strong>All</strong></td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td><strong>Performance test used routinely for some occupations</strong></td>
<td>72</td>
<td>78</td>
</tr>
<tr>
<td><strong>Performance appraisals</strong></td>
<td>79</td>
<td>78</td>
</tr>
</tbody>
</table>

pay (Cully et al., 1999). However, the use of profit-related pay is less common than performance-related pay within the private sector in the UK according to the 2004 WERS data (Kessler et al., 2006). Around one-third (37 percent) of private sector workplaces gave profit-related pay in the 2004 WERS results (Kessler et al., 2006). Second, like profit-related pay, profit-sharing scheme\(^1\) also gives tax advantages to the employee, because the share bonus is tax-free, provided that the scheme is approved by the Inland Revenue (Lewis, 2001:111). Such a scheme was becoming popular in the 1990s in the UK. For example, the 1998 WERS data reported that 25 percent of private sector workplaces had some sort of employee share ownership scheme (Cully et al., 1999). Third, a savings-related share option scheme is also adopted by some workplaces in the UK. Unlike the profit-sharing scheme, the savings-related share option requires a contribution from the employee (Lewis, 2001, 112). However, like the profit-sharing scheme, all employees must have been employed by the company for five years in order to gain Inland Revenue approval (Lewis, 2001). In the 1995/6, there were around 610,000 employees in savings-related share option schemes (Lewis, 2001). Fourth, another form of pay system in the UK is the company share option scheme which is normally applied to directors and senior managers occupations (Lewis, 2001). However, some companies such as Kingfisher apply this company share option scheme to all employees including full-time and part-time employees (Lewis, 2001). Such a scheme establishes a £30,000 limit to the amount of shares that may be granted under this and other approved share option schemes (Lewis, 2001). Finally, gainsharing is also used by some firms in the UK. However, this scheme is more popular in the US rather the UK. The concept of a gainsharing scheme is that employees share the financial results of improvements in productivity, cost saving or quality (Lewis, 2001). Employees get their consequential payments as a result of improvements in cost saving. Finally, according to the 2004 WERS data, performance-related payment were used in two-fifths (40 percent) of workplaces (Kessler et al., 2006).

Regarding employee development, there are a range of national training schemes supporting different kinds of people in the UK. According to Department for

\(^1\) The concept of profit-sharing scheme is that the company pays a bonus to eligible employees, based on company profits, which the employee must use to buy shares in the company; unlike profit-related pay, this is not a part of the employee's salary - it is a discretionary bonus (Lewis, 2001:111).
Education and Employment expenditure figures from 1993/4 to 1998/9 (see Table 3-6), the government’s spending on training is a vital part of economic and social policy in the UK.

Table 3-6 Expenditure by Department for Education and Employment and OFSTED (£m), 1993/4-1998/9

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure</td>
<td>13616</td>
<td>14364</td>
<td>14449</td>
<td>14794</td>
<td>14023</td>
</tr>
<tr>
<td>Expenditure on employment and training programmes of which ++:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welfare to work</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>172</td>
<td>951</td>
</tr>
<tr>
<td>Work-based training for young people</td>
<td>640</td>
<td>647</td>
<td>635</td>
<td>731</td>
<td>741</td>
</tr>
<tr>
<td>Work-based training for adults</td>
<td>760</td>
<td>693</td>
<td>502</td>
<td>439</td>
<td>340</td>
</tr>
<tr>
<td>European Social Fund</td>
<td>96</td>
<td>108</td>
<td>181</td>
<td>270</td>
<td>308</td>
</tr>
</tbody>
</table>

Notes: e estimated, + planned, ++ the largest single categories of expenditure – including Welfare to Work programmes, OFSTED office for Standards in Education


In the UK, the government established a number of national training schemes for different categories of people: youth training and youth credits, modern apprenticeships, national traineeships, work-based training for adults, investor in
people, welfare to work, and national/Scottish vocational qualifications. Under the youth training initiated in 1900, the Department for Education and Employment (DfEE) promises the offer of a suitable training place to all 16-17-year-olds who “are not in full-time education, are unemployed and seeking training” (Gibb and Megginson, 2001:142).

The purpose of modern apprenticeships, introduced in 1995, is to develop technical, supervisory, and craft-level skills among 16-18-year-olds. There were more than 150,000 young people who had participated by modern apprenticeships by the beginning of 1998 (Gibb and Megginson, 2001). The aim of national traineeships, from 1997, is to offer young people who left compulsory education a high-quality work-based route to qualifications at intermediate level. The scheme is run under the national standards and criteria agreed by industries and employers (Gibb and Megginson, 2001).

The rationale of work-based training for adults, introduced in 1998/1999, is to help long-term unemployed adults, especially those at risk of elimination from the job market, to secure and sustain employment or self-employment, through an individually tailored combination of guidance, structured work experience, training, and approved qualifications (Gibb and Megginson, 2001:143). The Investor-in-people (iIP) scheme aims to encourage employers to use training and progress their levels and quality of training (Gibb and Megginson, 2001). iIP provides four principles as national ‘benchmark’ standards for employers to review their quality of training: top-level commitment to develop all employees; a regular review of the training and development for all employees; action to train and develop individuals on recruitment and provide training throughout their employment; evaluation of the outcome of training and development as a basis for continuous improvement (Gibb and Megginson, 2001:143). There were around 10,000 firms to have achieved iIP accreditation by the October 1998 (Gibb and Megginson, 2001). Welfare to work is designed to help young people, aged 18-24, who have been unemployed for more than six months. Also, there are a number of initiatives to help long-term unemployed people who are over 25, for instance job seeker’s allowance, and offering a subsidy to companies which employ the long-term unemployed for more than six months (Gibb and Megginson, 2001). National/Scottish vocational
qualifications were launched in 1996, with five ascending levels of competence (Gibb and Megginson, 2001):

- Level 1 – performance of routine work activities and/or achievement of a broad foundation of work competence as a basis for progression
- Level 2 – broader range of activities involving greater responsibility
- Level 3 – skilled activities involving greater responsibility
- Level 4 – complex, technical, and specialised activities, including supervision and management
- Level 5 – pursuit of a senior occupation or profession, including the ability to apply a significant range of fundamental principles and techniques

Later in 1997, the Labour government initiated another scheme called ‘The Learning Age’. There are four key proposals:

1. A University for industry (UFI) based on a network of local learning centres and access points to put ‘learning on the High Street’
2. Individual Learning Accounts (ILAs) – a study and learning voucher, with which people can buy the education and training that they need
3. Childcare support for those who need to take courses during the day or evening
4. Learning Direct – a helpline through which people can obtain information on courses available

Moreover, researches (e.g. The Industrial Trend, 1998) found that external sources for training were widely used by workplaces in the UK (see Table 3-7). For example, two to three day courses are still the most popular external training source. Similarly, the 2004 WERS data showed that private and public sectors commonly used off-the-job training. For example, in 1998, there were 67 percent of workplaces in the private sector providing off-the-job training for experienced core employees, while in 2004, 82 percent of the private sector were having off-the-job training (Kessler et al., 2006). Also, 95 percent of workplaces in public sector provided off-the-job training for experienced core employees. In 1998, 98 percent of workplaces in the public sector had off-the-job training for experienced core employees (Kessler et al., 2006).
Table 3-7 Training Approaches used regularly for External Training (% of employees citing use of these approaches), 1998

<table>
<thead>
<tr>
<th>Training Approach</th>
<th>% Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 - 3-day courses</td>
<td>82</td>
</tr>
<tr>
<td>Up to 1 day courses</td>
<td>79</td>
</tr>
<tr>
<td>Day release</td>
<td>69</td>
</tr>
<tr>
<td>Residential training</td>
<td>63</td>
</tr>
<tr>
<td>Evening classes</td>
<td>55</td>
</tr>
<tr>
<td>Distance/open learning</td>
<td>42</td>
</tr>
<tr>
<td>Computer-based learning</td>
<td>24</td>
</tr>
<tr>
<td>Outdoor training</td>
<td>24</td>
</tr>
<tr>
<td>Coaching/mentoring</td>
<td>12</td>
</tr>
<tr>
<td>Video-based learning</td>
<td>9</td>
</tr>
<tr>
<td>Learning resources centres</td>
<td>6</td>
</tr>
<tr>
<td>Action learning sets</td>
<td>7</td>
</tr>
</tbody>
</table>


Regarding grievances and discipline, the 1998 WERS results reported that in respect of grievance procedures, nine out of ten workplaces (91 percent) had a formal procedure in place for dealing with individual grievances raised by non-managerial employees, with separate sites at 74 percent of workplaces, and almost all public sector workplaces having a procedure in place (90 percent) (Cully et al., 1999). In the one in twelve workplaces without a grievance procedure, managers said that problems were solved by “they come to me and we sort it out” (Renwick and Gennard, 2001). Around 13 percent of workplaces used non-written procedures, and most managers said employees were made aware “either at the time of their entry into the workplace or at some other time by their line manager or supervisor” (Cully et al., 1999:77). The 2004 WERS results showed that there were three elements during a formal grievance and disciplinary procedure: whether parties are required
to put in writing the matters relating to a grievance, or concerning the disciplinary action; whether employees are required to attend a formal meeting in either instance; and whether the employee has the right to appeal against the final decision (Kessler et al., 2006:23). 43 percent of workplaces reported that the above-mentioned three elements applied to individual grievance procedure; 67 percent of workplaces had formal meeting, and appeals formed essential elements of the grievance procedure in 2004 (Kessler et al., 2006).

In terms of disciplinary procedures, Culy et al., (1999) revealed disciplinary procedures as “evident as grievance procedures”, running in 92 percent of workplaces. Of workplaces with a grievance procedure, 97 percent also had a disciplinary procedure (Culy et al., 1999). Almost all workplaces with procedures allowed appeals (99 percent) compared with 71 percent of workplaces with no procedures (Culy et al., 1999:78).

Regarding accompaniment in both grievance and disciplinary procedures, Culy et al., (1999) reported that only 4 percent of workplaces do not allow employees to be accompanied by a third party in actions taken to discipline or dismiss them. However, 41 percent of workplaces allow employees to choose particular third parties choices, including “trade union representatives (45 percent), full-time union officials (27 percent), and nearly all permit colleagues to join the employee (87 percent)” (Culy et al., 1999:98). Since September 2000, employees have had a statutory right to be accompanied by a fellow worker or trade union officials at grievance or disciplinary (as used by Kessler et al., 2006:39). The 2004 WERS data revealed that just 1 percent of workplaces did not allow accompaniment at grievance meetings and 2 percent did not allow it at disciplinary meetings (Kessler et al., 2006). In around two-thirds of workplaces, a trade union representative or a work colleague was at the permitted meetings (67 percent at grievance meetings and 62 percent at disciplinary meetings), while in around three-tenths of workplaces, employees had the freedom to decide who should accompany them (27 percent at grievance meetings, and 30 percent at disciplinary meetings) (Kessler et al.,

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2 The law gives workers the right to be accompanied at a disciplinary or grievance hearing. The WERS survey uses the term 'employee' throughout and for consistency this term was maintained (and is reported here) in relation to questions on accompaniment. Similarly the term 'meeting' is used in place of 'hearing' (Kessler et al., 2006:39).
Cully et al., (1999) also found that over 60 percent of workplaces had sanctioned one or more employees in 1998, and in larger workplaces this was happening more frequently. In general, 1998 WERS revealed that most workplaces had ‘clean’ records, reflected in the fact that 71 percent of them had had no industrial tribunal claims made against them in the previous five years (Cully et al., 1999:127-9).

Regarding employee relations, researches (e.g., Purcell, 1993; Cully et al., 1999) revealed that there is a decline in collective bargaining in workplaces in the UK (see Table 3-8). The table presents this decline as captured by the 1998 WERS in terms of changes to union presence (the presence of one or more union members in a workplace), union membership density (percentage of employees who are union members), union recognition for negotiating pay and conditions of employment, coverage of collective bargaining (the proportion of employees in workplace with recognised unions covered by collective bargaining), and joint consultative committees. Three in five workplaces had no worker representatives at all (either union or non-union representatives), and this increased to nine out of ten where unions are not present (Cully et al., 1999:95). There are two main causes of the decline of collective regulation in the workplaces: first, during the 1980s, there were changes in industrial relations law; second, the changing nature of the economy in the 1980s, as a result of an increase in the service sector and reductions in numbers of large manufacturing plants, manual work, and the public sector (Bacon, 2001). Consequently, the traditional environment for the UK’s system of industrial relations based on adversarial collective bargaining was diminishing (Millward et al., 1992). However, later in 1998, WERS data provided a more useful explanation in the decline of collective bargaining in the workplaces, as Cully et al., (1999) indicated that “almost all of the change arose because workplaces that joined WERS population between 1990 and 1998, even controlling for their sector and employment of part-time workers, were less likely to recognise unions than similar workplaces that had dropped out of the population” (p.241). The 2004 WERS survey reported that union membership is common in the public sector and that union density is strongly related to management attitudes towards membership (Kessler et al., 2006). In practice, almost two-thirds of workplaces (64 percent) had
no union members, and union members made up a majority of the workplace in only one-sixth (18 percent) of all workplaces in 2004 (Kessler et al., 2006).

**Table 3-8 The Decline of Collective Regulation in Workplace Industrial Relations Surveys (figures related to percentages of workplaces)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Union presence</td>
<td>73</td>
<td>73</td>
<td>64</td>
<td>54</td>
<td>34</td>
</tr>
<tr>
<td>Union membership density</td>
<td>65</td>
<td>58</td>
<td>47</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td>Union recognition</td>
<td>65</td>
<td>65</td>
<td>53</td>
<td>42</td>
<td>30</td>
</tr>
<tr>
<td>Coverage of collective bargaining</td>
<td>70</td>
<td>54</td>
<td>41</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Joint consultative committees</td>
<td>34</td>
<td>34</td>
<td>29</td>
<td>29</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Workplace Industrial Relations Surveys, see Cully et al., 1999, and Kessler et al., 2006.

In 1997, the Labour government initiated new rights for trade unions and individual employees, that is, the Employment Relations Act 1999 and Fairness at Work programme. This legislative programme involved a statutory route for union recognition, an extension of rights for individual employees, a national minimum wage, and closer engagement with the social policies of the European Union (Bacon, 2001:201). This is to lessen possible destructive conflict and more co-operation to improve organisational productivity. Later, researchers (e.g., Acker and Payne, 1998) found that management and trade unions have begun to use ‘partnership’ to describe such conflict and co-operation situations in union-management relations. The main reason for the UK to start to hold partnership in workplaces is to provide a solution to improve low competitiveness of much of UK industry (Bacon, 2001).
Flexible work practices are also common in the workplaces in the UK. In essence, there are two main forms of flexible work practices: numerical and functional flexibility. The 1998 WERS data reported that part-timers account for 25 percent of all UK employment in the workplace (Cully et al., 1999:32). Also, fixed-term contracts were used in 44 percent of workplaces, and temporary agency workers in 28 percent (Cully et al., 1999:35). In 2004, just under one third (30 percent) of workplaces had employees on temporary or fixed contracts (Kessler et al., 2006:8). Moreover, there is no direct evidence to show that the proportion of functional flexibility was being increased in the workplace. But fixed-term contracts were increased especially in the largest occupational groups and this was evident in the 1998 WERS, as Cully et al. (1999) indicated that the use of the non-standard forms of labour is more closely related to employment within the core than outside it (p.38).

Regarding downsizing, there are five main methods of downsizing: national attrition/wastage, voluntary redundancy, compulsory redundancy, early retirement, and ill-health retirement (Redman and Wilkinson, 2001). Table 3-9 shows methods of reducing the workforce (%) examined by 1990 and 1998 WERS surveys.

Natural wastage is viewed as the most positive way and the human method to reduce number of employees. Such a method is also more difficult for unions to resist, as a result of its incremental job loss nature (Redman and Wilkinson, 2001). Voluntary redundancy is increasingly preferred by employees and advantages of such a method are that at least employees are offered a choice, and this makes them feel less disgraced because of losing their job (Redman and Wilkinson, 2001). Compulsory redundancy is more common in large-scale reduction or complete plant closures. The 1998 WERS revealed that compulsory redundancy is also more common in the private sector than in the public sector (Cully et al., 1999). Early retirement differs from other methods of redundancy in that "employees opting for early retirement are less likely to seek to re-enter the workforce" (Redman and Wilkinson, 2001:304). Ill-health retirement has increased in the 1990s in the UK and this is as a result of intensification of work and associated increases in stress levels (Redman and Wilkinson, 2001).
In addition, there are some alternatives to redundancy: wage reductions and redeployment (see Table 3-9). Wage reductions are seen as an alternative to job cuts, but are used cautiously by firms in the UK. Redeployment is more likely to be applied to lower-level positions and this is due to higher-level occupations being more likely to have more job opportunities (Redman and Wilkinson, 2001). There are some firms which use redeployment in the UK. For example, John Lewis was stated to avoid redundancy through wide use of redeployment (Redman and Wilkinson, 2001).

Table 3-9 Methods of reducing the workforce (%)

<table>
<thead>
<tr>
<th>Method</th>
<th>1990</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural wastage</td>
<td>67</td>
<td>57</td>
</tr>
<tr>
<td>Redeployment</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td>Early retirement/voluntary</td>
<td>47</td>
<td>37</td>
</tr>
<tr>
<td>redundancy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compulsory redundancy</td>
<td>30</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Millward et al., 1992; Cully et al., 1999.

Regarding empowerment, there are five main types of empowerment: information sharing, upward problem-solving, task autonomy, attitudinal shaping and self-management (Wilkinson, 2001). In the UK, it seems that most workplaces use information sharing (a form of direct communication). According to 2004 WERS data, nine methods of direct communication between managers and employees were used (see Table 3-10). Table 3-10 shows that there was widespread use of meetings, in the form of team briefings or meetings with the whole workforce (Kessler et al., 2006:17). The main function of meetings is likely to be to transmit information from managers to employees, and also employees are allowed to ask questions during the meetings. Thirty percent of all workplaces ran a suggestion scheme (30 percent in 1998), compared to 21 percent of workplaces that had some non-managerial employees participating in problem-solving groups (Kessler et al., 2006). Around 42 percent of workplaces had conducted a staff attitude survey in 2004 (see Table 3-10).
In terms of the types of information provided to employees, managers are more likely to regularly release information about staffing plans than about the financial position of the company or about investment plans (see Table 3-10).
Table 3-10 Direct Communication and Information Sharing, by sectors of ownership, 1998 and 2004

<table>
<thead>
<tr>
<th>% of workplaces</th>
<th>1998</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Private sector</td>
<td>Public Sector</td>
</tr>
<tr>
<td><strong>Direct</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meetings with entire workforce or team briefings</td>
<td>82</td>
<td>96</td>
</tr>
<tr>
<td>Systematic use of management chain</td>
<td>46</td>
<td>75</td>
</tr>
<tr>
<td>Regular newsletters</td>
<td>35</td>
<td>59</td>
</tr>
<tr>
<td>Noticeboards</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>E-mail</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intranet</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Suggestion schemes</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>Employee surveys</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Information disclosure over</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment plans</td>
<td>47</td>
<td>59</td>
</tr>
<tr>
<td>Financial position of workplace</td>
<td>56</td>
<td>82</td>
</tr>
<tr>
<td>Financial position of organisation</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>Staffing plans</td>
<td>55</td>
<td>81</td>
</tr>
</tbody>
</table>


Regarding equal opportunities policies and practices, in 1997, the government initiated a range of legislation to promote greater workplace equality. According to the 2004 WERS data, 73 percent of workplaces had a formal policy in place,
compared with 64 percent in 1998. Large workplaces tended to have formal written
equal opportunity policy compared with about 63 percent of workplaces with
between 10 and 24 employees (Kessler et al., 2006:26). Equal opportunities policies
were also commonly found in workplaces where at least 10 percent of the
workplace was from an ethnic minority group, compared with workplaces without
ethnic minority employees (Kessler et al., 2006:26). Also, workplaces with at least
5 percent of disabled employees are more likely to have equal opportunities
policies, compared with workplaces without disabled employees (Kessler et al.,
2006).

Table 3-11 shows the use of practices for monitoring and reviewing recruitment,
selection and promotion processes, and whether workplaces reviewed relative pay
rates in relation to gender, ethnicity, disability and age. According to the 2004
WERS data, there are less than one-quarter of workplaces which carried out each of
these activities. Monitoring and reviewing, recruitment and selection procedures to
identify indirect discrimination are approximately twice as common as other
practices (Kessler et al., 2006:26). Large workplaces, public sector workplaces, and
workplaces with a recognised trade union are more likely to implement monitoring
and reviewing practices.
Table 3-11 Equal Opportunities Practices, by Presence of Equal Opportunities Policy

<table>
<thead>
<tr>
<th></th>
<th>% of workplaces</th>
<th>Recruitment and selection</th>
<th>Promotions</th>
<th>Review Relative pay rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Monitor</td>
<td>Review procedures</td>
<td>Monitor</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All workplaces</td>
<td>24</td>
<td>19</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Written policy</td>
<td>31</td>
<td>26</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>No written policy</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Ethnicity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All workplaces</td>
<td>24</td>
<td>20</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Written policy</td>
<td>31</td>
<td>27</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>No written policy</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All workplaces</td>
<td>23</td>
<td>19</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Written policy</td>
<td>30</td>
<td>25</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>No written policy</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All workplaces</td>
<td>20</td>
<td>16</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Written policy</td>
<td>24</td>
<td>21</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>No written policy</td>
<td>12</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>


3.7 COMPARISONS OF HRM BETWEEN TAIWAN AND UK

The following section compares HRM practices adopted by Taiwanese firms and British firms.
3.7.1 Comparisons in Recruitment and Training

There are significant differences in recruitment methods used by the Taiwanese and UK firms. The British companies appear to use 'recruitment agencies' and 'executive search consultants' more frequently than do Taiwanese-owned companies for managerial and professional vacancies (Hsu and Leat, 2001; CIPDa, 2004). Also, regarding selection techniques adopted by the Taiwanese firms and British counterparts, the latter use 'panel interviews', 'aptitude tests', 'competency-based interviews' and 'application forms' more frequently at all levels than do the Taiwanese-owned firms (Hsu and Leat, 2001; CIPDc, 2004). It appears that British companies tend to use a greater variety of selection techniques than do their eastern counterparts. Additionally, in terms of the amount of money spent on selecting the right employees, the Taiwanese firms appeared to spend the least money on this area beside their western counterparts (Hsu and Leat, 2001; Wu, 2004). With regard to the recruitment process, it seems that the 'friends and relatives' are more commonly targeted by Taiwanese firms (Hsu and Leat, 2001; Hempel and Chang). This is because of the influence of Confucian culture with an emphasis on family traditions and national institutions, for example, 'guanxi' (relationship or connection) influencing the hiring of friends, relatives and family members, would be a more common recruitment practice within the organisations (Hsu and Leat, 2001; Hempel and Chang, 2002; Zhu, 2003).

As for the degree to which training needs were met systematically, the Taiwanese firms were lower than their western companies (Wu, 2004). Furthermore, there were differences in training methods between the Taiwanese and UK companies. For example, large Taiwanese firms, especially technologically oriented firms tend to focus on on-the-job training programmes, including professional training, to maintain advanced skills among the key employees (Zhu et al., 2000; Zhu, 2003). The UK firms seem to adopt off-the-job training (e.g. courses) as the main training method (Cully et al., 1999; Faulkner et al., 20002). For instance, 51 per cent of British companies with a personnel specialist and integrated employee development plan, and 36 per cent of all workplaces, have formal off-the-job training for most employees (Cully et al., 1999:81).
In terms of management appointments, UK companies tend to use 'hard' performance criteria such as bottom line delivery, more than one business area, experience in another country, deep functional experience, and excellent performance record, rather than emphasising 'softer' criteria as Taiwanese firms do (Easterby-Smith et al., 1994).

3.7.2 Comparisons in Pay and Benefits

One of the differences in HRM between the Taiwan and the UK is seen in pay differentials. Easterby-Smith et al. (1995) revealed that UK companies have high pay and remuneration differentials between those at the top and those in the bottom positions, and there is a distinct trend over the past decade towards greater differentials. Consistent with the Easterby-Smith et al. findings, Tang et al. (2000) conducted a survey of Taiwan, USA and UK, and revealed that the Taiwanese create smaller pay differentials for the bottom positions than their British counterparts. They argued that collectivist cultures focus on strong, cohesive in-groups (i.e. equality), whereas individualistic societies emphasise individual freedom and immediate family (i.e. equity). The UK scored 89 (rank=3) and Taiwan scored 17 (rank=44) (Hofstede and Bond, 1988) in relation to individualism and collectivism. In terms of masculinity (e.g. materialism, money, possessions and advancement), the UK and Taiwan scored 66 (ranked 9-10) and 45 (ranked 32-33), respectively. Again, Taiwanese firms may try to protect the economic security of their junior partners and are more caring, considerate and supportive of those in the lowest positions than people in British culture, due to Taiwanese firms being aware that the stability of society is because the junior partner shows respect and obedience to the seniors ones and the senior tends to protect and show more cares for the junior ones (Hofstede and Bond, 1988). Hence, an individual’s relationships with those who have high or low status are both defined. People in favour of smaller pay differentials place higher priority on non-material status and caring behaviour than those in favour of large differentials (associated with capitalism and incentives for individual striving) who place higher priority on material status and competitive behaviour (Tang et al., 2000). Moreover, as Glinow et al. (1999) revealed, high egalitarianism has been found in the Chinese culture, although it may not be as high as in the Japanese culture (Glinow et al., 1999). The influence of the traditional
Chinese culture that favours 'the middle way' has even more salience in Taiwan than in the People's Republic of China. Managers in Taiwan are likely to be concerned with the perception of disorder caused by egocentric behaviour while they try to differentiate rewards on the basis of individual performance (Silin, 1976). Consequently, the fairness concept in Taiwan seems to reflect a compromise between equal treatment of all group members and some respect paid to individual differences. Hence, managers in the Taiwanese firms are medium in egalitarianism, and tend to recognise and reward best performers but encourage worst ones as well. Again, managers' pay in the Taiwanese firms tends to keep within a narrow range. By contrast, the Anglo-Saxon countries are low in egalitarianism and tend to dispense rewards and punishments on an equitable basis, depending on individual performance of employees (Glinow et al., 1999:11). The British are inclined to value these lower positions significantly less and become more thrifty or stingy regarding their worth in organisations (Tang et al., 2000:694). Also, the 2003 New Earnings survey results showed that with regard to gross weekly earnings, 10 per cent earned less than £222.7 among full-time employees in the UK and 10 per cent earned more than £770.0. The highest pay in full-time jobs is 3.46 times the lowest. Therefore, it could be expected that compared to UK companies, pay gaps are relatively lower in Taiwanese firms between the top and the bottom positions.

Additionally, due to the emphasis on harmony in corporate culture among Taiwanese enterprises, it was very difficult for most enterprises to fully implement individual performance pay. Hence, group-oriented performance pay and relatively equal bonus pay were the main payment systems among the Taiwanese enterprises (Zhu, 2003).

On the other hand, compatible with Zhu's finding (2003), Wu (2004) found that more western-owned firms adopted performance-related pay than the Taiwanese-owned firms. The reason for this is due to harmony in work conditions being paramount in Taiwanese firms (Zhu, 2003). Thus, individual and group performance was more important than seniority or membership in the western-owned firms. Furthermore, compared to their Taiwanese counterparts, the western-owned firms emphasise internal equity more than external equity (Wu, 2004). The latter often had a sound and rigorous job evaluation process to ensure internal policy,
whereas the Taiwanese-owned firms were more likely to adopt an external policy. The latter group simply make comparisons with their competitors in the industry rather than go through the whole cycle of job analysis and job evaluation.

3.7.3 Comparisons in Performance Appraisal System
Wu (2004) pointed out that performance appraisals are one of the most heterogeneous areas in HRM between the Taiwanese companies and their western counterparts, including British-owned companies. The Taiwanese companies focus less on objective, quantifiable results than their western counterparts. Additionally, the Taiwanese firms are the most reluctant to provide feedback to their employees, compared to their western counterparts. This practice was not carried out due to the Taiwanese firms tending to 'protect face' and 'establish a good relationship with employees'. Again, the Taiwanese firms do not practise formal and systematic appraisal systems extensively. This is due to the Taiwanese manager's focus being people management-driven, using fair treatment, proper use of personnel, group membership skills, and integrity (Wakabayashi et al., 2001). Thus, the Taiwanese managers prefer to use people management skills to improve their current job performance rather than applying quantitative data, such as a performance appraisal system.

By contrast, British firms formally adopt performance appraisal in the UK. For instance, Easterby-Smith et al. (1995) have argued that performance appraisal is a formal and systematic protocol. For example, appraisal was based around annual meetings between the manager and his/her boss. Thus, there was always a protection system if there was a disagreement between the two, and the boss's manager normally reviewed the completed modus operandi; but there was no peer (or subordinate) opinions being solicited as direct inputs to the process. In the UK, it is conceived largely as a top-down process focused around an annual review between the individual and his or her boss, in which performance targets are reviewed (Easterby-Smith et al., 1995). As the 1998 WERS results (Cully et al., 1999) and Guest and Conway (1999) revealed, performance appraisals were widely used by managers in British companies. For example, 86 per cent of total workplace managers are responsible for performance appraisals systems, and 58 per cent of all workplaces used regular performance appraisals (Cully et al., 1999). In their study
of 1,000 employees in the UK, Guest and Conway (1999) indicated that 68 per cent of total organisations have a formal appraisal system. Thus, it could be expected that the Taiwanese firms are less likely to adopt formal performance appraisal system than UK ones.

3.7.4 Comparisons in Management Promotion
One of the most frequently studied cultural dimensions is collectivism (Hofstede, 1980, 1993, 1997). In Hofstede’s research in a 40-nation comparative study, Taiwan was classified as a low-individualism country while the UK has a high score in individualism. Glinnow et al. (1999) argued that a major responsibility of managers is to pursue organisational goals by coordinating and directing people’s efforts. Such a responsibility can be fulfilled with varying degrees of authoritarianism, and the level of collectivism may be a critical factor affecting participative management. By definition, collectivism helps determine the amount of decision making power shared by their leaders with their followers, or the amount of involvement solicited by a manager in exercising his or her leadership. Furthermore, Glinnow et al. (1999) indicated that there are noticeable cross-cultural differences in terms of the extent to which leaders are expected to generate participation and involvement from employees between Taiwan and Anglo-Saxon countries.

While a number of studies (e.g. Yang, 1986) reported that a democratic attitude prevails in Taiwan, most studies (see Hofstede, 1980, 1993, 1997; Yah, 1987) found that the level of collectivism in Taiwanese managers is even higher than in their Japanese counterparts. Again, the extensive interviews done by Glinnow et al. (1999) have revealed that the Taiwanese managers indicate that they emphasise very much a manager’s ability to generate cooperation among employees. Hence, in a collectivist country such as Taiwan, the collectivism-participation relationship is critical in a management position.

In addition, organisational loyalty is important in Taiwan in terms of management position. Roy (1977:3) proclaimed that in modern society, organisational membership is such an inseparable part of almost everyone’s life that “organisations are as familiar and ubiquitous as people”. Unsurprisingly, although a person belongs to different organisations concurrently, the paramount one is perpetually the
organisation he or she is working for. The relationship between people and the working organisations differs by culture. The differences may be apparent in dimensions including the perceived time horizon of the employment relationship (e.g. long-term or short-term), the scope of interpersonal interactions between superiors and subordinates (e.g. whole-life-concern or work-related-only), and the extent to which the personal life is overlapped by the work life (Glinnow et al., 1999:8). For instance, workers in large Japanese corporations are more likely to view their employment relationship as permanent; superiors are supposed to give whole-life concern to their subordinates; and the work life is a huge, important portion of the personal life (Glinnow et al., 1999:10). Some other East Asian countries, such as Taiwan, have shown a similar pattern to Japanese workers (e.g. Hofstede, 1980). Such cultural differences may explain the importance of organisational loyalty in management appointments in different countries. In addition, the degree of loyalty demonstrated by individuals to the organisation may serve as a yardstick to assess a person's suitability as a leader. This is probably why job seniority has played a much more important role in Japan and Taiwan than in the Anglo-Saxon countries in selecting and promoting managers (Glinnow et al., 1999). Generally speaking, a high value placed on organisational loyalty might reflect the desire to avoid uncertainty. As Hofstede (1980, 1993, 1997) argued, people high in uncertainty avoidance tend to change jobs less frequently. Accordingly, the average seniority of employees in these cultures tends to be higher. On the other hand, higher seniority has been found to be associated with greater organisational commitment by Taiwanese managers (Hofstede, 1980; Chow, 1994). Chow (1994) indicated that the longer the managers are in organisations, the more organisation commitment the Taiwanese managers have. Again, there is limited opportunity for outsiders to be promoted to management positions in Taiwanese firms. Therefore, the tendency for Taiwanese firms to employ close relatives in family business, in terms of ensuring control and wealth in the firms, because of emphasis on Chinese family ties among Taiwanese managers.

3.7.5 Comparisons in Flexible Working

Although a job for life is no longer a necessary job pattern in Taiwanese firms, most Taiwanese companies still commonly provide a stable and permanent job for workers. Thus, only 1.2 per cent of the total labour force consists of part-time
workers (Executive Yuan, 2003) among Taiwanese firms. By contrast, British firms commonly use part-time jobs and currently there are 23 per cent of part-time workers in the UK (OECD, 2003), and part-time work is showing the most remarkable growth in the UK (Sisson and Marginson, 2003; Nolan and Salter, 2003). By 1999, with approximately 6.5 million part-timers, this ratio had risen to one in four (Nolan and Salter, 2003:64). Also, in one in four private sector workplaces, more than half the workforce, now work part-time; for the public sector the figure is closer to one in three (Cully et al., 1999:33). Thus, it could be expected that Taiwanese firms are less likely to use a flexible working pattern than their British counterparts.

3.7.6 Comparisons in Organisational Communication
Differences in organisation communication could be shown in goal setting and channels of communication between the Taiwanese and UK firms. The former focus on less on goal-setting and open-communication methods to convey their business target and strategy and this is as a result of protecting face within organisations (Wu, 2004). Also, in their study of organisation communication with the Taiwanese managers and their western counterparts, Glinnow et al. (1999) further interpreted that Taiwanese managers seem not take up open communication methods because they believe that they are not necessarily smarter or wiser than their employees, under the influence of Confucianism. In line with Wu’s (2004) research, in their study of managerial skills among ten Asian nations, Wakabayashi et al. (2001) revealed that it is less likely for Taiwanese managers to transmit business mission in their organisation.

In contrast, British firms tend to conduct open communication in their organisations. For instance, the 1998 WERS revealed that the one most commonly used communication method in both 1984 and 1990 was ‘systematic use of the management chain for communication with all employees’. In 1998, it was again the most commonly used method, by 60 per cent of total managers. The second most commonly used method in 1998 was regular newsletters distributed to all employees, especially in the manufacturing sector. Regular meeting between senior management and all sections of the workforce was the third commonly used method in 1998, which was used in 34 and 41 per cent of workplaces in 1984 and 1990,
respectively; by 1998, half of all workplaces reported such meetings (Cully et al., 1998:230). A fourth specific channel of communication in the 1998 survey between employees and managers was the use of suggestion schemes. This tool is used for improving working methods, which was in use in 33 per cent of total workplaces in 1998 (Cully et al., 1998). In addition, the British firms tend to convey their corporate mission statements, credos, and visions as a formal tool of management.

3.7.7 Comparisons in Participatory Management and Industrial Relations
Under the influence of Confucian values of collectivism and harmony (Hofstede and Bond, 1988), participatory management tools such as quality control circles, and labour-management committee/work councils, are widely used in Taiwanese firms (e.g. Huang, 1997; Wakabayashi et al., 2001; Zhu et al., 2000; Zhu, 2003). For instance, in their study of Asian managers' skills, Wakabayashi et al. (2001) indicated that the Taiwanese managers emphasise result-producing skills, such as quality circles to improve their present job performance in the workplace. Also, due to the increased production costs, Taiwanese firms, both large enterprises and SMEs, frequently used the quality circles in their organisations (Zhu et al., 2000; Zhu, 2003).

In contrast, Anglo-Saxon-owned firms are lower than Taiwanese firms with regard to participatory management (Wu and Lee, 2001). The reason for this is the fact that the Anglo-Saxon firms at home tend to allow less employee participation in management. For instance, there were fewer than 1 per cent of British workplaces whereas employees were given sole responsibility for monitoring the quality of their own work (Cully et al., 1999:119).

In terms of industrial relations, it seems that they are more harmonious and less hostile in Taiwanese firms compared to their Anglo-Saxon equivalents (Wu and Lee, 2001). The reason for this is that the ambiguous nature of the trade unions' role in Taiwanese enterprises (Zhu et al., 2000). In private or state-owned enterprises, it is obvious that there is a lack of operative independence, a significant level of marginality, and a 'dual role' of trade unions in Taiwan (Zhu et al., 2000; Zhu, 2003). For instance, the majority of SMEs do not have any form of trade union organisation. The major tasks of unions in SMEs are communicating with and
assisting management, organising annual union meetings, and collective agreements with management once every three years only. By contrast, a majority of LEs have union organisations, but their role of these unions is limited. The case study companies stated that the union should behave as an ‘invisible’ unit within the enterprise (Zhu, 2003). In fact, the characteristics of lack of independence and being marginal in unions are because of national institutions set up by means of trade union law. Therefore, in reality, due to the ambiguous nature of the unions’ role in Taiwanese firms, their function is marginal and administrative, such as communicating with the managers, negotiating collective agreements once every three years, conciliating disputes and organising annual meetings (Zhu et al., 2000; Zhu, 2003). Unions are not essentially part of these enterprises’ decision-making processes (Zhu, 1995; Zhu et al., 2000), and seem not to exercise the right of collective bargaining.

The UK is under the pluralist control of government, management and trade unions (Guest and Hoques, 1996). While in the UK, there are reductions in the significance of the role of trade unions (Easterby-Smith et al., 1995), ‘traditional’ HRM practices are still working in some sectors, such as collective bargaining, etc. As Sission and Marginson (2003:159) pointed out, UK has a highly decentralised and diverse structure of collective bargaining, deeply embedded in procedural rather than substantive rules. Regarding the role of trade unions in the UK, unions historically have had a more adversarial role and collective bargaining is part of their raison d’être. For instance, 2004 WERS survey reported that 5 of the workplaces had a collective dispute (6 percent in 1998), 3 took industrial action (2 percent in 1998), 4 threatened industrial action (6 percent in 1998) (Kessler et al., 2004). Therefore, compared to unions in Taiwanese firms, unions in British firms are more likely to exercise the right of collective bargaining.

Table 3-12 Comparisons in HRM between Taiwan and UK

<table>
<thead>
<tr>
<th>Items</th>
<th>Taiwan</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment</td>
<td>‘Recruitment agencies ‘and ‘executive search consultants’ less</td>
<td>‘Recruitment agencies ‘and ‘executive search consultants’</td>
</tr>
<tr>
<td></td>
<td>commonly used for managerial/professional vacancies</td>
<td>commonly used for managerial/professional vacancies</td>
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<td>----------------</td>
<td>------------------------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>‘Panel interview’, ‘aptitude tests’, ‘competency-based interviews’, and ‘application forms’ less commonly used for all levels</td>
<td>‘Panel interview’, ‘aptitude tests’, ‘competency-based interviews’, and ‘application forms’ commonly used for all levels</td>
</tr>
<tr>
<td></td>
<td>Spent least in selecting right employee</td>
<td>Spent more in selecting right employee</td>
</tr>
<tr>
<td>Training</td>
<td>Low in meeting training needs systematically</td>
<td>Low in meeting training needs systematically</td>
</tr>
<tr>
<td></td>
<td>On-the-job training</td>
<td>Off-the-job training (e.g. courses)</td>
</tr>
<tr>
<td>Pay and Benefits</td>
<td>High in egalitarianism. Low in pay differentials between those at top and those at the bottom</td>
<td>Low in egalitarianism. High in pay differentials between those at top and those at the bottom</td>
</tr>
<tr>
<td></td>
<td>PFP less commonly used</td>
<td>PFP commonly used</td>
</tr>
<tr>
<td>Performance Appraisal</td>
<td>Less likely used</td>
<td>Formally and systematic used</td>
</tr>
<tr>
<td></td>
<td>Reluctant to provide feedback</td>
<td>Willing to provide feedback</td>
</tr>
<tr>
<td></td>
<td>Emphasis on group performance</td>
<td>Emphasis on individual performance</td>
</tr>
<tr>
<td>Management appointments criteria</td>
<td>‘Soft’ criteria: ‘emphasis on generating participation and involvement’, ‘cooperative group action’, ‘loyalty’</td>
<td>‘Hard’ criteria: ‘bottom line delivery’, ‘more than one business area’, ‘experience in another country’</td>
</tr>
</tbody>
</table>
Flexible working

<table>
<thead>
<tr>
<th>Flexible working</th>
<th>Part-time work less commonly used</th>
<th>Part-time work commonly used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisational communication</td>
<td>Open-communication methods less commonly used</td>
<td>Open-communication methods commonly used: ‘systematic use of the management chain’, ‘regular newsletter’, ‘regular meeting’, ‘suggestion schemes’</td>
</tr>
<tr>
<td>Participatory management And Industrial relations</td>
<td>Quality circles commonly used</td>
<td>Less employee participation in monitoring quality</td>
</tr>
<tr>
<td></td>
<td>Less likely to exercise collective bargaining</td>
<td>More likely to exercise collective bargaining</td>
</tr>
</tbody>
</table>

3.8 SUMMARY

To begin with, this chapter shows that due to the distinct historical background and national institutional factors, such as economic, political and institutional forces, as well as cultural factors, HRM in Taiwan has changed over the past decades. Secondly, we compare differences in Taiwan and the UK HRM system in relation to recruitment and selection, pay and benefits, performance appraisal measurement, management promotion, flexible working practices, organisational communication practices, participatory management tools, and industrial relations. These differences may be reducing but remain significant. Differences in culture and institutions of Taiwan and the western countries raise the questions of the extent to which Taiwanese MNCs are free to transfer their home country’s HRM practices or adopt the host country’s practices when they operate abroad, and why and how they decide to diffuse home country practices overseas or adapt to host country practices or adopt a hybrid style at the subsidiary level.

The context of Taiwanese HRM has been illustrated and the differences in HRM policies and practices between Taiwan and the UK have been recognised. Hence, two issues have been identified. One is the essence and nature of the strategic choice...
of Taiwanese MNEs. The other is the nature of their HRM strategy and implementation. The purpose of this study is to explore the following questions:

1) What kind of HRM strategies and practices are adopted by Taiwanese MNCs in the UK?
2) How and why are certain particular HRM strategies and practices adopted by Taiwanese MNEs in the UK under the dual pressure of home country and host country effect?
3) What is the influence of external and internal factors on adoption of home country HRM practices and adaptation to host country HRM practices?
4) What sort of HRM strategies and practices are used by Taiwanese MNCs in the UK to manage a diversified workforce?
5) What kind of tensions arises from adoption of certain HRM strategies and practices by Taiwanese MNCs in the UK as a result of dual pressure of home country and host country effect?

In order to answer the above-mentioned questions, the next chapter will discuss the methodological issues associated with this research.
Chapter 4
Research Methodology

4.1 INTRODUCTION

Having outlined the theoretical factors of the study in the previous chapter, this chapter expands upon the methodology which is employed to explore the nature of HRM strategy in each of the four Taiwanese companies. The survey method is designed to get an overall picture of HRM strategies and practices and influence of key factors within all Taiwanese MNCs in the UK. The case study approach is adopted to investigate the nature of the HRM strategy. The process of data collection is discussed in brief. Finally, the selection of case studies in the study is briefly reiterated.

In order to explore the reality of social life and entities, and the meaning behind social entities, previous researchers (e.g. Merton, 1967) have tried to link theory and research by proposing middle range theory. Advantage of middle range theory is to provide an intermediate position to general theories of social systems, which are too remote from particular classes of social behaviour, organisation and changes to account for what is observed, and from those detailed orderly descriptions of particulars that are not generalised at all (Merton, 1967:39). However, some criticism came out as a result of disbelief in the link between theory and research under the middle range theory premise. For example, the empiricism school argues that the numerous studies in which the publications-as-theory strategy is employed fail however to think of theory in the first place (Bryman and Bell, 2003). The criticism about linkage between theory and research is not true, as Bryman and Bell (2003) argued. They argued that first, theory does exists in the literature (Bryman, 1988); second, research appears to have features of the ‘fact-finding exercise’ which should not be dismissed as naïve empiricism (Bryman and Bell, 2003). A good
illustration of the link between theory and research is shown in deductive or inductive theory. The characteristic of deductive theory is that it exhibits relationship between theory and research. There are six major steps in the process of deduction in a logical order: 1) theory, 2) hypothesis, 3) data collection, 4) findings, 5) hypothesis confirmed or rejected 6) revision of theory. The concept of inductive theory is that theory is the outcome of research. In other words, the process of induction involves drawing generalisable inferences out of observations (Bryman and Bell, 2003:12). In sum, it is useful to consider the link between theory and research and epistemological origin in terms of deductive and inductive approaches to conduct this research. The following section reviews how epistemological origin relates to this study.

• Epistemology

In terms of epistemological considerations, the background of this study is derived from the opposing approaches of positivism and interpretivism. Positivism is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond (Bryman and Bell, 2003:14). Interpretivism is taken to denote an alternative to the positivism orthodoxy that has held sway for decades; it is predicted upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences, and therefore requires the social scientist to grasp the subjective meaning of social action (Bryman and Bell, 2003:16).

The positivist school of thought is manifested here in the use of the standardised quantitative survey, which can generate data about the extent of current implementation of HRM strategies and practices Taiwanese MNCs in the UK that are valid and reliable. According to Silverman (1993), positivism is about ascertaining facts and beliefs ‘out there’ in the world. However, a positive approach restricts respondents from using “their own unique way of defining the world”, and from raising “important issues not contained in the schedule” (Denzin, 1989:105-106). The positivist school leads to a link between theory and research, for instance
positivism entails some elements of both a deductive approach and an inductive strategy (Bryman and Bell, 2003:14). There appear to be the following principles in positivism: first, only phenomena, and hence knowledge confirmed by the sense, can genuinely be warranted as knowledge; second, the purpose of theory is to generate hypotheses that can be tested and that will thereby allow explanations of laws to be assessed (the principle of deductivism); third, knowledge is arrived at through gathering of facts that provide the basis for laws (the principle of inductivism); fourth, science must (and presumably can) be conducted in a way that is value free (that is, objective); fifth, there is clear distinction between scientific statements and normative statements, and a belief that the former are the true domain of the scientist (Bryman and Bell, 2003:14). Also, there is an important principle within positivism which is the emphasis on replication (Tsang and Kwan, 1999). The replication is true in all sciences, including positivism, to search for a constant law of the form, for two events, for example, C and D represents the same types of events. The replication principal in positivism is also shown in cause and effect between two events, for instance C causes D.

However, there appears to be criticism about the natural science model from positivism to apply it to the study of social society. For instance, philosophers of science and social science differ quite unpleasantly over how best to characterise scientific practice (Bryman and Bell, 2003). Thus, there is another philosophical position that claims to provide an account of the nature of scientific practice: empiricism.

Empiricism shares two characteristics with positivism: a belief that the natural and social sciences apply the same kinds of approach to the collection of data and to explanation, and a commitment to the view that there is an external validity (Bryman and Bell, 2003:15). In essence, empiricism is similar to positivism, but it is a method of research that does not have to refer precisely to theory in its data collection. Empiricism means “the facts speak for themselves” (Bulmer, 1982:31), and the empiricist school of thought believes that as the facts speak for themselves, they do not require explanation through theoretical engagement. Hence: empiricism is not the same as empirical. Empirical refers to the collection of data on the social world to test, generate or interact with the propositions made and of social science
(May, 2002). Therefore, according to May (2002), positivism relies on empiricism regarding the methods used by empiricism but differs in its views on the role of theory. However, disadvantages of empiricism are that research appears to have characteristics of the ‘fact-finding exercise’ (Bryman and Bell, 2003), and it is difficult for researchers to take care to consider what they found is ‘fact, as Bryman (1988) indicated that the researcher have to be completely objective always to avoid possible bias about explaining the ‘facts’.

There are two main forms of empiricism: empirical realism and critical theory. The former declares that reality can be understood through the use of suitable means. The latter is an explicit form of empiricism whose proposal is to recognise the reality of the natural order and the events and discourses of the social world, and holds that

"We will only be able to understand – and so change – the social world if we identify the structures at work that generate those events and discourses... These structures are not spontaneously apparent in the observable pattern of events; they can only be identified through the practical and theoretical work of the social sciences" (Bhaskar, 1989:2).

There are three basic arguments within critical theory. First, the reality to which scientific theories primarily aim to refer is the structures and mechanisms of the world, rather than empirical events (Tsang and Kwan, 1999:761). Structures are defined as sets of internally related objectives and mechanisms as ways of acting (Sayer, 1992). Second, the basic structures and mechanisms are only conditionally related to empirical events (Tsang and Kwan, 1999). Third, scientific knowledge of social reality is still available through creative construction and critical testing of theories, such as testing through replication.

Therefore, according to critical theory, a regular concurrence of events is neither a sufficient nor a necessary condition for a causal law, as positivism argued (Tsang and Kwan, 1999).
Implications of critical theory are: first, critical theory implies that positivists already take the view that the scientist’s conceptualisation of reality actually directly reflects that reality; second, hypothetical entities to account for regularities in the natural or social orders are acceptable for realists (Bryman and Bell, 2003).

Another epistemological origin is called postmodernism. Postmodernists criticised modernists that modernists’ belief that ‘a work of art could somehow appeal to all humanity, and so that so be free of divisive political implications’ (Butler, 2002:6). Postmodernists provide a new way to see the world which are known as deconstructive and poststructuralist theories. Deconstruction argue that everything ‘depends on relativism, which means truth is always relative to the differing standpoints and predisposing intellectual frameworks of the judging subject (Butler, 2002:16). The postmodernist deconstructor wishes to show how a formerly trusted relationship, for example, the relationship between language and the world, will get lost. In addition, the relationship between postmodernism and poststructuralism is as Huyssen’s understanding of postmodernism as a theory of modernism at the stage of its exhaustion:

"But if poststructuralism can be seen as the relevant of modernism in the guise of theory, then that would also be precisely what makes it postmodern. It is a postmodernism that... in some cases, is fully aware of modernism’s limitations and failed political ambitions” (1986:209).

Huyssen thus underlines modernist fatigue to provide a strong ‘scientific status’ that human science and social science has lacked (Calas and Smircich, 1999). In poststructuralism, ‘the author’ is understood as surrounded in a social context and in relation to others (e.g., a community of scholars) (Calas and Smircich, 1999). Postmodernism and poststructuralism are now thriving in organisation studies. For example, Townley (1993) defamiliarised HRM so that it can be observed as a very odd set of practices that simply accumulate over time, while becoming more believable as they became more specific regarding their ability to transform individuals (their minds and bodies) into subjects’ of (the) discipline (cited in Calas and Smircich, 1999:656).
Advantages of postmodernists are as follows. First, postmodernists have a sceptical view about the world. Therefore, much postmodernist analysis is an assault on authority and reliability – in philosophy, narrative, and the relationship of the arts to truth (Butler, 2002). Postmodernists argue that all sceptical activities are in a complex relationship, rather than the view of academics or artists. Second, postmodernist analysis provides an unreal image. The postmodernist argues that we are all in any case the victims of a “false consciousness brought about by ‘bourgeois’ discourse” (Butler, 2002:110). Further, postmodernism opens the room for thinking gender theoretically, independent from particular sexed bodies and this is evident, in that organisational studies may have been more welcoming of feminist postructuralist analysis than any other feminist theoretical discussion (Calas and Smiricich, 1999).

Disadvantages of postmodernism are the following. First, it is logically obvious that you can not demonstrate how language always go astray without at the same time having a secret and contradictory trust in it (Butler, 2002:18). Second, postmodernists are generally pessimists, many of them worried by lost Marxist revolutionary hopes, and the beliefs they always hold are negative and less constructive (Butler, 2002).

In addition, this research also adopted an interpretivist methodology to examine the approaches and transferring the process of HRM strategies and practices across borders. The origin of the epistemological for the interpretivism approach is phenomenology, a philosophy that is concerned with the question of how individuals make sense of the world around them and how, in particular, the philosopher should bracket out preconceptions in his or her grasp of that world (Bryman and Bell, 2003:16). Schutz’s (1962) work has provided a good illustration of phenomenology as follows:

“The world of nature as explored by the natural scientist does not ‘mean’ anything to molecules, atoms, and electrons. But the observational field of the social scientist –social reality – has a specific meaning and relevance structure for the beings living, acting, and thinking within it. By a series of common-sense constructs they have pre-selected and pre-interpreted this world which they
experience as the reality of their daily lives. It is these thought objects of theirs which determine their behaviour by motivating it. The thought objects constructed by the social scientist, in order to grasp this social reality, have to be founded upon the thought objects constructed by the commonsense thinking of men [and women!], living their daily life within the social world.” (Schutz, 1962:59).

There are two main implications of Schutz’s (1962) work: first, a fundamental difference between the subject matter of the natural sciences and the social sciences, and that an epistemology is required that will reflect and capitalise upon that difference (Bryman and Bell, 2003:17). This means that this fundamental difference exists in the fact that social reality has its meaning for human beings to take action (Bryman, 1988). Second, there is a strong adherence to phenomenology in terms of social scientists’ work. This is evident in that the job of social scientists is to gain access to people’s commonsense thinking, and then to interpret their behaviours and their social world from their point of view (Bryman and Bell, 2003:17). Therefore, social scientists’ work can be viewed as phenomenological:

“The phenomenologist views human behaviour... as a product of how people interpret the world... In order to grasp the meanings of a person’s behaviour, the phenomenologist attempts to see things from that person’s point of view” (Bogdan and Taylor, 1975:13-14).

Interpretivism has been described as capable of attempting the interpretive understanding of social action in order to arrive at a causal explanation of its causes and effects (Bryman and Bell: 2003:16). But the critical point of the task of ‘causal explanation’ is undertaken with reference to the “interpretive understanding of social action” (Bryman and Bell, 2003:16). Interpretivism, in the form of the case study approach, was the basis for evaluating the comprehensiveness of transferring HRM strategies and practices overseas. Four case studies, employing in-depth semi-structured interviews, site visits and documentary evidence – were used to examine the nature of company-wide approaches to diffusion of HRM strategies and practices in the UK context.
Apart from phenomenology, there are another two epistemological stances for qualitative research: hermeneutics and social constructionism. The premise of interpretivist is that ‘defining the role of the interpreters on the model of the exegete, that is, one who is engaged in a critical analysis or explanation of a text (or some human action) using the method of the hermeneutic circle\(^1\). Hermeneutics challenge epistemological picture of the interpreter’s task and the kind of understanding that her or she ‘produces (Schwandt, 2003). First, the hermeneutics of Gadamer and Taylor reject the interpretivist view that ‘hermeneutics is an art or technique of understanding, the purpose of which is to construct a methodological foundation for human sciences’ (Grondin, 1994:109). That is, hermeneutics argue that understanding is a very condition of being human rather than a procedure- or rule-governed undertaking (Schwandt, 2003). As Gadamer (1970) argued that understanding is not ‘an isolated activity of human beings but a basic structure of our experience of life. Second, hermeneutics argued that an interpreter mush attempt to throw out bias or intolerance that is not regarded as a feature or trait a in the perform of interpreting (of ‘taking something as something’) in order to come to a clear understanding. Therefore, understanding involves the engagement of one’s biases (Schwandt, 2003) as Garrison (1996) clarified that ‘the point is not to free ourselves of all prejudice, but to examine our historically inherited and unreflectively held prejudices and alter those that disable our efforts to understand others, and ourselves (p.434). Third, Hermeneutics argued that understanding is participative, conversational, and dialogic and is something that is produced in that dialogue, not something reproduced by an interpreter through an analysis of that which he or she seeks to understand (Schwandt, 2003:302). Finally, Hermeneutics argued that understanding is itself a kind of persons that we are in the world and this means understanding is ‘lived’ or existential (Schwandt, 2003:303). As Gadamer (1981) elucidated:

“Understanding, like action, always remains a risk and never leaves room for the simple application of a general knowledge of rules to the statements or texts to be understood. Furthermore where it is successful, understanding means a growth in inner awareness, which as a new experience enters into the texture of

\(^1\)Schwandt (2003) used text and human action interchangeably here, following Ricoeur’s (1981) argument for their analogous relationship in hermeneutic interpretation (p.322).
our own mental experience. Understanding is an adventure and, like any other adventure is dangerous. But it is capable of contributing in a special way to the broadening of our human experiences, our self-knowledge, and our horizon, for everything understanding mediates is mediated along with ourselves.” (p.109-110)

In short, hermeneutics is not a methodology for ‘solving problems’ of misunderstanding or problems concerned with the correct meaning of human action (Schwandt, 2003:304). Rather, it is used ‘to clarify the conditions in which understanding takes place. These conditions are not of the nature of a procedure or a method which the interpreter must of himself bring to bear on the text (Gadamer, 1975:263).

Advantages of hermeneutics help us ‘to understand what is involved in the process of understanding itself’ (Madison, 1991). Also, hermeneutics provide a different of understanding that differs from an empiricist, designative, representational account of meaning and knowledge (Schwandt, 2003). This is due to positivism and empiricism were primarily concerned with the rational construction of scientific knowledge by means of the semantic and syntactic analysis of two kinds of scientific statements (statements that explain, i.e., theories and hypotheses, and statements that describe, i.e., observations) (Schwandt, 2003:304). Further, empiricism is more apprehensive about a formation of knowledge as correct representation of an independent reality and was (is) almost wholly interested in the matter of establishing the validity of scientific knowledge assertions (Schwandt, 2003).

Social constructionism aims to defeat representationalist epistemologies in a number of ways. The premise of social constructionism is that ‘in a fairly unremarkable sense, we are all constructivists if we believe that the mind is active in the construction of knowledge’ (Schwandt, 2003:305). Moreover, social constructionism rejects the naïve realist view of representation. For example, in Potter’s (1996) study of explaining the constructionism in the tradition of ethnomethodology and conversation analysis, he argued that ‘the world... is constituted in one way or another as people talk it, write it and argue it’ (p. 98).
Denzin (1997) also indicated that dialogue is the material practice that constitutes representation and description. Similarly, Gergen (1994) thought that social constructionism is nothing more or less than a "form of intelligibility- an array of propositions, arguments, metaphors, narratives, and the like-that welcome inhabitation" (p.78). All these views concern with what might be called meaning realism-the view that meanings are fixed entities that can be discovered and that exist independent of the interpreter (Schwandt, 2003:307). From this point of view, social constructionism shares the same view as hermeneutics in that the broad critique of meaning as an object, and they display an similarity with the idea of the coming into being of meaning (Schwandt, 2003). However, difference between social constructionism and hermeneutics is that 'many constructionists embrace that there is no truth to the matter of interpretation' (Schwandt, 2003). But hermeneutics hold the view that there is 'truth to the matter' of interpretation (Smith, 1997:22).

While many research studies place much emphasis on their epistemological origins, this study was more concerned with choosing and using research techniques and methods that would be most appropriate to the issues at hand (Bryman, 1984:89). This chapter will deal with the research methods, both conceptually and in practice, used to collect data for this research. Besides looking at individual methods employed in this study, it will also address the complementary approach which has been used to improve the validity, reliability and richness of the research findings.

**4.2 RESEARCH APPROACH**

This section will discuss the rationale for a multi-strategy adopted by this research. Also, a review of the survey method and case study method, as well as limitations of both research methods, will be briefly reviewed.

**4.2.1 A Multi-Strategy**

To address such a broad research as the extent and practice of transferring HRM strategies and practices across two different national boundaries, a combination of methodological approaches was chosen so that different aspects of the research issues could be revealed, and greater confidence in the research findings could be
acquired. While early methodological perspectives would have argued against such a combined approach of quantitative and qualitative research strategies, citing the mixing of approaches to be based upon incompatible and opposing epistemological and philosophical positions (Bryman, 1988; Guba and Lincoln, 1988), recent scholars in social science research seem to be in favour of binding the benefits of using a combination of methodologies to study the same phenomena (Patton, 1990; Peng et al., 1991; Brewer and Hunter, 1989; Denzin, 1989; Gill and Johnson, 2002; Bryman and Bell, 2003). For instance, Peng et al. (1991) called for more research by using a combined quantitative-qualitative approach in cross-national management research. They indicated that advantages of a combined quantitative-qualitative approach are “qualitative research always be considered as a complementary approach to dealing with cultural subtleties which have not been handled appropriately by quantitative method alone, and with the use of a combined quantitative-qualitative approach, we shall improve our capacity in revealing the holistic, naturalistic, and inductive aspects of the phenomena under investigation.” (Peng et al., 1991:105)

In addition, according to previous researchers’ (e.g. Bryman, 1988; Bryman, 2002; Bryman and Bell, 2003) arguments, there are two main points to support a combination of quantitative and qualitative research: first, the strengths of the data collection and data analysis techniques with which quantitative and qualitative research are connected together and seen these as capable of being fused; second, a recognition that quantitative and qualitative research are each linked with unique epistemological and ontological assumptions, but the kind of connection is fixed and unchangeable (Bryman and Bell, 2003:481). This is due to the fact that a research method from one research strategy is found as capable of providing services another. Therefore, multi-strategy has been proposed by previous researchers (e.g. Bryman, 1988, 1992; Hammersley, 1996). For instance, Hammersley (1996) has proposed three approaches to multi-strategy research:

- Triangulation: this means the use of quantitative research to corroborate qualitative research findings, or vice versa.
Facilitation: this arises when one research strategy is employed in order to aid research using the other research strategy.

Complementarity: this means the two research strategies are employed so that different aspects of an investigation can be fitted together.

Moreover, the choice of multi-strategy research method is to help researchers to study different aspects of a phenomenon as Bryman (1988) argued: the relationship between 'macro' and 'micro' levels and stages in the research processes, but providing a more general formulation (147-151). As quantitative research is more suitable to investigate 'macro' phenomena (such as what current HRM strategies and practices are adopted by all Taiwanese MNCs in the UK, and the qualitative research is useful to explore 'micro' issues (such as tension arising from home country and host country effect, and negotiation process between multiple actors within organisations). Some researchers (e.g. Stiles, 2001) have adopted multi-strategy to conduct their research. For instance, Stiles (2001) used in-depth semi-structured interviews with 51 main board directors of UK public companies, and a questionnaire survey of 121 company secretaries to examine the impact of boards of directors on corporate strategy. The adoption of in-depth semi-structured interviews is to develop a grounded understanding of board activities, and Stiles sought to allow directors to reveal their perceptions (2001:632). The use of a quantitative survey is to support the main findings based on Stiles' main findings..., which emerged from the qualitative data and ... are meant to be illustrative rather than definitive (Stiles, 2001:633). In short, multiple perspectives are required to understand entirely the nature of board activity and to explore the strategy-making roles of the board of directors and their multifunctional nature (Bryman and Bell, 2003).

Another form of multi-strategy research is shown in Perlow's (1997, 1999) research to explore how people use their time at work. She used ethnographic methods, including participant observation, semi-structured interviewing, and time-use diary, to record and measure quantitatively the time spent by software engineers in different activities during the day. The ethnographic methods were used to grasp the cultural norms and values they held, while the time-use diary measured the time-use
of these software engineers specifically. However, a combination of ethnographic methods including participant observation and semi-structured interviews, as well as the diary, is not adopted by this researcher, which is due to the fact that all Taiwanese companies did not allow the researcher to have a closer relationship with their employees by participating in their daily work life. Also, all Taiwanese MNCs got huge pressure from HQs to control their business information in terms of confidentiality. Therefore, it was easier for the researcher to collect data through a combination of a quantitative survey (for all 100 Taiwanese MNCs in the UK) to get a full image of current HRM strategies and practices, and qualitative in-depth semi-structured interviews to capture the real meaning about why and how these four case study companies transferred home country HRM practices or adapted to host country HRM practices or a blend of multiple HRM practices at the subsidiary level.

In addition, the limitations of utilising a single research method or single data source are usually promoting the interests of multiple research strategies:

"Studies that use only one method are more vulnerable to errors linked to that particular method (e.g. loaded interview questions, biased or untrue responses) than studies that use multiple methods in which different types of data provide cross-data validity checks" (Patton, 1990:188).

Also, Denzin has positive comments of multiple methods:

"If each method leads to different features of empirical reality, then no single method can even completely capture all the relevant features of that reality; consequently, sociologists must learn to employ multiple methods in the analysis of the same empirical events" (Denzin, 1989:13).

The combination of research strategies has been termed "multi-method or multitrait or convergent validation", and for the most part shares the concept of complementary quantitative and qualitative methodologies (Gill and Johnson, 2002). While many limit this strategy to being a utilisation of different methods in one research, Denzin’s concept of multi-method is much broader: he saw
complementary as combining "multiple observers, theories, methods and data sources" such that "the intrinsic bias that comes from single method, single observer, single theory studies" can be overcome (Denzin, 1989:247).

While it would be ideal to apply the logic of multiple complementary in its totality, that is employ multiple methods, data sources, researchers, and perspectives in the same study, it is not always possible. The study's short time structure, limited budget, and constraints in accessing organisations meant that one has to be pragmatic in structuring the right methods and amount of complementarily to the research issues at hand. To achieve the objectives of this study, the complementary approach employed included a quantitative survey of all 100 Taiwanese MNCs in the UK, followed by four case studies of Taiwanese MNCs in the UK that claimed to have formal HRM strategies and practices at the subsidiary level.

The initial survey looked at the current situation of HRM strategies and practices used by all 100 Taiwanese MNCs in the UK in terms of its extent, and influence of key factors on dissemination of HRM strategies and practices across borders. A quantitative survey is ideal in providing a 'snapshot' view of the state of HRM strategies and practices adopted by all 100 Taiwanese MNCs in the UK. In order to examine the nature of diffusion of HRM strategies and practices within them, such a survey would provide limited facets, and that is why case studies of dissemination of HRM strategies and practices across borders were conducted to explore further the various factors influencing their adoption at the subsidiary level. In order to access and select suitable companies for the case studies, the responses of the survey can be used (Bryman, 1988): in fact, survey findings were used prudently to identify the 'fuller' HRM strategies and practices for addition to the latter case studies. The survey findings also helped in creating new research issues, not identified prior to the survey, for the qualitative research.

Except for acting as a 'filter' for the case studies, survey and case studies data (including interviews and documentary data) were combined to provide a complementary scenario for the research, which can avoid the possible bias both from individually and potentially from either survey or case studies (Denzin, 1989).
In brief, multi-methods can provide wider usage and implications, and discrepant findings are likely to enrich explanations (Gill and Johnson, 2002).

The advantage of a combination of quantitative and qualitative research is to overcome the weakness of a single research method. This is due to quantitative surveys which providing only a hard and reliable, static, and macro data. However, qualitative case studies can supply a rich and deep, process, and micro data for understanding different meanings of HRM strategies and practices in different contexts (Bryman and Bell, 2003). For instance, Stiles (2001) used a multi-strategy research design with the following methods: in-depth, semi-structured interviews with 51 main board directors of UK public companies, and a questionnaire survey of 121 company secretaries. The adoption of in-depth semi-structured interviews was a primary way of collecting data in that study. The questionnaire results are used “to support the main findings, which emerged from the qualitative data and ... are meant to be illustrative rather than definitive” (Stiles, 2001:633).

In short, a complementary approach is beneficial to the richness of research findings and explanations:

"Qualitative research can establish regularities in social life while qualitative research can allow the processes which link the variables identified to be revealed. Qualitative research may be able to establish the structural features of social life in many instances, but the use of questionnaires or structured observations can be a more efficient way of forging connections and gleaning underlying patterns, which might take an age to produce when relying solely on ethnographic methods” (Bryman, 1988:142).

The case studies data can facilitate the interpretation of actual relationships and processes between factors identified in the snapshot survey. Due to the lack of a proper interpretation in the survey method, even the correlations between variables or factors could be established within the survey. In addition, the survey method is complemented with the qualitative case study method, like in-depth semi-structured interviews, which can help in interpreting possible relationships and answer the ‘why’ questions as Bryman (1988) argued. These in-depth case studies can also
provide detailed information on how and why key factors influence the diffusion of HRM strategies and practices overseas, and on possible tensions arising from home country and host country effects. As Sieber (1979) argued, the qualitative methods can contribute to survey analysis regarding the validation of results, the interpretation of statistical relationships, and clarification of confusing findings.

Limitations of a multi-method approach are that some inconsistent or divergent results can emerge from the contrasting methodologies. However, such limitations can be overcome by conducting further interviews, which helped to reconcile the possible conflicting results in the multi method approach (Jick, 1979; Gill and Johnson, 2002). Also, other scholars (e.g. Trend, 1978:352-353) called for more research to allow for different viewpoints to emerge and to postpone the immediate rejection of information that seems to be at odds with the majority viewpoint. As Jick (1979) argued, multi-method could enrich explanations of research problems:

"Different viewpoints are likely to produce some elements which do not fit a theory or model. Thus, old theories are refashioned or new theories developed — divergent results from multi-methods can lead to enrich explanations of the research problems". (p.145)

In the research fieldwork a complementary method and data sources triangulation are dominant, but a theoretical triangulation is also used by this research. Chapter 2 has already highlighted the importance of theoretical triangulation: an integrated theoretical framework drawn from various theoretical approaches like national culture, country of origin, new institutionalism, political process, and managerial competencies relating to diffusion of HRM strategies and practices from Taiwan to the UK were used to identify new HRM diffusion flows and research issues, as well as to frame the main research questions for this study.

Table 4-1 presents the plan for this research. In order to get an overall picture of the current HRM strategies and practices used by all 100 Taiwanese MNCs in the UK, the initial survey was conducted from June 2004 to December 2004. The data obtained from it were further underpinned by findings from four case study subsidiaries in technologies, IT-related industry, and shipping industry, that claimed.
to have formal HRM strategies and practices on site. For a review of the research methods adopted by this research, the next sections will describe the conceptual framework behind the postal survey and the case study methods, followed by a description of the actual process of research investigation.

Table 4-1 The Research Plan

<table>
<thead>
<tr>
<th>Research Issues to be examined</th>
<th>Research Method</th>
<th>Details of Method</th>
<th>Outcome from Method Chosen</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Extent of adoption of HRM strategies and practices in the UK</td>
<td>Survey</td>
<td>-All 100 Taiwanese MNCs in the UK from all sectors -Questionnaire (mainly closed-ended questions)</td>
<td>-National ‘snapshot’ picture of current HRM strategies and practices -Statistically generalisation -‘Sieve’ for Case studies</td>
</tr>
<tr>
<td>✓ Array of practices, their HRM strategies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Key factors influences</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Possible challenge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Aspects of HRM strategies and practices diffusion or adaptation process</td>
<td>Case studies</td>
<td>-4 subsidiaries participated, from technologies and IT related industry and shipping industry. These companies claimed they have a formal HRM strategies and practices -In-depth semi-structured interviews with top managers, senior managers, and team leaders</td>
<td>Interpret possible relationships Multiple measures of same phenomenon can help reduce problems of construct validity Analytical generalisation and logical inference</td>
</tr>
<tr>
<td>✓ Impact of key factors, as viewed from organisational managerial actors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>✓ Tensions arising from key factors</td>
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</tbody>
</table>

4.2.2 The Survey Method
Based on the integrated model described in the literature review chapter, a self-completion postal survey was used to provide an overall 'snapshot' picture of the current HRM strategies and practices adopted by all Taiwanese MNCs in the UK. The survey was designed to study transferring home country HR practices or adaptation to host country HR practices from all 100 Taiwanese MNCs in the UK context from all subsidiaries from different sectors.

In terms of theoretical standing point, the social survey can be viewed as a conventional research technique which is associated with questionnaires and interviewing (Bryman, 1989). The survey research entails the collection of data on a number of units and usually at a single juncture in time, with a view to collecting systematically a body of quantifiable data in respect of a number of variables, which are then examined to discern patterns of association (Bryman, 1989:104). However, this does not mean the survey method can collect data in the form of face-to-face interviews, which can provide a great amount of qualitative and sketchy data. Thus, the survey method can be best described as a variable, intermediate position between ethnography and experimental research (Gill and Johnson, 2002), due to the form a survey still differs significantly depending on the intentions of the researcher and the way of the researcher conducts data collection.

There are four main types of social surveys having been used widely in social research according to Ackroyd and Hughes’s (1992) grouping. Namely, there are: factual surveys, attitude surveys, social psychological surveys and explanatory surveys. Each of them can be used in different circumstances in terms of different research purpose. In short, these four types of social surveys can be categorised as analytic (or explanatory) surveys or descriptive surveys or a combination of both.

- Analytical (or explanatory) surveys: this type of surveys aims to test theory by taking the logic from experiment in the laboratory in order to examine the relationships between different variables, which has to specify independent variables, dependent variables, and extraneous variables. The critical point to conduct a successful analytical survey is to have a thorough review of literature, which helps the researcher to elaborate the various possible
relationships that might exist or impose upon on the phenomenon which have empirical variations.

- Descriptive surveys: by contrast to analytical surveys, a descriptive survey aims to address the major characteristics of a particular population of subjects either at a fixed point at a time or at varying times for comparative purposes. This kind of surveys does not emphasise on analytical design upon control but concerning on a representative sample of total population (Gill and Johnson, 2002). This is to ensure population validity that can be achieved from the accurate assessment from the attributes of the population and a generalisable finding. However, the literature review cannot be omitted from description survey, as a review is critical to draw up and justify the surveyed questions to be used.

Although there are two main types of survey methods either analytic or descriptive in social science literature, in practice a combination of both approaches are rather common. In trying to position my survey instrument, the survey questionnaire which I used to investigate all 100 Taiwanese MNCs in the UK regarding adoption of HRM strategies and practices across borders lies on an intermediate position between descriptive and analytic survey. The survey is seen as descriptive as its aims were to provide answers to ‘what’ is actually happening as far as HRM strategies and practices adopted by all 100 Taiwanese MNCs in the UK is concerned. However, some key questions in this survey are primarily concerning whether some theoretical approaches can be used to explain all Taiwanese MNCs’ behaviours in the area of HRM strategies and practices.

- Main concerns in the social survey
  1. The most significant concern in the social survey is with measurement, which allows one to define differences between people in terms of the characteristic in question, gives a consistent device or yardstick for making such distinctions, and provides the basis for more precise estimates of the degree of relationship between concepts (Bryman, and Bell, 2003).
2. The second major concern in the social survey is with explanation that allows researchers to explain how and why things are rather than simply describing what the things are. Also, the concern for causality is mirrored in the preoccupation with internal validity. This means a good quantitative social survey is frequently confident in the researcher’s causal implications because the greater confidence can be found in the causal findings between variables. Moreover, the appearance of longitudinal surveys is good reflection of a desire to improve the ability of the social survey to generate findings that permit a causal interpretation (Bryman and Bell, 2003).

3. The third preoccupation for the social surveys is whether the researchers are able to generalise their findings beyond certain context, which the researchers focused on. That is to say, a good social survey is not only carried out by a questionnaire with a group of people who have answered the questionnaire, but also the researchers are able to apply its findings to individuals rather than those who have responded to this survey. In order to generalise the survey findings, the representative of total population is vital to select the samples. The purpose of samples is to let the researchers say that the results of samples are not unique to the particular population of this study but also can apply the findings of this study to other group of population who are beyond the cases of this study (Bryman, 2001; Gill and Johnson, 2002; Bryman and Bell, 2003). There are some important procedures in selecting samples which includes defining the population; selecting an appropriate sampling frame, and; selecting an appropriate, preferably random sampling procedure. In order to use sampling procedures correctly and sensibly, it seem better to sample a part of a population that allows for the results derived from the data generated from that sample to be generalised back to that larger population (Bryman, 2001). The deliberate concern with generalisability is mainly strong among quantitative researchers using cross-sectional and longitudinal designs (Bryman and Bell, 2003:83).
4. The last concern is with replication, which means it is better for social surveys to reduce the bias and influences from the researchers at the minimum level. In other words, the results of a piece of research should be unaffected by the holding values and special interests of the researchers (Bryman and Bell, 2003). Although the ability to replicate is an important ingredient for quantitative surveys, in practice replication is not a high-status activity in the social sciences. This is partly because of replication being viewed as a visitor and apathetic search and partly because of standard replication being not an attractive for academic journals. However, replication is still crucial to the quality of quantitative survey researches. In this study, a self-completion postal survey is used to ensure the survey can be replicated and to facilitate external data reliability. As Gill and Johnson (2002) indicated that designing a simple but structured questionnaire such as self-completion survey usually helps to achieve replication due to high degree of structure and standardisation (refers to the conditions under which a questionnaire is administered and this includes the whole process of exactly specifying the questions to be asked, the manner of asking them how replies are to be scored etc).

4.2.3 The Case Study Method

Although the survey method is able to examine many questions regarding the current status of transferring HRM strategies and practices by all 100 Taiwanese MNCs in the UK, it have to recognise the fact that a quantitative survey can not gain information in depth and possible transferring process under the key factors influence. Also, this study is concerned with the reality of the nature and implementation of HRM strategies in MNCs. It attempts to illuminate key factors influencing the transfer of HRM policies and practices within four Taiwanese MNCs operating in the UK. It explores how subsidiaries decide to diffuse home country HRM practices, adopt host country practices or a mixed style incorporating elements of home country and host country practices. In light of these aims, a qualitative case study approach is chosen. The country of origin effect is not easily observed and quantified, and as a result the full implications of country of origin effect for HRM strategy by MNCs can be best addressed through detailed case
study research due to difficulty to collect objective measure data. Moreover, whilst the previous chapter outlined the theoretical basis of the study within the country of origin perspective, it also combined different theoretical perspectives as a means of exploring the influence of key factors on HRM strategy among subsidiaries. Thus, a case study method is appropriate for exploring the complex process at the subsidiary level in order to go beyond the surface appearance of HRM policy. Previous research on HRM in MNCs has used two different research approaches, i.e. questionnaire survey and case studies (see Brewster and Hegewisch, 1994; Ferner, 1997). However, the survey approach is more applicable to examine to identify patterns of relationship among variables (Bryamn and Bell, 2003). Therefore, it is appropriate for the collection of factual data or for testing the strengths of the opinions or attitudes on specific issues. Some comparative researches on MNC’s HRM strategy and practice from different countries have used survey methods (e.g. Martinez and Jarillo, 1991; Yuen and Kee, 1993; Hannon et al, 1995; Guest and Hoque, 1996). An illustration here is the comparative research on differences in MNEs’ personnel practices between the US and Japan (Yuen and Kee, 1993). Compared to 60 indigenous firms in Singapore, Yuen and Kee (1993) found that personnel practices adopted by 31 US are more standardised than in 21 Japanese MNCs.

Another example of survey study is Guest and Hoque’s survey (1996) of the HRM characteristics of MNCs’ subsidiaries established in greenfield sites in the UK. It explores the influence of country of origin on MNE’s HRM practice through surveying 85 greenfield sites subsidiaries in the UK.

However, the survey approach may not be able to elucidate the complex processes and linkages involved as Ferner (1997) pointed out. Moreover, it had better be careful to make statement with a study’s sampling structure as Geary (2003) has pointed out,

*One would obviously need to exercise extreme caution in making statements as to the diffusion of new practices when using such sampling frame. After all, such firms are most likely to support, and have present, the conditions necessary for
the introduction of new work practices. In such circumstances, the diffusion of new practices is again likely to be overstated (2003:341-2).

By contrast, the case-study approach is more suited to the study of complex qualitative relationships (Ferner, 1997). In his review of methodological issues in the area of IHRM, Brewster et al. (1996:589) enumerated that a comparison of rates of pay is uninformative without detailed knowledge of purchasing power, life style, cultural issues, state social security provisions, working hours, and working lifetime details and so on, for each country. Some of these are difficult to collect by questionnaire survey. Again, a weakness in the survey approach is that Japanese firms typically hire more expatriates, but there is relatively little detailed work showing the precise mechanisms whereby expatriates act as 'agents' of central control, nor of the types of intervention they make in the subsidiary (Ferner, 1997).

The relationship between formal structure and actual management behaviour in a subsidiary's operations needs to be explored. Therefore, Femer (1997) argues that survey work on MNCs needs to be supplemented by careful qualitative case studies to follow complex linkages, explore processes, and uncover how decisions are really made (p.31). This strength of case studies provides a better wider perspective for the researcher to address the process of HRM strategic choice and practices. And some researchers have applied a case study approach to explore the process and mechanism of HRM strategic choice and practice (e.g. Beechler and Yang, 1994; Edwards, 1998; Femer and Quintannilla, 1998; Tayeb, 1998; Femer and Varul, 1999; Hayden and Edwards, 2001; Edwards and Femer, 2004;).

Apart from the tendency not to explore managerial views in sufficient detail, the other shortcoming in large-scale survey is the survey evidence (Morris and Wood, 1991; Geary, 2003). The dangers of survey methods are that simple "yes/no" questions without a clear definition or description of the concepts relating to the research and the uncertainty arising from changes happening within organisations. For instance, the Workplace Employment relations Survey (WERS) surveys' questions about the existence of workplace practices:

'It is not unusual in some surveys to see respondents being asked simply, 'Do you have teamwork?' without seeking to reduce the 'elasticity' of such labels by
adding a more precise definition or description as to what might be meant by such concepts. Understanding of what constitute such popular labels, however, varies enormously (2003:340).''

Furthermore, in their review of limits of both survey and interview methods, Morris and Wood (1991) found that it is difficult to give definite answers to a survey type question. For instance, ‘do you have quality circles?’ the manager might hesitate and answer ‘no’ meaning ‘we don’t really have any or many effective quality circles (p.277)

On the other hand, the case study is more flexible and a more enlightening way of exploring the definition and re-definition of concepts than the survey method (Yin, 2003). For example, Edwards (1998) adopted a mini-case studies approach to build up the concept of ‘reverse diffusion’ of employment practice within British MNCs and Rees (1996) used four case studies to explore and define the idea of re-organisation of control in quality management strategy. Zhang (2003) also used the case studies method to explore and define ‘absorptive localisation of HRM strategy’ at the subsidiary level.

• Main concerns in the case study method

1. Generalisation issue: the major challenge to a case study approach is that it does not allow for adequate generalisations to be made. My study may involve a number of detailed case studies which including four distinct cases of HRM strategy from Taiwanese subsidiaries, and generalisation from the findings is therefore difficult. However, researchers still can achieve generalisation of the four case studies findings to ‘theory’ as Yin (1994) has pointed out,

"Such critics are implicitly contrasting the situation to survey research, in which a “sample” (if selected correctly) readily generalizes to a larger universe. This analogy to samples and universes is incorrect when dealing with case studies. This is because survey research relies on statistical generalisation, whereas case studies (as with experiments) rely on analytical generalisation. In analytical
generalisation, the investigator is striving to generalise a particular set of results to some broader theory" (1994:36).

In other words, what such case studies allow for is theoretical generalisation (Yin, 1994) or 'analytic generalisation' (Yin, 2003).

The theoretical ideas referred to here centre on the notion of “country of origin effect” and how key factors affect the diffusion and assimilation of HRM strategy and practices. Four case studies in this research might be enough to pursue theoretical replications (Yin, 2003). Therefore, simply increasing the sample size is not the appropriate way to improve upon their generalisability. Rather than increasing sample size, with this kind of research

'The generalisation is not automatic, however. A theory must be tested through replications of the findings in a second or even a third neighbourhood, where the theory has specified that the same results should occur. Once such replication has been made, the results might be accepted for a much larger number of similar neighbourhoods.' (Yin, 1994:36)

2. Replication issue: the second concern is replication in use of the case study method. Yin (1994) proposed that ‘theoretical generalisation’ can also be used both in one and several cases (e.g. single-case or multiple-case studies). The key issue in theoretical generalisation or analytic generalisation is the replication logic behind the case-study approach. Yin (2003) pointed out that the replication logic is the same between single-case and multiple-case studies, for example, a few other cases (4 to 6) might be designed to pursue two different patterns of theoretical replications (p.46).

One of the key advantages of the in-depth case study is its ability to examine fundamental processes, which allows producing links between cause and effect. As Waston (1994) says:
'Detailed ethnographic or case study research is a means of generalising about the process as managers get involved in and about basic organisational activities, rather than about "all managers" or "all organisations' as such' (p.7)

Those who rejected the case study approach on the grounds that it is believed to allow insufficient generalisability are likely to consider the large-scale survey to be a stricter methodological tool. The most widely used recent example of this in the field is the WERS series (Daniel and Millward, 1983; Millward and Stevens, 1986; Millward et al., 1992; Cully et al., 1999). The four WERS surveys have concentrated on collecting data on employment relations structures, processes and outcomes. In this manner, the people considered best placed to provide information were senior managers - usually from a personnel department - and a union representative. However, the WERS surveys tended to simply ask respondents whether or not such institutions existed. By investigating respondents' views in more detail, Wright is able to demonstrate that compulsory unionism survives informally. He found evidence of


As a result, he concluded that

'WERS may have recorded "official" policy, compared to "unofficial" practice in the present study ... some form of mandatory unionism may have been maintained without overt senior management approval, either with supervisory management complicity, and/or by unilateral work group regulation.' (1996:509)

It is appropriate to cite Wright's work in this context, since the Taiwanese companies here tend to mention that the 'official' policy in pay is a performance-related system, yet the reality behind this is still a more seniority based system, which is illuminated only as a result of interview respondents having been given the opportunity to expand upon initial questions.
3. Lack of rigor case study research: the case study investigators have been criticised as sloppy and subjective due to the researchers tend to influence the directions of findings and conclusions. In order to reduce this potential influence, the researchers have to report fairly what they have been told. Also, in order to enhance case study’s reliability and validity, Yin (1994:33) provided four tests to reduce potential bias from researchers.

- Construct validity: establishing correct measures for the concepts being studied
- Internal validity (for explanatory or causal studies only, and not for descriptive or exploratory studies): establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships
- External validity: establishing the domain to which a study’s findings can be generalised (details see generalisation discussion in this study as above-mentioned)
- Reliability: demonstrating that operations of a study- such as the data collection procedures can be repeated, with the same results (details see replication discussion in this study as above-mentioned).

4. The case study research is too subjective: quantitative researchers often criticise a qualitative case study research as too subjective, and this is due to case study findings relying on the researcher’s unsystematic view about what is significant and important (Bryman and Bell, 2003). This means qualitative research such as case study often begins in a relatively open-ended way, and then leads to an ongoing narrowing down of questions or problems. However, Truss (2001) argued that in her research of the relationship between organisational performance and HRM, there is a disjuncture between company formal policy and informal organisation, which cannot be captured through quantitative research of High Performance Work Systems. Also, the subjective problem can be tackled by techniques like computer assistant qualitative analysis software (CAQDAS) (Bryman and Bell, 2003).
Justification of methods used in this study

Although this study is case study based, it is not entirely qualitative, since it includes the use of a survey. However, this includes all Taiwanese subsidiaries in the UK in order to get an overall understanding of HRM strategy and practices adopted by these firms here. This is to avoid any insufficiency in the comparisons between Taiwanese firms and British here and gain a platform to access companies here. As Oliver and Wilkinson (1992) have pointed out,

'There is plenty of anecdotal evidence to suggest that British companies are attempting to copy aspects of Japanese-style practice ... we have presented three case studies which support this view. However, accounts such as these could be misleading and imply a breadth of change which simply does not exist' (1992:77).

This research refers to the HRM strategy and practice of Taiwanese MNCs operating in the UK. Since the phenomenon has not been studied previously, a case study approach enables the adoption of a variety of sources with no prior assumption of the superiority of any one type of evidence. There are several researches on Taiwanese MNCs’ management and organization characteristics and HRM preferences (Ulgado et al., 1994; Sparrow and Wu, 1998). However, none has examined in sufficient depth the nature of HRM strategy in Taiwanese MNCs, especially the implementation of a HRM strategy in a subsidiary in the UK operating environment. Hence, the aim is to use a variety of sources of information in order to discover the nature of the HRM strategy adopted by these UK subsidiaries. However, this research does not take a deductive approach, rather it is a preliminary study in this sense, and does not seek to test existing theories or positions but to remain open to the intricacies that surround such a strategy.

Moreover, this study attempts to elucidate the complex relationship between country of origin effect and the influence of key factors, such as host country characteristics, firm-specific decisions, on the adoption of HRM strategy and practices. This means that this research not only explores HRM strategy itself but also examines the process of different factors working together to affect HRM strategy development and implementation. Such a reality can only be addressed
through detailed case study of HRM strategy and practice, particularly of decision-making processes behind strategies and how affiliates’ strategic role influences HRM strategic choices and practices in a subsidiary level.

Furthermore, a good case study needs to develop a theoretical framework because using theory is not only an immense aid in defining the appropriate research design but also becomes the crucial means for generalising the results of the case study (Bryman and Bell, 2003; Yin, 2003). Thus, a theoretical framework of this research described in this research emphasizes on the utilisation of an ‘integrated’ perspective as a means of explaining the similarities and disparities between these organisations.

In short, the research is carried out to explore the nature of HRM strategy of Taiwanese subsidiaries in the UK and focuses on how and why these Taiwanese affiliates adopt HRM strategic choices and practices to meet their business strategy demands. Especially, this study examines how key factors influence the transferring of HRM strategy and practice among Taiwanese firms in the UK. In the light of these objectives, a case study approach is more appropriate to be adopted.

4.3 PROCESS OF DATA COLLECTION

The following section presents the actual process of data collection of a selfcompletion survey in this research. First, the researcher introduces how to design a self-completion postal survey. There are four main categories in this survey: organisational details, key factors’ influence over human resource strategy, human resource practices, and comments. Second, the survey process includes pilot testing before sending out the survey to all 100 Taiwanese MNCs, how to select survey sampling, how to administer the survey and to analyse survey data, and problems encountered in the survey.

4.3.1 Self-Completion Postal Survey

To assess the extent of HRM strategies and practices adopted by all 100 Taiwanese MNCs in the UK, the survey was the fastest and cheapest method. To administer the
survey, the self-administered postal questionnaire was chosen over postal questionnaire survey or structured face-to-face interviews or telephone interviews, as it provided access to a larger base of the population, which was necessary for this study regarding research purpose. Another alternative to a self-completion postal survey is structured interviews. The main difference between self-completion postal survey and structured interviews is that there is no interviewer to ask questions to complete self-completion questionnaire and respondents have to read instructions and each question by themselves carefully with structured interviews.

Compared to structured interviews, a self-completion postal survey has advantages as follows (Bryman and Bell, 2003:142-143):

- A self-completion postal survey tends to have fewer open questions, since closed ones tend to be easier to answer;
- Have easy to follow designs to minimise the risk that the respondent will fail to follow filter questions or will unconsciously skip a question;
- Be shorter to reduce the risk of 'respondent fatigue', since it is manifestly easier for a respondent who becomes tired of answering questions in a long questionnaire to consign it to a wasted paper bin than to terminate an interview;
- A self-completion postal survey is cheaper to administer: interviewing can be expensive. The advantage of a self-completion postal survey is especially true if the research targets are geographically diverse and this is true in the location of Taiwanese MNCs in the UK. Also, the cost of self-completion postal survey is much cheaper than telephone surveys;
- A self-completion postal survey is quicker to administer: self-completion questionnaires can be sent out by post or distributed in very large quantities at the same time. However, structured interviews and telephone surveys can not be done in short time or at the same period.
- Absence of interviewer effects: obviously, there is no interviewer present when a self-completion questionnaire is completed; interviewer effects (such as the social background of interviewer, gender, and ethnicity) are eliminated. However, interviewer effects are quite significant with structured
interviews and telephone surveys which causes bias to the answers from the respondents;

- No interviewer variability: self-completion questionnaires do not have problems of asking questions in different order or in different ways;
- Convenient for respondents to reply: self-completion questionnaires allow respondents to answer the questions when they want and at the speed they want to go.

Moreover, telephone surveys were widely adopted in 1980s in the United States and this is due to the fact that telephone survey was the first survey method to benefit fully computerised survey methods, especially computer-assisted telephone interviewing (CATI) (Dillman, 1999). However, moving to the 1990s, telephone surveys became less effective survey method. This is due to the fact that telephone has become a household instrument since the mid 20th century that controlled behaviour (Dillman, 2000:8). Ringing people by telephone is becoming a disruptive behaviour to people's life. Also, as telephone surveys become a major marketing approach for companies to sell their products and this increases unwanted phone calls to people, people became less tolerant of such disturbance. In addition, answering machines and call-blocking devices are widely developed and adopted by people and business now (Dillman, 2000). This appears to be more difficult for researchers to use telephone surveys to conduct their research especially in the business and management research.

In addition, adoption of a self-completion postal survey in this research is due to the fact that telephone surveys are not culturally suitable by Far East MNCs (Churchill and Iacobucci, 2002). Churchill and Iacobucci (2002:282) pointed out that telephone surveys are quite common in western countries such as the U.S. and the United Kingdom, but they are unusual in Japan, where it is not culturally acceptable to answer questions from "strangers" over the telephone. This is particularly true in Taiwanese MNCs, where Taiwanese managers and employees are not used to talk to "outsiders" in terms of trust consideration. In addition, the researcher was advised by Taiwanese managers that it would be best to send an official cover letter with a formal postal questionnaire to all Taiwanese MNCs. This is because
Taiwanese managers will feel more comfortable and receive respect from the researcher when they receive a self-completion postal survey. This is consistent with Churchill and Iacucci's (2002) argument in that 'the specific problem and culture' will actually dictate the weakness with telephone surveys.

- **Questionnaire Design**

The questionnaire was developed from the 'Price Waterhouse', and "Cranfield" Survey (Brewster and Hegewisch, 1994). The empirical analysis was performed on two consecutive surveys conducted by the Cranfield Network on European Human Resource Management (CRANET) 1994 and 2000. These surveys are part of an international research project utilising a standard procedure across a large number of mostly EU countries. The objectives of CRANET survey were two: first, to monitor over time the impact of the increasing 'Europeanisation' of business on specific human resource management practices in Europe. Also, CRANET survey tried to assess whether there were significant trends in EU and EFTA member states (Brewster et al., 1994:231). The second objective was to provide an international comparable evidence about particular policies and practices that are thought to be the concept of HRM, for instance, how far personnel practices are planned, coherent and interactive with corporate strategies; how far there has been a shift towards greater flexibility and individualisation of the employment relationship; and what developments are taking place in areas such as recruitment, training and remuneration and employee relations on national level (Brewster et al., 1994).

The level of comparison of CRANET survey is country. The arguments behind the choice of comparison are that choosing countries which are, in as many ways as possible, as similar as can be (Brewster et al., 1994:232). Thus, the authentic differences in national human resource management can be more obviously identified through eliminating twist effects arising from different population sizes, industrial segmentation, wealth, and cultural values. In my survey, given its aim of exploring country of origin effect by MNCs in the UK, these questions mainly related to interpretation of survey results. For instance, in the area of adoption of flexible working practices by Taiwanese MNCs in the UK, there appears to identify whether Taiwanese companies had adopted flexible working practice (such as part
time, temporary worker) in the UK through analysing and interpreting the survey results based on comparisons in flexible working practices (see discussed in chapter 3).

In order to tackle potential British bias in CRANET survey, the researchers involving in CRANET survey worked closely with other academic partners in other participating countries. This close partnership provided critical knowledge of national practices and debates (Brewster et al., 1994). The draft CRANET questionnaire was pretested with personnel managers in the participating countries to validate reliability. Also, the CRANET survey has received a high response rate from 17% to 34% both in 2004 and 1994 and this increases the pretested items' internal reliability used by this study. These tested items were:

1. HR departments and HR strategy
2. Recruitment policies
3. Pay and benefits policies
4. Training policies and evaluation
5. Contract and working hours flexibility
6. Industrial Relations and employee communication
7. Responses and attitudes to the approaching single European market

The first six items were adopted by my survey to examine what distinct HRM strategies and practices in Taiwanese MNCs in the UK and to see whether there is a trend to be less Taiwanese or to be more British in the area of HRM strategies and practices.

However, the researcher in this study developed some specific items. These items are: (details see Appendix 2)

Section C: Human Resource Strategy

1. Home country effect: Taiwan’s business systems constraints (e.g., institutional pressure from HQ’s national origin)
2. Degree of product integration and nature of product/service market
3. Host-country factors (e.g. local labour market, legal and cultural environment)
4. Local institutions (e.g., rely on local environment’s resources such as suppliers, customers, and competitors)
5. Cultural differences: power distance, individualism vs. collectivism, masculinity vs. femininity, long-term orientation vs. short-term orientation, and uncertainty avoidance.

6. Subsidiary level's decisions: adaptation to local environment and follow UK HR practices, transferring HQ's HQ practices to UK subsidiary, catching the best practices both in the UK and Taiwan, transferring HQ's practices with modification by UK operation environment, and using a reactive and opportunistic HR practice.

7. The subsidiary's strategic role: global innovators, integrated player, local innovator, and implementer.


9. Managerial choices: use of expatriate manager and use of British or European managers.

10. Section D: recruitment: Management promotion/reward in organisation: individual performance, group performance, seniority, loyalty, decided by HQ, and other.

11. Section E: training: training location: HQ or host country.


The purposes of these items are to investigate the extent of HRM strategies and practices used by all 100 Taiwanese MNCs in the UK (Questionnaire can be found in Appendix 2). Because my research subject is only limited to Taiwanese MNCs in the UK, much care was taken in designing the questionnaire to ensure that it was not long and complicated for respondents to complete it. The contents of the questionnaire took into account some questions raised in previous studies of country of origin effect (e.g. Femer, 1997), national cultural studies (e.g. Hofstede, 1980), methods of establishments (e.g., Guest and Hoque, 1996), CIPD survey of British HRM practices (CIPDa, 2004), and 1998 WERS survey of British employment practices in British companies (Cully et al., 1999).

The common rules of designing a self-completion postal survey were followed: as suggested by Bryman and Bell (2003) and Dillman (1983), shorter for respondents to answer, closed answers for respondents to choose in a fixed horizontal closed answers, one style for general instructions such as clear instructions for respondents...
how to respond, keep questions and answers together. However, despite the majority of the questions being closed-ended, some questions were left open-ended for respondents to give their individual views but these were kept to a minimum.

Likert-style rating scales were employed, where appropriate. Five point ordinal scales were used for some questions, thus providing respondents with a middle alternative (i.e. strongly agree..neutral... strongly disagree). Although use of a non-committal alternative has been criticised (e.g. Moser and Kalton, 1972), it was used in my questionnaire as the middle alternative providing for ‘an additional graduation of opinion’ (Rugg and Cantril, 1944:33). Five points Likert scale was widely used in the research of MNCs’ HRM practices and country of origin effect (e.g. Brewster et al.; 1994; 2006; Poutsma et al., 2006) and this is useful for this research to use five points Likert scale to explore home country and host country effect of Taiwanese MNCs in the UK. Although seven points likert scale are proved to give more details and richer data, five points likert scale is desirable for my research regarding questionnaire design. This is to avoid too long in scale length in the questionnaire, which can make respondents feel confusing and fatigue and hence response quality.

The format of the questionnaire was also considered. To facilitate a logical flow to the survey, the ten-page questionnaire (see Appendix 2) was divided into four main sections, namely:

A. Organisational Details

In the first section of the questionnaire, firms were asked their organisational characteristics like their purpose to set up in the UK, nature of product market(s), employee size, turnover rate/revenues, and the final decision making authority in the UK subsidiary. These organisational characteristics not only provide a clear description of the sample but also these demographic characteristics were used to relate to the implementation of HRM strategies and practices, and to moderate its impact.
All 100 Taiwanese MNCs in the UK sampled—regardless of their size—were asked to answer the organisational details section. Within this part of the questionnaire, respondents were asked the size of the company which acting as a filter for the possible case study companies.

B. Key Factors’ influence over Human Resource Strategy

For those companies that have claimed with a professional HR manager and specialists, as well as with a formal HR strategy, respondents were asked what the main challenges are, who has the final decision power over the UK subsidiary in terms of HRM issues, key factors’ influences over HRM strategies and practices in the UK subsidiary including home country and host country effect, local institutions, cultural differences, subsidiary-level decisions, methods of establishments, subsidiary’s strategic role, and expatriate and host country national managers’ choices etc.

C. Human Resource Practices

The questions in this section looked at the current HR practices adopted by all Taiwanese MNCs in the UK. In particular, this section tries to find out the differences in HRM practices between Taiwanese companies and British companies in the UK and this helps us to whether any unique HRM practice is used by Taiwanese MNCs in the UK and acting as a platform for the researchers to identify the possible explanations from the four case studies.

D. Comments

The last section was designed to seek any comments and views that the respondent subsidiary would like to address regarding the adoption of HRM strategies and practices within the organisation.

• The Survey Process

A. Pilot testing
Once designed, the questionnaires were pre-tested on a number of companies to assess its focus and suitability for use in the UK at the subsidiary level. The questionnaire was tested against Converse and Presser (1986)’s pilot testing points, namely: variation, meaning, task difficult, respondent interest and attention, flow and naturalness of the sections, the order of questions, skip patterns, and timing. During the testing process, the questionnaires were mailed to the HR manager or heads (variously titled as managing directors or general managers) of 4 main subsidiaries, which agreed to do pilot testing. Itco, one of the four case study companies in this research, was also included in the pilot testing study. Two British HR managers and two Taiwanese managing directors of subsidiaries received an English language questionnaire with a formal cover letter. Results of these four pilot testing companies were included in the final analysis data. Some changes were made in my questionnaire after the pilot testing. These changes were:

- **Meaning of home country and host country factors:** the two HR managers and two managing directors advised that there is a need to have more clear explanation of home country and host country factors in the questionnaire.

- **Respondent interests and attention:** the two managing directors showed their interests in answering questions with a formal postal questionnaire, but they raised the concerns how many Taiwanese subsidiaries in the UK will have a formal HRM strategies and practices as a result of lack of professional HR manager and company size. This is due to the fact that the majority of Taiwanese firms are small sized rather large establishments as a result of demand from customers and labour cost consideration.

- **Timing:** the first draft of the postal questionnaire was more than 10 pages long which lessens the motivation of the two managing directors to answer all questions in 30 minutes. The self-completion postal survey was reduced to 10 pages long which allows managers to complete around 15-20 minutes.

**B. Sampling**

In order to reflect the widest possible range of business characteristics, the survey sample comprised all 100 Taiwanese MNCs in the UK. The sampling frame was
developed from various sources and databases, including Taiwan Foreign Trade Centre in London and FAME database, and British Council in Taipei office’s website.

### Table 4-2 Breakdown of Survey Sample and Establishment by Industry Sector

<table>
<thead>
<tr>
<th>Industry Sector</th>
<th>Survey Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT and Electronic component</td>
<td>87</td>
</tr>
<tr>
<td>Financial services</td>
<td>6</td>
</tr>
<tr>
<td>Transportation</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


- **Administering the Survey**

Once the questionnaires have been pilot-tested and the representative sample selected, the questionnaires were sent to all 100 HR/personnel managers or general managers from the selected sample. These questionnaires were addressed to this select group of respondents – known as ‘role-holders’ since these personnel can supply information about the current HRM strategies and practices adopted by these Taiwanese MNCs that go beyond the individual respondent and were thus acting in the role (Dexer, 1970; Moyser and Wagstaffe, 1987) – based on the assumption that there personnel might have the broadest overall view of their organisational HRM strategies and practices. Perfectly, the questionnaire should be addressed to the managing director at the subsidiary level, however, in considering the MD might ignore for non-return or pass to his subordinates especially the HR/personnel manager to answer the questionnaire in terms of delegation concern, it seems better for us to address the questionnaire to the lower management position especially the HR manager who in practice is responsible for HR functions in order to ensure a higher return of the questionnaire.

Each questionnaire was accompanied by a cover letter (see Appendix 1 for a copy of the letter), which explained the objectives of the survey, assurance of confidentiality, how the respondents were chosen, how and when the questionnaire was to be returned. As the study was an independent survey without any
governmental sponsorship, it was important to highlight the researcher's affiliation with the Business School, Loughborough University – using the school's letterhead for the cover letter – to increase the researcher's credibility and thus broaden the respondent's interests in participating the survey. Stamps were also used, instead of bulk postage (de Varus, 1991). To help in increasing the response rate, respondents were provided with reply paid envelopes. An incentive was made to promise the respondents that the final survey results will be sent to the participants in order to increase the return rate.

The survey was conducted between October 2004 and December 2004. In administering the survey, extra attention was ensured that the survey was not sent during summer vacation to avoid delay response and the respondents' absence as a result of holidays.

Follow-ups were adopted in the process of administration of the survey. According to de Vaus (1991), two or three follow-ups are needed in mail questionnaire to achieve the response rates similar to those obtained with either telephone or personal questionnaires:

"One week after the first mail-out, the first follow-up should be sent to all respondents...It takes the form of a postcard with the respondent's address typed on one side and a brief reminder on the other. It is designed to thank early respondents and to remind rather than persuade non-respondents... The second follow-up should be sent only to people who have not responded after three weeks and will contain a new letter, a replacement questionnaire and a new stamped return envelop. The cover letter will tie the letter to the previous ones and be similar in content to the first one but more insistent in tone (de Vaus, 1991:18).

As funds and time were limited for this research, only one follow-up was carried out about two weeks after the first questionnaire was sent out. In this follow-up, another questionnaire, cover letter and reply paid envelope were sent to the company. In order to increase the response rates for a 100 Taiwanese MNCs in the UK, an extra effort through telephone calls was made by the researcher to remind those non-
return subsidiaries. A telephone interviewing based on the questionnaire was made to those non-return respondents, due to the fact that HR/personnel managers are in these non-return companies would like to answer the questionnaire by phone.

To monitor the return process of questionnaires, all questionnaires were discretely numbered. Clear numbering of questionnaires will help the researcher to avoid violation of promised confidentiality in the questionnaire.

C. Analysing the Survey Data

All 100 Taiwanese MNCs in the UK were surveyed, 45 usable responses were received after the initial mailing, and additional 36 usable responses were received after the follow-up procedures. The total of usable response is 81 per cent.

To generalise for the respondent Taiwanese MNCs in the UK participating in the survey and to avoid researcher's own bias and preconceptions interfering with the analysis, the Statistical Package for Social Sciences (SPSS) computer software was utilised and also descriptive statistics was employed to get an overall picture of HRM strategies and practices by the surveyed Taiwanese MNCs in the UK.

D. Reliability of specific items developed by the researcher in this study

I used standard well-established research instruments that proposed by Gupta and Govindarajan (2000) to test reliability of measurement created in this research. Gupta and Govindarajan (2000) had applied this research instrument to test their research of knowledge flows with MNCs and country of origin effect. Given below are details pertaining to how the eight variables central to this study – home country effect (HCE), host country effect (HSE), product market (PM), cultural differences (CV), subsidiary-level decisions (SD), subsidiary's strategic role (SR), methods of establishments (ME), and managerial choices (MC) were measured.

As stated earlier, in this study, I focus on transferring process (e.g., home county effect, host country effect etc.). The influence of transferring process data were collected on the following eight items: (1) home country effect (HCE), (2) host
country effect (HSE), (3) product market (PM), (4) cultural differences (CU),
(5) subsidiary-level decisions (SD), (6) subsidiary’s strategic role (SR), (7) methods
of establishments (ME), and (8) managerial choices (MC). For each of these eight
items, the subsidiary HR manager was asked to indicate on a five-point scale
(ranging from “strongly agree” to “strongly disagree”) the extent to which the
subsidiary thinks the influence of key factors on transfer of HRM strategies and
practices. For these eight variables, the means, the standard deviations, and
Chronbach alpha values respectively were as follows: HCE-HRM (1.67, 1.46, 0.68),
HSE-HRM (1.93, 1.48, 0.67), PM-HRM (1.64, 1.48, 0.69), CU-HRM (1.64, 1.40,
0.68), SD-HRM (3.31, 3.04, 0.67), SR-HRM (3.70, 3.55, 0.70), ME-HRM (2.94,
2.70, 0.67), MC-HRM (1.97, 1.74, 0.68).

Given the 1-to-5 range of the five-point scale used to measure the transferring
process, the mean values of the seven types of influential variables in my sample
(1.67, 1.93, 1.64, 1.64, 3.31, 3.70, 2.94, and 1.97) may at first glance appear low.
However, at clarified above, it should be noted that on the transfers of largely
procedural data rather than on the transfers of declarative data (e.g., monthly
recruitment results). Given the tacit rather than codified nature of much procedural
data, I would expect the mean level of transfer process in this arena to be on the
much lower than higher side.

The limitation of reliability of specific items is not to test inter-rater reliability. This
is because the researcher was not allowed to deliver another separate questionnaire
to the supervisory level of HR managers at the subsidiary level. Also, as stated
earlier, the purpose of this self-completion survey is to provide an overall
illustration of what kinds of HRM strategies and practices are adopted and the
importance of key factors affecting transfer process of HRM strategies and practices
at the subsidiary level. It is not necessary for the researcher to conduct a separate
questionnaire to managing director’s level regarding the research purpose.

- Problems Encountered in the Survey

Non-response bias was the most obvious problem in this survey. Despite restricting
the questionnaire with just ten pages, respondents were probably unwilling to
answer the questionnaire because of its length, resulting in the non-response. The other reason for non-response questionnaires is due to the respondents being afraid of releasing company's information under the HQ's control despite being promised not to violate the company confidentiality. Also, the researcher allows the busy respondents to reply the questionnaire at his own time and this may cause the disadvantages of delaying or non-returning the questionnaire on time.

Another problem in administering the survey is the respondents might feel some questions are not very salient to them and thus they have no incentive to answer the questionnaire. As Bryman and Bell (2003) point out,

'A high response rate is feasible....when questions are salient, the self-completion questionnaire may be a good choice for researchers, especially when the much lower cost is born in mind.'(p.142)

4.3.2 Four Case Study Subsidiaries

From the responses to the survey, four companies claiming to have a formal HRM strategies and practices were selected for the second stage of the research. The aims of the case studies were to explore in greater depth of the nature, key factors' influences on the transferring process, and tensions arising from home country and host country effects faced by these subsidiaries.

* Preparation for Case Studies

There are some preparations made for accessing possible case studies for this research, i.e., criteria for selection for the case study subsidiaries, making sure to gain accessing to the majority of management levels and some team leaders or supervisors.

* Selection of the Case Study Subsidiaries

As discussed in chapter 2, a HRM strategy is influenced by key factors, such as country specific factors and firm level decisions. Also, this study has argued that the
diffusion or assimilation of certain HRM strategy and practices is affected by country of origin; host country factor; the nature of product market, subsidiary level decision. For example, if the parent company from a developing country is mature and has a strong financial base or a long-term financial planning system (Ferner, 1997; Edwards and Femer, 2000; Zhang, 2003), these could provide the opportunity and support for a subsidiary to assimilate local practice.

Direct evidence of a HRM strategy can be obtained from the practice that has taken place in a subsidiary. As discussed in the integrated model in this research, HRM strategic choice and implementation might be a managerial choice with the influence of country-specific factors, a firm's business strategy, and an affiliate's position. There are two aspects of HRM strategy that need to be considered. One is the strategic choice and the other is implementation. A direct measure of the nature of HRM strategy in a subsidiary could be obtained from interviews with MDs and HR managers on the direction and purposes of HRM strategy and on the process of strategic choice.

Moreover, information on these processes and practices can be obtained from a variety of managerial respondents being interviewed in depth. These would tell us not only whether and to what extent a HRM strategy has been adopted in practice, but also why and how it took place. This will provide clear evidence for both the nature of HRM strategic choice and the extent of its implementation, and enhance the validity of the analysis. In particular, information about the process of a HRM strategic choice and implementation is interesting in its own right, and is one of the main aims of this study. It has been argued that a case study approach is best suited to investigate the process of HRM strategic choice and implementation. It allows us to present more convincing evidence on the nature of HRM strategy, and demonstrates why a subsidiary adopts to follow the local competitors' HRM practices.

As a case study approach is used in this study, the sample selection is crucial. Selection was decided by the objectives of this research as follows:

1. The companies have to be a Taiwanese MNC.
2. They have to embody the influence of characteristics of home country or host country.

3. They have to have formal HRM functions in order to examine HRM strategy and practices.

4. The presence of both expatriates and local staff, especially at management level in the subsidiary, in order to examine the role of these managers in HRM strategic choice and practice, and elicit their opinions on HRM practice in these four companies.

5. Variations in subsidiary-level decisions as the subsidiary strategic role, etc. These differences could be used to make a cross-firm comparison in order to examine the influence of key factors on HRM strategy and practice.

Having established these criteria, and based on the returned questionnaires from the respondent subsidiaries in the first phase of this research, only six companies claimed willingness to be case study targets. However, after interviewing HR managers in the first two subsidiaries, the researcher had to abandon plans to interview other managers, as they were unwilling to participate in face-to-face or telephone interviews. In the end, only four subsidiaries let the researcher have access to senior managers and team leaders in different levels of the organisations. Although these companies can not be termed as 'model' companies or prototypes in the HRM strategies and practices field, they were however still illustrative of the average subsidiary of Taiwanese MNCs in the UK that were at various stages of developing and implementing HRM strategies and practices.

To meet the objectives set out for the case studies, various qualitative methods were employed, namely face-to-face interviews, telephone interviews, documentary evidence, including information from company websites, administrative records, official statistics, and other sources.

- Gaining Access

Possibly the most difficult task in conducting case studies was trying to gain access to these four subsidiaries. This is a common problem in conducting social researches of elite settings (Thomas, 1995; Bryman, 1988; Bryman and Bell, 2003).
Like their international competitors, for example Singaporean and Korean MNCs, Taiwanese MNCs in the UK are facing more and more requests for participation in management research by management consultants and academics, and this makes this research more difficult for the doctoral researcher to gain access to these companies.

In order to gain access, firstly, contact was kept with key informants (Bryman and Bell, 2003) such as the HR manager and the finance manager who were interested in the research after the first phase of this study. Also, those key informants interviewed to pass the research interests and the purpose of the researcher's project to other managers and team leaders in the other levels to access potential interviewing targets. The researcher also tried to use the method of 'flattery of a role reversal' (Thomas, 1995) to convince these companies to participate in the case studies by inviting companies to 'teach the academic researcher'. Further, the researcher was trying to provide some useful HRM knowledge, such as how to design a performance appraisal scheme, to the companies, and this in turn should increase the companies' interest in participating in the case studies. To further ease access into companies, the researcher was trying to attend some social meetings organised by expatriate managers working in these Taiwanese companies to reduce distrust regarding confidentiality.

However, it was still difficult to gain access, not only because of the busy schedules of managers but also because of the HQ suspicious attitude towards participating in academic research. From the interactions and conversations with many managers within these subsidiaries which showed the possible inconveniences arising from the interviewing process, for example a possible delay in a daily busy job task, were the reasons for these managers being unwilling to participate in the case studies. Also, many expatriate and local managers expressed their interest in participating in the case studies, but they are not allowed to accept any academic interviews, especially in the area of HRM issues, due to the HQ controlling power over these subsidiaries.
### Table 4-3 Profile of Four Case Study Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>Total number of employees (worldwide)</th>
<th>Number of employees in UK subsidiary</th>
<th>Business</th>
<th>Method of establishment</th>
<th>First subsidiary in advanced economy</th>
<th>Union density</th>
</tr>
</thead>
<tbody>
<tr>
<td>Techco</td>
<td>&gt;10,000</td>
<td>&gt;150</td>
<td>Computer, electronic facilities, repair and service centre</td>
<td>Greenfield</td>
<td>USA</td>
<td>Non-unionised</td>
</tr>
<tr>
<td>Itco</td>
<td>&gt;2,200</td>
<td>&gt;70</td>
<td>Repair and service centre for PDA and mobiles</td>
<td>Greenfield</td>
<td>USA</td>
<td>Non-unionised</td>
</tr>
<tr>
<td>Comco</td>
<td>&gt;20,000</td>
<td>&gt;140</td>
<td>Repair and service centre for computers</td>
<td>Greenfield</td>
<td>USA</td>
<td>Non-unionised</td>
</tr>
<tr>
<td>Shipco</td>
<td>&gt;22,000</td>
<td>&gt;90</td>
<td>Shipping goods</td>
<td>Greenfield</td>
<td>USA</td>
<td>Non-unionised</td>
</tr>
</tbody>
</table>

*Choice of the Four Case Studies Companies*

Table 4-3 shows the four companies which collaborated for the case studies. Three of these are from technologies and IT-related industry and one is from the shipping industry. The four case study companies were chosen because they have a long history of operating overseas with formal HRM strategies and practices on site. Also, the four case studies have both expatriate and local managers on site which allowed the researcher to compare differences in culture and management style between expatriate and local managers. The four case studies also reported that they had experienced high controlling power from the HQ, and adaptation pressure from host country institutional environments and local employees and managers. The most important issue here is that expatriate managers allowed their local managers to get involved in the data collection process and to provide useful insights to this research.
However, the choice of the four case studies companies has not allowed the researcher to generalise the finding to all industries of Taiwanese MNCs in the UK. As seen in Table 4-3, the three companies are in technology and IT-related industry, but only one firm is in the shipping sector. This does not allow the researcher to generalise all the findings based on the four case studies in terms of sector limitation. However, findings from four different research sites can strengthen the original findings from the survey and provide a further element of triangulation to this study, as Stiles (2001) declared, “with the new data from the case testing the validity and generality of the initial findings” (p.634).

All these four companies were established as brand new by the HQ in terms of methods of establishment. The size of these four companies varied from about 70 to 150 staff in the UK. The first subsidiary of these four case study companies in advanced economy is in the United States. Also, none of these four companies is unionised in the UK.

Although these four companies agreed to participate in the case studies, the extent of involvement varied, depending on the access that was permitted by the company and the MD. In these four companies, access was given to all management positions and some of the team leaders, thus facilitating in-depth, semi-structured interviews of around 45 minutes or an hour each. In some cases, interviews with the same managers were allowed more than twice, for example the assistant MD, HR and finance managers in all four companies, and this has increased the richness of data.

- Research Techniques

In general, there are three main interview methods, structured, un-structured, and semi-structured, sometimes called focus interview (Denzin, 1970; Yin, 2003) methods. Structured questions are used to ask about an attitude to an issue, which can be used to record and quantify the nature of HRM strategy and the extent to which it has been implemented. However, a structured method might be criticised for failing to allow respondents to raise issues that are important to them but are not contained in the schedule (Denzin, 1970). A semi-structured interview can be exploratory in nature and uncover issues that the researcher would not have known
in advance and lead in unanticipated directions. Also, the advantage of a semi-structured interview is that it begins with a fairly clear focus, rather than a very general notion of wanting to do research on a topic (Bryman and Bell, 2003:346). The researcher can address more specific questions and have a clear mind for analysing data. They contain an inductive element that is valuable when investigating issues that have not been addressed satisfactorily hitherto. These kinds of interview questions are able to gather information about the structures, policies, and actions of the organisations, as well as more subjective information about influences on the formation and implementation of a HRM strategy. Consequently, they have higher validity than structured interviews or questionnaires. Nevertheless, in semi or unstructured interviews there is the danger of the interviewer leading, the interviewees often unintentionally into giving certain types of response:

"Consciously or unconsciously respondents might give the sort of answers they believe that the interviewer wants to hear rather than saying what they truly believe." (Haralambos and Holborn, 1991:185)

One consequence of this might be an exaggerated picture of the nature and the extent to which a HRM strategy are adopted. Moreover, general criticism of the interview method is that there is the possibility of 'interviewer bias', whereby interviewees are influenced by personal characteristics of the interviewer, and factors such as age, race, gender, appearance and accent of the interviewer may affect the interviewees' feelings and so affect their responses (Edwards, 1998). Both of these factors affect the validity of interviews.

In view of these arguments, there are two kinds of interview methods adopted in this research, using multiple respondents at different levels from different parts of the organisation in order to reduce the weakness of both structured and unstructured interview. Open-ended questions were used to collect data on the process and facilitating factors of HRM strategic choice and practice. These precise lines of questions were flexible, with many being open-ended, giving respondents scope to raise issues not considered in the schedule. Furthermore, in using these interview methods, the researcher sought to avoid giving the impression that the author wanted them to give particular answers. It also affected the design of the criteria for
clear evidence of the nature of HRM, which requires evidence of substance and process.

Respondents were interviewed from different parts and levels in all four companies in order to provide reliable data on HRM practice. The use of multiple respondents enabled the researcher to address questions on different topics to different respondents, and also to clarify responses to the same questions from more than one respondent (Edwards, 1998). Some authors have used multiple respondents to increase the data validity in HRM research (Denzin, 1970; Edwards, 1998; Femer and Quintanilla, 1998). Denzin (1970) argued that, in this way, the case study can facilitate ‘triangulation’, and by using a variety of source data and accounts and perspectives, the researcher could overcome the incomplete picture obtained from any one of these. Also, Bryman and Bell (2003) pointed out that triangulation is the process whereby multiple reference points are used to determine an object’s exact position (p.291). In his research on reverse diffusion of MNEs, Edward (1998) argued that the same perceptions shared by multiple respondents increase the degree of confidence in believing that these perceptions precisely reflect the social structures in question. Femer and Quintanilla (1998) also used multiple respondents, including of senior manager responsible for personnel and a significant number of finance directors and other functional specialists and general managers. Hence, the data collected in this study were obtained not only from top managers but also middle managers and other functional specialists. The data on the strategic choice process and facilitating factors influencing an HRM strategy were mainly obtained from interviews with the managers, particularly the key managers who are in charge of the subsidiary’s HR function. Interview data were supplemented by surveys of formal policy documents such as annual reports, and background on the companies. Data on the nature of HRM strategy and the extent to which it has been implemented were collected from interviews with senior managers, middle managers and functional specialists. Additionally, the researcher arranged a site visit to observe the practical operation and undertake document analysis. The interview questions for the case studies were informed by the literature, and an integrated framework was developed in Chapter 2. This is revised and expanded after an initial survey of all Taiwanese companies here in order to develop the interview schedules used in the main study.
Furthermore, this study will employ multiple sources such as archival analysis, annual reports and documents analysis in order to validate respondent reports during the interviewing period. This approach is called methodological triangulation (Denzin, 1970), which can overcome each method’s deficiencies in order to let the researcher achieve the best of the truth. As Webb et al. (1966, p.174) said:

‘When a hypothesis can survive the confrontation of a series of complementary methods of testing it contains a degree of validity unattainable by one tested within the more constricted framework of a single method’ (cited Denzin, 1970:308).

To conclude, this research is a multi-strategy based on a self-completion postal survey and case studies and explores the opinions of HR managers, general managers, team leaders, and other functional specialists. Furthermore, this study is able to illuminate the extent to which managers responsible for HRM strategy are aware of these issues and experiences these problems.

- Analysing Within-Cases Data and Search for Cross-case Patterns

As Miles and Huberman (1984:16) wrote, ‘One cannot ordinarily follow how a researcher got from 3600 pages of field notes to the final conclusions, sprinkled with vivid quotes though they may be.’ The fieldwork carried out in this research did generate a great amount of case studies data. After leaving the site, all tapes and field notes were transcribed by the researcher within 24 hours. The analysis of interview data was to begin with an impression of general themes emerging from these four case studies, and then the following was guided by case study analytical strategies promoted by Yin (2003). The pattern matching logic being more appropriate for analysing an explanatory research, it is most likely to strengthen its internal validity if the results of the pattern matching coincide within the four case study companies.

Moreover, in assisting the vast amount of interviews data in a systematic way, computerised aided software, N-vivo, was used to analyse interview data to seek for
possible patterns. The starting point in using N-vivo was to code the qualitative interview data. The steps in coding used by this research were read through all transcriptions and field notes before coding; use the integrated theoretical framework developed in this study to code general themes from the four case studies; review the codes, which helps the researcher to relate to concepts and categories in the existing literature, etc.. Although there is a worry about coding which will cause possible problem of losing the context of what is said and result in a fragmentation of data about the narrative flow of what interviewees said is lost, these worries are not important because of several factors, as Bryman and Bell (2003) argued,

"The coding method is unlikely to become less prominent because of...its widespread acceptance in the research community; not all analysts are interested in research questions that lend them themselves to the elicitation of narratives;... the growing use and acceptance of computer software for qualitative data analysis, which frequently invites a coding approach." (p.439).

- Problems encountered in the case studies

The main barriers in the case studies were to secure access during the interviewing process for the four case study companies. As mentioned earlier, all Taiwanese MNCs in the UK were approached for the case studies, preceding the return of their completed questionnaires and follow-up telephone calls. Although some subsidiaries showed interest in completing the survey questionnaires in the first phase of research, the majority of subsidiaries claimed that they were unable to participate further due to the busy schedules in their business operations, cited in their returned questionnaires, and advising the researcher by follow-up phone contacts. Of those willing to participate further, the majority of the key informants were reluctant to let all management positions get involved in the interviews, due to the key informants having no power to force other managers or team leaders to participate. Thus, most of interviews were conducted with people in management levels rather than team leaders within these four case companies, because the majority of team leaders were busy in finishing their daily tasks requested by their
line managers. However, the degree of access process varied from company to company.

Also, even though access was obtained from the four companies, other problems arose during the interviewing process. First, there are negative perspectives to knowing the case study companies through non-direct participation in the actual operational process within them. As Bryman and Bell (2003) indicated, qualitative interviewing might have the following disadvantages compared to direct participation: relying on interviews is likely to entail much more fleeting contacts in a shorter period of time; losing the opportunity to learn the natural languages within the case studies; deviant and hidden activities can not be found through verbal interviews; and less sensitivity to the context. Second, a qualitative interview might risk losing all naturalistic emphasis due to the context of the interviews being an artificial environment through interrupting the interviewee's normal flow of behaviours within the organisation. In order to overcome these problems, the researcher had visited these companies several times with permission of the top management team and the interviewed managers and this helped the researcher to construct the actual business operation and interactions between managers and staff. The researcher also had flexibility to conduct interviews with managers and team leaders when they felt comfortable to talk without any other managers at present.

4.4 SUMMARY

As stated in Chapter 1, this research is concerned with the two themes of HRM strategy and practices. Existing research indicates substantial and unexplored issues around the transferring of HRM strategy among developing MNCs. This study is able to shed some light on the extent to which subsidiaries adopt HRM strategy, either from home country influence, or host country or subsidiary itself decision, in terms of business strategy and strategic status, and what practices they use in an advanced economy setting.

In so doing, this study developed an integrated framework (see Chapter 2) to investigate the nature of HRM strategy and practices adopted by the Taiwanese subsidiaries in the UK. A snapshot survey is developed based on previous research
and integrated framework in this research. This is due to having a fairly clear picture of all firms’ situations, avoiding misleading about the comparisons based on previous literature, and creating a basis for subsequent detailed case studies. After having done this, four case study companies were chosen based on selection criteria, namely the Taiwanese subsidiaries with formal HRM functions, variations in subsidiary-level decisions, and managers of home and host country nationalities. The data collection method in the first phase was a questionnaire survey of all 100 Taiwanese MNCs in the UK. The second phase of the research methods was mainly semi-structured interviews, together with open-ended questions, which included multiple respondents from HR managers, general managers, and other functional specialists. Also, multiple sources of archival analysis, company report, and document analysis helped this study to validate the respondents’ views and opinions. Four case studies were chosen for elucidating the complicated nature of HRM strategy and practices adopted by subsidiaries.
Chapter 5

Survey Findings

5.1 INTRODUCTION

This chapter aims to illustrate the main findings of the survey.

5.2 SAMPLE

Respondents were asked to rank HRM practices and the key factors affecting those strategies and practices. As shown in Table 5-1, 97% of the subsidiaries in which respondents were employed were small and medium sized (SMEs). 84% were in the IT and electronic components industry. 89% were greenfield companies. 83% of staff were local-hired. 54% of the respondent subsidiaries’ final market(s) were the UK, 19%, and 27% worldwide.

Table 5-1 Major characteristics of responding subsidiaries (Appendix 2, section A: questions 1-10, section B: question 1-4)

<table>
<thead>
<tr>
<th>Items</th>
<th>Grouping</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry sector</td>
<td>IT and Electronic component</td>
<td>84</td>
</tr>
<tr>
<td></td>
<td>Financial services</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>4</td>
</tr>
<tr>
<td>Employee No.</td>
<td>Small (1-49)</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Medium (50-249)</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Large (&gt;250)</td>
<td>3</td>
</tr>
<tr>
<td>Entry mode</td>
<td>Greenfield</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>Brownfield</td>
<td>11</td>
</tr>
<tr>
<td>Employee breakdown</td>
<td>Local-hired</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Expatriate</td>
<td>17</td>
</tr>
</tbody>
</table>
Male 61
Female 39

Final Market(s)
UK 54
Europe 19
Worldwide 27

Decision-making authority
MD/GM in the UK subsidiary 40
Owner of the whole group 31
Director and GM in HQ 23
Family member of whole group 1
Other 5

Professional Qualifications for HR manager in UK subsidiary
CIPD membership 6
Non-IPD 94

Notes n=81
1. Multiple choices.
2. Includes regional HQ in other countries.

Respondents were asked to fill in the number of employees in each job category, and total number of employees in the UK subsidiary. As shown in Table 5-2, managerial positions were only 2.9%, professional/technical 66.5%, sales 16.2%, clerical level 8.4%, and manual level 6.1% with a total number of 6771 employees in the respondent subsidiaries.

Table 5-2 Number of Employees by Jobs Category (Appendix 2, section A: question 1 and 3)

<table>
<thead>
<tr>
<th>Job Category</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial</td>
<td>193</td>
<td>2.9</td>
</tr>
<tr>
<td>Professional/Technical</td>
<td>4502</td>
<td>66.5</td>
</tr>
<tr>
<td>Sales</td>
<td>1093</td>
<td>16.2</td>
</tr>
<tr>
<td>Clerical</td>
<td>568</td>
<td>8.4</td>
</tr>
<tr>
<td>Manual</td>
<td>568</td>
<td>6.1</td>
</tr>
<tr>
<td>Total</td>
<td>6771</td>
<td>1</td>
</tr>
</tbody>
</table>

n=81
5.3 FINDINGS

The following section presents the main findings from the survey in relation to HRM and strategic integration, recruitment methods, selection, training and development, pay and appraisals, management promotion/reward practices, flexible working practice, organisation communication practices, and participatory management tools.

5.3.1 HRM AND Strategic Integration

Only 13% reported that HR managers in the subsidiaries had been consulted regarding HRM strategic development. The majority of HR managers (61%) reported that the headquarters (HQ) does not consult the subsidiaries on issues regarding HRM development and business strategy. Further, 63% of the respondents reported that the HQ in Taiwan has the major decision-making authority in relation to decisions concerning workforce expansion and/or reduction. This indicates that when it comes to HR strategies such as business strategy and workforce expansion or reduction, the decision-making power is mainly located in the HQ in Taiwan. The subsidiary HR department is largely responsible for day-to-day HR policies and practices (see Table 5-3).

Table 5-3 Primary responsibilities for HRM functions/activities

(Appendix 2, section C: question 3)

<table>
<thead>
<tr>
<th>Functions/activities</th>
<th>(1)%</th>
<th>(2)%</th>
<th>(3)%</th>
<th>(4)%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay and benefits</td>
<td>36</td>
<td>5</td>
<td>51</td>
<td>9</td>
</tr>
<tr>
<td>Recruitment</td>
<td>28</td>
<td>10</td>
<td>52</td>
<td>10</td>
</tr>
<tr>
<td>Selection, Training and development</td>
<td>30</td>
<td>11</td>
<td>49</td>
<td>10</td>
</tr>
<tr>
<td>Industrial Relations</td>
<td>30</td>
<td>10</td>
<td>51</td>
<td>10</td>
</tr>
<tr>
<td>Health and safety</td>
<td>28</td>
<td>10</td>
<td>51</td>
<td>11</td>
</tr>
<tr>
<td>Workforce/expansion</td>
<td>63</td>
<td>7</td>
<td>22</td>
<td>7</td>
</tr>
</tbody>
</table>

Notes
N=81
(1) HQ in Taiwan, (2) Regional HQ central personnel, (3) Subsidiary service dept./division, (4) HR dept. in subsidiaries.
5.3.2 Recruitment Methods

Taiwanese MNCs in the UK use a range of recruitment methods for attracting candidates (see Table 5-4). When it comes to managerial and professional - technical and scientific - recruitment, both of home country practices ('quanxi'-connection) and host country practices are extensively used, especially advertising externally and recruitment agencies. Recruitment methods such as advertising internally and hiring consultants are seldom used for managerial and professional and technical positions. For clerical and manual recruitment, both home country practices, such as quanxi, and host country practices, such as use of recruitment agencies, are used more frequently. Subsidiaries in the UK advertise externally for all positions because the British labour law requires them to do so. In practice, however, qualitative data collected from the survey provide evidence to suggest that the process is influenced to a great extent by quanxi (connection) and instructions from HQ in Taiwan.

Table 5-4 Recruitment methods (Appendix 2, section D: question 1)

<table>
<thead>
<tr>
<th>Recruitment Methods</th>
<th>Managerial Frequency %</th>
<th>Professional/Technical/Scientific Frequency %</th>
<th>Clerical Frequency %</th>
<th>Manual Frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>From amongst current employees</td>
<td>20 25</td>
<td>5 6</td>
<td>8 10</td>
<td>6 7</td>
</tr>
<tr>
<td>Advertise internally</td>
<td>2 3</td>
<td>6 7</td>
<td>12 15</td>
<td>7 9</td>
</tr>
<tr>
<td>Advertise externally</td>
<td>45 56</td>
<td>52 64</td>
<td>46 57</td>
<td>43 53</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>27 33</td>
<td>33 41</td>
<td>45 56</td>
<td>43 53</td>
</tr>
<tr>
<td>Use of recruitment agencies</td>
<td>38 47</td>
<td>43 53</td>
<td>40 49</td>
<td>38 47</td>
</tr>
</tbody>
</table>
5.3.3 Selection, Training and Development

Interview panels, application forms, and references are the main selection techniques used by responding subsidiaries (see Table 5-5). Graphology, assessment centre, psychometric testing, group selection methods, biodata, aptitude tests, and competency-based interviews were used less frequently. However, medium-sized and large Taiwanese subsidiaries in the UK appear to use psychometric testing more frequently than small-sized ones.

Table 5-5 Selection techniques (Appendix 2, section D: question 4)

<table>
<thead>
<tr>
<th>Selection techniques</th>
<th>Always %</th>
<th>Often %</th>
<th>Sometimes %</th>
<th>Seldom %</th>
<th>Never %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application form</td>
<td>79</td>
<td>5</td>
<td>6</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Interview panel</td>
<td>88</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Bio data</td>
<td>5</td>
<td>1</td>
<td>7</td>
<td>0</td>
<td>86</td>
</tr>
<tr>
<td>Psychometric testing</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>9</td>
<td>88</td>
</tr>
<tr>
<td>Graphology</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>93</td>
</tr>
<tr>
<td>References</td>
<td>26</td>
<td>7</td>
<td>9</td>
<td>4</td>
<td>54</td>
</tr>
<tr>
<td>Aptitude test</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>9</td>
<td>82</td>
</tr>
<tr>
<td>Assessment centre</td>
<td>0</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td>89</td>
</tr>
<tr>
<td>Group selection methods</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>86</td>
</tr>
<tr>
<td>Competency-based interviews</td>
<td>5</td>
<td>9</td>
<td>1</td>
<td>4</td>
<td>82</td>
</tr>
</tbody>
</table>

Notes

*N=81

*Includes supported from other subsidiaries.
On-the-job training methods appear to be used most frequently by the responding Taiwanese subsidiaries in the UK. The UK is the dominant training location for professional and technical positions. At the managerial level, HQ in Taiwan is the main training location.

5.3.4 Pay and Appraisals

Individual performance is a commonly used criterion (79%) for pay systems by the responding Taiwanese subsidiaries in the UK (Table 5-6). This is followed by HQ's performance measure, used by 40% of respondents. Only 15% of respondents reported the use of group and team performance. Further, data show that 63% of managers, 63% of professionals, 62% of sales staff (62%), and 61% of technical and scientific staff are frequently 'formally' appraised on an individual basis, in contrast to clerical and manual staff. Most subsidiaries (42%) assess employees' performance on an annual basis, and around one-third (30%) do not have a formal performance appraisal system.

Table 5-6 Measure of performance (Appendix 2, section F: question 2)

<table>
<thead>
<tr>
<th>Measure of performance</th>
<th>Frequency / Ranking</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual performance/output</td>
<td>64/(1)</td>
<td>79</td>
</tr>
<tr>
<td>Group/team performance/output</td>
<td>12/(3)</td>
<td>15</td>
</tr>
<tr>
<td>Workplace-based measures</td>
<td>6/(4)</td>
<td>7.4</td>
</tr>
<tr>
<td>Main competitors' performance</td>
<td>2/(5)</td>
<td>2.5</td>
</tr>
<tr>
<td>Consultancy company's suggestions</td>
<td>0/(7)</td>
<td>0</td>
</tr>
<tr>
<td>Adoption of HQ's performance measure</td>
<td>32/(2)</td>
<td>39.5</td>
</tr>
<tr>
<td>Other (includes working experience)</td>
<td>1/(6)</td>
<td>1.2</td>
</tr>
</tbody>
</table>

The data (Table 5-7) indicate that the main purposes of performance appraisal were in setting personal objectives and reviewing progress over the past objectives (58%), giving feedback to employees on their performance (40%), and allocating rewards (32%). Only 26% of the responding subsidiaries linked their performance
appraisal results to pay. Hence, pay for performance is not widely used by all Taiwanese MNCs in the UK due to the need to protect face and maintain good relationships with subordinates (Wu, 2004)

Table 5-7 Purpose of Performance Appraisal (Appendix II, section F: question 5)

<table>
<thead>
<tr>
<th>Purpose of Appraisal</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess suitability for promotion or transfer</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Give feedback to employees on performance</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>Give employees chance to discuss future career moves</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Set personal objectives and review progress against past objectives</td>
<td>47</td>
<td>58</td>
</tr>
<tr>
<td>Allocate rewards</td>
<td>26</td>
<td>32</td>
</tr>
</tbody>
</table>

N=81

5.3.5 Management Promotion/Reward Practices

The survey shows that a range of criteria for management promotion have been used to varying degrees by the responding Taiwanese subsidiaries in the UK for promoting and rewarding management positions. ‘Individual performance’ seems to be used most frequently. Other criteria, such as ‘group performance’, ‘seniority’, and ‘loyalty’ are seldom used (Table 5-8). This indicates a more westernised approach to this aspect of HRM.

Table 5-7 Management Promotion/Reward Criteria (Appendix 2, section D: question 7)

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>72.5</td>
<td>12.5</td>
<td>3.8</td>
<td>10</td>
<td>1.3</td>
</tr>
</tbody>
</table>

-186-
5.3.6 Flexible Working Practice

Taiwanese MNCs tend to recruit permanent employees for their operations. The overwhelming majority of subsidiaries (93%, 90%, and 86%) did not use part-time, temporary, and fixed-term employees respectively (Table 5-9). This indicates that Taiwanese subsidiaries in the UK appear to adopt home-country practice with regard to flexible working.

Table 5-9 Flexible Working Practices (Appendix II, section D: question 5)

<table>
<thead>
<tr>
<th></th>
<th>Less than 1%</th>
<th>1-10%</th>
<th>11-20%</th>
<th>More than 20%</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part-time</td>
<td>91.4%</td>
<td>6.2%</td>
<td>0</td>
<td>1.2%</td>
<td>0</td>
</tr>
<tr>
<td>Temporary</td>
<td>88.9%</td>
<td>8.6%</td>
<td>1.2%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fixed-term</td>
<td>86.4%</td>
<td>1.2%</td>
<td>0</td>
<td>9.9%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

5.3.7 Organisation Communication Practices

More than 40% of employees were not formally briefed about business strategy and financial performance. This can be attributed to Taiwanese MNCs placing less emphasis on communicating business strategy and financial performance (e.g. Wakabayashi et al., 2001; Wu, 2004) (Table 5-10)

Table 5-10 Communication Methods (Appendix 2, section G: question 2)

<table>
<thead>
<tr>
<th>Communication Method</th>
<th>Always Frequency %</th>
<th>Often Frequency %</th>
<th>Sometimes Frequency %</th>
<th>Seldom Frequency %</th>
<th>Never Frequency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systematic use of management chain</td>
<td>6 7</td>
<td>7 39</td>
<td>3 4</td>
<td>3 4</td>
<td>62 77</td>
</tr>
<tr>
<td>Through regular workforce</td>
<td>19 24</td>
<td>9 11</td>
<td>2 3</td>
<td>4 5</td>
<td>47 58</td>
</tr>
</tbody>
</table>
5.3.8 Participatory Management Tools

A range of participatory management tools were used to varying degrees. Problem-solving groups and continuous improvement groups (44%) and quality circles (28%) have been widely used. Joint consultative committee and work’s councils (3.7%) is rarely used, and only 1 subsidiary recognised a trade union.

5.4 INFLUENCE OF KEY FACTORS

This section reports the influence of key factors including external and internal factors.

5.4.1 Extent of Influence of Key Factors

Table 5-11 shows that ‘home country effect’, ‘degree of product integration and nature of product/service market’, ‘host-county factor’, and ‘local institutions’ are influential. However, the first two factors seem to be more important than the latter two.

Table 5-11 Importance of external factors affecting HRM strategies and practices used by Taiwanese subsidiaries in UK (Appendix 2, section C: questions 4 and 5)
### External factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home country effect (Taiwan's business systems constraints e.g. institutional pressure from HQ's national origin)</td>
<td>1.67</td>
<td>0.922</td>
</tr>
<tr>
<td>Degree of product integration and nature of product/service market</td>
<td>1.64</td>
<td>0.713</td>
</tr>
<tr>
<td>Host-country factors (e.g. local labour market, legal and cultural environment)</td>
<td>1.93</td>
<td>0.771</td>
</tr>
<tr>
<td>Local institution (e.g. rely on local environment’s resources such as suppliers, customers, and competitors)</td>
<td>2.16</td>
<td>0.813</td>
</tr>
<tr>
<td>Power distance (subordinates in the UK do not expect or accept that power in organisation is distributed unequally)</td>
<td>1.63</td>
<td>0.928</td>
</tr>
<tr>
<td>Individualism vs. collectivism (ties between individuals in UK are loose, so individuals not integrated into strong, cohesive in-groups in our organisation)</td>
<td>1.62</td>
<td>0.956</td>
</tr>
<tr>
<td>Masculinity vs. femininity (males in UK more assertive, tough, and focused on material success, females in UK more modest, tender, and concerned with quality of life)</td>
<td>1.67</td>
<td>1.025</td>
</tr>
<tr>
<td>Long-term orientation vs. short-term orientation (people in UK less oriented towards future (especially less perseverance and thrift))</td>
<td>1.57</td>
<td>0.879</td>
</tr>
<tr>
<td>Uncertainty avoidance (people in UK like to be more relaxed and work hard if needed, but are driven by inner urge towards constant activity)</td>
<td>1.58</td>
<td>0.864</td>
</tr>
</tbody>
</table>

**Note**

A 5-point Likert scale (1=strongly agree, 2=agree, 3=neutral, 4=disagree, 5=strongly disagree) used to indicate degree of influence of external factors.

### 5.4.2 Subsidiary Level Decision

Table 5-12 shows that ‘Transfer HQ's practices with modification by UK operation’ is the most frequently used subsidiary level decision. ‘Follow UK HR practices’ came as second frequently used decision. ‘Catch best practices both in the UK and
Taiwan', 'transfer HQ HR practices' and 'use reactive and opportunistic HR choice' are seldom used. These results might reflect that due to a need to match HQ's company strategy and UK operation environments (e.g. local legal and language environments), Taiwanese MNEs appear to diffuse HQ's HR practices with modification by host county (UK) operation. It could be inferred that these Taiwanese subsidiaries in the UK tend to adopt a hybrid style of management, particularly with regard to subsidiary level decisions affecting HRM strategies and practices (these are reflective of home country practice but modified to fit local needs).

**Table 5-12 Importance of subsidiary-level decision and strategic role**

*(Appendix 2: section C: question 3)*

<table>
<thead>
<tr>
<th>Items</th>
<th>Subsidiary level's decision Frequency</th>
<th>The subsidiary strategic role Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Follow UK HR practices (In our organisation, we adapt to local environment and follow UK HR practices)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>➢ Transfer HQ HR practices (In our organisation, we transfer HQ's HR practices to UK subsidiary)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>➢ Catch best practices both in UK and Taiwan (In our organisation, we catch best practices both in UK and Taiwan)</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>➢ Transfer HQ practices with modification by UK operation (In our organisation, we transfer HQ practices with modification by UK operation environment)</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>➢ Use reactive and opportunistic HR choice (In our organisation, we use reactive and opportunistic HR choice)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>➢ Global player (In our organisation, we highly rely on HQ to provide key resources (e.g. money,</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-190-
equipment, information, and skills) and few key resources from HQ to us)

- Integrative player (In our organization, both us and HQ rely highly on each other to provide key resources (e.g. money, equipment, information and skills))

- Implementer (In our organisation, we rely highly on HQ to provide key resources (e.g. money, equipment, information, and skills) to operate in UK and rarely provide key resources to HQ)

- Local innovator (In our organisation, we rarely rely on HQ to provide key resources (e.g. money, equipment, information, and skills) to operate in the UK, and HQ rarely relies on us to provide key resources)

<table>
<thead>
<tr>
<th>N=81</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
</tr>
<tr>
<td>65</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

Note: A 5-point Likert scale (1=strongly agree, 2=agree, 3=neutral, 4=disagree, 5=strongly disagree) was used to indicate the degree of influence of internal factors.

5.4.3 Subsidiary’s Strategic role

‘Implementer’ is the most frequently reported subsidiary strategic role. ‘Integrative player’ was the second, while ‘Global player’ was seldom indicated as a role. None of the Taiwanese subsidiaries in the UK played a strategic role as a ‘local innovator’ (Table 5-12). These results might indicate that the amounts and direction of resource flows between HQ and foreign subsidiaries are high inflow of resources to the subsidiaries and low outflow of resources to the parent company in Taiwan.

5.4.4 Method of Establishments

Table 5-13 shows that ‘greenfield’ (mean=1.38) was agreed to be an influential factor affecting HRM strategies and practices. As a result of the influence of method of establishments, one might expect that the responding Taiwanese subsidiaries tend to diffuse HQ’s HR practices without an institutionalised problem from an existing HR practices and hire appropriate people to suit the company culture.
5.4.5 Choice of Managers

Table 5-13 shows that ‘expatriate managers from Taiwan’ (mean=1.48) is the most important factor affecting HRM strategies and practices. ‘Host-country nationals managers’ (mean=2.46) is a significantly important factor. These results are compatible with managerial choices arguments (e.g. Taylor et al., 1996; Ferner, 1997; Gamble, 2003) that expatriate managers appear to play an influential actor with regard to HR strategies and practices at the subsidiary level. One could expect that it is more likely for Taiwanese MNEs to diffuse home county HR practices across borders as a result of the presence of expatriate manager in overseas subsidiaries.

Table 5-13 Importance of method of establishments and choices of managers

(Appendix 2: section C: questions 8 and 9)

<table>
<thead>
<tr>
<th>Method of Establishments</th>
<th>Choices of managers (expatriate and host country managers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean SD</td>
<td>Mean SD</td>
</tr>
<tr>
<td>Greenfield</td>
<td>1.38 0.982</td>
</tr>
<tr>
<td>Brownfield</td>
<td>4.49 1.131</td>
</tr>
<tr>
<td>Expatriate Taiwanese</td>
<td>1.48 0.896</td>
</tr>
<tr>
<td>managers</td>
<td>2.46 0.205</td>
</tr>
<tr>
<td>Host-country nationals</td>
<td></td>
</tr>
<tr>
<td>managers</td>
<td></td>
</tr>
</tbody>
</table>

Note

A 5-point Likert scale (1=strongly agree, 2=agree, 3=neutral, 4=disagree, 5=strongly disagree) was used to indicate the degree of influence of internal factors.

5.5 DISCUSSION

The results of this study suggest that subsidiaries of MNCs from emerging economies adopt a blend of home and host country HRM practices. As depicted in Figure 1, push and pull forces are at play. First, the push force from the HR in
Taiwan is clearly evident in relation to strategic issues such as workforce expansion and reduction. Second, the pull force for conformity to host country practices is evident in the HRM implementation processes and some HRM policies and practices, such as pay, appraisal and recruitment methods. Third, as a result of both push and pull forces, evidence suggests that most HRM practices were a blend of home and host country practices. Our results indicate that in contrast the widely reported single HRM approach adopted by developed MNCs such as Japanese MNCs in USA (e.g. Beechler and Yang, 1993), US MNCs in China (e.g., Farley et al., 2004), German MNCs in the UK (Ferner and Varul, 1999), and US MNCs in the UK (Ferner et al., 2005), Taiwanese MNCs tend to adopt a blend of home and host country practices.

5.5.1 Home Country Practices

The home country effect is significant both in strategic areas and in some functional areas of HRM practices. It was clear that in terms of the primary HRM responsibility issue, the main strategic decision-making remained with HQ in Taiwan especially on issues such as workforce expansion and redundancy. Thus, one could conclude that HQ in Taiwan adopts a ‘top down’ approach in managing its relationship with the local subsidiary by not consulting it with regard to business objectives.

Moreover, overseas Taiwanese subsidiaries tend to comply with home country practices, especially in relation to types of employment and recruitment and training in managerial and technical jobs across their subsidiaries. It would be interesting to understand the reasons why these particular practices are strongly influenced by home country practices. Practices that are underpinned by Taiwanese cultural values such as protection of face and Confucianism are generally adopted by Taiwanese subsidiaries in the UK. However, exceptions include the weak emphasis on seniority and use of individualised performance measures.

5.5.2 Host Country Practices

A host country effect was particularly evident in relation to a high proportion of local-hired employees (83%), the wide use of recruitment agencies, individual performance pay, and promotion and reward based on individual performance.
Certainly, one might expect that due to strong pressure from the host country to conform to local institutional environments, the subsidiary was more influential in relation to decisions on pay and benefits, recruitment and selection, training and development, industrial relations, and health and safety, as the extra local operational pressures are pressurising local managers to use host country practices. Indeed, institutional influences from the host country, such as the host country legal environment and use of local resources, such as customers and employees are the priority for Taiwanese MNCs in the UK. Hence, UK practices such as use of recruitment agencies are commonly adopted by Taiwanese MNCs. This suggests that due to the tight budget and cost control by the HQ in Taiwan, HR managers tend to be sensitive to minimising costs in recruiting suitable employees for operational needs. Further, our results suggest that under the influence of an individualistic society, individual performance is widely used for rewarding and promoting employees.

5.5.3 Modification of Style

The behaviour of MNCs in host countries may be a synthesis or 'hybrid', in which host country norms mediate the influence of the home country 'blueprint' (Innes and Morris, 1995:30). Examples here include the measure of individual performance, where both home country and host country effects were reported. Our results suggest that both 'individual performance/output' and 'adoption of HQ's performance measure' were commonly adopted by responding Taiwanese subsidiaries in the UK. An implication of choice of a modified style is that of the influence of national culture, i.e. 'the middle way' approach'. In short, due to push and pull forces, a hybrid style is most likely to be adopted. This implies that contrary to convergence theory, influential factors, such as home and host country effects, push subsidiary managers or HR managers to adopt a hybrid style of HRM strategies and practices. Also, in opposition to structural convergence occurring in subsidiaries of developed MNCs (i.e., American, Japanese, and European) in Taiwan (Chen et al., 2005), with regard to adoption of local isomorphic practices, the evidence of this research showed that Taiwanese MNCs in the UK tend to use a diversity of HR practice.
5.5.4 Influence of External and Internal Factors

Among external factors, 'home country effect' and 'degree of product integration and nature of product/service market' are the most important. These results may be compatible with home country effect arguments that under institutional constraints from parent country, foreign subsidiaries tend to follow home country HRM strategy and practices, and the results are consistent with the findings of Ferner and Varul (1999), and Zhang (2004). Also, for this research, one could speculate that since the majority of Taiwanese subsidiaries in the UK are not part of an integrated international production network, and their explicit purpose is to serve local markets, it seems that the firm would be more prone to adopt local HRM practices. Therefore, home country strategy and practice could be promoted when product and market are integrated with domestic resources and technology (Yuen and Kee, 1993).

In relation to choices of subsidiary level strategies, transferring HQ practices with modification by UK operation was the most frequently adopted. 'Wholly transfer HQ HR practices to the UK' and 'use a reactive and opportunistic HR choice' were used the least. This finding may imply that Taiwanese MNEs deliberately transfer their management policies and practices to the UK subsidiaries, while facing localisation pressure from host-country environments, particularly cultural, legal, and local labour market. Hence, the best strategy to meet the dual demand/pressure of control and coordination from HQ in Taiwan and UK subsidiaries (localisation) is to transfer HQ HR policies with adaptation to the UK operations. Also, most of the HR managers/specialists in the responding Taiwanese UK subsidiaries appear not to be familiar with professional HR knowledge and skills (e.g. CIPD), and thus it seems to be more difficult for them to implement a more westernised/British way of HR practices. Consequently, a mixture or hybrid style (Innes and Morris, 1995; Ferner, 1997) of home country HR practices and host county practices seems to be most feasible strategy adopted by the most of Taiwanese MNEs in the UK.

'Implementer' (Appendix 2, section C, question 3) is the most commonly used strategic role of the responding Taiwanese subsidiaries in the UK, and 'local innovator' strategic role does not exist within the surveyed Taiwanese subsidiaries.
This is due to overseas subsidiaries relying on HQ to provide vital resources to operate in the UK. The implication of this finding is that HQ in Taiwan tends to act in a paternal role to guide and control the direction and amount of technology and resources from HQ to the subsidiaries. Thus, one might expect a quite high control exerted by HQ in Taiwan over its overseas subsidiaries in the UK as a result of the high amount of resources from parent company to local subsidiaries. Consequently, it could be expected that it is more likely to transfer its parent company’s management system or HR practices, such as recruitment and training, to its foreign subsidiaries (Edstrom and Lorange, 1984).

5.6 SUMMARY

This chapter used a survey to investigate Taiwanese MNCs in the UK regarding HRM strategies and practices and influences of key factors, namely company profiles, recruitment, selection, training and development, pay and appraisal, management promotion/reward practices, flexible working practices, communication methods and participatory management tools, and the importance of external and internal factors in affecting diffusion of HRM strategies and practices. We have identified various HRM strategies and practices adopted by all 100 Taiwanese MNCs in the UK as a result of push force from home country and pull force from host country. The next chapter will overview the four case study UK subsidiaries in order to examine management practices in more detail.
Figure 5-1 Blending of HRM Approaches by Taiwanese MNCs at subsidiary level

Home Country Effect
(Push force for Control)

Host Country Effect
(Pull force for Conformity)

Strategic level

Major HRM strategic issues:
e.g. decision-making on workforce expansion/reduction

Modification of style
(balance of push and pull forces):

Measure of performance:
individual performance and adoption of HQ's standards

Implementation level

Recruitment method: quanxi(connection)

Selection techniques: face to face interview

No formal performance appraisal

Permanent employees are the preferred type of employment choices

No formal communication method

Problem solving groups

No trade union

Recruitment method: use of recruitment agencies, word of mouth

Selection techniques:
psychometric testing for medium and large firms
Pay for individual performance

Individual performance for management promotion/reward criteria
Chapter 6

Human Resource Management Strategies and Practices
Across Borders --- Four Case Studies of Taiwanese MNCs in UK

6.1 INTRODUCTION

The survey reported in Chapter 5 showed the range of HRM practices adopted by the 81 Taiwanese subsidiaries in the UK, and key factors which are important in terms of the choice of HRM strategies and practices across borders. However, the survey results do not give a clear picture of how and why certain HRM strategies and practices are chosen by these subsidiaries in the UK. The main aim of the case studies is to examine the reality of the nature and implementation of HRM strategies and practices of Taiwanese MNCs. In particular, the case studies will help to illuminate how external factors such as home country effect, host country effect, cultural differences, nature of product market as well as internal factors such as subsidiary level decisions, method of establishments, and expatriate and host nation managers, influence the transfer of HRM strategies and practices overseas. It explores how Taiwanese MNCs decide to disseminate home country practices, adopt host country practices, or use a modified style integrating home and host country effects.

This chapter presents the findings of four case studies of researcher-named companies in the IT and electronic component and shipping sectors. The first three companies come from similar industries in Taiwan. The first is Techco, a repair and service centre for laptops, as well as a manufacturer of LCD monitors. The second is Itco, a repair and service centre for PDAs and mobiles. The third is Comco, a repair and service centre for laptop motherboards, as well as a manufacturer for Sun micro system. The fourth is Shipco, a shipping trader for merchandise including electronics and clothing, from the Far East to Europe and vice versa. Case findings are largely based on in-depth, semi-structured interviews with the companies' senior and middle managers and some team leaders. In order to supplement the interviews,
companies' annual reports and senior management interviews from the website and professional magazines are also used.

6.2 CASE I: TECHCO

This section introduces the first case study of Taiwanese subsidiaries in the UK in terms of profile of company, the purpose of setting up the UK subsidiary, the relationship between HQ and Techco, constraints of local environments for Techco, relationship between regional HQ and Techco, and the tensions arising from the HQ and local environment.

6.2.1 Profile of Company

Techco was set up at the beginning of 1999 to provide a repair and service centre for original equipment manufacturer (OEM) notebooks, personal digital assistants (PDA) and LCD TV assembly, based in Northern England. The head office is located in Taipei, Taiwan, with offices in China, South Korea, and the US. The headquarters (HQ) specialises in OEM for major notebook providers such as HP, Dell, and Compaq. Since its establishment in 1984, the HQ has developed to be one of the leading companies in the global IT industry. In July 2005, its total annual revenues before tax were more than SUS 100 billion dollars and it has a worldwide workforce of over 16,000. The total annual revenue before tax is expected to reach SUS 200 billion dollars in 2008. The main production site for notebooks, mobiles, and PDAs is located in Taoyuan, Taiwan, and for LCD/CRT is in Kwunshan, China.

Originally, the HQ had a European subsidiary in the Netherlands rather than in the UK. However, the head office reported operational difficulties in the Dutch office as a result of trade union issues, which had caused mistrust between the company and employees in the Netherlands office. Later, the HQ and senior management team faced difficulty in dealing with trade unions with regard to employee issues such as pay and benefits and health and safety. As one assistant managing director said:

'You asked me why the HQ decided to set up a UK subsidiary in Northern England, even though we knew that labour costs are high in the UK compared to the Netherlands. I can be very honest and tell you that trade unions lied to us in
the Netherlands, which caused lots of trouble in our operations. So, we decided to move to Northern England because of troubles and mistrust from trade unions in the Netherlands. We do not like to waste our time to negotiate with trade unions.'

Thus, the Dutch office was closed in 1999. Later that year, HQ decided to move operations to the UK (Techco) in Northern England. In the beginning, the company only served as a repair and service centre for laptops and PDAs. The reason for HQ in Taiwan deciding to set up a subsidiary in the UK is due to HQ 'time-to-market' and 'low-cost operation' strategies, so as to serve their biggest customer (i.e. Dell) in the UK. They chose Northern England as their company location because delivery time and costs were lower there than in the Netherlands. As one of the assistant managing directors said:

'Of course, we saved some delivery time and money when we moved the subsidiary to Northern England. It takes one day from the Netherlands to the UK because of shipping by sea. Now, we only need half a day to deliver our products to our customers if the courier can match our requirement. Moving office from the Netherlands to the UK makes some difference for us in terms of delivering our products to our customers in the UK.'

In 2004, the HQ made the decision to set up a LCD production line in Northern England in order to provide low-cost LCD monitors for UK and European customers. Thus, the company size had expanded from 90 to around 150 by the time we conducted interviews. The majority of the workforce are local-hired male (76%) from the Northern England area, and most of the managerial positions (around 6%) have been filled by staff sent from HQ in Taiwan. Currently, there are only two local-hired managers in the UK subsidiary, the HR manager and the quality control manager. HQ in Taiwan wholly decides the main strategic issues such as workforce expansion/reduction, while day-to-day operation responsibilities remained with the UK subsidiary itself.
The organisational structure of Techco is shown in Figure 6-1. There are 7 departments in the UK subsidiary. The majority of the company's workforce is employed in the repair department.

Figure 6-1 Techco's Organisation Structure

6.2.2 Purpose of Techco

The key events and background for establishing Techco in the UK are summarised in Table 6-1. In 1993, the HQ decided to set up overseas subsidiaries worldwide. Later, in 1995, head office got contracts from Dell, one of the main pc providers in the world, to produce spare parts for laptops in Taiwan. In 1999, the HQ decided to accelerate the time for delivery of products to its overseas customers and lower the operational cost overseas. Thus, head office was incorporated with Hewlett Packard (HP) to promote and implement Taiwan Direct Ship (TDS) to the overseas subsidiaries. Meanwhile, a logistics department for worldwide service was also set up in order to meet TDS requirements from Taiwan to overseas. In addition, an after-sales service was provided for overseas customers. Thus, in 1999, head office established Techco in the UK to provide on-time repair and service for its UK operation and European customers.

Table 6-1 Key events and background for Techco

<table>
<thead>
<tr>
<th>DATE</th>
<th>EVENT</th>
<th>BACKGROUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>➢ Starting to set up overseas subsidiaries worldwide</td>
<td>-</td>
</tr>
<tr>
<td>1995/1996</td>
<td>➢ Incorporating with Dell to establish quality assurance/control system and research&amp; integration skills</td>
<td>➢ Prices of notebook spare parts changing a lot, as well as time to set up notebook industry in Taiwan</td>
</tr>
<tr>
<td></td>
<td>➢ Developing packaging spare parts</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>➢ Introducing postponement reducing scheme</td>
<td>➢ Requirement for OEM and shortening pipeline inventory for key parts</td>
</tr>
<tr>
<td></td>
<td>➢ Starting ERP project (QAD Mfg-Pro)</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>➢ Starting to co-operate with HP</td>
<td>➢ Logistics solution</td>
</tr>
<tr>
<td></td>
<td>➢ Setting up BTO production model</td>
<td>➢ SCM (supply chain management)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Optimise Inventory</td>
</tr>
<tr>
<td>Year</td>
<td>Activities</td>
<td>Opportunity</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 1999 | Incorporating with HP to promote and implement TDS  
Setting up logistics department in Taiwan | Accelerating time-to-market and lowering operational cost at subsidiaries' level |
| 2000 | Implementing system exchange for ERP  
Setting up worldwide logistic department | Responding to global change in logistic environment |
| 2001 | Setting up CTO model  
Collaboration solution Implementation | Competitive advantage in Post-PC era:  
Extend ODM Value  
Enhance Buying Power |

Source: Adapted from senior Vice-president's interview in Business Week, Taipei, 2004.

6.2.3 The Relationship between HQ and Techco

In order to achieve the low-cost operations in the UK subsidiary and deliver products on time, the HQ found it is necessary to control the major decision-making for Techco in terms of operational and HR issues. As the HR manager said:

‘HQ in Taiwan has lots of influence here. Most of the major decisions are from HQ in Taiwan. Then HQ will pass down to directors in the UK subsidiary. For example, HQ in Taiwan decides all HR practices and policies. I just follow what they approved. The performance appraisal form is a good example. All the performance appraisal form and criteria follow HQ.’

Moreover, HQ tends to exert a tight cost control over the UK subsidiary. As the HR manager said:
HQ in Taiwan will count every pence which is work-related in the UK subsidiary. Cost control is tight from HQ in Taiwan.

In order to control and monitor operational cost at the subsidiary, HQ also sends an expatriate finance manager to provide a coordination and control mechanism. She sends monthly reports to HQ in Taiwan for auditing and monitoring. Meanwhile, the head office will do cost analysis for the UK subsidiary. Apart from the monthly reports, day-to-day conference calls and e-mail contact serve as crucial tools for HQ to monitor the subsidiary’s activities and behaviours. As the finance manager in Techco said:

'I think head office likes to specify the finance manager for the overseas subsidiary. Head office can control overseas subsidiary if they have an expatriate finance manager. ... Every month I have to send monthly reports to head office in Taiwan. Head office will check my report. I work independently in the UK subsidiary. So, I can send my report back to head office in Taiwan without approval from MD in the UK office.'

Furthermore, most of the key resources are provided by HQ in Taiwan for the UK operation, for example, all raw materials for notebook repair, mobiles, and PDAs are produced in Taiwan and sent to the UK. Key professional engineers and key repair skills are also transferred across borders. Currently, there are more than 10 key professional engineers and managers sent from Taiwan on site. As one of the senior expatriate functional engineers in Techco said:

'For example, we have PDA training; normally it is about 6 weeks. Then we have professional trainers from Taiwan. The professional trainers will do the short-term support for 3 weeks for us to do the PDA training.'

6.2.4 Constraints of Local Environment for Techco
There are some constraints arising from the local environment for Techco’s operation in Northern England. For instance, the majority of the workforce are recruited from that area. Techco came to Northern England for a number of reasons,
including proximity to their main customer in the UK. They had to rely on local residents to provide services. As the HR manager said:

'Most employees are recruited locally. Local people do not like to work far away from their home here... Currently, we are relying on local employees to work for us. Because we set up a new LCD production line and really need more local people to work on it.'

Companies cannot recruit people who require work permits if the company can find qualified local employees to do the job. As the HR manager said:

'I think they might want to send an expatriate HR manager or specialist to the UK. But the reason I am here is according to labour law, which means a Taiwanese company cannot recruit a foreigner to work as a HR manager as long as they can find local people to do this job.

The legal environment also has an impact on the way staff are terminated. For example, Techco faces difficulty in firing local employees if they do not perform well. As one of assistant managing directors (MDs) in Techco said:

'In the UK, it is very difficult to fire employees if you are not satisfied with their job performance. You have to give them three oral warnings... In the UK, they have higher protection for employees in terms of hiring and firing. So, I think it is different from Taiwan too.'

The legal environment such as the legal working hours per week also influences the Techco operation in the UK, as British employees can refuse to do longer hours. As one of the functional managers said:

'According to British government regulations, the legal working hours per week are 37.5. So, we cannot ask local people to work overtime if they do not want. British labour law says that they are eligible for 37.5 hours per week. I think they are more relaxed about their job too. They just take their time to do the job. They have higher and more labour protection in the UK.'
Regarding diversity issues, Techco tends to follow the UK equal opportunity regulations, which means Techco will hire employees with different ethnic origins. Currently, there are white British, Spanish, Polish, Irish, British Hong Kong Chinese, British Indian, British Vietnamese, Malaysian Chinese, and Taiwanese. Due to cultural differences, employees from different national origins seem to present different working attitudes in relation to their job. In particular, white British workers were more prepared to voice their views in relation to their job and their own means regarding how to work and to perform. As one team leader said:

'For example, when I teach them how to do the job. They answer me that they understand how to do the job totally after my teaching. But when they start to do the job by themselves, they do not do what I taught them. Consequently, they do not do what I want. They will delay the expected work schedule and results. Then they will argue with me why they do not achieve the results that the company is expecting. They like to argue.'

Also, as one of the assistant MDs in Techco said:

'But in the UK, I use the same way to communicate with local employees, and local employees agree what I said to them. However, the rate of achievement to target is very low. Personally, I think it is because of culture and society environment factors.'

British Indians and Chinese background employees were seen to be similar in terms of working attitude. They tend to follow company guidance to achieve targets. The managers were confident with Taiwanese staff. As the HR Manager and one of the assistant MDs said:

'With regard to Taiwanese employees, Taiwanese employees tend to have high commitment to their job as long as you communicate with them well.'

However, the working values of British employees are seen as different from those of Taiwanese, and British employees frequently were not keen to do overtime. As one of the assistant MDs in Techco commented:
’I think the cultural factor has an influence on an employee’s behaviour in the UK. I think it is because of a socialism effect. From my experience, I know that the UK is a mix of capitalism and socialism...British employees cannot meet the sort of requests or what is ordered by the management teams or the company site. I think that is because of education. The education system in Taiwan always teaches us to do our best to achieve the target which is decided by the employer or teacher. But I do not think the education system in the UK will tell British people to have that sort of behaviours which means British people will not always follow the managers’ or supervisors’ order to achieve what they should achieve at the end of the day.’

6.2.5 Relationship between Regional HQ and Techco

The relationship between the regional HQ, i.e., American subsidiary, and Techco is important in terms of adoption of HQ HRM policies. This is due to the American subsidiary being the first subsidiary in 1991 as the HQ in an advanced country. It seems to be easier for other subsidiaries to take advice or reference from the American office with regard to choices of HQ management practices for the UK subsidiary. There are some influences from the American subsidiary in the design of quality control procedure and the productivity targets. The core value of quality control policy in the whole group is to meet customers’ expectations with responsiveness, product quality, and on-time delivery. Following these values, Techco has taken advice or suggestions from the American subsidiary to set up its quality control procedure. As the QA manager said:

’We contact our American company, they are the same with us. So, we just ask them for advice and help. Then, once we get approval from the HQ and USA office, then we just decide our own process.’

Regarding productivity targets, it is a key task for the HR manager to design the precise targets for Techco. In order to achieve annual revenue targets of the whole group every year and meet high demand for on-time delivery and efficiency, Techco has productivity targets for all employees. Also, as there are some similarities
between the American subsidiary and the UK office, such as subsidiary size, and the subsidiary’s strategic role in providing a repair service for its main customers both in the American and UK markets, it is convenient for Techco to imitate the American subsidiary’s productivity items and modify them to meet the UK operation needs. Consequently, in June 2005, the HR manager visited the American office to gather information about productivity, and sought the opportunity to cooperate with the HR department in the American subsidiary. As the HR manager said:

‘Yes, the USA office set up its own productivity items and targets. So, we set up everything to match what we are doing in America in terms of productivity items. USA office has different productivity targets from Techco. So, we at Techco have to set up our productivity items and targets in relation to what we are going to achieve and about how we can achieve different productivity targets, which they are doing in America.’

6.2.6 Tensions Arising from HQ and Local Environment

This section presents tensions arising from the HQ and local environment, including cultural difference and institutional background in the way of communication, subsidiary’s strategy, and cultural differences in management style between expatriate and local managers.

6.2.6.1 Cultural Difference and Institutional Background in Way of Communication

Due to the differences in culture and language between expatriate staff (including managers and functional specialists) and local employees, there appears to be tension in relation to communication approaches for Techco in the UK. Taiwanese managers tend to use a more direct way to instruct staff how to do things. However, the Taiwanese managers also tend not to have a good command of English. Consequently, tensions arise from misunderstanding in language and different cultures between expatriate staff and local employees. One typical example expressed by the HR manager was as follows:
'Taiwanese managers like to give instruction by words, but this sort of verbal instruction is not concise, which is maybe because of a translation issue. Some Taiwanese managers and employees cannot speak good English to communicate with local employees here.'

The unwillingness to introduce a formal communication programme by expatriate managers to transmit HQ policy relates to cultural differences, as Taiwanese managers tend to show a lower level of trust to non-Taiwanese staff. As one of the assistant MDs said:

'With regard to financial performance, the MD is responsible for this sort of communication. But the topics will be selected by the MD. Normally, he will communicate the financial performance with management staff only. He tries to avoid releasing company confidential information to local staff. That is why we have so many expatriate managers and staff in the UK because of trust concerns.

Also, the HR manager said:

'Expatriate managers have their way to do things and British managers have better knowledge to do things in a British way. I think it is because of cultural difference. As a HR manager, I did a full project for the MD. My role should be to make it easier for people to talk or communicate in the company. Something you have to realise is that British do like people to communicate with them, rather than say nothing. But the MD still wants to make performance appraisal in their (Taiwanese) way. This will make the British think that the Taiwanese do not want to communicate with them. Again, I think everything will go back to the way you are brought up and the environment you are in.'

6.2.6.2 Subsidiary’s Strategy: Adoption of HQ Practices without Consultation with Local Managers

The strategic role of Techco is to serve as a repair and service centre for the UK and European customers in terms of time to market and low-lost operations.
Consequently, Techco’s strategy is to follow the HQ policies and practices and implement them in the UK with strict cost control and operations efficiency. The HQ monitors the overseas subsidiary’s performance by means of employee productivity targets. This causes tensions and misunderstandings between HQ and the local subsidiary.

Lack of consultation with local managers for Techco’s operation in the UK is also an issue. As the HR manager said:

‘All UK subsidiary decisions and polices follow HQ decisions and policies. From HQ down to MD here. For example, recently, we are recruiting more employees in the UK subsidiary. HQ in Taiwan decides to add one production line to produce LCD. Then we need to follow this, and we are now hiring more temporary staff to work here. We (Techco) become bigger later. So, you can say that the product market is important for us. We are recruiting more employees now because our business is expanding, especially in LCD product. But I do not know why the Taiwanese company likes to recruit temps more than full-time employees. I know most British employees like to have a permanent job.’

6.2.6.3 Cultural Differences in Working Attitudes

The differences in working attitudes between Taiwanese and British people also cause some difficulties in operations. As the HR manager said:

‘British bosses are more approachable, but Taiwanese managers tend to have their personal agenda and like to drive for ‘perfection’. For example, in Taiwan, Taiwanese managers will ask their employees to get it right and do it right the first time. But British employees will try more times to do it right.’

The finance manager also reflected:

‘I think the cultural influence is huge. Normally, the Western employees here will go home when they finish the normal working hours in the company. But all Taiwanese workers, including expatriate employees, will do overtime. And I
think Taiwanese employees have higher loyalty. I think here expatriate employees are the same as employees in Taiwan. We are used to working in this way. No one can go home on time or earlier in Taiwan.'

6.2.6.4 Cultural Differences in Management Style Between Expatriate and Local Managers

For Techco, there are some differences in the way of managing people between expatriate and local managers. Taiwanese managers tend to emphasise efficiency and employee productivity more than local managers. Local managers tend to look at process issues rather more. Taiwanese managers also like to have more meetings to dictate the way of doing things. As the finance manager said:

'I think the MD's management style is to emphasise efficiency. He likes to let his subordinates do things as long as they can achieve the targets. I think it is difficult to manage western and British employees here. I think British people are not flexible and do not know how to find other solutions to solve the problems.'

As one of the functional managers said:

'The job philosophy of British companies is to be more relaxed and respectful. Taiwanese company focuses more on efficiency and responsibility... Taiwanese are the same as Chinese. They demand efficiency and high quality control of products. The difference between Taiwanese managers and British managers is in procedure and vision for structure. Taiwanese managers always concentrate on efficiency and performance.'

6.2.7 Human Resource Management Practices

This section presents the HRM practices adopted by Techco.

6.2.7.1 Recruitment and Selection

A range of recruitment techniques is used by Techco. For managerial positions, 'from amongst current employees', 'word of mouth', 'use of recruitment agencies',
‘quanxi (connection) and friends’, and ‘sent from HQ’ are all used. For professional/technical/scientific positions, ‘word of mouth’, ‘use of recruitment agencies’, ‘apprentices’, ‘quanxi (connection)’, and ‘sent from HQ’ are used. For clerical/manual positions, ‘word of mouth’, ‘use of recruitment agencies’, and ‘job centre’ are commonly used.

Regarding the reasons for managers sent from HQ, trust is the main concern for HQ. As the HR manager said:

'I think there is a lack of trust between HQ in Taiwan and the UK subsidiary here. That is why we have only 2 local managers here.'

Again, due to control and coordination needs, there are more than 10 expatriate professional staff sent from HQ in Taiwan. As one of the functional managers said:

'I do not know why we have a locally hired quality control manager. We have more than 18 expatriates in the UK subsidiary. I think maybe head office likes to have a better communication and control over the UK subsidiary.'

Also, as a result of tight cost control over Techco's operation, they do not have enough staff to be responsible for recruitment. Thus, they tend to use recruitment agencies to screen suitable and qualified managers. As the HR manager said:

'It is more cost effective for us to recruit temps through agencies...We do not have too many staff in the HR department, and I have told the MD that we need to recruit more people for it. I notice that for some reason they (Taiwanese managers) like to have more employees from agencies.'

Regarding selection techniques, Techco tends to use ‘application form’, ‘interview panel’, and ‘aptitude test’ to select employees. Techco never used methods such as ‘biodata’, psychometric testing’, ‘graphology’, ‘assessment centre’, and ‘group selection methods'.
6.1.7.2 Training and Development

With regard to training and development, on-the-job training is most frequently used. Occasionally, Techco provides off-the-job training for local staff. The process for on-the-job training is that head office will send professional engineers who are familiar with new computers or products to the UK to teach production line staff how to do their job. First, they will take local staff to show them the production line. Then, the employees will understand how to pass products to the next line. Then, the engineers will prepare the training materials. All the training materials are produced according to HQ training procedures. For PDA training, this lasts about 6 weeks. After that, HQ will send the professional trainers to do short-term support training for another 3 weeks.

6.2.7.3 Pay and Performance Appraisal

In terms of pay, Techco does not link individual performance to pay. With regard to the benefits scheme, Techco has a company pension, sick pay, 20 days’ annual leave, and overtime pay for local staff only. Local employees are entitled to have company pensions when they work for Techco more than 1 year. Local staff will get overtime pay, not paid to expatriate managers and professional staff.

With regard to performance appraisal, Techco adopts HQ performance format and standard to measure local employees’ performance. The details of the performance appraisal criteria are shown in Appendix 3. The HR manager feels it is inappropriate for the UK subsidiary to use the HQ appraisal standards, as they are too complicated for local people and line managers to follow. The HR manager, who is CIPD qualified, thinks it would be more appropriate for her to design HR practices for Techco.

The head of department will assess employees in their department, and the assistant MD will mark team leaders and managers under his/her supervision. Then, the MD will have the final decision for all employees on the performance appraisal result. Each manager has to conduct performance interviews in order to provide feedback to employees why they did not perform well. Everything is done in a quantifiable way to avoid mistakes. If any disagreement arises, the employee can file for a
review. Currently, all in managerial, professional/technical, and clerical/manual position are formally appraised on a half-yearly basis. The purpose of performance appraisal is to assess suitability for promotion or transfers, give feedback to employees on their performance, give employees a chance to discuss future career moves, and set personal objectives and review progress against past objective(s).

6.2.7.4 Organisation Communication and Quality Control

In terms of organisation communication, only expatriate managers will be formally briefed about the company strategy and financial performance by the MD. This is because the HQ and expatriate staff think that there will be more problems in Techco’s operation in the UK if local employees get involved with the decision-making process. As mentioned earlier, the HQ had negative experiences dealing with trade unions in the Netherlands. However, due to the increasing demand from the HR manager and local employees to have the right to know what is happening both in the UK and the HQ in Taiwan, in 2004 the MD and assistant MDs decided to provide more information to local employees. The reason for the change is to promote the understanding between local employees and the HQ in Taiwan regarding business operations. In 2005, the MD and assistant MDs decided to send local managers to visit the HQ and USA subsidiary for two weeks. The purpose was not only to increase local employees’ confidence in the HQ and the UK subsidiary, but also to strengthen trust between expatriate managers and local staff. As one of the assistant MDs said:

'We decided to send two local leaders to visit other subsidiaries and head office in Taiwan to promote mutual understanding between local employees and Taiwanese companies. The purpose was twofold: one was to let local employees see whether expatriate Taiwanese managers pass the right information from head office in Taiwan, and another was to increase local employees 'confidence on Taiwanese companies with regard to business operation in the UK office. What we would like to do is let the key local leaders know what is going on with HQ in Taiwan and Techco. Gradually, we will let these key local leaders take more responsibilities. HQ in Taiwan has decided to expand and intends to become a bigger and bigger company in the world'.
Regarding quality control procedure and practices, Techco took note from HQ in Taiwan as well as the American subsidiary, but modified them itself. The key concept of quality control management in HQ is the pursuit of continuing improvement and increased customer satisfaction. The quality control policy for the American subsidiary is to meet customers’ expectations with responsiveness, product quality, and on-time delivery. The customer satisfaction objective were described as SUPER (serviceability, uniqueness, promptness, earnestness, reliability). Thus, the quality control department in Techco adopted the concept and policy from the HQ and American subsidiary, and then designed its own procedure. However, there are still differences in the quality control practice between the HQ and Techco. The HQ is using the 6 Sigma programme to lessen the possibility of errors in each department. Techco uses only cost control and employee productivity targets. As the HQ thinks that there is no need for overseas subsidiaries to implement complex quality control practice, as long as overseas subsidiaries can achieve productivity targets. As one of the senior financial specialists said:

'Head office will check each subsidiary's operational situation. It does not need to get involved in all details in each subsidiary. All key managers in all overseas subsidiaries have to go back to head office in Taiwan to have meetings with top management. So, the vice-president in Taiwan can understand and control overseas subsidiaries by checking the financial report. We have financial and accounting management reports for our top management. Top management will make a decision whether they are going to close or expand overseas subsidiaries. They will close overseas subsidiaries if the subsidiaries do not make any money at all.'

Quality control process in Techco is shown in Appendix 4. The normal repair and service flow is as follows (details see Appendix 5): when the RMA department receives phone calls or e-mails for repair request, then the department has to pass the repair request to the technical department for fault diagnosis and verification. Then the RMA department has to inform customers about the cost and time for repair service. Customers the have to tell the RMA department whether they want it to do the repair service or not. If the products are still in warranty, Techco will cover the cost. After the warranty period, customers have to pay the cost. Normally,
the repair period will be less than 14 days. When the technical department finishes repairing, then the products will be passed to the QA department for inspection before shipping to customers. There are 13 steps in the QA department (Figure 6-2). There are one quality control manager and 8 quality control specialists in the QA department so far; and all QA department staff are local-hired. Techco provides the same repair service as the American subsidiary in Los Angeles; the QA manager also asks the US office for advice and help on quality control procedure in the UK office.

6.2.7.5 Overtime

Overtime is widely used by Techco to meet operational needs. The normal working hour is 37.5 hours. However, due to operational needs, it is necessary for expatriate and local employees to work overtime. Techco uses different approaches to manage expatriate and local staff. For expatriate managers and staff, it is compulsory to work overtime after official working hours on weekdays and at weekends. Expatriate managers and staff are provided with a meal allowance.

6.2.7.6 Attitude to Trade Union

There is no trade union in Techco. The management team's attitude towards trade union is non-encouragement. The reason is lack of trust as a result of previous experience in setting up a trade union in a previous subsidiary. As one of the assistant MDs said:

'We do not encourage having trade union in our company... one of the reasons HQ decided to move office from Holland to the UK is because HQ found that local people told a lie to them about setting up a trade union within the company.'

Moreover, the top management, both in the HQ and the UK subsidiary, think that existence of a trade union will damage the company's efficiency and trust between employer and employees. As one of the assistant MDs in Techco said:
'The company will not be very efficient with a trade union on site... I think the critical thing is the trust between you and your boss in the company. Then the company will be successful. If employee and the boss do not have trust between each other, then I do not think I will stay in this company. Everything is mutual. Employee and employer have to be united as a single entity. Have you heard of 'brotherhood' in Chinese meaning? Do you understand what I mean? I think I have very deep brotherhood with my boss in the whole company. I used to work in the USA office and built up very deep brotherhood with my boss in their office.'

6.2.7.7 Selection Criteria for Expatriate Managers and Staff

There are some criteria for selection of expatriate managers and staff for the overseas subsidiaries. First, employees need to have a good record of performance in their own department in Taiwan. Second, previous working experience overseas will be a factor also. Third, people are not willing to work overseas because of family and local environment constraints. As one of the expatriate engineers said:

'Some people do not like to work overseas, and they do not have any intention to work overseas too. They have family and car in Taiwan with a nice life, and do not like to move to the UK.... I think it is much harder to work in the UK. You have to learn how to live in a local environment without your family. Also, British people have different working attitudes. So, as an expatriate employee in the UK, you have to do your best to solve the problem in the UK.'

Fourth, the subsidiary MD will conduct face-to-face interviews in Taiwan for those who are applying for overseas posts. Finally, the departmental manager in the HQ has to agree for the employee to work overseas too.
Table 6-2 Human Resource Management Practices of Techco in HQ and UK Subsidiary

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<th>HQ</th>
<th>UK Subsidiary</th>
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<td>• Legal working hours 44 hours per week</td>
<td>37.5 hours per week</td>
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<tr>
<td>• Flexible working</td>
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<tr>
<td>• Overtime for all employees</td>
<td>Compulsory for expatriates, voluntary for local employees</td>
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<tr>
<td>• Pay for individual performance</td>
<td>No pay for performance</td>
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<tr>
<td>• Performance appraisal</td>
<td>Same measure standard as HQ</td>
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<td>• Profit sharing</td>
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<tr>
<td>• On-the-job training</td>
<td>Technical training for PDA and Computers same as HQ</td>
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<tr>
<td>• Employee canteen</td>
<td>No canteen</td>
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<tr>
<td>• Formal communication with CEO</td>
<td>Meal allowance for expatriate managers and staff only</td>
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<tr>
<td>• Quality control</td>
<td>No formal communication</td>
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<tr>
<td>6 Sigma</td>
<td>Adoption of HQ and American subsidiary's process but modified UK office</td>
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<td>• No trade union</td>
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6.3 CASE II: ITCO

This second case study of a Taiwanese subsidiary in the UK is presented, in terms of profile of company, purpose to set up the UK subsidiary, relationship between HQ and ITCO, constraints of local environments for ITCO, relationship between regional HQ and ITCO, and tensions arising from HQ and local environment.

6.3.1 Profile of Company

Established by the HQ in January 2004, the main purpose of ITCO is to provide a repair service for its customers in the UK and Europe. The repair service provided can be divided into two categories: one is in-warranty, the other is out-of-warranty. Warranty repairs are carried out only for: 1) the Orange UK series of SPV smartphones and M series of PDA phones, 2) the T-mobile UK MDA series of PDA phones and SDA phones. Currently, there are more than 70 people working at ITCO. The majority of the workforce hold technical positions for PDA and mobile phone repair service. Key management positions are sent from the HQ in Taiwan, such as managing director, finance manager, and repair manager. Almost all employees are Mandarin-speaking people from China, Hong Kong, Malaysian, and Taiwan. The head office is located in Taoyuan, Taiwan, and the company has more than 2,000 employees worldwide. Founded in 1997, the company specialises in designing and manufacturing world-class mobile computing and communication solutions for OEM (original equipment manufacturer) and ODM (original design manufacturer), and chosen by Microsoft as a hardware platform development partner for the Windows CE operating system, the HQ has built up a strong R&D department in IA (Information Appliance) and WM (Wireless Mobile) engineering. This R&D team is responsible for the design of highly innovative, quality products, with a market-centric approach with customers in order to keep expanding. For example, the HQ has already developed the world’s first 3G Windows Mobile 5.0-based device and released it to all its customers in the world. The product will enable their customers to be more productive while having powerful multimedia and internet browsing capabilities. In the second half of 2005, this device was distributed to its customers in Europe, North America, and Asia. The competitive advantage of ITCO is dependent on its R&D capability in Taiwan. This R&D capability not only enables the HQ to expand its market to the UK and Europe but also increases the UK
subsidiary competitive power by offering more advanced products. As the managing director (MD) said:

'For example, over the past 3 years, for computer consumers, they do not need to use the latest computer in the market. They just use the computer which can meet their requirements. But in the IT and mobile market, there are lots of consumers who like to buy the latest mobiles and PDA. Therefore, our R&D are always thinking how to develop a more advanced and fancy mobile and PDA for customers. I think why we can become the Top 1 company in the Taiwan stock market now, is that we have a very good R&D team to support us.'

There are 6 departments in Itco, including finance, human resource & administration, quality control, repair and service, IT, and sales. The organisation structure is shown Figure 6-2:

**Figure 6-2 Itco Organisation chart**

![Organisation Chart of Itco](image)

*Source: Researcher’s interviews at Itco (2004)*
6.3.2 Purpose of Itco

There are several reasons for setting up the UK subsidiary. First, since 2003, when the HQ gained the contract from T-mobile in the UK, it was decided to set up a subsidiary to provide repair and after sale service for T-mobile and other potential customers in the UK and Europe. The HQ will provide all the resources for Itco operation in the UK, for example PDA and smart phone products sent from Taiwan and technical training. Second, in 2003, the HQ collaborated with its UK strategic partner, Orange, to design and develop a website for mobile server that enables their customers to access Orange's system by simply clicking the webpage. Orange is also a repair partner for Itco in PDA and mobile repair service in the UK. Also, in 2005, one of the IT and communication companies in the UK, mmO2, has become the biggest PDA provider in the UK market because of cooperation with Itco in PDA design and manufacturing. The HQ strategy is that of serving as the first manufacturer in the world to provide its own design PDA and smart phone products, as well as cooperating with communication service companies directly, without a company brand. This kind of business cooperation strategy enables the HQ to set up its unique competitive advantage through bypassing other companies' brand and distribution channel. Under these circumstances, the HQ had to set up its own subsidiary in the UK and European markets in order to provide its own products with original design and good quality repair service.

6.3.3 Relationship between HQ and Itco

The HQ makes the key decisions for Itco in relation to finance issues and HQ policy. As the MD said:

'I can make decisions about the pay and benefits and other HR functions and practices by myself in the UK office. But I still have to report to head office to get approval about the pay and benefit level. I have to report to my direct director in head office in Taiwan. Then he will pass to other departments if any issues relate to other departments such as finance... Of course, in the beginning, HQ will set up the target for us according to past experience. For example, if we can fix 300 mobiles and PDA per year now, how many employees do we need if we are planning to fix 700 mobiles and PDA next year? Of course, all the figures have
to get approval from HQ. HQ has very tight cost control over here. That is why we can not easily increase our number of employees, even though we are short of staff now.'

Tight cost and budget control is a recurring theme at Itco. As the MD in Itco said:

'We have a very tight cost control. And head office will count our productivity per employee every month. We can not recruit more employees if we do not achieve our productivity per employee as set up by head office.'

The control process can be seen from the interaction between the HQ and expatriate managers in Itco. For example, every month, the finance manager has to send a report back to Taiwan, and asks for budget approval. Other examples of control can be seen in the repair process. As one of the functional managers in Itco said:

'I think HQ influence can be seen in our repair process. We do our best to follow HQ process. For example, if we would like to add one extra column in our system, we then have to see whether HQ has this sort of requirement for that extra column. If not, then we can apply for it. Another example is that our purchasing procedure and authority in the UK office have to get approval from head office in Taiwan. If the purchasing money is more than £3,000, then we have to get approval first from head office in Taiwan.'

HQ controlling power also shows in control of key resources for Itco's operation, especially in the case of training, key personnel, and raw materials for products. As the MD said:

'Our training source is from head office in Taiwan. HQ will send engineers to the UK to do training courses for our repair staff. This sort of training can be divided into 19 levels. Some people can finish all the training within two months if they are a quick learner. Or they can finish the training within 6 months.... We still have to ask engineers from head office to support our higher-level repair service in the UK.... Our mobiles and PDA are quite complicated. This is designed by our R&D department in Taiwan.'
In order to meet the productivity targets and coordination needs in the UK, the HQ tends to send expatriate managers and engineers to occupy the key management positions such as managing director and finance manager. As the MD said:

'Why don’t we have British managers in our company? I think it is because of the trust issue. I do not think any Taiwanese boss will trust British managers more than Taiwanese managers overseas. I think the trust issue is typically important when HQ assigns the head of the company overseas, such as managing director or general manager in an overseas subsidiary.'

6.3.4 Constraints of Local Environments for Itco

There are a number of local constraints on Itco’s operation such as the legal environment, customers, skill level, and locality issue. Regarding the legal environment, the management team in Itco has difficulty in dismissing employees because of non-familiarity with British labour law. As the HR manager in Itco said:

'This case happened when I was on sick leave from the company. The MD fired this African because he did not perform well. Then the African accused us. So, we must be very careful in hiring and firing now. I think GM does not know UK labour law very well too. That is why we have this sort of labour issue.'

Local customers also play a critical role for Itco’s operation in the UK. The reason for the HQ to set up Itco is due to the main customers, T mobile and Orange, having a business contract including providing PDA and mobiles from Taiwan and after-sales service. The major purpose for Itco is not to generate profits but to offer a good quality repair service in order to keep the contract with T mobile in the UK. As one of the functional managers said:

'The product market is very important for us. HQ in Taiwan decided to set up a subsidiary in the UK because HQ got a big customer (T mobile) in the UK. That is why HQ will set up an office in the UK. Also, the cooperation with other mobile phone companies is very important for us in terms of seeking more customers for us. For example, Orange has customers in France. Thus, Itco in
the UK will provide a repair service for French customers because of Orange. Also, we provide PDA repair service.'

Having a qualified workforce is vital for Itco's operation. Although the HQ will send the engineers from Taiwan to do on-the-job training for local employees for the repair service, Itco still needs to recruit qualified local engineers to provide the service. However, there is a shortage of qualified engineers in the UK market. As the MD said:

'Now, I have problem in getting qualified engineers. Every year, UK universities cultivate tons of undergraduates and graduates in finance, but not in engineering. I think it is very difficult for us to find a senior and qualified engineer in the UK. But in Taiwan, it is much easier for us to recruit a good engineer.'

Location is influential for Itco in terms of recruitment and pay level. Itco is located in Milton Keynes, which is close to London but with a lower pay level. As one of the functional managers said:

'Why are more than 80% of our employees recruited from Milton Keynes? ...I think it is because we locate in Milton Keynes. Secondly, pay level for workers in Milton Keynes is low too.'

Cultural differences between Taiwanese and British were evident. As the IT manager commented:

'I do not think the working culture in Itco is suitable for British or western people. In here, you have to do lots of things which are not your job contents. There are lots of extra things you have to do in a Taiwanese company. For example, sometimes, employees will ask you to do them a favour to take a look at what is wrong with their system or computer. That is not my job as an IT manager but I still have to do it. That is the way you show your respect to your colleague. You will damage your relationship with your colleagues if you refuse to solve their problems. That is why I think this company is not suitable for
western or British people to work here. That is why most of our employees are Chinese or Taiwanese.'

Other examples of cultural issues were seen in the interaction between expatriate managers and local employees' working behaviours. As the MD said:

'Taiwanese employees are different from British employees in terms of culture. For example, when I ask the local British staff to achieve the targets set up by myself, they will negotiate the targets with me and then lower the targets level. In the end, they will have lower work results, as I expect. But this kind of situation will not happen in Taiwan when I ask Taiwanese employees to achieve the targets in Taiwan. I think it is because of cultural differences between British and Taiwanese in terms of achieving managers' targets.'

6.3.5 Relationship between Regional HQ and Itco

Itco has a close relationship with its American subsidiary. The American subsidiary was the first subsidiary for HQ in an advanced economy. Due to the similarity in repair process and customer requirements between the American office and Itco, Itco will ask its American office questions in relation to the adoption of HQ management practices such as quality control procedure and IT requirements. As the QA manager in Itco said:

'In terms of QA procedure, we will contact other subsidiaries such as the USA office to ask them for advice in terms of repair experience. For example, we will ask the USA office about coping with different customers' requirements according to their experience in repair, because the USA office has experience in using the HQ procedures to deal with US customers already.'

Also, the IT manager in Itco said:

'For example, in terms of IT system requirements, if the American office finishes the IT projects first, then maybe the UK office can use it as well. Or the UK office can do it first, and then American office can use it as well. For example,
the Internet web base system design and web page, etc. Another example is that previously the users had to fill in a form if they asked for repair service for their mobiles. Previously, in our company, we had call centres to answer this sort of requirement from customers. But now we change our system, which can allow customers to use our Internet web base system which has been used by HQ in Taiwan already…

6.3.6 Tensions Arising from The HQ and Local Environment

This section presents tensions arising from the HQ and the local environment for Itco.

6.3.6.1 Communication

The office language for communication between the HQ and the local operation is Mandarin. Also, most of the workforce now are Chinese and Mandarin speaking people after the dependence on many English speaking employees who left. Itco relies on mandarin speakers to implement jobs smoothly and coordinate with the HQ in order to achieve the HQ targets. However, the adoption of Mandarin in official meetings and the lack of proper explanation with all employees causes misunderstanding. For instance, as the HR manager said:

‘In this company, we always speak Mandarin in the meetings. I think the MD and most managers and employees are Taiwanese and Chinese. So, we communicate in Mandarin. I think communication is a problem too. Taiwanese companies still use Mandarin very often. And for managers in Taiwan, they can easily understand what is going on in the UK subsidiary in Mandarin...but most of the English-speaking British employees left the company after a period of time partly because they can not understand what we are saying in Mandarin....’

6.3.6.2 Adoption of HQ Practices without Consultation with Local Managers

There is no consultation with local managers on adoption of HQ management practices in Itco. However, this causes some tensions between expatriate and local managers, as the quality control manager pointed out:
'In the beginning, we did not have performance appraisal. In May 2004, the MD asked line managers to collect information about performance appraisal. Then the MD decided to copy HQ performance appraisal. Then each department starts to copy ...for example, the degree of matching to company job requirement. ...

...the MD still has the final decision-making power for all practices which we are using in the UK. So, we just follow what the MD told us to do. Of course, the MD just follows the HQ policy, you know.'

6.3.6.3 Differences in Working Attitudes

Differences in working attitudes between Taiwanese and British people cause some difficulties in achieving targets set by the HQ in Taiwan. A typical example relates to overtime practice. It is normal for Itco to expect its entire staff to do overtime from Monday to Sunday. However, there were conflicts between expatriate managers and local employees. As the MD commented:

'In Itco, Taiwanese and Chinese employees will work overtime if I [the MD] ask them to do it for me. I think in the UK, British people have a different working attitude from Taiwanese and Chinese. I think in Taiwan, no one will say No to me if I ask them to do overtime. But here it is totally different. I have to spend time to negotiate with them in terms of overtime and job targets. So, sometimes, it happens in our office that it is only Taiwanese or Chinese or expatriate employees who work overtime in the UK office. That is why we will ask head office to send expatriate engineers to support us.'

6.3.6.4 Differences in Management Style between Expatriate and Local Managers

There were clear differences in management style between expatriate and local managers because of cultural differences. Expatriate managers will ask their employees to follow their orders or guidance to do the job and perform multiple functions. As one of the functional managers in Itco said:
'For example, in British companies which I was working for, everybody reports to his manager. Every manager will report to his direct manager. Each layer will report to higher level. But this is not the same in a Taiwanese company. In a Taiwanese company, the boss will get involved in everything in each department. Our MD would like to know what is going on in each department here. That is why we have lots of meetings here and have to report everything to MD. I think that is a sort of Chinese management style, just like the way parents behave towards to their children.'

The MD also commented:

'I think the characteristic of Taiwanese companies is that we want employees who can do multiple functions with one pay. In short, we want each employee to be: 1 + 1 >4 but not 1+1 =2. But in the UK, it seems not to work in this way. British people just like to do a one-function job. I will say that it is easy to recruit employees in the UK, but it is very difficult to recruit the right employee.'

6.3.7 Human Resource Management Practices

This section presents HRM practices adopted by Itco.

6.3.7.1 Recruitment and Selection

Itco tends to use 'advertise externally', 'word of mouth', and 'quanxi' to recruit employees in all levels. The reason recruitment agencies are not used is because for in terms of recruitment and selection. Also, the workers from agencies will ask for higher pay, which Itco cannot offer. Most employees are recruited through the MD's connections in the UK. As one of the functional managers said:

'There are more than 80% of employees who got their job through friends and connections... salary in Milton Keynes local labour market is low...most of our vacancies are low skill too. That is why we recruit our employees through friends or connections or the Chinese church in Milton Keynes. Local labour (white British) is not willing to work in this industry. Our main business is to provide repair service for mobiles, PDA, etc. This sort of job is very time consuming....
They can tolerate doing overtime once a week or twice a week, but not every day. So, they left the company.

Regarding selection techniques, Ito conducts face-to-face interviews with the MD, departmental manager, and HR manager. Also, there are various sources for filling vacancies for Ito in the UK. For saving training costs, the company will employ previous employees who have been working in the HQ in Taiwan.

6.3.7.2 Training and Development

Most training is done on-the-job in the UK. On-the-job training can be divided into two categories. First are local hired employees with low skill, for low skill repair service. The HQ will send product engineers to run the training course for these employees. Skill can be divided into 19 levels, and repair targets are set for each employee according to skill level. All the training sources for this category are from the HQ in Taiwan. Training is first from two months to six months. The first group is responsible for 30% - 40% of total repair quantities. The second category is responsible for a higher skill repair service that is mainly for the service partner, e.g., Orange in the UK.

6.3.7.3 Pay and Performance Appraisal

Pay is fixed according to the employee's working experience. For repair staff, there are six grades in the pay system plus an incentive bonus. The incentive bonus is based on how many repair items each employee can complete per week. The company will set repair targets for each employee in the repair department. Each employee also gains a team bonus if his/her team produces more than the targets. On average, a repair operator's pay is around £12,000 per year. With bonus, this amounts to £14,000 per year. A team leader starts around £18,000 per year, while a junior engineer's pay is around £13,000 per year. For management positions, they are lower than market rate in Milton Keynes. For instance, an IT manager's pay in Milton Keynes is around £26-27,000 per year, but Ito is lower than this. Young local people work in Ito to gain working experience. As the HR manager said:

'After working a few months, they left the company. Now we only have one white British and one British Indian to work here. That British Indian will work here
Itco provides meal vouchers for management staff working overtime, while local employees are paid for overtime.

Itco uses the HQ performance measurement to assess local employees. The purpose of performance evaluation is to set personal objectives and review progress against past objective(s) on an annual basis. For the repair department, performance appraisal results are also linked to an incentive bonus each month. Team leader’s marks account for 60% of total performance results for each employee, while the MD's marks are 20% of total marks. HR manager’s marks are for the rest. Each manager will discuss about each employee’s performance with the team leader. The HQ in Taiwan sets up each department’s productivity targets at the beginning of the year.

6.3.7.4 Organisation Communication and Quality Control

Itco does not have a formal communication programme. As company size is relatively small, it is felt that employees can talk to managers freely if necessary.

The quality control procedure is designed according to HQ procedure. Line engineers are responsible for packing and testing. The QA department will refer to HQ if they cannot sort out problems in the UK office. The HQ will send engineers from Taiwan to support Itco regarding auditing and testing. Meanwhile, the QA department has to meet customers’ requirements regarding repair service. For instance, HP, one of Itco customers, will come to check Itco’s QA standard every month. HP will reject the projects if Itco does not match HP QA standard. Also, Orange, one of Itco customers in the UK market, will produce a statistical report on Itco’s repair service quality each month.

6.3.7.5 Overtime
Overtime is a common practice both at the HQ in Taiwan and Itco in the UK. Adoption of overtime practice is because of customers’ requirement for repair service and HQ influence. As the MD said:

‘Our R&D is very strong and work for 24 hours in Taiwan. Why do I say this?... In IT and mobile market, there are lots of consumers who like to buy the latest mobiles and PDA. So, our R&D are always thinking how to develop a more advanced and fancy mobile and PDA for customers for rigid competition.... Normally, our R&D team has to work from 9:00am to 12:00pm in Taiwan. Our CEO and other directors also work from 8:00am to 1 or 2 am, including weekends. This is because our product markets are very competitive.’

In order to provide a better working environment for managers, the company provides a meal voucher. The staff levels require overtime pay. However, employees from different national origins have different responses to this practice. For instance, the managers said that British employees are happy to work overtime once or twice a week but not every day, whereas Chinese employees tend to follow orders to do overtime every day if necessary.

6.3.7.6 Attitude to Trade Union

There is no trade union in Itco. As the MD said:

'I do not think a trade union is necessary for a company’s operation. So far, I do not see any Taiwanese company with a trade union in the UK. We do not have trade unions in Taiwan either. In Taiwan, we just fire the employee with bad performance and with bad working attitudes. In my previous company in the UK, we did not have a trade union in the company. I do not see the point to organise a trade union. Maybe you might think a trade union is necessary from an academic point of view but not for the company. Everyone is very busy in his/her job. So, why bother to have a trade union?'

6.3.7.7 Selection Criteria for Expatriate Managers and Staff

The selection criteria for expatriate managers and staff are individual performance, language proficiency, and the HQ decisions. Currently, appointments to key
management positions such as the MD, the finance manager, and the repair manager, are sent from HQ. All of them are chosen because they have good knowledge and skills in their areas. The MD, for example, had been working in a similar industry for many years, with working experience in the UK and Europe. As the MD said:

'I think they chose me to be a managing director here because I worked for other Taiwanese subsidiaries in the computer industry. I used to work in the UK for quite a long time. That is why it is much easier for me to set up a company from nothing.'

Table 6-3 Human Resource Management Practices of Itco in HQ and UK

<table>
<thead>
<tr>
<th>HQ</th>
<th>UK Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Legal working hours are 44 hours per week</td>
<td>37.5 hours per week</td>
</tr>
<tr>
<td>• No flexible working hours</td>
<td>No flexible working hours</td>
</tr>
<tr>
<td>• Overtime for all employees</td>
<td>Compulsory for expatriates, voluntary for local employees</td>
</tr>
<tr>
<td>• Pay for individual performance</td>
<td>No pay for performance, Incentive bonus for individual performance</td>
</tr>
<tr>
<td>• Performance appraisal</td>
<td>Same measure standard as HQ</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td>Technical training for PDA and mobiles same as HQ</td>
</tr>
<tr>
<td>• Employee canteen</td>
<td>No canteen, Meal allowance for expatriate managers only</td>
</tr>
<tr>
<td>• Formal communication with CEO</td>
<td>No formal communication</td>
</tr>
<tr>
<td>• Quality control</td>
<td>Adoption of HQ and American subsidiary’s process but modified by UK office</td>
</tr>
<tr>
<td>• No trade union</td>
<td>No trade union</td>
</tr>
<tr>
<td>• Productivity measure:</td>
<td>Follow HQ measurement for productivity targets</td>
</tr>
</tbody>
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6.4 CASE III: COMCO

This is the third case studying Taiwanese subsidiaries in the UK, in terms of profile of company, the purpose of setting up the UK subsidiary, the relationship between HQ and Comco, constraints of local environments for Comco, relationship between regional HQ and Comco, and tensions arising from the HQ and local environment.

6.4.1 Profile of Company

Comco was established in 1988, and is a subsidiary of Comco International Corp. The worldwide headquarters is in Taiwan, and was founded in 1974. Comco is responsible for the UK and European market for the whole group. Comco designs, produces, and markets a diverse range of products like PDA, Notebook, and Ruggedised notebook. In 1998, the HQ decided to reduce the size of Comco in the UK as a result of the ‘fine tuning’ policy of the chairman. As he said in Business Week magazine (2005:48):

'I do not like to use the English term 'reorganisation'. This wording sounds like something wrong in the company's operation or business. But 'fine tune' means a little change within the company. For me, I feel 'fine tune' is much more clear, and I hope this is also clear for my top management team in the company'.

In 1999, HQ removed its computer and IT production sites to China, and transferred Comco to act as a repair centre for the UK and European customers. The head office is mainly responsible for R&D for computer and IT products. Comco Corp. also has other European subsidiaries such as in Germany and Belgium. It has been ranked as 67 in the IT industry on a worldwide basis (Business Week, 2005). Comco Corp. has shifted its focus away from PCs and towards higher-margin products such as servers. In 1995, the HQ acquired S company (previously Compac), which is responsible for original equipment manufacturers (OEMs) for IT. Thus, Comco Corp. is now a major supplier of servers to Sun Microsystems, for example. Comco Corp. is also one of the world’s top producers of PDAs, selling the gadgets as well as smart phones under its own brand name, the Mio. Last year, sales were up 29% to $1.9 billion, with earnings up 104% to $68 million (Business Week, 2005). Currently, Comco Corp. has more than 22,000 employees in over 50 countries.
Comeo has more than 145 employees in the UK, 98 males and 47 females. However, only 2 out of 17 managers are females. The majority of the workforce are professional and technical staff. Most managers in Comeo are local hired British employees, except for the managing director (MD) and a sales manager, who are locally hired but with status of expatriate managers. This is due to a cost consideration, as HQ did not want to send more expatriate staff overseas. After a redundancy programme in 1997 and 2000, there are fewer Taiwanese managers on site because the product market is shrinking in the UK and Europe. In 2004, Comeo has generated £80 million revenue and labour costs account for 4% of this. Regarding decision-making authority, the main authority of Comeo, including workforce expansion and reduction, is left to the HQ in Taiwan. Most HR issues are mainly determined by Comeo itself. Comeo organisation structure can be divided into two parts: one is service & support/indent sales, the other is production & system support (see Figure 6-3).

**Figure 6-3 Comco Company organisation chart**

- **Service & Support/Indent Sales:**

  - Managing Director
    - Indent National Sales Manager
    - Dell Resident Coordinator
    - ETSC Notebook Service
    - Motherboard Repair
  - Finance Manager
  - Software Development Manager
  - LCD Service/Dispatch
Production & System Support:

Managing Director

- Human Resource Manager
- Logistics Manager
- Admin Manager
- Engineering & Quality Manager
- Senior Quality Engineer
- Finance Manager
- Project Manager
- MIS-MFG Manager
- Sun Service Manager
- Material & Production Control

Source: Researcher's interviews with Comco (2004)
6.4.2 Purpose of Comco

The core business strategy of Comco Corp. is to ‘design to deliver’ (D2D) worldwide. In order to meet this strategy, the HQ decided to set up Comco to design and produce IT products and deliver in the UK and European market. As the chairman said:

'I do not think the added value of manufacturing is surpassed by brand image. Our Corp. has reached ‘D2D (design to deliver)’. Taiwan can create values through logistic management because the production profits only account for a small percentage of total value. Thus, the chairman decided to acquire one of Sun Micro System’s subsidiaries in 1999 in order to provide total solution from design to deliver. 98% of products can be delivered to our customers in the world.' (Business Week, 2005:46)

Obviously, the purpose of Comco in the UK is not to provide a repair service but also to deliver products on time. As the HR manager in Comco said:

'HQ thinks Comco needs to change the way it operates....I think it is cheap for us to set up a production line in the UK to produce machines. It is not cheap to produce machines in China because of shipping cost and duty. And it is cheaper for us to build the machine in the UK and then ship to European countries. I do not think it is cheap for China production to ship to the UK and Europe.'

6.4.3 Relationship between HQ and Comco

HQ seems to act as an influential actor in Comco’s operation. For instance, HQ influence can be seen in the case of decision-making on the redundancy programme in Comco, as the HR manager said:

'The third organisational change was in early 2003. HQ in Taiwan decided to stop the Comco brand in the UK. There was no point to sell Comco brand computer only in the UK, because in Europe not so many people know the Comco brand and it was hard to increase computer sales. Meanwhile, HQ in Taiwan also made the decision to let Comco do its own thing. Thus, it was the
Also, the HQ exerts a tight cost and budget control over Comco in the UK due to top management’s belief and previous experiences with business losses in 1995, as the chairman commented:

‘Sales have to push their limits to do their job, but financial structure must be healthy and stable as well. In order to generate a healthy finance portfolio, we have to rely on cost and budget control (Business Week, 2005:46).’

In order to achieve the HQ strategic target, Comco heavily relies on the HQ in Taiwan to provide key resources and customers, as the MD said:

‘Most subsidiary level decisions are made by HQ in Taiwan. Our main supplier is HQ, and our main customer is Sun Microsystem in USA (part of Comco group). We need to report to Taiwan about our production control. The HQ in Taiwan is the main supplier for us...We have a couple of customers built from our head office in Taiwan and USA, but the engineering part of decisions is made by Taiwan. Technically, we are part of Comco Corp in Taiwan. They are still making engineering decisions for us on the production in engineering. Taiwan is responsible for the engineering development in new products. All the motherboard and manufacturing is in China. We purchase materials from China and Taiwan.’

6.4.4 Local Constraints for Comco Operation
The local legal environment tends to constrain Comco’s operation regarding recruiting non-British employees. As one of the functional managers in Comco said:

‘We want to employ more Taiwanese or Chinese, if you like. But they need to prove they can have the same skills as local people. Even if they do have the same skills we need to recruit local people first. I think that is because it is compulsory for us to recruit local people first if local people have same skills and can do the same jobs. You can say this is because of labour law regulations.'
Well, now the regulations are becoming stricter for us to recruit international people who need working permits. We will recruit foreigners, but we need to prove that we have special requirements for that job, for example that job needs a Mandarin-speaker to do the job.'

Legal constraint is evident in recruiting a diversified workforce according to equal opportunity regulations in the UK. Comco has a diversified workforce from different national backgrounds to work for Comco. As one of the functional managers said:

'We have a couple of Indians, two from South Africa, one Malaysian lady, one Taiwanese man originally from Taiwan. That Malaysian lady can speak Chinese and English well. We are a multi-national origins company. But we are a western production line in the Midlands. So, I do not think it is a big deal for us to manage multi-culture in our company. Most people from different cultures get on with their job well. I do not think ethnicity will count that much. Because in a Taiwanese company, everybody has his/her own job to do. As long as you can get on with your job, it does not really matter which ethnic group you are from.'

The locality is vital for Comco's operation because of shortening lead time for their customers in the UK and European market. Thus, Comco has to rely on local people to provide a labour force. The reason to choose the Midlands, as one of the senior managers said:

'I think it is very central. It is the centre of England, isn't it? So, it is very flexible for motorways. So, you know it is a very good environment to live in. I think there are certain important factors to choose here. Most of the employees live in this town as well. There is also some communication potential for engineers for notebooks engineers because there are several companies working in this town. There are more companies in this town than anywhere...I think for this type of work we have competitors here as well, such as Serentica, Star, and Samsung. They are doing similar jobs, but it appears to follow a Far East structure of jobs shifting to different companies, which might attract a lot of people who do not work for other types of companies. That is why they come here to work for us.'
Differences between the Taiwanese and British also constrain Comco’s operation in regard to management style. The Taiwanese top management team in the UK subsidiary are more conservative and tend to report everything to the HQ in contrast to the British management team. As one of the functional managers in Comco said:

‘For example, I need to report every single thing to HQ about what I am doing and going to do... the MD in Comco is more conservative and will not take responsibility on his own. My business trip in Europe is a good example. The MD will not approve my business travel until the HQ says yes to him. So, normally, I will get HQ approval first before I go to the MD for permission for it.’

6.4.5 Relationship between Regional HQ and Comco

Regional HQ in the US is the biggest customer for the Comco production site. Thus, the American office tends to influence Comco’s decisions and HR practices. The top management team in the UK subsidiary actually report to the US regional office regarding major decisions in manufacturing products in the UK site. However, the USA office still has to wait for approval from the HQ in Taiwan in relation to major decisions and adoption of repair process for new engineering products. As one of the senior managers said:

‘The managing director will have quarterly meetings and annual meetings to discuss general issues with the USA office in California. The British MD will tell us how to do things from his discussion with the USA office in California. The British MD will report to the USA office if he thinks it is necessary. He will discuss with the USA office about his thinking in the UK. Then the British MD will let us know the decision from the USA office.’

The British MD himself said:

‘Usually, every day I need to make contact with the USA office in California by phone and lots of e-mails. I go to the US office every three months for meetings. I need to go to the US to talk to customers. Of course, we have customers in the UK as well. That is why we have a subsidiary in the UK and different
subsidiaries in Europe. We have a big customer in the UK and Europe. Well, this business is global. We are a global company.'

The American office also influences the adoption of training practices at Comco. When a new product comes out, Comco has to send engineers to the US office to learn how to produce and quality check. As one of the senior managers said:

'We do all our training personally. But what happens if we have new products coming on board? Then, we will send engineers to Taiwan or US to learn that product and come back to train our operators and supervisors.'

Moreover, in the first stage, the HR manager in the UK office will propose the pay increase rate after meetings with two MDs in the UK. Then, Comco has first to get approval from the American office for pay increase in the UK. Finally, Comco has to get approval from the HQ in Taiwan. As the HR manager said:

'Every year, we will propose the pay increase percentage to HQ in Taiwan and regional HQ in USA. The proposed increase rate is about 3.5% or 4%, but it still depends on HQ in Taiwan. We can not get involved in the decision-making process.'

6.4.6 Tensions Arising from HQ and Local Environment

This section presents tensions arising from the HQ and local environment for Itco.

6.4.6.1 Cultural Differences in Way to Communicate

Communication problems are significant in relation to company information and daily communication for operations in the UK. Coordination is important for Comco’s operation in order to run the business smoothly under HQ supervision. As one of the senior managers said:

'Of course, we need to have Mandarin speaking employees in our company. We find it difficult to communicate with HQ in Taiwan in English. We need Mandarin speaker to help us interpret and avoid misunderstanding between each
Taiwanese companies are not willing to release company information to the UK subsidiary. Previously, Comco had separate meetings between expatriate and local managers, which caused some distrust between the HQ and local managers. As one of the senior managers said:

'I think Taiwanese managers like to have separate meetings with Taiwanese managers only. I found that is not a healthy way to do things here. I think it is not a healthy way for the British... I think it is better to be more open to British managers. ... But they do not tell us as British managers, why they like to have special meetings.'

The previous expatriate MD and other expatriate staff did not communicate with the local management team. Gradually, this led to some problems between the Taiwanese and local staff. As the production manager of Comco said:

'I think Taiwanese companies can improve communication with local managers and staff. I think Taiwanese companies tend to release information to local managers about not very important stuff such as implementation. But on important issues such as financial and redundancy, the Taiwanese will not like to talk to local managers. I think maybe that is for operational need. That is why the Taiwanese company leaves it to expatriate managers or expatriate managing team only.'

6.4.6.2 Adoption of HQ Practices without Consultation with Local Managers

The way of laying off employees in Comco causes tension between expatriate managers and local employees. The previous expatriate Taiwanese MD tended to lay off employees without wide communication with local managers and staff. This was due to lack of experience in laying off employees in Taiwan, and avoiding the
risk of confrontation through face to face communication, which is influenced by Confucian culture. As the HR manager said:

'Another example is related to the culture issue as well. When Comco Company was implementing the two redundancy programmes, the previous MD did not explain to employees why they were laid off. He just said that there was no job.'

Taiwanese managers tend to avoid conflict by avoiding face to face communication with local employees. The Taiwanese sales manager commented:

'I think Taiwanese companies do not like to tell employees what is going on. And suddenly local employees lose their jobs without any reason being given. To be honest, I felt embarrassed to tell employees that they needed to leave the company as well. Because I had no clue why these employees were transferred to my department....'

Hiring employees through personal connection and friends also caused problems for Comco, as the HR Manager said:

'The previous MD hired 3 Chinese PhDs for Comco, because he knew these 3 Chinese would have difficulty in finding jobs in the UK. He wanted to help these Chinese without a work permit, simply because they met before in the Birmingham church. I think all these examples go back to culture issues. As I told the previous Taiwanese MD, he would bring racial discrimination into Comco. It would cause British against Taiwanese. Managers favour Chinese or Taiwanese, or other Chinese backgrounds, more. I think you can lay off people if their job is redundant, but not because of race.'

6.4.6.3 Differences in Working Attitudes

To achieve the HQ targets in the UK subsidiary, the management team has to ask employees to work overtime or do extra jobs for the company. This creates problems because of different perceptions in working attitudes. Taiwanese and overseas Chinese tend to follow the HQ order to finish the job but British
employees tend to take their time to do it. As one of the functional managers in Comco said:

‘Overall, it is more relaxed to work in the UK compared to Taiwan. People here tend to work slowly and enjoy their life here. I think this is because UK environment and other social systems make people more relaxed in their job. In order to achieve the HQ targets, we used to work overtime before. British people do not like to do overtime very often. Thus, Taiwanese managers will not push them to work overtime. In the end, all Chinese background staff and expatriate Taiwanese staff including managers have to work overtime until late evening. To solve the problem, Taiwanese companies tend to have two approaches to manage employees in the UK. For Taiwanese employees and other Chinese (e.g. Hong Kongese, Malaysian Chinese, mainland Chinese), the Taiwanese MD and managers will ask them to do overtime or other extra work. But the Taiwanese MD and other managers will not ask British employees to do extra work or overtime. Because British employees will say: That is not my job, so I do not need to do it.’

6.4.6.4 Differences in Management Style between Expatriate and Local managers

Differences in management style between Taiwanese managers and British caused mistrust between the HQ and local staff. One typical example is the redundancy programme at Comco from 1997 to 2003. Taiwanese expatriate managers tended to follow the HQ policy to implement redundancy programme without communication and consultation with local managers. Thus, expatriate managers tended to be stricter and dictatorial. Consequently, this caused misunderstanding between expatriate managers and local people. As one of the functional managers said:

‘The Taiwanese MD is more conservative and not willing to communicate with employees and the British MD is more open to employees....as an expatriate Taiwanese MD here, you need not only to meet HQ requirements in profits but also to suit local employees and environments’ needs. It is a difficult task for a Taiwanese manager here. Because you have cost and profit pressure from HQ in Taiwan. And normally, HQ in Taiwan will ask Taiwanese managers for more
and more in their job performance. But HQ in Taiwan will not ask and push British managers or MD too much. Because HQ in Taiwan knows that it is very difficult to ask a local hired British manager to do everything HQ wants and needs...local employees will think it is difficult to negotiate or communicate with expatriate MD or managers here. But local employees and managers do not understand how much pressure there is from HQ in Taiwan, to be honest.’

6.4.7 Human Resource Management Practices

This section presents the HRM practices adopted by Comco.

6.4.7.1 Recruitment and Selection

Comco will recruit management/professional positions through current employees, advertising externally, word of mouth, recruitment agencies, and search/selection consultants. For assembly service workers, Comco tries to find employees through word of mouth, advertising internally and externally, and job centres. HR department tends not use complicated recruitment methods to hire employees. Consequently, the HR manager tries to avoid recruitment agencies and search consultants because of cost considerations. As the HR manager said:

'We use word of mouth to recruit employees in the Midland. But we found it difficult to recruit them because of another Taiwanese subsidiary’s problems at Telford. Previously this Taiwanese company has had a bad reputation in the Midlands because of redundancy. Meanwhile, we are looking for assembly low-skilled employees here. Thus, we do not need too complicated recruitment methods. Also, the previous Taiwanese MD and the current two MDs’ philosophy is not even finding the employees if we go for agency or search consultants. Hence, we try to avoid both. Agencies will make a 30% service charge on pay of shop floor and assembly employees we get from agencies.

6.4.7.2 Training and Development

The HQ in Taiwan designs the training and development programmes. All the training is on-the-job. In the beginning, there is induction training for all new staff, and includes company structure, procedure, health and safety, and company regular
regulations. Following the induction training for operators, the HQ department will send them for the technical training in the training school where they are taught to build up their tooling system. After spending 2 days in technical training, they have to build up their own system to show they are able to work. Then they are to test to use if they are able to build up the system. Comco also sends engineers to the HQ and regional HQ in California to learn skills for new products. They then come back to teach local operators to produce the new products and provide the repair service.

6.4.7.3 Pay and Performance Appraisal

Pay increases are based on individual performance. Before the HR department sends out the proposal to the HQ and American office, the HR department will refer the local pay increase percentage according to the annual Telford survey first. But the UK subsidiary cannot get involved in the decision making process for pay increase.

Comco conducts performance appraisals annually. There are two different assessment criteria for performance appraisal: one is for the service and support organisation; the other is for the production and support organisation (see Appendix 7 and 8). The major difference between the two appraisal forms used is that the one for the service and support organisation has more space for employees and managers to write without specific items. This is because the MD in the service and support organisation follows HQ policy in creating the performance appraisal form in the UK, while the production and system organisation adopts the American subsidiary’s. There are more structured with five major appraisal items for the production and system organisation: visibility (clarity of responsibilities /visibility of issues), velocity (on-time delivery of results), value (quality of results), organisational development (complete for supervisors and above), and leadership (complete for supervisors and above). The belief of Comco is that two-way communication on what is working and what can be improved is central to the performance review process. Review conversations with employees must not be held until all approvals are obtained. 3 months earlier than the pay increase deadline, HR manager will send the performance appraisal form to all managers in Comco, and will ask every manager to nominate the exceptional case for outstanding performance. The outstanding performer will get more reward, for instance 10% or 20%. 1 or 2 months later, the HR manager will remind all the
managers to conduct a performance review with individual employees. The reviewing process is that of evaluating the employee's work performance in relation to his/her current job requirements. Supervisors and managers have to use validated input from colleague reviews to complete evaluation. Second, supervisors/managers have to rate each of the goals and results, and for the overall rating to take the average of all of them. Third, supervisors and managers have to rate performance with respect to each other in the space, and supply supporting comments. The overall rating for each factor should be an average of the sub-items ratings. Fourth, supervisors/managers have to give employees an overall performance rating, which should be an average, with a 50% weighting on the overall rating for goals and results, and 50% weighting on the average of the rating for the following factors: visibility, velocity, value, and staff development and leadership, if applicable. The rating identification and description are seen as Appendices 7 and 8.

If any disagreement arises from performance results, the employee can file a complaint to the HR department and the two MDs, but no one can change the results when the pay increase has been made.

6.4.7.4 Organisation Communication and Quality Control

There are different ways to communicate both in service and support and production and system organisations, because of different MDs on site. At the service and support organisation, the Taiwanese MD tends to less willingness to release the HQ information and policy to all employees. Thus, the organisation uses informal ways to communicate with employees. As one of the senior managers said:

'I think Chinese culture affects the way I communicate with employees here. For example, I think employees will know the things which I think they should know. They should not know what they should not know. The only important thing for employees is to do their own job. It is not good for employees to know too much as well. The MD's management style is similar to mine, which means the Taiwanese MD will not tell me the things which I should not know as an IT manager here. I think British managers will have different ways of managing their employees.'
For the production and support organisation, the British MD and local managers use methods such as management chain and regular workforce meetings to communicate with employees. The British MD's philosophy in the production and support organisation is to want people to manage themselves in the company. He is open-minded and likes to talk to line managers and staff, especially in the production site.

The core value of the chairman in the Comco international group is 'quality'. In order to enhance excellent quality, the chairman focuses on 'bottom line' rather than 'top up' (Business Week, 2005). Thus, the HQ adopts 7Ps (Professionalism, Planning, Performance, Perfection, Profit, Pleasure, and Prestige) to improve quality within the company. Every month, each employee has to produce a monthly statistical report after analysing his/her data so all employees get involved in quality improvement schemes. Through involvement in the company's operation, all employees can propose possible solutions to improve productivity. The quality control policy has been transferred from the HQ to the regional US office. And then the US office transfers to the UK office. As the MD in the production organisation said:

'Quality control: we are basically using the approach of measuring process, statistical control. We are actually aiming to control really by looking at new control process. We are banned from doing inspection because we do not really need to do that.'

6.4.7.5 Overtime

Comco used to ask employees to work overtime when they were making a profit before the redundancy programme. Also, Taiwanese managers used different approaches to manage different national groups regarding overtime practices. Taiwanese and employees with a Chinese background tend not to refuse managers' order in the company, but there was seen to be more of an issue with other employees. As the sales manager said:

'Taiwanese companies tend to have two approaches to manage employees in the UK. For Taiwanese employees and other Chinese (e.g. Hong Kongese,
Malaysian Chinese, mainland Chinese), the Taiwanese MD and managers will ask them to do overtime or other extra things. But the Taiwanese MD and other managers will not ask British employees to do this. Because British employees will say: That is not my job, so I do not need to do it. I think this situation happened more often when Comco was still making a profit. But now we are losing business and do not need to do overtime.'

6.4.7.6 Attitudes to Trade Union

There is no trade union in Comco. This is because of HQ and the MD’s attitude to trade unions. For instance, the British MD’s attitude is not to believe in trade unions because of the way they are. As the British MD said:

'We do not have a trade union on site. I do not want to be bothered by a strong trade union in the factory or by strong union representatives... Basically, I run the company on a non-trade union basis. So, we will stick to our management style. I will not go out of my way to ask for a trade union in my company.'

6.4.7.7 Selection Criteria for Expatriate Managers and Staff

Comco has been in the UK more than 15 years, since 1988. Before 2000, there were more expatriate Taiwanese managers and staff in Comco, such as the MD, sales manager, IT manager, and key professionals, including engineers. Due to losing business in the UK and Europe, the HQ decided to downsize Comco in 2000. Currently, there are only two expatriate Taiwanese managers in Comco, and the HQ reserves the right to make decisions about who is going to work overseas. But it seems that most expatriate vacancies are in sales-related areas due to the subsidiary’s strategic role in acting as a sales and service centre in the UK and Europe. The HQ will select the expatriate staff from the sales team with good performance in Taiwan. Also, the HQ will prefer to recruit people with a western MBA degree because of the language consideration. Further, previous working experience in computer and IT-related area is preferred by the HQ. As the sales manager in Comco said:
In the beginning, I was recruited in Taiwan and sent to work in Comco. I belong to local hired employees because HQ wants to save labour cost. I got promotion to be a sale manager because I had working experience in sales in Taiwan before. Meanwhile, I am familiar with IT as well. Generally speaking, management promotion is based on individual performance and seniority as well.

Table 6-4 Comparison of Human Resource Practices of Comco in HQ and UK Subsidiary

<table>
<thead>
<tr>
<th>HQ</th>
<th>UK Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Legal working hours, 44 hours per week</td>
<td>37.5 hours per week</td>
</tr>
<tr>
<td>• No flexible working hours</td>
<td>Flexible working hours</td>
</tr>
<tr>
<td>• Overtime for all employees</td>
<td>Compulsory for expatriates voluntary for local employees</td>
</tr>
<tr>
<td>• Pay for individual performance</td>
<td>Pay for individual performance</td>
</tr>
<tr>
<td>• Performance appraisal</td>
<td>Performance Appraisal</td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td>On-the-job training</td>
</tr>
<tr>
<td>• Formal communication with CEO</td>
<td>No formal communication</td>
</tr>
<tr>
<td>• Quality control 7 Ps</td>
<td>Follow the HQ and US office measurement for statistic control</td>
</tr>
<tr>
<td>• No trade union</td>
<td>No trade union</td>
</tr>
</tbody>
</table>
6.5 CASE IV: SHIPCO

This section introduces the fourth case study of Taiwanese subsidiaries in the UK in terms of profile of company, the purpose to set up the UK subsidiary, the relationship between HQ and Shipco, constraints of local environments for Shipco, relationship between regional HQ and Shipco, and tensions arising from the HQ and local environment.

6.5.1 Profile of Company

Shipco began operating in the UK in 1997. Prior to 1997, the HQ had a shipping agency, Johnson & Steven, since 1972. HQ setting up its own subsidiary in the UK was a result of a change in HQ strategy and the Taiwanese government has started to implement privatisation policy since the 1990s. The change stemmed from the HQ being privatised in 1996. Shipco was a priority for government to privatise for the following reasons: first, after the civil war in 1949 and changes in political environment in 1972 in Taiwan, it was important for the government to establish one shipping company to replace the government shipping department to run the shipping business in Taiwan. Hence, Shipco became a state-owned international enterprise, which provides a shipping service for all import and export companies in Taiwan. The mission at that time was to provide a competitive shipping price and service for all import and export activities in Taiwan that would force all foreign private-owned shipping companies not to increase price as much as they could. Second, in the 1970s, economic growth in Taiwan made competition tough in the shipping industry. In order to compete with other private-owned shipping firms, it was necessary for government to grant more operational autonomy for Shipco in Taiwan. For instance, due to bureaucratic systems in Taiwan, the decision-making process was longer (at least one year) in Shipco than in other private-owned companies for ordering a new ship from other companies or countries. In order to increase the company’s competitive advantage, the government decided to privatise Shipco. Since 1992, the HQ set up a series of change plans to increase profits. During the privatisation process, the manpower declined through a natural and voluntary redundancy in the workforce, such as zero recruitment and early retirement with a package of retirement benefits (Business Week, 2004).
To facilitate its internationalisation strategy, the HQ decided to cultivate qualified staff to tackle competition in terms of globalisation in Taiwan. Hence, the core guidance for cultivating internationalised staff is one of company core values, mission, and vision. The core values are teamwork, and pursuing excellence, which includes improvement and innovation. The company vision is to become the best shipping group in the world. In order to achieve annual profit targets, the HQ not only recruits the best staff through written exams but also has implemented TQM initiatives over the past five years. The HQ designs three kinds of training programmes for all staff: on-the-job training, off-the-job training, and self-motivation. The key concept of on-the-job training is to have management mentoring and job rotation. Also, the HQ started to have strategic alliances with other MNCs that provides a good opportunity for staff to learn also how to negotiate with such MNCs. Moreover, the HQ will send staff to attend difference kinds of international meetings to learn how to tackle sales issues. With regard to off-the-job training, the HQ arranges an employee training programme through collaborating with a university to open a special shipping MSc programme for senior managers.

There are more than 90 staff in Shipco. The majority of the workforce is clerical. Most female staff are part-time workers, reflecting the flexible working hours. As the HR manager in Shipco said:

'In our company, you have seen lots of employees are female and young mothers. Young mothers like to consider their families a lot. It is important for young mothers to go home to take care of their child. That is why we have lots of part-time female employees here. Young mothers need to go home to look after children... We have around 34 young women who have children. More and more younger people play hard, but in our generation we work hard and play hard, haha. Now the young generation play hard more. They do not work hard to get any further for their life, but my generation is different. That is why young women like to work on a part-time basis. They play hard rather than work hard, I think. Of course, there are some exceptions who work hard. But overall, I think young women do not work hard.'
Shipco's organisation structure is shown in Figure 6-4. Shipco consists of two offices in the UK: one is in Ilford, the other is in Felixstowe. Most employees in Ilford are responsible for sales, finance, IT, and HR functions. The Felixstowe office mainly deals with port issues such as delivery and releasing containers, etc. Regarding day-to-day operation, the office manager in Felixstowe has the main decision-making power. However, he still follows the HQ and Ilford office's directions.

Figure 6-4 Shipco UK Organisation Chart

6.5.2 Purpose of Shipco

The purpose of Shipco is to provide shipping services in the UK and Europe according to the HQ plan in 1996. As the sales director in the HQ said:

'After privatisation in 1996, the whole group aims to provide shipping service on a global basis. It is a growth period for the HQ after 1996. Thus, it is necessary for us to set up service on a world-wide basis.' (Business Week, 2004:24)

As the senior QA manager in Shipco said:

'I think the HQ policy is to open its branch offices gradually by themselves. The HQ Taiwan used to have a local agency, which worked for them in the UK. In 1997, they also opened branch offices in Japan and the UK at the same time. I think it was the Taipei HQ policy to open an office in the UK. Late, it also opened offices in Netherlands and Hamburg. I think the Taipei HQ policy is to set up its own offices rather than using agents in different countries.'

6.5.3 Relationship between HQ and Shipco

Shipco tends to follow the HQ decisions and policy regarding its decision-making. As the MD in Shipco said:

'Basically, we need to follow Taiwan to do things in the UK. We need to report to Shipco Taiwan. Head office in Taiwan will control number of employee in the UK and Europe.'

The QA manager also said:

'I think there is a strong control from HQ in Shipco Taiwan. Head office in Taiwan will make all main decisions for Shipco. We need to answer to HQ in Taiwan about our decisions. Then Shipco Taipei will tell us what we should do here. Shipco Taipei will send us their decision by e-mail. All our main decisions are from Shipco Taipei, you can say so. Shipco Taipei left day-to-day operation to us. So, Shipco runs the office on a day-to-day basis. If important things come
out, we need to go through HQ for the final answer. That is what we are operating in Shipco here.'

Regarding the decision-making control over the HR issues, the HQ seems to exert a strong cost control. Over the years, the HR manager tried very hard to persuade the HQ to agree a company pension scheme in the UK. As the HR manager in Shipco said:

'For instance, all our competitors and their staff have a pension scheme. But we do not have. HQ in Taiwan dictates everything for us. But they do not understand the UK’s situation, I think. We (British) in the UK site tried hard to persuade HQ in Taiwan. Cost is the biggest factor for our pension scheme according to HQ maybe. HQ in Taiwan disagrees with our pension scheme. We are trying to persuade HQ to have a manager pension scheme first.'

In order to monitor financial performance and HR costs in the UK, the HQ will send auditors to the UK once per year. The auditors will check everything in the UK office, including accounting, HR, and sales issues. Then, the auditors have meetings with all department managers for three weeks to finish the auditing. In addition, the HR manager and the Finance manager have to send monthly reports to the HQ for monitoring. As the senior documentation manager in Shipco said:

'Shipco is strict. For example, you cannot do anything you like. You cannot make the decision you like. They (HQ) will make decision for you. They will help you to do things here. They will tell you to do things in Shipco .... They are stricter in the way to manage people, I think. They like people to write back more often, right? Certainly, in certain parts, I think. I think they (means British and Taiwanese companies) are the same for goals. They like to set goals for management and would not like to let management have freedom. HQ in Taiwan has lots of control, definitely. Everything we do which is unusual, we need to ask in Taiwan...regarding financial control, I do not know whether HQ in Taiwan has strict finance or cost control. But I can tell they like to check. It seems that they have many people to check everything.... You can not make any mistake. If
you make any mistake they will tell you straightaway (laughing). They can send you an e-mail to tell you.'

The HR manager also said:

'HQ likes to make decisions in Taiwan without our agreement. Maybe that is the way Taiwanese do things, haha. So, power distance is high and very influential for our managers. For instance, the pension scheme, I have tried very hard to persuade HQ to let us have a pension scheme in Shipco. But they still disagree with me. Generally, they [British] have got a problem communicating with HQ in Taiwan. I think communication between HQ and us is a problem.'

HQ also controls the key sources for Shipco's operation, especially the decision power on shipping price and rate from the Far East to the UK, and vice versa. As the HR manager said:

'I think resources are important to us. After 1997, we restructured certain activities to bring more revenue to the UK. Certainly, it is in the information part from the HQ to Shipco, for example customer's information. HQ sent the business policy for us, and how much charges are for us, except tariff, you know.'

6.5.4 Constraints of Local Environment for Shipco

A number of constraints from the local environment were evident. Most employees are recruited from local areas because the company is not paying for higher transportation costs. Thus, Shipco has to rely on local residents to provide the service, and the majority of the workforce is female. As the HR manager in Shipco said:

'Local institutional factors are important for us, too. For example, the quality assurance manager was transferred from our previous agents. The QA manager does not live in Ilford. When we moved into Ilford, his transportation cost significantly increased. But he is an exceptional case. Most of our employees are
from Ilford. They are living in this area, and noone from London will work in Ilford. The commuting cost is high. Of course, we will compensate but not a lot. So, most of our employees are recruited from Ilford. Maybe pay is lower here. That is why noone will like to work here far away from his or her family in Ilford... In our company, you have seen lots of employees are female and young mothers. Young mothers like to consider their families a lot. It is important for young mothers to go home to take care of their children. That is why we have lots of part-time female employees here.'

The MD also said:

'I think British people have their way to do things because of cultural influence and the way they were brought up.... For example, most of our people or our Taiwanese or Asian, will think British people are lazy. That is why British are not so aggressive and work longer hours, as we do. But I think the reason is that the British do not need to worry about their future. British have a social welfare system to support them even without a job. But it is not the situation in Taiwan.'

6.5.5 Relationship between Regional HQ and Shipco

The regional HQ in Europe is in Hamburg, which on behalf of the HQ in Taiwan monitors Shipco's operations including HR issues. Normally, the European president uses the HQ (Taiwan) standards and procedures to audit the UK office once every two or three months. HQ in Taiwan decides all the operational situations, such as the tariff rate and prices. Then Hamburg office will check Shipco's operational procedures and prices following the HQ decision. In addition, the president in the Hamburg office will get involved in HR issues in Shipco, such as performance appraisal for all expatriate staff in Europe and local people. In the end, the European president still uses the HQ HRM policies and practices to decide which HRM policy or practice should be implemented in the UK. As the MD said:

'We need to follow Taiwan head office's and Hamburg office's decisions. For example, Mr. H is our president in Europe. He knows lots of things and decisions from head office in Shipco Taiwan. That is why we will report to Hamburg office
first about our operations in the UK.... We have contact with Shipco Taiwan very often. Head office in Taiwan will e-mail us if any decision comes out. Of course, the Europe head office in Hamburg will know the decisions from Taiwan. Shipco Taiwan will send an email to us (Shipco) and make a copy to Hamburg office, because our head office in Europe is in Hamburg and the president in Hamburg needs to know what is going on in the UK. The president will come to the UK to check out the operation personally. Normally, the president will come to the UK office once every two or three months. But he will see whether it is necessary to come to the UK. We need to go back to Shipco Taiwan once every year and report the business operation to Taiwan.'

Previously, there had been no finance manager in Shipco for two years as the finance office in Hamburg office dealt with finance and accounting issues. Currently, there are more than 30 expatriate managers and staff in the Hamburg office, including IT, finance, sales, and operation functions. However, due to differences in accounting regulations between Hamburg and the UK, it is difficult for people in the Hamburg office to deal with accounting issues for Shipco. In order to run the accounting department smoothly and provide a control and coordination mechanism, the HQ in Taiwan decided to send an expatriate finance manager in 2004. As she said:

'Previously we had a locally hired finance manager in Shipco. Later, he left the company. After his leaving, Hamburg office was responsible for accountant stuff for Shipco UK for 2 years. That is why there are more expatriate Taiwanese people in the Hamburg office...Our European regional HQ in Hamburg will check our financial report twice or three times per year.'

6.5.5 Tensions Arising from HQ and Local Environment

This section presents tensions arising from the HQ and local environment for Shipco.

6.5.6.1 Cultural Differences in Communication

There are tensions arising in the communication due to cultural differences and the language barrier between the HQ and local managers. Therefore, the HQ has to rely
on fax, e-mail, or expatriate staff to serve a coordination and monitoring role. As the HR manager said:

'Generally, we [British managers] have a problem communicating with HQ in Taiwan. I think communication between HQ and local managers is a problem. That is why HQ seems to disagree with what we proposed in Shipco. Maybe language is a problem for us to communicate with them, haha. It takes time to understand each other. Sometimes, it is frustrating to communicate, but we still need to move on and try. So, HQ will make all decisions for us and tell us by e-mail or another way, fax... currently, we have one expatriate MD and expatriate finance manager from Taiwan to act as a communication bridge between Shipco and HQ in Taiwan.

6.5.6.2 Subsidiary's Strategy: Adoption of HQ Practices without Consultation with local managers

The role of Shipco is to serve the UK and European customers. Shipco has to follow the HQ decision on shipping prices and quotas from the Far East to the rest of world, as well as the HR policy and practices. The HQ has the final decision-making power, often without consult local managers. This leads to some misunderstandings between the HQ and local management team. As the senior documentation manager in Shipco said:

'They are stricter in the way they manage people, I think. They like people to write back more often, right?... They like to set goals for management and would not like to let management have freedom. HQ in Taiwan has lots of control, definitely, I think. Everything we do in Shipco is unusual, for instance, regarding shipping prices, we then need to ask HQ in Taiwan in order to proceed further.'

6.5.6.3 Differences in Working Attitudes

Differences in working attitudes between British employees and expatriate Taiwanese cause tensions in Shipco’s operations. British employees are seen as more relaxed and as having lower commitment to the job. Taiwanese managers and
staff are seen as harder working. These differences were attributed to cultural differences between British and Taiwanese. As the QA manager said:

'I think the differences are many. For example, Taiwanese companies have a different culture from British, because the working culture in Taiwanese companies expects more from staff for their salaries. For example, Taiwanese companies have long working hours but with less pay. English companies do not work longer hours according to their pay. English companies just ask you to do things you are paid for. No extra expectation from staff. .. Taiwanese companies will expect longer hours from English people. I think that is culture issue. As you see, in Shipco, especially in Ilford, most staff are women. They come to work in Shipco not for careers but to earn salary, pay bills at home. So, they do not have great commitment to Shipco. They just want to do easy work. They do not put their life for the company. Managers in Shipco try to force them to carry out commitment. But it is not an easy task.'

Cultural differences were also a common constraint. Expatriate managers and staff were used to following the HQ way to work here, such as working long hours. British employees were showing a lower commitment to the company and less willingness to spend extra time for the company. As the finance manager in Shipco said:

'Why I say they do not have commitment to their job. For example, British people in my department will look at the newspaper when the clock is at 5:00pm exactly. They will not work more than even one second. They prefer to read the newspaper in front of me. They count every second which they are working for this company. But in Taiwan, people will not behave like this.'

6.5.6.4 Differences in Management Style between Expatriate and Local Managers

There are some differences in management style between expatriate managers and British managers. The expatriate MD tends to show a more Confucian management style in the way he manages people in Shipco, which means the expatriate MD likes
to listen to his subordinates' opinions and suggestions regarding company operation. The MD's managing behaviours are influenced by his previous working experience in other European countries. As he said:

"In fact, I was working in Europe for many years. And I have been to lots of countries when I was a captain. I really think the way people behave is really dependent on the way they were brought up. ...But I think the reason is that the British do not need to worry about their future. The British have a social welfare system to support them even without a job. But it is not the situation in Taiwan....I used to discuss with local managers about the day-to-day operation. But we need to follow Hamburg office's decisions and suggestions and head office's in Taiwan. ... I think it is better to show respect to local managers. Because our Taiwanese believe that 'strong dragon [refers to Taiwan] does not push local tiger [refers to the UK] '... That is my way to do things in Shipco UK.'

The senior sales manager also said:

"Obviously, if the MD decides it, we [all local British managers] have to implement. So, he is the managing director in the company and he has the final say. Occasionally, the local managers might disagree with each other, then we will go to the MD for normal auditing. So, he is the final one. Let's say, he might discuss with us, then he might take some comments."

The HR manager also said:

"The MD [Expatriate Taiwanese] is very easy to communicate with and get along with. He is the MD, but still listens to us. He shows respect to all managers' opinions and suggestions. We discuss if any problem comes out. We have meetings together. The MD is open-minded to us and likes to adopt our decisions. So, I do not think he is traditional or conservative. He used to be in the UK or Europe maybe that is why. Other senior managers are British, so, we always meet and discuss."
By contrast, British managers tend to be more relaxed and have more opinions and views about the company’s operation and the way of managing people. As the MD said:

‘At least, in Shipco UK, we will show respect to British people. In the Far East, all people will discuss what things to do in the same company. But in the UK or Europe, people are more individualistic. I think for British and Europeans, the managers or boss are not so important for them.’

Most managers in Shipco are British, who have worked for more than 20 years or more. Thus, the British management team have a big say in the way of managing people due to their working experience in the shipping industry. The impact of British culture on British managers’ behaviours is shown in the way they manage people in Shipco. British managers welcome their employees to talk to them on any problem concerning the working. This is due to British employees, not liking being ordered about what they should do or should not do in workplace. The senior documentation manager said:

‘We (British) do not like to be told what we should do. Taiwanese are strict. They like to tell you what to do, but we like to do things in our way as long as we are getting on. We (British) do not like to have more authority from other people.’

6.5.7 Human Resource Management Practices

This section represents the HRM practices adopted by Shipco in the UK.

6.5.7.1 Recruitment and Selection

Shipco commonly uses recruitment agencies and word of mouth for recruitment. Adoption of recruitment agencies is the HR manager’s decision in Shipco. Through tight budget constraints from the HQ in Taiwan, the HR manager cannot use complicated recruitment methods to recruit employees by himself. As he said:
'I need to work in two offices by myself. There were not enough HR staff to work for me. We have tight budget and cost control, and I need to send monthly reports to HQ in Taiwan about the staff cost. Currently, we have budget constraint from HQ. So, I can not recruit HR staff to work for me. I need to cover HR functions and company matter in the Felixstowe office. It is easier for me to recruit people through local recruitment agency. We do not need to pay without the right calibre people. It is hard to recruit the right calibre with the budget constraint in Shipco. So, I decide to ask recruitment agency to recruit the employees for me. I can not screen more than 200 people by myself for a few job vacancies in Shipco. I will interview people when recruitment agencies send the candidates to me.'

Word of mouth is frequently used by the HR manager because most vacancies are for part-time positions. In order to recruit the employees on time in an efficient way, the HR manager tends to use word of mouth to recruit people. As the HR manager said:

'We use word of mouth frequently. Lots of clerical staff are recruited from current staff. Women like to spread the word around. Taipei's policy is local hired.'

No complicated selection techniques are used by Shipco. This is due to the shortage of HR staff in the HR department and the cost constraint from the HQ. Basically, the HR manager and departmental managers will conduct interviews after recruitment agencies screen the candidates. As the HR manager in Shipco said:

'I will interview people when recruitment agents send the candidates to me. Well, other department managers will interview the applicants if they need new employees. We do not have complicated selection techniques in Shipco UK. As I told you before, we have budget constraint.'

6.5.7.2 Training and Development
On-the-job training is the most frequently used training method in Shipco. This is because most positions are clerical level without high skill requirements. On-the-job training is the responsibility of individual department managers. Each manager will follow the QA manuals designed by the QA manager. For new staff, there is an induction course run by the HR manager. Then new staff will be assigned to their department to do one month on-the-job training. At the end of the first month, the departmental manager will assess new staff's performance. If any new staff fail the assessment, then the departmental manager will retrain them until he/she performs well in the department. After a three-month probation period, the new staff will be asked to leave if their performance does not meet the company's standard. As the QA manager in Shipco said:

'For new staff, we have one month training when they first join Shipco. Then, at the end of that month, they need to have completed the training in what we expect them to learn in the first month of training. Then they start to work in their department for another couple of months. Then we will reassess them. They continue the training if the departmental manager is not satisfied with the training results. Then the manager will retrain them again until the new staff can perform well in the department. ...Individual managers will review and assess the training needs for their staff. They will recheck employees again at his discretion...If any employee fails, the departmental manager will do more training. All the training meets working standards in Shipco. For new staff, we have 3 months' probation period. After 3 months, managers can say to them: You can not work here according to your performance over the past 3 months. Then we need to let them go.'

Currently, most management promotions are made on the basis of seniority and previous working experience in the shipping industry. On average, all British managers have been working for Shipco for more than 20 years.

6.5.7.3 Pay and Performance Appraisal

Pay in Shipco is based on experience in the shipping industry and seniority. On average, the pay is lower than that the industry market rate. Thus, in order to attract
local residents to work for Shipco in Ilford and meet the HQ policy with lower pay, the HR manager and other British managers decided to recruit more part-time staff. Most of the part-time employees are female with family in the Ilford area. By using part-time workers, Shipco can not only solve the employee shortage problem, but also meet the HQ targets. Local managers cannot persuade the HQ to increase pay in order to attract the right employees. Pay level has been a political game between the HQ and Shipco over the past few years. As the QA manager in Shipco said:

‘Our pay level is lower than the market. We have problem with head office in Taipei. For example, our holiday annually is less than other companies’ in the UK. But the pay is not as low as you think. I think Head office in Taipei does not think in our way in the UK. That is why we have less holiday leave in Shipco UK. If we ask more holiday leave, then head office in Taipei will tell us to have a lower pay. They (head office) can get away to give us less pay and holiday leave.’

In order to persuade the HQ to set up a private company pension scheme for all staff in the UK, the HR manager in Shipco uses British regulations as a leverage point to negotiate with the HQ. Meanwhile, the HR manager is unwilling to release his HR functions and responsibility to the expatriate finance manager who was sent by the HQ to be responsible for HR issues two years ago. By working two functions, both in the HR department and as company secretary, the HR manager can have more power over the whole subsidiary. British managers are aware that the average duration of expatriate managers is limited to three years. As the QA manager in Shipco said:

‘The MD is a figurehead in Shipco UK... He relies on his local managers to handle employees. He does not personally involve himself with staff, I mean the lower staff. He does involve himself at the managers’ level. He was forced to be involved with overall changes as a figurehead. He has complete responsibility for the whole of Shipco. But day-to-day running of the office is done by managers in Shipco. I think the MD is close to the HR manager. The HR manager is company secretary for Shipco, and knows all HR issues here too. The HR manager is responsible for the smooth running of the office in Shipco. He is running legal
and HR issues in Shipco. The HR manager will keep the MD informed on the final criticism from other managers in Shipco. The MD will discuss with the expatriate finance manager as well. He lets his individual manager do things. The rest of the managers will make their decision about the day-to-day operation in Shipco.'

That the HR manager uses HR functions as a leverage point is evident in the interaction between him and the expatriate finance manager. As mentioned earlier, the HQ was hoping the expatriate finance manager can deal with HR functions in Shipco and keep the HQ informed about the UK's labour regulations and relevant policy. This is as a result of the HR manager's always trying to persuade the HQ to have a company pension for the whole UK staff over the past few years. As the finance manager said:

'In the beginning, I was told by head office in Taiwan that I am sent to the UK subsidiary to be responsible for both of finance and HR stuff. Currently, our HR manager is our company secretary too. He is responsible for HR issues in the UK subsidiary. After I came to the UK office and asked him to transfer HR matters to me, he refused to do so. He is still responsible for the HR department in the UK office. I think he is very political by doing this. He thinks he will lose his controlling power over the UK subsidiary if he transfers HR matters to me. I mentioned this issue many times to him. But he keeps ignoring me and is still doing HR stuff in the UK office. I think he must think he is going to lose his job if he transfers to me anything regarding the HR function. Why did head office ask me to be responsible for the HR function? I think it is much easier for head office to know the more detailed situation in the UK office. Also, the local people and the HR manager always request a private company pension for local staff. But head office does not know what is going on here. So, head office thinks it is better for me to be in charge of the HR function too. We are still fighting about this issue. So, I can not move to the finance manager's desk and office in the UK subsidiary. I still share the office with other local staff in the finance department. I think the HR manager is good at manipulating matters and people in the UK office. The MD is a very nice person who will not use his power to assign HR functions to me. The reason is that the HR manager is a very senior person in the
UK subsidiary. Also, the HR manager is our company secretary as well. Maybe it is better for us to get along with the local HR manager.'

Regarding performance appraisal, Shipco does not have a formal performance appraisal scheme for local staff. Shipco will assess local employees' performance through attendance and training record. Individual departmental managers will mark employees individually without conducting performance review. The HR manager will keep a training record for all staff and performance results. The reason for not having a formal performance appraisal scheme is as a result of the MD's attitude. Also, the HR manager plays a key role in deciding whether Shipco should have a formal performance appraisal scheme or not. As the MD in Shipco said:

'Currently, we do not have a formal performance appraisal in Shipco UK. I do not think it is necessary to have one. We are a small company in the UK and do not need to spend money to do complicated things. I think the HR manager will talk to me if necessary. We only need computer software to record employee absence from day to day. I think that is pretty much enough.'

6.5.7.4 Overtime

Overtime practice seems to show a distinct contrast in working behaviours between British employees and expatriate Taiwanese managers in Shipco. Compared to local staff, the MD and the finance manager are used to working overtime in Shipco. As the QA manager in Shipco said:

'For example, Taiwanese companies have long working hours, but without more pay. ...English companies do not work longer hours according to their pay. English companies just ask you to do things you are paid for. No extra expectation from staff. English companies do not need to work longer hours...We are lazy people,... Taiwanese companies will expect the English to work longer hours than English people. I think that is a culture issue.'

6.5.7.5 Organisation Communication and Quality Control
No formal communication is undertaken by Shipco. The management team will talk to employees about business if necessary. As the HR manager in Shipco said:

'We do not have a formal communication programme in Shipco UK. We are talking to employees about business when needed. We will tell them what is increasing and what is going to be. They come to see us when they have problems. I do not have time for a formal communication programme. ...At the moment, they can come to see their managers, me, the MD. HQ in Taiwan does not tell us to have a communication programme. Maybe HQ does not care what happens with employees here, [laughing]. I tell employee to talk to me if they have problems when I am in the office.'

After the HQ in Taiwan setting up a fully owned subsidiary in 1997, its policy was to promote and implement total quality control management (TQM) for the whole group. Thus, Shipco was asked to design its own quality control procedure in order to meet the HQ standard. As a registered company in the UK, it is compulsory for Shipco to set up quality control procedure according to ISO9001/9002. All the QA manuals and procedures are maintained by the QA manager. The international auditing organisation called BVQI will audit QA manuals and procedure for Shipco once every six months. The QA manuals are in Appendix 6. Each department has to inform the QA manager if any changes in working procedure are made. Then the QA manager has to amend it for auditing. As the QA manager in Shipco said:

'All working procedures are carried out in different departments. Actually, all the documents are done by me and controlled by me. I need to know all the changes from different departments for practitioners. I need to correct and maintain if practitioners change. Then we need to be checked by BVQI every month. So, the acceptance is not automatic. We need to be audited if there is any change.'

6.5.7.6 Attitude to Trade Union
There is no trade union in Shipco as a result of HQ and both the MD and HR manager's attitude. In addition, one of the major competitors for Shipco is Evergreen (E) Company which does not have a trade union due to bad experience in dealing with a trade union in Germany. The chairman of E Company decided to move the European HQ from Hamburg to London because of concerning with trade union power and labour protection in health and safety issues. As the MD in Shipco said:

'E Company moved its head office from Germany to the UK because it suffered from employee complaints and trade union when they were in Germany. The owner of E Company was really fed up with continuous fights and complaints from employees and trade union. For example, Germany employees will argue with you simply because of the chair on which they are sitting. Employees in Germany tend to complain to the trade union about the bad chairs, which will damage their health. So, employees in German office asked the company to provide and improve better chairs for them to use in the office. If the company does not improve the condition of the chair they are using, then employees in the Germany office will argue with the manager and company until they see the improvement. The owner of E group was very angry about this sort of employee and trade union complaints in terms of health and safety issues. The owner decided to move his Europe head office from Germany to the UK.'

6.5.7.7 Selection Criteria for Expatriate Managers and Staff

A number of selection criteria for expatriate staff are decided by the HQ in Taiwan. First, the company will look at your performance record in Taiwan, which be good. The HQ has a formal performance appraisal scheme for all employees in Taiwan. Second, more than two years' experience in the HQ. Third, pass an English test such as TOEIC, with a score of 600. Fourth, manager's opinion and suggestions. Fifth, the vice-president or above will interview the potential candidates. Normally, the duration for expatriate employees is from 2 to 4 years. There are still some exceptional cases, such as the MD in Shipco and the president in the Hamburg office. The MD has been working overseas for more than 20 years, because he was a well-experienced shipping captain with more than 25 years in Shipco. The
president in the Hamburg office has had strong finance and accounting knowledge in the shipping industry for 20 years. Thus, the HQ still has the final decision power to decide on the duration of expatriate staff. Table 6-5 compares differences in HRM practices adopted by HQ and Shipco in the UK.

**Table 6-5 Comparisons in Human Resource Practices between HQ and UK Subsidiary**

<table>
<thead>
<tr>
<th>HQ</th>
<th>UK Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Legal working hours 44 hours per week</td>
<td>37.5 hours per week</td>
</tr>
<tr>
<td>• No flexible working hours</td>
<td>Flexible working hours</td>
</tr>
<tr>
<td>• Overtime for all employees</td>
<td>No overtime</td>
</tr>
<tr>
<td>• Pay for individual performance</td>
<td>No pay for performance</td>
</tr>
<tr>
<td>• Performance appraisal</td>
<td>Incentive bonus for individual performance</td>
</tr>
<tr>
<td>• On-the-job training</td>
<td>Same measurement standard as HQ</td>
</tr>
<tr>
<td>• Formal communication with CEO</td>
<td>Designed by local manager</td>
</tr>
<tr>
<td>• Quality control: TQM</td>
<td>No formal communication</td>
</tr>
<tr>
<td>• No trade union</td>
<td>Designed by QA manager in UK Office according to ISO9001/2</td>
</tr>
<tr>
<td></td>
<td>No trade union</td>
</tr>
</tbody>
</table>
6.6 SUMMARY

This chapter illustrates the four case study subsidiaries in terms of profile of the company, rationale for setting up the subsidiary in the UK, the relationship between the HQ and subsidiary and the relationship with regional HQ regarding management practices, tensions arising from the interactions between the HQ and subsidiary, and HRM practices adopted by the four subsidiaries in the UK. Also, Tables 6-2, 6-3, 6-4, and 6-5 summarise comparisons in HRM practices adopted by HQ and these four subsidiaries in the UK. The next chapter will compare and contrast the four case studies’ findings which link to the theoretical framework developed in this study.
Chapter 7
Discussion

7.1 INTRODUCTION

This purpose of this chapter is to compare and contrast the results from the four case studies and survey findings. The discussion moves sequentially around the axes of the analytical framework in Chapter 2 in relation to how and why external factors (i.e., home country effect, host country effect, cultural differences, nature of product market) and internal factors (i.e., subsidiary-level decision, subsidiary strategic role, method of establishment, expatriates and host nationals managers' choices) influence the adoption of HRM strategies and practices across borders. This mirrors the structure of the case study chapters.

7.2 EXTERNAL AND INTERNAL FACTORS

The following section will discuss influence of external and internal factors on adoption of HRM strategies and practices by four UK subsidiaries.

7.2.1 Home Country Effect, HQ Controlling Power and Methods of Control

The survey findings indicated that the home country effect influences the adoption of HRM strategies and practices at the subsidiaries’ level. In addition, the findings showed that more than 54% of subsidiaries’ final decision-making authority on the issues of workforce expansion/reduction at their level belongs to the owner of the whole group and the director, such as the CEO and departmental directors in the HQ. The results of the case studies revealed that the HQ exerts different methods of control over these four subsidiaries: (1) human control (e.g. expatriate managers); (2) system control (e.g. IT system); (3) technology control (e.g. world wide online accounting system); and (4) HRM practices control (e.g. performance appraisal criteria and quality control practice). Figure 7-1 shows the methods of control within the four subsidiaries.
Figure 7-1 Methods of Control within Four UK Subsidiaries

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>TECHCO</th>
<th>ITCO</th>
<th>COMCO</th>
<th>SHIPCO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Methods of control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Human</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expatriate MD</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Expatriate Finance Manager</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>2. System</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expatriate Repair and Service Manager</td>
<td>Yes, 2</td>
<td>Yes, 1</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Expatriate Repair and Service Engineers</td>
<td>Yes, 9</td>
<td>Yes, 1 or 2 sent by the HQ on three months' basis</td>
<td>Yes, depending on training needs</td>
<td>No</td>
</tr>
<tr>
<td>Expatriate IT Engineers</td>
<td>Yes, 2 on site</td>
<td>No</td>
<td>Yes, 1 but stay is only 3 to 6 months</td>
<td>No</td>
</tr>
<tr>
<td>Expatriate Auditing team</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes, group of auditors sent from HQ for 1 to 2 months</td>
</tr>
<tr>
<td>------------------------</td>
<td>----</td>
<td>----</td>
<td>----</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>3. Technology</td>
<td>World wide online accounting system</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>4. HRM Practices</td>
<td>Performance Appraisal Criteria</td>
<td>Yes, similar to HQ</td>
<td>Yes, similar to HQ</td>
<td>Yes, similar to HQ</td>
</tr>
<tr>
<td></td>
<td>Quality Control practice</td>
<td>Yes, similar to HQ</td>
<td>Yes, similar to HQ</td>
<td>Yes, similar to HQ</td>
</tr>
</tbody>
</table>

Source: Researcher’s interviews with 66 managers from 4 subsidiaries.

7.2.1.1 Human Control

HQ’s controlling power through managers is evident in the four case study subsidiaries especially in the assignment of the expatriate MD and the expatriate finance manager. The purpose of the expatriate MD and finance manager is to monitor overseas subsidiaries’ operations to match HQ requirement and to play a coordination function between the HQ and foreign subsidiaries in terms of productivity targets. As the HR manager in Techco said:

"I think this is lack of trust between HQ in Taiwan and UK subsidiary here. That is why we have 6 expatriate managers, including the MD, two assistant MDs, the
finance manager, production manager, and repair and service manager, from HQ in Taiwan."

The only exception is at Comco where there is a British finance manager; however this is because HQ can monitor overseas subsidiaries by using online management accounting systems.

In short, human control is a commonly used method by HQ for the four subsidiaries in the UK so as to achieve goals. This role of expatriates in the four subsidiaries is similar to that described by Edstrom and Galbraith (1977), in that the transfer of managers is a means of modifying or sustaining the decision processes of the HQs in order to create a verbal information change network that provides links between subsidiaries and HQ. Also, the findings of human control through expatriate managers and employees in the four subsidiaries supported arguments that the transfer of managers becomes an important element of informal and subtle mechanisms (Martinez and Jarillo, 1989, 1991). The extensive use of expatriate managers in the four case studies also confirmed that the coordination function of international transfers has become more and more important (Macharzina and Wolf, 1996:34). This is because developments such as increasing internationalisation of companies, the emancipation of foreign subsidiaries, the shortening product life cycles, and the necessity of building strategic alliances, and control mechanisms such as centralisation, formalisation, and standardization, have to give way to the more flexible, personal and informal control mechanisms (Harzing, 2001a:369-370). Moreover, the findings on human control is consistent with Oliver and Wilkinson’s finding (1992), in that in the 1990s, Japanese MNCs tended to send out a huge number of parent company managers to ensure quality of products in their foreign subsidiaries. In conclusion, the findings on human control in this study are equal to Ouchi’s (1977) behaviour control, and this is due to parent company liking to use expatriate managers to monitor and evaluate foreign subsidiaries.
However, the findings on human control in the four subsidiaries are not consistent with previous researches' arguments in that socialisation (or bumble-bee\textsuperscript{1}) and informal communication (or spider\textsuperscript{2}) are more important in brownfield (e.g., acquisition) than in greenfield firms. Consequently, in these situations, there can be more confidence that the expatriate's role in socialization and informal communication is as important as formal mechanisms (or bears\textsuperscript{3}).

Unlike Japanese MNCs in the UK, which tend to use Japanese expatriate managers to monitor the selection, training and monitoring of new organisational members (Kranias, 2000) to achieve a cultural match with the Japanese MNCs, the use of the expatriates by the four subsidiaries here is to achieve productivity targets set by HQ, and not for recruiting purposes.

7.2.1.2 System Control

In order to achieve system consistency within the whole group, including overseas subsidiaries, the four subsidiaries' systems are under the same repair and IT configuration as those of the HQ. Moreover, expatriate IT engineers also serve as a coordination mechanism between the HQ and the UK subsidiaries in order to achieve better communication between them. The purpose of sending expatriate repair and service managers to either Techco or Itco subsidiaries is to ensure the local subsidiaries' operations and productivity targets match the HQ requirements by using the same standardised repair and service procedures as the HQ for local customers in the rest of the world. As the QA manager in Itco said:

\textsuperscript{1} The term bumble-bee is used by Harzing (2001) to clarify different control mechanisms used by MNCs. Here, it refers to the role of expatriates in socialisation.

\textsuperscript{2} The term spider used by Harzing (2001) refers to the role of expatriates in weaving informal communication networks.

\textsuperscript{3} The term bears used by Harzing (2001) refers to the role of expatriates in acting as a formal direct control mechanism in MNCs.
"We have to follow the HQ repair and service procedure and system in the UK. Recently, we have an expatriate line manager who is going to be responsible for repair and service in the UK. His role is to make sure what we have done here is to match the HQ repair standard and the same system configuration. The expatriate manager will send e-mails to ask HQ whether we are allowed to change the repair and service process and system first."

Both Itco and Shipco do not have expatriate IT engineers on site. This is in part due to low system training needs because the majority of employees carry out low skill repair, service and clerk jobs compared to Techco and Comco.

There is an exception regarding expatriate IT engineers for system control in Shipco however. Shipco uses an expatriate auditing team to audit their overseas subsidiaries' operations in all areas of operations, including system consistency. As there are only two expatriate managers working in the UK subsidiary, the adoption of a group expatriate auditing team means that not only can they monitor the expatriate MD's and finance manager’s performance (by checking that all financial reporting procedures and results and computerised shipping system conform to HQ standard procedures), but also save costs by not sending more expatriate managers and professionals abroad.

Both Itco and Comco do not have expatriate IT managers on site but have short-term (around 3 months) expatriate IT engineers from HQ at these two firms. This is due to the HQ trying to save costs by not sending long-term expatriate IT managers and engineers overseas. However, there is one expatriate repair and service manager in Itco, and this is because HQ uses this person to achieve repair system consistency and control and for a coordination purpose.

The case of the four subsidiaries indicated that sending short-term task forces (such as expatriate repair and service engineers to Techco and Itco, expatriate IT engineers to Comco, an expatriate auditing team to Shipco) confirmed that there are alternatives to international transfers. This is because the four subsidiaries found that it was expensive
to send expatriates long-term to overseas subsidiaries. Accordingly, it would be more cost-effective to send short-term task forces. This finding is consistent with previous researches' argument in that international task forces can be created to work out a company problem (Harzing, 2001a). Also, the sending of task forces by the four subsidiaries was helpful to increase mutual communication between the HQs and foreign subsidiaries in particular in the areas of service and repair standards and IT systems as well as consistency in accounting system and this is consistent with Ghoshal et al. (1994) argument in that lateral networking mechanisms (joint work in teams, task forces, and meetings) have significant positive effects on the frequency of both subsidiary-headquarters and intersubsidiary communication.

7.2.1.3 Technology Control

Techco, Itco and Shipco do not use a technology method of control (i.e. through an online accounting system to control overseas subsidiaries’ costs and financial performance). This is due to these three subsidiaries still relying on their expatriate finance manager not only to act as a monitor and control mechanism, but also to serve as a bridge and a point of communication between the HQ and overseas subsidiaries.

In contrast, a standard accounting system is used by Comco to enforce control. As the IT manager at Comco said:

“All we do is to follow HQ policy to maintain IT hardware and software. For example, recently, we are busy in installing a worldwide online accounting system, designed by HQ in Taiwan. HQ sent some IT professionals from Taiwan to help us set up the online system. Then the CEO and other directors in Taiwan can check everything for overseas subsidiaries online.”

The case of Comco showed that there is alternative to international transfers, that is control through technology. This finding provides a complement to previous studies’
(e.g., Edström and Galbrith, 1977; Harzing, 2001) in the issue of formal control mechanism (such as personal centralised control) and informal control mechanism (such as socialisation and networks).

7.2.1.4 HRM Practices Control

The four case study subsidiaries have similar performance appraisal criteria and quality control practices as the home company to facilitate control. HQ can monitor overseas subsidiaries' employee productivity and performance under the same performance criteria. For example, the director in the repair and service department in HQ can assess overseas employees' performance by setting up their productivity targets every year, and control the employee cost abroad through how many PDA and mobiles have been repaired per employee per day. As the expatriate MD in Iteo said:

"We get the repair standard for each staff according to the head office's standard. Then we can assess whether local employees can achieve the targets or not. Then we (expatriate MD and other managers) can evaluate local employees' performance in terms of efficiency, which is based on how many PDAs or mobiles can be done per staff member per day. If you can not finish the repair targets per day, then you have to do overtime at night in order to make sure our delivery is on time to our customers in the UK."

Use of the HQ quality control practice is seen as an efficient way to ensure all products and services match local customers' standards, for instance one of the major customers, Orange, in the UK. As all the main customers' contracts for the four subsidiaries are decided by the HQ, it is necessary for these overseas subsidiaries to match quality control requirements, for instance product inspection procedures, in order to deliver products on time.

However, there are differences within the four subsidiaries regarding use of the performance appraisal criteria and quality control practice. Both Techco and Iteo use performance appraisal criteria identical to HQ, and this is because of HQ decision
rather than a conscious decision by the subsidiaries themselves. It is easier for the expatriate MD both in Techco and Itco to force local employees to match the HQ productivity targets through the control systems put in place.

The reasons as to why these three technologies and IT-related subsidiaries (i.e. Techco, Itco, Comco) use the same quality control practice is (1) as a result of the main customers' contracts being designed by HQ; (2) it is better to match customers' quality requirement by using the same quality standard as the HQ; (3) due to the HQ having experience in dealing with the main customers, for instance HP and Orange, in terms of product quality control; (4) it is seen as an efficient way to enhance the quality of products and repair service by using the same quality control practice as the HQs'. Moreover, these three technologies and IT-related subsidiaries rely on their HQ to provide raw materials and skills for repairing products and, as a consequence, it is seen as necessary for these subsidiaries to follow the HQ quality inspection standards in order to deliver products to local customers on time.

Shipco does not use any formal performance appraisal criteria to assess local managers and staff. The MD thinks that the practice of performance appraisal is too complicated and time-consuming for a medium-sized subsidiary, and it is too costly for HR functions to implement a formal performance appraisal system for the majority of positions, which are clerical. Although Shipco does not use HQ performance appraisal criteria, HQ can still monitor local staff performance through their standardised computerised shipping procedures. For instance, all the shipping prices and procedures have already been set up in a world-wide computer system which is controlled by HQ in Taiwan. HQ can monitor the local employees' performance by checking how many errors have been entered by them.

Compared to the other subsidiaries, Shipco has only two expatriate managers on site to provide control and coordination functions. This is because all the shipping prices and procedures have been set up in a worldwide computer system which is controlled by HQ, and its regional HQ in Hamburg will help Shipco deal with shipping business for
local customers in the UK and Europe. Regarding quality control practice, Shipco has adopted the HQ quality control procedure that allows the head office in Taiwan to control all shipping prices and quotas.

The findings of control through HRM practices adopted by the four subsidiaries revealed that output control mechanism is extensively used the four Taiwanese MNCs to achieve HQ productivity targets. This is consistent with previous findings in that output control is used when HQ is able to design a system that produce reliable and verifiable evidence of the performance of the subsidiary without heavy interference in the subsidiary’s activities (Ouchi, 1977, 1979).

7.2.2 Home Country Effect, HQ Controlling Power, and HRM Practices

The survey findings revealed that home country practices are adopted in the areas of recruitment and training in managerial and technical jobs across the respondent subsidiaries. The results of the four case studies in Figure 7-2 indicate that the reasons for the four subsidiaries to adopt home country HRM practices are due to HQ controlling power through expatriate managers and professionals, as well as tight cost control. As the expatriate QA manager in Ito said:

"We must work overtime because we are not allowed to recruit more people because of the HQ tight cost control here. And most expatriate people and those of Chinese background are under-paid compared to British companies, as far as I know... We can save training cost if we recruit employees who were laid off by Ito Taiwan before. Second, we recruit some expatriate employees who used to work in Ito Taiwan.... They know how to do their job already."

It seems that the highest control would appear to be in Techco and Ito compared to Comco and Shipco, with high presence of expatriates in Techco and Ito, whilst the majority of the management team of Comco and Shipco are local-hired. The high
presence of expatriates such as the MD, finance manager, repair and service manager and engineers, both in Techco and Itco, indicates that there is less trust by HQ in local managers.

Techco and Itco seem to adopt more home country HRM practices (Figure 7-2) compared to Comco and Shipco, due to the high presence of expatriates in Techco and Itco. The use of the HQ on-the-job training practice for the three computers and IT-related subsidiaries is to control all the repair and services and assembly procedures to match their quality control requirements and on time delivery for local customers. Also, following the HQ on-the-job training for the three subsidiaries is a cost-effective way to pass professional experiences from senior to junior staff. However, adoption of on-the-job training from HQ by the four subsidiaries is not a means of cultural control, as adopted by Japanese MNCs in the UK that is used to transmit Japanese corporate values and philosophy through training (Kranias, 2000). The purpose of use of the HQ on-the-job training within the four subsidiaries is to ensure productivity outcomes in a cost effective way.
The expatriates at both Techco and ITCO do overtime commonly as a result of completing HQ productivity targets in assembly and repair and service operations, and for coordination needs regarding time differences between the UK and Taiwan.

The reason for non-adoption of HQ overtime practice at COMCO is the fact that the main customer for COMCO in the UK and Europe has terminated contracts with HQ. Therefore, there is no overtime requirement to meet its OEM (original equipment manufacturing) service for its main customers such as Compaq and Dell in the Europe and UK markets. However, the expatriates at COMCO still do overtime in order to respond to HQ business monitoring, and serve a formal coordination role between the HQ and the UK subsidiary.
HQ on-the-job training practices are not used by Shipco, as the majority of positions in Shipco are at the clerical level, and do not require overly sophisticated computer knowledge and skills. Moreover, Shipco does not apply overtime practice with its local staff through a no overtime requirement from the shipping services. Unlike the expatriate MD in Comco, who serves as a direct control and formal coordination head for the HQ, the expatriate MD in Shipco is more likely to serve in a coordination and figurehead function, rather than holding decision-making authority, due to the HQ policy of no more than three years' stay for expatriates. Apart from the expatriate MD's role and functions, the majority of the management team are local hired UK staff who tend to use their power to impede transferring the HQ's HRM practices across borders. Therefore, compared to the other three subsidiaries, Shipco tends to use the fewest HRM practices transferred from HQ (see Figure 7-2). This finding in Shipco is consistent with arguments in previous research (e.g. Gamble, 2003) that the less the presence of expatriate managers at the subsidiary level, the less home country HR practices will be transferred across borders.

7.2.3 HQ Controlling Power, Nature of Product Market, and Subsidiary's Strategic Role

The following section discusses influence of three factors (i.e., HQ controlling power and nature of product market and subsidiary's strategic role) on adoption of HRM strategies and practices at the subsidiary level.

7.2.3.1 Nature of Product Market

The survey showed that 54% of respondent subsidiaries' final markets are in the UK. These four case study subsidiaries indicated that their main purpose is to provide after sales and repair service, and shipping services for UK customers. In addition, the role of the three technology and IT-related subsidiaries (i.e. Techco, Iteo, Comco) is to implement the HQ repair and service contracts for their major customers in the UK, such as Compaq and Dell. There is belief at HQ that in order to provide a good quality
repair and service to their customers, these subsidiaries have to follow the standard repair and service and quality control procedures designed by HQ. Thus, as a result, these three subsidiaries in the UK will adopt more home country practices. The results of the three subsidiaries showed that although the degree of production integration is high within Techco, Iteo, and Comco, there are some home country practices, such as performance appraisal criteria and QA practices, being transferred across borders (detailed in Figure 7-1). This is consistent with previous research arguments that it is more likely for the HQ to diffuse its home country HRM practices abroad as a result of high degree of product integration (e.g. Rosenzweig and Nohria, 1994).

However, there are differences in the nature of the product markets between the three technologies and IT subsidiaries and Shipco. The main product/task of Shipco is to provide shipping services for customers in the global market, rather than the UK only. In other words, the degree of product market of Shipco is fully integrated on a global basis. Thus, one might expect that a fuller adoption of home country HR practices will occur in Shipco in the UK. However, as the majority (75%) of management positions are hired locally, and there is high cultural distance between British and Taiwanese employees/managers, it is less likely for Shipco to adopt a wholesale home country practice to manage local employees (see Figure 7-1 and 7-2).

Nevertheless, the four case study results showed that host country practices are more commonly adopted in relation to working hours, work patterns, communication schemes, and individual performance measurement (see Figure 7-3). This is due to the influence of the host country’s legal environment and cultural influences, especially in relation to the use of individual performance measurement in the UK. The finding of influence of host country’s institutional arrangements on adoption of host country practices confirmed Rosenzweig and Nohria’s (1994) debate in globalisation that means MNCs will adopt local country’s HRM practices as a result of local isomorphism force to serve local markets. Also, this finding is similar to Fener’s (1997) notion of local isomorphism that means the subsidiary will behave much like other organizations within the host-country environment (p.713).
In brief, the product market is important for these four subsidiaries in terms of accessing the UK and European markets. This is because the four subsidiaries have to match different expectations and cultural values of local customers and markets. This findings is supported what Gamble (2003) argued that transferring parent country HRM practices might be problematic because of differing expectations and cultural values of customers. Consequently, a polycentric strategy (i.e. host country practices) will be more likely to adopt by the four Taiwanese subsidiaries in the UK regarding product market factor.

Under the high controlling power and huge emphasis on efficiency by HQ, home country practices, such as in the performance appraisal criteria and QA practices (see section 7.2.1 discussion), are adopted by these four subsidiaries.

**Figure 7-3 Host Country HRM Practices Adopted by Four Subsidiaries**

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Techco</th>
<th>Itco</th>
<th>Comco</th>
<th>Shipco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working hours</td>
<td>Same as UK</td>
<td>Same as UK</td>
<td>Same as UK</td>
<td>Same as UK</td>
</tr>
<tr>
<td>Flexible work pattern</td>
<td>Yes Temps</td>
<td>Yes Temps</td>
<td>Yes Temps</td>
<td>Yes Part-time</td>
</tr>
<tr>
<td>Formal Communication Scheme</td>
<td>Opinion survey carried out by HR manager, no formal communication used by other</td>
<td>No</td>
<td>Yes. Regular workforce meetings, systematic management</td>
<td>No</td>
</tr>
<tr>
<td>Individual Performance Measurement</td>
<td>managers</td>
<td>chain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>----------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>But not linked to individual pay</td>
<td>But not</td>
<td>Linked to</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>linked to</td>
<td>individual pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>pay</td>
<td>pay</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s 66 interviews from four case study subsidiaries.

### 7.2.3.2 Subsidiaries’ Strategic Role

The survey findings indicated that 80% of the respondent subsidiaries in the UK serve as an implementer with high resource and knowledge inflow from HQ, but low resource and knowledge outflow from subsidiary. The cases showed that they rely heavily on the HQ, other subsidiaries such as China, and regional HQ (e.g. American office, Hamburg office) to provide raw materials, training, shipping prices, and financial support. The HQ of Techco, Itco and Comco set up their UK subsidiaries to provide identical after sales and repair service for laptops and PDAs to that of their American subsidiaries. In addition, the American offices are the first subsidiary in an advanced economy for Techco, Itco, and Comco to use HQ productivity targets and measurements. Consequently, it is more convenient for UK subsidiaries to ask for advice from the US office rather than HQ, in relation to productivity targets, in a consistent way. As one of the assistant MDs in Comco said:

"We set up everything to match what we are doing in America. .....we are going to set up how to achieve and how we can achieve the productivity targets which the American office is doing in America....the American office was the first subsidiary to be set up by HQ...thus, it is convenient for HQ to ask the UK office to learn HQ productivity measures from USA office..."
Figure 7-4 shows that main customers’ contracts are decided by HQ, and then these four subsidiaries tend to follow up and maintain the contracts in order to ensure a shorter time to service their customers. In addition, as key resources such as training materials, raw materials, shipping prices and quotas, as well as key personnel, are provided and decided by HQ in Taiwan, this means there resulted a high inflow of resources from HQ overseas subsidiaries, and low outflow from subsidiaries to HQ. Consequently, the four subsidiaries have low negotiating power with HQ due to their high dependence on their HQ to provide the critical resources necessary to operate and survive in the UK. Although the four subsidiaries play an implementer role for their head offices, the HQ in Taiwan still exert a high degree of controlling power over the four subsidiaries. A high controlling power is evident in the three technologies and IT-related subsidiaries due to the high degree of dependency on the HQ to gain main customers’ contracts. Consequently, the three subsidiaries had to follow the same marketing strategies and operational procedures as the HQ. This is consistent with the contentions of Edstrom and Lorange (1984) who argued that local managers’ activities and authority over operational procedures will be more constrained in overseas subsidiaries. As seen in Figure 7-4, managers from both three technologies and IT-related subsidiaries and Shipco had no decision power over prices, which were set up and controlled by HQ.

There are some variations within the four subsidiaries, however. The reason why the three technologies and IT-related subsidiaries can serve as implementers is partly because the HQ use worldwide logistic management tools such as online purchasing system, which shortens delivery time to their UK and Europe customers from Taiwan and the China production site. The use of worldwide logistic management tools can lessen manufacturing costs in the UK, and can help the HQ to enter the UK and European markets in a cost-effective way. This finding is similar to Jaw and Liu’s (2004) finding in their study of 101 Taiwanese subsidiaries in China. They found that Taiwanese MNCs tend to use a low-cost strategy to access and enter markets and generate profits. However, unlike the Taiwanese Food MNCs in China, which tend to use local raw materials to produce cheaper food products to serve their local customers,
the cases of Techco, Itco, Comco showed that they are dependent on their parent company for key sources to operate in the UK. Thus, it is more likely for Techco, Itco, and Comco to employ their parent company's training materials and productivity measurements, as in the above discussions. There is one exception in Shipco in disseminating the parent company's training materials. This occurs to a lesser degree in Shipco, as there are lower training needs for clerk positions in the shipping industry, as long as local employees follow the standardised and computerised shipping procedures. Also, the non-adoption of standardised training materials and procedures in Shipco is partly because the parent company had shifted its European head office from the UK to Hamburg due to (a) the UK office taking a longer time to enter the European market, in terms of shipping time from the Far East to the Continent, and (b) host government tax benefits for business operations were available. As the finance manager in Shipco said:

"The main consideration for us to set up the European head office in Hamburg is for sales and operational reasons. ... Also, the Hamburg port is the biggest one in Europe too. German government provides us lots of benefits in terms of setting up a branch office there. Also, it is much more convenient for us to ship our customers' products to continental countries. Germany is on the European continent already. But the UK still has to send products across the sea to the continental countries. It will cost us more if we have a regional head office in the UK."

The findings of key sources revealed that there are six critical sources provided by the HQs to the four subsidiaries to sustained operation and survival. This is consistent with previous writers' (e.g. Taylor et al., 1996) contention in that three key factors that determine dependence of one actor on another: the criticality of the resource to continued operation and survival, the extent to which an interest group (or individual) has discretion over the resource allocation and use, alternatives to the resource (274-276).
### Figure 7-4 Relationship in Key Resources of HQ, Regional HQ, Main Subsidiary, and Four Case Study Subsidiaries

<table>
<thead>
<tr>
<th>Sources</th>
<th>Techco</th>
<th>Iteco</th>
<th>Comco</th>
<th>Shipco</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Contracts (e.g., Dell, HP, Sony)</td>
<td>HQ signs contract, TECHCO follows up</td>
<td>HQ signs contract, ITCO follows up</td>
<td>HQ signs contract, COMCO follows up</td>
<td>HQ signs contract, and SHIPCO follows up, but can find local customers by itself in UK</td>
</tr>
<tr>
<td>Products and Raw Materials</td>
<td>Provided by HQ</td>
<td>Provided by HQ</td>
<td>Provided by HQ</td>
<td>Provided by HQ and Regional HQ (Hamburg office)</td>
</tr>
<tr>
<td>Key Personnel (e.g. MD, finance manager)</td>
<td>Provided by HQ</td>
<td>Provided by HQ</td>
<td>Provided by HQ</td>
<td>Provided by HQ</td>
</tr>
<tr>
<td>Training Materials</td>
<td>Transferred from HQ</td>
<td>Transferred from HQ</td>
<td>Transferred from HQ and China subsidiary</td>
<td>Designed by local managers</td>
</tr>
<tr>
<td>Source of Productivity Measurement and</td>
<td>Transferred from HQ and Regional HQ</td>
<td>Transferred from HQ</td>
<td>Transferred from HQ and Regional HQ</td>
<td>Transferred from HQ</td>
</tr>
<tr>
<td>Procedures</td>
<td>Provided by</td>
<td>Provided by</td>
<td>Provided by</td>
<td></td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td></td>
</tr>
<tr>
<td>Price Decision</td>
<td>HQ</td>
<td>HQ</td>
<td>HQ and Regional HQ (Hamburg office)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s 66 interviews from four case study subsidiaries.

7.2.3.3 HQ Controlling Power vs. Resource Flows

Figure 7-5 indicates the relationships in key resources of the HQ, regional HQ, main subsidiary, and the four subsidiaries, and this indicates that the four subsidiaries rely heavily on their HQ, regional HQ, and main subsidiary (e.g. China) to provide key resources. As a result of depending on the HQ and other subsidiaries (e.g. US office, China) to provide vital resources, for instance products and raw materials, these four subsidiaries obviously show high dependency on their parent companies. In relation to flows of HR practices within the four subsidiaries, the three technologies and IT related (Techco, Itco, Comco) subsidiaries have two flows: one is forward diffusion from the HQ; the other is forward diffusion from their regional HQ within Techco, Itco, and Comco in an advanced economy but also the US office can save training costs from the HQs to the UK subsidiary. The occurrence of forward diffusion from their regional HQ within Techco, Itco, and Comco is mainly because of their parent companies’ decisions to attempt to achieve consistency in assessing overseas subsidiaries’ performance and assuring the quality of products and services.

As the quality control manager in Techco said:

“We contact our American company, they are as the same as us. So, we just ask them for advice and help for quality control process. The, once we get approval from the head office in Taiwan, we just decide our own process, which is similar to our American company.”
The occurrence of forward diffusion from their regional HQ (i.e., American subsidiary) within the three technology and IT-related subsidiaries has been found in previous research (e.g., Edwards and Femer, 2004), which argued that diffusion from one subsidiary to another is part of wide forward diffusion arising from HQ.

Although there is low inflow from the HQ in the area of HR practices in Shipco, a high controlling power from HQ still occurs in Shipco, and this is because HQ can use other controlling methods, such as tight cost control, and human control such as expatriate finance managers (see section 7.2.1, HQ controlling power and methods of control) to control and monitor Shipco in the UK. Also, the European head office of Shipco tends to deal with the major decisions in the area of shipping products and prices, and quotas for Shipco, as a result of expatriate managers and sales and IT engineers in the Hamburg office sent by the HQ and Europe is the main customer in the shipping market. Thus, Shipco tends to adopt a more standardised marketing strategy regarding shipping price for its UK and European customers under the HQ arrangement for control and consistency.
<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Customers</th>
<th>Products &amp; Raw Materials</th>
<th>Key Personnel</th>
<th>HR Practices (i.e. training, performance appraisal criteria, productivity targets measurement)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TECHCO</td>
<td>High inflow from HQ</td>
<td>High inflow from HQ and China office</td>
<td>High inflow from HQ</td>
<td>Forward diffusion from HQ and USA office</td>
</tr>
<tr>
<td>ITCO</td>
<td>High inflow from HQ</td>
<td>High inflow from HQ</td>
<td>High inflow from HQ and China office</td>
<td>Forward diffusion from HQ and USA office</td>
</tr>
<tr>
<td>COMCO</td>
<td>High inflow from HQ</td>
<td>High inflow from HQ and China office</td>
<td>Low inflow from HQ</td>
<td>Forward diffusion from HQ and USA office</td>
</tr>
<tr>
<td>SHIPCO</td>
<td>High inflow from HQ</td>
<td>High inflow from HQ and Hamburg office</td>
<td>High inflow from HQ</td>
<td>Low inflow from HQ</td>
</tr>
</tbody>
</table>

Source: Researcher's 66 interviews from four case study subsidiaries.
7.2.4 Host Country Factors

The findings show that host country constraints such as the legal environment, local labour market, and cultural differences impact upon the four subsidiaries’ operation and adoption of host country practices.

7.2.4.1 Institutional /Macro Factors

The survey findings showed that host country factors (e.g. local labour market, legal and cultural environment) are influential for 81 subsidiaries in the UK in relation to adoption of host country HR practices. The results of our four case studies revealed that the high appearance (83%) of local employees is because of influence from local cultural and institutional environments such as the legal environment and local labour market constraints.

Hiring local employees is subject to legal regulation constraints, for instance British labour law regulations which specify companies cannot recruit people who need work permits if companies can find local people to do the same job in the UK. This has a direct impact upon the four subsidiaries as these four subsidiaries would like to recruit more Taiwanese or Mandarin speaking people in order to better facilitate coordination with the Taiwan and China offices. Thus, they are constrained in their ability to do so by the host country regulatory environment. As one of senior managers in Comco said:

"We want to employ more Taiwanese or Chinese, if you like. ... Even if they do have the same skills, we need to recruit local people first. I think that is because it is compulsory for us to recruit local people first, if local people have the same skills and can do the same jobs."

Moreover, these four subsidiaries mainly rely on local employees working for them, as they find it difficult to increase their workforce by hiring people from neighbouring areas because of transportation and family issues. For instance, British workers tend not
to commute long distances for working because they have to pay high cost of transportation, and others reported that they are unwilling to move from their home town for family and child education issues. Further, the HQ of the four subsidiaries have a policy to localise their workforce overseas in order to save double pay by sending more expatriate employees to work. The four subsidiaries also rely on local employees to access and deal with local customers in the UK because they have language advantages without cultural barriers in accessing local customers in the UK.

As the four subsidiaries are directly influenced by the legal and cultural environment of the host country, a range of host country practices (for example, working hours, flexible work time, formal communications) are adopted by these four subsidiaries (see Figure 7-6).

Regarding working hours, the four subsidiaries tend to follow practices, which currently stands at 37.5 hours weekly, due to British companies adopting an average 37.5 working hours since 1998 (DTI, 2006). Thus, these four subsidiaries tend to follow the standard working hours in order to avoid complaints from employees and possible labour disputes. As one of the expatriate managers in Techco said:

"Their labour law says that they are eligible for 37.5 hours per week. I think they are more relaxed about their job too. ... They have more labour protection in the UK."

Flexible working practices, such as employing part-time staff, are prevalent in the UK, and competing companies for the four subsidiaries tend to employ additional temporary or part-time staff during busy periods of the year. In terms of flexible working practices, the expatriate MDs of the three technology and IT-related subsidiaries (i.e., Techco, Itco, Comco) agreed to use temporary staff and part-time employees because of product market factors. For instance, the three technologies and IT subsidiaries need more staff to work for them in the peak season (in particular, summer time) and thus resort to employing temporary staff assistance at this crucial time.
However, they could not increase permanent staff in the long term due to tight employee cost control by the HQ. This adoption of temporary staff can be seen as a rational effort to achieve organisational efficiency by imitating local firms' management practices.

In conclusion, the findings of institutional/macro level are consistent with previous authors' (e.g., Rosenzweig and Nohria, 1994; Schuler et al., 1993) arguments in that the host-country's environment including legal and cultural environments affects the adoption of host country HRM practices at the subsidiary level.

7.2.4.2 Individual Issues/Micro Factors

There are differences in the adoption of host country HRM practices as a result of individual issues arising from expatriate and local managers within the four subsidiaries. Both Techco and Comco adopt formal and informal communication schemes to communicate with local employees, and this is not only because the expatriate MDs in Techco and Comco allow the local HR managers to implement a formal communication method (i.e. regular meetings with local employees and systematic use of management chain), but also, the two British HR managers in Techco and Comco tend to use their positional power to persuade their expatriate MDs to adopt such schemes.

Both Itco and Shipco have no formal communication scheme, and this is because the expatriate MDs are unwilling to release company information to local managers and employees. For instance, the MD in Itco is afraid R&D information would reach competitors through any such formal communication scheme. In addition, the expatriate MD in Shipco is similarly unwilling to adopt formal communication schemes because he does not think it is necessary to provide company strategy and financial information to local employees.

-295-
Furthermore, the two HR managers in Itco and Shipco are less qualified and tend to keep their job administration-oriented.

There are some differences however between the two HR managers in Itco and Shipco. The HR manager in Itco is more conservative to communicate with employees, due to the HR manager being deeply influenced by Confucian values and educational background in Hong Kong. Meanwhile, as the size of Itco is relatively small compared to Techco and Comco, and the dominant employee group of locally hired in Itco is Chinese and Taiwanese, it is less likely for the management team to adopt complicated host country HR practices to manage the dominant employees in a relatively small company.

Shipco does not use formal communication schemes because the majority of employees are part-time females who are seen as not having a high commitment to their job because of family matters. The HQ is also unwilling to release company information such as strategy and financial to local subsidiaries through a formal communication scheme, as HQ does not trust local managers and employees. As the HR manager in Shipco said:

"...I think HQ trust expatriates more than us (British managers).... That is why currently we do not have any formal communication about the HQ strategic plan and financial information."

The HR manager in Shipco keeps things simple. Indeed, he used his UK working experience in the shipping industry to persuade the MD not to use more complicated management practices in order to keep things running smoothly in a medium-sized company. As the MD in Shipco said:

"We are a small company in the UK and do not need to spend money to do complicated things. I think the HR manager will talk to me if he thinks it is necessary
to introduce some practices. I will communicate with the HR manager who has been in Shipco and the shipping industry for many years.”

In conclusion, the findings of individual/micro level revealed that there is micropolitics phenomenon within the four subsidiaries either from previous working experiences or from their positional power. This finding is similar to previous research’s (e.g. Elger and Smith, 2006) findings of Japanese MNCs in the UK. The found that managers in Copy-co tended to use their power within organizations to modify home country practices (such as foolproofing ideas from Japan) and to decide to adopt more British model of teamworking, while Parts-co managers tended to use their power to transfer more American model of consultative arrangements (Elger and Smith, 2006).

Figure 7-6 Host Country HRM Practices Adopted by Four Subsidiaries

<table>
<thead>
<tr>
<th>Subsidiaries Practices</th>
<th>TECHCO</th>
<th>ITCO</th>
<th>COMCO</th>
<th>SHIPCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Hours</td>
<td>Same as UK</td>
<td>Same as UK</td>
<td>Same as UK</td>
<td>Same as UK</td>
</tr>
<tr>
<td>Flexible work pattern</td>
<td>Yes Temps</td>
<td>Yes Temps</td>
<td>Yes Temps</td>
<td>Yes Part-time</td>
</tr>
<tr>
<td>Formal Communication scheme</td>
<td>Opinion survey done by HR manager, no formal communication used by expatriate and host nationals managers</td>
<td>No</td>
<td>Yes Regular workforce meetings, systematic management chain, informal communication used by expatriate and host nationals managers</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Researcher’s 66 interviews from four case study subsidiaries.
7.2.4.3 Host Country Factors and Local Institutions vs. Diversity

The survey findings indicated that relying on local institutions such as local employees, customers, and competitors is influential for the respondent subsidiaries in adopting HRM practices. The results for the four case study subsidiaries showed tight control by HQ to achieve productivity targets and pressure from local managers and employees for more holidays, Taiwanese managers use a various strategies to manage a diversified workforce and to balance dual pressure from HQ for productivity targets and host country requirements for less overtime working. As Oliver (1991) argues, organisational actors' behaviours can vary from passive conformity to active resistance in response to institutional pressures from the environment in which the organisation operates. Taiwanese managers tend to use three of five types of resistance strategies such as acquiescence, compromise, and manipulation (Figure 7-7) (see details in Oliver, 1991, and chapter 2.2 for a review), to manage their local workforces.

It is cited from the four case studies that British employees have different working attitudes and demand more say in asking for less overtime. By contrast, all expatriate Taiwanese managers and professionals within the four subsidiaries will do overtime 6 times a week in order to meet the HQ expectations and strategic targets. This is mainly because these expatriate managers and staff already changed their working behaviours through their previous working experiences in the HQ, and in the same technologies and IT industry. For instance, Figure 7-8 shows that it is the culture of where they have worked (e.g., Taiwan) that has influenced them, and being exposed to this for a period of time through long work experience in those contexts that makes these expatriate managers used to working overtime, both in the HQ and overseas.

In brief, in order to cope with the impact on working behaviours arising from different cultural backgrounds between Taiwanese and British, and demands from local employees and managers, so as to achieve the HQ productivity targets, top expatriate management within the four subsidiaries are using a resistant approach to manage their workforces. That is, they ask employees with Chinese work ethic background
(including British Chinese) to accept the HQ way to work longer hours, but do not seek to force this upon the British employees. This hybrid style of managerial approach adopted by the expatriate management team in the four subsidiaries is due to the influence of host country cultural and institutional environments and administrative heritage\(^4\) of top expatriate management in the same industry. The case of the four subsidiaries showed that it is more difficult for top expatriate managers to implement a purely local country practice under influence of local cultural and institutional environments. Thus, it seems that a hybrid style of management is a much easier way to manage a diversified workforce in the UK.

However, there are some variations within the four case studies. The expatriate Taiwanese management team in Techco will not force British employees to work overtime if they refuse to do so. This is further influenced by the desire of Taiwanese managers to maintain a peaceful relationship with local employees without adopting a forceful way to manage local employees. As one of line managers in Techco said:

"We will not force employees to do overtime every day... Normally, local British employees do not like to work overtime. Well, you can say this because of their culture and society influence. So, as a manager, I have to use the commitment to this sort of thing to ask them to work overtime for the company. However, normally, their intention to work overtime is low. Therefore, I have to build up relationships with them, such as going out for a drink with them, etc."

Moreover, the additional function of expatriate managers and staff is to do the job tasks that cannot be completed by local people. For instance, the HQ of Techco deliberately sends a high proportion of expatriate managers and repair and service engineers to ensure the local subsidiary achieves the HQ productivity targets. Thus, the tactic used

\(^4\)Administrative heritage means that a company's ability to build and manage the new strategic capabilities depends on its existing organisational attributes, its configuration of assets and capabilities, built up over the decades; its distribution of managerial responsibilities and influence, which cannot be shifted quickly; and ongoing sets of relationships that endure long after structural change (Barlett and Ghoshal, 1989:33).
by Techco can be seen as a compromise strategy by balancing pressures both from the
HQ and host country institutional environments.

For Itco, British employees are not keen to accept the HQ working values in relation to
doing overtime 6 times weekly, and the expatriate management team tries not to go
against the host country law regulations. Thus, Itco has to recruit more Chinese
(including British Chinese) background employees to accept the HQ working values.
Moreover, the expatriate Taiwanese management team and expatriate engineers tend to
disseminate the HQ working values (i.e., hard work and overtime). Although the
expatriate MD in Itco believes the HQ working culture and values are their competency
in the technologies and IT-related industry, it is still less likely for British national
employees to take on the HQ working style in terms of overtime working practice. The
result of deliberately transferring the HQ working values by the expatriate MD will be
to lose all British background employees in Itco.

Both Comco and Shipco tend to comply with host country institutional environments,
partly because the majority of management positions are filled by local-hired British
employees, and as a result the expatriate management team mainly provide a
coordination mechanism. As seen in Figure 7-8, Comco and Shipco have the fewest
expatriate managers on site, due to huge loss arising from the past years in Comco.
Also, the regional HQ in Hamburg will deal with the majority of expatriate managers’
tasks for Shipco especially in the areas of sales and finance. Thus, host country
nationals managers both in Comco and Shipco serve a critical role in relation to not
using the HQ practices. In other words, these local managers tend to use their positional
power within the organisations and previous working experience in British firms not to
comply with the HQ practices, due to their being the people who are actually
responsible for the subsidiaries’ daily operations.

In conclusion, the findings of adoption of a resistant strategy by the four case studies
are similar to a resistant strategy adopted by US MNCs in the UK (Ferner, et al., 2005).
The found that ‘diversity management’ was diffused to UK subsidiaries by US
corporate managers, but resisted by a strictly American solution, appropriate for the HQ but not for the UK subsidiaries (Ferner et al., 2005). The reason of adoption of such a resistant strategy between the four Taiwanese MNCs is different from those with US MNCs. The case of Techco showed that expatriate managers used a balance technique to maintain a peaceful organisation climate in order to achieve the HQ targets, while expatriate managers at Itco tend to manipulate the HQ’s corporate culture and values to influence local employees’ work behaviour. The case of Comco and Shipco revealed that local managers used their positional power to persuade expatriate managers to comply with host country’s work behaviour.

Also, the findings of the four Taiwanese subsidiaries indicated that Taiwanese managers applied their home country management practices that differ from local management approaches. This confirms arguments in that ‘nationality was contested, and societal class divisions between workers and managers were complicated by competing management practices’ (Elger and Smith, 2006:56).
Figure 7-7 Responses to Diversity

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Technique</th>
<th>TECHCO</th>
<th>ITCO</th>
<th>COMCO</th>
<th>SHIPCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compromise</td>
<td>Balance</td>
<td>Balancing expectations of HQ and host institutional environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manipulate</td>
<td>Influence</td>
<td>Shaping HQ values and criteria to UK</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquiesce</td>
<td>Comply</td>
<td></td>
<td>Obeying UK laws and regulations</td>
<td>Obeying UK laws and regulations</td>
<td></td>
</tr>
</tbody>
</table>
### Figure 7-8 Comparisons in Expatriate and Host Country Nationals Managers

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>TECHCO</th>
<th>ITCO</th>
<th>COMCO</th>
<th>SHIPCO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. Of Expatriate managers</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Previous working experience of expatriate managers</td>
<td>IT industry in Taiwan or American subsidiary</td>
<td>IT industry in Taiwan or German subsidiary of other Taiwanese MNCs</td>
<td>IT industry in Taiwan or UK subsidiary of other Taiwanese MNCs</td>
<td>Shipping industry, European all countries</td>
</tr>
<tr>
<td>Tenure in industry</td>
<td>Average 12.5 years</td>
<td>Average 10 years</td>
<td>Average 12.5 years</td>
<td>Average 18 years</td>
</tr>
<tr>
<td>No. of British nationals managers</td>
<td>2</td>
<td>0</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Previous working experience of British nationals managers</td>
<td>British companies and Japanese MNCs in UK</td>
<td>British companies, Japanese MNCs, Taiwanese MNCs</td>
<td>British companies</td>
<td></td>
</tr>
<tr>
<td>Tenure in industry</td>
<td>Average 20 years</td>
<td>Average 17.5 years</td>
<td>Average 17.5 years</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s 66 interviews from four case study subsidiaries.
7.3 DUAL PRESSURE FROM HOME COUNTRY AND HOST COUNTY

7.3.1 A Hybrid Style

The survey and the results of the four case studies results showed that a hybrid style of performance pay practice was adopted by the respondent subsidiaries in the UK. (i.e. individual performance was assessed but not linked to pay). However, Comco was an exception to that in use of individual performance pay.

The adoption of individual performance output by Techco, Itco and Shipco is due to (a) being under tight cost control by HQs, (b) influence of local cultural and legal environments, and (c) actors, especially expatriate and host country national managers who have to use individual performance/achievements to assess local employees’ performance and to motivate them.

There are however some differences between the four subsidiaries. At Techco, the expatriate management team prefer to manage local employees without complicated negotiations regarding pay increases.

At Itco, the influence of home country cultural values, such as seniority, was evident in relation to promotion and pay increases. It was not keen to implement a more westernised pay system for individual performance appraisal. As the expatriate MD in Itco said:

"I think I will promote the senior one as a team leader or manager. If a few people have the same performance results, then I still will promote the senior person among them. Why? I think you will know much better about this company if you are senior. Also, normally, the senior person will have more experience about what he/she is doing. Another reason is that I think I emphasise company ethic. What is company ethic? I think you should know that in Chinese culture, people should respect the
senior people in the company. And our culture teaches us to show respect to the older people in our society."

At Shipco, under the influence of home country cultural background, such as conflict avoiding, the expatriate MD was not keen to introduce an individual pay practice. For instance, as the MD in Shipco said:

"I think it is better to show respect to local managers. Because our Taiwanese believe that 'strong dragon do not push local tiger'. ... That is my way to do things in Shipco."

Comco was an exception, as it did adopt individual performance pay. The HR manager persuaded the senior management to adopt an individual performance pay scheme based on his professional HR knowledge. Moreover, local institutions' influence, such as other competitors in the same labour market, was influential in getting Comco to use individual performance pay to motivate and reward employees in the Midlands area. As the HR manager in Comco said:

"The pay increase percentage will refer to a survey in the Midlands HR forum. I attend this forum to exchange information on the Midlands' area."

The case of Comco shows that not only local managers' power and willingness can facilitate the adoption of host country practice, but also local institution factors, especially its competitors in the same labour market.

7.4 TENSIONS ARISING FROM PROCESS OF TRANSFER OF PRACTICES BETWEEN HOME COUNTRY AND HOST COUNTRY

There are several tensions arising from both the home country and host country; that is, tension between the HQ and subsidiary (adoption of home country practices without consultation of the subsidiary); tension between expatriate managers and host country
nationals in the approach to managing people; tension between expatriate managers and host country nationals managers in the way of communicating with local employees.

7.4.1 Tensions arising from Home Country and Subsidiary vs. Adoption of Home Country Practices

The four case study firms have tensions as a result of the adoption of home country practices without consultation with local managers in the area of performance appraisal, overtime, and the approach to redundancy.

7.4.1.1 Adoption of the HQ's Performance Appraisal Criteria

In terms of tensions in adoption of HQ performance appraisal criteria, this is due to the HQ pressure for monitoring overseas productivity in a consistent way, which pushes the top expatriate management teams in the four subsidiaries to adopt the same criteria to assess local managers' and employees' performance. There was no consultation with local managers and employees on the transfer of HQ practice to subsidiaries. Also, during the transfer process, not only did top expatriate management not explain why they decided to diffuse HQ performance criteria for productivity targets and for assessment of individual performance, but also they did not reveal the contents of HQ performance criteria to local managers and employees. This caused misunderstandings between the top expatriate management team and local managers, and led to complaints from local staff. For instance, local managers, especially the HR manager, questioned whether the HQ performance appraisal criteria can match local employees' expectations about good performance results without proper explanation from the HQ or top expatriate managers in the UK. As the HR manager in Techco said:

"For example, HQ in Taiwan decides all HR practices and policies. I just follow what they approve. Performance appraisal form is a good example. All the performance appraisal form and criteria follow HQ. But I do not think it is appropriate for British employees here.... there are too many items for managers to
fill in about the day-to-day operation and productivity results. I do not think who

There are some variations within the four case studies subsidiaries. Regarding Techco, the HR manager used her previous working experience in British companies and knowledge both in law and human resources to persuade the top expatriate management team to adopt local performance appraisal criteria. However, under the strong influence of the HR department in HQ, top expatriate management still transfer the HQ’s HR policy and practices in order to achieve the HQ targets. As one of the expatriate managers in Techco said:

“They do not like to follow company procedure to do the job. But it is not right. I think it is very difficult to teach British employees to do their job. In the end, we have to ask our managing director to negotiate with local staff in order to go back to normal track. That is why I always say in the company that we should close the UK subsidiary and move to Germany. We do not need to pay a high salary for British employees with a poor repair service.”

Regarding Itco, tensions arising from the process of adopting the HQ performance appraisal criteria are a result of productivity targets set up by HQ. This requires local manager and employees to work overtime from Monday to Sunday, and led to a high turnover rate of British employees. At the same time, local managers and employees felt that the expatriate management team did not consult before implementing the HQ productivity performance measurement practice. As the QA manager in Itco said:

“The MD will calculate our productivity per year. Of course, he will do the calculation according to HQ figures... During the weekends, he has to come to the company to work overtime. Also, Taiwanese engineers are used to working overtime here. I think that is company culture. But local employees cannot get used to this kind of working culture. So, you can see now there is no white British employee
working in our company now. Only one is working in the sales department, but not in the operations department."

In relation to Comco, tensions between the British HR manager and the expatriate MD are apparent in the MD’s delay in approval for a performance appraisal system. The MD has no final decision powers over the HR policy and the HQ controlling needs for efficiency (see section 7.2.1 discussion). However, the local HR manager likes to be more involved in designing performance appraisal criteria and to be more influential in local HR issues. As the HR manager in Comco said:

"The expatriate MD seems not to take full responsibility in his decisions, that is why he will ask HQ in Taiwan about every single decision in Comco. The expatriate MD is dependent on HQ in Taiwan to make his decisions. For example, he has not returned to me final performance appraisal results since last July. Because he needs to refer this appraisal scheme to HQ in Taiwan."

At Shipco, there is no formal performance appraisal scheme. This is owing to the MD trying to avoid conflict and disagreement from local managers and employees by assimilating the HQ performance scheme. As the MD in Shipco said:

"I think the reason is that we cannot force British people to follow our Taiwanese way to do things. Of course, we need to follow HQ Taipei decision to do things in Shipco here... but one Chinese saying is: Strong dragon can not suppress local tiger. This means we (Taiwanese or Chinese) will try to avoid conflict by not forcing other people to do things which they do not like, even if we are in a better position because we are a Taiwanese company and hold the decision-making authority."

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7.4.1.2 ADOPTION OF HQ OVERTIME PRACTICES

Overtime practices at these four subsidiaries caused tensions between expatriate managers and local employees. Overtime working is a typical practice of working life in Taiwanese MNCs. For technologies and the IT industry, this is as a result of technologies and IT related MNCs having to complete products and raw materials on time in order to deliver to customers in Taiwan and overseas on time and to win customers' contracts. Moreover, the top expatriate team has to meet the HQ productivity targets in both repair and assembly services in the UK which forces them to negotiate with local employees to do overtime. This causes tension between the top expatriate management team and local employees in relation to (1) diffusing the HQ standards of employee productivity targets, (2) disseminating the HQ repair and service targets in the UK. Without a proper explanation about diffusing HQ standards both in productivity and repair and service, the expatriate MD and managers implemented HQ's standards and expect local employees to achieve the same productivity targets and repair targets and accept overtime working, as do Taiwanese employees do in Taiwan. Moreover, expatriate MDs have to return to HQ every six month to report the subsidiary's financial and productivity performance, which made them face pressure to use their power to ask local staff to work overtime to achieve targets.

However, this causes difficulties. As one of the expatriate managers in Techco said:

"Normally, local British employees do not like to work overtime. ... They think why they have to do overtime. They feel strange why people can come to work from early in the morning (around 8:am) to the late evening (around 8:00pm). They think you must be a superman, that is why you can work from 8am to 8pm Monday to Friday. They do not think normal people can work for those long working hours."

There are some variations regarding the way to negotiate with local employees within the three technologies and IT-related subsidiaries. At Techco, the top expatriate management team tends to negotiate with local employees through informal
communication to try to persuade local employees to accept working overtime. As one of the assistant MD in Techco said:

"I think British employees tend to have a working attitude: just do what they can, and do not want to do any more. I think they do not have commitment to their job.... in the UK, I tend to communicate with local employees to persuade them to accept overtime work."

At Itco, British employees are also reluctant to accept overtime working every day. The expatriate MD receives huge pressure from HQ to achieve productivity targets, and indeed, the top management team from Taiwan will check productivity with regular overseas visits. However, the expatriate MD did not explain to local managers and employees why they should work overtime every day to achieve HQ productivity targets. This attitude of non-communication adopted by the top expatriate management is one cause misunderstanding and tension within the workplace. As the QA manager in Itco said:

"That is why the general manager in the UK office pays careful attention to everything it. In the end, he is the only person who has to take responsibility for the UK office.... GM is under huge pressure from head office in Taiwan. GM even has to work overtime during the weekends. I can realise why GM behaves like this. Recently, our vice-president visited the UK office. You know what the vice-president did in his schedule? Vice-president can fly from the USA office to the UK in the morning around 10 am, for example, then he will come to our office straightaway. Then he will fly to other subsidiaries in Europe the next morning. He does not have any rest during his flights, but just comes to our office and offices right away."

In contrast, Comco and Shipco have less problem with regard to overtime working. At Comco, after a profit loss in 2000 in the UK, HQ decided to close the assembly site, and reduced the number of employees. However, before the redundancy programme in 2003, the top expatriate management team faced problems in negotiating with local
employees to work overtime in order to reach assembly line targets. At Comco, local staff asked for more benefits, such as extra holidays and high overtime pay, to negotiate with the expatriate management team. But the top expatriate management team was unwilling to communicate with local managers and employees. The expatriate MD’s Chinese cultural background was seen as lessening his willingness to negotiate with local staff. Also, the previous administrative heritage of the expatriate MD in IT-related industry and in Europe made him realise that it was ineffective to spend time to negotiate with local managers and employees, due to the time-consuming process. At the end of the negotiation process, the expatriate management team still could not persuade local employees’ agreement to work overtime. As the expatriate sales manager in Comco said:

"The MD is a well-experienced person in high technologies and IT-related industry in Taiwan. He has been in Europe for many years... But the MD and other managers will not ask British employees to do extra things or overtime..."

Shipco does not have high requirements for overtime and the MD, with a long history of working in Europe, makes him more understanding of European working culture. As the expatriate MD in Shipco said:

"The British are not so aggressive and do not work longer hour, as we do. But I think the reason is that the British do not need to worry about their future. The British have a social welfare system to support them even without a job... I think it is better to show respect to local managers."

7.4.1.3 Methods of Redundancy

While Techco, Itco and Shipco had reported few problems in the adoption of redundancy programmes in the UK, at Comco, there were tensions between top expatriate management and local managers and local employees during the two redundancy
programmes. Taiwanese managers were prepared to lay off employees without communication or consultation, and this created problems. In addition, the top expatriate management team at Comco tended to have separate meetings from local managers during the redundancy programme, which created high misunderstanding and distrust between local managers and employees. The local managers felt despondent at their lack of involvement during the redundancy programme, as expatriate managers used their power to transfer employees to different departments without consultation with departmental managers. As the expatriate sales manager in Comco said:

"When Comco was losing business and customers in the UK, HQ in Taiwan made the decision to do a redundancy programme here. I think most managers and employees including myself do not have an idea about the redundancy programme in Comco. I just know that some employees were transferred to my department from original departments. Then I needed to tell them that there is no job vacancy in my department any more. Then they had to leave because of no job in Comco. I think Taiwanese companies do not like to tell employees what is going on. And suddenly, local employees lose their jobs without any reason."

7.4.2 Tensions Arising from Home Country and Subsidiary vs. Management Style

Figure 7-8 shows that all expatriate managers in the three technologies and IT-related subsidiaries have more than 10 years’ working experiences in IT-related industry in Taiwan, and this influences the way they manage local employees regarding job requirements. As Gomez and Werner (2003) argued, experience and tenure of expatriate managers will often lead them to emulate home country practices, i.e., focusing on efficiency and adopting the HQ performance appraisal criteria regarding productivity targets. In other words, top management of the three technologies and IT-related subsidiaries focus on statistics rather than discussion with subordinates. The influence of previous experiences in the IT industry in Taiwan is evident, as one of assistant MDs in Techco comments:
"...I have to say I got lots of influence from my previous manager in the States and Taiwan. He is a director now... Everything is mutual. Employee and employer have to be united as a single entity. Have you heard of 'brotherhood' in Chinese meaning? ...I think I have very deep brotherhood with my boss in Techco in Taiwan. I used to work in Taiwan and USA offices, and built up a very deep brotherhood with my boss in the Taiwan and USA offices."

Moreover, the average tenure of top expatriate management within these four subsidiaries is more than 15 years, which means this team already have strong loyalty to their companies after serving their companies for so long. Accordingly, top management at the subsidiary level tends to ask local employees to show a high commitment and loyalty to the company by working longer hours, and this causes tension between expatriate managers and local employees.

By contrast, British managers were prepared to spend time communicating with local employees rather than simply using statistics to push employees on job performance. Also, British managers, especially HR managers, tend to use their previous working experiences in Japanese MNCs in the Midlands area to negotiate with top expatriate management to adopt more host country practices, such as more off-the-job training for management, and employee levels, and pay attention to career prospects issues. As the HR manager in Comco said:

"Taiwanese like to do on-the-job training without qualifications (Taiwanese philosophy). ...But I asked the MD: Why don't you start to think of management training courses? Most managers and employees can not find a job if they are laid off by the company here. Most of the rest of the managers joined the company in a junior class with lower administration skills. As we found, Comco production advisors have no formal qualifications, and found that it is difficult for these people to get jobs. I tried very hard to persuade two MDs to have a management training course or off-the-job training course in other professional institutions for staff here."
However, they are not convinced by me on the issue of training and development. Recently, one MD seemed to start to persuade HQ in Taiwan and regional HQ in USA to set up management training courses."

There is less tension in differences in management style between expatriate managers and local managers in Shipco. This is due to the expatriate MD having had many years in Europe, which made him prepared to adopt other methods for managing local employee. The expatriate MD’s management style is to let local managers have more involvement in management issues. As the HR manager in Shipco said:

"Our management is a co-determination style. MD (expatriate Taiwanese) will listen to our opinions and suggestions. Certainly, the decision is not only one person’s decision in Shipco. ... MD (expatriate Taiwanese) is very easy to communicate and get along with. He is MD, but still listens to us. He shows respect to all managers’ opinions and suggestions. We discuss if any problem come out. We have meeting together. MD is open-minded to us and likes to adopt our decisions. So, I do not think he is traditional or conservative. Maybe he used to stay in the UK or Europe, that is why. Other senior managers are British, so we always meet and discuss."

7.4.3 Tensions Arising from Home Country and Subsidiary vs. Communication

The survey findings revealed that 24% of the respondent subsidiaries have adopted regular workforce meetings to communicate with employees. The four case studies demonstrated that the expatriate Taiwanese management teams used informal communication with local employees regarding daily operations. Therefore, in order to meet the HQ confidentiality consideration and local managers’ request for communication in relation to company strategic and financial information in the four subsidiaries, some tensions have arisen between the top expatriate managers and local managers. The unwillingness of the top expatriate management to release company
Strategic and financial information to local managers is due to distrust between the HQ and local managers, because of cultural differences and employees and language barriers among the HQ, top expatriate managers, local managers, and employees within the four subsidiaries. Thus, poor communication as a result of cultural and language barriers between HQ, expatriate managers, and local managers is a key driver for causing tension within the four subsidiaries. Further, local actors have less involvement in local subsidiary’s overall operations, and this is due to HQ and expatriate managers trying to reduce poor communication arising from a language gap with local managers and employees. For instance, as the MD in Itco said:

“I think the trust issue is typically important as a head of the company, such as managing director or general manager in overseas subsidiary.... But I do not think any head office in Taiwan can trust a British person to be their general manager or managing director. Also, I think communication is a problem too. Taiwanese companies in Taiwan still use Mandarin very often. And for managers in Taiwan, they can easily understand what is going on in the UK subsidiary, in Mandarin.”

One of the senior managers in Comco also said:

“Of course, we need to have Mandarin speaking employees in our company. We find it difficult to communicate with HQ in Taiwan in English. We need Mandarin speaking people to help us interpret and avoid misunderstanding between each other. Mandarin speaking employees can help us build relationships with HQ in Taiwan too.’

However, there are some variations within the four subsidiaries. Tension arose in Techco in communication from the interaction between the top expatriate management team and local managers and leaders regarding releasing company strategic and financial information. For instance, top expatriate managers in Techco will release less important strategy and financial information to local managers and leaders, as expatriate managers, especially the MD and assistant MDs, wanted to protect their
work without going against HQ confidentiality policy and to avoid distrust from local staff in relation to HQ workforce expansion and reduction plans. As one of the assistant MDs in Techco said:

"With regard to financial performance, the MD is responsible for this sort of communication. But the topic will be selected by him. Normally, he will communicate the financial performance to management staff only."

Moreover, due to on-time delivery requirement for the same industry, and as Techco serves only an implementer role in the whole group, top expatriate managers tend to use their power not to give company's financial information to local managers and staff in order to avoid poor communication between all of them. As one of the assistant MDs in Techco said:

"Our industry aims to achieve accuracy, efficiency, and timing. Under these critical requirements for our industry, we have to select the person who can communicate with us well. Then he/she can follow up the correct communication and plan to do the right thing. So, I can tell you that our strategy until now is to let local people do the implementation, you see what I mean. Then we can avoid lots of delays because of communication problems."

The unwillingness of top expatriate management to communicate with local employees also caused tension between the former and local managers. This unwillingness is due to Techco having suffered problems with trade unions in negotiation working conditions in the Netherlands, and this caused serious delay in their product delivery, which led to losses being made. Thus, in order to achieve the HQ productivity targets in the UK, the top expatriate managers show a low willingness to communicate with local managers and staff. As one of the assistant MDs in Techco said:

"We do not encourage having a trade union in our company. We found that some people will not tell the truth to Taiwanese companies in the UK..... that local people
told a lie to them about setting up a trade union within the company.... The company will not be very efficient with a trade union on site. The trade union wants everything from the company. We can not lay off employees and ask them to do overtime to finish a job on time because of the trade union. Trade unions have caused trouble for us in the Netherlands.”

Itco has problems in communication between the HQ and local managers because of top management’s conservative attitude in Taiwan, which does not allow the expatriate MD to communicate with local managers and employees in relation to business operations and future strategic plan. The reason for top management’s attitude is because the extreme competitions in PDA and the mobile industry worldwide makes the HQ have to prevent any possibility of freeing information to its competitors in terms of product advancement. In turn, this lessens the expatriate MD’s willingness to communicate with local managers and staff, and leads to the misunderstanding between the expatriate MD and local managers. As the account manager in Itco said:

“We do not have an official communication programme here. Our HR manager does not communicate with us in terms of company strategy and finance. Even our general manager does not tell us this sort of information.”

Moreover, the expatriate MD uses Mandarin as an official language in Itco, due to his having contact the HQ in Mandarin every day by e-mails and conference calls to report Itco’s business operations. Thus, in order to implement the HQ business tasks without misunderstanding, the expatriate MD has to use Mandarin to communicate with local managers and staff, and this causes problem between them all. For instance, as the HR manager in Itco said:

“I think communication is a problem too. Taiwanese companies still use Mandarin very often. And for managers in Taiwan, they can easily understand what is going on in the UK subsidiary in Mandarin.... One case that happened before in our company is that one African employee complained to us why we always use Mandarin in the
meeting. He cannot understand at all. Later, he left our company and accused us because we did not let him get involved in company matters. That is why he could not perform well in his job. This case is still in the labour tribunal.'

There are some tensions arising from the way to communicate between Taiwanese managers and British managers in Comco. Taiwanese managers are less willing to communicate with British managers and employees regarding the company's business plan and policy, through distrust between the expatriate management team and British managers. For instance, as one of the senior managers in Comco said:

"I think Taiwanese managers like to have separate meeting with Taiwanese managers only. I found that is not a healthy way to do things here. I think it is not healthy way for the British. ...Well, Taiwanese managers like to have different meetings between them, but they do not tell us what is going on with that meeting, which is not healthy at all. I think it is better to be more open to British managers. I think before in Comco they used to have meetings with Taiwanese managers only, where they might speak in Mandarin. But they did not tell us (British managers) why they like to have special meeting. I think this is not healthy."

Expatriate management are unwilling to communicate with local managers and employees regarding the company's financial information and strategic plan. As the IT manager in Comco said:

"I think employees will know the things which I think they should know. They should not know what they should not know. The only important thing for employees is to do their own job. It is not good for employees to know too many things as well."

There were fewer tensions in communication at Shipco compared to the three technologies and IT-related subsidiaries, as the majority of management team are British who are more willing to communicate. Again, the expatriate MD's attitude is an
important factor in lessening tension in communication, and this is due to his experience in dealing with western people as a result of working time in the Europe.

However, some tensions arise from the interaction between the expatriate finance manager and local staff, due to the differences in cultural and institutional background. The expatriate finance manager tries to get involved with local staff by encouraging suggestions and opinions from them. However, British staff seem reluctant to communicate with the manager because they are afraid of losing their job by providing different solutions from other colleagues to the manager. These tensions do not bring positive effects on Shipco's organizational performance and effectiveness. As the expatriate finance manager in Shipco said:

"British people do not like to tell other people about his suggestions and thinking. I think British employees think they can secure their job and status if they do not tell other people about their thinking. I do not like to see this sort of working attitude. So, I will try to encourage them to say something in the meeting, even if the issue is not in your job or area."

In conclusion, findings of tensions arising from home country and host country environments (details see section 7.4 discussion) are consistent with previous research's (e.g. Schuler et al., 1993; Rosenzweig and Nohria, 1994) arguments in that subsidiary's management practices are under dual pressure from home country for consistency and host country for conformity. Also, tension arising from adoption of HQ performance appraisal measurement, adoption of HQ overtime practices, and implemention of redundancy at the subsidiary level are mainly due to the lack of proper communication and explanation. The case of Taiwanese MNCs is different from Korean MNCs in the UK (Glover and Wilkinons, 2006), whose whose tensions occurring in the notion of 'negotiated process' where multiple actors compete over the 'interpretation of the (management) practice's meaning and function (Ferner and Tempel, 2006:31). Moreover, tension in management style in the four subsidiaries showed that previous working experiences and tenure in the same industry holding by expatriate and local
managers do impact the way they manage people. This finding is consistent with previous research's (e.g., Paik and Sohn, 2004) arguments in that the benefits of inferred knowledge of expatriate's managers are shown in their greater confidence in their ability to produce desired results through managing the local employee's behaviours (p.64). In addition, the case of Shipco showed that there is less tension in management style because of MD’s familiarity with host country environment and previous working experience in Europe. This supports what Taylor et al. (1996) indicated that expatriate managers’ ability to manage local subsidiary effectively is related to their experiences in negotiating with host country environment. The findings of tensions arising from home country and subsidiary vs. communication are consistent with previous research’s (e.g. Glinnow et al., 1999; Wakabayashi et al., 2002; Wu, 2004) findings in that Taiwanese managers are less likely to take up open communication under the influence of Confucianism and are less likely to transmit business mission or financial results in their companies.

7.5 SUMMARY

This section has compared and contrasted responses to key factors influencing the adoption of HRM strategies and practices across the case studies subsidiaries. What emerges is a complex picture that is difficult to categorise precisely as a ‘wholesale transferring of home country practices’ or ‘pure adaptation to host country practices’ or describe it as a hybrid approach. The analytical framework allows a depth of understanding, in that external and internal factors are represented. The approach captures how and why certain practices and strategies are transferred or adopted by the subsidiaries. Tensions arising from home country and host country effects are illustrated. Different strategic responses to managing a diversified workforce have been discussed in the context of a multicultural society. The differences in management style are as a result of the HQ push force for efficiency and productivity targets that makes the top expatriate management team focus on hard issues such as statistics rather than soft issues, as especially evident in the three technologies and IT industry. Also,
tensions arising from differences in management style, due to previous working experiences and tenure in the same industry, held by expatriates and host country nationals managers were also shown. Tensions arose from communication issues due to different cultural and institutional backgrounds held of expatriates and host country nationals managers, and the HQ unwillingness to release company strategic and financial information to local managers and employees. The following chapter draws together the key conclusions from this study.
Chapter 8

Conclusions and Limitations

8.1 SUMMARY OF RESEARCH

This thesis has examined current HRM strategies and practices used by the respondent subsidiaries in the UK. It also explains how and why external and internal factors influence adoption and modification of home and host country human resources practices. This study confirms the existing literature and expands upon it by providing a greater insight into HR practices in Taiwanese MNCs. It then goes on to argue that subsidiaries of MNCs from emerging economies adopt a blend of home and host country HRM practices. The push for control and consistency by HQs is clearly evident in relation to strategic issues such as workforce expansion and reduction and in codified and explicit HRM practices, e.g. performance appraisal criteria and quality control standards. The home country effect is also obvious in the HQs’ decisions to set up the four subsidiaries’ largely as an implementer of strategic decisions taken at HQ due to the intention to access UK and European customers.

Second, the pull for conformity and adaptation to host cultural and institutional environments to host country practices is evident in the implementation of HRM processes and some HRM policies and practices such as pay, appraisal and recruitment methods, working hours, flexible working patterns, formal communication methods and individual performance measurement. Sources for the influence of institutional environment are coercive and normative from host country’s legal environment and mimetic force from local labour market’s competitors. Also, the negotiating power arising from previous working experiences of local managers especially HR managers is an important factor in facilitating the adoption of host country practices. Under the influence of host country cultural and institutional environments, the Taiwanese MNCs tend to use various approaches to manage a diversified workforce.
Third, as a result of both push and pull forces, I find that most HRM practices were a mixture of home and host country practices. This research results indicate that in contrast the widely reported single HRM approach adopted by developed MNCs such as Japanese MNCs in USA (e.g. Beechler and Yang, 1993) and US MNCs in China (e.g., Farley et al., 2004) and German MNCs in the UK (Ferner and Varul, 1999) and US MNCs in the UK (Femer et al., 2005), Taiwanese MNCs tend to adopt a blend of home and host country practices.

Finally, tensions arising from home country and host country at both macro and micro organisational levels, i.e., the HQ and subsidiary itself, expatriate and host country nationals managers, have been discussed in detail.

8.1.1 Home Country Effect and Home Country Practices

The home country effect is significant both in strategic and some functional areas of HRM practices. It was clear that in terms of primary HRM responsibility, the main decision-making remained with HQ in Taiwan especially on issues such as workforce expansions and redundancy. Thus, one could conclude that HQ in Taiwan adopts a ‘top down’ approach in managing its relationship with the local subsidiary by not consulting it with regard to strategic objectives.

Moreover, overseas Taiwanese subsidiaries tend to comply with home country practices with regard to employment, recruitment and training in managerial and technical jobs across their subsidiaries. It would be interesting to understand the reasons why these particular practices are strongly influenced by home country practices. Practices that are underpinned by Taiwanese cultural values such as protection of face and Confucianism are generally adopted by Taiwanese subsidiaries in the UK. Exceptions here include the weak emphasis on seniority and use of individualized performance measures.

The results from the four subsidiaries show that the reasons for transferring the HQs’ performance appraisal criteria and quality control practices abroad are consistency and control requirements. In order to achieve the HQ’s productivity
targets in a low-cost operation overseas, the HQs tend to use four control methods: human, system, technology, and HRM practices, to control the four subsidiaries. Unlike Japanese MNCs in the UK, which tend to use cultural control to encourage overseas subsidiaries to achieve the HQ’s targets (Kranias, 2000), Taiwanese MNCs in the UK shows that under the strong push force in place, along with the consistency imperative and tight cost control, the role of expatriate managers serves as a form of direct control (Harzing, 2001) mechanism rather than via socialisation or informal communication network and the function of technology control and HRM practices serve as output control\(^1\) (Andersson et al., 2005). Home country effect is especially evident in the adoption of performance appraisal criteria and quality control standards and procedures within the three technologies and IT related subsidiaries. This is consistent with previous arguments regarding country of origin effect (e.g. Edwards and Ferner, 2004) that argues the more codified and tacit HRM practices, the easier for the HQs to transfer overseas.

8.1.2 Host Country Effect and Host Country Practices

A host country effect was particularly evident in relation to a high proportion of local-hired employees, the wide use of recruitment agencies, individual performance pay and promotion and reward based on individual performance. Certainly one might expect that due to strong pressure from the host country to conform to local institutional environments, this would be more influential in relation to such matters as pay and benefits, recruitment and selection, training and development, industrial relations, health and safety etc, where local operational pressures pressurised local managers to use host country practices.

Indeed, institutional influences from the host country such as the host country legal environment and utilization of local resources such as customers and employees are the priority for Taiwanese MNCs in the UK. Hence, UK practices such as use of recruitment agencies are commonly adopted by Taiwanese MNCs. This suggests that due to the tight budget and cost control by the HQ in Taiwan. HR managers

\(^{1}\) Output control implies evaluation of the subsidiary’s performance through use of evaluation criteria such as financial performance, market share, productivity or knowledge creation (Andersson et al., 2005:524).
attempt to minimise costs in recruiting suitable employees for operational needs. Further, this research results suggest that under the influence of an individualistic society the UK, individual performance is widely used for assessing employees.

Moreover, results of the four case study subsidiaries show that adoption of host country HRM practices, i.e. adaptation to host country working hours, use of part time and temporary workers, use of regular meetings and systematic management chain and opinion survey, is not only because of the influence of host country cultural and legal environments but also because of pull force from previous working experiences and administrative heritage in British companies of host nationals managers. This offers supports for the contingency approach’s argument in that the adoption of host country practices are contingent in the consequence of ‘contingency’ factors work together. For instance, in their research of Japanese MNCs in the United States, adoption of host country HRM practices are contingent in the consequence of local environments and administrative heritage factors (Beechler and Yang, 1994, Barlett and Ghoshal, 2003).

8.1.3 A Modification Style

The behaviour of MNCs in host countries may be a synthesis or ‘hybrid’ in which host country norms mediate the influence of the home country ‘blueprint’ (Innes and Morris, 1995:30). Examples here include the measure of individual performance, where both home country and host country effects were reported. Our results suggest that both ‘individual performance/output’ and adoption of HQ’s performance measure’ were commonly adopted by responding Taiwanese subsidiaries in the UK. An implication of the choice of a modified style is the influence of national culture, i.e. ‘the middle way’ approach’ that is evident in results of the three subsidiaries (Techco, Itco, Shipco). This indicates that adoption of a hybrid style of individual performance measurement without linking to pay is a compromise approach to balance dual pressure from home country for controlling and host country for meeting local employees’ expectations for motivations. Under the influence of Confucian cultural values, actors especially the expatriate managers
within the three subsidiaries deliberately use a modified style to assess local employees.

The exception was Comco's that adopts individual performance pay to motivate and promote employees. This is due to host country national managers, particularly the local HR manager, using other competitors in the UK market and their previous working experiences as a leverage point to influence the way the top expatriate management team rewards local people. The experience of Comco suggests that the power of host country national managers within organisations could form a useful mechanism to facilitate the occurrence of a wholesale adoption of host organisational practice.

8.1.4 Other External and Internal Factors and Adoption of HRM Strategies and Practices

In the context of a new cultural and institutional setting, this study suggested that the external factors such as 'home country effect', nature of product market', 'host country effect', local institutions', and 'national culture', rather than some internal factors such as 'brownfield' and 'use of host country nationals managers', are the most influential factors in affecting the transfer of HRM strategies and practices. Most Taiwanese subsidiaries and the four case study subsidiaries serve as an 'implementer' for HQ in the UK. The competitive assets of the MNE researched for this study are largely national rather than firm specific. The expectation is that that small and medium sized IT and electronic components service sector firms are more likely to transfer parent company HRM practices rather than embrace those of the local country which they are not been familiar. Greenfield firms largely follow home country practices due to a lack of existing HR systems on site (Guest and Hoque, 1996) However, a wholesale home country practice is not occurring in the four greenfield site subsidiaries and this is as a result of pull pressure for expatriate managers to use host HR practices.

One could speculate that since the majority of Taiwanese subsidiaries in the UK are not part of an integrated international production network and their explicit purpose
is to serve local markets, it seems that the firms would be more likely to adopt local HRM practices. Therefore, a home country strategy and practice could be promoted when product and market are integrated with domestic resources and technology (Yuen and Kee, 1993). The evidence from this survey of this research underscores a need to adapt to local (host) country practices due to most Taiwan subsidiaries serving as implementation service centres or market seekers in the UK. HQ in Taiwan acts in a paternal role to guide and control the direction and amount of technology and resources to the subsidiaries. The expectation is that high control over its overseas subsidiaries by HQ is significant because of the high amount of resources from the parent company used by the local subsidiaries. Consequently, a manager's activities will be more constrained and it will be more likely that parent company's management systems or HR practices, such as recruitment and training, are transferred to its foreign subsidiaries (Edstrom and Lorange, 1984).

Further, the purpose of these four Taiwanese subsidiaries is not only to serve the UK and Europe customers and act as an implementer (Gupta and Govindarajan, 1991). These four subsidiaries tend to rely on the HQ to provide key resources (e.g. customers, skills, training) and personnel such as expatriate MD, finance manager, and engineers and therefore the subsidiary strategic role as an implementer made sense. In addition, the HQ exerts a high degree of control over these four subsidiaries by sending an expatriate MD and finance manager to serve as a controlling mechanism, which is inconsistent with Gupta and Govindarajan's (1991) argument in that HQ tends to show the lowest control level over implementers. The high level of control over these subsidiaries is due to the fact that these subsidiaries rely heavily on the HQ and other subsidiaries such as Chinese or American offices to provide raw material or repair training or advice about productivity measurement. These findings are corroborated by a wider research (Pucik and Katz, 1986; Martinez and Ricks, 1989; Jaw and Liu, 2004;) and as such appear to have some generalised credibility.

8.1.5 Home Country and Host Country Effect and Diversity
The results of the four subsidiaries show that a hybrid strategy is used by the four subsidiaries and this is due to the pressure from local employees and managers for adaptation to host institutional environment and pressure from the HQ controlling power to achieve productivity targets. This resistant hybridisation approach suggests that pull force arising from people within host organisations is to protect their interests in organisations rather than simply respond to host country institutional arrangement such as the legal environment. Further, the pull force used by actors in host organisations forms a powerful mechanism to impede diffusion of home country HR practices abroad especially in the area of overtime working practice. However, expatriate managers in the four subsidiaries still try to diffuse home country HR practices to the UK without causing conflicts of interest between local employees and the HQ's targets. The case of the four subsidiaries suggests that those within host internal environment of MNCs try to protect their own interests by using host country legal arrangements as a bargaining point to defer transfer of home country working behaviours and expatriate managers try to guard the HQ's interests and survive overseas. This supports previous research's (e.g. Ferner and Tempel, 2006) argument in power and national business systems perspective that is, multiple actors (e.g. expatriate managers, local managers, local employees) will use their power either arising from their ability or their knowledge or their skills or their working experiences to challenge host country institutional environments, to modify their response to host country institutional environments, and to guard their own interests engaged in host country institutional environments.

8.1.6 Tensions Arising from Home Country and Host Country Effect

Tensions arise both from the HQ and subsidiary and expatriate and host country national managers in the approach to managing people and communicate issues in when both macro and micro issues were taken into account. In particular, the case of the four subsidiaries indicates that the value of placing organizational actors firmly within the analytical frame (in Chapter 2) and that managerial' accounts can offer rich insights into tensions associated with managing in an MNC environment. The four case studies demonstrate that the differences in perception of working values between expatriate managers and local employees and managers in the workplace (for example, about the need to work overtime), differences in acceptance of the
HQ's measurement criteria for productivity performance between the HQ and subsidiary, and differences in cultural and institutional background influence communication between managers. When these interactions are set in context i.e. recognizing country-of-origin effects, the nature of host environment and cultural differences and firm-level factors (for instance, the previous working experience of expatriate and host country national managers), the complex nature of MNC life can be captured by emphasising a more actor centred paradigm focused on the strategies and power of different actors within MNCs and business systems (Meardi and Toth, 2006:160).

8.2 IMPLICATION FOR THEORIES

The findings of this research raise some implications for theories. First, the convergence of macro-level variables is evident in that under the influence of home country and host country either cultural or institutional factors, the surveyed and the case study subsidiaries tend to be more convergent in their managerial behaviours such as adoption of home country HR practices or adaptation to host country HR practices. The macro-level variables such as the HQ's high controlling power through direct control and output control mechanisms, host country cultural and institutional arrangement (e.g. legal regulations), and degree of integration and nature of product market, are the factors to result in a convergent phenomenon in the assimilation of home country management practices and adaptation to host country practices.

Second, there is a convergence in the four subsidiaries' strategic role as an implementer. This is related to country of origin. As Ferner (1997) argued that national system of corporate governance influences MNC behaviour and this is evident in the four Taiwanese MNCs. The three technology and IT related subsidiaries mainly serve a bridge for the HQs to penetrate the UK and European market. Consequently, the strategic level issues such as decision-making on investment and workforces expansion and reduction are subject to the HQ's corporate governance. Also, the case of Comco's two major redundancy programme reflected that the HQ uses a cost cutting strategy to respond to the shirking market

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in the UK and European countries. This is similar to so-called 'outsider system which focuses on short-term price considerations, decisions to cut capacity and employment are likely to be based on marketedly different premise' (Ferner, 1997, 27). This findings of Comco’s redundancy programme implies that Taiwanese MNCs are significantly influenced by outsider system such as US MNCs in the area of decisions to cut employment.

Third, convergence happens in the role of expatriates to serve a formal control mechanism with the four case studies. This confirms that country of origin affects MNC behaviour in the way of corporate control (Ferner, 1997). The expatriate MDs and finance managers within the four subsidiaries play a role to control budget and monitor foreign subsidiaries’ financial performance. Similarly, the UK and US MNCs in general appear to have elaborate systems of control through budget-setting and monitoring systems. As Marginson et al. (1993) remarked: British MNCs and toher large UK companies suggests that elements of staffing costs, such as total payroll, overtime levels, and pay bargaining, are carefully monitored against budget with strong central intervention where necessary (p.15-28).

Forth, there is a convergent phenomenon regarding adoption of informal control mechanism such as socialisation and informal communication by the four case study firms. This is clearly related to country of origin. They are not mediated by industrial structure and size. This further supports for the presence of unique country or origin patterns and opposes to arguments in that the corporation becomes footloose and de-contextualised by internationalisation as Ohmae’s (1990) suggestion of nationless corporations. The use of informal control by the four Taiwanese subsidiaries is similar to informal communication control used by German MNCs as Coates et al., (1992) indicated that German MNCs relies on informal feedback and communications than on financial control measures. Also, the finding of informal control mechanism adopted by Taiwanese MNCs is more likely to Japanese MNCs’ face to face informal assessment as a result of ‘expatriate intensive’ (Ferner, 1997).

Fifth, the convergent phenomenon also appeared in the entry mode by the four subsidiaries. Obviously, greenfield with non-unionised mode is preferred by the
four Taiwanese subsidiaries. However, a whole transfer of home country HRM practices was not happening in the four subsidiaries. This counter to previous arguments in that an ethnocentric strategy will be adopted by greenfield subsidiaries as a result of lack of pre-existence HRM practices and historical burden arising from existence of unions (Guest and Hoque, 1996). The use of greenfield approach to enter Midland area by Taiwanese MNCs in the UK is the same as those adopted by Japanese MNCs in Telford. However, the incentives for Taiwanese MNCs and Japanese MNCs to locate in the Midland area are quite different. The former used a greenfield with non-unionised approach to operate in the Midland area is because of product market factor, for instance, cheaper and time saving to deliver products to the UK customers. The latter took advantages of greenfield and deregulated labour markets for management such as abundant supply of relatively cheap labour for routine manufacturing work, while trade unions were relatively quiet and themselves keen to welcome inward investment (Elger and Smith, 2006).

Sixth, there appears to have a micropolitics phenomenon within the four subsidiaries. This supports political process theory in that actors will use their power arising from positions to impede a full transfer of home country management practices. This is particularly true in the case of Comco and Shipco, whose local managers tended to use more British style of practices such as formal communication scheme and individual performance related pay, while expatriate managers are more likely to use home country practices such as informal communication. The micropolitics phenomenon occurring in the four Taiwanese subsidiaries is similar to the case of Japanese MNCs in Telford. Elger and Smith (2006) indicated that the micropolitics is the cause for the process of hybridisation in Japanese MNCs in Telford. This implies that ‘the notion of hybridisation may be a good starting point to form theoretical understanding of the operations of international subsidiaries, in particular, researchers have to recognise the contested and problematical character of emergent policy repertories and to local processes of management policy formation within varied and unequal networks of influence and corporate power relations’ (Elger and Smith, 2006:76).

Seventh, the convergence of micro-level/individual issues is evident in terms of expatriate managers’ administrative heritage which is contingent in their previous
working experiences and tenure in the same industry in their home country held by expatriate managers in the four case studies subsidiaries. This provides support for the managerial competency’s arguments in that expatriate managers also bring substantial intangible resources, principal among these being the tacit knowledge of ways of managing the business (Taylor et al., 1996:963). A good illustration of this convergent phenomenon in expatriate managers’ administrative heritages is found in adoption of overtime practice used by all expatriate managers in the four case studies. Also, the case of Shipco showed that there is less tension in Shipco compared to the other electronic and IT related subsidiaries (Techco, Itco, Comco) owing to the expatriate Managing Director’s in-depth knowledge of host country culture and good ability to communicate with local managers and employees. This also supports managerial competency’ arguments in that problems could be avoided through expatriate managers’ confidence and capability to manage overseas subsidiary effectively (Paik and Sohn, 2004).

Eighth, convergence is evident in the training methods adopted the four subsidiaries. Clearly, the four subsidiaries rely on-the-job training to train their local managers and employees to follow the HQs’ work standard. This finding suggests that parent firms do influence the way of managerial development as Fener (1997) argued that there are national differences in the way that managerial development is organised. Unlike Japanese MNCs and French MNCs relying on elite management, Taiwanese MNCs tend to use on-the-job training to pass managerial skills and necessary work-related knowledge from senior to junior. This is likely to German MNCs’ management development system that is progression is through functional career paths where special technical knowledge and skill is developed (Fener, 1997).

Ninth, there is convergence in the nature of HRM functions in the four subsidiaries. This supports country of origin effect in that there are significant national differences in the role and organisation of the HRM function (Brewster and Larsen, 1992). The role of HRM functions in the four subsidiaries showed that there is less likely for HR department and line managers to get involved in the business strategy and wage. This is similar to US MNCs in Singapore that allow HR department to follow formalised and standardised HR policies decided on the HQ level.
Tenth, there is convergent phenomenon happening in the three technology and IT related subsidiaries in the area of resource flows especially the forward diffusion of HR practices (i.e. training, performance appraisal criteria, productivity targets) from the HQs and US office. This confirms country of origin effect in that an ethnocentric strategy is more likely to be adopted by MNCs as a result of ‘corporate isomorphism’ (Ferner, 1997). Also, the flow of forward diffusion with the four Taiwanese subsidiaries is similar to Japanese MNCs’ transplant approach as argued by Elger and Smith (2006). They found that Japanese MNCs in the 1980s and 1990s tended to diffuse their model of best practice to the UK subsidiaries shaped by Japanese unique national and corporate context with ignorance of local societal effects. However, the case of forward diffusion within Taiwanese MNCs is not the consequence of ‘diffusing best practices’ abroad but the consequence of formal control through dissemination of the HQs’ HR practice to enhance reach productivity targets and to compete their competitors in the UK and the European market. This implies that distinctive HR practices diffusing from the parent firms can create MNCs’ competitive advantages as Elger and Smith (1994) have emphasised that international competition is rooted in the specific arrangements of national systems, and that national economies compete to impose their version of economic development (cited in Femer, 1997:19).

The convergence of micro-level variables is also shown in adoption of a resistant hybridization approach to manage local British employees and Chinese-speaking background employees. A top down and paternalistic driven approach of transferring HQ’s overtime working practice to overseas subsidiaries is inappropriate, because this neglects the impact of culture clash between HQ’s demanding attitudes in productivity vs. British working culture values and UK institutional arrangement. Adoption of a resistant hybridisation approach confirmed the notion of ‘corporate isomorphism’ and ‘local isomorphism’ developed by Femer (1997). Unlike US MNCs in the UK (Femer et al., 2005), adoption of a range of compromise accommodations to resist a full implementation of corporate diversity policy is as a result of the ability of actors within the UK subsidiaries to mobilise and deploy specific power resources. The case of Taiwanese MNCs showed that adoption of a resistant approach is a compromise to dual pressures from home
country and host country cultural and institutional environments rather than a compromise to local actors’ power.

The convergence of micro-level/individual issues is also evident in adoption of no formal communication scheme by expatriate managers as a result of cultural influence. This supports the country of origin approach in that the home country’s cultural values have a significant impact on the organisation (Hofstede et al., 1990). For instance, expatriate managers of the four case studies are not willing to adopt formal communication methods to disseminate HQ’s strategies and financial information. Also, the adoption of no formal communication method implies that the four Taiwanese subsidiaries tend to avoid possible voice from their local managers and employees to negotiate with expatriate managers and this is particularly evident in Ito’s management behaviour. Consequently, most British workers left Ito as a passive response to this no formal communication approach. This voice avoidance strategy is similar to Japanese MNCs in the UK. As Elger and Smith (2006) revealed that employees (such as some key technical or professional workers) in Japanese MNCs in Telford decided to exit firm, due to the fact that these employees are generally excluded from the organisational processes through both corporate and subsidiaries’ policies are formulated (such as work councils may allow organised labour a limited voice in such processes)(p.55).

The divergence of micro-level variables is apparent in the area of management style between expatriate and host country national managers as a result of lack of countervailing power held by these managers. Unlike Korean MNCs in the UK (Glover and Wilkinson, 2006), whose tensions occurring in the notion of ‘negotiated process’ where multiple actors compete over the ‘interpretation of the (management) practice’s meaning and function (Ferner and Tempel, 2006:31), the case of Taiwanese MNCs indicated the tensions are not a result of ‘negotiated process’ but an outcome of the lack of proper communication between multiple actors and the demand for more involvement by local managers within organisations. The degree of tensions varies case by case.

The maintenance of similarity or dissimilarity either from home country or host country blueprints in the area of adoption of HRM strategies and practices is
manifested in a hybrid style to manage local managers and employees. This provides support for the country of origin effect's argument in that the behaviours of MNCs in host countries may be a synthesis or 'hybrid' in which host country norms mediate the influence of the home country 'blueprint' (Innes and Morris, 1995:30). For instance, pressures from the HQ's high controlling power through tight cost control and host country culture values held by host country managers do impact the way to assess employees between expatriate and host country national managers. This is particularly true in the case of adoption of individual performance measurement and HQ's standard to assess and motivate local managers and employees. The adoption of a hybrid style implies that hybrid is viewed as a second optimal solution for foreign operations because survival is the second best choice under the dual conflicting forces from home country and host country cultural and institutional arrangements as Elger and Smith (2006) indicated.

8.3 IMPLICATIONS FOR PRACTICES

First, I have identified HRM practices used by emerging economy MNCs in an advanced economy. Our results suggest that the MNCs from emerging economies behave differently from MNCs from developed countries such as Japan, US and Western European countries. Past research shows that MNCs from advanced economies such as Japanese MNCs in the UK tend to transplant the ideas and practices of so-called excellent human resource management systems, for instance, Komatsu and Mazak, from their own parent companies (Gleave and Oliver, 1990). American MNCs in the UK also wholly transfer their home country practices such as union avoidance strategy to the UK subsidiaries (e.g. Hamill, 1984). However, unlike Chinese MNCs in the UK (e.g. Edwards and Ferner, 2004), whose HRM strategies and practices using an absorptive localisation strategy to manage their subsidiaries, Taiwanese MNCs deliberately adopt a varied HR approach to operate in an advanced economy as a result of dual pressure of home and host country effect. Consequently, apart from strategic issues wholly made by HQ in Taiwan, other HR practices either adapt to local practices or use a hybrid style. In addition, similar to a diluted hybrid approach adopted by Japanese MNCs in the Midlands (Elger and Smith, 2006), an ideal style of home country practices have been diluted and compromised to host country patterns in the four Taiwanese MNCs in the UK.
This is evident in adoption of a compromised hybridisation approach to manage a diversified workforce.

Moreover, unlike US MNCs in Taiwan (e.g., Chow et al., 1999), whose HRM strategies and practices are more influenced by American way of doing things, Taiwanese MNCs in the UK tended to use a more westernised practices, such as pay for individual performance and formal communication method, to manage their subsidiaries in the UK and this is particularly true in implementation level. This finding also supports previous evidence in that MNCs from Korea, Taiwan, and Singapore have been attempted to use more westernised influenced high-performance practices (Bae et al., 2003).

This research revealed that the four case study subsidiaries rely on quanxi to recruit staffs as a result of tight budget control and accepting Taiwanese way of doing things, especially in the area of overtime. This finding does not support previous evidence in that Taiwanese firms, especially in high technology industry, do not use connections to recruit and promote employees (Hempel and Chang, 2002). However, this finding supports Chen et al. (2005) argued that quanxi is important for employer-employee relationship for interpersonal trust which is rooted in Confucian values.

This study confirms that a firm’s country of origin is important to process of transfer of HRM strategies and practices especially in the strategic level. This is consistent with previous research (e.g., Bae et al., 1998) argument in that national origin including institutions and culture is vital for western MNCs in Taiwan and Korea in the areas of diffusion of home country HRM strategies and practices.

Regarding localisation of top management positions in local subsidiaries, this research suggests that key management positions are still occupied by expatriates within the four subsidiaries and this is because of control and coordination need. This finding is similar to evidence in the study of 266 Asian MNCs having recruited less host nationals managers in their overseas operations (Ulgado et al., 1994). However, the cases of Comco and Shipco showed that the majority of management
positions are locally hired because of shrinking of product markets and nature of products in the shipping industry.

This study supports the arguments in literature on the evolution of international management in MNCs and that on the comparative study of national economic systems, called for by Westney (1999). It has attempted to explore the interaction between the country-of-origin business system and host-country business system and international HRM strategies and practices of MNCs at the subsidiary level. It shows that the effort of country-of-origin effect influence may be quite subtle. The nationally embedded culture existing in HQ and expatriate managers, for instance, is not transferred through formal institutional arrangements such as overtime working, but through expatriates' daily working behaviours.

The research revealed that nationally determined patterns of MNC behavior are constant but diminishing - at times rapidly. Therefore, Taiwanese MNCs, being latecomers to the internationalisation of production and employment, are seeking ways to accommodating the pressures from a competitive international environment, by borrowing more westernised HRM practices from pre-existing models of international operation. In the sphere of international HRM, the model has been principally the Anglo-Saxon. A key question here is whether the process of dissemination is making Taiwanese MNCs less 'Taiwanese'. I have argued that new practices are delicately adapted, becoming a more British way of doing things especially in the case of formal communication and flexible working practices.

One of the major tensions occurring in Taiwanese MNCs is method of redundancy. Researchers (e.g., Wilkinson, 2005) have argued that people are an organisation's most valuable sources in the realm of HRM and TQM. However, the experience of Comco showed that the rationale for workforce reduction is a healthy organization tries to use cost cutting and headcount cutting to recover the organizational efficiency. This resulted in a bad reputation and lower loyalty from the survivors after compulsory redundancy in Comco. The method of redundancy used by Comco confirmed the argument proposed by Redman and Wilkinson's (2001:318) remark ‘depressingly, it seems downsizing sets a reassuring signal to markets that managers are 'in control' and 'acting to put things right'.
The four case studies showed that tension arose in difference in management style of expatriate and local managers is as a result of previous working experiences in Taiwan IT and shipping industries held by expatriate managers (i.e. Techco, Itco, Comco). This indicates that HQs still emphasise on output control HRM techniques to monitor their subsidiaries. This is consistent with Chen et al.'s (2005) findings in that local Taiwanese firms still rely on Confucius-based HRM practices such as encouraging and promoting efficient workers at the workplace.

8.4 IMPLICATIONS FOR PRACTITIONERS

The findings of this research raise some implications for practitioners. First, managers from emerging economy MNCs could strengthen their managerial competency by understanding differences in culture and institutional environments between home country and host country. This could help expatriate managers to avoid possible challenges and problems to manage a diversified workforce in the UK. For instance, expatriate managers not only need to have a good command of English but also need to improve their knowledge about host country legal environment in order to avoid possible conflict in the area of hiring and firing practice. Second, managers could use more communication channels to improve local employees' loyalty and commitment to their companies. For instance, the case of Comco showed that tensions arising from misunderstanding and mistrust between expatriate managers and local managers and employees during two major redundancy programmes are as a result of lack of proper communication between expatriate managers and local employees. This in turn reduces local employees' incentives and loyalty to Comco.

Moreover, there is a need for Taiwanese MNCs to conduct an international training for expatriate managers abroad in particular in the area of national culture and distinctive national business systems. This is not only to avoid possible conflicts arising from differences in cultural and institutional environments but also to create useful materials for expatriate to manage local managers and employees effectively. As discussed in Chapter 2, national competencies are created through unique national differences either in national culture or in national business systems.
Therefore, it is important for MNCs to be aware of culture-general and culture-specific knowledge and institutional distance between home country and host country. This can help MNCs to compete their competitors more effectively in the global market.

In addition, top management both in the HQ and local subsidiaries have to acknowledge downsizing method that is not the best solution to save companies in the long term. As Redman and Wilkinson (2001) indicated that headcount may have gone down but labour costs have increased as companies are forced to rehire, often ex-employees, as consultants, temps and interims (p.317). This is because sometimes downsizing is not always ‘rightsizing’ (Redman and Wilkinson, 2001:318). Also, top management team has to focus on how to raise employees’ competitive advantages through proper re-training and functional rotation to advance employees’ knowledge and skills. The emphasis on human resources as firms’ competitive advantages is typically disappeared in the management behaviour within Taiwanese MNCs. Therefore, how to view employees as firms’ human capital and then to advance their competencies through proper training is one of the important issues for Taiwanese managers to consider in the future.

One paramount issue for expatriate managers is to improve their negotiation skills. This is particularly important because negotiation is happening in managing local managers and employees daily. This research reported that misunderstanding between both expatriate and local managers is partly because expatriates are lack of negotiation experiences in their previous working experiences in IT and shipping industries. Consequently, local managers and employees tended to interpret this kind of avoiding negotiation approach used by expatriates as a signal of distrust on local staff and reducing the achievement of productivity targets. Thus, it is important for HQ, especially top management level, to be aware of this issue and then to improve expatriates’ negotiation skills.

8.4 IMPLICATIONS FOR GOVERNMENTS

Government’s officials have to acknowledge the conflicts arising from different cultural and institutional environments within MNCs especially MNCs from
emerging economies with high distance both in culture and institutions between the UK and Asia Pacific regions. They can develop strategies that place more emphasis on the role of human resource management in organizations to create more understanding about cross-cultural differences and unique characteristics of national business systems or varieties of capitalisms. This is of great importance for the UK government and other European countries especially in their eagerness to attract more foreign direct investment from Far East.

There is also necessary for the Blair government to push ‘education and education’ policy further. This is important not only because of improving attractiveness foreign direct investment from emerging economies but also because of national competitive advantages being enhanced through increased employees’ knowledge and skills and working attitudes. Also, some of NHS hospitals in the UK started to introduce Japanese style of total quality management (TQM) mainly from Toyota in Japan to improve service efficiency and quality in 2006. This implies that in order to transfer a Japanese model of TQM successfully, it is necessary for the government especially the NHS officials to think how to cope with cultural and national differences between the UK and Japan when application of superior Japanese management practices.

8.6 LIMITATIONS OF THIS STUDY

The limitations of this study are as follows. First, we did not get full data from top management and senior directors and managers in the HQs to get a full picture of the HQ’s HRM strategies and policy and how these influence expatriate managers to manage local managers and employees in the UK.

Second, it was not possible to go back to the four subsidiaries to observe the possible changes in HRM policy and practices over time. This is due to the four subsidiaries having low incentives and willingness to participate in the research due to company confidentiality considerations. Third, the findings from the four case study subsidiaries may not apply generally to all Taiwanese MNCs in the UK, due to the fact that the four subsidiaries belong to medium sized companies.
In addition, this research did not explore HRM strategies and practices adopted by large Taiwanese MNCs in the UK due to the fact that there was only 1 large Taiwanese MNCs in the UK by the time this data collection process was completed. Further, the researcher was not granted access to the only existing large Taiwanese firm in the UK. Forth, the findings of this research could not be applied to other emerging MNCs operating in Europe and the UK because: (1) MNCs from different country of origin will exhibit different pattern of managerial behaviours to manage their overseas subsidiaries as the country of origin school argues; (2) the research only examines four greenfield case studies and fails to shed light on the scenarios in brownfield sites such as international joint ventures and strategic alliances; (3) the majority of Taiwanese MNCs in the UK are in IT and electronic sector and this is different from other emerging MNCs in the UK, for instance, Chinese MNCs in the UK are more in financial sector locating in London area (Zhang, 2003) and Korean MNCs in the UK are more in car and electronic sectors etc.

Reflections of integrated framework used in this study are: first, there is lack of how external factors such as country characteristic influence internal factors. Second, this integrated framework fails to examine how possible outcomes (i.e., HRM strategies and choices) influence country specific factors. Third, this integrated framework cannot examine competitive advantages through adoption of certain HRM strategies and practices at the subsidiary level.

Reflections of a multi-strategy used in this study are: first, the design of a self-completion survey is unable to apply to other MNCs from emerging economies in the UK. This is particular true in the area of specific items developed by the researcher. Accordingly, specific items such as country of origin effect, host country factors, cultural differences, and local institutions created in this research are needed to be adjusted to match other MNCs from different country of origin. Second, there is a need to gain insights regarding HRM strategies and practices and possible conflicts from employees in different levels while this study only provides information from managerial level in MNCs. Third, there is lack of information from supervisory level of HR managers who responded to this survey. This might reduce some reliability in specific items developed in this study.
The limitation of this study is also evident in the entry mode adopted by Taiwanese MNCs in the UK. This study only explores the management strategies and problems associating with greenfield sites. Consequently, it is unable to apply findings of this research to other brownfields sites (such as international joint ventures and strategic alliances). This is because there might be different tensions within brownfield firms. For example, researchers (e.g. Ireland et al., 2002) also illustrated some possible problems (such as trust issues) that might cause failures in strategic alliances.

8.7 FUTURE RESEARCH

Although an integrated framework developed in this study is useful to explain the complexities and process of diffusion of HRM strategies and practices within MNCs, there is still a need for researchers to expand this framework to examine the reciprocal interplay between HRM outcomes and external factors.

The current study was centred on Taiwanese MNCs operating in the UK, a future study of HRM strategies and practices could be extended to HQ in Taiwan and other Taiwanese subsidiaries both in Europe and the United States. Moreover, more research about multiple HRM strategies and practices and why they are chosen simultaneously by MNCs from emerging economies in advanced countries may require more long term research, in order to observe the complex decision-making process between HQ and overseas subsidiaries and the dynamic process occurring in convergence, divergence or hybrid maintenance phenomenon. In addition, future research can examine how competitive advantages could be enhanced and identified through exploring the relationship between managerial competency and dynamic capability abroad. This is due to the research revealing that the main driver to cause convergent phenomena in micro-level is as a result of managerial competency at the subsidiary level MNCs. However, how HQ enhances its competitive advantages through recognising its unique managerial competency both at the HQ and other subsidiaries to achieve targets is still few. Further, there is a need to extend this research to other Asia-Pacific MNCs operating in the UK and other European countries such as Korean MNCs and Singaporean MNCs. Moreover, there is a need to extend this research to international joint ventures and international strategic alliances. This is due to the fact that this research only examines the transfer of
HRM strategies and practices in greenfield sites but fails to explore what sort of HRM strategies and practices adopted by brownfield establishments from emerging MNCs in the UK and other European countries. Also, there is interesting to explore how international joint ventures and strategies alliances to tackle possible conflicts arising from dual pressures from cultural distance and institutional distances in cognitive, regulative, and normative forces through effective alliance management in the UK and other European countries.

Also, a future study of differences in management style or leadership as a result of different country of origin could be extended to other emerging economies MNCs in the UK and other European countries in order to examine the relationship between top management shared mindset in the HQ and transfer of home country management strategies and practices at the subsidiary level. In addition, a future research of the impact of adoption of redundancy programme by emerging economies MNCs on host country labour market and firm performance in order to explore whether use of downsize scheme is the best solution for MNCs to survive in the advanced economies and to compete other major competitors in the developed economies. Furthermore, a future study of adoption of communication scheme from different country of origins could help researchers and practitioners to understand how to manage a diversified workforce by using host country communication methods as a result of recognising differences in culture and institutional environments. Also, there is a need to explore top management values and attitudes towards HRM functions at HQ level. This could help researchers to answer whether CEO or owners' country of origin and culture is influential to view human resources as a source of competitive advantages for MNCs and international JVs and strategic alliances. Further, more researches could examine trust issues in managing international JVs and strategic alliances. This is because current research reported that tensions arose as a result of lack of trust between HQ and local subsidiary both in macro and micro levels. Therefore, further research could help to answer whether trust issue is important for success of international JVs and strategic alliances, especially those JVs and strategic alliances are collaborating between huge institutional and cultural distances, for example Taiwan and UK, Korea and UK.
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Title

Address

October 2004

Human Resource Strategy and Practices of Taiwanese companies in the UK, September 2004

Dear Manager,

In 2003, the investment of Taiwanese companies in the UK has created more than 9000 jobs and the market share reached a value of approximately US$12.40 billion in 2002, a 120 per cent increase from 2001. However, there is very little research on the HRM strategy and practices adopted by these companies. In collaboration with Professor Adrian Wilkinson and Dr. Kamel Mellahi, this survey aims to provide a clear picture of how Taiwanese companies in the UK are performing in the area of HRM. This study is important, as it will help to provide best HR practices for practitioners and academics now and in the future.

To assist us with this study, we would be most grateful if you could spare about 15 minutes to complete the questionnaire enclosed with this letter. Please be assured that all responses will be treated in the strictest confidence and no individual cases or details will be revealed to anyone. A summary of the general findings will also be made available to you upon request.

We would greatly appreciate your help with this research. If you have any questions or comments about this study, please contact me at The Business School, Loughborough University, Tel (0) 1509223239, or e-mail: y.y.chang@lboro.ac.uk. If you think you are not the right person to answer the questionnaire, will you please pass it to the person best able to complete it.

Thank you very much.

Yours faithfully,

Professor Adrian Wilkinson
Project supervisor

Professor Kamel Mellahi
Project supervisor

Yi Ying Chang
Researcher

Loughborough University
The purpose of this study is to gain a better understanding of current human resource strategy and practices used by Taiwanese companies in the UK and to identify the major factors affecting the adoption of these human resource strategies and practices.

1. The response to this questionnaire will be treated in the strictest confidence. No name of any organisation or individual will be mentioned in the report.
2. There are no correct answers in this questionnaire. Please respond to all items as honestly and as accurately as possible.
3. You can answer most items by placing ticks in the boxes provided. Please read each item carefully and select the answer that best fits your organisation.

Your cooperation in completing this questionnaire is greatly appreciated.

October 2004
SECTION A: ORGANISATIONAL DETAILS

Please insert the box or write in the space to the appropriate response.

1. Number of employees in your company.  
   2. How many male and female staff are employed in your UK subsidiary?
   
   (HQ and subsidiary)

   A. Total in the UK ________
   B. Local-hired in the UK_______
   C. Total in Europe_________
   D. Total world-wide ________

   A. Male: _____________
   B. Female: ____________

3. Please indicate the approximate number in each of the following employee categories in your UK subsidiary.

   A. Managerial _______________
   B. Profession/Technical ______________
   C. Clerical___________________
   D. Manual___________________

4. Apart from normal seasonal variations, how has the demand for the main product or service of your UK subsidiary altered over the last 3 years?

   A. Increased
   B. No changed
   C. Decreased

5. Which would you describe as the final market(s) for your UK subsidiary’s products or services?

   A. UK
   B. Europe
   C. World-wide

6. Did your UK subsidiary have a major change of ownership, such as major acquisition(s), take-over(s) or merger(s) in the last 3 years?

   Yes  No

   A. Acquisition(s)   
   B. Take-over(s)     
   C. Merger(s)        

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7. Who has the decision-making authority in your UK subsidiary?

- A. Owner of whole group
- B. Family member of whole group
- C. Director and General Manager in HQ
- D. Managing Director/General Manager in UK subsidiary
- E. Other. Please specify __________________________

SECTION B: HUMAN RESOURCES/PERSONNEL DEPARTMENT STRUCTURE

1. Are you the most senior personnel or human resource manager in your UK subsidiary?

- Yes
- No. Please state your title __________________________

2. What professional qualifications have you obtained?

- Diploma in Personnel Management (including CIPD [Chartered Institute of Personnel and Development] membership
- CIPD membership without diploma
- Other professional qualifications (e.g. Accountancy/teaching). Please specify ____

3. Does the head of the personnel or human resources function have a place on the main board of directors or equivalent? (If no, please move to Section C)

- Yes
- No

4. Who on the board or equivalent has responsibility for personnel issues?

- A. Chief executive/Managing director
- B. Administrative director
- C. Finance director
- D. Company secretary
- E. Production director
- Other. Please specify __________________________

SECTION C: HUMAN RESOURCE STRATEGY

1. Please insert X in boxes next to areas where you think your UK subsidiary is going to face challenges over the next 3 years?

- A. Recruitment and selection
- B. Training and development
- C. Pay and benefits
- D. Performance appraisals
- E. Health and safety
- F. Organisation communication
- Other. Please specify ________
2. If you have a corporate strategy, at what stages is the person responsible for Personnel/Human Resources involved in its development? (If not, please go to next question)

A. From the outset
B. Consultative
C. Implementation
D. Not consulted

3. Please indicate where the listed HRM policies in your UK subsidiary are mainly determined.

<table>
<thead>
<tr>
<th></th>
<th>HQ In Taiwan</th>
<th>Regional HQ</th>
<th>Subsidiary Service</th>
<th>HR Dept in subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Pay &amp; benefits</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>B. Recruitment &amp; Selection</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>C. Training &amp; Development</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>D. Industrial Relations</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>E. Health &amp; Safety</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>F. Workforce Expansion/Reduction</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

4. To what extent do the following external factors affect human resource strategy and practices in your UK subsidiary?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Taiwan’s business systems constraints (e.g. institutional pressure from HQ national origin)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>B. Degree of product integration and nature of product/service market</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>C. Host-country factors (e.g. local labour market, legal, and cultural environment)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
5. To what extent does each of the following cultural factors affect human resource strategy and practices in your UK subsidiary?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Subordinates in the UK do not expect or accept that power in the organisation is distributed unequally</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>B. The ties between individuals in the UK are loose so that individuals not integrated into strong, cohesive in-groups in our organisation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>C. Male in the UK are more assertive, tough, and focused on material success whereas female in the UK are more modest, tender, and concerned with the quality of life</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>D. People in the UK are less oriented towards the future (especially less perseverance and thrift)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>E. People in the UK like to be more relaxed and work hard if there is a need for it, but they are driven by an inner urge towards constant activity</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6. To what extent does each of the following firm-level strategies affect human resource strategy and practices in your UK subsidiary?
<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. In our organisation, we adapt to local environment and follow UK HR practices</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>B. In our organisation, we transfer HQ HR practices to UK subsidiary</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>C. In our organisation, we catch the best practices both in the UK and Taiwan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>D. In our organisation, we transfer HQ practices with modification by UK operation environment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>E. In our organisation, we use a reactive and opportunistic HR choice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. To what extent does each of the following affiliate's strategic roles affect human resource strategy and practices in your UK subsidiary?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. In our organisation, we rely highly on HQ to provide key resources (e.g. money, equipment, information, and skills) and little key resources from HQ to us</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>B. In our organisation, both we and HQ rely highly on each other to provide key resources (e.g. money, equipment, information and skills)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>
C. In our organisation, we reply highly on HQ to provide key resources (e.g. money, equipment, information, and skills) to operate in the UK and rarely provide key resources to HQ.

F. In our organisation, we rely rarely on HQ to provide key resources (e.g. money, equipment, information, and skills) to operate in the UK, and HQ relies rarely on us to provide key resources.

8. To what extent does each of the following methods of establishment affect human resource strategy and practices in your UK subsidiary?

   | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
---|----------------|-------|---------|----------|------------------|
A. Brand new set up by HQ in UK | | | | | |
B. Acquisition or merger with previous company in UK | | | | | |

9. To what extent does each of the following managerial choices affect human resource strategy and practices in your UK subsidiary?

   | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
---|----------------|-------|---------|----------|------------------|
A. Use of expatriate managers from Taiwan | | | | | |
B. Use of British or European nationals managers | | | | | |

SECTION D: RECRUITMENT

1. Which methods are used to fill vacant positions in your UK subsidiary? (Please tick as many as applicable)

-375-
<table>
<thead>
<tr>
<th>From amongst current employees</th>
<th>Advertise internally</th>
<th>Advertise externally</th>
<th>Word of mouth</th>
<th>Use of recruitment agencies</th>
<th>Use of search/selection consultants</th>
<th>Job centre</th>
<th>Apprentices</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Managerial</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Professional</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Clerical</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Manual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others. Please specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Approximately what proportions of your senior managers are locally hired in your UK subsidiary?

- A. Up to 10%
- B. 11-30%
- C. 31-60%
- D. More than 60%

3. Which one of the following positions is sent by HQ or locally hired in your UK subsidiary?

<table>
<thead>
<tr>
<th>Position</th>
<th>HQ</th>
<th>Local hired</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Managing Director</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>B. General Manager</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>C. Finance Manager</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>D. Line Manager</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>E. Professional/Technical/Sales</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

4. Please indicate which, if any, of the following selection methods are used in your UK subsidiary.

<table>
<thead>
<tr>
<th>Method</th>
<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Seldom</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Application forms</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>B. Interview panel</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>C. Bio data</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>D. Psychometric testing</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>E. Graphology</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>F. References</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>G. Aptitude test</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>H. Assessment centre</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>I. Group selection methods</td>
<td></td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>
5. Please indicate the approximate proportion of your workforce who are on the following contracts.

<table>
<thead>
<tr>
<th></th>
<th>Less than 1%</th>
<th>1-10%</th>
<th>11-20%</th>
<th>More than 20%</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Part-time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Temporary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Fixed-term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. In which following are regarded for management promotion/reward in your organisation?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Individual performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Group performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Seniority</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E. HQ Decision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F. Other, please specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION E: TRAINING

1. Approximately what proportion of annual salaries and wages is currently spent on training?

   £  

2. Which one of the following training methods have you used in your UK subsidiary?

<table>
<thead>
<tr>
<th>Method</th>
<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Seldom</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. On-the-job training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Off-the-job training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. For which occupational groups have you provided training by HQ or host country?

<table>
<thead>
<tr>
<th>Group</th>
<th>HQ</th>
<th>Host country</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Managers</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>B. Professional</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>C. Technical/Scientific</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

SECTION F: PAY AND BENEFITS

1. Which one of the following pay systems do you use in your UK subsidiary?
A. Individual performance-related pay
B. Seniority-related pay
C. Group performance-related pay
D. Other, please specify

2. What measures of performance are used to determine the amount of performance-related pay in your UK subsidiary?
   - A. Individual performance/output
   - B. Group/team performance/output
   - C. Workplace-based measures
   - D. Main competitors' performance
   - E. Consultancy company's suggestions
   - F. Adoption of HQ performance measure
   - Other. Please specify __________

3. Do any of the following groups of employees have their performance formally appraised on an individual basis? (If none, please move to SECTION G)
   - A. Managers
   - B. Professional
   - C. Technical/Scientific
   - D. Sales
   - E. Clerical
   - F. Manual
   - G. None

4. How frequently are appraisals conducted in your UK subsidiary?
   - A. Quarterly
   - B. Half-yearly
   - C. Annually
   - D. Bi-annually
   - E. No fixed pattern
   - F. Other. Please specify ________

5. What are the main purposes of the appraisal in your UK subsidiary?
   - A. Assess suitability for promotion or transfers
   - B. Give feedback to employees on their performance
   - C. Allocate rewards
   - D. Give employees a chance to discuss future career moves
   - E. Set personal objectives and review progress against past objective(s)

SECTION G: ORGANISATION COMMUNICATION AND PARTICIPATORY MANAGEMENT

1. Which employee categories are formally briefed about the business mission such as strategy and financial performance in your UK subsidiary?
2. By what method(s) do employees communicate their views to management in your UK subsidiary?

<table>
<thead>
<tr>
<th>Method</th>
<th>Always</th>
<th>Often</th>
<th>Sometimes</th>
<th>Seldom</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Systematic use of management chain</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>B. Regular workforce meetings</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>C. Quality circles</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>D. Suggestion box (es)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>E. Attitude survey</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>F. Newsletter to all employees</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>G. Opinion surveys</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>H. No formal methods</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Other. Please specify</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Do you have participatory management tools in your UK subsidiary?

- A. Quality circles
- B. Joint consultative committees /works councils
- C. Problem-solving groups /continuous improvement groups
- D. Other. Please specify

Please use this space for any comments you would like to make.

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

ADDITIONAL INFORMATION

A. Would you consider participating in an interview on this survey?
Yes (please print your company name and address in the box provided below)

B. Would you like to have a copy of the summarized report of the survey?

Yes (please print your company name and address in the box provided below)

Company Name:
Address:

Thank you for your co-operation. Your important contribution to this survey is highly appreciated.

Please return this questionnaire using the enclosed self-addressed envelope.

Address for correspondence:
Yi Ying Chang
(y.y.chang@lboro.ac.uk)
Research Student
Loughborough Business School
Loughborough University
Ashby Road
Leicestershire, UK
LE11 3TU
Fax: +44(0) 1509223960
Tel: +44(0) 01509223239

For further enquires, kindly contact:
Yi Ying Chang: +44(0) 01509223239
or
Mobile: 07986363459
<table>
<thead>
<tr>
<th>m</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraisal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Learning abilities and Speed and depth of learning new concept and new tasks, and abilities of elaboration and logic deduction.</td>
<td>Excellent: Able to understand and have complete memory when learned new things first time, and give full play in works.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Working results and Accuracy and timing of accomplishing assignments</td>
<td>Excellent: Strong sense of responsibility, can accomplish assignments thoroughly and timely, very good results, can be fully trusted.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effectiveness of works innovation and Innovations or improvements during accomplishing assignments or solving problems by employing one's knowledge and techniques</td>
<td>Excellent: Abundant knowledge and capability, sharp sense of innovation or improvement on solving problems, prevents problems, excellent results.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Integrity and morality Proper manners, moral character, complying with regulations, consciousness of time and costs</td>
<td>Excellent: Takes initiative to coordinate and thoroughly carries out correct stand points, appreciable, and accomplishes tasks smoothly.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coordination and contacting Ability and demeanor displayed when dealing with other persons or departments</td>
<td>Excellent: Fair, honesty, modest, can be a model of colleagues and been respectful.</td>
<td></td>
</tr>
</tbody>
</table>
Scorecard Year: ____ (For Level 6, 7 non leaders)

Department: _______ Level: _______ Appraiser: _______

### Basic Skills

<table>
<thead>
<tr>
<th>Score Points</th>
<th>Appraiser Manager of Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st half</td>
<td>2nd half (B1)</td>
</tr>
<tr>
<td>1st half</td>
<td>2nd half (B2)</td>
</tr>
<tr>
<td>Adm. Excellent</td>
<td>Very Good</td>
</tr>
<tr>
<td>5 30~29</td>
<td>28~27</td>
</tr>
<tr>
<td>2 25~24</td>
<td>23~22</td>
</tr>
<tr>
<td>3 20~19</td>
<td>18~17</td>
</tr>
<tr>
<td>4 15~14</td>
<td>13~12</td>
</tr>
<tr>
<td>1 10~9</td>
<td>8~7</td>
</tr>
</tbody>
</table>

### Scores - Basic Skills

<table>
<thead>
<tr>
<th>Leave (day)</th>
<th>Total days/number</th>
<th>Deduction points per day/number</th>
<th>Deduction Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave</td>
<td></td>
<td>* 0.6</td>
<td></td>
</tr>
<tr>
<td>Annual Leave (day)</td>
<td></td>
<td>* 1.2</td>
<td></td>
</tr>
<tr>
<td>Absent (number)</td>
<td></td>
<td>* 0.1</td>
<td></td>
</tr>
<tr>
<td>Leave (number)</td>
<td></td>
<td>* 0.1</td>
<td></td>
</tr>
<tr>
<td>Leave without Notice (number)</td>
<td></td>
<td>* 6</td>
<td></td>
</tr>
</tbody>
</table>

Total of deduction points (C')

et achievement appraisal

(A1+A2) / 2 = A

(B1+B2) / 2 = B

action points of Absence

20 - C' = C

nal Appraisal

(A * 50%) + (B * 30%) + C

Comments and Signature of Appraisee

Comments and Signature of Appraiser

n: Date: Sign: Dare:

ger of Appraiser: Name in Black: _______ Sign: _______ Date: _______
### Appraisal of Basic Skills  Year _____ (For Level 8)

<table>
<thead>
<tr>
<th>Working attitude</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aspiration, following instructions, coordination</td>
<td>Excellent: Totally follows instructions, keep on improving job results, excellent interpersonal relationship.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very Good: Follows instructions, carries out job duty seriously, and cooperates smoothly.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good: Following instruction, coordination and aspiration are OK.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair: Bit weak in following instructions, sometimes lazy, lack of self drive to move forward.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poor: Not follows instructions, do things one’s way, no intention to improve and move forward.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Works accuracy</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carefulness, correct direction of working results</td>
<td>Excellent: Handles works with carefulness, working results are on track and forward looking, wins full trust from superior.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very Good: Handles works carefully, accurate working results wins trust.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good: Mistakes form time to time, working results are OK.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair: Though works carefully but still often mistakes, working results are not good.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poor: Rough, careless, often mistakes, working results are poor even under closed supervision.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working efficiency</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving assigned tasks within required quality and timing</td>
<td>Excellent: Good relationships with persons and departments and they accelerate the targets achievement successfully.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very Good: High working efficiency, accomplishes assignments within required timing however occasion review is needed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good: Mediocre working efficiency still finishes assignment on time.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair: Low working efficiency, sometimes not finish assignment on time and closed supervision needed.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poor: Poor efficiency, can not finish assignment on time even under closed supervision.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Professional knowledge and complying with company regulations</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent: Abundant professional knowledge, fully understands and follows company regulations, can be a model of colleagues.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very Good: Follows company regulations, professional knowledge is sufficient for current job, and strives vigorously to improve oneself.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good: Good professional knowledge, follows company regulations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair: Fair professional knowledge, not always follows company regulations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poor: Insufficient professional knowledge, often breaches company regulations and influences mood and morale of others.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Attitudes on employing company properties</th>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent: Utilizing company properties to with maximum effectiveness, taking care of properties in proper way, often think of better substitution to reach better effectiveness and lower costs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Very Good: Properly takes care of company properties and utilizes them to very high effectiveness.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good: Properly takes care of company properties and utilizes them to fair effectiveness.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fair: Not care of company properties, wastes because of carelessness.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Poor: Often wastes and damages properties because of carelessness.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Scorecard Year: _____ (For Level 8)

#### Basic Skills

<table>
<thead>
<tr>
<th>Classification</th>
<th>Score Points</th>
<th>Appraisal Score</th>
<th>Appraiser</th>
<th>Manager of Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>Very Good</td>
<td>Good</td>
<td>Fair</td>
</tr>
<tr>
<td>h. Adm.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>30~29</td>
<td>28~27</td>
<td>26~25</td>
<td>24~23</td>
</tr>
<tr>
<td>2</td>
<td>25~24</td>
<td>23~22</td>
<td>21~20</td>
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</tr>
<tr>
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<td>20~19</td>
<td>18~17</td>
<td>16~15</td>
<td>14~13</td>
</tr>
<tr>
<td>4</td>
<td>15~14</td>
<td>13~12</td>
<td>11~10</td>
<td>9~8</td>
</tr>
<tr>
<td>1</td>
<td>10~9</td>
<td>8~7</td>
<td>6~5</td>
<td>4~3</td>
</tr>
</tbody>
</table>

#### Scores - Basic Skills

<table>
<thead>
<tr>
<th>Leaves</th>
<th>Total days/number</th>
<th>Deduction points per day/number</th>
<th>Deduction Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave (day)</td>
<td>* 0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Leave (day)</td>
<td>* 1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arrive (number)</td>
<td>* 0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late Leave (number)</td>
<td>* 0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leave without Notice (number)</td>
<td>* 6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total of deduction points (C')

#### Annual absent status (year)

<table>
<thead>
<tr>
<th>Leave (day)</th>
<th>Total days/number</th>
<th>Deduction points per day/number</th>
<th>Deduction Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leave (day)</td>
<td>* 0.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Leave (day)</td>
<td>* 1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arrive (number)</td>
<td>* 0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late Leave (number)</td>
<td>* 0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leave without Notice (number)</td>
<td>* 6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total of deduction points (C')

#### Total achievement appraisal

\[
\frac{(A1+A2)}{2} = A
\]

\[
\frac{B1+B2}{2} = B
\]

#### Total achievement points of Absence

\[
20 - C' = C
\]

#### Total Appraisal

\[
(A \times 50\%) + (B \times 30\%) + C
\]

### Comments and Signature of Appraisee

- Name in Black: ____________________
- Sign: ____________________
- Date: ____________________

### Comments and Signature of Appraiser

- Sign: ____________________
- Date: ____________________
### Appraisal of Basic Skills

**Year:** ______ (For All Leader)

<table>
<thead>
<tr>
<th>Summary</th>
<th>Contents</th>
<th>Appraiser</th>
</tr>
</thead>
</table>
| Ability to lead and motivate subordinates to achieve organizational goals. | **Excellent:** Very good leadership, very high morale in the unit, excellent discipline and achieve targets efficiently and effectively.  
**Very Good:** Lead conscientiously and achieve targets effectively, takes care of morale and discipline in the unit.  
**Good:** Lead and can achieve targets, results are OK.  
**Fair:** Not very care of leadership, morale not high in the unit, can mostly achieve targets.  
**Poor:** Loose leadership, low morale in the unit, hardly achieves targets. | |
| Ability of analysis and dig into root causes, analyze current situation, reach correct conclusion and take most proper measures | **Excellent:** Able to systematically analyze all tasks and takes proper and timely measures when unexpected situation.  
**Very Good:** Able to systematically analyze all tasks and mostly take proper measures when unexpected situation.  
**Good:** Able to analyze tasks in the unit, not determinative when unexpected situation.  
**Fair:** Able to analyze tasks in the unit, however, lack of correct determination.  
**Poor:** Hardly analyze tasks in the unit, and often make wrong determinations. | |
| Understanding of human factors, and continuously handling human relationship intimately | **Excellent:** Understands human factors clearly and keep excellent interdepartmental relationship to accomplish assignment smoothly.  
**Very Good:** Understands human factors and employs these factors to help to accomplish assignments, however, sometimes these factors are not smoothly operated.  
**Good:** Concerns human factors, knows to employs during interpersonal or interdepartmental operations, however, the results is so so.  
**Fair:** Bigoted understandings on human factors, sometimes misunderstandings due to miscommunication, working results are hampered.  
**Poor:** No understanding on human factors, often misunderstanding and conflicts due to poor communication, working results are seriously hampered. | |
| Ability to plan and employ resources effectively to reach goals | **Excellent:** Able to properly analyze and determine targets and integrates all resources to accomplish these targets, feedback and control loop also established to ensure the achievements of targets.  
**Very Good:** Able to properly analyze and determine working targets and integrated all resources to accomplish these targets, however, feedback and control loop are bit weak.  
**Good:** Able to set up brief targets and properly allocate resources, however, planning operation is not documented properly.  
**Fair:** Able to set up brief targets, however, improper resources arrangement which cause unnecessary wastes.  
**Poor:** Unable to plan, targets setting unclearly, wastes resources | |
| To train and develop subordinates for their career advancement | **Excellent:** Regularly review with subordinates on targets achievement and their future career expectations, systematically charges them wider responsibility and needed training, good results achieved.  
**Very Good:** Reviews with subordinates on targets achievement and their future career expectations, widens their work fields, however, not systematically.  
**Good:** Reviews with subordinates on targets achievement but hardly touches their career advancements.  
**Fair:** Consider the training for subordinates only when complaints, working errors, and unstable morale.  
**Poor:** No concern on subordinates' training, advancement of employees' capability very slow, often works shut down or chaos when shortage of human resources. | |
### Basic Skills

<table>
<thead>
<tr>
<th>Department</th>
<th>Excellent</th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraiser</td>
<td>30-29</td>
<td>28-27</td>
<td>26-25</td>
<td>24-23</td>
<td>22-0</td>
</tr>
<tr>
<td>Appraiser</td>
<td>25-24</td>
<td>23-22</td>
<td>21-20</td>
<td>19-18</td>
<td>17-0</td>
</tr>
<tr>
<td>Appraiser</td>
<td>20-19</td>
<td>18-17</td>
<td>16-15</td>
<td>14-13</td>
<td>12-0</td>
</tr>
<tr>
<td>Appraiser</td>
<td>15-14</td>
<td>13-12</td>
<td>11-10</td>
<td>9-8</td>
<td>7-0</td>
</tr>
<tr>
<td>Appraiser</td>
<td>10-9</td>
<td>8-7</td>
<td>6-5</td>
<td>4-3</td>
<td>2-0</td>
</tr>
</tbody>
</table>

### Scores - Basic Skills

- Net achievement appraisal: \( \frac{(A1+A2)}{2} = A \)
- Net of the Basic Skills: \( \frac{(B1+B2)}{2} = B \)
- Appraisal: \( (A*50\%) + (A*50\%) \)

### Comments and Signature

#### Comments and Signature of Appraisee

- Name in Black:
- Sign:
- Date:

#### Comments and Signature of Appraiser

- Name in Black:
- Sign:
- Date:
### Performance Appraisal - Weight

<table>
<thead>
<tr>
<th></th>
<th>Level 8</th>
<th>Level 6, 7 Non Leader</th>
<th>Leaders, All Leaders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative Targets</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>- Targets Achievement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualitative Appraisal</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>- Basic Skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance Records</td>
<td>20%</td>
<td>20%</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Empty form to appraisees to fill in "Quantitative Targets" in "Key Result Area"

Reviewed and Commented by Appraiser

Both parties agree on the targets setting of the year

Input the attendance records (HR)

Appraisal Meeting Appraiser vs. Appraisee
Time Schedule – Performance Appraisal

Jan. → Agreed quantitative targets setting

Feb. → Review & Revise (if any) target setting

Mar. → Review & Revise (if any) target setting

Apr. → Review & Revise (if any) target setting

May. → Salary adjustment (Apr.1)

Jun. → Final Review (Target Setting, Basic Skills, Attendance)

Jul. →

Aug. →

Sep. →

Oct. →

Nov. →

Dec. →
1. Check that the 'K' number (Toshiba Part Number) and Serial Number on MB matches with the paperwork.

2. Ensure that the '461...' number (Raw Material Number) is correct. Please refer to the latest version of 'Toshiba MB Part Number Control List'.

3. Reject MB if any of the above labels are imperfect or defected in anyway. (damaged, burnt, more than one label on top of each other...)
3. Ensure 'Mylar' is present, in correct position and stuck down properly.

4. Ensure MB is complete with correct CPU (where applicable). Check to see which CPU size is required by referring to the latest version of 'Toshiba MB Part Number Control List'.

Note: The CPU status for the MB should be recorded on the CNSO (traveller) by the Screening Department. Therefore, NO CPU's should be ordered/requested by the QA department to fix the MB. The MB should be returned to the previous department and the Team Leaders notified.

5. Ensure 'Eject' switches on PCMCIA unit (cage) function properly by pushing in, then pushing again to release. Also check for damage. 
(For BTW10 models only, please make sure corners/edges are not chipped).
6. Make sure the 'Lid' switch functions properly. Test by applying gentle pressure, the 'lid' switch should spring back to its original position once released. Once tested, cover with a piece of masking tape.

7. Ensure 'Volume' wheel functions properly (where applicable). Test by rotating wheel in either direction. Wheel should at some point come to a stop, then rotate back in the opposite direction.

8. Ensure 'Kill' switch is complete and functioning properly. Test by pushing up and down. Switch should lock on both sides.
9. Ensure all locking connectors are complete with clamp. Test to see if they lock/unlock freely.

10. Ensure all jacks/connectors on the rear side of board are complete, and all pins are straight.

11. Ensure all other connectors are complete, and all pins are straight.
12. Finally, ensure MB has no cracks, burn marks or liquid damage.
### DOCUMENT CHANGE HISTORY

<table>
<thead>
<tr>
<th>Revision</th>
<th>Approved (Name/Date)</th>
<th>Process Owner</th>
<th>Change Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1</td>
<td>17/02/04</td>
<td>Harvinder Singh</td>
<td>First draft</td>
</tr>
<tr>
<td>1.0</td>
<td>19/02/04</td>
<td>Harvinder Singh</td>
<td>First Issue</td>
</tr>
</tbody>
</table>
Name: ...................................................... Department: .................................................................

Job Title: ...................................................... Start Date: ..............................................................

Reporting To: .................................................. Appraisal Date From: .......................... To: ..........................

Please complete the following questions and return the form to your Manager. Should you require additional space please continue on a separate sheet of paper.

1. What were your most important job activities over the past 12 months (since you started current job)? Please list them in order of importance.

1. What aspects of your job do you enjoy the most?

3. What were the chief problems or difficulties, if any?

4. Are there any areas of difficulty you have experienced during the review period? If yes, what were these?
5. Do you feel that training would help? If so, what would you suggest (this may take the form of either formal training or on the job.)

6. Do you feel you could take on additional responsibilities and if so, what would you like these to be?

7. What objectives would you set for yourself for the forthcoming 12 month period?

8. a) Are you happy in your current role?  
   b) Are you seeking promotion?  
   c) Would you wish to gain wider experience by transfer to a different department or job?

If you feel you have anything else to be discussed or taken into consideration during this appraisal, please give details.

Agreed: ............................................................ Dated: .........................................................
Review of Performance by Manager (and comments by Higher Management if applicable)

Using the list in Question 1 overleaf, how do you feel these activities compare with your list of achievements for the previous 12 months?

What additional tasks or responsibilities do you feel can now be undertaken?

What areas do you feel require improvement and what suggestions would you make for this?

Other comments:

Objectives for 2004/2005
What training/additional skills do you feel are necessary to achieve forthcoming goals?

Agreed By Employee: ___________________________ Dated: ____________

LINE MANAGER: ___________________________ Dated: ____________

SENIOR MANAGER: ___________________________ DATED: ____________
What training/additional skills do you feel are necessary to achieve forthcoming goals?

Agreed By Employee: __________________ Dated: __________

LINE MANAGER: ______________________ Dated: __________

SENIOR MANAGER: ____________________ DATED: __________
EXEMPT, SUPERVISOR or MANAGER REVIEW

Employee Name:  
Job Title:  
Reviewer Name:  
Review Period:  

1. GOALS AND OBJECTIVES OF THE REVIEW PERIOD AND RESULTS ACHIEVED

<table>
<thead>
<tr>
<th>Goal #1</th>
<th>Results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal #2</td>
<td>Results</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goal #3</td>
<td>Results</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Specify the goals that were set for Employee this review period and the corresponding results she achieved relative to that goal. If there is room for improvement, specify an actionable/ measurable objective.

Please answer each one with specific examples and relate the examples back to the goals and objectives, duties and responsibilities for this review period. Also, please rate each sub-factor where requested and provide an overall rating for that factor. If there is room for improvement, specify an actionable/ measurable objective.

FACTORS

2. VISIBILITY - Clearly display an understanding of Employee’s work requirements and communicate Employee’s results.

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Give Information to Support Your Rating</th>
<th>Rating:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Rate how clear Employee is about his/her job responsibilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Rate how knowledgeable Employee is to do his/her job:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Rate how well Employee seeks information independently:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Rate how well Employee keeps relevant people informed:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. VELOCITY - Deliver results on-time and with the utmost efficiency and effectiveness.

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Give Information to Support Your Rating</th>
<th>Rating:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Rate how responsive Employee has been to requests from internal colleagues and external vendors and customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Rate and describe how fast Employee makes decisions and how efficient and timely he/she meets deadlines:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Rate how precise and accurate Employee’s work is:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. VALUE - Contribute significantly towards SYNNEX’s current and future profit margin

a. Rate how resourceful and/or cost efficient Employee has been:

b. Rate how hard working and tenacious Employee has been in meeting expectations/goals:

c. Rate how well Employee develops creative and useful ideas and implements them:

5. STAFF DEVELOPMENT - Development of Depth and Breadth in Your Organization

(Only complete if person being reviewed is Supervisor Level or above.)

a. Rate/describe how well the supervisor hires and retains employees with the right fit and skill sets:

b. Rate/describe how well the supervisor delegates appropriate authority:

c. Rate/describe how well the supervisor coaches and develops his/her employees and taps their strengths:

6. LEADERSHIP - Ability to Direct and Focus Your Organization to Achieve Results

(Only complete if person being reviewed is Supervisor Level or above.)

a. Rate how competent supervisor/manager is in motivating and developing his/her team:

b. Rate/describe how fair and consistent the supervisor/manager is in managing his/her staff:

c. Rate/describe how well trusted the supervisor/manager is by senior management, subordinates and others who work with the individual:

OVERALL PERFORMANCE RATING

Development Plans for Next Review Period

Employee Signature: ___________________________ Date: ______________

Supervisor/Manager Signature: ___________________________ Date: ______________

2nd Level Manager Signature: ___________________________ Date: ______________

VP/SVP Signature: ___________________________ Date: ______________
EXEMPT, SUPERVISOR or MANAGER REVIEW

INSTRUCTIONS: SYNNEX believes that two-way communication on what is working and what can be improved is central to the Performance Review process. The Employee Review is a great way to continue that process by sharing the Supervisor/Manager's insights and impressions with the Employee. Please complete the Employee Review, obtain necessary approval including Human Resources by the date requested. Review conversations with employees must not be held until all supervisor ratings are obtained.

* Evaluate employee’s work performance in relation to his/her current job requirements. Use validated input from colleague reviews to complete your evaluation.
* Rate each of the Goals and Results. For the overall rating on those goals and results, take the average of all of them.
* Rate performance with respect to each factor/subfactor in the space to the right of that factor and supply supporting information. The overall rating for each factor should be an average of the subfactor ratings.
* Give employee an Overall Performance Rating, which should be an average with a 50% weighting on the overall rating for Goals and Results, and 50% weighting on the average of the ratings for the following factors: Visibility, Velocity, Value, and Staff Development and Leadership, if applicable.
* Complete all areas in yellow below.

<table>
<thead>
<tr>
<th>RATING IDENTIFICATION &amp; DESCRIPTION</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>OUTSTANDING</td>
<td>4.01 - 5</td>
</tr>
<tr>
<td>Performance is recognized as being far superior to others. Requires almost no supervision. Consistently develops new ideas and follows them through to implementation.</td>
<td></td>
</tr>
<tr>
<td>VERY GOOD</td>
<td>3.51 - 4</td>
</tr>
<tr>
<td>Performance consistently exceeds expectations and requirements. Requires some direction and follow through on implementation. Develops ideas for improvement.</td>
<td></td>
</tr>
<tr>
<td>GOOD</td>
<td>3 - 3.5</td>
</tr>
<tr>
<td>Represents good solid performance that fully and completely meets expectations. Employee requires an average amount of assistance and supervision in achieving this performance.</td>
<td></td>
</tr>
<tr>
<td>IMPROVEMENT NEEDED</td>
<td>2 - 2.9</td>
</tr>
<tr>
<td>Performance is inconsistent and often falls below expectations. Employee requires greater than an average amount of assistance/supervision. With close supervision and cooperation, employee can potentially meet expectations.</td>
<td></td>
</tr>
<tr>
<td>UNSATISFACTORY</td>
<td>1 - 1.9</td>
</tr>
<tr>
<td>Consistently fails to meet expectations and requirements. Requires intensive direction and supervision. Employee’s performance is in need of immediate corrective action to continue employment.</td>
<td></td>
</tr>
<tr>
<td>NOT APPLICABLE</td>
<td>N/A</td>
</tr>
<tr>
<td>The review category is not applicable to the person being reviewed.</td>
<td></td>
</tr>
</tbody>
</table>

1 **VISIBILITY** - Clarity of Responsibilities / Visibility of Issues
Consider whether employee is clear about responsibilities, his/her supervisor's expectations, goals for the month/quarter/year, the contribution of work to the overall performance of the company. Indicate whether employee has the practical and technical knowledge required to perform the job and, if not, what types of training the employee requires. Consider whether employee is communicating his/her results, such as informing supervisor & other relevant parties of both successful and unsuccessful activities.

2 **VELOCITY** - On-Time Delivery of Results
Consider the speed at which tasks, decisions, projects are acted upon and completed. Consider also how well employee communicates needs to the Supervisor and to other organizations and gains their timely support in completing the task. Consider how quickly and efficiently employee responds to others when they place demands on him/her and how well cycle time is managed.

3 **VALUE** - Quality of Results
Consider how employee’s job adds value to the team and the company. Consider in what ways has employee developed a new idea that would improve upon the way he/she completes his/her own job or someone else’s, or how s/he manages things more efficient or cost effective. In addition, evaluate how tenacious employee is about doing a task or tackling a problem and how hardworking employer is in general.

4 **ORGANIZATIONAL DEVELOPMENT** (Complete for Supervisors and above)
Consider how well supervisor has developed his/her organization, built depth and breadth of skills, hired and retained the best talent. Consider how well supervisor has monitored and managed those managers needing improvement.

5 **LEADERSHIP** (Complete for Supervisors and above)
Consider how technically competent this supervisor is. To what extent does this supervisor set a good example for how s/he deals with other organizations in the company. To what extent is s/he trusted by management and by subordinates.